REGISTRATION DOCUMENT

2017 Annual Financial Report

The elements of the Annual Financial Report are identified in the table of contents using the symbol ●

With a multi-format network of 12,300 stores in over 30 countries, the Carrefour group is one of the world's leading food retailers.

Carrefour serves 105 million customer households worldwide and posted gross sales of €88.24 billion in 2017.

The Group has nearly 380,000 employees who contribute every day to making Carrefour the world leader in the food transition for all.

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

This Registration Document was filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on April 26, 2018, in accordance with Article 212-13 of the AMF General Regulation. It may be used to endorse a financial transaction in conjunction with a prospectus certified by the AMF. This document has been established by the Issuer and is binding on its signatories.

CARREFOUR 2022

BECOME THE WORLD LEADER IN THE FOOD TRANSITION FOR ALL

DEPLOY
A **SIMPLIFIED**
AND **OPEN**
ORGANISATION

ACHIEVE
PRODUCTIVITY AND
COMPETITIVENESS
GAINS

CREATE
AN **OMNI-CHANNEL**
UNIVERSE
OF REFERENCE

OVERHAUL
THE **OFFER**
TO PROMOTE
FOOD QUALITY

“Carrefour has set a strong, universal ambition: to become the world leader in the food transition for all.”

Alexandre Bompard
Chairman and Chief Executive Officer

The Carrefour group is a global food retailer and an extraordinarily powerful company, with an unparalleled asset portfolio, nearly 380,000 employees with outstanding expertise in more than 300 professions, global leadership in food and a universally recognised brand. Every year, 105 million customer households visit our banners and four billion transactions are recorded in France and abroad, in more than 12,300 stores and websites.

Overall, 2017 was a challenging year for Carrefour, with a slowdown in consolidated like for-like sales growth to 1.6%, for a total of €78,897 million excluding VAT, a 14.7% decline in recurring operating income at current exchange rates, to €2 billion, and an attributable net loss of €531 million, primarily due to non-recurring expenses.

2017 was also a year of transition in our corporate governance. The new management team introduced in early 2018 “Carrefour 2022”, an ambitious transformation plan now rolled out in all of the Group’s geographies.

The plan will begin delivering its benefits, in particular through the deployment of a simplified, more open organisation and via an initial wave of cost savings and investments to increase productivity and competitiveness. As a key to driving our future success, we will create a leading omni-channel universe for our customers by investing in growth formats and digital capabilities to become the leader in food e-commerce and in the Carrefour brand. Lastly, the Group is going to revamp its offering to enhance food quality, so as to provide everyone – every day and everywhere – with quality, healthy food at a reasonable price.

Carrefour spearheaded one of the main battles of the 20th century: consumption democratisation. It now needs to be at the forefront of one of the major challenges of the 21st century, at the crossroads of economic, social, health and environmental issues. The Group has set a strong, universal ambition: to enable customers to consume better, by becoming the world leader in the food transition for all. This ambition embodies the Group’s commitment to serving consumers – an ambition that will enable Carrefour to create value over the long term and attract new customers, while also sustainably consolidating its positions.

1

PRESENTATION OF THE CARREFOUR GROUP

1.1 Strategy of the Carrefour group

1.1.1 Major changes

The food retail industry is facing the effects of three major changes.

The first major change is the **transformation of the competitive landscape**. Innovation has given rise to global platforms that offer almost everything in just a few clicks, highly specialised retailers that define and dominate certain product categories, startups that are making things easier for consumers every day, and new alliances that are reshaping the market.

The second major change is the **shift in customer expectations**. Customers have always wanted things to be better, faster and cheaper. However, this trend is now gathering speed because of the development of new technologies and new distribution channels. Customer loyalty to a particular brand is no longer automatic, the customer path is less linear and more fragmented.

The third major change concerns **food and eating behaviours**. Consumers will no longer tolerate uncertainty about the quality of the food they eat, and this intolerance will increase over time. They are demanding more information, transparency and quality along the entire food chain.

The Carrefour group therefore needs to achieve an in-depth transformation so that the strength, quantity and diversity of its assets can reveal their true value.

1.1.2 A renewed ambition

"Carrefour spearheaded one of the main battles of the 20th century: consumption democratisation. It now needs to be at the forefront of one of the major challenges of the 21st century, at the crossroads of economic, social, health and environmental issues: become the world leader of the food transition for all, by offering consumers – every day and everywhere – quality, healthy food at a reasonable price.

To return to a conquering dynamic, we must revamp our model by simplifying our organisation, opening ourselves up to partnerships, improving our operational efficiency, investing in our growth formats, building an efficient omni-channel model and developing our fresh and organic products offering, notably under the Carrefour brand. This is the meaning of the 'Carrefour 2022' transformation plan, which the Group and its teams will implement with ambition and determination."

Alexandre Bompard, Chairman and Chief Executive Officer, January 23, 2018.

Carrefour recognises that the agricultural production model is challenged by the decreasing yield from farmland, rising pollution, farmers finding it difficult to make a living from their work, etc. Consumers are also aware of the issue; they have never been so concerned about their diet. Despite being told that they have never eaten better, they are more concerned than ever. They are better informed and have more choices than ever before, and yet they feel they no longer know what they are eating. As a result, they are taking a renewed interest in the products they buy. They want easy access to information and clearly defined quality standards. Food is not like other products; its value is much higher than its price.

Carrefour is therefore faced with structural changes in production and consumption that are driving an urgent need to overhaul the Group's business model.

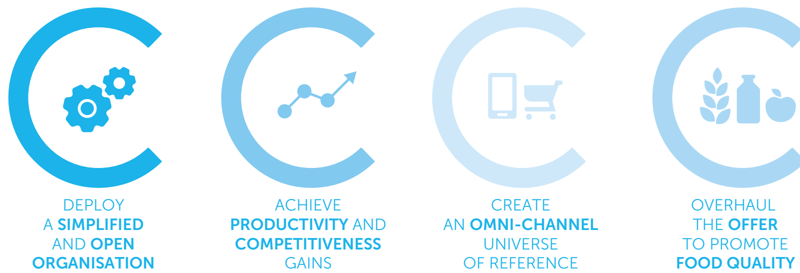
Carrefour has set itself a universal ambition: to help its customers consume better, by becoming the world leader in the food transition for all.

To help achieve this ambition, the Group will be creating an **Advisory Food Committee** made up of leading experts.

With its network density, daily proximity to millions of customers, services, affordable prices and broad selection of food products, Carrefour has the means to successfully implement this transition in all the regions in which it operates.

1.1.3 “Carrefour 2022” transformation plan

To revitalise its growth, the Group is undertaking an in-depth transformation by launching the **“Carrefour 2022”** plan, based on four key pillars.

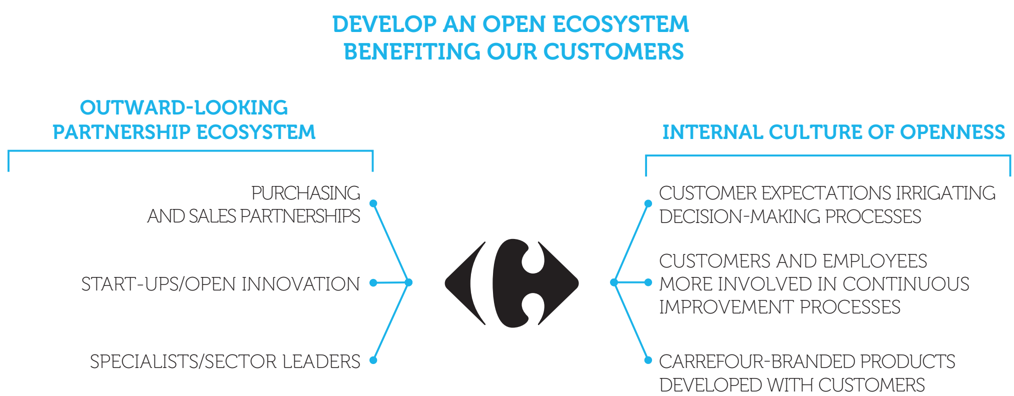


1.1.3.1 Deploy a simplified and open organisation

To capitalise on its strengths, Carrefour needs to streamline its organisation and become more open.

More open to customers and outside partners

The “Carrefour 2022” transformation plan will lead to the adoption of a customer-centric organisation that better reflects customer needs and expectations. All the measures set out in the transformation plan will contribute to it.



Carrefour intends to structure its organisation more closely around partnerships in order to take advantage of innovations and best practices and capitalise on the experience of creative start-ups and the power of sector leaders, such as the agreement signed with **Fnac Darty** in consumer electronics and the partnership with **Showroomprivé** in online private sales.

The potential acquisition of a stake in Carrefour China by **Tencent**, the global technology leader, and **Yonghui**, a retailer specialised in fresh food and small formats in China, as well as the signature of a strategic partnership with Tencent pave the way for great opportunities for Carrefour in the country, notably in food e-commerce.

A simplified organisation, by reducing the weight and complexity of headquarters

To enhance operating efficiency and increase responsiveness, Carrefour is streamlining its head offices in all of its countries.

The Group’s headquarters in the Greater Paris region will be regrouped, which will involve the closure of the corporate head office in Boulogne and the abandonment of the project to build a new 30,000 sq.m. headquarters in the *département* of Essonne.

A strictly voluntary redundancy plan is offered to 2,400 employees at the head office in France, out of a total workforce of 10,500.

1.1.3.2 Achieve productivity and competitiveness gains

Carrefour needs to create headroom to improve its efficiency and competitiveness in the interest of serving its customers. This implies a significant reduction in its cost base and a more effective investment policy focused on its growth drivers.

A powerful cost reduction plan of 2 billion euros on a full-year basis by 2020

SYSTEMATIC COST DISCIPLINE
Continuous **productivity** improvement

Direct purchasing	Purchasing pooling Assortment rationalisation (~-10%)
Indirect purchasing	Contract pooling (Group) Systematic renegotiations Increased controls on spending
Supply chain	Operational efficiency
Overhead costs	Organisation simplification

TOTAL SAVINGS
(as of 2020, on a full-year basis)
€2.0bn

INCREASED COST DISCIPLINE WILL ENABLE CARREFOUR TO INVEST IN ITS **PRICE COMPETITIVENESS**

The cost reduction plan focuses on four main areas:

- the optimisation of **direct purchasing**: revamp of the product offering by reducing assortment size by more than 10% and pooling of purchasing to take advantage of the Group's presence in more than 30 countries;
- the rationalisation of **indirect purchasing**: strict management of expenditure and specifications and policy of systematic renegotiation of historical contracts by dedicated teams across the Group;
- the reduction of **logistics costs**: greater focus on the operational efficiency of the supply chain;
- the reduction of **structural costs:** simplification of headquarters organisations.

The first three areas will represent the vast majority of the 2 billion-euro annual savings target for 2020.

Plan to reduce the number of ex-Dia stores by 273

Certain ex-Dia stores are experiencing great difficulties because they are not adapted to their catchment area since their conversion to Carrefour banners, reason why the Group plans to divest 273 ex-Dia stores. A search for buyers was launched store by store and, in the absence of buyers, these stores will be closed. The company is committed to engaging in constructive, quality social dialogue and will systematically give preference to alternative job offers within the Group for the concerned employees.

More efficient, targeted investments

The "Carrefour 2022" plan provides for annual investments of **2 billion euros starting in 2018**. These investments are rightsized to maintain the Group's assets and implement its transformation ambitions.

Investment projects will from now on be chosen with greater selectivity and implemented with efficient processes.

Investments dedicated to the Group's growth drivers will increase significantly. This means **a significant increase in IT, digital and supply-chain investments** aimed at creating an omni-channel food offering through the automation of order preparation platforms.

Finally, in terms of real estate strategy, Carrefour will dispose of **500 million euros of non-strategic assets** over the next three years.

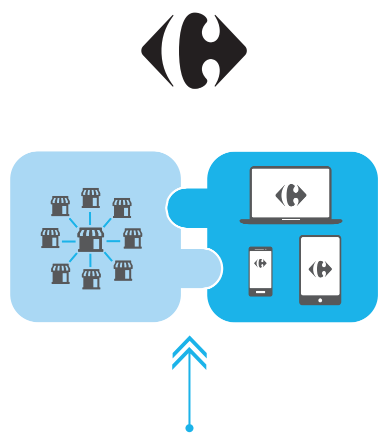
Efficiency in support of price competitiveness

The strict cost control and resource allocation discipline, which will be maintained over the long-term, aims to provide leeway notably to invest in commercial competitiveness, a priority for the Group.

1.1.3.3 Create an omni-channel universe of reference

For continued growth, Carrefour must meet the expectations of its customers by creating a unique Carrefour universe, both online and in physical stores, taking advantage of its channels to guarantee, at any time and in any place, the best offer for every recognised and loyal customer. To do this, the Group will capitalise on the density of its store network, which will be increased, and the strength of the Carrefour brand.

AN OMNI-CHANNEL UNIVERSE



STRENGTHEN STORES

- A refocused, powerful and **reinforced hypermarket**
- More services and a **densified network** of supermarkets, convenience stores and cash & carry

BECOME THE LEADER IN FOOD E-COMMERCE

- A **single** efficient e-commerce entry point
- A range of unique **digital services** leveraging optimised logistics assets

ACTIVATE STRONG LOYALTY LEVERS

- Power of the **Carrefour brand**
- Customer knowledge and customisation through **data**

Revitalise hypermarkets, with a focus on the fundamentals

The hypermarket format must be a strength and must be perfectly operated. To improve the efficiency of this format, the company will:

- **adapt the sales area of hypermarkets** to their catchment area; hypermarkets in France will have their sales area reduced, when necessary, by a total of at least 100,000 sq.m by 2020;
- **seek purchasing and selling alliances** to improve the non-food offering;
- **invest in price competitiveness;**
- **strengthen the operational efficiency of stores**, by adopting best practices in merchandise flows, inventory management and shrinkage;
- **adapt the hypermarket network** when it is strictly necessary, transferring five hypermarkets to lease management contracts.

Accelerate investments in growth formats

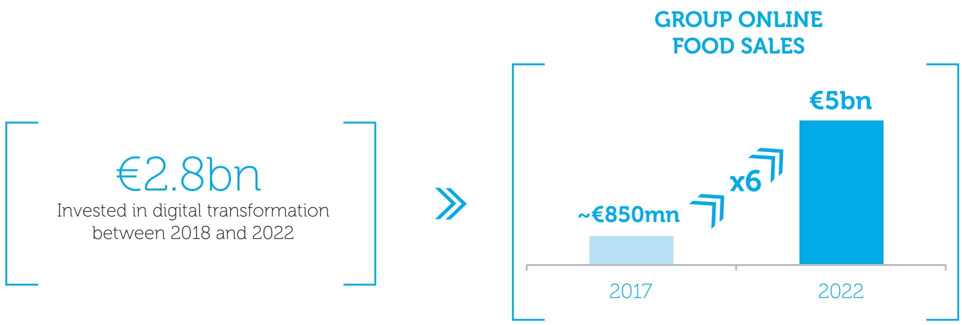
Supermarkets and convenience stores are growth formats for the Group. Carrefour will be on the offensive in this segment and will open at least 2,000 convenience stores in the next five years, with a growing presence in major European cities.

Each of these formats will be active participants in the deployment of the Group's omni-channel universe by acting as a preparation or delivery centre and a pick-up and return point for customers.

The Group also wants to accelerate the deployment of the **cash & carry** format:

- Carrefour will open 20 Atacadão stores per year in **Brazil**;
- in **Argentina**, Carrefour has announced that it is investing in the Maxi banner, launching the conversion of 16 hypermarkets in 2018;
- the adaptation of these formats in **Europe** will be continued, with the accelerated roll-out of Promocash in **France** and continued experimentation in other countries.

A target of 5 billion euros in food e-commerce sales by 2022



Carrefour's ambition is to become the leader in food e-commerce, with 5 billion euros in sales for the Group by 2022. The Group will step up its e-commerce offering in all countries, giving priority to the model that is best suited to the local geography. To achieve this objective, Carrefour will leverage its physical network to offer to its customers a reliable, extensive omni-channel service. The Group will invest 2.8 billion euros over five years (operating and capital expenditure), or six times more than current investments, to reach a new level in digital and omni-channel service.

Strengthening and widening the service offering

Carrefour will rely on its physical network to offer its customers a reliable and extensive omni-channel service:

- **Home delivery**: All the delivery solutions offered by Carrefour will see their reliability enhanced and be generalised. In France, home delivery will be extended to 26 cities by 2018, and 1-hour express delivery will be deployed in 15 cities in 2018;
- **Drive**: Carrefour must improve service quality and extend its Drive offering. As of 2018, 170 new Drive locations will be opened in France and the overall quality of service will be improved, notably thanks to the deployment of automated logistics solutions (partly-automated warehouse);
- **Click & Collect**: Click & Collect will be expanded to more than half of the stores by 2019.

Last-mile delivery handling will be considerably enhanced and accelerated in France through the partnership Carrefour has announced with Stuart, a subsidiary of the La Poste Group.

A single e-commerce website for France: *carrefour.fr*

The power of the Carrefour brand must be fully exploited to serve the ambition to create a leading omni-channel food offering in the 33 countries in which the Group is present. In France, to strengthen its digital identity, in 2018 the Group will launch a single website, *carrefour.fr*, which will include all its generalist shopping offerings. This single website approach will be rolled out in all geographies.

To successfully implement the transformation of its e-commerce offering, Carrefour has entered into a partnership with Sapient, a leading technology player in the Publicis Group.

An omni-channel loyalty programme centred around a strong brand

The Carrefour brand is a key asset in providing customers with a powerful omni-channel loyalty programme. The Group is therefore going to review its various programmes so that each customer can benefit from loyalty advantages in all its formats.

Carrefour also intends to improve its understanding of customers through better use of the data available. The aim is to give the 105 million customer households worldwide a unique, personalised experience and a better-targeted offering on all of its channels.

1.1.3.4 Overhaul the offer to promote food quality

Carrefour's ambition is to offer all consumers – every day and everywhere – quality, healthy food at a reasonable price. To become the leader in food quality for all, Carrefour will act proactively in respect of three main objectives.

Become the first choice for fresh food

Carrefour is setting an ambitious target for traditional fresh food in every country with, in France, one million additional consumers by 2022.

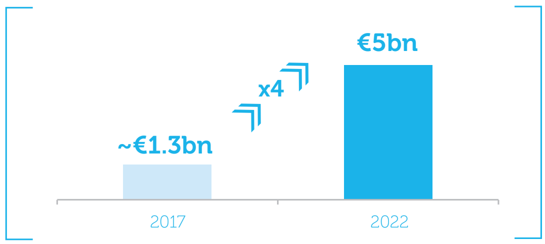
To achieve this target, Carrefour is implementing a support plan for the upstream part of the agri-business sector, for the benefit of the consumer. The plan provides for:

- Carrefour Quality Lines to represent 20% of sourcing by 2020 in France;
- the launch of an agroecology plan in 2018;
- promotion of local products, by ensuring their predominance in certain areas;
- doubling the number of employees trained in fresh food in France in 2018;
- generalisation of blockchain technology to improve product traceability starting in 2018.

Take the lead in broadening access to organic products

Carrefour is positioning itself as the leader in the democratisation of organic products and aims to increase its sales in this segment to 5 billion euros by 2022 from 1.3 billion euros currently. In order to provide financial and sustainable support for the conversion by farmers to organic farming, Carrefour has launched a partnership with WWF® with the creation of specific WWF® labelling. The Carrefour Foundation will also finance organic farming projects.

GROUP ORGANIC PRODUCT SALES



To increase the accessibility of organic products, Carrefour will expand sales areas dedicated to organic products in its stores and increase its range of organic products. The Group is also strengthening its online organic offering by accelerating the development of its specialised Greenweez banner.

Carrefour will use its pricing, promotion and loyalty policies to encourage the democratisation of organic products. To better inform its customers, the Group is launching a campaign to raise awareness in its stores and on its websites.

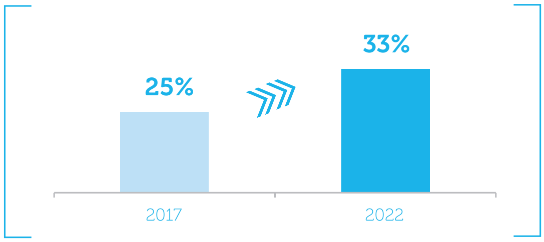
Use Carrefour products to spearhead the promotion of food quality for all

Carrefour-branded products will play a key role in achieving the Group's ambition in terms of food quality, in particular through a wider range and greater price attractiveness. The Group intends for its own-brand products to generate one third of sales by 2022. This is one of the priorities of the company's strategy, which justifies the redoubling of initiatives to create original and very qualitative Carrefour-branded products, covering both ingredients and recipes.

Carrefour is thus making a profound change by launching a new quality policy that notably involves the standardisation of controls and the rapid elimination of controversial substances. The Group will also reduce private label packaging by 5% by 2020.

Co-construction with customers is a strong development pillar supporting the company's private labels, as is strengthened traceability of the products they include.

SHARE OF CARREFOUR PRODUCTS
(as a percentage of Group sales)



1.1.3.5 Financial policy

With "Carrefour 2022", the Group is launching a profound transformation plan aiming at profitable and sustainable growth. Carrefour's growth will be fuelled by its leadership in the food sector, as well as the development of a leading and price-competitive omni-channel offering.

As of 2018, the Group is launching a powerful efficiency plan aimed at generating 2 billion euros in full-year cost savings by 2020. In addition, in order to improve its free cash flow generation, Carrefour will actively manage its working capital requirement, notably through the optimisation of inventory levels, as well as more efficient investments. Investments will be stepped up for the Group's strategic priorities and should represent 2 billion euros per year as of 2018.

Finally, Carrefour's objective is to maintain a solid financial structure. The Group wishes to maintain its dividend policy, with a payout ratio of between 45% and 50% of adjusted net income, Group share.

1.2 History of the Carrefour group

1959

The *Carrefour Supermarchés* company was created following a meeting between Marcel Fournier, owner of a novelty shop in Annecy, and the Badin-Defforey business, a grocery wholesaler in Lagnieu.

1960

Both from an entrepreneurial background, they hit upon a new idea: self-service, French-style, which they tried out in a 200-sq.m. store before opening an 850-sq.m. supermarket at the crossroads of Avenue Parmelan and Avenue André Theuriet in Annecy.

1963

France's first hypermarket was opened at Sainte-Geneviève-des-Bois, in the Paris region. The first of its kind, this 2,500 sq.m. self-service hypermarket offered a vast choice of products at low prices and had 400 free parking spaces.

1966

The Carrefour logo was created to mark the opening of the hypermarket in Vénissieux, near Lyon. It depicted the first letter of the word Carrefour placed in the middle of a diamond with the left half coloured red and the right half coloured blue, with black lines above and below. The black lines soon disappeared, leaving the C less visible, almost subliminal.

1970

To finance its growth, Carrefour was listed on the Paris Stock Exchange, a first for the retail sector.

1973

Carrefour expanded internationally and explored new markets, opening its first stores in Spain under the Pryca banner, followed by Brazil in 1975.

1976

To offer its customers more affordable products, Carrefour reinvented its business and started to sell its own products. This was the beginning of *produits libres* (unbranded products) in plain packaging that would go on to revolutionise the consumer products business.

1981

Carrefour created the PASS card, a credit card and customer loyalty card rolled into one, which was an immediate success. Just three years after its launch, 200,000 customers had PASS cards and had used them for more than four million transactions.

1982

Changes in legislation and new consumer habits encouraged international development, which led to store openings in Argentina and then, in 1989, in Taiwan.

1992

Carrefour developed a new relationship with the agricultural industry by creating a completely new type of partnership, "Carrefour Quality Lines". The same year, Carrefour ushered in the era of organic products in retail with its *Boule Bio* organic bread.

1993

The Group inaugurated its first stores in Italy and then, in 1995, in China.

1996

The first partnerships with Food Banks were set up to redistribute food approaching its use-by date to those in need.

1997

Carrefour continued to expand internationally, opening its first stores in Poland. At the same time, the Group created its "Reflets de France" brand for products based on traditional French recipes.

1998

As the 1990s drew to a close, the Group underwent significant change and brought together various banners. After signing an agreement in 1997 with Guyenne & Gascogne, Coop Atlantique and the Chareton group, Carrefour purchased Comptoirs Modernes in October 1998, acquiring more than 700 stores operating under the Stoc, Comod and Marché Plus banners.

1999

On August 30, Carrefour submitted a friendly tender offer for the shares of Promodès, a company founded in 1961 by two Normandy families with a background in wholesale trade, the Duval-Lemonniers and the Halleys. The merger between Carrefour and Promodès, authorised by the European Commission in 2000, resulted in the creation of the world's second-largest retailer. The new Carrefour employed 240,000 people and had more than 9,000 stores throughout the world.

2000

In response to changing consumer habits, Carrefour launched the online supermarket Ooshop, which offered a range of 6,000 products, including more than one thousand fresh food items. It also pursued its international expansion by opening its first store in Romania in 2001.

2005

The Group strengthened its presence in many countries in the 2000s, either through controlled expansion or targeted acquisitions, including France and Romania (Hyparlo, Artima, Penny Market), Belgium (GB), Poland (Ahold), Italy (GS), Brazil (Atacadão), Argentina (Norte) and Spain (Plus).

2008

Carrefour initiated a major renovation programme in its stores, converting its Champion supermarkets, for example, to the Carrefour Market banner.
In record time, the 1,000 French stores were rebranded to offer a wider range of products and services, a simplified customer path through the aisles, and the benefits of the Carrefour programme.

2010

The Group continued its expansion of the Carrefour banners, in Brazil, for example, with the opening of 11 Atacadão stores during the year and in China, by opening 22 hypermarkets and acquiring eight stores as part of a partnership with Baolongcang, one of the major hypermarket chains in the Hebei region in eastern China.

2012

The Group refocused its activities. As a result, partnerships in Indonesia, Turkey and the Middle East were reorganised. The Group also consolidated Guyenne & Gascogne following the success of a tender offer in France and acquired Eki stores in Argentina.

2013

Carrefour joined forces with the CFAO group, establishing a joint company to develop various formats of Carrefour stores in West and Central Africa. The same year, the Group launched an asset modernisation programme. During the programme's first year, 49 hypermarkets and 83 supermarkets were renovated and remodelled in France.

2014

To gain more control over its ecosystem, Carrefour created Carmila, a company dedicated to revitalising the shopping centres adjacent to its hypermarkets in France, Spain and Italy. The year was also shaped by the acquisition of the Dia network and the integration of 128 Coop Alsace stores in France, the acquisition of 53 Billa supermarkets and 17 Il Centro stores in Italy and the sale of a 10% stake in its Brazilian subsidiary to Península, designed to strengthen the Group's local roots in Brazil.

2016

Carrefour continued to expand its network, with the development of its convenience banners and the acquisition of Billa supermarkets in Romania and Eroski stores in Spain. In addition, the Group proceeded to the acquisition of Rue du Commerce and Greenweez in France and the launch of new e-commerce operations in China, Poland, Argentina and Brazil.

For information about 2017, go to section 1.4

1.3 Description of the Group's business

1.3.1 Geographic footprint

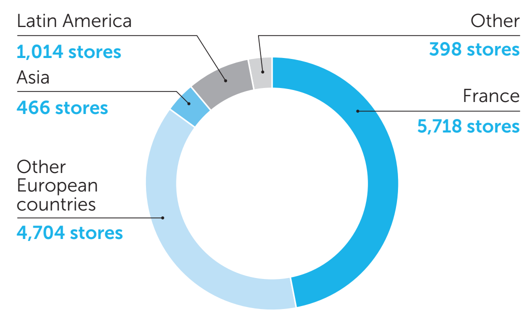
Carrefour is currently present in mainland France and its overseas territories (47% of the store network), other European countries (38%), Latin America (8%), Asia (4%), and other regions such as Africa, the Middle East and the Dominican Republic (3%). To maintain this presence, the Group operates a network of consolidated and franchised stores, and stores managed with local partners.

In every country and region, Carrefour banners provide a convenient offering, selected on the basis of a close reading of customer aspirations, needs, tastes and purchasing patterns.

This process is facilitated by the Group's active contribution to the vitality and development of its host communities, by partnering with regional producers, creating jobs and taking part in economic, environmental, social and solidarity projects, in partnership with local stakeholders. Carrefour is a multi-local retailer. Its stores are locally rooted, responsive and attentive to their customers, with the support, logistics and leverage of an international retailing group.

Carrefour has three operational models for its stores: integrated, franchised and through partnerships. Alongside its directly operated stores, Carrefour operates a network of franchised stores.

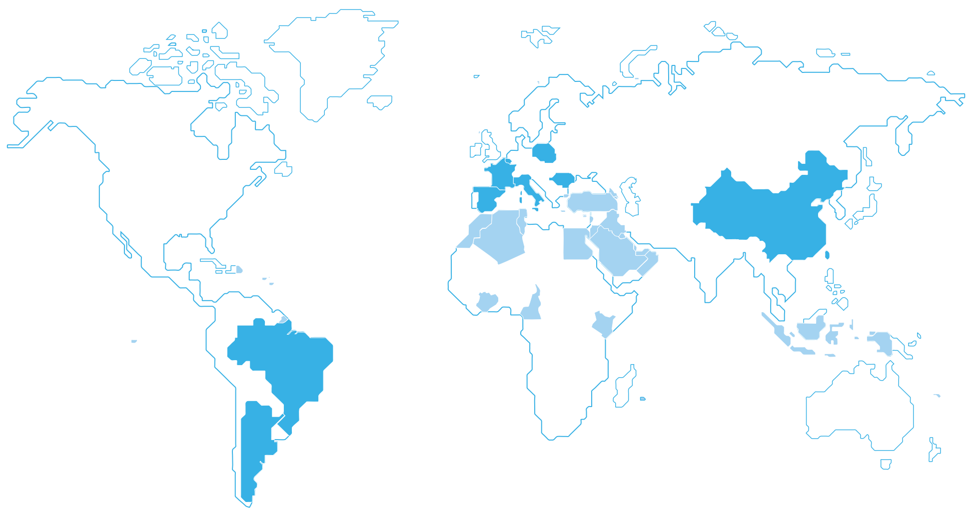
The franchise model is based on specific capabilities and franchisees that have demonstrated outstanding retailing expertise. In some regions of the world, Carrefour privileges partnerships with professionals who have deep roots in their communities. This model combines the strength of Carrefour's multi-format model with its partners' granular, in-depth knowledge of local markets.



Store network by region

GEOGRAPHIC FOOTPRINT AT DECEMBER 31, 2017

Carrefour group **12,300 stores around the world**	France* **5,571** stores	Belgium **786** stores	Poland **896** stores	Romania **323** stores	China **259** stores



Argentina **605** stores	Brazil **409** stores	Spain **993** stores	Italy **1,068** stores	Taiwan **114** stores	Other **1,276** stores

Integrated countries/regions   Franchised countries/regions

* Mainland France

1.3.2 Store and website operations

Depending on his or her desires or requirements at any given moment, each customer can shop and interface in a variety of retail formats and channels, while systematically enjoying the same guarantees, commitment and service. This is the vision of the omni-channel model that Carrefour aims to deploy in its different countries, starting with the basics of the retailing business and the expectations of each customer, so that they can purchase not only food, but also consumer goods, travel services, insurance, etc.

Worldwide, the Group's stores therefore offer a variety of formats and channels, including hypermarkets with a general product offering at the best possible price, inviting customers to explore new horizons; supermarkets, the leading food format with a broad range of fresh products; convenience stores for service and practicality; cash & carry stores for trade customers and bulk purchases; and e-commerce to satisfy new consumer habits.

Carrefour has all the capabilities necessary to cater to the diversity of needs of its customers, whether businesses or individual customers, in town or country, in France and abroad.

As core building blocks of the Carrefour model, operational efficiency and customer satisfaction are the focus of every employee's attention at every level and in every job, whether store manager, department manager, cashier, specialised salesperson, butcher or baker. To this end, Carrefour hires and trains seasoned professionals in the retail and distribution trades.

Hyper-markets	**1,376** hypermarkets From **20,000** to **80,000** SKUs* An average area of **7,345 sq.m.**
Super-markets	**3,243** supermarkets Around **20,000** SKUs* An average area of **1,319 sq.m.**
Convenience stores	**7,327** convenience stores Around **6,500** SKUs* Areas ranging from **60 to 900 sq.m.**
Cash&carry stores	**354** cash & carry stores Around **8,000** SKUs* An average area of **4,121 sq.m.**

E-commerce

100% of the integrated countries have an online offer

636 Drive in France

* Stock-keeping units

STORE NETWORK (INCLUDING FRANCHISEES AND PARTNERS)*

Store network at Dec. 31, 2017	Hypermarkets	Supermarkets	Convenience Stores	Cash & carry stores	Total number of stores 2017	Total number of stores 2016	Total sales area *(in thousands of sq.m.)* 2017	Total sales area *(in thousands of sq.m.)* 2016
France	233	1,031	4,166	141	5,571	5,558	5,627	5,585
French overseas territories and Dominican Republic	14	29	101	3	147	112	137	134
Total France	247	1,060	4,267	144	5,718	5,670	5,764	5,719
Belgium	45	445	296		786	772	947	936
Spain	203	119	654	17	993	849	2,016	1,820
Italy	54	407	591	16	1,068	1,068	963	984
Poland	89	151	656		896	886	682	673
Romania	33	228	53	9	323	298	433	411
Other	36	406	196		638	668	558	624
Total Other European countries	460	1,756	2,446	42	4,704	4,541	5,599	5,449
Argentina	90	106	402	7	605	603	670	669
Brazil	103	41	119	146	409	349	1,738	1,666
Total Latin America	193	147	521	153	1,014	952	2,408	2,335
China	220		39		259	254	1,772	1,804
Taiwan	64	50			114	94	450	440
Other	81	8	2	2	93	93	514	514
Total Asia	365	58	41	2	466	441	2,736	2,758
Other	111	222	52	13	398	331	1,111	920
Total Other	111	222	52	13	398	331	1,111	920
TOTAL GROUP	1,376	3,243	7,327	354	12,300	11,935	17,618	17,181

* *Atacadão and Supeco stores in Brazil, Carrefour Maxi in Argentina and Supeco in Europe are classified as cash & carry stores.*

1.3.3 Products and services

Products are the heart of Carrefour's business. The offering is typical of a general retailer that sells a wide range of consumer goods and services at affordable prices, for the well-being of every shopper. Its success depends on the assortment's alignment with demand, the synergies between the product and service offerings, the judicious use of digital technologies, the clear and logical positioning of merchandise in stores, compelling prices and promotions, the right purchasing terms and conditions, and fast stock rotation.

To cater to the needs of customers around the globe, Carrefour is constantly enhancing its merchandise offering, with a variety of fresh produce, locally sourced products, fast-moving consumer goods, essential non-food products, the latest innovations and convenient services.

Fresh produce and local products

As a major draw for customers, fresh food demands all of the care and expertise of employees. Carrefour offers a broad range of high-quality fresh products in environments that are carefully designed to deliver an enjoyable shopping experience, with well-stocked stalls, easy-to-reach items, and regional products. Around the world, Carrefour is also developing local, eco-friendly supply channels, supported by long-standing partnerships with farmers, breeders, and producers.

National-brand and private label products

In addition to their best-selling national-brand products, the Group offers a wide variety of own-brand food products.

Carrefour private label products will play a key role in achieving the Group's food quality objective, in particular through a wider range and greater price appeal. This is one of the priorities of Carrefour's strategy, which is why the Group intends to multiply its efforts to create private label products that are original and of high quality, in terms of both the ingredients used and the recipes.

The Reflets de France brand, for example, promotes traditional products that reflect France's culinary heritage. It currently spans more than 610 product listings marketed in 45 countries.

In this way, the Group banners are driving innovation and responding to the perceived needs of their shoppers. In 1992, for example, Carrefour was the first mass-retailer to sell an organic product and is now the leading organic grocer in France with a 21.4% market share[1].

Quality and safety

Carrefour is fully committed to ensuring quality and food safety at every stage. Upstream, for example, Carrefour teams certify and support suppliers based on strict compliance with product specifications and health standards. Through the supply chain, goods are subject to a number of inspections and controls, with special attention paid to fresh products. Downstream, the stores check the quality of their merchandise every day and are themselves subject to a rigorous analysis and audit process.

This constant vigilance supports a commitment to transparency in the form of highly visible, easy-to-understand product information. Carrefour encourages the development of new products and new supply channels that deliver significant benefits to customers or the environment. Carrefour is also introducing innovative practices to offer agroecological farm products and non-GMO or antibiotic-free meat.

Relations with suppliers and SMEs

By the nature of its business, Carrefour nurtures close relationships with a multitude of stakeholders, including customers, suppliers, employees, communities, investors, universities, trade associations and governments. These relationships are forged every day in a climate of trust. As part of this process, Carrefour has deployed a programme to strengthen its partnerships with suppliers, support their growth and contribute to improving working conditions in countries where special vigilance is needed.

Retail services and financial services

From financing to leisure and from over-the-counter drugstore products to petrol, Carrefour services are available in shopping malls and store car parks to meet customer needs with the same commitment to quality products and services at the best price.

While varying by country and local practices, Carrefour services help customers to optimise their shopping time and budgets by enabling them to book a trip or theatre tickets, rent a car, print photos, buy eyeglasses, get their laundry dry-cleaned or benefit from concierge services. In each country, Carrefour is continuing to improve existing services and developing new solutions to support customer mobility.

All of the Group's integrated countries now offer customers financial services that cover a wide range of credit and savings products. These affordable, high-quality products are designed to help customers carry out their projects and meet their needs on a day-to-day basis.

These services include financing solutions and products that relate to the stores' operations (consumer credit, specific purpose credit, insurance, payment cards), as well as personal loans and savings products.

Carrefour Banque is the Group's banking subsidiary that markets banking and insurance products in France, Italy and Belgium. Today, it serves more than 2.2 million customers with exclusive services and benefits, while enabling them to save money when they shop. Carrefour Banque and Insurance also manages 2.7 billion euros in total loans outstanding and 2.4 billion euros in savings for its customers. To make their lives easier, Carrefour Banque and Insurance is also capitalising on innovation and on partnerships with recognised industry players to offer a more diverse range of products and services.

(1) Market share by value – Nielsen Homescan panel for the organic product segment in France, over a 52-week period ending December 31, 2017 (hypermarkets, supermarkets and discounters, excluding Drive).

1.3.4 Supply chain operations

In every country, Carrefour pays particular attention to its supply chain, which is a key driver of its operational efficiency.

The various logistics units, which involve more than 20,000 employees and service providers worldwide, are there to serve the Group's various store formats and customers. They lead all the operations involved in cross-functionally managing the flow of goods and information amongst all the links in the supply chain, including ordering merchandise from suppliers, receiving, storing and preparing the items in warehouses and then delivering them to point of sale and stocking them on store shelves or delivering them directly to customers.

As of end-2017, Carrefour had more than 100 warehouses in its integrated countries, operated either by service providers or employees.

1.3.5 Property management

Carrefour also enjoys extensive real estate expertise, which it leverages to enhance store appeal and realise value, with the goal of creating and operating aligned, well-managed retail environments for customers. Its ambition is to design places conducive to a warm, friendly shopping experience, while sustainably contributing to the appeal and vitality of each host city and region.

Whether the stores are located in city centres or on the outskirts, in historic shopping districts or in new neighbourhoods, this vision of retail requires solutions aligned with changing environments, lifestyles and spending habits. Capitalising on its powerful banners and proficiently managed retail formats, Carrefour is designing new generation shopping and lifestyle environments that act as sustainable sources of economic and social vitality for their host communities.

As of December 31, 2017, the Group operated 17.6 million sq.m. of sales area under its banners, with property and equipment being mainly comprised of sales areas operated by the Group. The Group's store ownership strategy depends on the country and the format.

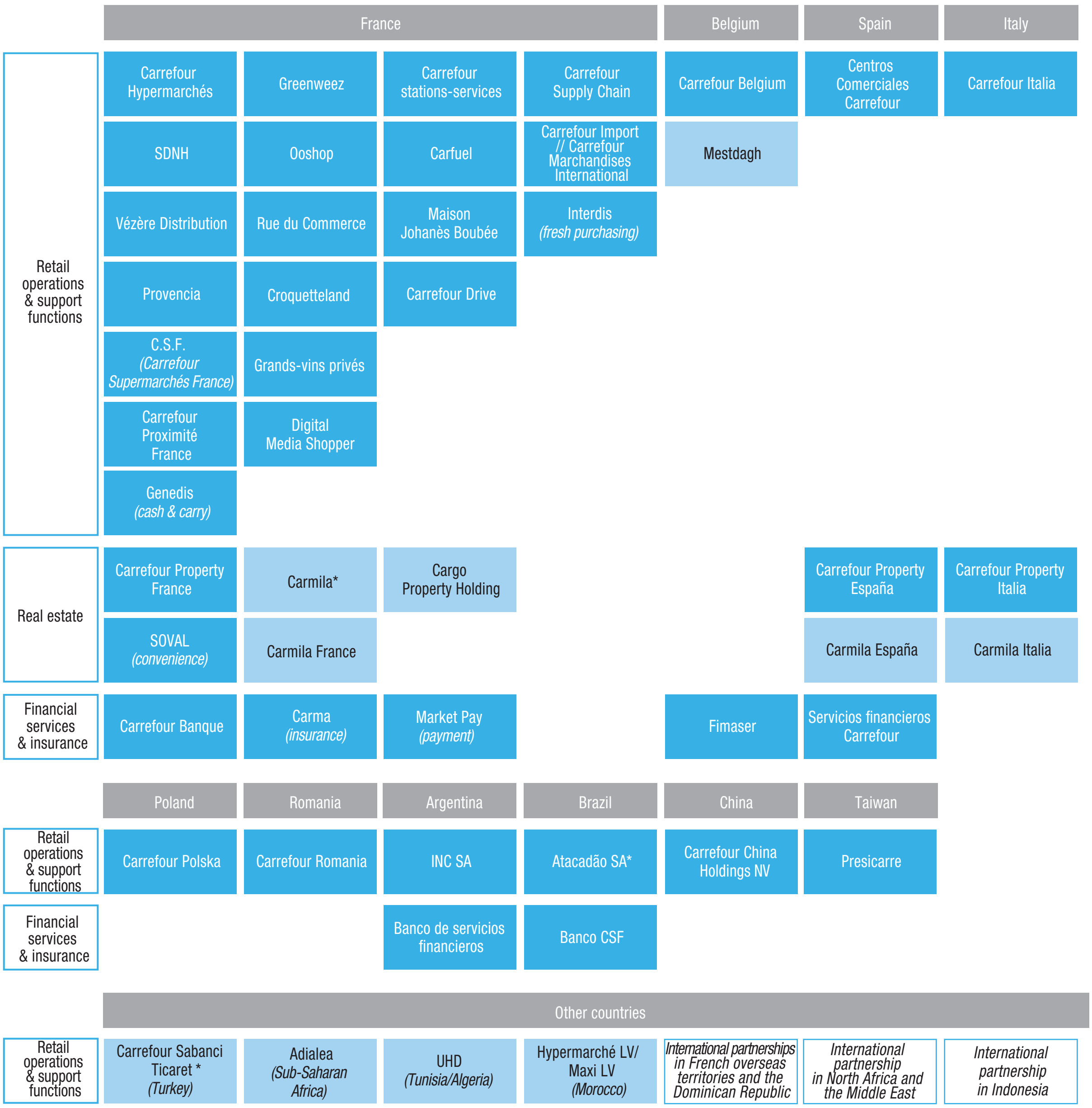
In general, the Group owns most of its outlets' total sales area, with ownership accounting for more than 65% of hypermarket sales area and around 50% for its supermarkets.

In France, Spain and Italy, hypermarket and supermarket real estate is held by **Carrefour Property**, which manages nearly 1,300 proprietary Carrefour-brand stores. The unit also has all of the real estate expertise needed to lead the Group's real estate projects, in such areas as asset management, project management and design, delegated project management and property management.

Carrefour is also bringing highly ambitious retailing environment projects to life in other countries, with the support of the **Property Division**'s commercial real estate experts in Belgium, Romania, Poland, China, Taiwan, Brazil and Argentina. In every host country, the combination of property and retailing expertise is making it possible to design and operate multi-format complexes aligned with shopper needs and aspirations, from shopping centres and retail parks to neighbourhood shopping malls.

The Group can also rely on the **Carmila** property company, specialised in enhancing the appeal of Carrefour shopping centres. Working in synergy with the hypermarkets, it deploys a local and digital cross-channel marketing strategy to improve customer satisfaction, retention and recruitment, with the help of partners in the shopping malls.

1.3.6 Simplified organisational chart



Simplified organisational chart as of December 31, 2017

50% or more owned | Less than 50%-owned | No equity stake

* Listed companies

1.4 The Carrefour group in 2017

1.4.1 Highlights of 2017

- In April, Carrefour Banque launched C-Zam, the first self-service current account that anyone can open and activate online, and which is not subject to income conditions. The new banking product has already won over more than 100,000 customers.
- In June, Carrefour signed a partnership agreement with Lafayette Plug and Play, an accelerator dedicated to retail and fashion, with the aim of uniting their expertise and strengthening open innovation in retail.
- The Board of Directors of Carrefour announced the appointment of Alexandre Bompard as the Group's Chairman and Chief Executive Officer, effective July 18, 2017. On September 22, Alexandre Bompard announced the creation of a Group Executive Committee.
- Following the merger of Cardety and Carmila on June 12, 2017, the new entity, named Carmila, successfully carried out a 628 million-euro capital increase in July 2017 in order to enhance its financial flexibility and fund its ambitious 2017-2020 development plan. The transaction resulted in the creation of the third-largest listed retail property company in continental Europe, with a portfolio of 206 shopping centres at December 31, 2017, for a total value of 5.8 billion euros. At end-December 2017, the Carrefour group held 35.7% of the capital and voting rights of Carmila.
- On July 19, 2017, the Group announced the initial public offering of Atacadão SA (Grupo Carrefour Brasil), the parent company of the Carrefour group's operations in Brazil, for a fixed price of 15 Brazilian reals per share. The breakdown of Atacadão SA's capital after the IPO is as follows: 71.80% held by the Carrefour group, 11.47% held by Península and a free float of 16.74%.
- With an online offering in all of its integrated countries, Carrefour strengthened its website operations during the year. To supplement the non-food e-commerce site launched in Brazil in 2016, in the second half of 2017, the Group launched a food e-commerce site in São Paulo, which was gradually extended to the rest of the country.
- On December 5, 2017, Carrefour and Fnac Darty announced the signature of a cooperative purchasing agreement for domestic appliances and consumer electronics in France, effective from 2018.

1.4.2 Highlights of Q1 2018

- On January 23, the Carrefour group announced its "Carrefour 2022" transformation plan and its ambition to become the world leader of the food transition for all. The plan is based on four key objectives: deploy a simplified and open organisation, increase productivity and competitiveness, create the leading omni-channel universe and overhaul the offer to promote food quality.
- Also on January 23, 2018, the Group announced the signature of a preliminary agreement for a strategic business cooperation with global technology leader Tencent including a potential investment in Carrefour China by Tencent and Yonghui, a retailer specialised in fresh food and small formats in China. This announcement opens up significant opportunities for Carrefour in China, particularly in food e-commerce.
- As part of its "Carrefour 2022" transformation plan, the Group announced on January 23, 2018:
  - A strategic partnership with Publicis.Sapient to accelerate the Group's digital transformation and assist it in its e-commerce challenges and in the deployment of a leading omni-channel universe for its customers;
  - A partnership with La Poste in France to speed up development of food and non-food home delivery services.
- On February 7, 2018, Carrefour announced that it had finalised the acquisition announced on January 11 of a strategic stake (around 17%) in Showroomprivé, Europe's second-largest online private sales operator.
- On March 6, 2018, Carrefour announced the launch of Europe's first food blockchain, an innovative system designed to guarantee consumers complete product traceability. For the first time in France, Carrefour is using this technology with its Carrefour Quality Line Auvergne poultry offering, and will extend it to eight other product lines by the end of this year.
- On March 15, 2018, Carrefour announced that it had acquired a majority stake in the start-up Quitoque, a leading meal-kit deliverer and a French pioneer in the Foodtech industry.
- On April 10, 2018, Carrefour inaugurated a new logistics platform in the northeast Paris suburb of Aulnay-sous-Bois. Developed by SEGRO and entrusted to STEF, a European specialist in cold logistics, this new cutting-edge industrial facility is intended to supply the retailer's Drive and pedestrian Drive in Paris and the greater Paris region, to expand on the services already established in the Lyon region.

1.4.3 Summary of financial and stock market performance

Consolidated key figures

(in millions of euros)	2017	2016	2015
Consolidated income statement			
Net sales	78,897	76,645	76,945
Recurring operating income before depreciation and amortisation*	3,636	3,886	3,955
Recurring operating income	2,006	2,351	2,445
Recurring operating income after net income/(loss) from equity-accounted companies	2,010	2,315	2,489
Operating income	700	1,943	2,232
Net income/(loss) from continuing operations	(363)	934	1,120
Net income/(loss) from continuing operations, Group share	(531)	786	977
Total net income	(362)	894	1,123
Net income/(loss), Group share	(531)	746	980
Consolidated statement of cash flows			
Cash flow from operating activities	2,653	2,964	2,733
Net cash from operating activities	2,843	3,305	2,818
Net cash from/(used in) investing activities	2,635	2,856	(2,136)
Net cash from/(used in) financing activities	362	0	(821)
Net change in cash and cash equivalents	288	581	(388)
Consolidated statement of financial position			
Net debt	3,743	4,531	4,546
Shareholders' equity	12,159	12,008	10,672
Shareholders' equity, Group share	10,059	10,426	9,633

* *Recurring operating income before depreciation and amortisation (including supply chain depreciation).*

Carrefour in France and around the world

Carrefour has been opening stores under its banners in France and abroad for more than 50 years. It currently operates in mainland France and its overseas territories, as well as in Europe, Asia, Latin America, Africa and the Middle East through a network of integrated and franchised stores, and stores that it runs with partner companies.

In 2017, Carrefour opened or acquired 895 stores under Group banners, representing some 755,000 sq.m. of gross additional sales area. At end-2017, Carrefour had 12,300 stores under its banners in more than 30 countries.

In 2017, Carrefour reported net sales of 78.9 billion euros, a 2.6% increase at constant exchange rates, reflecting the net impact of:

- 1.6% growth in same-store sales excluding petrol and the calendar effect;
- 2.2% organic growth in sales excluding petrol and the calendar effect;
- An unfavourable 0.5% calendar effect;
- A 0.2% increase in petrol sales;
- A 0.8% increase in net proceeds from acquisitions and disposals during the year.

Fluctuations in exchange rates had a 0.3% positive impact on consolidated net sales. At current exchange rates, sales grew by 2.9% in 2017.

Recurring operating income stood at 2.01 billion euros, a decline of 17.2% at constant exchange rates and of 14.7% at current exchange rates. Overall, recurring operating income represented 2.5% of net sales.

The decline was attributable to:

- Strong competitive pressure, particularly in France;
- Higher distribution costs in the Group's main markets;
- An increase in depreciation after a period of significant investments;
- A more difficult situation in Argentina.

Cash flow from operating activities stood at 2.7 billion euros in 2017, versus 3.0 billion euros the year before. The Group continued to invest as planned in 2017, with outlays declining by 347 million euros or 13.9% year-on-year to 2,145 million euros (excluding Cargo). Consolidated free cash flow from continuing operations before exceptional items totalled 950 million euros in 2017, up from 1,039 million euros the year before.

France

The Carrefour group's share of the French market, across all formats, stood at 21.4%[1]. In 2017, it was the country's leading food retailer, with 5,718 stores under its banners at year-end, in four formats: 247 Carrefour hypermarkets, 1,060 Carrefour Market supermarkets, 4,267 convenience stores operating primarily under the Carrefour City, Carrefour Contact, Carrefour Express and Carrefour Bio banners, and 144 Promocash cash & carry outlets. The Group's integrated network included a total of 1,038 stores: 214 hypermarkets, 456 supermarkets, 364 convenience stores and four cash & carry stores.

Carrefour operates in mainland France and, through a number of long-standing partnerships, in the French overseas territories. A total of 147 stores are operated under Group banners in the French overseas territories: 14 hypermarkets, 29 supermarkets, 101 convenience stores, and three cash & carry stores.

Carrefour in France opened or acquired 222 stores under Group banners in 2017, including two hypermarkets, 11 supermarkets, 207 convenience stores and two cash & carry stores, representing a total of 68,000 sq.m. of gross sales area.

Net sales totalled 35.8 billion euros. Like-for-like sales excluding petrol and the calendar effect rose by a further 0.8% in France during the year, buoyed by sales of food products. Hypermarkets saw a 0.5% decline in like-for-like sales excluding petrol and the calendar effect, whereas supermarkets enjoyed a 0.9% increase and other formats (mainly convenience stores) gained 4.7%.

Recurring operating income, which totalled 692 million euros, declined by 32.9%, for an operating margin that represented 1.9% of net sales. The decline was primarily attributable to strong competitive pressure.

In France, operational investments (excluding Cargo) totalled 821 million euros, representing 2.3% of net sales.

Other European countries

In Europe (excluding France), Carrefour was operating 4,704 stores under Group banners at the end of 2017. These included 460 hypermarkets, 1,756 supermarkets, 2,446 convenience stores and 42 cash & carry stores. Carrefour operates in five integrated countries: Belgium, Spain, Italy, Poland and Romania. The integrated store base included 1,493 units, of which 415 hypermarkets, 757 supermarkets, 279 convenience stores and 42 cash & carry stores.

Over the year, Carrefour opened or acquired 493 stores under its banners, gaining an additional 370,000 sq.m. of gross sales area. These included 37 hypermarkets, 86 supermarkets, 363 convenience stores and seven cash & carry outlets.

Net sales in Europe totalled 21.1 billion euros in 2017, an increase of 5.1% at current exchange rates. For the third consecutive year, all of the European country operations reported like-for-like growth.

Mixed performances were recorded during the year, with recurring operating income totalling 677 million euros, down 4.9% at current exchange rates, for an operating margin of 3.2%. Operating margin held firm in Northern Europe but declined in Southern Europe, which was also affected by a very competitive environment and increased selling expenses in Spain.

Carrefour has had a presence in **Spain** since 1973 and is the country's second-largest grocery retailer and the leading hypermarket operator. At the end of 2017, the Group's multi-format network included 203 hypermarkets, 119 supermarkets, 654 convenience stores and 17 cash & carry stores. Net sales increased 7.3% to 8.6 billion euros. Carrefour's business in the country is solid and based on a multi-format strategy complemented by a multi-channel strategy. The Group also continued to integrate the Eroski hypermarkets in 2017, with 27 stores rebranded during the year.

Present in **Italy** since 1993, Carrefour ranks fifth in a fragmented grocery market and holds strong regional positions, particularly in the Aosta Valley, Piedmont, Lazio and Lombardy. It manages a network comprising 54 hypermarkets, 407 supermarkets, 591 convenience stores, and 16 cash & carry stores. Net sales increased 0.5% to 4.9 billion euros in 2017. As was the case in every country, Carrefour teams strengthened the Group's multi-format personality by continuing to cluster stores.

In **Belgium**, Carrefour ranks among the country's top three retailers and is the leading multi-format group with 45 hypermarkets, 445 supermarkets and 296 convenience stores. Net sales stood at 4.0 billion euros in 2017, stable compared to 2016.

Carrefour has been operating in **Poland** since 1997 with a network of stores under its banners that includes 89 hypermarkets, 151 supermarkets and 656 convenience stores. Net sales in the country totalled 1.8 billion euros, an increase of 5.5% at constant exchange rates. In 2017, Carrefour's multi-format model was strengthened through the opening of 92 convenience stores.

In **Romania**, where Carrefour has been operating since 2001, the Group manages 33 hypermarkets, 228 supermarkets, 53 convenience stores and nine cash & carry stores. Net sales in the country totalled 1.8 billion euros, an increase of 20.8% at constant exchange rates. One of the highlights of 2017 was a strengthening of the multi-format model through the transformation of 86 Billa supermarkets, which consolidated Carrefour's share of the Romanian market and broadened its national footprint.

The Group is also present in other European countries through partnerships, such as in Turkey with the Sabanci Group. Carrefour has a total of 638 stores under banner in Turkey, of which 36 hypermarkets, 406 supermarkets and 196 convenience stores.

Operational investments in Europe (excluding France) totalled 636 million euros in 2017, representing 3.0% of net sales.

(1) *Market share by value – Nielsen Scantrack panel of FMCG and self-service fresh produce consumers in France, over a 52-week period ending December 31, 2017 (hypermarkets, supermarkets, discounters, convenience stores and drive).*

Latin America

Carrefour has been operating in Latin America since opening its first store in Brazil in 1975 and has become one of the continent's leading retailers. Carrefour is expanding its banners in two growth markets: Argentina and Brazil. The network comprises 1,014 units, of which 193 hypermarkets, 147 supermarkets, 521 convenience stores and 153 cash & carry stores.

In 2017, the network was expanded with the opening of 11 new Atacadão stores and 49 convenience stores in Brazil, and the addition of four convenience stores in Argentina. These new stores added 78,000 sq.m. of gross sales area.

Net sales in Latin America totalled 16 billion euros in 2017, an increase of 8.3% at constant exchange rates. Sales rose by 10.6% at current exchange rates thanks to a favourable currency effect. Recurring operating income came to 715 million euros, a decline of 7.0% at constant exchange rates and an increase of 0.6% at current exchange rates. The operating margin ratio stood at 4.5%, a decrease on the prior year that was due mainly to operating losses in Argentina directly related to macroeconomic conditions. Brazil turned in a good operating performance despite the sharp fall in food prices, with increased profitability led by the confirmed success of the Atacadão model.

In **Brazil**, Carrefour is the leading grocery retailer, with 103 hypermarkets, 41 supermarkets, 119 convenience stores and 146 cash & carry stores at end-2017. Net sales in Brazil totalled 13.2 billion euros, up 6.3% at constant exchange rates. One of the key events that shaped 2017 for Carrefour in Brazil was its initial public offering in July. Carrefour's multi-format profile was enhanced by the gradual expansion of the Express and Atacadão banners, the hypermarket renovation programme and the development of the non-food e-commerce site. These initiatives are helping to offer customers new shopping experiences, while also revitalising drugstores and service stations.

Carrefour has been operating in **Argentina** since 1982 and is the leading grocery retailer thanks to its multi-format presence. It manages a network comprising 90 hypermarkets, 106 supermarkets, 402 convenience stores, and seven cash & carry stores under the Maxi banner. Net sales totalled 2.8 billion euros in 2017, an increase of 17.2% at constant exchange rates.

Operational investments in Latin America amounted to 526 million euros in 2017, representing 3.3% of net sales.

Asia

Present in Asia since 1989, Carrefour has operations in China and Taiwan, as well as in Indonesia through franchising. The regional network comprises 466 stores under Group banners, including 365 hypermarkets, 58 supermarkets, 41 convenience stores and two cash & carry stores.

A total of 39 stores were opened during the year, adding a further 39,000 sq.m. of sales area.

Net sales in Asia totalled 5.9 billion euros, down 3.2% at constant exchange rates. Recurring operating income came to 4 million euros in 2017, versus a loss of 58 million euros in 2016. The increase reflects the success of action plans rolled out in China, in particular as regards cost savings, despite a still highly competitive environment marked by rapidly changing consumer habits. In Taiwan, growth in sales remained strong and operating margin continued to widen.

Carrefour has been present in **China** since 1995 and is a leading player in grocery retail. Net sales in the country totalled 4.1 billion euros, a decline of 5.6% at constant exchange rates. The Group is continuing to build its long-term position with the implementation of a local action plan that includes the closure of inefficient stores, a more selective expansion programme, and the development of convenience stores and online retailing. At the end of 2017, Carrefour had 259 stores in the country, including 220 hypermarkets and 39 convenience stores.

In **Taiwan**, the Carrefour network includes 64 hypermarkets and 50 supermarkets. Net sales totalled 1.9 billion euros in 2017, an increase of 3.1% at constant exchange rates. The opening of several supermarkets and the development of online food sales are the main initiatives being led to strengthen Carrefour's multi-format and multi-channel profile in Taiwan.

Carrefour also has a presence in Indonesia through a partner franchisee, which operated 81 hypermarkets, eight supermarkets, two convenience stores and two cash & carry outlets at end-2017.

Operational investments in Asia totalled 164 million euros in 2017, representing 2.8% of net sales.

Other regions

Carrefour also operates 398 stores with local franchisee partners in Africa, the Middle East, and the Dominican Republic in various formats, including 111 hypermarkets, 222 supermarkets, 52 convenience stores, and 13 cash & carry stores.

In 2017, Carrefour continued to expand its banner base by supporting its partners outside Europe and in the French overseas territories, with a total of 59 new sales outlets opened during the year. In the Middle East, for example, the Majid Al Futtaim group consolidated its multi-format expansion with the opening of ten hypermarkets, 21 supermarkets and four convenience stores. In Africa, the CFAO Retail Group inaugurated its second store in Abidjan, Ivory Coast and the first Carrefour Market shopping centre in Douala, Cameroon.

Summary of stock market indicators

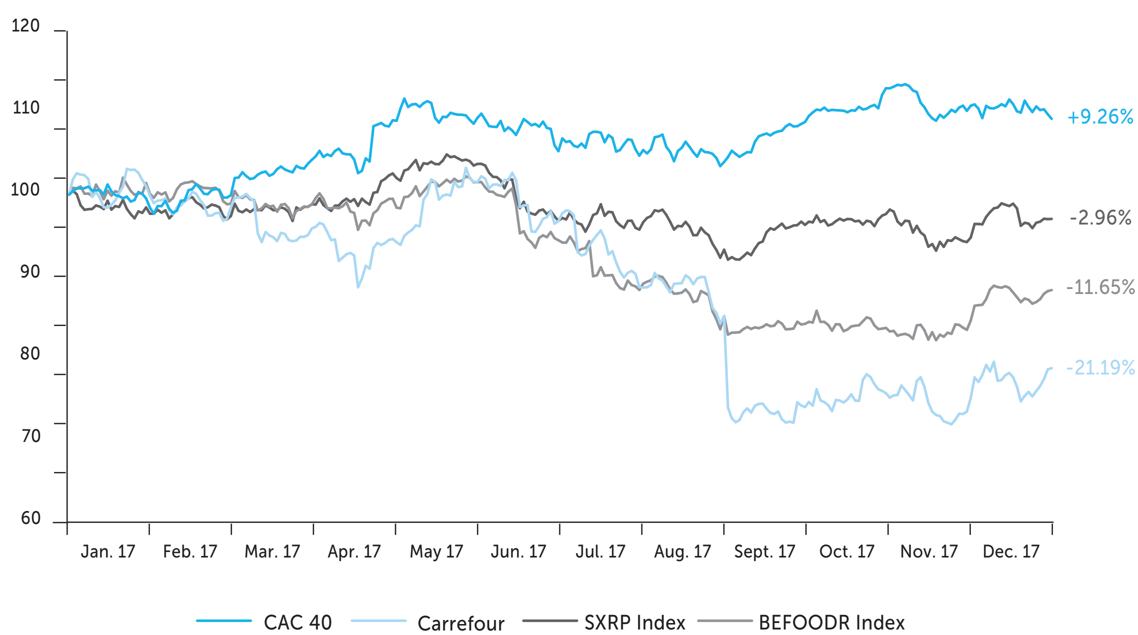
At December 31, 2017, the Carrefour share was in 38th position in the CAC 40 index in terms of market capitalisation, with a weighting of 0.84%.

Closing price (in euros)[1]	**2017**
highest	*23.64*
lowest	*16.47*
at December 31	*18.04*
Number of shares at December 31	774,677,811
Market capitalisation at December 31 *(in billions of euros)*	14.0
Average daily volume[1][2]	3,310,080
Net income/(loss) from continuing operations per share *(in euros)*	(0.70)
Net dividend *(in euros)*	0.46[3]
Yield *(as a %)*	2.55

(1) Source: Euronext.
(2) Average daily volume on Euronext.
(3) Subject to approval by the Shareholders' Meeting on June 15, 2018.

Share price in 2017 (100 base)

Carrefour share price in relation to the CAC 40, BEFOODR[1] and STOXX Europe 600 Retail[2] indices



Source: Bloomberg.

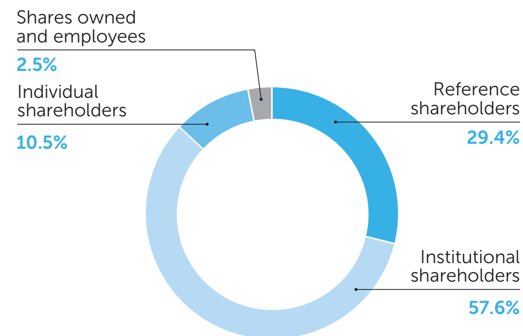
(1) Composition of Bloomberg Europe Food Retailers (BEFOODR) index: Ahold Delhaize, Carrefour, Casino, Colruyt, Dia, ICA Gruppen, Jeronimo Martins, Kesko OYJ, Morrison, Sainsbury, Tesco.
(2) Composition of Stoxx Europe 600 Retail index: Ahold Delhaize, B&M European Value Retail, Booker, Carrefour, Casino, Colruyt, Delivery Hero, Dia, Dixons Retail, Dufry, H&M, ICA Gruppen, Inchcape, Inditex, Jeronimo Martins, Just Eat, Kering, Kesko OYJ, Kingfisher, Marks & Spencer, Metro, Morrison, Next, Ocado, Saga, Sainsbury, Tesco, WH Smith, Zalando.

Share capital and ownership structure

At December 31, 2017, Carrefour's share capital stood at 1,936,694,527.50 euros, divided into 774,677,811 shares of 2.50 euros each.

The number of voting rights at December 31, 2017 was 965,708,370. After deducting the voting rights that cannot be exercised from this figure, the total number of voting rights is 953,988,831.

To the Company's knowledge, the breakdown of the capital and voting rights at December 31, 2017 was as follows:



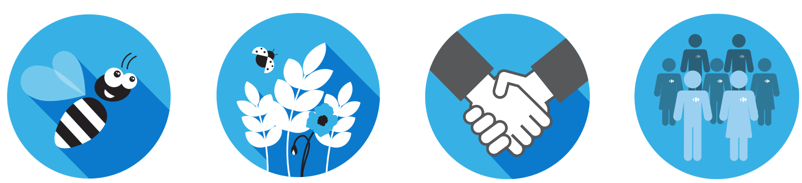
1.4.4 Summary of CSR performance

Convinced that a company's performance is also measured by its contribution to society, Carrefour has made corporate social responsibility (CSR) an integral part of its strategy. Its CSR performance is the result of a continuous improvement process that involves all of the Group's business lines in every country.

Carrefour implements real-world initiatives in its countries that contribute to the Group's sustainable, responsible performance.

Today, Carrefour's CSR policy is based on four main objectives:

- limiting the use of resources by combatting all forms of waste;
- fostering the preservation of resources and protecting biodiversity;
- providing support to the Group's partners;
- providing support for social dynamics and fostering diversity.



In 2017, Carrefour joined its most successful peers from an economic, environmental and social perspective on the Dow Jones Sustainability Index (DJSI) World. This distinction puts the Group in the top five global retailers in terms of CSR.

2017	CDP - Climate	RobecoSAM - DJSI	Vigeo Eiris	Sustainalytics
Carrefour's rating	A-	74	67	75

New objectives have been announced in 2018 to enable Carrefour to become the world leader of the food transition for all.

More information on chapter 2

COMBATTING WASTE	2017
Recover waste	
Recover 100% of waste	**70,0%** (up 1.2 point vs. 2016)
Combat climate change	
Reduce CO_2 emissions by 40% versus 2010	**down 24.4%**
Reduce packaging	
Avoid 10,000 tonnes of packaging by 2025	**938 tonnes** of avoided packaging

PROTECTING BIODIVERSITY	2017
Develop agroecology and organic products	
Foster direct relations with producers to increase the number of Carrefour Quality Lines (partnerships that support agroecology)	**464** partnerships
Achieve €5 billion in sales (incl. VAT) of organic products by 2022	**1,386.6** million euros in sales of organic products (up 25.2% vs. 2016)
Encourage the sustainable consumption of seafood	
Promote MSC- & ASC-certified seafood products and seafood Carrefour Quality Lines	**310.9** million euros in sales (up 56.2% vs. 2016)
Increase to 50% of Carrefour fish sold from sustainable supply chains by 2020	**34.6%** of sales
Encourage sourcing of products that do not contribute to deforestation	
Achieve full compliance with our Sustainable Forests initiative by 2020	**39.8%**
Develop apiculture	
Implement a bee plan in each country by 2020	**1 country** with a comprehensive plan **69** stores/offices fitted with beehives

SUPPORTING PARTNERS	2017
Listen to our customers	
Increase to 80% the proportion of customers who identify CSR messages in stores by 2020	**44.1%** of customers identified our CSR messages in stores
Improve the way our results/actions are communicated to the non-financial community	
Improve Carrefour's position in the RobecoSAM indices	Listed on the DJSI World in 2017
Promote CSR in the supply chain and prioritise local suppliers	
Promote fair trade products	**152.5** million euros in sales
Promote local suppliers	**74%** of sales of Carrefour food products sourced from direct national suppliers
Be a socially responsible retailer	
Use food as a way to combat exclusion	**164.2** million meal equivalents donated to food aid associations

SOCIAL DYNAMICS AND DIVERSITY	2017
Workforce	**378,923** employees
Workforce by region	Europe: 59% Latin America: 26% Asia: 15%
Workforce by type of contract	**92.1%** of employees have permanent contracts **74.8%** of employees work full time
Develop employees' skills	**12.3** training hours on average per employee
Encourage diversity and equal opportunity	**40.4%** of women in management
Encourage the hiring and retention of people with disabilities	**3.3%** of employees have a disability

1.5 Corporate Governance

1.5.1 Board of Directors

The Board of Directors has 19 members including two Directors representing employees designated in 2017. The Board approves the Company's business strategy and oversees its implementation. It examines and makes decisions on major transactions. The members of the Board of Directors are kept informed of changes in the markets, the competitive environment and the key issues facing the Company, including with regard to social and environmental responsibility.

Composition of the Board at December 31, 2017

* Independent Director.

On April 11, 2018, the Board of Directors decided to propose to the Shareholders' Meeting to be held on June 15, 2018 the renewal of its composition. For more information, see section 3.2.1.2.

The Board of Directors has set up specialised committees that review any questions submitted to them for their opinion by the Board of Directors or the Chairman of the Board of Directors. The Board of Directors' committees are: the Accounts Committee, the Compensation Committee, the Appointments Committee, the CSR Committee and the Strategic Committee.

	Alexandre Bompard	Georges Ralli *	Nicolas Bazire	Thierry Breton *	Flavia Buarque de Almeida	Abilio Diniz	Charles Edelstenne *	Philippe Houzé	Diane Labruyère-Cuilleret *	Mathilde Lemoine *	Bertrand de Montesquiou *	Patricia Moulin Lemoine	Marie-Laure Sauty de Chalon *	Anne-Claire Taittinger *	Lan Yan *
ACCOUNTS COMMITTEE		●	□					□		□	□				
COMPENSATION COMMITTEE				●	□		□							□	□
APPOINTMENTS COMMITTEE			□					□	□		●			□	
CSR COMMITTEE									●		□	□	□		
STRATEGIC COMMITTEE	●	□	□			✱		□							

● Chairman ✱ Vice-Chairman □ Member * Independent Director

COMPOSITION OF THE BOARD OF DIRECTORS: 19 members

Number of meetings of the Board of Directors:
10

Attendance rate:
92.2%

Gender balance*:
58.8% **41.2%**

Proportion of independent directors*:
52.9%

Number of Directors representing employees:
2

Number of meetings of the Board of Directors' specialised committees:
14

Attendance rate:
98.3%

* This proportion does not include Directors representing employees

1.5.2 Group Executive Committee

On September 22, 2017, Alexandre Bompard, Carrefour's Chairman and Chief Executive Officer, announced the creation of a Group Executive Committee.

The Executive Committee comprises Group managers and individuals from other horizons who contribute complementary expertise.

The Group Executive Committee has 14 members:

- **Alexandre Bompard**, Chairman and Chief Executive Officer

Responsible for geographic regions

- **Pascal Clouzard**, Executive Director France
- **Guillaume de Colonges,** Executive Director Northern and Eastern Europe (Belgium, Poland and Romania)
- **Thierry Garnier**, Executive Director Asia (China and Taiwan)
- **Noël Prioux**, Executive Director Latin America (Brazil and Argentina)
- **Eric Uzan**, Executive Director Southern Europe (Spain and Italy)

Responsible for Group functions

- **Marie Cheval**, Executive Director Customers, Services and Digital Transformation for the Group and France
- **Jacques Ehrmann**, Executive Director Assets, International Development and Innovation
- **Gérard Lavinay,** Executive Director Merchandise, Supply and Formats

Responsible for corporate functions

- **Matthieu Malige**, Chief Financial Officer
- **Laurent Vallée**, General Secretary
- **Jérôme Nanty**, Executive Director Human Resources for the Group and France
- **Laurent Glépin**, Executive Director Communication for the Group and France
- **Frédéric Haffner**, Executive Director Strategy and M&A

2

CORPORATE SOCIAL RESPONSIBILITY

2.1 CSR at Carrefour

2.1.1 2017 highlights

For the past 25 years, Carrefour has forged ahead with the rollout of its Corporate Social Responsibility (CSR) policy across its countries of operation and business lines. The main highlights of 2017 were as follows:

- Carrefour France organised its first agroecology forum (*Forum des solutions de l'agroécologie*) to promote the distribution among its products lines of the successful pilot crops that have been developed in the last few years (*detailed in Section 2.3.1*);
- Carrefour implemented a five-year organic farming programme to strengthen its position as market leader, act as a key partner to French producers, and make organic produce available to as many customers as possible (*detailed in Section 2.3.2*);
- Through the *Marché interdit* campaign, Carrefour France joined the fight with producers to make fruits and vegetables grown from farmers' seeds (*semences paysannes*) available to consumers, and asked the authorities to change the law prohibiting their sale based on the fact that they are not registered in the official catalogue of authorised seeds (*detailed in Section 2.3.2*);
- In Europe, Carrefour pledged to stop selling eggs from chickens raised in cages by 2020 for all private labels, and to help suppliers do the same by 2025 (*detailed in Section 2.3.4*);
- Carrefour France created an SME club to promote close relationships with its SME partners (*detailed in Section 2.4.3*);
- To inform customers and raise their awareness of the most important subjects related to well-being – healthy eating, sleep and physical exercise – Carrefour France worked with a network of nutrition experts and organisations to create in-store campaigns. It also created the Well-being for Everyone (*Bien-être pour tous*) website (*detailed in Section 2.4.2*);
- To coincide with World Food Day, all Group countries ran specific events as part of the fight against food waste (*detailed in Section 2.2.1*);
- The Carrefour Foundation supported 73 programmes in nine countries, for a total budget of 6.3 million euros (*detailed in Section 2.4.6*);
- To recycle the biowaste produced by stores into fuel on a local basis, Carrefour France strengthened its fleet of biomethane vehicles and service stations (*detailed in Section 2.2.3*);
- During the 2017 Our Ocean conference organised by the European Union, the Group asked those working in the fishing industry to adopt responsible fishing standards (*detailed in Section 2.3.3*);
- In accordance with the French law of March 27, 2017 relating to duty of care, Carrefour established the formal processes and methods embedded in the Group's social responsibility approach as well as the additional measures taken under the duty of care plan (*detailed in Section 4*);
- To show his support for employee relations, Carrefour's new Chairman and Chief Executive Officer spoke at the annual plenary session of the Carrefour European Works Council (CICE) (*detailed in Section 2.5.3*);
- Carrefour France and its local community partners signed an agreement on the Right to Disconnect law, and backed this up with training and other resources to raise awareness of the law amongst the employees affected by it (*see Section 2.5.3*);
- The Group created an "international health-safety-quality of life at the workplace" network to share and roll out best practices in these areas across its countries of operation and business lines (*see Section 2.5.3*);
- As part of the third Women Leaders & Diversity Convention, Carrefour country directors informed the 200 senior managers present of the progress made and their commitment to promote the advancement of women and provide them with support to reach positions at the highest levels of responsibility (see *Section 2.5.4*);
- Carrefour Spain launched the innovative Fresh Produce Business Lines Academy training programme in Spain to restore a professional approach to these business lines (*see Section 2.5.2*);
- The Group enhanced communication on its non-financial performance, and in 2017 joined its most successful peers from an economic, environmental and social perspective on the Dow Jones Sustainability World Index (DJSI);
- The Group adopted and published in this document the first measures initiated as part of its CSR Index, which provides an overview of its CSR commitments and performance, and is used to ensure business lines work towards a common set of goals (*detailed in Section 2.1.3*).

Efforts in 2017 included:

- Carrefour-brand products are manufactured according to Group specifications. Inspection procedures include the use of analyses, audits of manufacturing sites and panels. Quality data are recorded and processed by Carrefour technical experts. With over 2,500 Carrefour sites, the Group conducted more than 50,000 analyses and organised over 3,700 external panels (*detailed in Section 2.4.1*);
- The Group launched an assessment of its efforts to involve customers in the fight against food waste and efforts to protect biodiversity. More than 175,000 people were interviewed during the latest survey. This assessment is now included in customer surveys conducted on a monthly basis. In 2017, 44.1% of customers identified CSR messages in stores (*detailed in Section 2.4.2);*
- Carrefour gives priority to products sourced locally from the country in which they are sold, particularly food products: 74% are locally sourced. Carrefour's special relationship with these companies has been shaped around the products themselves. In France, 5,000 SMEs working in partnership with Carrefour supply more than one in three products on the Group's shelves (*detailed in Section 2.4.3);*
- To ensure that supply chain working conditions comply with Group standards, Carrefour hires external companies to conduct compliance audits. Carrefour has performed compliance audits on all supplier plants located in high-risk countries. In 2017, the audits conducted by the Group covered just over 700,000 workers in the plants audited (*detailed in Section 2.4.5*).

CARREFOUR, 25 YEARS OF CSR

Year	General information	Carrefour information	Stakeholder benefits
1987	"Our Common Future" report (Brundtland report) and definition of the term "sustainable development"		
1992	Rio Earth Summit	Creation of Carrefour Quality Lines (*Filières Qualité Carrefour* – FQC) incorporating the basic principles of agroecology	Customers have access to unprocessed products which are tasty, traceable and have been grown using environmentally-friendly agricultural practices. Partners reduce their use of chemical fertilizers and pesticides, optimise their irrigation techniques and in so doing, help to protect their own regional environment.
1997		Launch of an organic grocery line and organic baby food line under the Carrefour BIO brand name	The Carrefour BIO brand becomes available in Group stores, and customers are encouraged to change their consumption habits. Growth of the Carrefour BIO brand makes an active contribution towards protecting regional biodiversity and improving producers' quality of life.
1998		Launch of the WWF® action plan Voluntary application of the precautionary approach to genetically modified organisms (GMOs)	The WWF® partnership is based on an action plan to protect biodiversity. It comprises a bold programme covering the fishing, agriculture and forestry industries.
2000	Eight Millennium Development Goals (MDGs) drafted by the United Nations	Launch of the human rights programme in partnership with the International Federation for Human Rights (*Fédération internationale des ligues des droits de l'homme* – FIDH)	Through the launch of this programme, Carrefour sets a standard for the entire industry and pioneers shared compliance audits therein. As a result of these audits, suppliers are required to comply with international standards. Through its partnership with FIDH, Carrefour supports the definition of an international level playing field for everyone.
2001	UN Global Compact	Adherence to the UN Global Compact Formalisation of the sustainable development policy Agreement with UNI Global Union in support of workers' rights and the promotion of equal opportunity (agreement updated in 2015)	Carrefour invites all its partners to sign the UN Global Compact and commit to compliance with its principles. A European Consultation and Information Committee working group has been meeting on a quarterly basis since 2001 to discuss CSR-related subjects.
2004		Signature of the Diversity Charter Adoption of a Code of Ethics	The diversity charter is rolled out across all Carrefour departments and partners. Diversity is recognised as an advantage.
2005		Launch of a "sustainable fishing" range of products	Carrefour decides to stop the sale of deep-sea fish, fish caught using electric fishing methods, and sales of wild sea bass during the breeding season. The Group also lobbies for the rollout of MSC (Marine Stewardship Council) certification to fisheries and supports fishery improvement projects (FIP).
2010	Nagoya Convention on Biological Diversity (COP 10)		
2015	UN Sustainable Development Goals (SDGs) + the Paris Agreement (COP 21)	Commitment by Carrefour to fight climate change through the introduction of goals to reduce CO_2 emissions	Carrefour encourages its partners to commit to reducing their CO_2 emissions, and commits to reducing its own CO_2 emissions by 40% by 2025.
2016		Establishment of an internal carbon price	The internal carbon price guarantees the use of technologies with the lowest CO_2 emissions. The goal is to standardise the use of solutions with the lowest emission levels throughout the entire retail sector, such as closed cooling units or the use of natural refrigerants in refrigeration systems.
2017		Introduction of a CSR Index Joins the Dow Jones Sustainability World Index	The Group joins the DJSI World Index as one of the best global CSR performers. The aim of the Index is to promote positive competition among private sector players.

Efforts in 2017 continued in the same vein as the past 25 years, and saw the Group work with its internal and external stakeholders to extend its CSR programmes to encompass new areas and take on new commitments. In 2018, Carrefour will continue to support the farming sector in the transformation of its production model. It will give special support to producers switching to organic farming by offering them organic development (*Bio développement*) contracts introduced at the start of the year in partnership with the World Wildlife Fund (WWF®) (detailed in Section 2.3.2).

Driving CSR policy

Carrefour's CSR methodology

Carrefour's CSR methodology can be split into four iterative steps: review and improve strategy and objectives; plan; act, innovate and assess performance; and ensure risks are managed. Change is shared at operational level by countries, stores and across all business lines. Innovation is promoted as a source of creativity that brings new solutions, as ideas are shared among all of the stakeholders. Dialogue with stakeholders is the essential component of the methodology.

CSR governance is based on materiality analysis, Stakeholders' Meetings and CSR Committees.

CSR reporting comprises monitoring and reporting the Group's non-financial performance. It is also subject to an external audit and results in non-financial performance ratings for Carrefour by the ratings agencies.

CSR reporting consists of several documents and events, including this Registration Document, the year-end financial results, and conferences, days and meetings organised specifically for investors.

CSR governance

The Carrefour Board of Directors' CSR Committee meets at least twice a year. In 2017, the committee assessed the progress made by the Group's CSR policy and the results obtained in relation to issues surrounding responsible procurement (e.g., milk, beef and bananas), waste management, and customers' perception of CSR.

Formed more than ten years ago, the Group's CSR department oversees implementation of the CSR methodology to help meet Carrefour's objectives in all of the countries where the Group operates. It reports directly to the Group's General Secretary.

Rollout of CSR

Governance relies on the CSR departments in each country who have managers tasked with implementing and coordinating CSR action plans.

The Group distributes national CSR results and objectives to each Country Executive Director. To coordinate and manage all aspects of CSR policy, each Country Executive Director has appointed a CSR correspondent and oversees the implementation of projects. Teams from the various countries take part in international events, such as the Great Supplier Challenge (*see Section 2.4.2*).

Business lines are arranged into networks (merchandise, supply chain, quality and CSR, technical, finance, etc.) which are used to exchange information between countries and business lines. CSR follows this same information stream to call on operational teams and encourage them to propose innovative projects based on the pillars of the CSR strategy. For certain activities, such as the sourcing of imported non-food products or seafood, Carrefour joins forces with its business lines to establish the purchasing rules to be followed, and carries out compliance checks to ensure these rules are applied.

Each store assimilates and implements the planned actions and commitments made. Stores are still the main stage for the Group's CSR policy, through, for example, the Antigaspi waste reduction initiatives, partnerships with beekeepers, relationships with waste treatment facilities and food donations.

2.1.2 Improving the CSR strategy and objectives

Carrefour's CSR strategy is built around four criteria taken from the CSR Index, namely:

- Waste reduction (*detailed in Section 2.2*);
- Biodiversity (*detailed in Section 2.3*);
- Partners (*detailed in Section 2.4*);
- Social dynamics and diversity (*detailed in Section 2.5*).

This strategy has its foundations in the Group's commitment to social and environmental responsibility. After almost 25 years, it reflects the attention paid to developments over time.

Did you know?

The origin and quality of products are key concerns for consumers. Three major challenges for Carrefour group stakeholders are human rights in the supply chain (see Section 2.4.5), sustainable relationships with suppliers (see Section 2.4.3), and the listing and purchase of products that meet specific social and environmental criteria (see Section 2.3).

Defining challenges and the materiality matrix

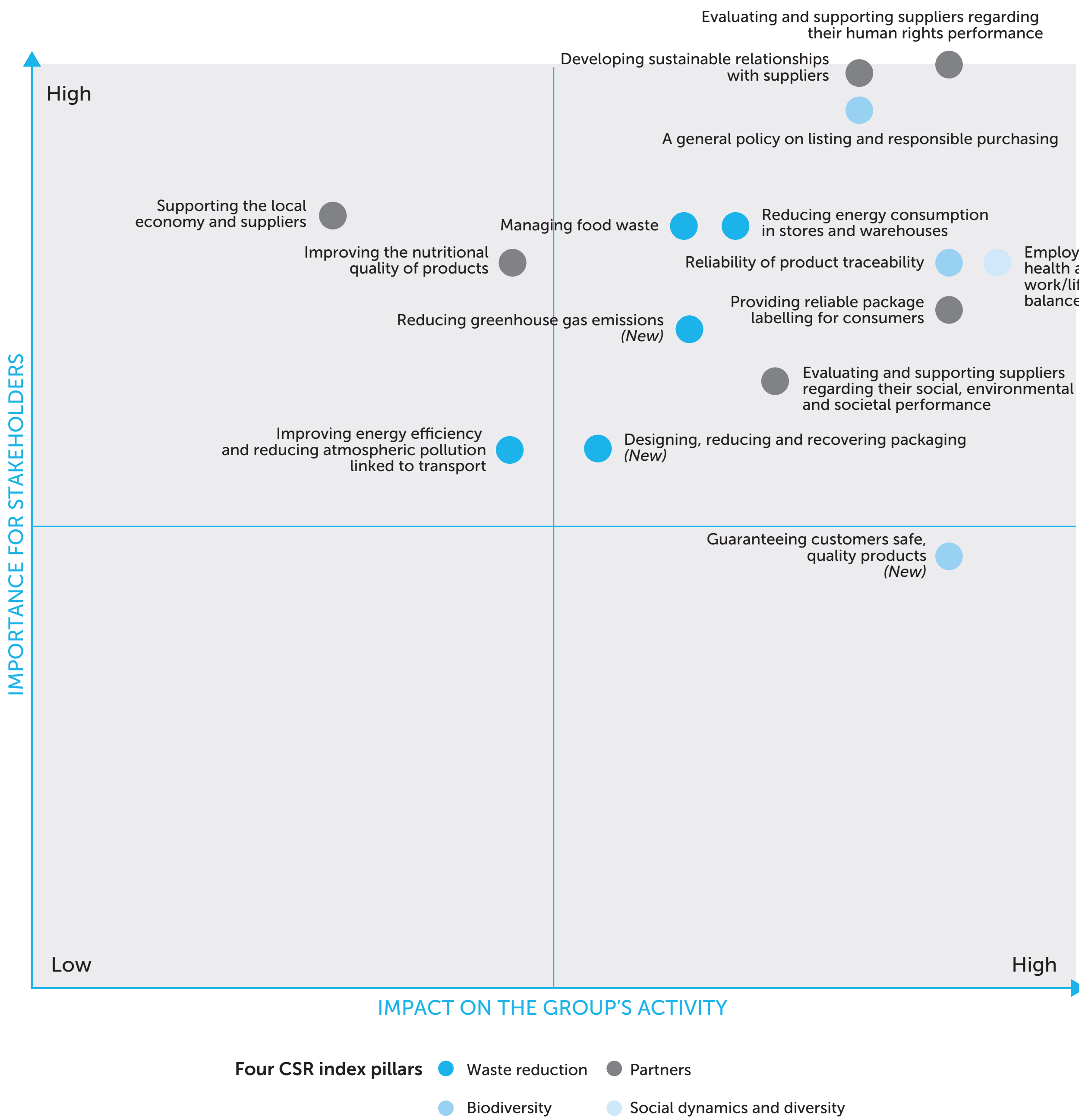
Following on from the initial ISO 26000 diagnostic performed in 2012-2013 that was used to draw up its CSR strategy, Carrefour performed a materiality assessment in 2014 which was updated in 2016 to take regulatory changes into account.

The mapping and materiality were assessed by reviewing the documentation available. Similarly, they were assessed by around 30 internal and mainly external expert stakeholders.

Challenges were identified and ranked in terms of materiality based on:

- Their importance for stakeholders;
- Their financial and regulatory impact, their impact on Group business and its relationship with investors, customers and employees, and their impact on the Group's reputation.

MATERIALITY MATRIX



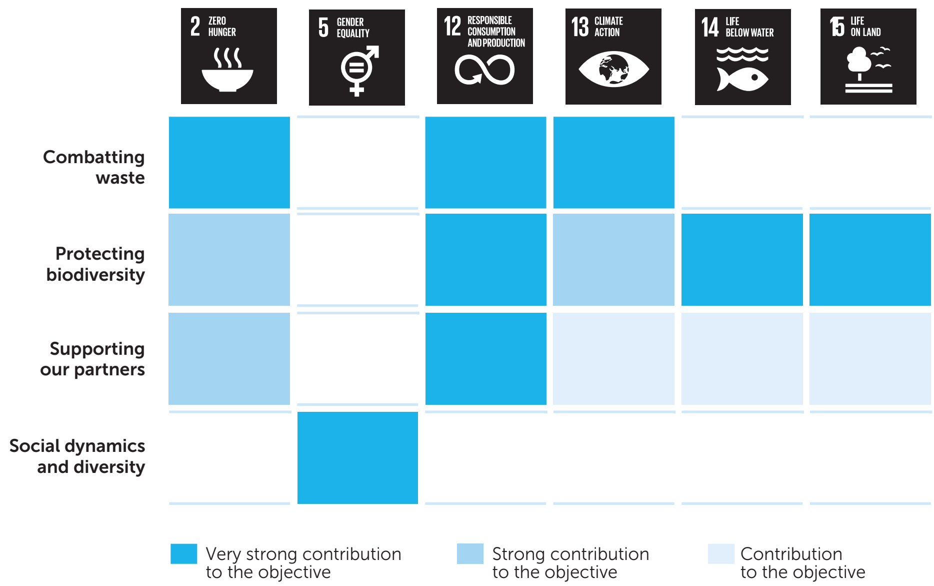
This matrix shows the 15 main material issues for the Group.

Carrefour's CSR approach covers all of the materiality subjects outlined in the following sections.

Working towards Sustainable Development Goals (SDGs)

Carrefour supports the 17 Sustainable Development Goals established by the United Nations. These common goals help with the implementation of sustainable development programmes entered into jointly with other partners. The Group is particularly focused on reaching six SDGs and nine targets selected for their relevance in relation to its operations and the CSR Index (*see the figure below and see Section 2.1.3*). They are covered in this chapter.

CARREFOUR'S CSR INDEX IN RELATION TO SDGS



Stakeholder dialogue

To ensure that its CSR strategy stays relevant, that new commitments are in line with the strategy, and that action plans are drawn up jointly, Carrefour has for many years promoted dialogue with its stakeholders.

- Several times a year, Carrefour arranges meetings to assess the current situation and make functional recommendations on a specific CSR theme. These meetings are attended by approximately 40 people representing the Group, NGOs, government, customers, investors and suppliers, who come together to share their expertise or point of view on the subject in question. In 2017, meetings were held on themes such as the forests, animal welfare, agroecology, urban agriculture, sustainable fishing and cotton.
- Carrefour leads several long-term action plans in conjunction with various associations, such as the WWF® since 1998 (*detailed in Section 2.5.3*) and the FIDH since 2008 (*detailed in Section 2.5.3*).
- The Group promotes union rights and the right to collective bargaining in the countries in which it operates. Carrefour was the first retailer to sign an agreement with the Union Network International which serves as the basis for employee relations within the Group (*detailed in Section 2.5.3*).
- Carrefour systematically replies to questionnaires by NGOs, investors and ratings agencies (results of the CDP (Carbon Disclosure Project), RobecoSAM DJSI index, and the Vigeo Eiris questionnaire are detailed in Section 2.1.3.3).
- The Group organises specific events to pass on information to investors. In 2017, CSR themes covered included the growing importance of agroecology, and consumer involvement in product design. Carrefour also takes part in socially responsible investment (SRI) conferences to keep the financial markets informed about the Group's CSR policy.

CREATING VALUE

The table below provides a financial summary of the benefits that Carrefour's financial results generated for stakeholders in 2017.

Revenue (inflow)

Customers	Partners	Financial revenue
Carrefour's sales excluding VAT reached **78,897 million euros** (excluding loyalty programmes – **644 million euros**).	**2,722 million euros** of miscellaneous income: income from finance companies, real estate development, and other leases and revenues.	Carrefour earned **41 million euros** from its financial and strategic investments through interest and dividends.

Expenses (outflow)

Suppliers	Employees	State and local authorities	Financial institutions	Shareholders
Carrefour purchased **68,144 million euros worth of** goods and services.	In 2017, Carrefour paid nearly **8,599 million euros** in gross salaries, social security charges and benefits to its **378,923** employees, spread across ten countries.	Carrefour paid **1,091 million euros** in taxes and charges, and **588 million euros** in corporate tax.	Expenses concerning mainly financial transactions amounted to **485 million euros**.	Carrefour paid: • **151 million euros** in dividends to parent company shareholders; • **141 million euros** to minority shareholders in other entities.

2.1.3 Evaluating CSR performance

The Carrefour CSR Index provides an overview of existing commitments and the progress made by action plans in the four main areas. Developed by Carrefour, the Index is aligned with the Group's global strategy and adapted to meet the specific challenges faced by the business. It measures the progress made on its action plans and ensures that all of the business lines are working towards achieving a common set of goals.

The Index can be broken down into four distinct areas, each of which contains four quantitative objectives with deadlines. Designed to cover a three-year period, the Index measures CSR performance every year for each of the 16 indicators. When an objective's target date goes beyond the Index's three-year period, the annual objectives are determined on the basis of a straight-line trajectory required to reach the overall objective set.

The Index's overall score is a simple average of the score for the 16 indicators. The annual results and objectives are presented in a transparent manner.

For this first year of measurement, the composite score reflecting the level of objectives reached in 2017 stood at 63%. This is evidence that much still remains to be done and that the entire Group must work towards reaching the targets set. As outlined in the table, certain objectives were partially or fully reached in 2017, whereas others will require further effort by the Group countries. For each objective that is not reached, a remediation programme is put in place.

CARREFOUR CSR INDEX 2017 = 63%

CSR INDEX

I. Objectives for combatting waste	**2017 Objective**	**2017 Result**	**2017 Score 25%**
Reduce food waste by 50% by 2025 (vs. 2016)	-5%	ND	
Recover 100% of waste by 2025	72.3%	70.0%	
Reduce CO_2 emissions by 40% by 2025 (vs. 2010)	-26.4%	-24.4%	
Save 10,000 tonnes of packaging by 2025	-1,100t	-938t	
II. Objectives for protecting biodiversity	**2017 Objective**	**2017 Result**	**2017 Score 73%**
€5 billion in sales of organic products by 2022 and increased sales in Carrefour Quality Lines products	€1.35 billion[(1)] +2.1%	€1.33 billion[(1)] -9.2%	
50% of Carrefour seafood products sold will come from responsible suppliers by 2020[(2)]	16.7%	34.6%	
Full compliance with our Sustainable Forest Initiative by 2020[(3)]	30.0%	39.8%	
Implementation of a bee conservation plan in each host country by 2020	2 countries	1 country	
III. Objectives for supporting our partners	**2017 Objective**	**2017 Result**	**2017 Score 63%**
80% of customers identify the CSR messages in stores by 2020	20.0%	44.1%	
Implementation of an action plan regarding nutrition in each country by 2020	2 countries	2 countries	
Complete implementation of CSR self-evaluation process for suppliers by 2025	62.7%	33.9%	
Implementation of an action plan for SMEs in each country by 2020	2 countries	1 country	
IV. Objectives for social dynamics and diversity	**2017 Objective**	**2017 Result**	**2017 Score 91%**
Encourage diversity by implementing a Consultation Committee in each country by 2020	3 entities	3 entities	
Women to account for at least 40% of appointments to key positions within the Group by 2025 and each country to obtain GEEIS certification by 2020	19.6% 7 entities	19.5% 7 entities	
Disabled employees to account for 4% of total Group employees by 2025	3.36%	3.31%	
All countries implement an action plan on health/safety/quality of life in the workplace by 2020	5 entities	5 entities	

(1) Sales (incl. VAT) of organic food products (Carrefour brands and national brands).
(2) Excluding AR, BR, CH, PO, RO, TW.
(3) Excluding AR.

The objectives which have not been met will be subject to a remediation plan in 2018.

Items from the CSR Index are clearly identified throughout the report *[CSR Index]*.

Compliance, enforceability and external assessments of non-financial reporting

This report complies with Article 225 of Grenelle II and with the "Core" level (essential elements) of the not-for-profit Global reporting initiative's (GRI) G4 sustainability reporting guidelines.

The indicators and data contained in the CSR report (included in Chapter 2 of this Registration Document, as well as the CSR Index indicators) are audited and checked by an independent third party, the Group's statutory auditor (Mazars in 2017). The work performed in 2017 gave rise to an unqualified opinion (*see Section 2.4.5*).

Ratings of non-financial performance

Did you know?

In 2017, Carrefour joined its most successful peers from an economic, environmental and social perspective on the Dow Jones Sustainability World Index (DJSI). The Group is currently ranked among the top five global retailers based on its CSR performance.

Carrefour systematically replies to questionnaires by NGOs, investors and ratings agencies. The Group's improved ratings are partly due to efforts made to be more exhaustive when answering questions.

Carrefour's comprehensive response to the Carbon Disclosure Project (CDP) is available at the following website: *www.cdp.net*.

Carrefour's rating	2017	2016	2015
CDP – Climate*	A-	B	96B
RobecoSAM - DJSI	74	74	69
Vigeo Eiris	67	55	-
Sustainalytics	75	-	79

* *Evaluation rating system was changed in 2016.*

2.2 Combatting waste

Since 2013, Carrefour has encouraged employees, suppliers and customers to adhere to its Antigaspi Plan on combatting waste. The plan, which features a bee as its symbol, combats all types of waste throughout the entire product lifecycle, from when the products are farmed or manufactured, through to sale, consumption and end of life. It covers five main areas: food, waste, climate, packaging and water.

The Antigaspi Plan is managed at Group level by emulating and sharing best practices. At country level, it is overseen by the Executive Directors of the countries and business lines. Plan performance is monitored by a Group-level Antigaspi Committee.

2.2.1 Combatting food waste

Actions addressing SDG 12

Through its Antigaspi Plan, Carrefour is committed to a 50% reduction in the volume of food waste at retail level, and is working hard to reduce food waste along the production and supply chains (target 12.3).

Carrefour's policy

Carrefour shares the Consumer Goods Forum (CGF) goal to reduce food waste by 50% by 2025 compared with 2016. *[CSR Index]*

To reach this goal, Carrefour is implementing a comprehensive food waste reduction policy that involves a number of measures:

- Adopt a more professional approach to waste at stores, by offering Antigaspi coaching, matching stock levels to demand flows, running special offers as use-by dates approach, devising ways to give products a second-life, recycling waste, and making donations to food aid charities or subsidised grocery stores;
- Develop solutions with suppliers, by extending the shelf life of Carrefour's own-brand products, conducting surveys on production waste, and selling visually defective products that are as good as non-defective ones;
- Run charity operations. All consolidated supermarkets and hypermarkets in France have contracts with food aid charities on distribution of their unsold products, and the Carrefour Foundation is actively involved in emergency humanitarian aid and food provision (*see Section 2.4.6*);
- Promote waste reduction among customers, by developing innovative solutions, raising awareness and offering support to make progress in this area.

After a pilot period in France, the programme is now being rolled out across all the countries covered by Carrefour.

Initial data of food waste from French hypermarkets and supermarkets in 2017 need further review before reliable figures can be released.

Highlights

For World Food Day, Antigaspi waste reduction operations were run in all countries covered by the Group.

For example, Carrefour China launched a campaign to reach out to customers, and introduced sections devoted to products with a short shelf life. It also ran an awareness-raising campaign for schoolchildren.

Carrefour Brazil stepped up its foodstuffs Antigaspi Plan, which started in 2013 and formed a major strategic focus in the country in 2017. An Antigaspi Committee was set up to monitor the plan's performance. Carrefour Brazil partnered with the Hello Tomorrow Global Summit on deep-tech innovation to support innovative start-ups working on responsible food and waste reduction. Stores issued an Antigaspi guide for personnel and put products with short use-by dates on prominent display for customers. Carrefour Brazil also launched Unicos, a varied range of quality fruit and vegetable products discounted by more than 30% because of deviation from usual aesthetic norms.

In Argentina, Carrefour took part in a nationwide Food Waste Reduction Day event, issuing a consumers' guide on cutting down food waste. This awareness-raising campaign, run in Carrefour stores and on social media, reached close to 20% of the population.

In Italy, Carrefour signed a partnership with Barilla® on encouraging customers to cook pasta with past-their-prime vegetables, and put on an Antigaspi Day event.

Working with its supplier Buy Nearby®, winner of the 2016 Major Supplier Challenge, Carrefour Taiwan founded the country's first Antigaspi brand, O'Gaspi. The brand's first product, an "ugly sherbet" made from substandard fruit, is 30% less expensive than equivalent products on the market.

Carrefour and its suppliers continued their joint programme on extending or removing use-by and best-before dates. So far, more than 400 Carrefour own-brand products had their use-by date and best-before date extended, while the latter was removed from over 50 products.

The Group continued its support for start-ups in the FoodTech sector, working on innovative new technologies for the food industry. Encouragement takes the form of financial assistance or support in setting up pilot tests for innovative solutions. For example, Carrefour continued its support for: the OptiMiam® application, which geolocates discounted surplus food; the Phénix® system, used for managing unsold foodstuffs; the Too Good to Go® application, which geolocates unsold food at discounted prices; and FoPo®, which collects fruit and vegetables at the end of their shelf life and transforms them into edible powders with longer shelf lives.

Did you know?

In France, the Tous Antigaspi product range developed in partnership with the Gueules Cassées cooperative promotes products that have minor defects but are just as good as non-defective ones. These products are sold at 30% to 40% below their original price, and one euro cent is paid to food aid charities for every product sold. Two new products were included in this range in 2017: apple juice and grapefruit.

2.2.2 Reducing and recovering waste

Carrefour's policy

Under its circular economy endeavours, Carrefour is committed to minimising waste production and to recovering 100% of hypermarket and supermarket waste by 2025. *[CSR Index]*

To pursue this goal, Carrefour is implementing a comprehensive policy that involves a number of measures:

- Work with suppliers to cut down its stores' production of waste from packaging and point-of-sale advertising materials;
- Develop waste sorting and recovery at stores, working with partners on the implementation of innovative solutions such as joint collection rounds and biomethane and compost production from organic waste;
- Take part in the development of sorting and recovery processes in countries where these are covered by regulations (Europe and Taiwan), thereby transforming waste management from a constraint into a financial opportunity, in partnership with organisations specialising in recovery of cardboard, plastic, organic waste and wood;
- Contribute to the organisation of waste sorting and recovery processes in countries such as Brazil, where such processes are not governed by official regulations.

Carrefour runs two complementary programmes on waste reduction and recovery:

- A programme to combat food waste (*detailed in section 2.3.2.1*) limits the production of organic waste;
- A programme to limit packaging (*detailed in section 2.3.2.4*) reduces the amount of plastic and cardboard packaging produced.

Carrefour's performance

In 2017, 70% of waste was recovered, which represents an increase of 1.2 points compared to 2016. This improvement was largely driven by the performance of Spain and Italy.

	2017	2016	Change
Recover 100% of our HM and SM waste by 2025	70.0	68.8	+1.2 points

Scope: Like-for-like BUs (83% of 2017 consolidated sales, excl. VAT) – excluding: HM: AR,BR, RO/SM: AR, BR, IT, RO.

Recovery of organic waste is a priority. Methanisation plants to supply truck fleets with biomethane fuel are being developed in several European countries where the Group operates (*detailed in Section 2.3.2.3*).

Waste recycled by type of waste	2017	2016	Change
Total *(in thousands of tonnes)*	435.5	424.4	+2.6%
Cardboard/paper waste	63%	65%	
Food donations	13%	12%	
Organic waste	13%	13%	
Other waste *(plastic, wood, fluorescent bulbs, ink cartridges, cooking oils, metals, food waste donated to animal associations)*	11%	10%	

Scope: Like-for-like BUs (scope 83% of 2017 consolidated sales, excl. VAT) – excluding: HM: AR, BR, RO/SM: AR, BR, IT, RO.

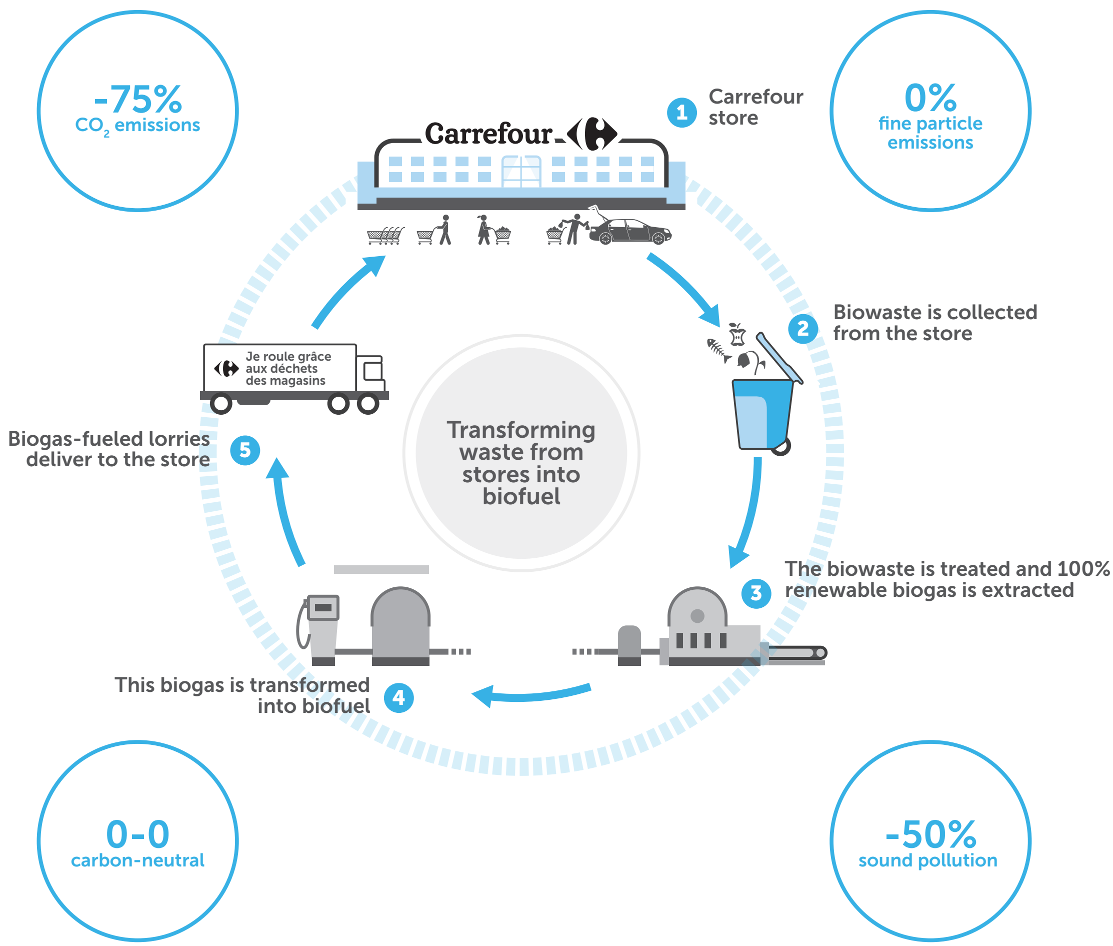
Highlights

Carrefour is a member of the voluntary European initiative REAP (Retailers' Environmental Action Programme), working to reduce the environmental impact of its members' businesses and supply chains by promoting more sustainable products and by raising customer awareness on environmental issues. Along with the other members, Carrefour is a signatory to the initiative's Circular Economy Plan. Under this plan, Carrefour publishes details on the progress made towards meeting its commitments, on matters including waste prevention and management.

Work to raise customer awareness on waste sorting, plastic recycling and protection of the oceans included cooperation with Procter & Gamble® to develop and market 150,000 bottles made using up to 25% recycled plastic waste for products of the Head & Shoulders® brand. The TEX brand also released its first products made using fibres from recycled products.

The virtuous circle of converting organic waste into fuel, developed by Carrefour France, gained momentum in 2017 with the arrival of new biomethane delivery vehicles and service stations (*detailed in Section 2.2.3*).

BIOMETHANE, A CIRCULAR ECONOMY INITIATIVE



Following Romania in 2016, Carrefour Taiwan set up its first Sigurec® points for collecting different types of waste for recycling: PET, aluminium cans, iron, paper, batteries and electronic appliances. Customers are encouraged to use these points by the issue of vouchers that can be redeemed at Carrefour hypermarkets.

2.2.3 Combatting climate change

Actions addressing SDG 13

Through the introduction of an internal carbon price and rollout of a waste reduction policy and an energy and climate plan, Carrefour has integrated a key climate change goal into its investment strategy (target 13.2).

Climate commitments

Carrefour's policy

The fight against climate change is a collective challenge. With its customers, suppliers and partners, Carrefour is implementing solutions in order to adapt to climate change and ease the transition to a low-carbon economy. These are specified in the form of several commitments:

- As a member of the Consumer Goods Forum (CGF) which comprises more than 400 members from the consumer goods industry, Carrefour is committed to reducing the carbon footprint caused by deforestation, refrigerants and food waste;
- As a signatory to the French Business Climate Pledge, Carrefour along with 88 other French companies is committed to investing in the low-carbon transition and the fight against climate change. It restated this commitment at the One Planet Summit in France in 2017;
- Carrefour adheres to the Caring for Climate (C4C) initiative underpinned by the UN Global Compact. Alongside 450 other companies, Carrefour has promised to reduce its greenhouse gas (GHG) emissions by setting targets, outlining strategies, putting them into practice, and reporting the results;
- Carrefour is participating in the Science Based Targets initiative, a partnership between the Carbon Disclosure Project (CDP), the UN Global Compact, the World Resources Institute (WRI) and the WWF®. Along with more than 190 other companies, Carrefour is committed to setting CO_2 reduction targets in line with climate science to keep the global temperature increase below 2°C by 2100 compared to pre-industrial temperatures.

Carrefour is committed to a 40% reduction in its CO_2 emissions by 2025 *[CSR Index]*, and a 70% reduction by 2050, with respect to base year 2010.

This target breaks down into several sub-targets (implementation detailed below):

- 30% reduction in energy consumption by 2025 with respect to 2010, through implementation of appropriate action plans;
- 40% reduction in refrigerant-related CO_2 emissions by 2025 with respect to 2010, through phase-out of hydrofluorocarbon (HFC) refrigerants and limitation of refrigerant leakage;
- 30% reduction in transport-related CO_2 emissions by 2025 with respect to 2010, through optimisation of logistics models and development of alternatives to diesel fuel;
- Increased proportion of renewable energies in power consumed;
- Encourage Carrefour suppliers to outline quantified commitments to reduce CO_2 in their direct scope and upstream.

To pursue this goal, Carrefour is implementing a comprehensive policy that involves a number of measures:

- Roll out key low-carbon technologies in stores (*see Section 2.2.3*);
- Apply the internal CO_2 price for examining new investment proposals submitted to the Group Investment Committee;
- Provide customers and employees with information on good energy saving practices in stores;
- Work with logistics, transport and energy partners to develop new responsible transport solutions, for city-centre deliveries in particular;
- Implement a plan to adapt to the risk posed by climate change (*see Section 4.7, Risk management*).

Performance

The targets it has set itself will spur Carrefour to innovate with new technologies and new concepts capable of reducing stores' energy, refrigerant and transport costs.

	2017	2016	Change
Reduce our CO_2 emissions by 40% by 2025, and by 70% by 2050, compared with 2010 ☑	(24.4)%	(24.7)%	-0.3 point

☑ *2017 figures subject to reasonable assurance checks.*

Following a significant reduction in CO_2 emissions achieved in 2016, in particular through efforts made to improve refrigeration units, CO_2 emissions were stable in 2017. This decrease since 2010 is in line with the target of a 40% reduction in emissions by 2025.

Total (direct and indirect) greenhouse gas (GHG) emissions amounted to 3.0 million tonnes of CO_2 equivalent (t. CO_2 eq.), up 0.3% on 2016.

Carrefour measures GHG emissions from the following sources:

- Direct sources of GHG emissions (Scope 1) such as gas and fuel consumption and use of refrigerants in cooling production plants and air conditioning;
- Indirect sources of GHG emissions (Scope 2), mainly electricity consumption;
- Indirect external sources of GHG emissions (Scope 3), namely downstream goods transport.

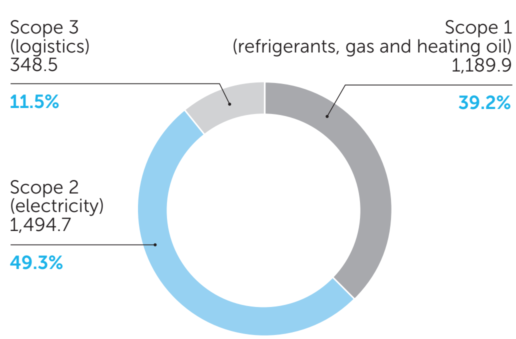
Most GHG emissions are either Scope 1 (39.2% in 2017) or Scope 2 (49.3% in 2017). Outbound logistics (Scope 3) operations account for 11.5% of emissions measured. Owing to the geographic breakdown of the Carrefour group's activities, greenhouse gas emissions are concentrated in Europe (including France), which accounts for more than half of total emissions. Emissions are calculated according to the guidelines of the international GHG Protocol, and are then subject to reasonable assurance checks by an independent third party.

According to the Organisation Environmental Footprint Sector Rules (OEFSR), the three most significant Scope 3 items for retailers are:

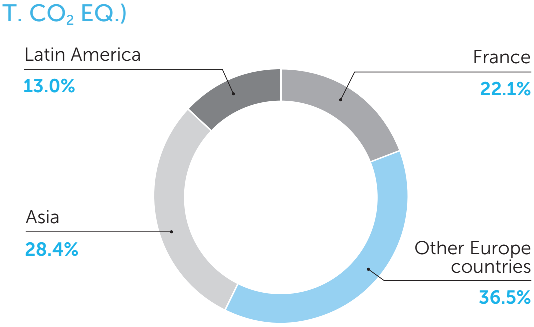
- Upstream production of products (43%);
- Product usage (43%);
- Logistics (8%).

Because of the complexity of measuring emissions for the first two items, Carrefour launched a Scope 3 climate action plan with its partners in 2017 (see hereafter).

GHG EMISSIONS BY SOURCE (IN THOUSANDS OF T. CO_2 EQ.)



GHG EMISSIONS BY AREA (IN T. CO_2 EQ.)



Highlights

- Carrefour put together a structured Scope 3 climate action plan in 2017. This plan, which is pending validation under the Science Based Targets initiative, targets a 2°C carbon trajectory for Carrefour's indirect external emissions, in conjunction with the Group's partners.

  Since the first three indirect external emission items account for close to 90% of all Scope 3 emissions, Carrefour's Scope 3 climate action plan focuses on three priority areas:

  - Downstream goods transport (*see Section 2.2.3*);
  - Goods, particularly products grown or raised (*see Section 2.3.1*) or manufactured using wood or paper (*see Section 2.3.6*);
  - Partnerships with suppliers. This point includes, for example, an objective on the ten biggest suppliers of Carrefour adopting an approach consistent with the Science Based Targets initiative, and the 30 biggest suppliers taking up a climate commitment by 2025.
- At the One Planet Summit organised by the French government in 2017, Carrefour initiated the Consumer Goods Forum publication "Low carbon solutions for a sustainable consumer goods sector".

  (*www.theconsumergoodsforum.com/wp-content/uploads/2017/12/low-carbon-solutions-sustainable-consumer-goods.pdf*).
- Carrefour restated its support for a major reduction in greenhouse gas emissions by signing the French Business Climate Pledge 2017 along with 88 other French companies.
- To step up the adoption of low-carbon technologies, all the leaders of teams involved in drafting investment proposals in each country were trained on factoring in an internal carbon price. Throughout 2017, the greenhouse gas impact was fully taken into account in the investment decision process.
- Carrefour contributed to promoting the adoption of internal carbon prices at Caring for Climate (C4C), the world's largest coalition of companies committed to combatting climate change. In the "Carbon Pricing Unlocked" guide, Carrefour provided feedback on team engagement, the mechanism of impact on decision-making processes, the calculation methodology and the rollout of internal carbon prices in countries and business lines. This publication, put together by CDP, Ecofys and the Generation Foundation, sets out recommendations and best practices to help companies use the principle of internal carbon pricing.
- Carrefour continued its involvement in the Assessing Low Carbon Transition initiative run by ADEME (French environment and energy management agency) and the CDP. The aim is to set up a standard system of assessment of companies' performance and put them on a 2°C compatible trajectory in terms of their strategy, business, investments, operations and GHG emissions. In 2017, Carrefour contributed to the ACT report, which sets out the project for evaluating the low-carbon transition, along with the approach and the results to date.

Combatting energy waste

Carrefour's policy

Carrefour's policy is to reduce the energy consumption of stores and gradually move away from the use of fossil fuels. This will help the Group make the transition to low-carbon energies and keep its energy costs in check, despite energy price inflation in several countries.

The Group continues to invest along these lines, through measures including low-energy lighting, night-time covers and doors for cooling units, natural coolants in refrigeration systems, heat recovery on hot water systems, and insulated walls and roofs.

The Group monitors the most efficient techniques and technologies available for refrigeration systems, air conditioning systems, lighting, etc. It shares best practices and keeps track of changes in consumption and corresponding costs.

Each country is free to make its own choices and investments. The internal carbon price encourages the use of technologies with lower GHG emissions. The Group's operating countries are also working on a list of five priority steps to be taken to implement low-energy technologies. The recommended steps include substituting high-emissions HFC fluids in commercial cooling systems, installing doors on cooling units and using electronic speed controllers, LED lighting and submeters.

Carrefour has also started offering customers charging stations for electric vehicles. At end-2017, 47 charging stations had been installed in France at 26 sites.

2

Carrefour's performance

Carrefour has set the target of reducing energy consumption by 30% per square metre of sales area by 2025 compared to 2010.

The Antigaspi policy has brought about a total drop of 16.3% in the amount of energy consumed since 2010 (after change in method), achieved largely through technologies implemented in stores.

% change in energy consumption per sq.m. of sales area compared with 2010* ☑	2017	2016	Change
TOTAL	(16.3)	(15.4)	+0.9 point

Scope: Like-for-like BUs (100% of 2017 consolidated scope).
☑ *2017 figures subject to reasonable assurance checks.*
** 2010 data restated.*

In-store energy consumption – electricity, gas and heating oil ☑ *(kWh/sq.m. of sales area)*	2017	2016	Change
TOTAL	529.3	535.3	-1.1%

Scope: Like-for-like BUs (100% of 2017 consolidated scope).
☑ *2017 figures subject to reasonable assurance checks.*

Highlights

This year, all of the Group's countries of operation received carbon price training. This provided an opportunity to reiterate the climate and energy goals set.

In China, Carrefour began rollout of closed cooling units at four pilot stores. Consumption figures from these stores confirm reductions approaching 15%. Installation of solar panels at a Shanghai store brings savings of 55 MWh per year, and Carrefour received LEED Gold certification for the energy-saving design of a Beijing store.

Carrefour France opened its first hypermarket to use a combined cooling and air conditioning system which runs on CO_2.

In Poland, Carrefour has fitted one of its stores with 84 solar panels and 16 wind turbines.

Did you know?

Carrefour's programme on take-up of natural refrigerants in Europe earned an excellence award at the ATMOsphere Europe Conference run by Shecco, a global market accelerator for climate-friendly cooling systems and global publisher of news on natural refrigerants.

Combatting refrigerant-related waste

Carrefour's policy

Hydrofluorocarbons (HFCs), particularly those used in refrigeration units, have several thousand times more global warming potential than natural refrigerants such as CO_2. In line with the Consumer Goods Forum (CGF), Carrefour is committed to eliminating the use of hydrofluorocarbons by 2025.

Cooling systems (refrigerators operating at 0°C to 8°C and freezers at -18°C) form the Group's largest source of energy consumption and of greenhouse gas emissions from stores. Refrigerant leakage accounts for almost 40% of Group emissions and is therefore one of the most important challenges faced by Carrefour on this point.

The Carrefour group is taking steps in two areas to reduce this source of waste:

1. prevent and limit leaks by stepping up the maintenance of its equipment and keeping it as leak-free as possible in all countries of operation;
2. systematically examine the most appropriate solution when refrigeration systems are replaced.

Carrefour is phasing in hybrid and 100% natural low-energy refrigeration systems, which have low warming potential and lower power consumption. While these systems use less refrigerant and reduce energy consumption by 10% to 20%, they do require additional investment. Following a technical feasibility analysis, these technologies are being adopted for all cooling and refrigeration units.

Carrefour's performance

The substantial 37.6% reduction at end-2017 has been achieved through a combination of all the efforts made in refrigeration, including the detection of refrigerant leaks, maintenance initiatives and the low overall warming potential of the refrigerants used in new solutions.

Though the downward trend continued in most of the countries where Carrefour operates, 2017 saw a high incidence of technical problems, mainly in France, largely arising from isolated instances of major leakages and defective cooling unit batteries.

% change in refrigerant-related CO_2 emissions per sq.m. compared with 2010*	2017	2016	Change
TOTAL	(37.6)	(41.1)	-3.5 points

Scope: Like-for-like BUs (87% of 2017 consolidated sales excl. VAT) – excluding: HM: AT/SM: AR.
** 2010 data restated.*

In 2017, 200 stores were equipped with all-natural refrigerants in Carrefour's countries of operation. In total, 455 stores are currently equipped with these new technologies, all-natural refrigerants and hybrid systems combined.

Number of stores equipped with hybrid or all-natural refrigerant system	2017	2016	Change
All-natural refrigerants (HFC- or HCFC*-free)	200	146	+37.0%
Hybrid (a mix of HFC and natural refrigerants)	255	202	+26.2%
TOTAL	455	348	+30.7%

* *Hydrochlorofluorocarbons.*

Quantity of refrigerants refilled after leaks *(in kg/1,000 sq.m. of sales area)*	2017	2016	Change
TOTAL	37.2	34.1	+9.1%

Scope: Like-for-like BUs (87% of 2017 consolidated sales excl. VAT) – excluding: HM: AT/SM: AR.

Highlights

The NGO EIA (Environmental Investigation Agency) named Carrefour Green Cooling Leader for its commitment to developing alternatives to HFC in cooling systems[(1)].

Following similar operations in Spain and Brazil, in 2017 Carrefour Argentina tested the application of CO_2 cooling systems designed for use in hot climates.

At a new store in France, Carrefour set up a CO_2-based system meeting all the site's cooling, heating, air conditioning, dehumidification and hot water needs. This brings reductions in emission levels, energy consumption and maintenance costs.

(1) "Chilling Facts VII: Are Europe's supermarkets ready to quit HFCs?", Environmental Investigation Agency, June 2017.

Combatting transport waste

Carrefour's policy

To reduce its energy consumption, CO_2 emissions and transport costs, supply chain teams are working with carriers to improve truck loading, optimise travel distances and phase in alternative transport modes.

Implementation of this Group policy is adapted to local contexts in each country. In France, it is focused on four areas:

1. clean and quiet shipping: fleet of trucks running on biomethane (for less noise and better health and air quality), and electric vehicles for urban deliveries;
2. shorter travel distances and optimised truck loading: warehouse locations close to stores and optimised delivery rounds;
3. responsible purchasing: founding member of Fret 21 with ADEME, minimum three-year contracts with carriers and driver acknowledgement programmes;
4. partner motivation: creation of Cercle des Transporteurs, an innovative project incubator with 22 carrier members, and founding member of the Club Demeter sustainability innovation network of logistics chain operators.

A modern fleet, for clean, quiet transport

Carrefour is modernising its fleet. More than 100 trucks are already running on biomethane fuel, emitting less pollution and making less noise. Carrefour is also taking steps to reduce noise pollution related to night deliveries. Towards the end of 2017, some 15 Carrefour France stores in dense urban areas received the Certibruit® "low-noise deliveries" label.

Where the necessary infrastructure is in place, Carrefour continues to prefer waterway, rail or multi-modal transport. In France, warehouse delivery – or upstream logistics – involves multi-modal means of transport, which are used for 52% of non-food products:

- 3,123 containers were shipped by waterway in 2017, representing 30% of imported products;
- 2,338 containers were shipped by rail, corresponding to 22% of imported products.

Delivery to stores – or downstream logistics – involves a combination of rail and road solutions. With these solutions, close to 2.5 million kilometres of travel were avoided in France in 2017.

Optimising logistics and shrinking the carbon footprint

Under a logistics optimisation programme begun in 2013, Carrefour France is working to reduce its carbon footprint by optimising delivery rates, increasing the number of packages per truck and having suppliers make direct deliveries to stores when volumes permit.

Logistics teams, suppliers and stores work together to streamline deliveries of different orders from different store formats.

Vehicles load goods from several suppliers in the same store delivery round, and reload at suppliers located near Carrefour stores on the return trip. The aim is to reduce the environmental impact of transport activities by minimising empty-truck mileage, optimising use of available resources and keeping the number of trucks on the road to a minimum. In France in particular, a logistics transformation programme has reduced mileage by bringing loading and delivery locations closer together and by setting up multi-format, multi-product warehouses.

Responsible purchasing and cooperation with shipping partners

The Cercle des Transporteurs is an innovative project incubator comprising 22 major Carrefour shipping partners. Since 2011, the Group has discussed and developed new initiatives addressing the medium- and long-term challenges of shipping goods by road: flow optimisation, vehicle and equipment technologies, personnel training, rollout of best practices, sustainability, road safety and IT solutions.

In France, Fret 21 is a voluntary initiative on CO_2 commitment by carrier order-givers. Carrefour France was a founding signatory of this initiative in 2015, committing to a 10% reduction in CO_2 emissions in three years, through rollout of biomethane-fuelled vehicles, optimisation of travel distances and fuelling, and cooperation with partners on projects such as the development of virtuous solutions with the Cercle des Transporteurs.

Carrefour's performance

Carrefour is committed to a 30% reduction in its transport-related CO_2 emissions by 2025 compared with 2010. The reduction to date stands at 5.3%.

% change in transport-related CO_2 emissions compared with 2010*	2017	2016	Change
TOTAL	(5.3)	(7.1)	-1.8 points

* *2010 data restated.*

CO_2 emissions per shipping unit represented 6.5 kilogrammes of CO_2 per pallet compared with 6.4 kilogrammes in 2016, a 2.0% increase.

CO_2 emissions per shipping unit *(kg of CO_2/pallet)*	2017	2016	Change
TOTAL	6.5	6.4	+2.0%

Scope: Like-for-like BUs (88% of 2017 consolidated sales excl. VAT) – excluding: HM: AT.

Highlights

With its Cercle des Transporteurs partners, Carrefour France has developed a fleet of vehicles running on biomethane. The immediate benefits from this initiative are a 75% reduction in CO_2 emissions, zero fine particle emissions and a 50% reduction in noise pollution. By the end of 2017, there were more than 100 biomethane-fuelled trucks making clean, quiet deliveries in Paris, Lyon, Marseille, Lille and Bordeaux. Five bio-NGV service stations were available for refuelling the Carrefour fleet and vehicles from any other carriers opting for biomethane. More of these service stations will be opening in 2018. Carrefour actively encourages the use of this biofuel in the other countries where it operates. Carrefour Italy began preliminary work on this 2017, and the first service station should be opening in the fourth quarter of 2018.

In Italy, Carrefour brought in its first hybrid electric truck, and Carrefour Spain introduced its first natural gas trucks in Madrid.

With the Conducteur Carrefour programme launched by Carrefour France in 2017, delivery drivers are seen as Group ambassadors. As part of the programme, they received a guide, videos and training on maintaining best practices and operational excellence. In 2018, it will be extended to include reciprocal rating, with stores assessing the quality of the delivery service and drivers assessing the quality of reception at the store.

2.2.4 Reducing the impact of packaging

Carrefour's policy

Carrefour is committed to a 10,000-tonne reduction in packaging by 2025 with respect to base year 2016. *[CSR Index]*

To reach this goal, Carrefour is implementing a packaging reduction policy that involves a number of measures:

- Optimise packaging, by adapting shapes, reducing size, weight and colours, and using vegetable-based inks where possible;
- Cut out secondary packaging;
- Use renewable and recycled materials where possible;
- Offer customers packaging collection solutions, in partnership with local authorities and suppliers.

To sustain these initiatives and achieve the Group's packaging reduction targets, all Carrefour country teams have committed to running five projects a year in this area.

In Spain and France, packaging considerations are systematically factored in during the eco-design process for Carrefour products. All new developments must satisfy criteria on material reduction, optimised fill rate and printing methods, simplified opening and closing, etc. To avoid increasing food waste, product conservation must not be compromised. To limit waste, the boxes and crates used for carrying fruit and vegetables are being replaced by reusable plastic trays. Retail-ready packaging (secondary packaging used for display) is being developed to reduce the amount of primary packaging used.

Carrefour's performance

In 2017, Carrefour introduced a new packaging performance indicator consistent with its objective of a 10,000-tonne reduction in primary packaging (store-shelf packaging) by 2025.

Reduction in packaging materials *(tonnes)*	2017
TOTAL	938

Highlights

Carrefour's work in 2017 focused on:

- continuing to provide instructions on sorting and recycling packaging materials for most food and non-food products;
- various projects that reduced packaging waste by over 900 tonnes per year. A 50-gramme reduction in the weight of a bottle of syrup leads to a 36% reduction in the annual CO_2 emissions relating to this product.

2.2.5 Saving water

Carrefour's policy

Carrefour is committed to reducing the water consumption of its stores through tighter monitoring and more thorough checks. For several years now, Carrefour has also been working on water use in the supply chain through its Clean Water Project and during the product use phase.

The amount of water consumed by stores varies with store size and activities. Most of the water is consumed in preparing food (meat, fish, bread, pastries and deli products), cleaning equipment and floors, producing ice for the seafood display, in staff restrooms and watering green spaces.

Carrefour monitors water consumption and is rolling out action plans to save water. Stores are phasing in solutions such as rainwater recovery and water-saving taps. To improve management of water consumption under current conditions of growing water scarcity in the country, Carrefour Brazil conducts online monitoring of water consumption at all its stores and has started work on upgrading its water supply lines.

Given the nature of their business, stores do not produce heavily polluted wastewater. Wastewater treatment and recycling systems have been introduced in some countries.

Carrefour's performance

Amount of water consumed	**2017**	**2016**	**Change**
cu.m. per sq.m. of sales area	1.65	1.67	-1.2%
cu.m. *(in millions)*	18.1	17.9	+1.1%

Scope: Like-for-like BUs (100% of 2017 consolidated scope excl. VAT).

From 2016 to 2017, water consumption per square metre rose by 1.2% at Group level.

Supply-chain work by Carrefour teams brought significant results in 2017:

- Carrefour ranked 39th out of 100 in China's environmental performance index (EPI) for the management of its supply chain water pollution;
- 13% of textile factories in Bangladesh, China and India received training and were audited on how to prevent chemical waste;
- In Bangladesh, 100% of plants with water treatment facilities were inspected without warning to test the quality of the water treated. 80% of these plants have committed to take water conservation measures as part of the PaCT project.

2.3 Protecting biodiversity

2.3.1 Developing agroecology in crop and livestock farming

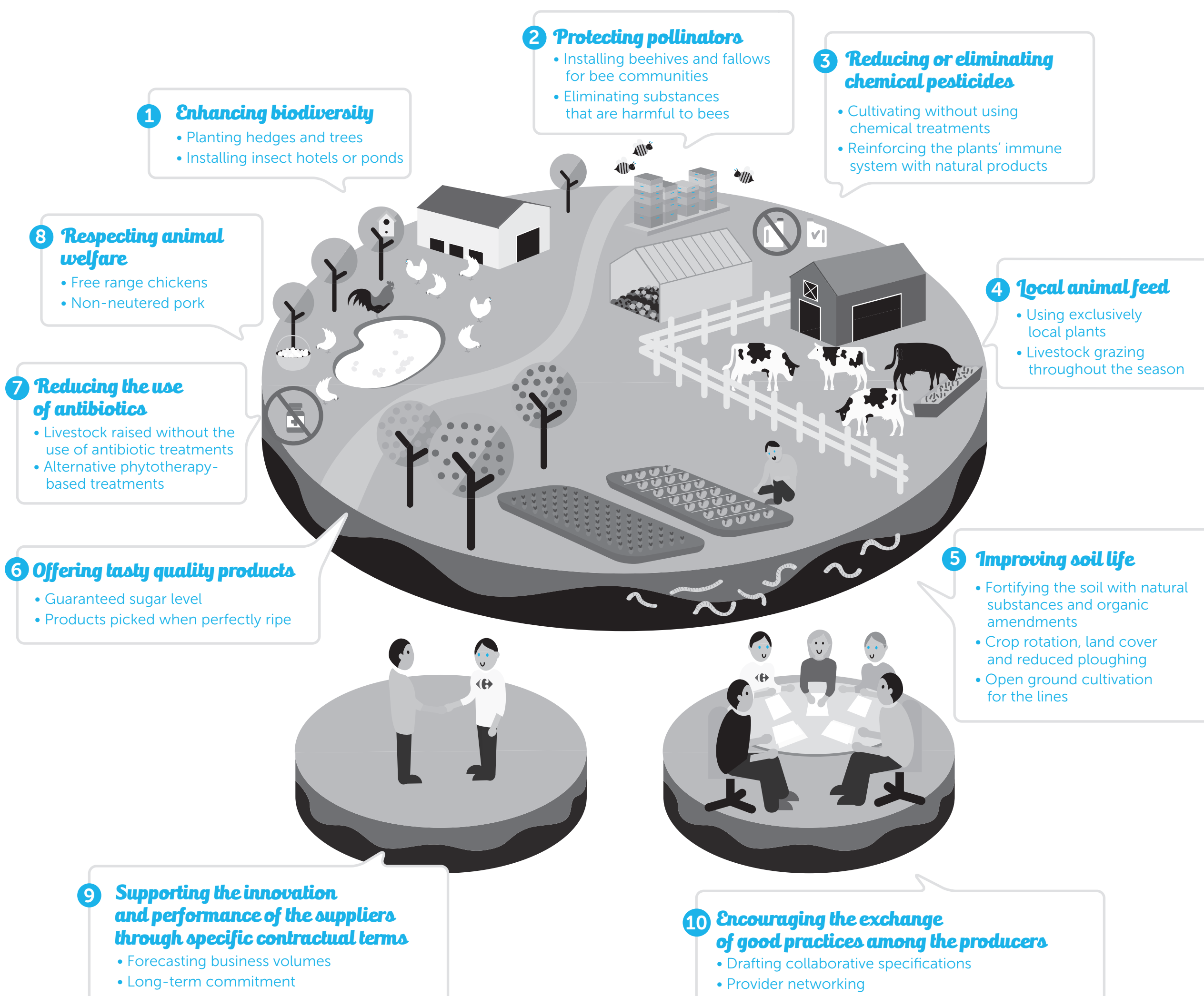
Carrefour's policy

Carrefour's commitment extends to ten key focuses for the development of agroecology principles for its Carrefour Quality Lines and the retail sale of organic and fair trade products, the aim being to field a long-term offering of quality products with full respect for biodiversity.

Did you know?

Carrefour supports the development of agroecology in crop and livestock farming practices. Agroecology is an agricultural model based on the principle of harnessing natural processes to improve production. Carrefour sees this as a powerful force for offering the sorts of innovative solutions expected by customers, agricultural partners and society at large.

CARREFOUR'S TEN KEY AGROECOLOGY FOCUSES



2.3.2 Promoting agroecological and organic farming, and supporting fair trade

Actions addressing SDG 2

Carrefour promotes agroecology and encourages the use of resilient farming practices that will boost productivity and output, contribute to the conservation of ecosystems, and gradually improve the quality of land and soil (target 2.4). Carrefour's new *Marché Interdit* (Forbidden Market) offering allows customers to participate in preserving genetic diversity in seeds (target 2.5).

Carrefour's policy

In launching the Carrefour Quality Lines in 1992, the Group took a cooperative approach to encourage partners to manufacture goods using innovative practices that protect the environment and biodiversity. Carrefour Quality Lines producers use integrated pest control and crop rotation, and abstain from spreading sludge from waste treatment plants, using soil-less crop production and applying post-harvest chemical treatment on fruit and vegetables. Specific criteria for different product families complete these principles.

Some 25,000 producers are long-term partners of the Group on more than 450 Carrefour Quality Lines.

Carrefour targets a substantial rise in the sale of Carrefour Quality Lines and 5 billion euros in sales of organic products by 2022 *[CSR Index]*.

Carrefour's policy addressing this objective involves developing loyalty among the best suppliers of Carrefour Quality Lines and organic products.

Did you know?

Carrefour's five-year plan for organic farming in France seeks to strengthen its position as market leader, increase its status as a key partner for French organic producers and offer affordable organic products to the broadest possible cross-section of the public.

The underlying manifesto on organic products covers three points:

- tasty: building pleasure into the organic food experience, and preserving the real flavour of food;
- convenient: affordable pricing, wide product range, broad geographic coverage and inspirational customer information;
- local: French-grown produce to support the development of French organic farming.

In carrying out the measures outlined in the plan, Carrefour France strives to give partner producers greater visibility and sound commercial, technical and financial support.

Carrefour has also developed a broad range of organically sourced fresh produce, grocery products and cosmetics. Carrefour stores now sell over 2,500 certified organic food products.

Carrefour also offers more than 750 fair trade products (Carrefour brands and national brands) across the world. The best-selling products are coffee, chocolate, flowers, tea, honey and sugar. Carrefour intends to develop product imports from small producers with both fair trade (such as MaxHavelaar®) and organic farming certification.

Carrefour's performance

Carrefour aims to develop and promote sales of Carrefour Quality Lines and organic produce.

In 2017, sales of these product lines increased by 9.6% year on year.

Carrefour Quality Lines products	2017	2016	Change
Number of Carrefour Quality Lines *(number of partnerships)*	464	464	0.0%
Total sales (incl. VAT) of Carrefour Quality Lines products *(in millions of euros)*	838.2	922.7	-9.2%

Organic products	2017	2016	Change
Number of certified organic food products	2,566	2,390	+7.4%
Sales (incl. VAT) of organic food products – Carrefour brands and national brands *(in millions of euros)*	1,334.0	1,041.5	+28.1%
Total sales (incl. VAT) of organic products – Carrefour brands and national brands *(in millions of euros)*	1,386.6	1,107.4	+25.2%

Fair trade products	2017	2016	Change
Number of certified fair trade products	74	99	-25.3%
Sales (incl. VAT) of fair trade products – Carrefour brands and national brands *(in millions of euros)*	152.5	149.0	+2.3%

Scope: Like-for-like BUs (100% of 2017 consolidated sales excl. VAT).

Highlights

With its *Marché Interdit* initiative, Carrefour France supports growers in the movement to offer traditional fruit and vegetables grown from farmers' seeds. So far, there are some 40 Carrefour stores selling these traditional fruit and vegetable varieties. Carrefour France wishes to develop this line on a long-term basis, and accordingly has signed a partnership with two grower groups. To challenge current legislation that bans the sale of these traditional varieties, Carrefour encourages customers to sign a petition entitled "Change the law that narrows biodiversity and our food choices!" Consistent with this initiative, the Carrefour Foundation has set up a farmers' seed centre: *La Maison des Graines des Paysans* (*detailed in Section 2.4.6*).

Carrefour continued with its pilot crop launch schedule, begun several years ago with the aim of developing agroecology openings in various lines. The first melons grown without synthetic pesticides in the planting stage appeared on the shelves in 2017. Other pilot schemes in progress on produce such as potatoes and apples should bring results in 2018. Carrefour has involved all suppliers of its Reflets de France strawberries in a campaign to ensure that 100% of these products sold in 2018 come from farms complying with agroecology principles.

Successful results from the first few years of experimentation have encouraged Carrefour to further expand this approach across its Carrefour Quality Lines.

With this in mind, Carrefour France held its first Agroecology Solutions Forum in 2017. At this event, more than 150 producers met with providers of agroecology solutions and took part in joint working groups. They were also informed on Carrefour France's agroecology action plan and received an Agroecology Solutions Handbook detailing the solutions already in operation with pilot suppliers.

This approach is now being rolled out in other countries, such as Belgium, where two cooperatives are growing the first zero-residue pears. Growers' efforts to use useful insects and organic solutions instead of pesticides have proved successful, and the two cooperatives are now working to extend the zero-residue method to two apple varieties.

In 2018, Carrefour will continue to support the agricultural industry's transformation of its production model. Under the organic farming development contract launched with the WWF® in early 2018, Carrefour has committed to a three- to five-year undertaking on purchase volumes and price conditions for producers converting to organic farming. The products in question will be identified in Carrefour stores with specific labelling indicating the WWF® connection.

2.3.3 Encouraging sustainable consumption of seafood

Actions addressing SDG 14

Carrefour promotes the sustainable production and consumption of seafood to bring an end to overfishing and destructive fishing practices (target 14.4).

Carrefour's policy

The first Carrefour Quality Lines aquaculture products (salmon and rainbow trout) date back to 1995. Carrefour initiated its approach to responsible fishing in 2005 with the creation of a Carrefour range of responsibly fished products.

The Group is now committed to a responsible sourcing target for one in every two Carrefour seafood products by 2020 *[CSR Index]*, demonstrated by products:

- From Carrefour's Quality Lines, meaning they are specially selected with traceability back to the boat or farm basin;
- With the Aquaculture Stewardship Council (ASC) label for responsible aquaculture, attesting to respect for the environment, verification of animal well-being and inspection of working conditions;
- With the Marine Stewardship Council (MSC) label for responsible fishing, attesting to engagement of fishing personnel, avoidance of overfishing and respect for the marine environment;
- With an organic (Bio) label indicating products from environmentally-friendly farms;
- From stocks in good condition or fished using environmentally-friendly sea fishing techniques, such as fishing without controversial fish aggregating devices liable to damage fish stocks.

To achieve this target, Carrefour is working closely with its producers and industry players by :

- Favouring the more abundant species, products certified by MSC as being from sustainable sources, and fishing techniques having the least impact on ecosystems. Carrefour has also stopped selling vulnerable species;
- Supporting the development of responsible aquaculture practices through the promotion of best practices (limiting industrial fishing, banning the use of antibiotics and, if applicable, practising GMO-free feeding) and greater emphasis on ASC-certified products;
- Supporting local sustainable fishing through local partnerships;
- Highlighting a broad range of sustainably sourced seafood products in-store, identified by a seagull logo;
- Promoting the combat against illegal fishing.

Carrefour is committed to supporting its partners in this area. The Group's action plan here benefits from regular input from international NGOs and fishery organisations on questions of biodiversity and seafood products. The plan is also monitored by a working group made up of members from four NGOs and two suppliers. A meeting was held with this group on December 7 to discuss matters of training and in-store communications.

Overfishing is a global problem requiring local responses. Solutions to protect resources must be adapted to each fishing area and put into practice jointly with local stakeholders. The approach is therefore being phased in consistent with country-by-country initiatives.

Carrefour's performance

Carrefour has been phasing out the sale of vulnerable species since 2007. Twelve vulnerable species have been withdrawn from sale in France.

Customers in France can count on a range of sustainably sourced seafood:

- In the frozen food section, 100% of Carrefour wild cod is MSC certified;
- In the canned food section, specifications for Carrefour's own-brand canned tuna were updated in 2017 to stipulate fishing techniques and methods having lower ecosystem impact: extended traceability, exclusion of sensitive fishing areas and species, and more responsible fishing methods;
- In the fresh fish section, the responsible fishing and fish-farming programme was rolled out across 68 hypermarkets and 30 supermarkets in late 2017. The traditional fishmonger sections in these stores now sell 100% MSC-certified cod and 100% ASC-certified Carrefour Quality Lines salmon, these being the two most popular fish in France. All Carrefour Quality Lines prawns from Madagascar are also ASC certified. These products are now available self-service in all Carrefour stores in France. Carrefour also guarantees that 100% of Carrefour Quality Lines salmon is raised GMO-free and without antibiotics.

Carrefour Italy has a special partnership with MSC to develop products from sustainable fishing practices: stores sell 16 MSC-certified Carrefour own-brand products.

Carrefour Quality Lines products	2017	2016	Change
Sales of MSC, ASC and CQL seafood products *(in millions of euros)*	310.9	199.0	+56.2%

Scope: Like-for-like BUs (100% of 2017 consolidated sales excl. VAT).

Highlights

At the Our Ocean Conference 2017 held at the initiative of the European Union, the Carrefour group issued a public statement on its commitment to responsible fishing, invited mobilisation of all players concerned and encouraged the definition of joint minimum standards on fishing.

Carrefour France took part in the Responsible Fishing Week event organised by its partners MSC, ASC and WWF®, carrying out a wide-reaching awareness-raising campaign on responsible fishing at its hypermarkets and supermarkets.

Carrefour Brazil also held the first of what will be a yearly meeting with some 20 seafood suppliers to outline the Carrefour approach, raise awareness on the issue of marine resources and set out its ambitions on seafood products.

Carrefour China also worked with the WWF® to launch two responsible fishing projects involving 400 local seafood farmers, with the aim of improving food safety standards in the fishing industry and the information provided to customers.

In Spain, Carrefour spoke at the seafood seminar organised by the AECOC trade association to tell the hundreds of attendees present about its commitment to the cause.

Did you know?

To take stock of the sustainability of its supply chain and local resources, Carrefour Brazil signed an agreement with the Monterey Bay Aquarium, which runs research programmes for the protection of marine species.

2.3.4 Ensuring animal welfare

Carrefour's policy

Supporting animal welfare improvements with Welfarm

Carrefour is committed to developing a coherent approach on animal welfare improvement in its supply chains. It advocates the "Five Freedoms" adapted to suit the various livestock farming methods used:

- Freedom from hunger and thirst, by ready access to fresh water and diet to maintain health and vigour;
- Freedom from discomfort, by providing an appropriate environment including shelter and a comfortable resting area;
- Freedom from pain, injury or disease, by prevention or rapid diagnosis and treatment;
- Freedom to express normal behaviour, by providing sufficient space, proper facilities and company of the animal's own kind;
- Freedom from fear and distress, by ensuring conditions and treatment which avoid mental suffering.

Since 2008, Carrefour has been working with Welfarm, a public-interest non-profit organisation working on improved consideration for animal welfare in livestock farming and closer integration of this factor in Carrefour Quality Lines. Welfarm support includes advice on policy definition and inclusion in specifications, and oversight of the progress plan. Carrefour France coordinates the Group's animal welfare pilot policy across all business lines through a programme drawn up in 2017.

This programme has three phases and is applied across all business lines, the five main ones being beef, pork, eggs, chicken and veal.

Phase 1 – Reach minimum standards that go beyond regulations

Carrefour wishes to go further than current regulations in eradicating mistreatment, inhumane slaughter conditions, inhumane transport conditions, caging (in egg, rabbit and quail lines) and painful mutilations (as with pig castration).

Phase 2 – Improve industrial farming conditions by upgrading facilities

Carrefour encourages its suppliers to improve industrial livestock farming conditions. Facility upgrades include:

- Improvements to buildings: indoor free space, natural lighting, outdoor access, lower density;
- Improvements to surroundings: installation of features enabling animals to express natural behaviours.

Two pilot lines have been set up in partnership with breeders and Welfarm: rabbits and free-range chickens. More pilot lines will be added in 2018 to help suppliers work towards implementing the best livestock rearing methods.

Because facility upgrades usually require building redesign and technical and financial investment from farmers, transformation will be on a medium- or long-term timeframe.

Phase 3 – Offer exemplary products of animal origin

In presenting its customers with exemplary products, Carrefour fosters development of the best possible practices as regards animal welfare.

At the same time, it is working on introducing an indicator that will make it possible to monitor the Group's animal welfare performance.

Improving livestock farming practices

Since the Carrefour Quality Lines were introduced in 1992, Carrefour has not allowed the use of growth hormones in livestock production. Carrefour also encourages the development of livestock breeding without the use of antibiotics. For the last five years, Carrefour has gradually rolled out this policy to all classes and uses of antibiotics for all exposed livestock, including pigs, salmon, prawns, poultry, etc. In France, Carrefour leads the field in antibiotic-free livestock.

Judging from its experience of working with breeders, Carrefour is convinced that livestock farming can achieve good performance by natural means. It is in favour of natural reproduction and against the cloning techniques used in certain sectors.

Highlights

Reflets de France free-range pork and veal raised without antibiotics appeared on the shelves of Carrefour France stores in 2017.

In Spain, Carrefour launched a new Carrefour Quality Line of eggs from free-range facilities that use an innovative vaccination programme to avoid the use of antibiotics during the laying period.

In France, Carrefour is committed to sourcing all Carrefour brand eggs from facilities that use alternatives to caging by 2020. Carrefour is working in close cooperation with suppliers to extend this programme to all eggs in its stores by 2025, as well as all own-brand eggs in the Group's other European countries. To facilitate this change in production methods, Carrefour will be offering suppliers of its own-brand products specific contracts over three years or longer, thereby encouraging the emergence of new organic or free-range farms and conversion of cage-based farms.

Carrefour France has included farm and animal breeding conditions as a traceability criterion, visible in stores in the form of a product QR code.

2.3.5 Developing apiculture

Carrefour's policy

Because pollination is an essential factor in food safety and diversity, Carrefour supports apiculture and has set an objective for all countries covered by the Group to have a bee plan by 2020 *[CSR Index]*. The four priorities of this plan are:

1. continue to install beehives on store roofs to raise customer awareness of the role played by bees in protecting the environment, and to develop apiculture in suburban areas;
2. encourage the sale of locally- and nationally-produced honey in Carrefour stores to support the work of beekeepers;
3. develop a Carrefour Quality Line honey in each country of operation to forge direct partnerships with beekeepers and to guarantee traceability;
4. add a section on protecting pollinators to the Carrefour Quality Lines specifications for fruit and vegetables.

Highlights

There are today some 210 beehives at Carrefour sites (stores, warehouses and headquarters buildings) in Belgium, France and Poland. The honey is collected by a local beekeeper and sold in-store or donated to charities or schools. These initiatives raise awareness of the importance of preserving biodiversity, and of the role played by bees as pollinators.

Carrefour France continued its work on bee and pollinator conservation by specifying the elimination of products harmful to pollinators and the introduction of hives and land set aside for apiculture in plots used for producing fruit and vegetables in the Carrefour Quality Lines.

Carrefour has also begun a partnership with the Noé biodiversity preservation organisation on the sale of charity-affiliated products. Customers buying Reflets de France honey will be helping to finance new bee-keeping businesses and projects on bee protection and conservation, and the purchase of "bread for bees" helps finance land set aside for apiculture.

Did you know?

In 2011, Carrefour began installing beehives on the roofs of its stores or in the surrounding areas to integrate biodiversity at its sites and support local beekeepers. The beekeepers sell the honey in-store and put on customer awareness-raising events.

2.3.6 Encouraging sourcing of products that do not contribute to deforestation

Actions addressing SDG 15

Carrefour supports initiatives to promote sustainable forestry management, combat deforestation and encourage sourcing of products that are not a result of deforestation (target 15.2).

Carrefour's policy

Carrefour is targeting zero deforestation by 2020. It set this target in 2010 at the Consumer Goods Forum (CGF).

To reach this target, Carrefour is implementing measures such as:

- Implementing compliance rules on purchasing of forestry products;
- Setting up stakeholder panels to adapt purchasing compliance rules to local situations and plan joint communication operations with partners to address store customers (explanation of labels, product identification, etc.);
- Running promotional events with partner NGOs to promote products made under sustainable forestry programmes.

These measures are primarily directed at the four types of supplies having the highest forestry impact:

- Wood/paper: own-brand writing paper, furniture, wooden articles and charcoal;
- Brazilian beef sold in Brazil;
- Soy used in Carrefour brand meat products;
- Palm oil used as an ingredient in Carrefour own-brand products.

Since 2005, the Group has taken a comprehensive approach to reducing the amount of paper used in its publications (e.g., reducing paper grammage, going paperless and optimising distribution) and to increasing the relative proportion of recycled or certified paper. Carrefour also works with printers to reduce the amounts of paper used in its sales and marketing publications.

Carrefour's performance

In 2017, Carrefour introduced a new composite indicator to measure progress made in the fight against deforestation relating to the wood/paper sector. The objective is to reach 100% compliance with our Sustainable Forests initiative by 2020 *[CSR Index]*.

The new indicator takes into account four main deforestation risk categories: soy farming, wood, wood pulp and paper production, palm oil production, and Brazilian cattle ranching. The indicator's main sub-objectives for 2020 are as follows:

- 100% of sales of the top 10 wood, wood pulp and paper product families must be sourced from responsible suppliers;
- 100% of palm oil supplies must comply with sustainable procurement commitments: certified RSPO 'segregated' (fully traced), RSPO mass balance, RSPO Next, POIG or similar;
- 100% of Brazilian cattle suppliers must be geo-referenced, with zero deforestation;
- the Group must develop a Carrefour Quality Line for animals fed with zero-deforestation vegetable proteins in all countries.

2

	2017
% of compliance with our Sustainable Forests initiative	39.8%

Highlights

Carrefour formed the first panel of stakeholders to discuss efforts on combatting deforestation. Two meetings were held, with WWF® support, discussing points such as sustainable forestry management and solutions for setting up a responsible soy supply chain.

Priority wood and paper products

Carrefour's policy

Carrefour promotes sustainable forest management for its audited wood products and derivatives.

For the highest-impact priority product families, accounting for close to 80% of the consumption of components derived from wood or paper, Carrefour is committed to sourcing 100% of supplies from sustainably managed forests by 2020. Sustainability criteria are the FSC (Forest Stewardship Council) 100%, FSC Mix and PEFC (Pan European Forest Certification) Europe labels, which attest to sustainably managed forests and sustainable wood varieties or sourcing.

Carrefour is also committed to discontinuing supplies of timbers from tropical forests by 2020.

Priority product families are covered by a responsible purchasing process:

- All suppliers are required to sign the Carrefour Wood Charter, which is systematically appended to contracts. This charter covers the following points: the legality of procurement; the respect of local populations; that supplies are not sourced from high conservation value forests (HCVF); that supplies are not sourced from species included on the International Union for Conservation of Nature (IUCN) red list of threatened species or species protected under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- All suppliers undergo a technical audit which includes a wood traceability check.

Carrefour's performance

Since 2015, the Group has taken steps to boost sales of Carrefour PEFC and FSC products. Sales retreated slightly year on year.

Change in sales	**2017**	**2016**	**Change**
Sales of Carrefour PEFC and FSC products *(in millions of euros)*	102.0	105.0	-2.8%

Scope: Like-for-like BUs (100% of 2017 consolidated sales excl. VAT).

In France, 100% of charcoal is FSC certified from European or French sources, and 100% of garden furniture made from tropical wood (acacia and eucalyptus) is FSC certified.

Brazilian beef

Carrefour's policy

In certain regions, including Amazonia, beef production may be a cause of deforestation. To counter this risk, Carrefour Brazil implements an active policy with the following aims:

- Help set up a responsible beef supply chain. Since 2009, Carrefour Brazil has been a member of the Working Group on Sustainable Beef (*Grupo de Trabalho da Pecuaria Sustentavel* – GTPS);
- Sell meat products certified by the Rainforest Alliance NGO in Brazil. In 2013, Carrefour Brazil became the first retailer to offer products covered by this certification, which extends across the entire production chain, on criteria for sustainable agriculture, methane emissions offsetting, respect for workers' rights and well-being, protection of ecosystems, water conservation, traceability and food safety;
- Encourage suppliers to develop traceability for its Brazilian beef suppliers. Carrefour Brazil has been working with suppliers, NGOs, livestock breeders and the Brazilian government on livestock traceability since 2014.

Highlights

Beef control by georeferencing in the Amazon began in 2017 and is currently being extended to all suppliers in the region.

Did you know?

Carrefour carries out satellite surveillance of breeding pastures to reduce the risk of destruction to the Amazon rain forest, preserve biodiversity and prevent the use of land belonging to indigenous tribes.

Soy

Carrefour's policy

Carrefour is committed to combatting deforestation related to soy crop farming and supports non-GMO soy crops.

Carrefour develops non-GMO meat products, in particular through its Carrefour Quality Lines. In sourcing non-GMO soy, Carrefour is implementing supply-chain traceability, through ProTerra certification for example. This certification integrates environmental criteria to help limit the risks of deforestation.

Since 2006, Carrefour has supported the soy moratorium in the Amazon. This initiative, taken by industry professionals in coordination with Brazilian authorities and civil society, is helping to combat deforestation in the Amazon rainforest. Renewed annually for the last 10 years, the soy moratorium was adopted on a permanent basis in 2016.

Highlights

- Carrefour has been a member of the Roundtable on Responsible Soy (RTRS) since 2007, and took part in the organisation's Annual General Meeting. This international organisation includes soy producers, industry representatives, retailers and NGOs.
- Carrefour also began discussions on deforestation issues with soy market intermediaries, expressing its expectations on the matter.
- It also signed the Cerrado Manifesto in response to a call from various civil society sources (NGOs, scientists) asking for action from the private sector on the need to counter deforestation and the resulting ecosystem damage. Carrefour encourages all players to take part in this initiative and join the movement.
- The Group takes part in the development of new supply modes. In France, for example, Carrefour signed a partnership agreement with Sojalim to promote the use of French soy, and will be the first retailer to offer ham from pigs fed with 100% French soy.

Did you know ?

Europe grows very little soy, a vegetable protein used in livestock farming. Soy is largely imported from Brazil, where this crop is one of the main causes of deforestation and biodiversity damage in the vulnerable regions of the Amazon and Cerrado.

Palm oil

Carrefour's policy

Since 2006, Carrefour has supported the Roundtable on Sustainable Palm Oil (RSPO), a non-profit organisation of palm oil industry players.

Carrefour's palm oil procurement policy is based on production criteria, including the RSPO standard and additional requirements to protect natural forests and peat bogs. The Group is working closely with suppliers, NGOs, scientists and refiners to speed up the implementation of additional standards on top of those of the RSPO.

Carrefour's performance

Currently, 100% of Carrefour's own-brand products containing palm oil come from RSPO-supported suppliers. Over and above this certification, 50 Carrefour grocery products have been identified as complying with the strictest sustainability criteria, including additional requirements to protect peat bogs and carbon-rich natural forests.

Highlights

In 2017, Carrefour continued its approach on improving the traceability of palm oil used in Carrefour products. Carrefour supports development of the "segregated" palm oil model, meaning traceability for sustainability throughout the supply chain, starting with the refiner. Segregated palm oil accounted for 31% of the palm oil used by Carrefour in 2017.

2.4 Supporting our partners

2.4.1 Quality assurance

Quality is a key concern for consumers. Working constantly with stakeholders, the Group guarantees the quality and safety of Carrefour-brand products through a policy built around five pillars: suppliers, specifications, inspection procedures, staff and data.

These Carrefour-brand products are manufactured according to Group specifications.

Inspection procedures include the use of analyses, audits of manufacturing sites and panels. Quality data are recorded and processed by Carrefour technical experts.

Carrefour's approach to consumer safety is stricter than current regulatory requirements. The Group factors the information provided by stakeholders and the latest industry developments into constantly improving the safety and quality of its products throughout their life cycle and during store operations.

CARREFOUR'S QUALITY POLICY

5 pillars	Stakeholders' expectations in terms of product quality	Carrefour policy to meet stakeholders' demands and product quality requirements.
Suppliers	Producers and manufacturers: • Receive assistance to meet production criteria in terms of quality, social practices, hygiene and safety to continue to be listed as a supplier.	Comprehensive assessment before any supplier is listed to ensure that it complies with health and safety quality standards (IFS, BRC) and with Carrefour's own requirements, including a specific company audit for high-risk countries. Regular follow-up audits after a supplier is listed.
Specifications	Producers and manufacturers: • Receive support from Carrefour. Experts, charities, scientists, NGOs, consumer associations and official services: • Inform and consult Carrefour about the latest scientific and regulatory advances in the food industry; • Work alongside Carrefour and express the expectations of civil society.	Validation of detailed specifications covering all aspects of quality (source of raw materials, recipes, etc.). Permanent monitoring of substances through risk mapping by category and criticality level based on scientific evidence. Gathering of information regarding stakeholders' concerns and expectations (informal contacts with independent scientific experts by topic, monitoring of the food industry, interviews with Government departments in high-risk countries, monitoring of laboratory publications, contacts with health authorities).
Inspection procedures	Consumers: • Enjoy products that are audited and that comply with traceability, safety and quality standards.	Samples and analyses of Carrefour-brand products in stores and warehouses. Checks to verify the freshness, origin, and category of products in stores and warehouses. Withdrawal of non-compliant products.
	Consumers: • Are listened to by Carrefour.	Feedback and discussion: customer service, round tables, etc. Awareness campaigns and provision of quality and nutritional information on Carrefour product packaging, in responsible consumer and recycling guides and online.
	Suppliers: • Receive support from Carrefour.	Analysis of Carrefour-brand products and testing of production site compliance.
Staff	Carrefour teams: • Develop high-quality expertise; • Apply Carrefour's quality procedures throughout the year.	Quality approach overseen and managed by Carrefour experts. In-house inspections to check that the quality policy is implemented and understood in each country. Training on Carrefour quality procedures.
Data	Consumers and authorities: • Can trace data.	Recording, processing and monitoring of data.

To meet this demand for quality, all sites manufacturing Carrefour-brand products are either certified under international standards (such as the International Food Standard), (80% in 2017) or audited by Carrefour (20% in 2017).

Given the number of Carrefour sites (over 2,500 in 2017), almost 50,000 analyses and over 3,700 external panels were organised in 2017.

Collaboration between Carrefour and its suppliers will always be based on lasting and trusted partnerships – hence the high proportion of suppliers who have been working with the Group for over five years (68% in 2017, and 86% for suppliers who have been working with the Group for over two years).

Number of suppliers – sites	2017	2016	Change
TOTAL	2,516	2,502	+0.6%

Scope: Suppliers of Carrefour-brand products purchased by the European purchasing centre.

% of ratings obtained in audits	2017	2016
Between A and B-	94.3%	95.1%
Between C and D	5.7%	4.9%

Scope: Suppliers of Carrefour-brand products purchased by the European purchasing centre.

Number of inspections performed	2017	2016	Change
Analyses	49,208	54,666	-10.0%
External panels	4,139	4,399	-5.9%

Scope: Suppliers of Carrefour-brand products purchased by the European purchasing centre.

Every year, the Customer Service department asks 1,600 customers their opinion on the quality of service received and undertakes any necessary remedial action.

Carrefour has an international alert system known as AlertNet to inform stores as quickly as possible if they must withdraw or recall a product. The system is available online, with free, open access for suppliers. When an alert is triggered, Carrefour withdraws the relevant products immediately, an inspection to ensure that the withdrawal is complete is conducted within 24 hours, and the quantity of products concerned is reported within three working days of the withdrawal being announced.

To strengthen product withdrawal and recall procedures, Carrefour France recently reviewed all of its in-store procedures. As a result, the Group has modified some of these procedures, including those relating to the management of products returned to stores by customers, the blocking of delivery of withdrawn/recalled products to warehouses and stores, and the blocking of sales at the check-out when all the batches of a product are withdrawn or recalled.

2.4.2 Raising awareness of customers and consumers

Promote well-being through food

Carrefour has set the goal of ensuring that an Eat Better action plan is rolled out in all the countries where the Group operates by 2020. *[CSR Index]*

To this end, it is promoting a policy based on several steps:

- Work in partnership with organisations specialising in nutrition, health and well-being to design products and services that will encourage consumers to follow a balanced diet;
- Create a platform to provide relevant information to help improve eating habits;
- Communicate with staff and offer information on nutrition and the Eat Better programme and have staff promote the Eat Better programme in stores.

Did you know?

To support its customers and consumers, Carrefour France works with a network of nutrition experts and a number of organisations. In 2017, the magazine distributed in the Group's hypermarkets and supermarkets in France devoted space to the *Ligue contre l'obésité* anti-obesity organisation. At the same time, the organisation ran anti-obesity campaigns in six of the Group's hypermarkets. Similarly, the FRHTA (*Fondation de recherche sur l'hypertension artérielle*), a Foundation dedicated to research on high blood pressure, helped select some one hundred products that can be recommended for their low or zero salt content.

Above all else, Carrefour places the focus on producing a diverse range of products to deliver an optimal nutritional balance. Certain Carrefour-brand product ranges that meet specific requirements, such as gluten intolerance, have been created to suit all customers. For example, Carrefour France developed and marketed a range of low-lactose products in 2017. It also developed My meal ideas (*Mes idées repas*), a programme embedded in the Carrefour & Me (*Carrefour & Moi*) application, to help customers make balanced meals.

To keep customers and consumers informed and to raise their awareness of the most important subjects – healthy eating, a healthy body, a healthy lifestyle and caring for the environment – Carrefour France launched the Well-being for Everyone (*Bien-être pour tous*) website to offer explanations and simple advice to help consumers adopt a more holistic approach to their well-being.

The Group also ensures that staff receive training on well-being. In 2017, the Enjoyment and balance (*Plaisir et équilibre*) programme continued its rollout at French sites: messages promoting a healthy lifestyle were displayed on in-site screens, conferences were organised on cardiovascular risk, physical exercise and sleep, the Destination well-being (*Cap bien-être*) programme was rolled out, etc.

In all the Group countries, the Major Supplier Challenge encourages and rewards supplier innovation on a given topic. Following the efforts to combat waste and preserve biodiversity, each country was given the opportunity in 2017 to highlight the initiatives of suppliers in food and healthcare.

Showcase CSR initiatives in stores

Carrefour has set the goal of ensuring that 80% of customers are able to recognise the Group's in-store CSR messages by 2025. *[CSR Index]*. To this end, it communicates locally on the CSR impact of each store. The results are collected by customer surveys conducted annually across all Group countries.

	2017
% of customers that recognised the Group's in-store CSR messages.	44.1%

Inform customers through nutritional labelling

With Carrefour's support, the Fédération du commerce et de la distribution (FCD), a French retail trade association, proposed a simplified nutritional labelling system known as SENS *(système d'étiquetage nutritionnel simplifié)*. It includes a recommendation as to how often a particular product should be consumed. The mathematical algorithm and scientific approach used have been made public. Its positive message, conveyed using differently coloured triangles, is easy to understand and does not advocate eliminating any product from one's diet. In 2017, Carrefour Poland adopted this kind of product labelling scheme for eight products and is in the process of rolling it out to a further 50.

Offer eco-labelled cleaning and personal hygiene products

Carrefour has developed a range of cleaning and personal hygiene products certified by three main ecolabels. The range, known as "EcoPlanet", includes:

- Paper products containing certified fibres that often have FSC certification;
- Carrefour EcoPlanet household cleaning, laundry and paper hygiene products with EU Ecolabel certification;
- EcoPlanet feminine hygiene products with Nordic Ecolabel certification.

Currently, 301 Carrefour-brand products have the EU Ecolabel in the household and personal care, paper, paint and solvents product categories.

2.4.3 Listening to our suppliers

Maintain responsible supplier relationships and dialogue

In 2017, Carrefour's responsible supplier relationships and responsible procurement certification for the food industry was renewed. This certification reflects the sustainable and balanced relationship the Group maintains with its suppliers. It indicates respect for suppliers' interests, financial fairness, the prevention of corruption, contribution to regional development, and the inclusion of environmental protection and quality criteria in the contractual relationship. Following an external audit, Carrefour was awarded this certification in 2015 for a three-year period by a committee of representatives from public authorities, the retail sector, the food industry and the upstream agriculture sector. A compliance check is performed annually.

To expand this initiative, Carrefour conducted a survey in 2017 of very small businesses, SMEs and intermediate-sized businesses that supplied Carrefour France. Almost 1,500 people completed the survey to assess the quality of their relationship with Carrefour based on criteria including responsible supplier relations, the procurement and listing process and supplier development. Ninety percent said that they were satisfied or very satisfied with the "quality and performance of their Carrefour relationship".

Carrefour also co-designs responsible products and solutions with its suppliers (*see Section 2.3 Biodiversity*). Following on from the milk carton marketed in 2016, Carrefour extended its partnership with "C'est qui le Patron ?!" in 2017 by marketing pizza, apple juice, yoghurt, butter and hamburgers in 2017 manufactured in line with the requirements for quality, ethical standards and traceability of origin demanded by consumers online.

In addition to the external mediator clause included in contracts, an internal mediator addresses any questions that agricultural partners may have. The internal mediator is independent of the Purchasing, Commercial and Litigation departments. S/he can be reached directly within 48 hours by suppliers and the external mediator for agricultural business relationships, regardless of the sales negotiations, contracts or annual agreements they have with Carrefour.

Offer SMEs special relationships

5,000 SMEs working in partnership with Carrefour supply more than one in three products on the Group's shelves.

Carrefour's special relationship with these companies has been established on a product basis. In 1976, 28 SMEs took part in the launch of unbranded products (*produits libres*). Today, 20 of them still supply Carrefour. The Reflets de France brand, which systematically favours SMEs, is another example of this special relationship.

Carrefour's INNBOX tool for SMEs is permanently available to provide SMEs with free expertise from Carrefour on areas such as product quality, design, packaging, logistics, etc. to support the development of innovative food products.

As part of its SME programme, Carrefour China has focused on the development of its financing arm, launching a joint business plan programme between Carrefour and SMEs to share the associated marketing risk.

Highlights

- In 2017, about ten SMEs received support for their investments and benefitted from 4.5 million euros in loans.
- At the same time, four products from the first INNBOX initiative for SMEs were launched: a ready-made sweet pastry case from Compagnie Pâtissière, The Good Spoon egg-free sauces with a microalgae base from Algama, and IN health drinks by Lorina. IN was recently awarded the *Gré d'Or*, a prize awarded to partnerships between SMEs and retailers, by the FEEF (*Fédération des Entreprises et Entrepreneurs de France*), a federation for businesses and entrepreneurs in France.
- Carrefour France also founded an SME club to promote close relationships with its SME partners: advantages include special signs used in stores for SME partners, three-year contracts, shorter payment terms, direct access to in-store contacts and Carrefour's marketing and supplier listing departments. Members will also be invited to seminars to discuss topics they have in common. The first of 15 regional branches opened in 2017 in Châlons-en-Champagne.
- To maintain its local network, Carrefour France took part in three agricultural trade fairs and exhibitions open to the general public during the year: the *Salon de l'Agriculture* agricultural show in Nouvelle-Aquitaine, the *Foire* trade fair in Châlons-en-Champagne, and the trade fair in Lessay. The Carrefour stand at these shows highlighted local and regional partners, the Group's food-related professions through the presence of in-store teams, and regional bodies for listing suppliers.
- The fourth Carrefour SME and innovation trade fair (*Salon Carrefour des PME et de l'Innovation*) was attended by more than 500 SMEs who presented their products and 1,200 Carrefour employees. An array of innovative new products were showcased, including healthy snacks, organic and vegan products and products that comply with ethical standards, animal welfare and agroecology. During this trade fair, the SME Forum invited suppliers to attend specific seminars to discover how the Group operates and has entered into commitments in several areas, including transport, CSR, organic farming, administrative and commercial, e-commerce, etc.
- At the end of the trade fair, the SME Innovation Trophy (*Trophée des PME et de l'innovation*) was awarded to six French suppliers for products combining innovation with social and environmental responsibility, including a plant-based washing-up liquid and dried fruits with no added sugar or additives.
- Lastly, since 2017 in France, all buyers who join the Company, as well as the most experienced members of staff, are given specific training on building close relationships with SMEs.

Did you know?

Carrefour's SME cash programme gives SMEs access to short-term credit if they need cash, short term investment financing or are seeking to develop their business relations with Carrefour.

2

Promote local suppliers

Carrefour's policy

Carrefour gives priority to products sourced locally from the country in which they are sold, particularly food products. The Group wants to create a network of SMEs in its countries of operation, connect them to its stores and involve them in its growth. *[CSR index]*

To promote local suppliers, Carrefour develops lines of regional specialty products in all of its countries of operation.

Since 2013 in Belgium, for example, producers located no more than 40 kilometres from a hypermarket have been able to become listed as a supplier within two weeks and enter into direct contact with that store.

Since 2014, the Group's SME plan in France has strengthened cooperation between Carrefour and SMEs across all food and non-food industries.

Lastly, Carrefour gives priority to French producers for its Carrefour organic lines.

Carrefour's performance

- In Italy, the Terre d'Italia range boasts over 350 products from more than 160 producers. Sales grew by 2.4% compared with 2016. Its products are sold in five other countries where the Group operates (France, Belgium, Poland, Romania and Taiwan).
- In Spain, the De Nuestra Tierra brand offers 161 products from 57 producers. Sales of these products grew by 11.3% in 2017.
- The Reflets de France brand comprises 610 regional products from 332 French producers. With sales of 138 million products in 2017, it advanced 4.4% (in value terms) versus 2016.
- In 2017, 880 organic Carrefour food products were on store shelves in France; one out of every two organic products sold is a Carrefour own-brand product. Most of these products were sourced from national production sites. Only exotic products and citrus fruits not grown in France are imported, or other products imported from the European Union if French production falls short.

On a Group scale, the proportion of sales of Carrefour-brand food products sourced from national suppliers represented 74.0% in 2017.

% of sales of Carrefour-brand food products sourced from national suppliers	2017	2016
Europe *(incl. France)*	73%	73%
South America	97%	96%
Asia	71%	33%
TOTAL	74.0%	73.8%

2.4.4 Promoting CSR in our supply chain

Carrefour's policy

Suppliers of Carrefour-brand products must comply with the Carrefour Charter of Social and Ethical Standards drawn up in partnership with the International Federation for Human Rights (*Fédération internationale des droits de l'Homme* – FIDH). The charter requires compliance with the core conventions of the International Labour Organization (ILO) and the principles of the UN Global Compact (*detailed in Section 2.3.4.3*).

The charter also applies to suppliers of non-Carrefour-brand products, and therefore establishes the framework within which all Group suppliers must conduct their activities.

Since 2007, Carrefour has provided all of its suppliers with a sustainable development self-assessment test online.

Its framework, developed in conjunction with the World Wildlife Fund (WWF®), is based on the ISO 26000 social responsibility standard. Carrefour has taken steps to share this test. It is now available to four federations based on the same ISO standard. The first shared self-assessment campaign was launched in 2017.

Carrefour's performance

Carrefour has shared with its suppliers the know-how it has acquired over the last ten years in conducting self-assessment tests and has helped to roll out a test for the entire sector. This new test, called Valorise, is currently being implemented by all of the Group's suppliers.

The 2017 results reflect a year of transition. *[CSR Index]*

% of suppliers that fully participated in the CSR self-assessment campaign	2017	2016
World	34%	58%
France	17%	58%

2.4.5 Ensuring Carrefour suppliers improve working conditions

Carrefour's policy

Carrefour is committed to constantly improving working conditions and protecting human rights among its suppliers. For this purpose, Carrefour has put in place a set of tools and procedures for monitoring its suppliers and helping them achieve compliance.

The commitment of suppliers of Carrefour-brand products to human rights is reflected first and foremost through their signature of a Social and Ethical Standards Charter which is an integral part of all procurement contracts in all of Carrefour's countries of operation. Initially drawn up in 2000, the charter is based on the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights and the ILO fundamental conventions.

The charter contains nine chapters on human rights:

1. the prohibition of forced or compulsory labour;
2. the prohibition of child labour;
3. respect for freedom of association and the right to collective bargaining;
4. the prohibition of all forms of discrimination, harassment and violence;
5. workers' health and safety;
6. decent wages, benefits and working conditions;
7. working hours;
8. anti-corruption;
9. environmental responsibility.

The charter prohibits any concealed or unreported subcontracting, and demands, as a knock-on effect, that suppliers have the same social compliance requirements for their own suppliers. Based on reciprocity, the charter states that Carrefour may not impose any conditions on suppliers that would prevent them from complying with the charter.

Moreover, Carrefour undertakes to support its suppliers as much as possible in implementing these social principles, specifically by deploying corrective measures in the event of non-compliance.

To identify the countries most likely not to comply with the charter, Carrefour has established a country-by-country risk map based on public risk indexes, the experience of its own teams and information from its partners. This mapping is currently being revised as part of the risk assessment programme. In high-risk countries, the Group conducts full social audits on all plants that manufacture Carrefour-brand products.

The audit process is as follows:

1. preliminary review: the sourcing teams perform on-site checks to verify if the plant complies with basic social, environmental and quality requirements. This is the first key stage in the process;
2. initial audit: an independent firm performs an unannounced social audit. If the plant complies sufficiently with the standard defined by the social clause initiative (*initiative clause sociale* – ICS), it may be added to the list of suppliers. A report and accompanying action plan are issued systematically to correct any instances of non-compliance or to make improvements to any identified areas of weakness.

   If the audit findings contain an alert, i.e., a critical point of non-compliance, the supplier will not be added to the list in its current state. The alerts, defined using ICS methodology, reflect cases including child labour, forced labour, disciplinary measures, attempted corruption, document falsification, and safety conditions threatening the lives of workers;
3. follow-up audit: once added to the list of suppliers, unannounced follow-up audits are carried out periodically by independent firms. The frequency of these audits depends on how critical the non-compliance points recorded were during previous audits. Carrefour carries out second-opinion audits on a regular basis to ensure its requirements are being correctly complied with by the independent firms employed.

   If the follow-up audit findings contain an alert, the supplier must take immediate corrective action. An inspection is then carried out within a reasonable timeframe to ensure the corrective action has been taken;
4. specific audit: Carrefour may hire an external firm to check one-off or specific items, as with the Bangladesh Accord signed in 2013 by a coalition of international brands and the biggest trade unions to promote fire safety and the safety of buildings in the country.

For suppliers located outside high-risk countries, the inspection system is adapted to take the business, local problems and on-site practices into account, as external audits are not performed systematically.

Carrefour trains its suppliers in partnership with consultants or local NGOs. Carrefour Sourcing teams roll out specific training programmes every year. Carrefour has also created the Good Factory Standard manual for training purposes. Broken down by industry and/or type of product (household goods, textiles, wood, leather, etc.), it contains photographs to ensure that all factory workers can understand it, regardless of their geographic location or level of education.

Carrefour is also committed to harmonising the various social verification systems in place and developing shared instruments and standards for implementing international labour standards. This is one of the reasons Carrefour uses the ICS standard, a benchmark shared by 27 French companies. To go even further, it worked on a business social compliance programme (BSCI) pilot scheme in 2017. With the UN, the Group is also lending its support to the drafting of legally binding universal corporate and human rights standards, as well as more demanding European standards.

Carrefour’s performance

Carrefour has performed compliance audits on all supplier factories located in high-risk countries. The audit is not an end in itself, but rather a tool that paves the way for dialogue and the implementation of a compliance plan to bring the supplier’s working conditions in line with requirements. In 2017, the audits conducted by the Group covered just over 700,000 workers in the factories audited.

The Group is continuing with its efforts to stabilise its list of suppliers. More than 60% of audits were conducted to follow up on the implementation of action plans or as part of regular repeat audits of existing suppliers (every two years at most).

Number of social audits (initial audits)	2017	2016
Bangladesh	116 (37)	93 (26)
China	948 (338)	942 (365)
India	103 (66)	44 (24)
Turkey	53 (36)	45 (32)
Other countries	232 (152)	220 (100)
TOTAL	1,452 (629)	1,344 (547)

To reduce the number of supplier social audits conducted, Carrefour benefitted from audits conducted by other members of the ICS initiative in 2017, corresponding to 23% of total audits.

Number of audits with alerts*	2017	2016
Bangladesh	17%	31%
China	21%	25%
India	14%	23%
Turkey	21%	31%
Other sourcing countries	13%	12%
TOTAL	19%	23%

* *An alert is a critical point of non-compliance identified during the audit and requiring immediate action by the supplier.*

In 2017, 19% of production plant audits generated one or more alerts, an increase compared to 2016 (23%).

Breakdown of alerts by category in 2017 *(as a % of alerts issued)*	Potential production site	Active Supplier
Factory management system	9%	0%
Child labour	3%	0%
Forced labour	0%	0%
Discrimination and disciplinary practices	1%	0%
Freedom of association	1%	1%
Working hours	33%	39%
Compensation, benefits and conditions	27%	30%
Health and safety	26%	30%
TOTAL	100%	100%

The main occurrences of non-compliance discovered in the Carrefour supplier network related to working hours, compensation levels and workers' health and safety.

2017 is the fifth year of the Bangladesh Accord. 100% of Carrefour supplier factories have been audited and 95% of action plans have been implemented by suppliers, compared to an average of 82% for other Accord member countries. Approximately 32,000 employees of plants working for Carrefour have received Accord training on the basic safety and operating rules implemented by plant safety committees.

Highlights

In 2017, Carrefour signed a new fire and building safety accord to improve safety conditions in textile factories in Bangladesh. Valid for a maximum of four years, this new accord will make it possible to finalise the compliance programme that was started under the previous accord, and ensure that a locally managed organisation in Bangladesh will take over the reins once the accord expires.

As a member of the Consumer Goods Forum, Carrefour also helped to establish a set of principles aimed at reducing forced labour, which have become part of Group practices.

Training courses on social and environmental topics for Carrefour teams (59 employees trained) and suppliers (310 trained) have been held, covering, for example, the Clean Water Project (management of chemical products and best practices for water treatment plants; *see Section 2.2.5*), and the Bangladesh Accord (training of Safety Committees in factories; see above).

All plants in Bangladesh are involved in at least one CSR project (installation of solar panels, mobile app training for employees, introduction of health insurance, etc.), while 86% are involved in two or more.

2.4.6 Being a socially responsible retailer

Actions addressing SDG 2

Carrefour is working towards food security through the actions of the Carrefour Foundation (target 2.1).

Carrefour's policy and its corporate foundation

Created in 2000, the Carrefour Foundation conducts sponsorship programmes in countries where the Group operates. As a retailer, Carrefour's efforts are focused on three major areas: food solidarity, emergency humanitarian aid and protecting biodiversity.

The Foundation supports, develops and coordinates solidarity initiatives run by teams in Belgium, France, Italy, Poland, Romania, and local Foundations: Carrefour China Foundation for Food Safety, Carrefour Taiwan Cultural and Educational Foundation, Fundación Solidaridad Carrefour in Spain, Fundación Carrefour Argentina and Instituto Carrefour in Brazil. These Foundations draw on their local connections to work on solidarity projects with organisations in the field.

Requests for funding are assessed on the basis of a set of objective criteria which are shared with project leaders when the requests are being examined. Country managers approve the project and work with the Foundation and the project leader to determine the appropriate financial, technical and material assistance required to successfully implement the programme on the ground. Once the project has been approved by the Foundation's Board of Directors, an agreement is signed with the local organisation. Each country management team tracks and assesses these projects regularly. The Carrefour Foundation ensures that the resources allocated are put to good use and reviews the results achieved. It also determines the benefits of pursuing or adapting the project over the medium or long term. All of the Foundation's actions and partnerships are described in detail in the Carrefour Foundation's annual report and on its website at: *http://www.fondation-carrefour.org*.

Carrefour's performance

In 2017, the Carrefour Foundation's annual budget was increased by an additional 1 million euros devoted to protecting biodiversity in France. The Foundation's Board of Directors also voted for 1.4 million euros of unallocated funds to be earmarked for food solidarity and emergency humanitarian aid. In total, the Foundation's budget in 2017 stood at 6.3 million euros, with operating expenses accounting for 9%.

The Foundation supported 73 programmes in nine countries.

Each programme is monitored and supported by Carrefour's teams.

Highlights

Social innovation and Carrefour's business lines

The Carrefour Foundation also supports social innovation projects, putting the Group's resources to use to serve the general interest and tackle social issues. To this end, it lends support to organisations at the start-up phase of projects and coordinates the ramp-up phase in conjunction with Carrefour management teams.

Since 2011, the Foundation has worked with Emmaüs Défi to offer employment to homeless people. It supports the organisation's *Premières Heures* scheme, a reintegration programme to help the homeless find their way back into employment. Carrefour volunteers also work with the organisation to meet its logistics and human resources needs. Since the programme's launch, Carrefour and its Foundation have contributed over 600,000 euros and provided more than 75,000 pieces of equipment corresponding to more than 5,600 sales, equivalent to a contribution of almost 500,000 euros and equipment for more than 3,000 families. In 2017, approximately 12,000 products were donated to the Equipment Solidarity Bank. Similarly, 7,000 toys were donated during the festive season. Carrefour's supply chain teams transport the pallets of donated goods and give over 100 hours of their time annually on a sponsorship basis to Emmaüs to share their know-how.

Carrefour's employment centre teams help Emmaüs Défi's staff and beneficiaries through numerous schemes, including running workshops to provide information and raise awareness, giving presentations of retail sector jobs, providing coaching sessions and reviews of CVs, simulating and preparing for interviews, and offering store visits. Since 2011, it has therefore been able to run 28 job discovery immersion schemes at six different sites, and offered short work placements in Carrefour stores and warehouses to Emmaüs Défi staff. Five people have benefitted from this scheme and found long-term employment with Carrefour. In 2017, four job discovery immersion schemes were run, as well as two progressive job schemes.

As an extension of this project, the Carrefour Foundation has lent its support to the Lulu dans ma rue project which brings together small business owners previously without work and customers looking for help with small jobs on a daily basis.

The Foundation also helps those seeking to run solidarity programmes get them off the ground. It supports the Ticket for Change organisation, which launched almost 100 social initiatives in 2017, including around ten food solidarity programmes, such as Les Petites Cantines in Lyon which promotes social contact and combats food waste.

In China, the Foundation supported the One Store, One School, One Farm project developed by the China Youth Development Foundation which teaches children about healthy eating.

It also continued to support the third edition of the University of Warsaw's "ABC's of Healthy Eating" programme, which calls upon nutritionists and Carrefour staff to combat unhealthy eating among some 6,000 people living in difficult circumstances.

Solidarity through food aid and logistics – 20 projects for 1,121,220 euros

Stores enter into local contracts with food aid charities whereby they donate products nearing their use-by date each day. In 2017, donations represented 164 million meals provided by Carrefour, including nearly 107 million in France where all consolidated hypermarkets and supermarkets make daily donations to more than 800 local food aid charities.

For the fifth consecutive year, the Carrefour Foundation joined forces with food banks, organising the collection of food on an international scale from 2,000 stores. With the help of 1,500 Carrefour staff, volunteers collected the equivalent of 9.3 million meals.

Since 1994, the Foundation has financed the acquisition of 311 refrigerated vehicles (14 in 2017) and 58 cold storage rooms (one in 2017) to store and transport fresh products.

In Taiwan, the Foundation helped create a digital platform to facilitate ifoodbank sorting and donations.

Combatting food waste to promote solidarity

The Carrefour Foundation supports the *Les ReToqués* project which makes healthy snacks from non-standard fruit and vegetables to support the reintegration to the workplace of vulnerable individuals while at the same time offering the producers an additional source of income.

In 2017, the Foundation continued to support the Angels' Smile initiative in Romania, which retrieves unsold food and distributes it to the homeless.

It also helped the Elixir organisation to acquire a solidarity canning plant to transform unsold food products. The plant employs 21 disabled people.

Protecting biodiversity – four projects for 436,000 euros

Founded in June 2017 and with a four-year budget of one million euros, the Biodiversity Programme helps stakeholders to develop new ideas and specific actions to protect the biodiversity of animals, plants and minerals in France. For example, it helped the Kaol Kozh organisation conduct research on 450 plant resources and raise public awareness in Brittany, as well as organisations that work to protect the diversity of agricultural seeds and varietal species.

Integrating vulnerable members of society – 30 projects for 1,853,702 euros

The Carrefour Foundation supports job insertion schemes for people who have not been employed for a certain length of time. The Foundation supported several projects and organisations in 2017 for members of the public that are excluded in various ways, such as people who have just been released from prison, homeless people, early school leavers, etc. They include:

- *La Table de Cana*: development of a chocolate factory for reintegration located in Gennevilliers;
- *La Bergerie de Berdine*: supports gardening activities for people with addictions, undocumented workers waiting for their papers to come through, people who have been released from prison and homeless people;
- Wake Up Café: offers training courses leading to qualifications for 30 women in prison in partnership with *Cuisine Mode d'emploi(s)* run by the chef Thierry Marx;
- *Le Carillon*: financing of a biscuit plant for the reintegration of homeless people; the plant's products are sold by partner retailers;
- The Carrefour Foundation offers resources adapted to assist more than 280 young early school leavers or job-seekers, depending on their situation and their needs (e.g., the need to acquire skills, follow training, a job insertion scheme, etc.). As a result, it has helped, among others, the *Écoles de la 2e Chance* network, the *Association Nationale des Groupements de créateurs* (ANGC), *Gastromotiva* in Brazil and *Manos Abiertas* in Argentina.

In addition, the Carrefour employment centre works with the organisations in France that receive support from the Carrefour Foundation to promote access to employment by helping to improve the skillsets of the various groups receiving help. Its recruitment managers work on various phases of the process of getting people back to work, including helping them discover the diverse range of jobs that exist, and organising site visits and immersion sessions in stores to provide assistance and support for these employment schemes. Workshops are also organised to coach applicants on how to write CVs, cover letters and online profiles, and mock interviews are arranged to help with preparations. Schemes that provide employment safeguards are available to provide support to the most vulnerable people as they improve their skills.

Job integration through communal gardens

The Foundation helped to finance the creation of an Urban Agriculture Chair at AgroParis Tech to support the growth of urban agriculture to make cities more resilient and help the least well-off.

Similarly, it continued to support the *Huerta Nino* Foundation in Argentina to create new educational gardens in schools located in deprived areas.

It also financed the initiatives of several rural and urban garden organisations, creating 91 reintegration jobs in organic gardening, permaculture, animal husbandry, greenhouse gardening, etc.

Emergency humanitarian aid – five emergency humanitarian aid projects for 642,040 euros

Since the year 2000, the Carrefour Foundation has launched 128 emergency aid programs in 40 countries, releasing 14 million euros to help those in need. In 2017, the Carrefour Foundation continued to intervene in countries where it operates, including China, Argentina and the French Antilles after Hurricane Irma hit St Barthélemy and Saint Martin. Working hand-in-hand with its franchise stores in Guadeloupe, the Foundation was able to send packages containing essential goods to the islands.

In mainland France, more than an additional 300,000 euros was collected in stores from customers, and 28,000 euros was collected with the help of the Red Cross in Martinique; the management of Carrefour Martinique doubled the amount collected.

2.4.7 Building and renovating sustainably while protecting biodiversity

Carrefour's policy

As part of Carrefour Property's real estate activity, Carrefour has implemented a sustainable building approach in France, Italy and Spain, as well as the Green Site Charter and the Biodiversity Charter. These policies integrate environmental best practices into each phase of a building's life cycle.

- During the design phase, store architecture is designed to optimise energy consumption. Preference is given to the most eco-friendly materials, and renewable energies are considered wherever possible. Each project is designed to blend seamlessly into the natural or urban landscape with minimal environmental impact.
- The sustainable building policy is based on Building Research Establishment Environmental Assessment Method (BREEAM) certification for its high level of requirements and the complete range of subjects covered (energy, transport, water, equipment, waste, ecology and land use, pollution and innovation). This certification applies to both the design and operation of sites.
- Companies working on construction sites for Carrefour stores have signed the Green Site Charter for the construction phase, which covers possible land and air pollution and includes recommendations for sorting waste and limiting noise disturbances.

For the operations phase, environmental criteria are included in rental agreements and in specifications for outfitting stores, calling for energy-efficient equipment, eco-friendly materials, and waste sorting. An environment addendum has been signed for each new lease since September 2013.

The shopping centre renovation plan undertaken by Carrefour and Carmila integrates environmentally friendly solutions into the improvements made. For example, the use of LED lighting in shopping malls should help to generate energy savings of up to 50%. In addition, landscaping improvements are incorporated into renovated sites with the planting of local species.

Lastly, service stations managed by Carrefour are equipped with facilities designed to prevent environmental risks and odours. The Group constantly monitors the regulatory compliance of its facilities and closely tracks fuel inputs and outputs to control the risk of leakage.

Carrefour's performance

Since 2014, Carrefour France has aimed to have all new shopping mall construction and expansions BREEAM Construction certified. The target level for shopping mall expansions is "Very Good". Currently, in France, ten sites have received BREEAM certification (eight Very Good, two Good) for their design. Two of these sites have also received BREEAM certification (one Very Good, one Good) for their post-construction phase.

Carrefour also has a certification process for the in-use phase. Currently, six sites are BREEAM In-Use certified in France, four are "Excellent" and two are "Very Good". An additional 11 sites are aiming to obtain BREEAM In-Use certification by 2018.

Highlights

In Turin, Italy, a Carrefour hypermarket opened in 2016 was recognised in 2017 as the best sustainable hypermarket as part of the Sustainable Building Challenge organised by CommONEnergy, a research project financed by the European Union. The project aims to study sustainable solutions from an environmental and social perspective of modern places of consumption.

Did you know ?

Protecting biodiversity is one of the challenges taken into account as early as the design phase of shopping centres managed by Carmila, one of the firms responsible for managing Carrefour stores and shopping centres. For each shopping mall construction or renovation project, a survey of the surrounding plant and animal life is conducted by an ecologist. Steps are taken to accommodate the local wildlife, including the creation of insect hotels, nesting boxes for birds, and beehives. An environmental balance is sought for the surrounding vegetation, and the green spaces are managed through the application of ecological principles.

2.5 Carrefour's human resources policy

2.5.1 Employment

Almost 380,000 employees serving customers around the world

The breakdown of the workforce by geographic region and store format reflects Carrefour's model. At end-2017, Carrefour had 378,923 employees in ten countries.

On a like-for-like basis, staff numbers decreased between 2016 and 2017, mainly due to restructuring in China.

Workforce by geographic region	2017	2016	Change
Europe	223,118	218,639	+2.0%
Latin America	98,849	98,370	+0.5%
Asia	56,956	67,142	-15.2%
TOTAL GROUP	378,923	384,151	-1.4%

A significant majority of Carrefour employees work in stores, and particularly in hypermarkets (69.7% in 2017).

Workforce by store format	2017	2016
Hypermarkets	69.7%	70.8%
Supermarkets	16.2%	15.8%
Other	14.1%	13.4%
TOTAL	100%	100%

The breakdown of employees by category reflects the Group's focus on customer service: 88.1% of its employees were involved in this area in 2017. It also highlights the role Carrefour plays in society by hiring employees with various levels of qualification.

Workforce by category	2017	2016
Senior Directors	0.1%	0.1%
Directors	0.6%	0.6%
Managers	11.2%	10.9%
Employees	88.1%	88.4%

Carrefour gives priority to local employment, and its employees come from its stores' nearby communities. In France, this is illustrated by the Group's long-standing partnership with the state employment agency, Pôle Emploi (*detailed in Section 2.5.4*). Carrefour welcomes society as a whole, in all its diversity, by ensuring that its stores are representative of customers everywhere.

In Spain, Carrefour was selected as a finalist for the 2017 Randstad Award for attractive employers. Carrefour also won an award for being one of the companies most involved in supporting the employment of people with disabilities in Europe.

New hires were down on 2016 due to a lower number of departures, particularly in Latin America (see table below), and tougher trading conditions in China.

When employees leave the Company due to restructuring, they are supported by a sustained social dialogue process and a set of measures in place to help them relocate or progress in their job search within or outside the Company.

Number of new hires	2017	2016	Change
Permanent contracts	71,167	81,453	-12.6%
Fixed-term contracts	86,569	83,405	+3.8%
TOTAL	157,736	164,858	-4.3%

Departures by reason	2017	2016	Change
Redundancy	22,722	22,090	+2.9%
Resignation	40,681	44,132	-7.8%
End of trial period	20,565	18,090	+13.7%
TOTAL	83,968	84,312	-0.4%

A flexible organisation that respects employees

The majority of Carrefour staff have permanent contracts, which are seen by employees as a source of stability.

Average workforce by type of contract	2017	2016
Permanent contracts	92.1%	92.4%
Fixed-term contracts	7.9%	7.6%

Carrefour creates organisational models that ensure consistent quality of service while taking into account employee expectations and complying with local regulations. Part-time work and fixed-term contracts address the need to tailor store activities to customer flow.

Several initiatives help to increase the basic hours worked by part-time employees who want to work more hours for financial, professional or personal reasons: reducing part-time work, introducing job versatility, increasing work schedule pooling and trialling remote working.

Part-time work and job versatility	2017	2016
% of part-time employees	25.2%	24.6%

Carrefour has developed a job versatility option in its hypermarkets, initially in France and then gradually in Belgium. It offers employees who are interested the opportunity to do some of their work in a different department within the store or to vary their roles. In this way, they can increase their work hours and, as a result, their salary, diversify their workplace experience and learn about new business lines.

Work schedule pooling to suit the needs of "Carrefour-Customers-Employees"

The work schedule pooling system enables check-out assistants to plan their work hours to suit their personal needs and simultaneously meet the store's needs based on its level of business. A joint committee was set up in 2016 to carry out an assessment of the work schedule pooling scheme, identify possible areas of improvement based on societal changes, and make recommendations to suit the needs of all three groups ("Carrefour-Customers-Employees"). Five pilot stores have been selected to assess, adjust and approve the proposed changes in 2017.

Remote working

Remote working is designed to enable employees to work flexibly while helping them to be more efficient. It is suitable for certain functions in particular, making it possible, for example, to avoid commuting to work every day. Various pilot projects have been run within the Group to study this option, which has been offered to all employees in France and at the Belgian and Italian head offices.

- In France, new remote working agreements were signed by employees at Carrefour Supply Chain, Hypermarkets, Supermarkets, Carrefour Marchandises International and Carrefour Import, Carrefour Proximité convenience stores, Carrefour Partenariat International, Carrefour Property, Promocash and Carrefour Administratif France.
- In Italy, remote working continues to be developed. Nearly 150 head office employees are concerned.

2.5.2 Developing employees' skills

Employee motivation depends particularly on professional development achieved on the career path or through training, as well as the balance between work put in and compensation.

In 2017, the Group continued to create employee development plans that match the Group's human resources and strategic goals: digital technology, management and fresh produce.

Strengthening the digital innovation culture

Digital innovation has been a core focus of the Group's strategy for several years. All countries where Carrefour operates are developing programmes and/or tools to help employees better understand digital environment and culture.

The international "digital pathway" was set up in 2016.

Since 2016, Carrefour has developed relations with start-ups to offer employees an innovative work experience in line with the expectations of younger generations. The department is also giving employees the opportunity to discover new work practices by running pilot schemes on a small scale. These schemes can then be rolled out to a larger audience if they prove to be conclusive and particularly worthwhile. The Graduate Digital programme in France, launched to recruit future digital experts for the Group, includes a three-month start-up immersion course.

Examples in 2017

- Carrefour Italy designed the Digital Calendar training programme, backed by a three-year rollout plan, aimed at all managers to develop a digital culture throughout the organisation. Launched in May 2017, the first initiative was to transform the e-campus and online training in line with a focus on innovation.
- Carrefour France launched a digital mentoring programme to support digital transformation by harnessing the existing skills of digital experts. Carrefour France also introduced the "digital bus", which travels throughout the country to promote a digital culture in stores. Employees can benefit from a day of training on the topic.
- Carrefour China developed a micro-learning application, "Anywhere, anytime, anybody, anyway" (LE XUE FU DI), designed to deliver training content anywhere, anytime.
- Carrefour Spain launched in partnership with ISDI, digital business school, a training programme dedicated to Comex members (2 days) and to directors/managers (5 days). The programme is focused on digital ecosystem, big data, mobile and social media.

Developing orientation plans and enhancing managerial skills

Attracting talent *via* effective recruitment communications and valuable partnerships with schools is a priority for the human resources teams. Carrefour also focuses on the quality of hiring and integration conditions to maximise every individual's chances of getting off to a good start in their new job.

Since managing a team is a complex task, Carrefour provides special training and support programmes to assist managers in developing their leadership skills.

Examples in 2017

- The "Management development program" is a training course initiated by Carrefour Taiwan for managers to provide them with the tools they need to succeed in their job and prepare them for their future role with the Company.
- Carrefour Romania completed the second part of the programme begun in 2015 for hypermarket managers. Managers benefited from the Feedback 360 tool in 2015 and 2017, following training and personalised coaching courses in between that were adapted to suit the needs identified as a result of the 2015 questionnaire.
- Carrefour Brazil expanded its range of training courses by setting up the *Universidade*, focusing on three areas: leadership, innovation and business. An initial training programme was launched for senior executives.
- Carrefour Spain developed a reverse mentoring programme to encourage the exchange of skills between young recruits and directors.

Increasing professionalism in the fresh produce segment

Carrefour makes fresh produce a core component of its strategy and is aiming to maintain its leadership in this segment. Initiatives to achieve this goal are taken in every country.

Examples in 2017

- The Carrefour Poland training centre has trained 398 managers for its hypermarkets since 2015. As part of the training course implemented in conjunction with the French Chamber of Trades and Crafts (CMAP), nearly 74 employees were trained to become butchers, pastry chefs and bakers and were awarded professional certification.
- Carrefour Spain launched the Fresh Produce Academy, a novel training programme designed to restore professionalism in jobs involving fresh produce. In all, 47 employees participated in the five-week programme, representing a total of 9,165 hours of training.

Performance

One of Carrefour's Key Performance Indicators is the average number of training hours received by each employee.

	2017	2016
Average number of training hours per employee	12.3	12.5
Total number of training hours over the year *(in millions)*	4.1	4.0

Scope: Like-for-like BUs (94% of 2017 consolidated sales excl. VAT) – excluding: CH.

Internal promotion, a core aspect of the Carrefour development model

Offering a variety of career path options and promoting social advancement

With over 300 different business lines and a presence in ten countries, Carrefour offers highly varied career paths and genuine career mobility opportunities.

The Group provides professional experiences which allow all employees to show their initiative and flourish on a personal level while contributing to the Company's performance.

By placing the emphasis on internal promotion, the Group acts as a springboard for the social advancement of its employees. As an example, store employees can quickly rise to the position of department or section manager. As part of the Women Leaders programme, the Carrefour group has undertaken to promote the advancement of women and provide them with support to reach positions at the highest levels of responsibility (*detailed in Section 2.5.4*).

A certified training programme run in conjunction with a business school has been introduced in French hypermarkets for women leaders. The programme provides specific career development support for women working as department or section managers.

Average length of service at Group level is 8.6 years.

In total, 46.5% of new managers, 67.8% of new directors and 47.4% of new senior directors were promoted internally in 2017.

The possibility of international career paths within the Group means that there are approximately 147 expatriates (34% in Europe, 20% in Latin America, 40% in Asia including Global Sourcing and 6% in Africa with Group partners).

Rate of internal promotion	2017	2016
Senior Director	47.4%	69.0%
Director	67.8%	65.5%
Manager	46.5%	50.0%
TOTAL	**47.3%**	**50.7%**

3,709 employees were promoted in France in 2017.

The signature of a new three-year Group agreement on human resources and skills planning (*gestion prévisionnelle des emplois et des compétences* – GPEC) in 2015, renewed for another year at end-2017, and the associated revamped Intranet site, *enviedebouger.carrefour.fr*, facilitate internal, geographic and operational mobility in France.

enviedebouger.carrefour.fr: a tool to promote mobility

The *enviedebouger.carrefour.fr* Intranet site has existed for a number of years as part of the Group's human resources and skills planning initiative.

Upgrades to the site, which is aimed at staff to promote internal, geographic and operational mobility in France, continued in 2017 to improve its effectiveness and accessibility, and make it more user-friendly.

The site contains internal and external mobility requests, can be used to fill out a simplified application form quickly and easily, and is accessible *via* several different platforms. Tools are available for employees to provide more details about a desired job change. Applicants also receive answers more quickly when they apply for a position.

A tool has been designed to measure employee satisfaction throughout the process.

Between October 2016 and October 2017, over 4,000 mobility requests were made, nearly 75% by employees and 25% by management.

Every year, close to 2,000 employees voluntarily change location as part of the Group's internal mobility programme.

In order to offer everyone the same opportunities for advancement, training is provided for employees with literacy problems (based on the Evolupro programme). This course is run by Carrefour hypermarkets in France and provides store employees who want to participate with the opportunity to learn or improve their French, thereby contributing to their ability to fulfil their role and increasing their employability. At end-2017, 1,222 people had benefited from the programme.

To increase the employability of staff, Carrefour France is continuing with the rollout of vocational qualification certificates (*certificats de qualification professionnelle* – CQP) created by the Fédération du Commerce et de la Distribution (FCD), its professional trade and retail federation branch.

Additionally, as part of France's vocational training reform, the Carrefour training centre was authorised by the FCD to conduct exams that allow both its regular employees and employees on work-based learning programmes to obtain CLéA certification. The CLéA certificate confirms that individuals have gained an understanding of basic skills to improve their employability and access to training. Evaluations are performed on a tablet, as a way of working to close the digital divide. The evaluation covers seven skills, including communication in French, basic arithmetic and mathematical reasoning, and the ability to work independently or in a team under a set of defined rules.

To date, 315 Hypermarket, Supermarket and Supply Chain employees have obtained CléA certification.

High-level training to prepare tomorrow's leaders

Carrefour employees at managerial level or with a specific skill receive personal career development advice. Their "path" is therefore marked out at an early managerial stage in order to offer tailored training programmes. Employees are assessed in two areas based on Group standards: knowledge of their business line and level of customer service.

Carrefour has introduced a growing number of development programmes to create talent pools and keep their skills and expertise up to date.

For example, Carrefour Romania set up the National HiPo Learning Committee, made up of talented individuals identified within a community, who are invited to participate in specific seminars.

Since 2013, the Group has offered a selection of training seminars designed for Directors in all business areas. Building on these four years of experience, Carrefour University is moving more towards experience-based programmes, specifically adapted to the pragmatic culture of the organisation. The three main topics – leadership, innovation/digital and the customer – are covered in some 20 seminars per year.

The University also features two management development programmes, Master Carrefour and Carrefour Future Leaders, aimed at selected employees in different countries who are brought under a talent pool. As part of these programmes, Carrefour University is preparing to lead a pilot project in 2018 focused on harnessing the Group's development potential.

Innovation is a major focus, with several sessions led in partnership with the London Business School and HEC. About 100 employees received training in 2017.

Designed at the end of 2016, the Voice of Customer programme launched a test session in 2017. This seminar aims to achieve a more in-depth understanding of customer needs and expectations. The success of the test session led to further sessions being held, turning the seminar into a permanent programme offered by Carrefour University.

To focus on integration and diversity in line with the Group's human resources policy, the University also created a seminar on these issues.

Carrefour University also meets specific targets and demand in different countries by offering specialised programmes scaled to the needs of business units.

Recognising contributions with fair rewards

In accordance with its values and global agreement on respecting basic labour rights, Carrefour complies with local regulations and the social standards in each country in which it conducts its integrated activities.

Carrefour seeks to reward each employee based on the contribution they make to the Company's business and growth in a fair and objective manner. Compensation is related to the employee's level of responsibility and financial and individual performance. Financial performance depends on the performance of each store and country. Individual performance is assessed by managers who look at how objectives were reached rather than simply the result obtained.

Over and above financial compensation, Carrefour offers employee benefits to meet the needs of employees and their families.

Ensuring employees are committed to their responsibilities and goals

To ensure employee commitment, responsibilities must be clear and specific, and targets must be perfectly understood. Clear objectives are set annually in accordance with each employee's scope of responsibility. They target the relevant priorities and are communicated early in the year.

Carrefour encourages managers to provide regular feedback to their employees. The main assessment tool is the annual performance appraisal. The appraisal is an opportunity for employees and their managers to discuss their performance over the year, how they would like their career to develop, and their training and mobility needs.

Compensating employees fairly

In every country, the annual compensation review is designed to ensure fairness of compensation levels: proposals for changes are analysed by each entity to ensure that they are consistent with the responsibilities and performance of each employee. Based on the employee's level of responsibility and rules specific to each country, changes in compensation may either be collective or individual.

The level of employee compensation is analysed in comparison with both the general market and the specific retail market through surveys carried out by specialist firms.

In 2017, the Group encouraged countries to identify pay gaps between men and women and, if necessary, implement action plans to correct any unjustified differences.

Recognising individuals' contributions through variable compensation

Several measures are in place to recognise the contribution made by Carrefour employees.

All the Group's managers are eligible for annual variable compensation, the amount of which varies in line with the financial results of their entity and their individual performance in relation to the objectives set initially, and then assessed by their line manager.

Programmes are also in place to recognise employees' commitment to customer service. In Taiwan, the Star Associates programme rewards employees for their excellent customer service. "Stars of the month" are nominated by their colleagues and congratulated. Their achievement is covered in a special internal newsletter article and ceremony, and they are awarded bonuses. Bonuses are also awarded to employees who help to improve the rate of customer satisfaction.

More than 56% of Group employees are today eligible for profit-sharing schemes in addition to their base salary and, if applicable, their individual bonus. In some countries, these plans are specific to store directors and their management teams. Carrefour renewed its collective profit-sharing scheme agreement in France in 2016, applying a formula that is more advantageous than the legal minimum requirement.

Nearly all Group companies in France have a collective performance-based profit-sharing agreement.

Offering benefits for employees and their families

Carrefour is a responsible employer that offers benefits to employees in all its countries of operation. The types of benefits are adapted to respect local practices and obligations and to meet the needs of employees and their families.

In France, Carrefour encourages employee savings through a comprehensive scheme: a Group savings plan (PEG) and a Group collective retirement savings plan (PERCO) which benefit from a top-up payments scheme by the Group to match employees' contributions. At December 31, 2017, Carrefour employees held 0.97% of the Group's share capital through the "Carrefour Actions" stock ownership plan. From its range of Company mutual funds (FCPE), Carrefour offers staff two socially responsible funds: Carrefour Équilibre Solidaire and Carrefour Prudence Solidaire, where they can place their money in a way that helps others.

Since 2015 in France, all employees and their families have benefited from an excellent common supplementary healthcare and insurance scheme. Furthermore, in 2017, Carrefour implemented innovative solutions with a high degree of social responsibility for the benefit of employees: improvements to the solidarity funds dedicated to healthcare, oral health protection fund, assistance for returning home after being hospitalised, support for well-being and nutrition, support for family caregivers, and more.

In 2016, the Carrefour group joined the Global Business Network for Social Protection Floors founded by the International Labour Office, the International Labour Organization's permanent secretariat. It provides a platform for businesses to share experiences on best practices and work together to address the issue of social protection.

Carrefour integrated social protection as one of the social indicators of its CSR index, to ensure that "100% of countries implement an action plan on health/safety/quality of life in the workplace". This includes sick pay, maternity pay, healthcare coverage for employees and their families, preventive health measures, medical visits and medical solidarity funds. The Group's performance on this index is outlined in the section entitled "Ensuring good working conditions" (*see Section 2.5.3*).

2.5.3 Creating an environment that helps employees to achieve fulfilment

Carrefour wants all of its employees to feel fulfilled at work. It therefore makes every effort to promote dialogue between employees and management, ensure employees are able to voice their opinions and provide them with the best possible working conditions.

Robust, regular social dialogue encouraged through high-quality social relationships

A culture of social dialogue at Group level

The Group has long been committed to consultation through high-quality internal and external social dialogue in support of individual and collective development.

In 1996, Carrefour created its European Works Council, the European Consultation and Information Committee (ECIC), by way of an agreement signed with the FIET (now part of the UNI). This agreement was renewed and added to considerably in 2011 with the UNI Global Union (International Union Federation). Since then, it has gone from strength to strength, and is recognised as one of the first of its kind in Europe thanks to the quality of its work and dialogue between employees and management.

Communication and consultation within the European Works Council takes many varied, innovative and complementary forms.

- An Annual Plenary Meeting provides a platform to discuss many themes relating to the Group's business, the economic climate, competitors, organisational changes and developments, diversity, etc. Carrefour's Chairman and Chief Executive Officer speaks at the meeting every year, paving the way for discussions on the Group's strategy.
- An annual information/training seminar focuses on a specific theme selected by the members of its Steering Committee. The theme in 2017 was digital, mobile and other new technologies. This seminar is also an opportunity for a Steering Committee expert to give a presentation on the Group's economic and financial situation.
- Special committees meet to discuss sustainable development, diversity and new technologies.
- Communication via a regular newsletter and a specific Internet site keeps members of the committee informed throughout the year.

ECIC members are selected on the basis of their expertise and knowledge of the subjects covered.

2017 highlights

The training-information session of the Carrefour European Works Council was held in March in Barcelona. The event provided the opportunity for members to take a guided tour at the Mobile World Congress. Training members of trade union partners in these new, powerful and rapidly developing technologies and in how to use all forms of digital tools is essential to understanding and guiding the company's future direction. Carrefour Spain also showed Council members how they could integrate these new digital enhancements into their work.

The annual plenary meeting of the Carrefour European Works Council was held in Warsaw. Carrefour's new Chairman and Chief Executive Officer spoke at the event to share with Council members his first impressions and beliefs about the Group's situation and business operations. Focused on sharing and dialogue, this meeting also featured Carrefour Poland's fresh produce training centre, a presentation of business activities in each European country, collective diversity initiatives, Europe's economic climate and how the Global Compact works.

When he took over as Chairman and Chief Executive Officer of Carrefour group, Alexandre Bompard made a point of meeting each French representative trade union as soon as possible to initiate first contact and discuss the situation in France. These unions also met with the new Executive Director for France and the new Human Resources Directors for the Group and for France. These talks and meetings offer concrete examples of the consideration the Group's management has for the position of its trade unions and the importance it gives to social dialogue.

In 2015, Carrefour signed a new international agreement with UNI Global Union, reflecting a shared desire to promote social dialogue, diversity, and respect for fundamental rights in the workplace. By signing this agreement, both parties acknowledged the need to spread knowledge of the provisions of this agreement among Carrefour's partners (suppliers of own-brand products and franchise holders). With this in mind, Carrefour's Chairman and Chief Executive Officer met with Guy Ryder, Director General of the International Labour Organization (ILO), at its headquarters in Geneva in April, followed by a meeting at UNI Global Union's head office with its General Secretary, Philip Jennings.

To monitor implementation of the agreement, Carrefour and UNI Global Union representatives met in June 2017 and early January 2018. Their discussions focused on the efforts made to ensure compliance with the provisions of the agreement and to share any observations regarding its implementation. A number of measures that Carrefour and its entities have taken to promote social dialogue, diversity and respect for fundamental rights in the workplace were highlighted in this way. These discussions also pointed to Carrefour's work to extend the provisions of the agreement to franchise holders by providing them with a charter setting out the need to comply with fundamental rights in the workplace, in line with the commitments and principles of the international agreement. The main points discussed covered actions to promote programmes to help people into employment, the role and work of the ECIC, the creation of the international Health-Safety-QLW (Quality of Life in the Workplace) programme, Carrefour's commitments to support people with disabilities, strive for gender equality and contribute to work-based learning (including the signature of a European pledge), Carrefour's participation in ILO projects, participation in the campaign to eliminate violence against women, in particular with Orange Day, etc.

In addition, Carrefour representatives are invited to meet annually with trade unions in the countries where the Group operates during Carrefour Global Alliance meetings organised by UNI Global Union.

Lastly, Carrefour plays an active role in European sector social dialogue meetings within the European trade structure, Eurocommerce, alongside the trade union delegation from UNI Europa. In this way, Carrefour made a significant contribution in 2017 to promoting measures in favour of health and safety in the workplace.

In 2017, Carrefour also participated in the labour market analysis in the European retail and wholesale industry. At the joint conference held in May for the official release of the report, Carrefour presented the labour market situation in France and its analysis of the report's findings. The conference brought together employer organisations and trade unions from Europe's retail and wholesale industry.

Carrefour also promotes social dialogue

- On July 5, 2017, the Group's Labour Relations department met with a Turkish delegation on a visit to France to discuss issues pertaining to social dialogue. Representatives from ILO Turkey and ILO France accompanied the delegation and arranged the meeting. Various topics relating to Carrefour's social dialogue practices were presented, including the structure of social dialogue, international social dialogue, and support through social dialogue in Company reorganisations.
- A similar meeting took place on November 3, 2017, when the Group's Labour Relations department welcomed a delegation of Chinese employers from Shanghai on a visit to France organised by the ILO to discuss issues pertaining to social dialogue and social protection.

Carrefour participates in promoting international framework agreements and highlights its own agreement with *UNI Global Union*

These agreements are a way to promote social dialogue, human rights and diversity and underline the importance of international agreements involving trade unions (international groups, international federations of trade unions) to encourage trade union rights, the right to collective bargaining, constructive and respectful social dialogue and acceptance of all forms of diversity, in all countries where Carrefour operates.

They also highlight Carrefour's international agreement and all the measures taken to address these issues within the Group's businesses.

Implementing similar programmes to support people with disabilities and promote gender equality, Carrefour is involved in organisations and plays a key role, leading by example on socially responsible practices.

After speaking at the Collège de France, Carrefour presented its proactive approach to these issues at the French Court of Appeal and the Global Compact's General Assembly.

On December 21, 2017, Carrefour declared its support for the Global Deal, an initiative developed jointly by the OECD (Organisation for Economic Cooperation and Development), the ILO and the Global Compact. The Global Deal aims to promote stronger, more sustainable regulations for globalisation through social dialogue. In every respect, it is in line with the commitments taken by Carrefour in its international agreement signed with UNI Global Union in 2015 and its long-standing approach to promoting international social dialogue.

UNI Global Union interview

Mathias Bolton, Head of Commerce sector

"Carrefour's dedication to social responsibility and respect for leading global labour rights is second to none among multinational retailers. In 2017 that commitment continued and expanded.

The principles enshrined in the global framework agreement between UNI and Carrefour, signed in 2001 and renegotiated in 2015, are the foundation of Carrefour's cooperation with labour union partners. In 2017, Carrefour and UNI held several meetings to discuss the implementation of this agreement. This included the April 2017 visit of Carrefour's CEO and global management team to UNI's headquarters in Nyon, Switzerland for an exchange with UNI General Secretary Philip Jennings.

2017 saw significant growth in the cooperation between Carrefour and UNI. Working closely with UNI's Equal Opportunities department, Carrefour has embarked on a programme to promote the inclusion of people with disabilities in the workplace as well as advocating safe and healthy working environments through the elimination of violence in the workplace.

In continuing to show vigilance in making sure its supply chain is safe, Carrefour became one of the first to sign the new 2018 Accord on Fire and Building Safety in Bangladesh this past May.

Carrefour's behaviour is proof that it is possible for multinational retailers to remain competitive in a challenging global marketplace while respecting its workforce and the communities in which it does business."

Improving and developing country-level social dialogue initiatives

Carrefour's social dialogue is implemented in all Group countries and entities. Discussions and consultations with employee and trade union representatives can be local, national or transnational, depending on locally-identified needs. These meetings contribute to maintaining social dialogue in all countries where the Group is present and are held in compliance with the Carrefour UNI Global Union international agreement.

Respect for trade union rights, constructive social dialogue, frequent negotiations and the signature of joint agreements mean that staff representatives are present in almost all Group activities.

In France, an agreement was negotiated in the first half of 2017 to support the career paths of employees elected or holding office as union representatives. Through this agreement, Carrefour acknowledges the right of its employee representatives to claim a career path and fair compensation that reflects the expertise gained from their involvement in labour and union organisations.

In October 2016, Carrefour Romania's Human Resources department organised an information meeting for managers of the recently-purchased Billa supermarket chain to discuss the utility of union representation as well as the expected level of social dialogue. Delegates from the Romanian trade unions confederation also attended this meeting.

Main collective agreements

- Supplementary agreement to renew the agreement establishing the term of the Group union representative – France.
- Additional clauses to extend three Group agreements (human resources and skills planning, method and framework) by one year – France.
- Group agreement on the application of the right to disconnect from digital tools – France.
- Group agreement to support the career paths of employees elected or holding office as union representatives – France.
- Non-discretionary profit-sharing scheme – Carrefour group France.
- Agreements on the employment of workers with disabilities and maintaining them in the workforce at Hypermarkets, Supermarkets and in the Supply Chain – France.
- National framework agreement on protecting working conditions and compensation in the event of Sunday morning opening at Hypermarkets – France.
- Intergenerational agreements at Hypermarkets and Supermarkets – France.
- Gender equality agreements at Rue du Commerce and in the Carrefour Systèmes d'Information and Carrefour Administrative divisions – France.
- Collective agreement including clauses on equal opportunity and integration – Italy.
- Collective agreement at Financial Services – Spain.
- Agreement on wage negotiation – Poland.
- Collective agreement – Romania.

Support for restructuring through social dialogue

Historically and culturally, Carrefour supports its restructuring through social dialogue.

Carrefour's ECIC is therefore kept informed or consulted every year about operations in the various European countries where the Group operates.

Depending on their practices or the regulations in force, a number of entities also support these operations during specific consultation phases with their social partners. This was the case in 2017 when the Eroski businesses in Spain were acquired and integrated by the Group.

The Group agreement on human resources and skills planning (GPEC) renewed in 2015 and associated agreements (method and framework) support the restructuring and mobility programmes of Carrefour group entities in France. More than a simple document, the GPEC reflects a certain ethos shared among the social partners which is fully in keeping with the Group's social dialogue policy.

By anticipating the social consequences of implementing projects, the GPEC agreement will make it easier to find solutions for employee mobility and employees' general long-term employability.

The associated agreements provide support measures with a minimum level of social guarantees in the event of a voluntary separation plan or employment protection plan. An Employment and GPEC Committee is consulted on restructuring and projects with an impact on labour structure or the implementation of new technologies. It also ensures these agreements are applied correctly and, if necessary, suggests new or additional solutions. Mobility and Skills Spaces will also assist the employees concerned in determining and achieving their career paths.

These agreements provided a framework for the support provided during the Carrefour Banque restructuring project launched in 2016 which continued in 2017.

As a result of negotiations, these agreements were extended for one year at the end of 2017 and will support the Group restructuring process in France throughout 2018.

Listening to employees

Listening to employees and maintaining dialogue with them are key factors in building the trust needed to enhance Company performance.

Every entity sets up procedures for listening to employees to identify their expectations and measure their feeling of belonging, engagement and degree of motivation.

In France, the internal opinion survey developed on digital tablets measures employee satisfaction at headquarters, stores (hypermarkets and supermarkets) and integrated warehouses. In 2017, about 60 internal satisfaction surveys (in the form of focus groups) were carried out. Issues covered included the level of confidence in the Company, CSR commitment, the reputation of the site or store, management, internal communication and professional satisfaction (atmosphere and working conditions, training, social policy and job involvement). Each entity audited also had the option of completing and customising the permanent questionnaire.

The surveys take the form of meetings attended by a representative panel of employees from varying levels of responsibility. Overall, 20% to 30% of employees from surveyed entities took part. These anonymous surveys are followed up with corrective measures. A total of 23 supermarkets, 26 hypermarkets, ten warehouses and the France Marchandises departments were surveyed in 2017, with nearly 3,000 participants.

In Italy, more than 16,000 Group employees took part in a survey conducted in 2017. The response rate was 84%. The survey showed an overall engagement rate of 70%. For the diversity and integration sections, 77% of opinions were positive.

Ensuring good working conditions

The process starts by ensuring respect for the operational teams and listening to their needs, introducing flexible working practices and committing to a better work/life balance. Carrefour upholds the regulations in place on the prevention of workplace accidents and occupational illnesses in every country.

In an effort to take further steps towards sharing best practices, over and above the requirements of current regulations, the Carrefour group implemented an international health-safety-quality of life in the workplace pathway in 2017, bringing together managers who handle these issues in the Group's businesses and countries where it operates. The first meeting was organised for this pathway in 2017. The second meeting is planned in early 2018.

A proactive approach to health and safety

In addition to regulatory requirements, the Group ensures that all its employees understand health and safety rules, provides preventive training (in-store health and safety, including movements and working posture) and awareness campaigns, establishes procedures in the countries where it operates, and performs regular audits. To reduce the number and severity of workplace accidents, Carrefour also puts risk assessment and prevention at the heart of its health and safety management system.

The rate of absence due to workplace and travel-related accidents in 2017 was 0.49%, a slight decrease from 0.60% in 2011. The numerous measures implemented by Carrefour (see below) aim to prevent and reduce accidents in the workplace.

In 2015, Carrefour seized the opportunities provided by new digital solutions to step up its preventive measures and meet legal and regulatory requirements in France. Carrefour E-S@nté was created to help each store carry out an assessment of occupational risks for each workstation and enable them to implement and monitor annual action plans. It can also be used to report workplace accidents and carry out an analysis of each event. Carrefour E-S@nté replaces the Numérisques and Spectra tools created in 2010 to improve health in the workplace. It helps to monitor and map all Carrefour sites in real time, showing the state of progress of risk assessment campaigns, accidents in the workplace and the implementation of prevention mechanisms.

Carrefour has had a dedicated body for workplace health and safety in France since 2012. Several major projects have been launched, such as the prevention of psychosocial risks, the appointment of a Company doctor and the prevention of workplace risks associated with the "drive-in" format. The latter resulted in the signing of two partnership agreements with the CRAMIF Île-de-France health insurance fund in 2013, the first on drive-in collection points and the second on training workplace risk prevention officers for Carrefour France.

At end-2017, the training agreement had benefited:

- 550 employees trained and certified as workplace health and safety representatives;
- more than 290 employees trained as MSD-PSR representatives (to combat musculoskeletal disorders and psychosocial risks).

Most of those trained work for Hypermarkets. In addition to the network of safety officers, the position of manager for quality of life and health in the workplace was introduced in 2015 in the logistics, Market and Maison Johanès Boubée and convenience entity.

This agreement facilitated the implementation of a global workplace health and prevention structure at Carrefour France.

The drive-in collection agreement resulted in:

- the creation of new equipment to reduce the risk of employees having an accident in the workplace or contracting an occupational illness;
- the replacement of old with new equipment in 100% of Drive Market stores and at all hypermarkets that are upgrading their equipment.

An assessment of the agreement was conducted and signed by the director of the e-commerce business in France and the director of risk prevention for the CRAMIF, praising the work carried out by the banner.

Also, in 2015, the partnership with CRAMIF was strengthened with the signature of an agreement covering all of Carrefour France's logistics sites. The agreement relates to the improvement of working conditions and the prevention of risks relating to manual handling in the Carrefour France warehouses.

Workplace ergonomics and combatting musculoskeletal disorders (MSDs)

The main occupational illnesses identified by the Carrefour group are those related to musculoskeletal disorders. Numerous preventive actions are taken to avoid them.

In France, the stores are equipped with ergonomic equipment designed to reduce handling operations. This equipment is based on stricter standards and recommendations than those provided for by current regulations. Special equipment and platforms were designed for shelf stacking to enable employees to reach higher shelves more easily. Self-levelling lift tables are used to create optimal ergonomic conditions for handling inventory. Over five years ago, to limit uncomfortable work positions, Carrefour set a 1.8 metre limit on the height of pallets leaving integrated warehouses. Today, nearly 99% of pallets delivered are less than 1.8 metres high.

Supermarkets and hypermarkets in France are equipped with high-lift pallet trucks or manual trucks with handles at a constant height for smaller stores to keep postural stresses to a minimum. Carrefour France is also designing new equipment to help with handling in conjunction with its partners such as France's National Health Insurance Fund for Employees (*Caisse nationale d'assurance maladie des travailleurs salariés* – CNAMTS), CRAMIF and Company doctors.

In addition to work equipment, Carrefour is looking into ways to improve furniture. Findings have shown that the more health factors are integrated upstream, the more effective the impact is on working conditions. Two examples include:

- a joint review conducted by the Design teams, Health teams and CRAMIF to develop a fruit and vegetable rack adapted to worker posture that would reduce the risk of occupational accidents and illnesses during shelf installation;
- a change made to the design of furniture used to stock mass retail products to reduce the stress on workers' posture when stocking shelves. As such, depth was reduced to 600 mm on all shelves and even further for lower shelves. These improvements were made at all hypermarkets and supermarkets.

As part of the Vitamin C programme, Carrefour Belgium has offered all staff over 45 a personal assessment of physical imbalances, muscular pain caused by one-sided loads, muscles used very frequently and poor posture. They can also receive advice and recommendations from a coach. In 2017, this programme was available in 12 hypermarkets and 12 supermarkets, covering almost 1,400 employees.

Carrefour Belgium also published a guide entitled "Good health in the workplace" which was distributed to all of its hypermarket and supermarket employees.

Preventing stress and psychosocial risks

Over the past 15 years, stress has emerged as a major psychosocial risk faced by companies. The Carrefour group's preventive approach aims to assess the main risk factors and develop appropriate action plans. Numerous actions have been taken at the local level at the instigation of countries and entities: stress management training, a free remote listening and psychological support system and in-store risk assessments followed by corrective action plans.

In 2015, Carrefour France introduced a new toll-free social support service to provide solutions suited to the situations of individual employees. A team of social workers helps employees with their personal or professional problems (financial difficulties or changes of situation such as divorce, separation, move, etc.). This support service was highlighted in 2017 in communication to all France Market employees on preventing gender-based violence.

Carrefour France continued with its efforts to prevent psychosocial risks in 2017 across all of its entities. Methodology for analysing these risks was designed by the French Health department in 2014 and offered to the Group's hypermarkets. Forty-five hypermarkets rolled out the methodology, which helps to analyse risks and develop an action plan to deal with them. Safety managers who are also in-store health representatives will all be trained in the use of this methodology in 2017 and 2018.

Overview of health and safety agreements

Prevention policy in France is shared with trade unions to develop a collective agreement for each entity. The list below includes some of the main agreements signed in 2017 with trade unions on workplace health and safety. The list is not exhaustive. Clauses added to previous agreements are not included.

- Agreement on health and quality of life in the workplace at hypermarkets and SDNH (Société des nouveaux hypermarchés).
- Agreement on quality of life in the workplace at Carrefour Proximité convenience stores.

Protecting work/life balance

To ensure that all employees flourish in their professional activities, Carrefour is committed to promoting work/life balance, which is one of the four focus areas of the Women Leaders programme (*detailed in Section 2.5.4*). Measures benefiting both women and men have been implemented within the Group.

In 2008, Carrefour France was one of the first 30 groups in France to sign the Parenthood Charter and to commit to introducing practical initiatives in this field. Since then, Carrefour has been a member of the corporate parenthood monitoring group (*Observatoire de la parentalité en entreprise*) and signed 15 commitments on work/life balance.

Employees at Carrefour France headquarters in Massy have had access to an on-site nursery since 2015. In 2016, the Carrefour Management nursery was merged with the Group's HQ nursery in Boulogne.

The pooling of work schedules and remote working (*detailed in Section 2.5.1*) are helping employees find a better work/life balance.

Working towards preventive management of digital tools

On July 7, 2017, Carrefour and its trade unions signed an agreement on the application of the right to disconnect from digital tools at Carrefour group companies in France. These days, it is widely accepted that the role of information and communications technology has an important impact on:

- employees' day-to-day professional duties;
- Company organisation and operations.

In many ways, these tools enhance relations by providing a platform for discussion and access to information, but they should be used reasonably, with respect for individuals and their work/life balance.

Carrefour has therefore made strong commitments to ensuring digital tools best practices are put into use. These commitments are designed to protect employees' health by guaranteeing good working conditions and work environment. Special care is given to the conditions of use of digital tools so that they do not infringe on employees' personal lives.

Training, awareness and communication resources on the right to disconnect have been provided for all employees affected by the use of digital tools, including:

- a video of best practices to use on a daily basis;
- key figures on overuse;
- commitments of Carrefour France;
- best practices for disconnecting;
- an information leaflet;
- a tutorial on digital tools.

Innovative actions on quality of life in the workplace

Carrefour France was awarded the Happy Candidates 2017 and Happy at Work 2017 labels by meilleures-entreprises.com. Carrefour reached sixth place in the Top 20 companies that receive candidates in the best conditions and ninth in the ranking of companies where young graduates are happy to work.

Examples in 2017

- Carrefour Spain, Argentina and Italy continue to implement well-being activities for their employees as part of their Carrefour Life and Live Better (*Vivir mejor*) programmes, which include organising sports tournaments, family days, solidarity campaigns, birthday parties, etc.
- Carrefour France Hypermarkets launched a programme based on the Carrefour Life programme at Carrefour Spain.
- Carrefour Taiwan implemented its 555 programme designed to treat employees like partners and providing them with the opportunity to participate in various focus groups to involve them in Company decisions at every level. Well-being activities are also available as part of this programme.
- Carrefour Poland and Carrefour France held a Company talent competition. Employees were asked to share the hidden talents that make them all different and unique. This initiative is perfectly in line with all the actions led as part of the diversity-integration strategy (*see Section 2.5.4)*.
- Carrefour Brazil extended maternity leave from four to six months and paternity leave from 5 to 20 days..

Performance

The Group's target is for all countries to draw up an action plan for health, safety, security and quality of life in the workplace by 2020. *[CSR index]*

RATE OF WORK ABSENCES AND WORKPLACE ACCIDENT FREQUENCY AND SEVERITY

	2017	2016
Rate of absence due to workplace and travel-related accidents	0.49%	0.50%

Scope: Like-for-like BUs (100% of 2017 consolidated scope).

	2017	2016
Workplace accident frequency rate *(number of accidents/millions of theoretical work hours)*	21.9	22.1
Workplace accident severity rate *(number of days absent due to workplace accident/1,000 work hours)*	0.54	0.56

Scope: Like-for-like BUs (100% of 2017 consolidated scope).

ABSENTEEISM RATE BY REASON

	2017	2016
Illness *(including occupational illness)*	3.88%	3.73%
Workplace accident	0.44%	0.45%
Travel accident	0.05%	0.05%

Scope: Like-for-like BUs (100% of 2017 consolidated scope).

2.5.4 Encouraging diversity and equal opportunity

Carrefour's policy

As a Group with a multi-local, neighbourhood presence, Carrefour has always been committed to reflecting and integrating the social diversity of the areas where it operates.

Very early on, Carrefour made a commitment to promote diversity and make the most of this asset by signing the Diversity Charter in 2004. Every year, it enters into new commitments to confirm its global and local approach. In 2017, for example, the Group continued to:

- step up the Women Leaders programme to promote gender equality and promote women to important positions of responsibility;
- support those who have difficulty finding work and young people;
- combat all forms of discrimination and stereotyping and promote diversity and equal opportunity.

Continuing with the Women Leaders programme

For the past six years, Carrefour has continuously reinforced its action to achieve greater gender equality at all levels of management and in every business line. Women account for over 57% of Carrefour's total workforce, but are not as well represented at the highest management levels.

Women's representation among the Group's senior executives was 17% in 2017, up from 11% in 2011.

The Women Leaders programme affirms Carrefour's ambition to achieve gender equality. The programme is based on four priorities:

- each country's definition of its own objectives;
- making women more visible by promoting their achievements;
- making gender equality a core factor in hiring and career development decisions;
- promoting work/life balance.

In 2015, the signature of the international agreement to promote social dialogue, diversity and respect for fundamental rights at the workplace signed with UNI Global Union (*detailed in Section 2.5.4*) focused on promoting gender equality.

An undertaking at the highest level, rolled out gradually

Carrefour's 2013 signature of the UN Women's Empowerment Principles (WEPs) made it the first major food and non-food retailer to join the 600 businesses that had already signed around the world. In keeping with this commitment, Carrefour has signed a partnership agreement with the UN Women National Committee in France, which was renewed for a second time in 2017 for a period of three years.

Executive Directors of Carrefour Argentina, Brazil, Italy and Spain have also signed WEPs.

In 2017, the Director of Carrefour Asia signed the WEPs. Carrefour Italy's Executive Director signed the manifesto put forward by the international community at the G7 meeting. This manifesto covers a commitment to support innovation, diversity, gender equality and sustainable development based on the principles of the GRI (Global Reporting Initiative).

In 2017, Carrefour Spain signed an agreement with the Ministry of Health, Social Services and Equality for more women to improve Company performance.

The third Women Leaders Convention, "Women Leaders & Diversity", was held in November 2017.

Since 2013, the Women Leaders Convention has been the meeting place for senior executives from all countries where Carrefour operates, aiming to motivate those at the highest level of the organisation to support gender equality, define concrete measures, and share best practices and results.

At the third Women Leaders & Diversity event in November 2017, Carrefour Group's management reiterated that this issue must remain a priority.

Workshops and an international forum on best country practices provided attendees with essential tools to take concrete action towards more inclusive management, the campaign to eliminate violence against women, the detection and promotion of female talent, etc.

Lastly, the Convention closed with an awards ceremony for employees involved in diversity, women leaders and Gender Equality European and International Standard (GEEIS) certification attributed to Carrefour Spain and Brazil.

Practical action plans in each country

At the third Women Leaders Convention in November 2017, Carrefour country directors provided a progress report on the steps implemented and progress made, and outlined their commitments for the next two years.

As a result, mentoring programmes for ambitious women managers have continued in France (the third group started in 2016), Italy and Argentina, and specific career development programmes have been created such as the Women Leaders training programme at Hypermarkets in France.

The current recruitment processes aim to hire as many women as men to management positions. For example, this is the case for senior executive and hypermarket Directors under the Graduate programme in France.

Several women's networks are available in countries where Carrefour operates. For the past three years, the *Carrefour'Elles* network has been highly active in France, and held several personal development workshops and conferences with outside experts in 2017. With the network's support, more than 1,000 women at Carrefour France participated in the 2017 *La Parisienne* women's race.

After conducting a survey of store and headquarters managers in 2016, members of the Carrefour Por Elas network in Brazil developed a test to identify the obstacles holding women back and the concrete measures to be taken in the short and medium term to remedy the situation.

Steps taken in the last few years have led to real progress in gender equality and resulted in several female appointments to key positions within the Group:

- almost 50% of hypermarket directors in Taiwan are now women;
- women were appointed to the following high-responsibility positions within the Group and countries in 2015: Supply Chain Director and CEO Rue du Commerce in France, Legal Director in Argentina, Regional Operations Director in Spain, Supermarket Operations Director in France and Supermarket Director in Belgium (Executive Committee member);
- the number of women holding Senior Director positions nearly doubled in 2017 compared with 2013;
- the percentage of women in management in China rose by four points in two years (46% in 2017 versus 42% in 2015);
- the number of women with the status of Director has doubled in Argentina since 2015.

Gender Equality International Standard certification process (GEEIS)

This international standard certifies the involvement of a company and the quality of its initiatives aimed at gender equality in business, education and training in issues related to work/life balance, salary, involvement of trade unions, etc.

The Group's GEEIS certifications were renewed in 2017 in the following countries: Romania, France Hypermarkets and Argentina, based on a follow-up audit which was conducted two years after the initial audit.

Carrefour France Hypermarkets stepped up its certification programme in 2017, qualifying for the Equality label awarded by Afnor (the French national organisation for standardisation). This label was renewed for the Market division.

In 2017, Spain and Brazil passed GEEIS (Gender Equality - European & International Standard) audits for the first time, receiving Bureau Veritas certification. They were awarded their GEEIS certificates at the Women Leaders & Diversity Convention by French government minister Marlene Schiappa.

At end-2017, eight entities had GEEIS certification: the Carrefour group, Hypermarkets and Carrefour Market in France, along with Argentina, Romania, Taiwan, Brazil and Spain.

An audit is scheduled for Carrefour China and Carrefour Italy in early 2018.

Performance

The Carrefour group set itself two gender equality targets *[CSR index]* :

- at least 40% of appointments to key positions within the Group must be women by 2025;
- 100% of countries should obtain GEEIS certification.

BREAKDOWN BY GENDER (MALE/FEMALE)

% of women by category	**2017**	**2016**
Senior Directors	17.3%	15.7%
Directors	25.0%	24.4%
Managers	41.5%	40.3%
Employees	59.9%	59.9%
TOTAL GROUP	**57.5%**	**57.5%**

The percentage of women in management positions is one of the Group's key management indicators. In 2017, 40.4% of the Group's managers were women, a figure that has risen steadily since 2012 (when it was 36.2%).

	2017	**2016**	**Change**
Percentage of women in management positions	40.4%	39.2%	+4.2%

Scope: Like-for-like BUs (100% of 2017 consolidated scope).

Support for people who have difficulty finding work

Collaboration with partners in the employment sector

Carrefour France and Pôle Emploi, the French state employment agency, have been long-standing partners since 1992 and work together to apply the national framework agreement in the following areas: developing initiatives focused on digital technology; making the hiring process simpler and more secure for job-seekers; supporting return to employment; and helping to secure the career paths of new hires.

In 2017, Carrefour France signed a partnership agreement on access to employment for individuals who benefit from support programmes offered by the city of Paris and Pôle Emploi.

Carrefour France signed the *Charte entreprise et quartiers*, a charter to support socially responsible community initiatives implemented in 11 French *départements* and regions, and has teamed up with numerous organisations, including the second chance school (*École de la deuxième chance*) in the *département* of Seine-et-Marne (77), which supports young people who have dropped out of school and want a second chance, or the *Apprentis d'Auteuil* apprenticeship scheme.

Initiatives in support of employment for young people and seniors

The Carrefour group is committed to contributing to the local development of the communities in which it operates and has always focused on hiring local young people through work-based learning programmes and/or by providing mentoring for new hires.

Carrefour is committed to guaranteeing good working conditions for everyone, regardless of their age, in the knowledge that employees of different ages bring complementary skills to the workplace.

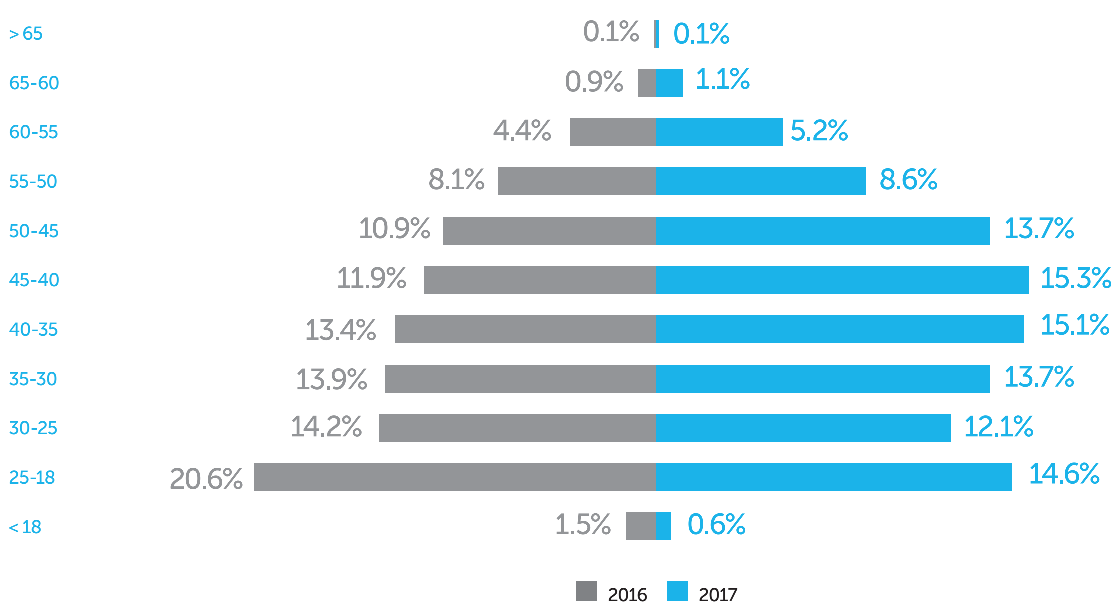
Examples in 2017

- Carrefour group joined the European Alliance to promote employment opportunities for young people.
- At the end of 2017, 1,084 apprentices work in Carrefour France and about 2,500 young people on professionalisation contracts. Each year, 400 young people are hired in Carrefour on apprenticeships in the fresh products sector.
- Carrefour ran the ninth annual competition to find the best butcher's and baker's apprentices in its hypermarkets and supermarkets. This year, the spotlight was placed on the apprentices and their mentors.
- The annual Youth Employment Day was organised in all of the Group's French stores in March.
- Carrefour China launched a "young voices" project to appeal to young talent and build their loyalty. Discussion groups were set up with young people to get their ideas about management and retail.
- Carrefour Brazil and Atacadão, in conjunction with several training bodies, implemented the Young Talents (*Jovem Talento*) programme, in which 150 young people aged 14-24 took part.

Carrefour also pays particular attention to employing seniors and ensuring that they enjoy good working conditions in the later stages of their careers. Intergenerational agreements were signed in 2017 at hypermarkets and supermarkets in France.

Performance

The chart below shows that 18.5% of the Group's workforce are under the age of 25, while 14.3% are over 50.



Actions to help the most vulnerable population groups

Carrefour is developing initiatives to help those most in need return to the workplace.

Examples in 2017

- Under the partnership with Restos du Cœur, a charity organisation that provides food for the needy, ten people who were part of the organisation's support programme were hired by Carrefour on professional training contracts with a view to obtaining a butcher vocational qualification certificate, after taking the Safe Butcher Training Course implemented in February 2017. Carrefour and the Employment Network of Restos du Cœur set up further partnerships in French regions.
- 445 people, all living in poverty but supported through integration programmes, including 65 from Restos du Cœur, participated in workshops on CV and cover letter writing, mock interviews and store visits to help them take further steps in their professional career and apply their experience gained through the insertion programme.
- Carrefour Hypermarkets in France signed a partnership deal with the Force Femmes organisation to support women over the age of 45 in going back to work. Fifty women over 45 were coached in a speed interview session organised with Force Femmes.
- 2017 was the third year that Carrefour Romania partnered with the Girls' Capital programme, which offers support to young girls with diplomas from low-income families. For the 2017-2018 school year, twelve women from Carrefour's headquarters and stores became mentors to these young women.

Measures were stepped up in different countries in 2017 to help women who are victims of violence, especially for the International Day for the Elimination of Violence against Women. Carrefour was named an Orange Day Champion by the UN Women National Committee in France and France's Gender Equality Minister at the end of November 2017, in recognition of the Group's efforts, in particular its awareness brochure for eliminating violence against women in the workplace.

Examples in 2017

- Carrefour Argentina has joined forces with UN Women to support the work of the Pink Helmets for Equality and against Gender Violence. A video recorded by store employees was widely disseminated to raise employee awareness to the existence of these issues. A support and care procedure for handling cases of violence was also circulated.
- In France, after renewing the agreement signed with the Salon-de-Provence town hall in 2016, Carrefour Market signed an agreement with the Var prefecture in 2017 to help employ vulnerable women with social and professional integration problems, giving priority to those who had been the victims of violence. Carrefour Market also contributed to developing the gender violence awareness brochure, of which 25,000 copies were distributed. A campaign was launched to inform customers of Carrefour Market's support of this cause and to raise 15,000 euros which was donated to the UN Women National Committee in France. Lastly, an advisor from the SOS Femmes association attended every management and works council meeting held throughout the year.
- As in Argentina, Carrefour Spain recorded a video of a song written and composed by store employees. The country's management team also distributed guidelines on how to care for victims of violence.
- Carrefour Italy launched a vast awareness campaign to reach out to 20,000 employees, and implemented a support and counselling service available to all.

Practical actions to integrate disabled workers and keep them in employment

Carrefour signed its first disability agreement in 1999 for its Hypermarkets in France.

Fully committed to integrating disabled workers, Carrefour is gradually rolling out its policy across all countries of operation.

At the end of 2011, Carrefour was the first large company to enter into a partnership agreement with the ILO's Disability Network in order to work together with community organisations and other institutions to promote the employment of disabled people around the world. In 2015, Carrefour signed the charter in support of the employment of disabled people proposed by the ILO's Global Business and Disability Network. In 2016, Carrefour became chair of the ILO's Global Business and Disability network and in this capacity hosted the ILO conference in support of people with disabilities to encourage other multinationals to join the network and help promote the employment of disabled people around the world.

Several major multinationals have since joined the network and signed the charter (IBM, Repsol, Sodexo, BNP Paribas, Société Générale and Engie, followed by Legrand and Cap Gemini in 2017).

In 2017, Carrefour chose to get involved alongside LADAPT in European Disability Employment Week in November.

Participation in forums and conferences increased in France and Spain.

Examples in 2017

- Carrefour Argentina continued implementing its "360°" disability action plan in 2017 :
  - Over 100 managers and Directors received training in how to recruit and integrate disabled employees.
  - Awareness workshops were led by disabled people in stores. Other workshops help support employees in dealing with disabled customers.
  - A partnership was set up with an organisation focused on mental disabilities to collect donations and support children with Down's syndrome.
  - A joint project was initiated with the supplier Colgate to advance the employment of people with disabilities.
- Under the partnership with Défense Mobilité, an organisation that helps former military personnel find employment, and CABAT, a ministry of defence cell which provides assistance to wounded army personnel, several employment support initiatives were taken in France, including 17 resettlements of former military personnel and six participations by recruitment consultants in army mobility job forums to advise more than 50 officers seeking new career opportunities. Six wounded veterans under the CABAT programme are currently taking on-the-job training at hypermarkets and warehouses.
- The seventh and fifth agreements on the employment of workers with disabilities and maintaining disabled workers in the workforce were signed at France Hypermarkets and Supermarkets respectively, as well as a new agreement at Supply Chain.

The "Director, a central role in supporting disabled people" training course was included in the general training programme for future Carrefour Market store directors.

Carrefour France Supply Chain took part in the Free Handi'se Trophy race for the fourth year running. This intercompany competition aims to change people's views and behaviour regarding employees with disabilities. Three Carrefour teams, each made up of two disabled and two non-disabled employees, took up the challenge.

Carrefour France Hypermarkets and Supermarkets also supported the *Rêves de Gosse* campaign to help disabled children make their dream come true of flying for the first time.

- Carrefour China has stepped up its efforts since 2016 to recruit more disabled people and has now reached a percentage level of 1.9% of its total staff, above the legal requirement of 0.4%. In 2017, the Chairman and Chief Executive Officer of Carrefour China signed the charter of the national business and disability network, inspired by the ILO's Global Business and Disability Network.
- Thanks to a partnership with the ONCE Foundation (the main body in Spain to promote the employment of disabled persons), Carrefour Spain employs more than 900 disabled persons. As a result, Carrefour Spain won the EASPD (European Association of Service Providers for Persons with Disabilities) "Employment for All" award, and shared its experience with delegates at an LADAPT (association for the social and professional integration of disabled people) conference held in Madrid during European Disability Employment Week.
- Carrefour Belgium participated in the third edition of the nationwide Duoday campaign, under which disabled workers work with a manager for several days.

Performance

The percentage of Carrefour employees recognised as having a disability (3.3% in 2017) has risen since 2011 (when it was 2.6%). Given the size of the Group, this represents a significant number of employees with disabilities: 12,561 in 2017. *[CSR index]*

	2017	2016
Percentage of employees recognised as having a disability	3.3%	3.3%

Scope: Like-for-like BUs (100% of 2017 consolidated scope).

	2017	2016	Change
Number of employees with a disability	12,561	12,203	+2.9%

Scope: Like-for-like BUs (100% of 2017 consolidated scope).

The Group has set a target for all of its countries of operation to reach a 4% employment rate at Group level by 2025.

Fighting against all forms of discrimination and stereotyping and promoting diversity and equal opportunity

Carrefour fights against discrimination and promotes all forms of diversity. This is reaffirmed in the international agreement to promote social dialogue, diversity and respect for fundamental rights in the workplace signed on September 30, 2015.

Respecting diversity is the first subject covered in the Ethics Principles document entitled "Our ethical guidelines", distributed to all countries in 2016.

In addition, an external comprehensive alert system was set up in France in 2016 to report violations such as discrimination and harassment, as well as restrictive practices, or issues relating to health and safety in the workplace and environmental protection.

To support the actions already taken in favour of diversity and equal opportunity, and to encourage the development of new actions, Carrefour launched its first International Diversity Day in 2016, entitled: "Carrefour celebrates diversity".

A second edition of International Diversity Day took place in 2017. A new poster campaign was also rolled out in countries where the Group operates to raise awareness and combat discrimination against all forms of stereotyping. Everywhere, in all countries where Carrefour is present, at both stores and headquarters, conferences, events with employment partners, activities with disabled people and role plays took place.

The Carrefour group signed a partnership for 2017-2018 with the IPAG research chair, Towards an Inclusive Company. An experiment will be led in Italy followed by Belgium to identify guidance solutions and tools for managers to help them be more inclusive.

Examples in 2017

- Carrefour Italy signed an inclusion, equal opportunity and non-discrimination agreement with management and labour representatives. A structured action plan was implemented to address identified issues, with designated Executive Committee member sponsors and project managers. Under this agreement, a social dialogue committee will be set up with the role of analysing data, detecting performance gaps and identifying solutions to promote diversity.
- Carrefour Belgium signed a plan to consolidate diversity with management and labour representatives on the points already identified since 2011, focusing on areas such as disability, gender equality, intergenerational contracts and multiculturalism.
- Carrefour Management created an innovative training programme on inclusive management, combining awareness through role playing, expert knowledge on the subject, and e-learning activities. A test session was launched at end-2017.
- Carrefour Market in France trained all store directors in the "Everyone playing a role in equal opportunity" course and set the target of training all managers by 2020.
- Carrefour Brazil launched the "diversity game", using it to train more than 300 managers in 2017 about diversity and equal opportunity in a fun environment.
- The Carrefour group published a guide on inclusive leader behaviour, taking real-life situations as examples to show the right habits to adopt to promote equal opportunity and inclusion for all. This guide was presented and adopted at the Women Leaders & Diversity Convention held in late November 2017.

2.6 Carrefour's duty of care plan

As a leading food retailer and a key player in the global economy, Carrefour is well aware of its social responsibilities. Carrefour's retail approach and business model are closely linked to the renewability of natural resources, the quality and quantity of agricultural production, the engagement of its employees and the confidence of consumers and all its stakeholders.

For the past 20 years, Carrefour has demonstrated its commitment to the protection of human rights and the environment through partnerships with major NGOs working in these areas, including the WWF® for environmental protection (1998), UNI Global Union for working conditions and fundamental freedoms (2001), and the FIDH for human rights (2000). Carrefour has been a party to the United Nations Global Compact since 2001. It is also one of the pioneers in implementing practical initiatives to improve environmental and social practices in global supply chains. Such initiatives include its membership to the Initiative *Clause Sociale*, which promotes the social responsibility of suppliers to the retail trade, and the sustainability self-assessment tool for suppliers. All of these commitments – which are embodied in formal pledges to external stakeholders – are relayed internally in Carrefour's own business operations and among its employees through the Corporate Social Responsibility strategy.

Carrefour has thus long fostered a risk-aware culture embracing the issues of human rights and fundamental freedoms, health and safety, and the environment – the areas addressed by France's duty of care law passed on March 27, 2017.

This document constitutes the duty of care plan required by the new law.

It describes the formal processes and methods embedded in Carrefour's social responsibility approach and the additional measures taken under the duty of care plan. This approach is based on Carrefour's Ethics Principles, a Code of Conduct setting the framework for the day-to-day behaviour and actions of its employees. The aim is to instil these same principles throughout the global value chain through the Supplier Charter and Ethical Standards Charter, which are an integral part of all purchase contracts for goods and services in all Carrefour's countries of operation.

This commitment is present throughout the Group's various business activities through many other initiatives, including partnerships, dialogue with stakeholders, CSR strategy, and social dialogue. It takes shape through the engagement of the women and men who work for the Carrefour group.

2.6.1 Risk mapping

Risk mapping approach

The risk mapping approach is defined and managed by the Group Risk and Compliance department. The aim is to give management and staff in the Group's countries of operation a holistic view of the issues and risks that is as effective, objective and comprehensive as possible.

It addresses risks related to Carrefour's business operations and activities in all countries where it operates or sources products.

It involves internal and external stakeholders in the process of identifying and reviewing the key risks according to their areas of expertise. The first step in the risk mapping process described below therefore involves consulting with the relevant operational staff and partner NGOs and trade unions.

Lastly, it enables the countries and the relevant internal functions to share a structured process and an ordered view of the risks, and to take a harmonised approach in response to the current regulatory requirements.

Risk mapping process

The compliance risk mapping process comprises three steps:

- identifying as comprehensively as possible all the risks to which Carrefour exposes the environment and its stakeholders;
- assessing those risks with regard to the probability of occurrence and the severity of potential impacts. The risk is then rated based on a combination of its importance (Carrefour Group footprint) and its frequency (recurrence of risk situations);
- the next step is to prevent identified risks.

Carrefour has identified three types of risk:

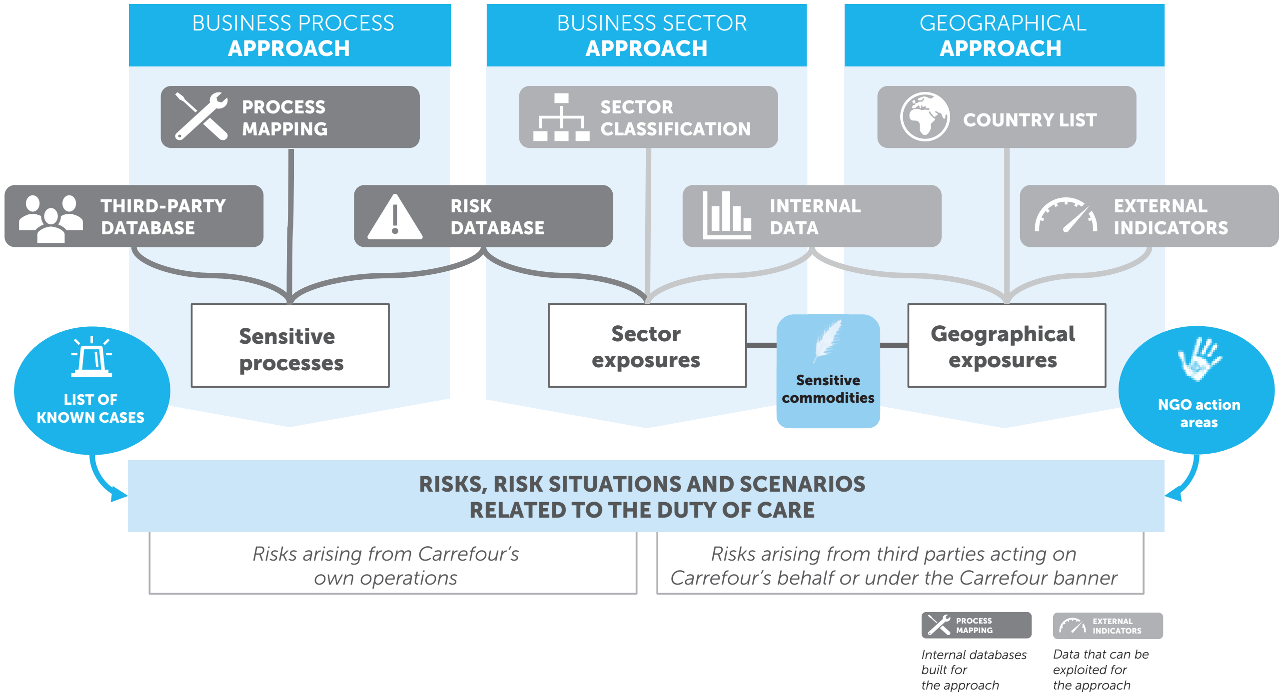
- risks related to its various business activities;
- risks related to business sectors with which Carrefour interacts on a day-to-day basis, particularly as part of supplier and service provider relationships;
- risks related to countries in which Carrefour operates or sources certain products.

Carrefour uses the following proprietary and shared databases, which are updated regularly, to draw up a comprehensive risk map:

- compliance risk database: the various compliance issues are classified into generic risks, based mainly on the ILO's fundamental conventions for the protection of human rights. For environmental protection, the identified risks include contribution to global warming, water pollution and uncontrolled waste management;
- third-party database: identifies and classifies stakeholders into 14 categories, such as public agents, intermediaries, shareholders, employees, media, etc.

Identification and description of risks and risk situations

Identifying risks therefore combines several approaches, which are summarised in the diagram below:



The business approach consists of cross-referencing the Carrefour process risk map (more than 400 processes mapped) with the compliance risk database to identify "sensitive processes", and describing the risk situations encountered in these sensitive processes.

The geographical approach consists of identifying country risks based on recognised external public indicators (risks relating to human rights or the environment).

The sector approach (based on the "NAF" business sector classification used in France) consists of supplementing the operational and geographical approaches with an assessment of the risks relating to each business sector according to the compliance risk database based on several information sources:

- a review of incidents already encountered by the Group or companies operating in comparable or related sectors, through an in-depth analysis of "public cases";
- internal and external consultations and appraisals;
- sector and thematic reviews.

This combination of approaches is supplemented by cross-referencing with other information sources, including:

- a regularly updated list of known human rights or environmental violations by companies operating in the retail industry or comparable or related sectors;
- consultations with NGOs actively involved in environmental and human rights issues, and a documented analysis of known actions taken by NGOs that campaign for human rights and the environment in order to identify and cross-reference issues of interest and the main countries concerned.

Each risk situation is therefore assessed for its inherent risk based on the probability of occurrence and the severity of its potential impacts. The assessment takes into account risk factors according to their impact on probability and/or severity. For example, the existence of previous known cases similar to the situation under review is an aggravating factor with an impact on the probability of occurrence. Geography can also be an aggravating factor for some compliance risks.

Severity is assessed on the basis of five types of potential impact on the Group or its stakeholders: business, financial, legal, human/social and image. Rating scales and assessment indicators are assigned to each of the two assessment criteria.

After assessment, the risk situations and related risks are then ranked in order of importance using a risk classification and ranking grid (minor risks, significant risks or major risks, according to the combination of probability and severity).

Consultation with stakeholders and update

In the risk analysis, Carrefour not only consults its own staff but also draws on the expertise of its partners, FIDH, WWF® and the trade unions, to identify risk situations.

This risk mapping process will be monitored continuously and updated annually, mainly through existing partnerships.

2.6.2 Framework and measures for preventing serious violations

Engagement tools shared with employees and partners

Various Codes of Conduct and charters govern the activity of Carrefour's employees (Ethics Principles) and its suppliers, service providers and partners (Supplier Charter, Franchisee Charter, etc.).

Ethics Principles: Code of Professional Conduct

All employees are given a copy of the Ethics Principles. Their purpose is to establish the ethical framework governing the day-to-day activity of all employees.

Everyone is expected to read and be familiar with this framework, which sets out the commitments made in:

- the Universal Declaration of Human Rights;
- the eight fundamental conventions of the International Labour Organization (ILO);
- the guiding principles of the OECD;
- the principles of the UN Global Compact;
- the guiding principles of the United Nations;
- the international agreement with UNI Global Union.

The Ethics Principles are to:

- respect diversity;
- contribute to a safe, healthy working environment;
- ensure high-quality social dialogue;
- refuse to tolerate any form of harassment or discrimination;
- select and deal with suppliers fairly and impartially;
- develop transparent business relationships;
- respect commitments to partners;
- refuse to engage in any form of collusion or unfair practice;
- assure the safety of people and property;
- safeguard the Company's resources and assets;
- guarantee confidentiality;
- preserve the environment;
- act with integrity, both individually and collectively;
- provide reliable, accurate information;
- avoid conflicts of interests;
- refuse any form of bribery or corruption.

Social, Environmental and Ethical Charters

The Supplier Charter has been drawn up with Carrefour's partners in compliance with international fundamental principles (see Ethics Principles above).

It contains nine sections on human rights, ethics and the environment:

1. prohibition of forced or compulsory labour;
2. prohibition of child labour;
3. respect for freedom of association and the right to collective bargaining;
4. prohibition of all forms of discrimination, harassment or violence;
5. workers' health and safety;
6. decent wages, benefits and working conditions;
7. working hours;
8. ethics principles;
9. respect for the environment.

The charter prohibits clandestine or undeclared subcontracting, and has a cascade effect by requiring suppliers to demand the same social compliance standards of their own suppliers.

In a spirit of reciprocal commitment, the charter does not allow Carrefour to impose any conditions on suppliers that would prevent them from complying with the charter.

The Supplier Charter forms an integral part of all purchase contracts in all countries.

It also forms the basis for charters aimed at other partners such as suppliers of own-brand products, service providers and franchisees.

Sustainability self-assessment

In 2017, the sustainability self-assessment tool initially devised in association with the WWF® for Carrefour's own suppliers was made available to other companies via the Internet under the name Valorise. The tool enables suppliers to carry out a CSR self-assessment and to improve through the advice given and practical examples provided.

Preventive action in the Group and its subsidiaries

The Group's commitment is embodied in the Ethics Principles, which are signed by all employees. Carrefour has organisational structures, policies and methods in place to ensure that its commitments are adhered to and to prevent violations in its business operations, especially in terms of human rights and fundamental freedoms, health and safety of people, and the environment.

These risk prevention procedures are based on social dialogue, diversity and health & safety policies and an ambitious environmental policy.

Robust, constructive social dialogue

Carrefour is committed to consultation through high-quality internal and external social dialogue in support of individual and collective progress, both at Group level and at country and entity level.

In 2001, Carrefour signed an agreement with the International Union Federation - UNI Global Union, reflecting its commitment to respect fundamental labour rights in its business operations.

The quality of Carrefour's social dialogue extends beyond mere legal and regulatory requirements and is implemented in all Group countries and entities. Discussions and consultations with employee or trade union representatives can be organised and coordinated at local, national or transnational level, depending on locally-identified needs. Respect for trade union rights coupled with strong, constructive social dialogue, reflected in frequent negotiations and joint agreements, means that staff representatives are present in almost all of the Group's activities.

(For further details, please see Section 2.5.3 "Creating an environment that helps employees to achieve fulfilment" of the 2017 Registration Document).

Diversity policy

Carrefour has long been committed to encouraging diversity and signed the Diversity Charter in 2004. Every year, it makes new commitments confirming its global and local approach to foster respect for fundamental freedoms in the workplace.

The main areas of commitment and action are:

- gender parity throughout the organisation: a target of 40% of women appointed to key positions in the Group by 2025;
- combatting all forms of discrimination: a target of 4% of employees with a declared disability within the Group by 2025;
- initiatives in support of populations that have difficulty finding work.

(For further details, please see Section 2.5.4 "Encouraging diversity and equal opportunity" of the 2017 Registration Document).

Health and safety policy

Carrefour complies with regulations for the prevention of workplace accidents and occupational illnesses in all its countries of operation. In addition to regulatory requirements, the Group ensures that all its employees understand health and safety rules, provides preventive training on subjects such as in-store safety and posture and movements, and conducts regular employee awareness campaigns.

The Group has procedures in place in its countries of operation and performs regular audits. To reduce the number and severity of workplace accidents, Carrefour also puts risk assessment and prevention at the heart of its health management system. All countries are required to draw up a health, safety and quality of life plan by 2020.

(For further details, please see Section 2.5.3 "Creating an environment that helps employees to achieve fulfilment" of the 2017 Registration Document).

Environmental policy

Two pillars of Carrefour's CSR strategy are devoted to preventing serious threats and harm to the environment in response to the risks identified in the risk map:

- combatting all forms of waste;
- protecting biodiversity.

Since 2013, Carrefour has encouraged business lines, suppliers and customers to join its programme to combat waste (Antigaspi). It covers all forms of waste generated by Carrefour's operations and has five key action points, each with specific waste reduction targets:

- combatting food waste;
- reducing and recycling waste;
- reducing energy consumption and combatting climate change;
- reducing the impact of packaging;
- saving water.

(Please see Section 2.2 "Combatting waste" of the 2017 Registration Document).

The biodiversity protection plan is strengthened each year to protect the main ecosystems under threat and to gradually encourage all stakeholders, especially those involved in the supply chain, to adopt responsible manufacturing approaches. The plan has four areas of action, each with its own specific targets:

- developing agroecology, organic products and fair trade;
- encouraging the sustainable consumption of marine resources;
- encouraging sourcing of products that do not contribute to deforestation;
- developing apiculture.

(Please see Section 2.3 "Biodiversity" of the 2017 Registration Document).

Preventive action at suppliers

Carrefour takes a holistic approach to prevention (training, support and self-assessment) and control over its suppliers (internal and external audits, monitoring action plans) and its partners in order to prevent serious violations. This approach is based on and will evolve in line with the types of risk identified for each country.

Risk prevention: support and self-assessment for suppliers

All contracts include the Supplier Charter, which presents an opportunity to remind suppliers and service providers of Carrefour's commitments.

Carrefour develops training and awareness tools for its suppliers in partnership with consultants or local NGOs. For example, the "Good Factory Standard" is a practical training manual which is broken down by sector and/or product type (household goods, textiles, wood, leather, etc.) and contains photographs to ensure that all factory workers can understand it, regardless of their geographical location or level of education. Training courses are also given in specific subjects based on the potential risks identified in a country, area or activity.

The self-assessment tool for suppliers (Valorise), which is available online and has been shared with other retail brands since 2017, also helps suppliers to embark on a CSR approach.

(For further details, please see Section 2.4.4 "Promoting CSR in the supply chain" of the 2017 Registration Document).

Supplier social compliance audits

In countries where a geographical risk has been identified, Carrefour's ultimate aim is to perform social audits on all production facilities that manufacture Carrefour-brand products.

The process comprises several steps:

- a preliminary review by Carrefour of the facility's compliance with social, environmental and basic quality requirements;
- an initial audit, preferably unannounced, performed by an independent firm selected by Carrefour, based on a standard shared with other brands, to determine whether the facility can be listed;
- unannounced follow-up audits performed periodically by an independent firm to validate actions taken;
- specific audits may be performed by an external company or by partners to review specific or one-off incidents involving the facility or the audit firms' practices and procedures.

For suppliers not based in countries identified as at-risk, the audit system is adapted to take account of the risks related to the supplier's business, local problems and practices.

Going even further, Carrefour conducts an in-depth analysis in certain countries to identify and take into account specific risks related to agricultural practices.

(For further details, please see Section 2.4.5 "Ensure that Carrefour suppliers respect human rights" of the 2017 Registration Document).

Supplier environmental compliance audits

Environmental audits are performed at the premises of suppliers that manufacture labelled or certified Carrefour-brand products, and where production facilities or processes may present a risk for the environment.

Carrefour implements specific programmes for major identified risks, such as the Clean Water Project in Asia, in order to prevent or remedy industrial pollution risks.

Health and safety issues and water treatment are currently covered by Carrefour's social compliance audit process. Carrefour's teams are in the process of determining their suppliers' vigilance level and methods in terms of overall environmental compliance, based on action already taken.

(For further details, please see Section 2.2.5 of the 2017 Registration Document).

Carrefour Foundation actions to protect fundamental freedoms

Created in 2000, the Carrefour Foundation runs outreach programmes in countries where the Group operates. As a retailer, Carrefour's efforts are focused on two major areas: food solidarity and emergency humanitarian aid.

In 2016 and 2017, the Foundation expanded its action to encompass two new areas of expertise, with two new funds:

- one dedicated to humanitarian aid and improving the living conditions of the families of workers in countries where Carrefour sources its products;
- one dedicated to preserving biodiversity.

Ethics alert system and procedure

Carrefour's partners and employees are all permanent conduits for raising the alert when necessary.

A dispute management procedure is incorporated in the UNI Global Union agreement, enabling complaints made by a trade union representative or Carrefour employee to be reported to the UNI and Carrefour's management, with assurance that the matter will be dealt with.

Carrefour has also set up its own ethics alert system that can be used by Group employees or stakeholders to report any situations or behaviour that do not comply with the Group's Ethics Principles. The system covers all the subject matter addressed in the Ethics Principles, in particular human rights and the environment.

Confidentiality is assured at all stages of the process and Carrefour has pledged not to take any disciplinary action against an employee who reports an ethics issue in good faith. The system helps Carrefour to prevent serious violations of its Ethics Principles and to take the necessary measures when a violation does take place.

It is one of the tools promoted under the agreement between Carrefour and UNI Global Union.

http://ethics.carrefour.com/

2.6.3 Corrective and mitigation programmes for serious violations

Carrefour has developed action programmes adapted to the various situations arising from its operations. These programmes may be deployed at Group or country level, alone or in conjunction with competitors, or as part of the Group's interactions with its suppliers. They also evolve in line with the risk situations identified in the Group's operations, the information reported via the ethics alert system and the outcomes of audits performed.

Post-audit corrective action plan

Independent audits and inspections of supplier premises give rise to action plans designed to remedy any violations observed regardless of their severity. The supplier is required to implement each corrective action in the plan before a specified deadline. Compliance with the action plan and implementation deadlines is monitored through follow-up audits.

If a supplier audit report contains a critical non-compliance issue, Carrefour will be informed within 48 hours. These issues mainly concern child labour, forced labour, disciplinary measures, attempted corruption, document falsification and safety conditions threatening the lives of workers. Immediate action is then taken by Carrefour and/or the supplier.

Training or specific support may be provided to suppliers where warranted by the non-compliance issues (see section above on "Risk prevention: support and self-assessment for suppliers").

Collaborative corrective or mitigation actions

Carrefour firmly believes that human rights and the environment are not competitive matters. Wherever it can, the Group seeks to implement a collaborative approach between brands and stakeholders to strengthen the effectiveness of mitigating or corrective actions and to provide a coordinated, structured response to the risks encountered.

In the event of a violation of human rights or the environment, corrective programmes are implemented in conjunction with the stakeholders and local communities concerned, according to the situation facing them.

Two major projects that Carrefour has recently been involved with to mitigate or remedy serious violations are the Clean Water Project and the Accord on Fire and Building Safety in Bangladesh (*http://bangladeshaccord.org/*).

2.6.4 Implementation of and updates to the duty of care plan

The relevance and completeness of the duty of care plan will be assessed in working meetings with stakeholders, particularly those with expertise in the matters addressed by the plan: WWF® France, FIDH and UNI Global Union. In connection with this assessment, the plan will be revised on an annual basis.

As required by the law, Carrefour will report annually on the implementation of this duty of care plan. The first report will cover 2018 and will be published in 2019.

2.7 Carrefour's non-financial results

2.7.1 Non-financial indicators

Carrefour's non-financial indicators are listed in the table below. Key indicators are given in bold.

COMBATTING WASTE

Commitments	Indicators	2017	2016
Recover waste	% of waste recovered (food donations included)(1)	70.0	68.8
	Recycled waste *(total in thousands of tonnes)*(1)	435.5	424.4
	Recycled waste – batteries returned by customers *(in thousands of tonnes)*	0.6	0.7
	Recycled waste – other end-of-life products returned by customers *(in thousands of tonnes)*	11.1	10.9
	Number of disposable plastic bags purchased *(in millions)*	775	883
Combat climate change	% change in CO_2 emissions compared with 2010	(24.4)	(24.7)
	GHG emissions by source *(in thousands of tonnes of CO_2 equivalent)* ☑	3,033.8	3,022.6
	Scope 1 (refrigerants, gas and heating oil) (in thousands of tonnes of CO_2 equivalent)	*1,190.0*	*1,132.3*
	Scope 2 (electricity) (in thousands of tonnes of CO_2 equivalent)	*1,494.7*	*1,563.1*
	Scope 3 (logistics) (in thousands of tonnes of CO_2 equivalent)	*348.5*	*327.2*
	% change in energy consumption per sq.m. of sales area compared with 2010	(16.3)	(15.4)
	In-store energy consumption *(kWh per sq.m. of sales area)* ☑	529.3	535.3
	% change in refrigerant-related CO_2 emissions per sq.m. compared with 2010	(37.6)	(41.1)
	Number of stores equipped with a hybrid or 100% natural fluid system	455	348
	All-natural refrigerants (HFC- or HCFC-free)	*200*	*146*
	Hybrid (a mix of HFC and natural refrigerants)	*255*	*202*
	Quantity of refrigerant refilled following leaks *(kg per 1,000 sq.m. of sales area)*(2)	37.2	34.1
	% change in CO_2 emissions per shipping unit transported compared to 2010(3)	(5.3)	(7.1)
	CO_2 emissions per shipping unit *(kg of CO_2/pallet)*(3)	6.5	6.4
	Amount of water consumed per sq.m. of sales area *(cu.m./sq.m.)*	1.65	1.67
	Amount of water consumed *(cu.m)*	18.1	17.9
	% of water saved in one year per sq.m. of sales area	1.2	-
Reduce packaging	Reduce packaging by 10,000 tonnes by 2025 *(in tonnes)*	(938)	-

(1) Excluding HM: AR, BR, RO/SM: AR, BR, IT, RO.
(2) Excluding HM: AT/SM: AR.
(3) Excluding AT.

☑ *2017 figures subject to reasonable assurance checks.*

2

PROTECTING BIODIVERSITY

Commitments	Indicators	2017	2016
Develop agroecology, organic products and fair trade	Number of Carrefour Quality Lines	464	464
	Total sales (incl. VAT) of Carrefour Quality Line products *(in millions of euros)*	838.2	922.7
	Number of certified organic food products	2,566	2,390
	Sales (incl. VAT) of organic food products (private label and national brand) *(in millions of euros)*	1,334.0	1,041.5
	Sales (incl. VAT) of organic products (private label and national brand) *(in millions of euros)*	1,386.6	1,107.4
	Number of private label fair trade products	74	99
	Sales (incl. VAT) of fair trade products (private label and national brand) *(in millions of euros)*	152.5	149.0
Encourage the sustainable consumption of seafood	Sales of seafood products labelled MSC and ASC + CQL seafood *(in millions of euros)*	310.9	199.0
Stop deforestation linked to the procurement of beef, paper, palm oil, wood and soybean products by 2020	% of palm oil sourced from RSPO-certified suppliers	100	100
	% of palm oil certified as sustainable and fully traced (RSPO Segregated)	*31.0*	*15.5*
	% of palm oil certified as sustainable and partially traced (RSPO Mass Balance)	*41.7*	*49.4*
	% of palm oil covered by Green Palm certificates (certificate-trading)	*27.3*	*35.1*
	% certified/recycled paper in catalogues	99.9	99.6
	Sales of PEFC- and FSC-certified Carrefour products *(in millions of euros)*	102.0	105.0

SUPPORTING OUR PARTNERS

Commitments	Indicators	2017	2016
Improve the way our results/actions are communicated to the non-financial community	RobecoSAM rating	74	74
	Carbon Disclosure Project - Climate rating	A-	B(1)
	VigeoEiris rating	67	55
Promote CSR in the supply chain and prioritise local suppliers	% of suppliers fully participating in the CSR self-assessment	34	58
	% of Carrefour-brand food products sold that are sourced from direct national suppliers	74.0	73.8
Ensure that Carrefour's suppliers respect human rights	% of follow-up audits among social audits	57	59
	Number of social audits	1,452	1,344
Be a socially responsible retailer	Number of meal equivalents donated to food aid associations *(in millions)*	164.2	142.8
	Foundation budget *(in millions of euros)*	6.3	8.4
	Number of projects supported	73	94
	Number of countries of intervention	9	16

(1) Change of the evaluation method.

SOCIAL DYNAMICS AND DIVERSITY

Commitments	Indicators	2017	2016
Act as a responsible employer	Workforce *(total)*	378,923	384,151
	% of managers who are women	40.4	39.2
	% of employees on permanent contracts	92.1	92.4
	% of employees on part-time contracts	25.2	24.6
	Rate of internal promotion *(%)*	47.3	50.7
	Number of new hires on permanent contracts	71,167	81,453
	Rate of absence due to workplace and travel-related accidents *(%)*	0.49	0.50
	Number of employees with a disability	12,561	12,203
	% of employees recognised as having a disability	3.3	3.3
	Total number of training hours given over the year *(in millions)*(1)	4,1	4,0
	Average number of training hours per employee(1)	12.3	12.5

(1) Excluding CH.

2.7.2 Article 225 Grenelle II law cross-reference table

Article 225 Grenelle II law	Section of the management report
1° Labour information	
a) Employment: • total workforce and breakdown of employees by gender, age and geographic region; • new hires and redundancies; • salaries and salary changes.	 2.5.1 2.5.2
b) Work organisation: • organisation of work schedules; • absenteeism.	 2.5.1 2.5.3
c) Employee relations: • organisation of workplace dialogue, specifically procedures for notifying, consulting and negotiating with employees; • overview of collective bargaining agreements.	 2.5.3
d) Health and safety: • workplace health and safety; • overview of the agreements signed with trade unions or employee representatives regarding workplace health and safety; • workplace accidents, particularly their frequency and severity, as well as occupational illnesses.	 2.5.3
e) Training: • policies implemented with regard to training; • total number of training hours.	 2.5.2
f) Equal treatment: • measures taken to promote equal treatment of men and women; • measures taken to promote employment of the disabled and their integration into the job market; • anti-discrimination policy.	 2.5.4
g) Promotion of and compliance with the provisions of the International Labour Organization's fundamental conventions regarding: • respect for freedom of association and the right to collective bargaining; • elimination of discrimination in respect of jobs and professions; • elimination of forced or compulsory labour; • effective abolition of child labour.	 2.5.3 2.4.5
2° Environmental information	
a) General environmental policy: • organisation of the Company to handle environmental issues and, where applicable, procedures for conducting environmental assessments or certifications; • actions taken to train and educate employees regarding environmental protection; • resources devoted to environmental and pollution risk prevention; • the amount of provisions and guarantees for environmental risks, provided that this information is not likely to seriously harm the Company in the context of pending litigation.	 2.1.1 2.1.2 4.7.1 zero (France)
b) Pollution and waste management: • measures taken to prevent, reduce or redress any discharge into the air, water or soil that has a serious impact on the environment; • steps taken to reduce noise pollution and any other form of pollution specific to an activity.	 2.2
c) Circular economy: c1) Pollution and waste management: • measures taken with regard to waste prevention, recycling, reuse and other forms of waste recovery and disposal; • measures to combat food waste. c2) Sustainable use of resources: • water consumption and water supply based on local requirements; • consumption of raw materials and measures taken to use them more efficiently; • energy consumption and measures taken to improve energy efficiency and the use of renewable energy sources; • land use.	 2.2.2 2.2.1 2.2.5 2.3 2.2.3 2.4.7
d) Climate change: • greenhouse gas emissions; • adaptation to the consequences of climate change.	 2.2.3
e) Biodiversity protection: • measures taken to preserve and develop biodiversity.	 2.3

Article 225 Grenelle II law	Section of the management report
3° Information regarding social commitments	
a) Local, economic and social impact of the Company's activity:	
• on regional employment and development;	2.4.3
• on nearby or local populations.	2.5.1
b) Relations with the people and organisations affected by the Company's activities, including integration organisations, educational institutions, environmental protection organisations, consumer groups and local populations:	
• conditions for building dialogue with these people and organisations;	2.1.2
• partnership and sponsorship activities.	2.4.6
c) Subcontracting and suppliers:	
• attention to social and environmental concerns as a factor in the purchasing policy;	
• use of subcontracting and consideration of suppliers' and subcontractors' social and environmental responsibility in dealings with them.	2.4.5
d) Fair practices:	
• actions taken to prevent corruption;	2.6.1
• measures taken to promote consumer health and safety.	2.4.1
e) Other actions taken pursuant to Section 3 to promote human rights.	2.4.5

2.7.3 GRI-G4 cross-reference table

GRI - G4 Elements, DMA & Indicators	Management report section
General Standard Disclosures	
Strategy and Analysis	
G4-1	2.1.1 / 2.1.2 / 2.1.3
G4-2	2.1.2
Organisational Profile	
G4-3 to G4-16	chap. 1 / 2.1 / 2.5.1
Identified Material Aspects and Boundaries	
G4-17 to G4-23	chap. 4
Stakeholder Engagement	
G4-24 to G4-27	2.1.2
Report Profile	
G4-28 to G4-33	2.1.3 / 2.7.4 / III[rd] cover page
Governance	
G4-34 to G4-55	chap. 4
Ethics and Integrity	
G4-56 to G4-58	2.6 / chap. 4
Specific Standard Disclosures	
DMA and indicators	
Category: economic	
Aspect: economic performance	
G4-DMA/G4-EC1 to G4-EC4	2.2.3 / 2.5.1
Aspect: market presence	
G4-DMA/G4-EC5 and G4-EC6	Absent
Aspect: indirect economic impacts	
G4-DMA/G4-EC7 and G4-EC8	2.4.3 / 2.4.7
Aspect: procurement practices	
G4-DMA/G4-EC9	2.4.3
Category: environmental	
Aspect: materials	
G4-DMA	2.1.2 / 2.1.3
G4-EN1	2.2.1 / 2.2.3 / 2.2.4
G4-EN2	2.2.4
Aspect: energy	
G4-DMA	2.1.2 / 2.1.3
G4-EN3	2.2.3
G4-EN4	2.2.3
G4-EN5	2.2.3
G4-EN6	2.2.3
G4-EN7	2.2.3
Aspect: water	
G4-DMA	2.1.2 / 2.1.3
G4-EN8	2.2.5
G4-EN9	N/A
G4-EN10	2.2.5

GRI - G4 Elements, DMA & Indicators	Management report section
Aspect: biodiversity	
G4-DMA	2.1.2 / 2.1.3
G4-EN11	2.3
G4-EN12	2.3
G4-EN13	2.3
G4-EN14	2.3.3
Aspect: emissions	
G4-DMA	2.1.2 / 2.1.3
G4-EN15	2.2.3 / 2.7.1 / 2.7.4
G4-EN16	2.2.3 / 2.7.1 / 2.7.4
G4-EN17	2.2.3 / 2.7.1 / 2.7.4
G4-EN18	2.2.3 / 2.7.1 / 2.7.4
G4-EN19	2.2.3 / 2.7.1 / 2.7.4
G4-EN20	2.2.3
G4-EN21	N/A
Aspect: effluents and waste	
G4-DMA	2.1.2 / 2.1.3
G4-EN22	2.2.5
G4-EN23	2.2
G4-EN24	2.2
G4-EN25	2.2
G4-EN26	N/A
Aspect: products and services	
G4-DMA	2.1.2 / 2.1.3
G4-EN27	2.3.1 / 2.3.2 / 2.3.3 / 2.3.6
G4-EN28	Absent
Aspect: compliance	
G4-DMA	2.1.2 / 2.1.3
G4-EN29	Absent
Aspect: transport	
G4-DMA	2.1.2 / 2.1.3
G4-EN30	2.2.3
Aspect: overall	
G4-DMA	2.1.2 / 2.1.3
G4-EN31	Absent
Aspect: supplier environmental assessment	
G4-DMA	2.4.3 / 2.4.4
G4-EN32	2.4.3 / 2.4.4
G4-EN33	2.4.3 / 2.4.4 / 2.4.5
Aspect: environmental grievance mechanisms	
G4-DMA	Absent
G4-EN34	N/A

GRI - G4 Elements, DMA & Indicators	Management report section
Category: social	
Sub-category: labour practices and decent work	
Aspect: employment	
G4-DMA	2.1.2 / 2.1.3
G4-LA1	2.5.1
G4-LA2	2.5.1
G4-LA3	Absent
Aspect: labour/management relations	
G4-DMA	2.1.2 / 2.1.3
G4-LA4	2.5.3
Aspect: occupational health and safety	
G4-DMA	2.1.2 / 2.1.3
G4-LA5	Absent
G4-LA6	2.5.3
G4-LA7	Absent
G4-LA8	2.5.3
Aspect: training and education	
G4-DMA	2.1.2 / 2.1.3
G4-LA9	2.5.2
G4-LA10	2.5.2
G4-LA11	Absent
Aspect: diversity and equal opportunity	
G4-DMA	2.1.2 / 2.1.3
G4-LA12	1.5
Aspect: equal compensation for women and men	
G4-DMA	2.1.2 / 2.1.3
G4-LA13	Absent
Aspect: supplier assessment for labour practices	
G4-DMA	2.1.2 / 2.1.3
G4-LA14	2.4.5
G4-LA15	2.4.5
Aspect: labour practices grievance mechanisms	
G4-DMA	2.6.2
G4-LA16	Absent
Sub-category: human rights	
Aspect: investment	
G4-DMA	2.1.2 / 2.1.3
G4-HR1	2.4.5
G4-HR2	2.4.5
Aspect: anti-discrimination	
G4-DMA	2.5.4
G4-HR3	Absent
Aspect: freedom of association and collective bargaining	
G4-DMA	2.5.3
G4-HR4	2.4.5
Aspect: child labour	
G4-DMA	2.1.2 / 2.1.3
G4-HR5	2.4.5

GRI - G4 Elements, DMA & Indicators	Management report section
Aspect: forced or compulsory labour	
G4-DMA	2.1.2 / 2.1.3
G4-HR6	2.4.5
Aspect: security practices	
G4-DMA	2.1.2 / 2.1.3
G4-HR7	2.4.5
Aspect: indigenous rights	
G4-DMA	Absent
G4-HR8	Absent
Aspect: assessment	
G4-DMA	2.1.2 / 2.1.3
G4-HR9	2.4.5
Aspect: supplier human rights assessment	
G4-DMA	2.1.2 / 2.1.3
G4-HR10	2.4.5
G4-HR11	2.4.5
Aspect: human rights grievance mechanisms	
G4-DMA	Absent
G4-HR12	Absent
Sub-category: society	
Aspect: local communities	
G4-DMA	2.5.1
G4-SO1	Absent
G4-SO2	N/A
Aspect: anti-corruption	
G4-DMA	2.6.1 / 2.6.2
G4-SO3	Absent
G4-SO4	2.6.1 / 2.6.2
G4-SO5	Absent
Aspect: public policy	
G4-DMA	2.6.1 / 2.6.2
G4-SO6	Absent
Aspect: anti-competitive behavior	
G4-DMA	2.6.1 / 2.6.2
G4-SO7	Absent
Aspect: compliance	
G4-DMA	2.6.1 / 2.6.2
G4-SO8	Absent
Aspect: supplier assessment for impacts on society	
G4-DMA	2.4.3 / 2.4.4 / 2.4.5
G4-SO9	2.4.3 / 2.4.4 / 2.4.5
G4-SO10	2.4.3 / 2.4.4 / 2.4.5
Aspect: grievance mechanisms for impacts on society	
G4-DMA	Absent
G4-SO11	Absent

GRI - G4 Elements, DMA & Indicators	Management report section
Sub-category: product responsibility	
Aspect: customer health and safety	
G4-DMA	2.1.2 / 2.1.3
G4-PR1	2.3.1 / 2.3.2 / 2.4.1
G4-PR2	Absent
Aspect: product and service labelling	
G4-DMA	2.1.2 / 2.1.3
G4-PR3	2.4.1 / 2.4.2
G4-PR4	Absent
G4-PR5	2.4.1 / 2.4.2
Aspect: marketing communications	
G4-DMA	Absent
G4-PR6	Absent
G4-PR7	Absent
Aspect: customer privacy	
G4-DMA	2.6 / 4.7
G4-PR8	Absent
Aspect: compliance	
G4-DMA	2.6 / 4.7
G4-PR9	Absent

2.7.4 Detailed reporting methodology for CSR indicators

The CSR department mobilises a Steering Committee for the preparation of the 2017 management report. The committee represents all of the relevant Group departments (Quality, Human Resources, Legal, Marketing, Assets, Sales and Merchandise, and Logistics) and includes country representatives.

Principles for drawing up the CSR report

The Carrefour group's management report adheres to the following principles:

- CSR context: Carrefour places its own performance within the context of the social, economic and environmental constraints that weigh upon the Group, and puts the resulting data into perspective;
- stakeholders' involvement: by maintaining an ongoing dialogue with stakeholders (customers, employees, franchisees, suppliers, local communities and shareholders), the Carrefour group can anticipate and meet the expectations of its target audiences and prevent risks. Its transparent commitments, and the involvement of its stakeholders in carrying them out, means it can envisage long-term solutions and ensure the engagement of all those concerned. This dialogue and these partnerships are maintained either at the Group level by the CSR department, or at the local level by the countries, banners and stores;
- materiality: the management report focuses on the social, economic and environmental issues that are most relevant to the Group's operations;
- frequency: Carrefour has produced and published a non-financial report every year for the past 17 years. Since 2012, it has been integrated into the Group's management report;
- clarity: the Carrefour group endeavours to present information that can be easily understood by the greatest number of people with an appropriate level of detail.

Scope of reporting

Principles applied

Comprehensiveness: the Group strives to be as comprehensive as possible. Its CSR reporting describes the implementation of its policy in the ten consolidated countries, and the Key Performance Indicators cover 98.2% of the Group's consolidated sales excluding VAT.

Comparability: the figures and any changes presented over several years are calculated in like-for-like Business Units (BUs). The scope is clearly explained next to each graph and BUs excluded from the scope are indicated.

Scope of environmental indicators

The scope covers all integrated stores open and operating under the Group banner for the entire reporting period. The scope excludes consumption related to non-Group activities, transport of people, warehouses, franchised stores, head offices and other administrative offices. Any BUs that were sold or closed during the reporting period are not included.

For indicators on non-commercial purchases (*e.g.*, sales and marketing publications) the consumption level of stores opened during the year as well as franchised stores may be included.

The number of square metres of sales area includes all stores open on the first day of the reporting period and does not include storage areas, food preparation areas or the adjacent shopping mall, if applicable.

The same rules regarding scope and environmental indicators apply to Installations Classified for the Protection of the Environment (ICPE) coming under the regulations of stores and other sites.

Exceptionally, 2017 CO_2 emissions data relating to refrigeration and the quantity of refrigerants refilled following leaks in Poland were extrapolated based on 2016 data.

The ratio used to calculate the number of meal equivalents donated to food aid associations in all Group countries is 500 g = 1 meal. As Carrefour Spain only has a database in euros, it used the ratio of 1 euro = 1 kg to calculate the quantity of food donated.

Scope of HR indicators

The scope includes all of the Group's BUs and head offices. Any BUs that were sold or closed during the reporting period are not included.

Carrefour Banque and Carrefour Property Development, as companies issuing securities on a regulated market, have published their corporate, environmental and societal information in their own management report, in accordance with regulations.

CSR indicators

Principles applied

CSR reporting adheres to the following principles:

- **accuracy**: the Carrefour group strives to ensure the accuracy of published data by stepping up the number of manual and automatic internal controls;
- **comparability:** the Group strives to maintain consistency throughout its reports. Figures presented for several years apply the same definition.

Choice of indicators

Since 2003, Carrefour has used indicators associated with its strategic priorities for CSR. These indicators, which are revised over the years, are designed to monitor the commitments and progress made in terms of its environmental and social performance. Each indicator is chosen for its relevance to the CSR strategy.

References used

The 2017 management report adheres to the guidelines of the Global Reporting Initiative, the guiding principles of the OECD and the Global Compact's recommendations for "communication on progress" (CoP). Carrefour's CoP is published yearly on the United Nations website (*https://www.unglobalcompact.org/*) and is certified as "Advanced" (since 2014) following a peer review under the aegis of Global Compact France. As an addition to the annual report, it also complies with the requirements of Article 225 of the French commercial code.

A CSR reporting manual stipulating the Group's collection, calculation and consolidation rules is updated each reporting period and distributed to all CSR reporting managers.

Methodology: specificities and limitations

Some environmental and social indicators may have methodology constraints arising from a lack of uniformity between national and international laws and definitions (e.g., regarding work-related accidents) and/or from the qualitative, and therefore subjective, nature of certain data (e.g., indicators linked to purchasing quality, the logistics process, stakeholders and consumer awareness).

In some cases, KPIs may involve an estimation (as with the energy and water consumption indicators, which are calculated on the amount billed at an average price per kWh or cubic metre). In other cases, the BUs must specify and justify the relevance of assumptions used in making estimates.

Environmental information

CO_2 emissions: to evaluate the CO_2 emissions related to store energy consumption (electricity, gas and heating oil) and refrigerants, conversion factors (of kWh and kg, expressed as kg of CO_2 equivalent) from recognised international bodies, such as the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), are used. BUs may also use specific national indicators.

In France, the level of emissions related to electricity consumption by BUs is updated annually based on changes made to the electricity supply agreement (50% regulated market/50% open market).

Concerning logistics-related CO_2 emissions, CO_2 emissions related to outbound road transport (shipping of goods between warehouses and stores) are taken into account. A conversion rate equal to 2.6667 kilogrammes of emitted CO_2 per litre of fuel consumed, established with ADEME (French environment and energy management agency), is used. This indicator counts CO_2 emissions related to the transport of goods between warehouses and stores. The following CO_2 emissions are not taken into account:

- emissions generated during the inbound transport of goods to the warehouse;
- emissions generated by direct deliveries (direct "producer-to-store" transport of goods without going through a warehouse);
- emissions generated by customer and employee journeys;
- emissions generated by outbound rail transport (mainly in France) and maritime transport.

Note that "store/warehouse" return trips are only taken into account for fleets hired for Carrefour's exclusive use.

Logistics KPI (CO_2 emissions per shipping unit): in the vast majority of cases, CO_2 emissions related to the transport of goods are calculated on the basis of distance travelled since there is no actual data on service providers' fuel consumption and average consumption by type of vehicle. Countries where logistics are handled mainly by suppliers are also excluded from the reporting scope.

Pallets (transport units) used for backhauling are not included in the total number of pallets used in outbound transport.

Energy KPI: the quantity of energy reported corresponds to the quantity purchased and not the quantity actually consumed for heating oil and gas (15% of the energy consumed by the stores).

Water KPI: the quantity of water reported corresponds mainly to the quantity of water purchased. Depending on the country, water collected by some stores through drilling may not be counted when there is no charge for its withdrawal. In addition, in some cases, there is an immaterial overvaluation of consumption (consumption of water for a shopping centre, costs related to and inseparable from the cost of water consumption).

Refrigerants KPI: any leaks that may have occurred prior to a change of equipment are not quantified in the reporting. They correspond to emissions generated between the last maintenance operation and replacement of the unit. The impact is insignificant at Group level thanks to both regular monitoring of the units and the staggered timetable for their replacement. Note that the assessments are not systematically carried out each time the refrigerant is reloaded or at year-end. Some BUs purchase and store refrigerants in advance and may include refrigerants still stored in containers in year Y consumption.

Waste KPI: the chosen reporting scope includes BUs that use waste collection companies which provide information about the tonnage of waste removed. Generally speaking, when waste is collected directly by local authorities, no information is available. When waste is collected and grouped at the warehouses, the corresponding quantities are not systematically included in the reporting.

Considering the limitations in terms of methodology outlined above and the difficulties in gathering data, the reporting scope may vary depending on the indicator. For each indicator that pertains to a limited scope, the scope is specified. When analysing any changes in the indicators, the Group factors out all BUs for which data is lacking for one of the comparison years.

Product information

Number of listed organic products: the number of listed organic products reported pertains to the number of organic products labelled by outside third parties found among retailer-branded products whose sales during the year were not zero. The number of Group listed products corresponds to the sum of the listed products sold in each country. With regard to textiles, colours are differentiated but not sizes.

Fair-trade products: since the fair-trade product label does not exist in all countries where the Group operates, this indicator includes unlabelled products for which the procedures used are similar to those required for labelling. This applies in particular to direct purchases of products sold in China.

Human resources information

Headcount at the end of the period: all Company personnel with an employment contract (excluding interns and suspended contracts) on December 31.

Work-related accidents: for some BUs for which data is obtained based on the payroll tool, the number of work-related accidents with time off work is estimated according to the number of hours of absence due to a work-related accident.

Hiring: Belgium student contract hires are not taken into account.

Limitations linked to current legislation: the definition of certain indicators (work-related accidents, absenteeism, and employees declared as disabled workers) is defined by the laws in effect in each country, which may cause discrepancies in the method used.

Data collection, consolidation and control

Reporting period

Reporting is carried out once a year for the management report submitted to the Board of Directors for approval.

The period used for annual reporting is the calendar year (January 1 to December 31) for human resources indicators.

Since 2012, store, merchandise and logistics indicators are calculated over a rolling 12-month period running from October to September in line with the requirements of Article 225 of the Grenelle II law. In the analyses, these figures are considered comparable with the data presented over a calendar year for previous years.

Data collection methods

The system in place is based on dual information reporting that allows for the collection of qualitative and quantitative data from the various countries and banners. In terms of qualitative information, best practices applied in the countries are submitted *via* e-mail. In terms of quantitative information, the new BFC application deployed in 2014 is used for the consolidation and reporting of key environmental performance indicators. The Group also uses this application for financial consolidation and reporting.

Key social performance indicators are reported through the Group's Human Resources reporting tool. Reporting managers for each country are responsible for coordinating environmental and social reporting for their respective countries.

Environmental data control methods

The BFC reporting application features automatic consistency checks to prevent data entry errors. It also allows users to insert explanatory comments, which makes auditing and internal control easier. Each reporting manager verifies the data entered before it is consolidated at Group level, with the help of a check-list and control tips that are explained in the definition sheet for each indicator. The Group's CSR department carries out a second level of data control. Inconsistencies and errors that are found are reviewed together with the countries and corrected as needed.

Social data control methods

Social data are checked locally before being entered in the Group human resources tool. The Group's Human Resources department carries out a second level of data control. Inconsistencies and errors that are found are reviewed together with the countries and corrected as needed.

External audit

Principle applied: reliability

Quantified data are produced, consolidated, analysed and published. Selected data are subject to verification by an outside third party.

External audit

The reporting procedures have been verified by the external Statutory Auditor, Mazars, an independent third party. For the information considered most significant, substantive tests have been conducted on the data. Indicators identified with the symbol ☑ have been reviewed with reasonable assurance.

2.7.5 Independent third-party report on consolidated social, environmental and societal information published in the management report

Fiscal year ended on December 31, 2017

To the Shareholders,

In our capacity as independent third party, certified by COFRAC under number 3-1058[1] and member of the Carrefour network of the company's Statutory Auditor, we hereby report to you on the consolidated social, environmental and societal information for the fiscal year ended on December 31, 2017, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French commercial code (*Code de commerce*).

Company's responsibility

The Board of Directors of Carrefour is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French commercial code in accordance with the protocol used by the Company (hereinafter the "Guidelines"), summarized in the management report and available on request from the company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11 of the French commercial code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Responsibility of the independent third party

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French commercial code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).
- provide, at the request of the Company, a reasonable assurance as to whether the information identified by the symbol ☑ in Part 2 "Key indicators" of the management report was prepared, in all material respects, in accordance with the adopted Guidelines.

However, it is not a part of our responsibility to attest compliance with other legal dispositions where appropriate, in particular those included in article L. 225-102-4 of the French commercial code (vigilance plan of parent companies) and law n° 2016-1691, dated from December 9th, 2016, named Sapin II (anti-corruption law).

Our work involved 5 persons and was conducted between October 2017 and March 2018 during about 17 week intervention period.

We performed our work in accordance with the French professional standards and with the order dated from May 13, 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000[2] concerning our conclusion on the fairness of CSR Information.

I - Attestation regarding the completeness of CSR Information

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding social and environmental impacts of its activities and its societal commitments and, where applicable, any actions or programmes arising from them.

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

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French commercial code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French commercial code within the limitations set out in the methodological note, presented in 2.4.4 section of the management report.

Based on the work performed and given the limitations mentioned above, in particular concerning the number of training hours which covers 88% of the workforce, we attest to the presence in the management report of the CSR information required.

II – Conclusion of the fairness of CSR Information

Nature and scope of our work

We conducted about thirty interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate ;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

(1) *Whose scope is available on the website www.cofrac.fr*
(2) *ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information*

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the social and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important[(1)]:

- at parent entity and CSR & HR Direction level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of Business Units and Directions selected by us[(2)] on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 43.5% of headcount considered as material data of social issues and between 70% and 85% of quantitative environmental data[(3)] considered as material data of environmental issues.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

III - Reasonable assurance report on selected CSR information

Nature and scope of our work

Regarding information selected by the Group and identified by the symbol ☑, we conducted similar work as described in paragraph 2 above for CSR information that we consider to be most significant but of greater depth, especially regarding the number of tests.

The selected sample represents between 70% to 85% of the quantitative environmental data considered as material data of environmental issues information identified by the symbol ☑.

We deem this work allows us to express a reasonable assurance on the information selected by the company and identified by the symbol ☑.

Conclusion

In our opinion, the information selected by the Group and identified by the symbol ☑ were prepared, in all material respects, in accordance with the Guidelines.

Made at Paris La Defense on April 12, 2017

The Independent Third Party

MAZARS SAS

Edwige REY
Partner CSR & Sustainable Development

(1) ***Social Information**: workforce and breakdown by geographic region, by age group and by gender; % in women in the management; % of women appointed to key positions, % of part-time employees; total number of new hires; turnover of permanent employees; number of work accidents; total number of trainings hours, number of employees with a disability.*
***Environmental Information:** water consumption per sqm of sales area; % of recycled waste (including donations); energy consumption in GWh and kWh/m^2, CO_2 emissions (energy consumed) per sqm of sales area; CO_2 emissions (refrigerant consumed) per sqm of sales area; CO_2 emissions per shipping unit; sales amount of controlled and national brand organic product; sales amount of Carrefour Quality Lines; share of product sales derived from responsible fishing / fish-farming ; % of gross sales of top 10 families of wood/paper/pulp products from responsible forest sources; quantity of packaging waste avoided; % of Brazilian beef suppliers georeferenced zero deforestation*

(2) ***Carrefour France Hypermarket and Supermarket, Carrefour Brazil Hypermarket and Supermarket, Carrefour Spain Hypermarket and Supermarket:** all information mentioned above.*
***Atacadão Brazil:** CO_2 emissions (energy consumed) per sqm of sales area; CO_2 emissions (refrigerant consumed) per sqm of sales area; water consumption per sqm of sales area*
***Carrefour China Hypermarket:** total number of trainings hours; energy consumption by m^2, CO_2 emissions (energy consumed) per sqm of sales area; CO_2 emissions (refrigerant consumed) per sqm of sales area*
***Carrefour Poland Hypermarket and Supermarket:** energy consumption per sqm of sales area, CO_2 emissions (energy consumed) per sqm of sales area; CO_2 emissions (refrigerant consumed) per sqm of sales area sales area; CO_2 emissions (refrigerant consumed) per sqm of sales area*
***Carrefour Romania Hypermarket and Supermarket:** CO_2 emissions (energy consumed) per sqm of sales area*

(3) *CO_2 emissions per shipping unit; energy consumption in GWh and kWh/m^2; CO_2 emissions (energy consumed) per sqm of sales area; CO_2 emissions (refrigerant consumed) per sqm of sales area*

3

CORPORATE GOVERNANCE

3.1 Corporate governance code

The Company refers to the AFEP-MEDEF corporate governance code for listed companies (AFEP-MEDEF code), as amended in November 2016. The AFEP-MEDEF code may be consulted at the Company's head office. The corporate governance code may be consulted on the AFEP website (*www.afep.com/en/*) and the MEDEF website (*www.medef.com/en/*).

3.2 Composition, conditions of preparation and organisation of the Board of Directors' work

3.2.1 The Board of Directors

3.2.1.1 Composition of the Board of Directors at December 31, 2017

The Board of Directors has 19 members including two Directors representing employees designated in 2017. The composition of the Board of Directors and its specialised committees is presented in the following table:

					Duration of appointment				Board of Directors' specialised committees				
Director	**Nationality**	**Age**	**Gender**	**Independent**	**Date of appointment**	**Date of last renewal**	**End of term[7]**	**Other corporate offices[8]**	**Accounts Committee**	**Compensation Committee**	**Appointments Committee**	**CSR Committee**	**Strategic Committee**
Alexandre Bompard *Chairman and Chief Executive Officer*	French	45	M		07/18/17[4]	-	2018	1					●
Georges Ralli *Vice-Chairman[1]*	French	69	M	✓	06/18/12	06/11/15	2018	2	●				□
Philippe Houzé *Lead Director[2]*	French	70	M		06/11/15	-	2018	1	□		□		□
Bernard Arnault	French	69	M		07/28/08	06/15/17	2020	1					
Nicolas Bazire	French	60	M		07/28/08	06/11/15	2018	4	□		□		□
Jean-Laurent Bonnafé	French	56	M		07/28/08	06/15/17	2020	1					
Thierry Breton	French	63	M	✓	07/28/08	05/17/16	2019	3		●			
Flavia Buarque de Almeida	Brazilian	50	F		04/12/17[5]	-	2019	2		□			
Abilio Diniz	Brazilian	81	M		05/17/16	-	2019	1					✱
Charles Edelstenne	French	80	M	✓	07/28/08	05/17/16	2019	2		□			
Thierry Faraut[3]	French	47	M		11/23/17	-	2020	-					
Diane Labruyère-Cuilleret	French	49	F	✓	06/18/12	06/11/15	2018	-			□	●	
Mathilde Lemoine	French	48	F	✓	05/20/11	06/11/15	2018	1	□				
Bertrand de Montesquiou	French	70	M	✓	06/18/12	06/11/15	2018	-	□		●	□	
Patricia Moulin Lemoine	French	69	F		06/11/15	-	2018	-				□	
Martine Saint-Cricq[3]	French	60	F		10/04/17	-	2020	-					
Marie-Laure Sauty de Chalon	French	55	F	✓	06/15/17	-	2020	3				□	
Anne-Claire Taittinger	French	68	F	✓	04/20/05[6]	05/17/16	2019	1		□	□		
Lan Yan	French	61	F	✓	06/15/17	-	2020	-		□			

(1) Vice-Chairman since February 8, 2015.
(2) Lead Director since June 15, 2017.
(3) Director representing employees.
(4) Appointment at the Board of Directors meeting of July 18, 2017 for the duration of his predecessor's remaining term of office, i.e. until the Shareholders' Meeting of June 15, 2018. Ratification of his appointment by the same Shareholders' Meeting.
(5) Date of appointment by the Board of Directors; ratified at the Shareholders' Meeting of June 15, 2017.
(6) Date of appointment to the Supervisory Board (July 28, 2008, date of appointment to the Board of Directors).
(7) Date of the Shareholders' Meeting called to approve the Financial Statements for the previous year ended December 31.
(8) Other corporate offices held within listed companies (outside the Carrefour group). When several corporate offices are held within listed companies of the same group, they are identified as one sole corporate office.
● Chairman / ✱ Vice-Chairman / □ Member

Directors, except Directors representing employees, are appointed by the Ordinary Shareholders' Meeting upon proposal of the Board of Directors on the recommendation of the Appointments Committee. They are appointed for a term of three years.

On the recommendation of the Chairman of the Appointments Committee, the Board of Directors, at its meeting on February 8, 2015, appointed Georges Ralli as Vice-Chairman of the Board of Directors. The Vice-Chairman is called on to act as Chairman in the event of the Chairman's absence, temporary unavailability, resignation or death, or if he is not reappointed as Chairman. If the Chairman is temporarily unavailable, the Vice-Chairman replaces him for a defined period of time during such unavailability; otherwise the Vice-Chairman acts as Chairman until a new Chairman is elected.

3.2.1.2 Changes in the composition of the Board of Directors and its specialised committees in 2017

Changes in the composition of the Board of Directors and its specialised committees in 2017 are summarised in the following table:

	Departures	Appointments	Renewals
Board of Directors	Georges Plassat Nadra Moussalem René Brillet* Amaury de Sèze*	Alexandre Bompard Flavia Buarque de Almeida Marie-Laure Sauty de Chalon* Lan Yan*	Bernard Arnault Jean-Laurent Bonnafé
Accounts Committee	René Brillet*	Bertrand de Montesquiou*	-
Compensation Committee	René Brillet*	Flavia Buarque de Almeida Anne-Claire Taittinger* Lan Yan*	-
CSR Committee	Amaury de Sèze*	Diane Labruyère-Cuilleret*(1) Bertrand de Montesquiou* Marie-Laure Sauty de Chalon*	-
Strategic Committee	Georges Plassat	Alexandre Bompard Abilio Diniz(2)	-

* *Independent Director.*
(1) *Appointment as Chairman of the committee (former committee member).*
(2) *Appointment as Vice-Chairman of the committee (former committee member).*

On the recommendation of the Appointments Committee, on April 11, 2018, the Board of Directors decided, that it would submit to the Shareholders' Meeting to be held on June 15, 2018 a resolution to renew the terms of office of Patricia Lemoine, Mathilde Lemoine, Philippe Houzé, Nicolas Bazire and Alexandre Bompard. In addition, the Board of Directors decided to propose the appointment of four new Independant Directors: Amélie Oudéa-Castéra, Aurore Domont, Stéphane Israël and Stéphane Courbit, replacing Diane Labruyère-Cuilleret, Georges Ralli and Bertrand de Montesquiou, whose terms will expire at the Shareholders' Meeting to be held on June 15, 2018, and Anne-Claire Taittinger, who announced her decision to step down from the Board of Directors. Thus, the Board of Directors is continuing its process of renewal, wich began in 2017, welcomming more women as well as younger and more digital profiles.

Changes in the composition of the Board of Directors

On the recommendation of the Appointments Committee, on July 18, 2017, the Board of Directors appointed Alexandre Bompard as Chairman and Chief Executive Officer of the Company, following his appointment as Director, replacing Georges Plassat.

The Shareholders' Meeting of June 15, 2017 ratified the appointment of Flavia Buarque de Almeida as Director, replacing Nadra Moussalem. This same Shareholders' Meeting also approved the appointments of Marie-Laure Sauty de Chalon and Lan Yan, as the terms of René Brillet and Amaury de Sèze were not renewed.

In addition, on the recommendation of the Appointments Committee, on June 15, 2017, the Board of Directors appointed Philippe Houzé as Lead Director (*see a description of his duties in Section 3.2.1.3 of this Registration Document*).

In accordance with French law No. 2013-504 of June 14, 2013 and the Company's Articles of Association, amended by the Shareholders' Meeting of June 15, 2017, Martine Saint-Cricq and Thierry Faraut were designated as Directors representing employees on October 4, 2017 and November 23, 2017 respectively.

Changes in the composition of the Board of Directors' specialised committees

Following changes in the composition of the Board of Directors, on the recommendation of the Appointments Committee, the Board of Directors reviewed the composition of its specialised committees.

Alexandre Bompard, Chairman and Chief Executive Officer of the Company, was appointed Chairman of the Strategic Committee. Abilio Diniz was appointed Vice-Chairman of the same committee.

Bertrand de Montesquiou, Independent Director, joined the Accounts Committee.

The Compensation Committee welcomed three new members: Flavia Buarque de Almeida, Anne-Claire Taittinger (Independent Director) and Lan Yan (Independent Director).

Marie-Laure Sauty de Chalon and Bertrand de Montesquiou, both Independent Directors, joined the CSR Committee, now chaired by Diane Labruyère-Cuilleret, Independent Director.

A balanced composition of the Board of Directors

Following changes in the composition of the Board of Directors in 2017, on the recommendation of the Appointments Committee, the Board of Directors took into consideration the results of the external assessment carried out in 2016 of the Board of Directors operating procedures with the appointment of three new women Directors from diverse nationalities and with different skills and experience and the designation of two Directors representing employees. Changes in the composition of the Board of Directors and its specialised committees were discussed by the Appointments Committee and the Board of Directors to identify candidates with profiles in line with the areas for improvement identified in the assessment of the Board of Directors' procedures, *i.e.*, gender balance, international profile and digital expertise.

Among its 19 members, the Board of Directors now includes 8 women, who thus represent a proportion of 41.2% (this proportion does not include Directors representing employees).

Furthermore, the Board of Directors became more international as the number of non-French Directors increased to two.

The Board of Directors benefits from the diversity of its Directors' backgrounds, their complementary experience (including retail, financial, industrial, economic, sales, digital and innovation expertise) and, in some cases, their in-depth experience and knowledge of the Group's business, industry and environment both in France and abroad. Directors are present, active and committed, which contributes to the quality of the Board of Directors' deliberations with respect to the decisions it takes. Directors' profiles and their levels of experience and expertise are described in their biographies in Section 3.2.1.4. of this Registration Document.

Designation of Directors representing employees

Following the meeting of the European Works Council (*Comité d'Information et de Concertation Européen Carrefour*) on October 4, 2017 designating Martine Saint-Cricq as a Director representing employees, she joined the Board of Directors on October 18, 2017.

Following the meeting of the Group Committee (*Comité de Groupe français Carrefour*) on November 23, 2017 designating Thierry Faraut as a Director representing employees, he joined the Board of Directors on January 17, 2018.

Their biographies are presented in Section 3.2.1.4. of this Registration Document. As required by law, they have both resigned from their positions as trade union employee representatives.

The Directors representing employees have the same status, rights and responsibilities as the other Directors.

Directors representing employees will not receive attendance fees.

The Board of Directors granted Directors representing employees 20 hours of training per year and 15 hours of preparation time per meeting. In 2017, they received internal training to familiarise them with the role of and rules pertaining to Directors as well as their rights, obligations and responsibilities in that capacity.

Furthermore, the Board of Directors offered them the opportunity to participate in an integration programme designed to enhance their knowledge of the Group's business and organisation. To this end, they have already had interviews with Group Senior Managers.

3.2.1.3 Director's awareness of ethical rules

Each Director must adhere to the Directors' Guide, which includes the rules of conduct and responsibilities to which a Director is bound, in accordance with the applicable legal and regulatory provisions, the Board of Directors' Internal Rules and the recommendations in the AFEP-MEDEF code to which the Company refers.

All Directors are required to independently perform their duties with integrity, loyalty and professionalism. They must act in all circumstances in the Company's interest. When participating in the Board of Directors' deliberations and voting, they do so in their capacity as representatives of the Company's shareholders.

Stock market ethics

The Group has taken into consideration European Regulation No. 596/2014 on market abuse effective since July 3, 2016. This regulation replaces the January 28, 2003 European directive and establishes new rules and measures applicable to listed companies and their Senior Managers/Company Officers regarding inside information.

Directors are affected in particular by the regulation regarding the prevention of insider dealing and misconduct, both on a personal level and as regards the duties they perform at companies which are shareholders of the Company, and they must also adhere to the Stock Market Ethics Charter put in place by the Company. Information considered to be sensitive and confidential, as well as information considered to be inside information under the applicable regulation, must therefore be kept confidential. Such information is no longer considered confidential once it is published by the Company through a press release, it being specified that information communicated in this way is no longer considered to be confidential. Directors are also required to refrain from carrying out or attempting to carry out any transactions in Company shares during closed periods, particularly those relating to the publication of annual, half-yearly and quarterly financial information.

Independence criteria

According to the AFEP-MEDEF code, Directors are independent if they have no relationship of any kind with the Company, its Group or its Management that could compromise their freedom of judgement. Thus, an Independent Director must not only be a Non-Executive Director, *i.e.*, one not performing any management duties within the Company or its Group, but must also be free of any particular vested interest (as a significant shareholder, employee, otherwise) in the Company or its Group.

The Board of Directors referred to the following AFEP-MEDEF code criteria in determining a Director's independence:

- not be or have been over the past five years:
  - an employee or Executive Officer of the Company,
  - an employee, Executive Officer or Director of a company that the Company consolidates,
  - an employee, Executive Officer or Director of the Company's parent company or a company that the latter consolidates;
- not to be an Executive Officer of a company in which the Company directly or indirectly holds a directorship or in which an employee appointed as such or an Executive Officer of the Company (currently in office or having held such office over the past five years) is a Director;
- not to be a customer, supplier, investment banker or commercial banker:
  - that is material for the Company or its group,
  - or for which the Company or its group represents a significant proportion of business;
- not to be related by close family ties to a Company Officer;
- not to have been a Statutory Auditor of the Company over the past five years;
- not to have been a Director of the Company for more than 12 years.

Review of Directors' independence

The Board of Directors' Internal Rules require that it conduct an annual review, on the recommendation of the Appointments Committee, of each Director's independence.

In accordance with the AFEP-MEDEF code, and on the recommendation of the Appointments Committee, the Board of Directors conducted the annual assessment of the Directors' independence on April 11, 2018. Of the 19 Directors, 9 are deemed to be Independent, *i.e.*, 52.9%, in accordance with the recommendation set out in the AFEP-MEDEF code (this proportion does not include Directors representing employees).

Thus, Diane Labruyère-Cuilleret, Mathilde Lemoine, Marie-Laure Sauty de Chalon, Anne-Claire Taittinger, Lan Yan, Georges Ralli, Thierry Breton, Charles Edelstenne and Bertrand de Montesquiou are considered to be Independent Directors.

On the recommendation of the Appointments Committee, the Board of Directors also examined, on April 11, 2018, the situation of Anne-Claire Taittinger, whose term of office exceeded 12 years on April 20, 2017. The Board of Directors noted this year that Anne-Claire Taittinger exhibited complete independence of thought. The Board of Directors took into account the objectivity she consistently demonstrated during its debates and decisions, as well as her ability to express her beliefs and make sound judgements in all situations. The Board of Directors also took into account in its analysis the fact that Anne-Claire Taittinger serves as an Independent Director and as Chair of the Audit and Accounts Committee on the Board of Directors of another listed company. Consequently, the Board of Directors confirmed that the previous assessment, according to which Anne-Claire Taittinger was deemed to be independent, was still confirmed.

On the recommendation of the Appointments Committee, the Board of Directors determined that none of the Independent Directors have any material business relationships with the Group, directly or indirectly, that could create a conflict of interests from the point of view of either the Group or the Director concerned. Several criteria were used to determine the materiality of business relationships: the precedence and history of the contractual relationship between the Group and the group within which a Company Director holds a Company office or has executive duties; the existence of arm's length conditions in the contractual relationship; the absence of economic dependence or exclusivity; the non-material nature of the proportion of sales resulting from business relationships between the group concerned and the Carrefour group.

In assessing the materiality of business relationships, the Board of Directors paid particular attention to Diane Labruyère-Cuilleret's situation due to the January 17, 2018 Board of Directors' authorisation of the Group's acquisition of Carrefour Market business concerns in Charnay-Lès-Mâcon owned by Labruyère & Eberlé group, on the basis of an independent audit firm report stating that the acquisition cost was fair for Group's Shareholders.

In accordance with the Board of Directors' Internal Rules, Directors express their opinions freely and commit to preserving in all circumstances their independence of analysis, judgement, decision-making and actions. They also undertake to reject any pressure, whether direct or indirect, that could be exerted upon them from other Directors, specific groups of shareholders, creditors, suppliers or any other third party. Each Director shall refrain from seeking or accepting from the Company or its affiliates, directly or indirectly, any advantages that could be considered likely to compromise his or her independence.

Lead Director

Following its decision to combine the duties of Chairman and Chief Executive Officer, the Board of Directors decided at its meeting on June 21, 2011, to create the position of Lead Director. At its meeting on June 15, 2017, the Board of Directors, on the recommendation of the Appointments Committee, appointed Philippe Houzé as Lead Director to replace Amaury de Sèze, whose term was not renewed. Although the Board of Directors did not consider Philippe Houzé to be an Independent Director, it recognised his extensive experience in retail and in governance.

According to the Board of Directors' Internal Rules, the role of the Lead Director is to assist the Chairman of the Board of Directors in his duties to ensure that the Company's governance bodies are operating correctly. In particular, his duties include examining situations where there is a real or potential conflict of interest, which could concern Directors or the Chairman of the Board of Directors in respect of the Company's interests, whether this relates to operational projects, strategic management or specific agreements.

Managing conflicts of interest

In accordance with the Board of Directors' Internal Rules, the Directors are also made aware of the rules relating to conflicts of interest. A conflict of interest exists in situations in which a Director or a member of his/her family could personally benefit from how the Company's business is run, or in which the Director or his/her family member could have any type of relationship or connection with the Company, its affiliates or its management that could compromise his/her free exercise of judgement.

Each Director shall endeavour to avoid any conflicts of interest that may exist between his/her moral and material interests and those of the Company.

As soon as they become aware of any situation involving a real or potential conflict of interest with the Company and its affiliates, Directors must inform the Board of Directors and must refrain from participating in such deliberations and from voting on the related resolution. The Chairman of the Board of Directors may ask the Director not to attend such deliberations.

Directors must therefore promptly inform the Chairman of the Board of Directors of any agreement which they or a company of which they are a Director, in which they hold a significant stake, either directly or indirectly, or in which they have a direct interest, entered into with the Company or one of its affiliates, or which has been entered into through an intermediary.

The Chairman of the Board of Directors may ask the Directors at any time to sign a statement certifying that they do not have any conflicts of interest.

At its meeting on March 8, 2017, the Board of Directors authorised an agreement concerning an analysis engagement relative to the proposed initial public offering of Carrefour Brasil, with Kampos SARL, whose manager is Georges Ralli, Director of the Company. Hence, Georges Ralli did not participate in the deliberations and in the vote leading to this authorisation. The agreement will be submitted to the approval of the June 15, 2018 Shareholders' Meeting, in accordance with the provisions of Article L. 225-38 of the French commercial code governing regulated agreements and commitments. The analysis engagement was carried out during the 2017 financial year.

During its meeting on January 17, 2018, the Board of Directors authorised the Group's acquisition of Carrefour Market business concerns in Charnay-Lès-Mâcon owned by the Labruyère & Eberlé group, on the basis of an independent audit firm report stating that the acquisition cost was fair for Group's Shareholders.

The Board of Directors has not been asked to issue an opinion regarding any new positions accepted by the Group Executive Officers in listed companies outside the Group.

Company Officers' statement

There are no family relationships between the Company Officers (Directors, the Chairman and Chief Executive Officer).

To the Company's knowledge and as of the date this Registration Document was prepared, in the past five years no Company Officers have been:

- convicted of fraud;
- involved in a case of bankruptcy, receivership or liquidation in their capacity as a Company Officer;
- subject to an official public sanction by statutory or regulatory authorities (including designated professional bodies);
- prevented by a court from acting as a member of a Board of Directors or of a Management or Supervisory Board, or from being involved in an issuer's management or business operations.

To the Company's knowledge and as of the date this Registration Document was prepared, no real or potential conflict of interest has been identified between the duties of any Company Officers (Directors, the Chairman and Chief Executive Officer) with respect to the Company and their private interests and/or other duties than those described in the previous section, "Managing conflicts of interest".

To the Company's knowledge and as of the date this Registration Document was prepared, there are no arrangements or agreements concluded with the main shareholders, customers, suppliers or other parties whereby one of the Company Officers has been selected as a member of one of their Boards of Directors, Management or Supervisory Boards, or as a member of their Executive Management.

To the Company's knowledge and as of the date this Registration Document was prepared, none of the Company Officers are bound to the Company or to one of its affiliates by a service contract.

3.2.1.4 Directors' biographies

Alexandre Bompard

Chairman and Chief Executive Officer

Chairman of the Strategic Committee

Born on October 4, 1972. French.

Number of Company shares owned: 43,090

Date of appointment to the Board of Directors: July 18, 2017

Ratification of the appointment by the Shareholders' Meeting on June 15, 2018.

Term of office expires: Shareholders' Meeting called to approve the Financial Statements for the year ended December 31, 2017

Experience and expertise

Alexandre Bompard is a graduate of Institut d'Études Politiques de Paris, with a degree in Public Law and a postgraduate degree in Economics. He is also a graduate of École Nationale de l'Administration (ENA) (Cyrano de Bergerac class). After graduating from ENA, Alexandre Bompard joined the French General Inspectorate of Finance (1999-2002). He went on to become the technical advisor to François Fillon, then Minister for Social Affairs, Labour and Solidarity (April-December 2003). From 2004 to 2008, he held several positions within the Canal+ Group, notably as Chief of Staff for Chairman Bertrand Méheut (2004-2005) and Director of Sport and Public Affairs (June 2005-June 2008). In June 2008, he was appointed Chairman and Chief Executive Officer of Europe 1 and Europe 1 Sport. In January 2011, Alexandre Bompard joined the Fnac Group where he was appointed Chairman and Chief Executive Officer. On June 20, 2013, he launched Fnac's IPO. In the fall of 2015, Fnac offered to take over the Darty Group and on July 20, 2016 Alexandre Bompard became Chairman and Chief Executive Officer of the new entity Fnac Darty. He is a *Chevalier de l'Ordre des Arts et des Lettres* (France). Since July 18, 2017, Alexandre Bompard has been Chairman and Chief Executive Officer of Carrefour. In addition, he has chaired the Carrefour Foundation since September 8, 2017.

Other positions held as of December 31, 2017

In France:

- Chairman of the Board of Directors of the Carrefour Foundation (*Carrefour group*)
- Director of Orange*
- Member of the Board of Directors of Le Siècle (*an independent organisation under French law 1901*)

Positions held in the last five years that expired

In France:

- Chairman and Chief Executive Officer (Expiry of term: July 2017), Director and member of the Corporate, Environmental and Social Responsibility Committee of Fnac Darty* (Expiry of term: November 2017)
- Chairman and Chief Executive Officer of Fnac Darty Participations et Services (Expiry of term: July 2017)
- Director of Les Éditions Indépendantes (Expiry of term: 2015)
- Member of the Supervisory Committee of Banijay Group Holding (Expiry of term: January 2018)
- Member of the Strategic Committee of Lov Banijay (Expiry of term: January 2018)

Abroad:

- Director of Darty Ltd (United Kingdom) (Expiry of term: July 2017)

** Listed company.*

Georges Ralli

Vice-Chairman

Independent Director

Chairman of the Accounts Committee and member of the Strategic Committee

Born on July 23, 1948. French.

Number of Company shares owned: 5,763

Date of appointment to the Board of Directors: June 18, 2012

Date of last renewal: June 11, 2015

Term of office expires: Shareholders' Meeting called to approve the Financial Statements for the year ended December 31, 2017

Experience and expertise

Georges Ralli holds a DESS (postgraduate diploma) in banking and finance from the University of Paris V and is a graduate of Institut d'Études Politiques de Paris (economics and finance option) and Institut Commercial de Nancy.

He joined Crédit Lyonnais in 1970 where he served in a number of management positions until 1981, including in the General Accounting Research department responsible for monitoring statutory ratios and consolidation procedures for the group, the Alsace Regional department for corporate customers and the Financial Affairs department responsible for the primary equity market business.

In 1982, he became Secretary to the Commission for Savings Development and Protection and, from 1982 to 1985, managed the Financial Negotiations department of Crédit du Nord (primary equity and bond markets, mergers and acquisitions and proprietary investment). He joined Lazard in 1986 to develop its primary capital market business and in 1989 he moved to the Mergers and Acquisitions department. He became Managing Partner in 1993 and was appointed as co-head of mergers and acquisitions from 1999.

From 2000 to 2012, Georges Ralli was Managing Director and Deputy Chairman of the Lazard LLC Executive Committee (United States), while he simultaneously headed up its French branch (Maison Française) until 2009.

He oversaw the European mergers and acquisitions business division (Maison Lazard) and the European asset management and private banking business divisions (Lazard Frères Gestion and Lazard Wealth Management Europe) until 2012. Currently, he manages IPF Partners, an investment company specialised in healthcare.

In 2017, he helped found LLC Real Estate Fund SCA, a property investment fund working in Luxembourg and neighbouring countries, excluding France.

Georges Ralli brings to the Board of Directors the benefit of his experience as an executive and director of groups with international reach. His seasoned career in financial markets and investment banks, especially, working with distribution companies, represents a particularly valuable, independent contribution to the Board of Directors and to the specialised committees of which he is a member.

Other positions held as of December 31, 2017

In France:

- Director, Chairman of the Audit, Risks and Sustainable Development Committee and member of the Appointments and Compensation Committee of Icade SA*
- Director of Quadrature Investment Managers
- Observer, member of the Audit Committee and Chairman of the Compensation Committee of Chargeurs SA*

Abroad:

- Manager of IPF Management 1 SARL (Luxembourg)
- Manager of LLC RE Management SARL (Luxembourg)
- Manager of IPF Partners SARL (Switzerland)
- Manager of Kampos SARL (Switzerland)

Positions held in the last five years that expired

In France:

- Director of Chargeurs SA* (Expiry of term: 2016)
- Director of Veolia Environnement* (Expiry of term: 2016)
- Director of SILIC SA (Expiry of term: 2013)

** Listed company.*

3

Bernard Arnault

Director

Born on March 5, 1949. French.

Number of Company shares owned: 1,000

Date of appointment to the Board of Directors: July 28, 2008

Date of last renewal: June 15, 2017

Term of office expires: Shareholders' Meeting called to approve the Financial Statements for the year ending December 31, 2019

Experience and expertise

Bernard Arnault began his career as an engineer at Ferret-Savinel. In 1974, he became the company's Head of Construction, and then Chief Executive Officer in 1977 and finally Chairman and Chief Executive Officer in 1978. He remained there until 1984, when he became Chairman and Chief Executive Officer of Financière Agache and Christian Dior.

He embarked on the restructuring of the Financière Agache group as part of a development strategy based on prestige brands, making Christian Dior the cornerstone of the organisation. In 1989, he became the majority shareholder of LVMH Moët Hennessy-Louis Vuitton, thus creating the first global luxury group. He became its Chairman in January 1989.

Bernard Arnault brings to the Board of Directors the benefit of his experience as an executive and director of international and listed companies and his knowledge of digital transformation and innovation.

Other positions held as of December 31, 2017

In France:

- Chairman and Chief Executive Officer of LVMH Moët Hennessy-Louis Vuitton (SE)*
- Chairman of the Management Board of Groupe Arnault SEDCS
- Chairman of the Board of Directors of Christian Dior (SE)*
- Chairman of the Board of Directors of Fondation Louis Vuitton (corporate foundation)
- Director of Christian Dior Couture (SA)
- Chairman of the Board of Directors of Château Cheval Blanc (SC)
- Member of the Supervisory Committee of Financière Jean Goujon (SAS)

Abroad:

- Director of LVMH Moët Hennessy-Louis Vuitton Inc. (United States)
- Director of LVMH Moët Hennessy-Louis Vuitton Japan KK (Japan)
- Director of LVMH Services Limited (United Kingdom)

Positions held in the last five years that expired

In France:

- Chief Executive Officer of Christian Dior SE* (Expiry of term: 2015)
- Chairman of Groupe Arnault SAS (Expiry of term: 2015)

Abroad:

- Director of LVMH International SA (Belgium) (Expiry of term: 2015)

** Listed company.*

Nicolas Bazire

Director

Member of the Appointments Committee, Accounts Committee and Strategic Committee

Born on July 13, 1957. French.

Number of Company shares owned: 1,000

Date of appointment to the Board of Directors: July 28, 2008

Date of last renewal: June 11, 2015

Term of office expires: Shareholders' Meeting called to approve the Financial Statements for the year ended December 31, 2017

Experience and expertise

Nicolas Bazire became Chief of Staff to French Prime Minister Édouard Balladur in 1993. He served as Managing Partner at Rothschild & Cie Banque from 1995 to 1999.

Since 1999 he has served as Chief Executive Officer of Groupe Arnault SEDCS.

Nicolas Bazire brings to the Board of Directors the benefit of his experience as a director of major multinationals and executive of listed companies, in addition to his expertise in the banking and financial sectors.

Other positions held as of December 31, 2017

In France:

- Chief Executive Officer of Groupe Arnault SEDCS
- Director of LVMH Moët Hennessy-Louis Vuitton (SE)*
- Director, member of the Performance Audit Committee and member of the Nominations and Compensation Committee of Christian Dior (SE)*
- Director and Chairman of the Appointments and Compensation Committee of Atos SE*
- Director and member of the Audit and Accounts Committee, the Appointments Committee, the Governance Committee and the Strategic Committee of Suez SA*
- Director and member of the Compensation Committee of LV group (SA)
- Director of Agache Développement SA
- Director of Europatweb SA
- Deputy Chief Executive Officer and permanent representative of Groupe Arnault, Director of Financière Agache SA
- Director and member of the Compensation Committee of Groupe Les Échos SA
- Vice-Chairman of the Supervisory Board and member of the Appointments Committee of Les Échos SAS
- Member of the Supervisory Committee of Montaigne Finance SAS
- Deputy Chief Executive Officer (Non-Director) and permanent representative of Groupe Arnault, Director of Semyrhamis SA
- Director of Fondation Louis Vuitton (corporate foundation)
- Permanent representative of UFIPAR, Director of Louis Vuitton Malletier (SA)
- Permanent representative of Montaigne Finance, Director of GA Placements SA

Abroad:

- Permanent representative of UFIPAR, Director and *Rapporteur* (external examiner) for the Finance and Audit Committee of Société des Bains de Mer de Monaco SA* (Monaco)

Positions held in the last five years that expired

In France:

- Director of Financière Agache Private Equity SA (Expiry of term: 2015)

** Listed company.*

Jean-Laurent Bonnafé

Director

Born on July 14, 1961. French.

Number of Company shares owned: 1,030

Date of appointment to the Board of Directors: July 28, 2008

Date of last renewal: June 15, 2017

Term of office expires: Shareholders' Meeting called to approve the Financial Statements for the year ending December 31, 2019

Experience and expertise

An engineering graduate of École Polytechnique and École des Mines, Jean-Laurent Bonnafé joined the BNP group in 1993 in the Key Accounts Division.

After being appointed Head of Strategy and Development in 1997, he oversaw the merger process between BNP and Paribas. In 2002, Jean-Laurent Bonnafé was appointed Head of the BNP Paribas group's French Retail Banking Division and French Network Manager, and became a member of the BNP Paribas group Executive Committee. On September 1, 2008, he was appointed Deputy Chief Executive Officer in charge of retail banking at the BNP Paribas group.

On December 1, 2011, Jean-Laurent Bonnafé was appointed Chief Executive Officer of BNP Paribas.

Jean-Laurent Bonnafé brings to the Board of Directors the benefit of his experience as an executive and director of international companies, his knowledge of financial and banking markets, his expertise in equity management and his financial vision of shareholding structures.

Other positions held as of December 31, 2017

In France:

- Chief Executive Officer and Director of BNP Paribas*

Positions held in the last five years that expired

Abroad:

- Director of BNP Paribas Fortis (Belgium) (Expiry of term: 2016)
- Director of BNL – Banca Nazionale del Lavoro (Italy) (Expiry of term: 2014)
- Director of Erbe SA (Belgium) (Expiry of term: 2013)

** Listed company.*

Thierry Breton

Independent Director

Chairman of the Compensation Committee

Born on January 15, 1955. French.

Number of Company shares owned: 1,000

Date of appointment to the Board of Directors: July 28, 2008

Date of last renewal: May 17, 2016

Term of office expires: Shareholders' Meeting called to approve the Financial Statements for the year ending December 31, 2018

Experience and expertise

Thierry Breton graduated from École Supérieure d'Électricité (Supelec) in Paris. In 1986, he became Project Manager of the Poitiers Futuroscope theme park. He later served as an advisor to Education Minister René Monory. Thierry Breton also sat on the Poitou-Charentes Regional Council from 1986 to 1992, serving as Vice-Chairman as from 1988. He then joined Bull as Head of Strategy & Development, before being appointed as Deputy Chief Executive Officer. Appointed to Bull's Board of Directors in February 1996, he was later made Vice-Chairman of the Board of Directors and then Chief Executive Officer of the Bull group.

After holding positions as Chairman and Chief Executive Officer of Thomson (1997-2002) and Chairman and Chief Executive Officer of France Telecom (2002-2005).

He served as France's Minister of the Economy, Finance and Industry between February 2005 and May 2007, and taught at Harvard University between 2007 and 2008.

In November 2008, he was appointed Chairman and Chief Executive Officer of Atos.

Thierry Breton brings to the Board of Directors the benefit of his experience as an executive at major multinationals as well as in the financial sector, in his capacity as former Minister in the fields of finance, and governance which he taught at Harvard (which included a corporate social responsibility component). He also lends his experience in the fields of innovation, R&D and digital transformation in his capacity as Chairman of the French National Association for Research and Technology (ANRT).

Other positions held as of December 31, 2017

In France:

- Chairman and Chief Executive Officer of Atos SE*
- Chairman of the Board of Directors of Wordline*
- Chairman of the ANRT
- Member of the Académie des Technologies

Abroad:

- Director of Sonatel* (Senegal)
- Member of the Global Advisory Council of Bank of America Merrill Lynch (United States)
- Director of SATS* (Singapore)

Positions held in the last five years that expired

In France:

- Chairman of the Board of Directors of Bull SA (Expiry of term: 2016)
- Chief Executive Officer of Atos International SAS (Expiry of term: 2014)

** Listed company.*

Flavia Buarque de Almeida

Director

Member of the Compensation Committee

Born on August 4, 1967. Brazilian.

Number of Company shares owned: 1,000

Date of appointment to the Board of Directors: April 12, 2017

Approval of the Shareholders' Meeting: June 15, 2017

Term of office expires: Shareholders' Meeting called to approve the Financial Statements for the year ending December 31, 2018

Experience and expertise

Flavia Buarque de Almeida received her undergraduate degree from Fundaçao Getulio Vargas (1989) and her MBA from Harvard University (1994).

From 1989 to 2003, she was a Consultant and Partner at McKinsey & Company. She has served as an Independent Director of Lojas Renner and as a Director of the Camargo group, which includes Camargo Corrêa, Camargo Corrêa Cimentos (now Intercement), Construções e Comércio Camargo Corrêa, Alpargatas, and Santista Têxtil. She was also Director of the Harvard University Board of Overseers.

From November 2009 to April 2013, she was a Partner with the Monitor group, in charge of its operations in South America. From May 2003 to September 2009, she served as the Managing Director of Participações Morro Vermelho.

Flavia Buarque de Almeida serves as Managing Director and Partner at Península Capital Participações SA, where she has been responsible for the Península Participações Private Equity business since July 2013.

She has been a Director at GAEC Educação since October 30, 2014. In addition, she has held the position of Director of W2W E-Commerce de Vinhos SA since August 2016 and of BRF SA since April 2017.

Flavia Buarque de Almeida brings to the Board of Directors the benefit of her experience and knowledge of private equity as well as her financial vision of shareholding structures, her knowledge in strategy, the mass retail industry and corporate governance, and her international experience. She also lends to the Board of Directors her experience in listed companies and her experience as a director of national and international listed companies.

Other positions held as of December 31, 2017

In Brazil:

- Managing Director and Partner of Peninsula Capital Participações SA
- Director of GAEC Educação SA*
- Director of W2W E-Commerce de Vinhos SA
- Director of BRF SA*

Positions held in the last five years that expired

In Brazil:

- Director of the Harvard University Board of Overseers (Expiry of term: June 2017)
- Independent Director of Lojas Renner SA* (Expiry of term: 2016)
- Partner at Monitor group (Expiry of term: 2013)

** Listed company.*

Abilio Diniz

Director

Vice-Chairman of the Strategic Committee

Born on December 28, 1936. Brazilian.

Number of Company shares owned: 1,034

Date of appointment to the Board of Directors: May 17, 2016

Term of office expires: Shareholders' Meeting called to approve the Financial Statements for the year ending December 31, 2018

Experience and expertise

A seasoned retail professional, Abilio Diniz co-founded Grupo Pão de Açúcar with his father and served as Chairman of the Board of Directors from 1993 to 2013.

He was a member of the Brazilian National Monetary Council between 1979 and 1989 and is one of the four members of the Board of Management and Development of the Federal Government of Brazil.

Abilio Diniz has a degree in Business Administration from Fundação Getúlio Vargas (FGV), and since 2010 has been giving a course at FGV called "Leadership 360º", which aims to train and coach young leaders.

He is currently Chairman of the Board of Directors of Península Participações – his family's investment group of companies – and of BRF – the world's largest animal protein exporter.

Abilio Diniz brings to the Board of Directors the benefit of his experience and expertise in retail and consumer goods, knowledge of retail business, global strategy, private equity and governance, as well as his financial view of shareholding structures, international knowledge and experience in listed companies and as a director of national and international listed companies.

Other positions held as of December 31, 2017

In Brazil:

- Director of Atacadão SA* (*Carrefour group*)
- Chairman of BRF SA*
- Chairman and Director of Reco Master Empreendimentos e Participações SA, Peninsula Participações SA, Zabaleta Participações Ltda., Peninsula Capital Participações SA and Paic Participações Ltda
- Director of: Ciclade Participações Ltda., Onyx 2006 Participações Ltda, Papanicols Empreendimentos e Participações Ltda, Santa Juliana Empreendimentos e Participações Ltda, Ganesh Empreendimentos e Participações Ltda, Naidiá Empreendimentos e Participações Ltda, Ayann Empreendimentos e Participações Ltda, Chapelco Empreendimentos e Participações Ltda, New Arabel Investments Limited, Adams Avenue Real Estate LLC, Adams Avenue Realty Holding Corporation, Edgewood Real Estate LLC, Edgewood Realty Holding Corporation, Palmanova SA, Tarique Limited, Clownsvis BV and Orca SARL

Positions held in the last five years that expired

In France:

- Observer of the Board of Directors of Carrefour* (Expiry of term: 2016)

In Brazil:

- Chairman of the Board of Directors of Grupo Pão de Açucar* (Expiry of term: 2013)

** Listed company.*

Charles Edelstenne

Independent Director

Member of the Compensation Committee

Born on January 9, 1938. French.

Number of Company shares owned: 1,157

Date of appointment to the Board of Directors: July 28, 2008

Date of last renewal: May 17, 2016

Term of office expires: Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2018

Experience and expertise

A qualified chartered accountant (IFEC graduate), Charles Edelstenne joined Dassault Aviation in 1960 as Head of the Financial Analysis Unit.

He went on to hold posts such as Deputy Secretary General, Secretary General and Executive Deputy Chairman, Economic and Financial Affairs, before being appointed to the Board in 1989. He was elected as Chairman and Chief Executive Officer in 2000, a combined role he held until January 8, 2013.

Founder, Chief Executive Officer and current Chairman of the Board of Directors of Dassault Systèmes SE.

Charles Edelstenne brings to the Board of Directors the benefit of his experience as an executive and director of multinationals and listed companies as well as his expertise in finance and his knowledge of digital transformation and innovation.

Other positions held as of December 31, 2017

In France:

- Director and Honorary President of Dassault Aviation SA*
- Chairman of the Board of Directors of Dassault Systèmes SE*
- Honorary President of GIFAS (Groupement des Industries Françaises Aéronautiques et Spatiales)
- Chief Executive Officer and member of the Supervisory Board of GIMD SAS (Groupe Industriel Marcel Dassault SAS)
- Director of Sogitec Industries SA
- Director of Thales SA*
- Director of Dassault Médias SA
- Director of Groupe Figaro Benchmark SASU
- Manager of ARIE civil partnership
- Manager of ARIE 2 civil partnership
- Manager of NILI civil partnership
- Manager of NILI 2 civil partnership
- Director of Monceau Dumas

Abroad:

- Director of SABCA* (Société Anonyme Belge de Constructions Aéronautiques) (Belgium)
- Director of Dassault Falcon Jet Corporation (United States)
- Director of Banque Lepercq de Neuflize & Co., Inc. (United States)

Positions held in the last five years that expired

In France:

- Chairman and Chief Executive Officer of Dassault Aviation SA* (Expiry of term: 2013)

Abroad:

- Chairman of Dassault Falcon Jet Corporation (United States) (Expiry of term: 2013)
- Chairman of Dassault International Inc. (United States) (Expiry of term: 2013)

** Listed company.*

Thierry Faraut

Director representing employees

Born on May 15, 1970. French.

Date of designation by the Group Committee: November 23, 2017

Date of integration to the Board of Directors: January 17, 2018

Term of office expires: Shareholders' Meeting called to approve the Financial Statements for the year ending December 31, 2019

Experience and expertise

Thierry Faraut joined the Carrefour group in 1996. After two years as an intern, he became a butchery department manager, first in Lyon, then in Marseille. In 2003, he was named central trade union delegate for Continent France and later for Carrefour Hypermarkets in 2006.

In 2010, he oversaw the French national trade union of Carrefour managers (*Syndicat National de l'Encadrement Carrefour* – SNEC) and became trade union delegate for Carrefour group. He was elected Vice-Chairman of the Distribution Division of the French federation of management trade unions (*Fédération CFE-CGC*) for the food industry in 2011. With SNEC, he participated in partnerships with Carrefour and humanitarian organisations working on behalf of underprivileged children in Senegal and Benin. In addition, he was a member of the Group Committee (*Comité de Groupe français Carrefour*).

Thierry Faraut brings to the Board of Directors the benefit of his experience working directly with customers, his precise knowledge of the Group's store formats and markets and his overall understanding of the mass retail industry. His vision, which takes into account both economic and labour issues, has been shaped by his experience working with trade unions.

Other positions held as of December 31, 2017

- None

Positions held in the last five years that expired

In France:

- Group delegate for SNEC CFE-CGC (Expiry of term: November 2017)
- Trade union representative for SNEC CFE-CGC on the Group Committee (Expiry of term: November 2017)

Philippe Houzé

Lead Director

Member of the Accounts Committee, Appointments Committee and Strategic Committee

Born on November 27, 1947. French.

Number of Company shares owned: 3,167

Date of appointment to the Board of Directors: June 11, 2015

Term of office expires: Shareholders' Meeting called to approve the Financial Statements for the year ended December 31, 2017

Experience and expertise

After graduating from INSEAD Business School, Philippe Houzé began his career with Monoprix in 1969. He was appointed Chief Executive Officer of Monoprix in 1982 and Chairman and Chief Executive Officer in 1994, holding the position until November 2012. He was Co-Chairman of the Galeries Lafayette group from 1998 to 2004 and became Chairman of the Management Board in 2005.

Philippe Houzé is currently Chairman and Chief Executive Officer of the Galeries Lafayette group, France's largest chain of department stores.

With his sales and marketing expertise, he used innovative concepts to transform Monoprix, making it a leading local retailer in town and city centres.

In 2015, Philippe Houzé received the "International Retailer of the Year" award on behalf of Galeries Lafayette from the National Retail Federation (NRF), a prestigious American retail trade association bringing together key global industry players.

As a committed stakeholder in the French economy, Philippe Houzé has made a personal commitment to sustainable development: he has been heavily involved in the regeneration of town and city centres while taking into consideration the Group's environmental and social responsibilities. As outlined in his book, *La vie s'invente en ville*, he intends to continue working on behalf of inner city areas and help build a brighter future for the next generations.

Philippe Houzé brings to the Board of Directors the benefit of his experience in the retail, fashion and food industries, in CSR issues and the management of large companies.

Other positions held as of December 31, 2017

In France:

- Chairman of the Management Board of Galeries Lafayette
- Chairman of the INSEAD Board France
- Chairman of Guérin Joaillerie SAS
- Chairman of Motier Domaines SAS
- Vice-Chairman and Chief Executive Officer of Motier SAS
- Vice-Chairman of the Association Alliance 46.2 Entreprendre en France pour le Tourisme
- Director, Chairman of the Appointments Committee and Chairman of Compensation Committee of HSBC France*
- Director of Lafayette Anticipation-Fondation d'Entreprise Galeries Lafayette (Founding Committee)
- Member of the Supervisory Committee of BHV Exploitation SAS
- Member of the Board of INSEAD
- Member of the Union du Grand Commerce de Centre Ville (UCV)
- Elected member at the Chamber of Commerce and Industry of Paris Île-de-France (CCIP)
- Member of the Founding Committee of Expofrance 2025
- Chairman of the Board of ESCP Europe
- Director of Institut Français de la Mode (IFM)

Positions held in the last five years that expired

In France:

- Chairman of the Board of Novancia Business School (Expiry of term: 2016)
- Director of IDBYME SA (Expiry of term: 2015)
- Member of the Supervisory Committee of Bazar de l'Hôtel de Ville – BHV SAS (Expiry of term: 2015)
- Observer of the Board of Directors of Carrefour* (Expiry of term: 2015)
- Vice-Chairman of Fondation France INSEAD (Expiry of term: 2014)
- Chairman and member of Union du Grand Commerce de Centre Ville (UCV) (Expiry of term: 2014)
- Permanent representative of Galeries Lafayette SA on the Boards of Directors of Laser and Laser Cofinoga (Expiry of term: 2014)
- Director of Monoprix SA (Expiry of term: 2013)
- Chairman of the Board of Directors of Artcodif SA (Expiry of term: 2013)
- Chairman of Galeries Lafayette Haussmann – GL Haussmann SAS (Expiry of term: 2013)
- Chief Executive Officer of Galeries Lafayette Participations SAS (Expiry of term: 2013)
- Chairman of the Board of Directors of Fondation d'Entreprise Monoprix (Expiry of term: 2013)

Abroad:

- Director of the National Retail Federation (NRF) (United States) (Expiry of term: 2013)

** Listed company.*

Diane Labruyère-Cuilleret

Independent Director

Chair of the CSR Committee and member of the Appointments Committee

Born on November 27, 1968. French.

Number of Company shares owned: 34,580

Date of appointment to the Board of Directors: June 18, 2012

Date of last renewal: June 11, 2015

Term of office expires: Shareholders' Meeting called to approve the Financial Statements for the year ended December 31, 2017

Experience and expertise

A graduate of HEC Paris, UC Berkeley and the Fondaçao Getulio Vargas in São Paulo, Diane Labruyère-Cuilleret began her career in the French Development Agency managing agro-industrial projects in Portuguese-speaking Africa.

She was subsequently hired by the Paridoc central buying office, where she set up its Research and Marketing department. In 1997, she joined Carrefour as Director of Purchasing and Product Marketing.

In 2002, she founded the Institut Robin des Bois (Robin Hood Institute) in Geneva, a private foundation that finances projects, primarily in Africa, in healthcare, education and microfinance.

In 2007, she joined the family-run business, Labruyère & Eberlé, where she manages the retail food segment and commercial real estate and holds the position of Deputy Chief Executive Officer.

Diane Labruyère-Cuilleret brings to the Board of Directors the benefit of her operational experience in the mass retail industry.

Other positions held as of December 31, 2017

In France:

- Deputy Chief Executive Officer of the Labruyere & Eberlé group
- Chair of Société Commerciale de Bioux

Abroad:

- Chair of the Institut Robin des Bois (Switzerland)
- Director of Fondation Antenna Technologies (Switzerland)

Positions held in the last five years that expired

In France:

- Member of the Management Board of the Labruyère & Eberlé group (Expiry of term: 2015)

Mathilde Lemoine

Independent Director

Member of the Accounts Committee

Born on September 27, 1969. French.

Number of Company shares owned: 2,235

Date of appointment to the Board of Directors: May 20, 2011

Date of last renewal: June 11, 2015

Term of office expires: Shareholders' Meeting called to approve the Financial Statements for the year ended December 31, 2017

Experience and expertise

With a PhD in economics, Mathilde Lemoine is an economist specialising in macroeconomic issues and international trade.

She started her career as a teacher and researcher and subsequently held the position of Economist and General Secretary of the Observatoire Français des Conjonctures Économiques (OFCE). She later became a member of several ministerial offices and in particular served as macroeconomics and tax advisor at Matignon (2005-2006). She was a *rapporteur* (external examiner) for the Expert Conference on the Climate and Energy Contribution (2009) and a member of the Commission for the Liberation of Growth, known as the Attali Commission (2010). She participated in a government task force reporting on the competitiveness drivers of French industry, and contributed her expertise on the French economy. She was a member of the Conseil d'Analyse Économique and the Commission Économique de la Nation. From 2006 to 2015 she was Director of Economic Research and Market Strategy at HSBC France and Senior Economist at HSBC Global Research.

She is currently Group Chief Economist of Edmond de Rothschild, a Professor at Sciences Po and a member of the High Council of Public Finance (HCFP). In addition, she serves on the Board of Directors of École Normale Supérieure (ENS).

Mathilde Lemoine has published numerous books and writes regularly on international macroeconomic issues, monetary policy and financial issues. She recently published work on the investment in human capital, employee mobility and the link between skills and competitiveness. She is a columnist for to the weekly news magazines *L'Agefi Hebdo* and *Challenges*. Her latest book is *Les grandes questions d'économie et de finance internationales* (published by Boeck, 3rd edition, 2016).

Mathilde Lemoine brings to the Board of Directors the benefit of her experience as a director of international organisations, her knowledge of financial markets and her expertise in macroeconomics.

Mathilde Lemoine *(seq.)*

Other positions held as of December 31, 2017

In France:

- Member of the Board of Directors of École Normale Supérieure
- Member of the Board of Directors of Dassault Aviation SA*
- Member of the Board of Directors of CMA-CGM

Positions held in the last five years that expired

In France:

- Member of the Executive Committee of HSBC France* (Expiry of term: 2016)
- Director of Institut Français des Relations Internationales (IFRI) (Expiry of term: 2016)

** Listed company.*

Bertrand de Montesquiou

Independent Director

Chairman of the Appointments Committee, member of the Accounts Committee and the CSR Committee

Born on July 1, 1947. French.

Number of Company shares owned: 211,719

Date of appointment to the Board of Directors: June 18, 2012

Date of last renewal: June 11, 2015

Term of office expires: Shareholders' Meeting called to approve the Financial Statements for the year ended December 31, 2017

Experience and expertise

Bertrand de Montesquiou graduated from École des Hautes Études Commerciales (HEC) business school in 1969. He continued his training at the Faculté des Lettres et Sciences Humaines in Nanterre and the University of Paris-Dauphine.

From 1972 to 1980, he worked at the Paris Stock Exchange as Portfolio Manager for Roth le Gentil-Varangot, then for Sellier (for which he became proxy holder in 1976) and was certified as a professional stockbroker in 1977.

In 1980, he joined the family-owned retail group, Guyenne et Gascogne, Carrefour's partner in southwest France and Spain, as a Deputy to Executive Management. He was appointed Chief Executive Officer in 1983, Chairman and Chief Executive Officer in 1986 and Chairman of the Management Board in 1996.

He was also Vice-Chairman and Chief Executive Officer of Sogara SAS and Vice-Chairman of Centros Comerciales Carrefour (Spain).

Bertrand de Montesquiou brings to the Board of Directors the benefit of his deep knowledge of the mass retail industry, particularly in France and Spain, as well as his experience in corporate governance and as an executive and director of listed companies. He also has a keen understanding of financial markets and a financial vision from the point of view of a shareholder.

Other positions held as of December 31, 2017

- None

Positions held in the last five years that expired

- None

Patricia Moulin Lemoine

Director

Member of the CSR Committee

Born on February 20, 1949. French.

Number of Company shares owned: 1,094

Date of appointment to the Board of Directors: June 11, 2015

Term of office expires: Shareholders' Meeting called to approve the Financial Statements for the year ended December 31, 2017

Experience and expertise

After graduating from Institut d'Études Politiques de Paris in 1970 with a public service degree, she was admitted as an attorney in 1971 and practiced between 1972 and 2014 with expertise in employment, commercial, intellectual property and family law.

In addition, she taught civil and insurance law to employees of Assurances Générales de France (1977-1994) and labour law at the University of Paris VIII's sociology department (1985-1992).

Patricia Moulin Lemoine brings to the Board of Directors the benefit of her knowledge of the retail sector as well as experience in corporate governance and corporate social responsibility.

Other positions held as of December 31, 2017

In France:

- Chief Executive Officer of MOTIER (SAS)
- Chair of the Supervisory Board of Galeries Lafayette SA
- Vice-Chair of the Supervisory Committee of BHV EXPLOITATION (SAS)
- Chair of Grands Magasins Galeries Lafayette SAS
- Chair of Immobilière du Marais (SAS)
- Director of Théâtre La Bruyère
- Member of the Supervisory Board of S2F Flexico
- Director of the French-American Foundation France
- Member of the Supervisory Board of Banque Transantlantique

Positions held in the last five years that expired

In France:

- Vice-Chair of the Supervisory Committee of Bazar de l'Hôtel de Ville – BHV (SAS) (Expiry of term: 2015)

Martine Saint-Cricq

Director representing employees

Born on April 20, 1958. French.

Date of designation by the European Works Council ***(Comité d'Information et de Concertation Européen Carrefour)*****, and Information Committee:** October 4, 2017

Date of integration to the Board of Directors: October 18, 2017

Term of office expires: Shareholders' Meeting called to approve the Financial Statements for the year ending December 31, 2019

Experience and expertise

Martine Saint-Cricq joined the Carrefour group in 1983 as an employee at the Carrefour Labège store. In 1987, she was elected employee representative for the Force Ouvrière (FO) trade union.

After being elected to a variety of positions as representative within the Group, she held the position of secretary to the Group Committee. She simultaneously held positions with UNI Europa Commerce, UNI Europa (Women's Conference) and UNI Global Union (World Congress).

Martine Saint-Cricq has also served on the Board of Directors of the Carrefour Foundation since January 19, 2009. Since October 2007, she has been a member of the UNI Europa and UNI Global Union Women's Committee. She has also been a member of the UNI Europa Commerce Steering Committee since June 2011. In addition, since April 2013, she has been secretary in charge of equality for FGTA FO, a federation of workers in the agriculture, food and tobacco industries in France.

Martine Saint-Cricq brings to the Board of Directors the benefit of her perspective as an employee and her knowledge of the Group, its store formats and markets. Her experience working with trade unions on a national and international level and especially her expertise in equal rights allow her to make a valuable contribution to evaluating these subjects in a multinational environment.

Other positions held as of December 31, 2017

In France:

- Director representing employees at the Carrefour Foundation (*Carrefour group*)

Positions held in the last five years that expired

In France:

- Member of the Labège store committee (Expiry of term: October 2017)
- Member of the Group Committee (Expiry of term: October 2017)
- Member of the Carrefour European Consultation and Information Committee (ECIC) (Expiry of term: October 2017)

Marie-Laure Sauty de Chalon

Independent Director

Member of the CSR Committee

Born on September 17, 1962. French.

Number of Company shares owned: 2,000

Date of appointment to the Board of Directors: June 15, 2017

Term of office expires: Shareholders' Meeting called to approve the Financial Statements for the year ending December 31, 2019

Experience and expertise

Marie-Laure Sauty de Chalon is a graduate of Sciences Po Paris and has a degree in law. After working for various advertising agencies in print media and television, she took over Carat Interactive's Executive Management in 1997.

In 2001, she was Chair and Chief Executive Officer of Consodata North America. Following this experience, in 2004, she became Head of Aegis Media France and Southern Europe.

Since 2010, she has held the position of Chair and Chief Executive Officer of Auféminin and has been teaching at Institut d'Études Politiques de Paris. Marie-Laure Sauty de Chalon has also been a member of the French Competition Authority (*Autorité de la concurrence*) since 2014.

Marie-Laure Sauty de Chalon brings to the Board of Directors the benefit of her digital expertise and experience working internationally in a company which blends online retail and content. Her experience working in a listed company, which is also a start-up, is an asset for achieving digital transformation in large groups.

Other positions held as of December 31, 2017

In France:

- Chair and Chief Executive Officer of Auféminin SA*
- Member of the Supervisory Board of JCDecaux SA*
- Director and member of the Ethics and Sustainable Development Committees of LVMH Moët Hennessy-Louis Vuitton (SE)*
- Managing Director of Auféminin.com Productions SARL
- Chair of Etoilecasting.com SAS
- Chair of Les Rencontres Auféminin.com SAS
- Chair of Marmiton SAS
- Member of the Supervisory Board of My little Paris SAS
- Member of the Board of the French Competition Authority
- Director of Coorpacademy

Abroad:

- Co-Managing Director of GoFeminin.de GmbH (Germany)
- Director of SoFeminin.co.uk Ltd (United Kingdom)

Positions held in the last five years that expired

In France:

- Director of Fondation d'Entreprise Nestlé France (Expiry of term: 2015)
- Chair of SmartAdServer SAS (Expiry of term: 2015)
- Director of Fondation PlaNet Finance (Expiry of term: 2013)

** Listed company.*

Anne-Claire Taittinger

Independent Director

Member of the Appointments Committee and of the Compensation Committee

Born on November 3, 1949. French.

Number of Company shares owned: 3,245

Date of appointment to the Supervisory Board: April 20, 2005

Date of appointment to the Board of Directors: July 28, 2008

Date of last renewal: May 17, 2016

Term of office expires: Shareholders' Meeting called to approve the Financial Statements for the year ending December 31, 2018

Experience and expertise

Anne-Claire Taittinger graduated from Institut d'Études Politiques de Paris, and holds a Master's degree in urban sociology and an advanced degree in urban development from Centre de Perfectionnement aux Affaires. She began her career in 1976 at Caisse des Dépôts et Consignations as Head of Urban Development Operations at Société Centrale d'Équipement du Territoire.

She joined the Louvre group in 1979 as Corporate Secretary and then became Chair and Chief Executive Officer of Compagnie Financière Deville. She later became Chair and Chief Executive Officer of Compagnie Financière Leblanc and of Elm-Leblanc, Deputy Chair and Chief Executive Officer of the Industrial Division of Deville, Chair and Chief Executive Officer of Parfums Annick Goutal France USA, and eventually Baccarat.

She became Chief Executive Officer and subsequently Chair of the Management Board of Société du Louvre in 1997. In 2002, she became Chair of the Executive Board of the Taittinger group and Chief Executive Officer of its Louvre group subsidiary when the positions of Chair of the Board and Chief Executive Officer were separated. She left these positions in July 2006 after leading the sale of the Taittinger group to an investment fund in 2005.

In September 2006, Anne-Claire Taittinger became part of a pool of investors that acquired Champagne Taittinger.

Anne-Claire Taittinger brings to the Board of Directors the benefit of her experience as a director and executive of listed international companies. She also brings expertise in corporate governance, international development and knowledge of the retail business.

Other positions held as of December 31, 2017

In France:

- Chair of SAS Le Riffray
- Director and Chair of the Accounts Committee of Thales SA*

Positions held in the last five years that expired

In France:

- Director and Chair of the Appointments, Remuneration and Corporate Governance Committees of Club Méditerranée* (Expiry of term: 2015)
- Director of Financités (Expiry of term: 2013)
- Director of IFA (*Institut Français des Administrateurs*) (Expiry of term: 2013)
- Member of the Supervisory Board of Planet Finance (Expiry of term: 2013)

** Listed company.*

Lan Yan

Independent Director

Member of the Compensation Committee

Born on January 17, 1957. French.

Number of Company shares owned: 1,000

Date of appointment to the Board of Directors: June 15, 2017

Term of office expires: Shareholders' Meeting called to approve the Financial Statements for the year ending December 31, 2019

Experience and expertise

Lan Yan obtained a Bachelor's degree in French Literature from the Beijing University of Foreign Languages in 1981, an LLM in Law from Beijing University in 1984 and a Doctorate in Law (PhD) from the Graduate Institute of International Studies in Geneva in 1991. She was a Research Associate at Harvard Law School from 1987 to 1988 and was admitted to the Paris Bar Association in 1994.

In 1991, Lan Yan joined the Beijing office of Gide Loyrette Nouel and became the first female foreign partner in 1997. She has been their Chief Representative since 1998.

She was also an arbitrator for the China International Economic and Trade Arbitration Commission (CIETAC).

Since April 2011, Lan Yan has served as the Managing Director and Head of Greater China Investment Banking at Lazard.

In addition, she is the French Trade Advisor (CCE) and Honorary Consul of Monaco in Beijing, as well as a *Chevalier de la Légion d'Honneur* (France) and *Chevalier de l'Ordre de Saint-Charles* (Monaco).

Lan Yan brings to the Board of Directors the benefit of her knowledge of the Chinese market and corporate governance, as well as her international experience.

Other positions held as of December 31, 2017

In China:

- Managing Director of Lazard
- Vice-Chair of the China Art Foundation (NGO)
- Member of the Seoul International Business Advisory Council (SIBAC)

Positions held in the last five years that expired

In China:

- Independent Director of China Merchants Bank Co. Ltd (Expiry of term: 2013)

3.2.2 Operation of the Board of Directors

Conditions of preparation and organisation of the Board of Directors' work

The Board of Directors' Internal Rules set out the conditions under which the work of the Board of Directors is prepared and organised. They supplement the legal and statutory provisions and the recommendations of the AFEP-MEDEF code to which the Company refers.

The Board of Directors' Internal Rules are divided into three chapters, relating to:

- the role, procedures and assessment of the Board of Directors as well as Directors' compensation;
- the specialised committees of the Board of Directors and their respective standard rules and guidelines, composition and duties;
- the Directors' rights and responsibilities.

The Board of Directors' Internal Rules aim to organise the work of the Board of Directors and its specialised committees, define the powers of the Board of Directors and describe the Directors' rights and responsibilities with respect to the corporate governance best practices to which the Board of Directors refers.

The Internal Rules are updated by the Board of Directors in order to take into account legal and regulatory changes and corporate governance practices. Accordingly, they were revised on January 18, 2017 to integrate changes induced by:

- the audit reform, effective since June 17, 2016, which contains new provisions related to the Audit Committees of listed companies;
- European Regulation No. 596/2014 on market abuse, effective since July 3, 2016, which establishes new rules and measures applicable to listed companies and their Executive Officers/ Company Officers regarding inside information and;
- the publication of a new version of the AFEP-MEDEF code on November 26, 2016.

Duties of the Board of Directors

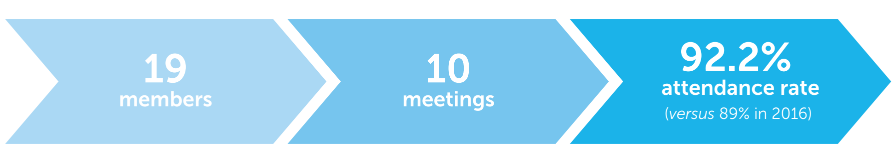
The Board of Directors approves the Company's business strategy and oversees its implementation. It examines and decides on major transactions. The Directors are kept informed of changes in the markets and the competitive environment, as well as the key issues that the Company faces, including those related to social and environmental responsibility.

According to its Internal Rules, the Board of Directors' duties include, *inter alia:*

- approving the Company's strategy and overseeing its implementation;
- setting any necessary limits on the powers of the Chairman and Chief Executive Officer;
- in particular, it:
  - conducts any controls and audits it deems appropriate,
  - controls the Company's management methods and verifies the fairness of its financial statements,
  - examines and approves the financial statements, establishes the agenda for Shareholders' Meetings to which it reports on its activities in the annual report and approves the various statutory and regulatory reports,
  - examines regulated agreements and commitments and gives prior approval;
- ensuring that high-quality financial information and relevant, balanced and instructive information on the Company's strategy, development model and plans for addressing major non-financial issues are provided to shareholders and investors;
- each year, on the recommendation of the Appointments Committee, drawing up the list of Directors qualified as independent, with respect to AFEP-MEDEF code criteria;
- examining the budget once a year.

Frequency of and attendance at Board of Directors' meetings in 2017

The Board of Directors' Internal Rules stipulate that the Board of Directors meet at least four times a year.



In 2017, the Board of Directors held discussions without the Chairman and Chief Executive Officer's attendance on topics related to his compensation, in accordance with recommendation 17.3 of the AFEP-MEDEF code. In the first half of 2017, the Board of Directors also took the opportunity to hold discussions and deliberate, without him in attendance, on the implementation of the succession plan. The Directors did not express the need to organise additional meetings without the Chairman and Chief Executive Officer, who is the only Executive Director among the Board of Directors' 19 members.

The Board of Directors' work in 2017

Having considered the summaries prepared by the Accounts, Appointments, Compensation, CSR and Strategic Committees with respect to their work, the Board of Directors mainly focused its work on the following areas:

- *financial management:*

  The Board of Directors considered the Accounts Committee's work throughout the year. After hearing the summary of the Chairman of the Accounts Committee and the Statutory Auditors, the Board of Directors approved the annual and half-yearly Company and Consolidated Financial Statements and the related reports and draft of press releases. The Board of Directors reviewed quarterly sales and related draft press releases and, on June 15, 2017, implemented the Company's new share buyback programme. The Board of Directors (i) approved forecast management documents, (ii) authorised the issue of non-dilutive cash-settled convertible bonds and a new, renewable credit agreement with the Group's local banks, in replacement of the renewable syndicated line of credit agreement, (iii) renewed annual authorisations granted to the Chairman and Chief Executive Officer with regard to bond issues and guarantees, and (iv) reviewed the Group's funding policy and commitments;

- *follow-up on the Group's strategy, its activities and its operations:*

  The Board of Directors reviewed the situation in the countries where the Group operates. It dedicated several meetings to the approval of the planned initial public offering of Carmila, the launch of its securities placement and the subscription to its capital increase by a Company affiliate. It met several times to focus on taking a decision on the launch of an initial public offering of Atacadão in Brazil, following up on all preparatory work related to the initial public offering, launching this initial public offering and approving the structure of the transaction. The Board of Directors was continuously informed about progress made in the initial public offering procedures and the completion of the above transactions. It was also informed about the process to acquire Eroski stores in Spain and the agreement signed by Carrefour Belgium with Ahold-Delhaize to acquire two stores operating under the Delhaize banner. In January 2018, having considered the Strategic Committee's work, the Board of Directors approved the "Carrefour 2022" transformation plan and the 2018 budget prepared on the basis of this plan.

  The Board of Directors was informed about the economic and competitive climate, the market performance of the Carrefour share and financial rating issues;

- *corporate governance and succession plan:*
  - succession plan: the Board of Directors ensured continuity of good corporate governance and monitored the implementation of the succession plan for the replacement of Georges Plassat. Accordingly, the Board of Directors held discussions over the course of the first half of 2017 and, following the work performed by the Appointments Committee and Compensation Committee, decided to select a new candidate for the position of Chairman and Chief Executive Officer,
  - appointment of a new Chairman and Chief Executive Officer: on the recommendation of the Appointments Committee, the Board of Directors appointed Alexandre Bompard as a Director, decided to maintain the Company's current management structure and appointed him as the Company's Chairman and Chief Executive Officer, replacing Georges Plassat, who requested his retirement,
  - designation of Directors representing employees: on the recommendation of the Appointments Committee, the Board of Directors proposed that the Shareholders' Meeting of June 15, 2017 vote to amend the Company's Articles of Association in order to integrate the procedures for designating the Directors representing employees, in accordance with France's "Rebsamen" law,
  - assessment of the Board of Directors: the Board of Directors has examined the assessment performed by an external consultant on the composition and procedures of the Board of Directors and its specialised committees, and has considered the report detailing areas for improvement,
  - appointment and renewal of Directors' terms of office: on the recommendation of the Appointments Committee, the Board of Directors appointed a new Director, Flavia Buarque de Almeida, to replace Nadra Moussalem. The Board of Directors proposed that the Shareholders' Meeting of June 15, 2017 appoint two new women as Independent Directors, Marie-Laure Sauty de Chalon and Lan Yan, to replace Amaury de Sèze and René Brillet, whose terms were not renewed. The Board of Directors proposed that the same Shareholders' Meeting renew the terms of two Directors, Bernard Arnault and Jean-Laurent Bonnafé. In addition, the Board of Directors appointed Philippe Houzé as Lead Director, replacing Amaury de Sèze, whose term was not renewed,
  - Directors' independence: in accordance with the AFEP-MEDEF code, and on the recommendation of the Appointments Committee, the Board of Directors conducted the annual assessment of the Directors' independence and analysed the situation of the two new Directors, Marie-Laure Sauty de Chalon and Lan Yan, to qualify them as Independent Directors,
  - composition of the Board of Directors' specialised committees: following the appointment of new Directors, the composition of the specialised committees was changed: Alexandre Bompard was appointed as Chairman of the Strategic Committee and Abilio Diniz as Vice-Chairman of the same committee. Marie-Laure Sauty de Chalon and Bertrand de Montesquiou were appointed

as members of the CSR Committee, which is now chaired by Diane Labruyère-Cuilleret, and Bertrand de Montesquiou was appointed as a member of the Accounts Committee. Flavia Buarque de Almeida, Anne-Claire Taittinger and Lan Yan were appointed as members of the Compensation Committee,

- amendment of the Board of Directors' Internal Rules: the Board of Directors updated its Internal Rules following the audit reform effective since June 17, 2016 and the European Regulation on market abuse effective since July 3, 2016,
- market abuse regulation: the Directors were individually informed of the Group's adoption of new rules and measures, as established by the EU regulation on market abuse, applicable to listed companies and their Executive Officers/Company Officers regarding inside information. Accordingly, each Director was provided with a Stock Market Ethics Charter in the appendix of the Directors' Guide;

- *compensation of Company Officers:*
  - compensation of Georges Plassat, Chairman and Chief Executive Officer until July 18, 2017: on the recommendation of the Compensation Committee, the Board of Directors determined the amount of the variable portion of his annual compensation for the 2016 financial year, approved his compensation policy for 2017, set the amount of his 2015/2016 long-term incentive plan, and determined the amount of his pension supplement. Following Georges Plassat's retirement request, the Board of Directors considered that he had achieved the 2014, 2015 and 2016 performance conditions linked to his termination payment. As a result, he is entitled to this termination payment. Furthermore, the Board of Directors' considered that he met the performance conditions linked to his supplementary defined benefit pension plan governed by Article L. 137-11 of the French social security code (*Code de la sécurité sociale*). Lastly, the Board of Directors decided that the amount of his annual fixed and variable compensation would be prorated based on his presence in 2017 and that he would maintain his right to the performance shares he was granted in 2016, subject to achievement of the relevant performance conditions measured at the end of the three-year vesting period,
  - compensation of the two Deputy Chief Executive Officers under their employment contracts: the Board of Directors was informed of the compensation paid to the two Deputy Chief Executive Officers during the 2016 financial year in respect of their employment contracts and their expected compensation for 2017. It determined, under the procedures applicable to regulated agreements and commitments, the amount of their pension supplement, having considered the fulfilment of the relevant performance conditions and set the performance conditions for 2017,
  - compensation of Alexandre Bompard, Chairman and Chief Executive Officer since July 18, 2017: on the recommendation of the Compensation Committee, the Board of Directors decided on the policy and the components of his compensation for the 2017 financial year,
  - Directors' compensation: the Board of Directors proposed that the Annual Shareholders' Meeting of June 15, 2017 set the annual budget for Directors' attendance fees at 1,200,000 euros and decided to maintain the current allocation of attendance fees;

- *CSR:*

  The Board of Directors considered the work of the CSR Committee throughout the year. It was informed of the 2016 CSR results as well as the results of the risk prevention plan associated with working conditions in the non-food supply chain and the duty of care plan, fair trade procurement practices and the organic cotton supply chain. It reviewed the 2018 CSR strategies in each country, the progress in implementing the risk prevention plan and the CSR customer survey/in-store initiatives, and was provided with additional information on certain topics, including waste management, the integrated report and the charity rounding-up campaign. Lastly, it reviewed the CSR communication strategy;

- *Shareholders' Meeting of June 15, 2017:*

  The Board of Directors approved the Notice of Meeting, the agenda, the draft resolutions, the Board of Directors' report to the Shareholders' Meeting, and the report of the Chairman of the Board of Directors on corporate governance and internal control and risk management procedures. It set the dividend policy and delegated all powers to the Chairman and Chief Executive Officer to increase the share capital in order to pay out the dividend in new Company shares. It approved the regulated agreements and commitments concluded during the financial year and conducted an annual review of the regulated agreements and commitments that continued during the financial year. In accordance with the "Sapin II" law and the recommendations of the AFEP-MEDEF code, it submitted the components of compensation due or awarded to the Chairman and Chief Executive Officer in respect of the 2016 financial year to an advisory vote and asked the Shareholders' Meeting to approve the 2017 compensation policy for Executive Officers. The Board of Directors proposed that the Shareholders' Meeting vote to amend the Company's Articles of Association in order to incorporate the procedures for designating Directors representing employees and change the age limit for the Directors and the Chairman and Chief Executive Officer. Lastly, it proposed that the Shareholders' Meeting grant it new delegations of authority and powers regarding securities issues, thereby superseding the previous delegations of authority.

Assessment of the Board of Directors

In accordance with its Internal Rules, the Board of Directors frequently assesses its procedures and the fulfilment of its duties. Accordingly, it reviews its operating procedures and the quality of the information published and of its decision-making and discussions, as well as each Director's actual contribution to the work of the Board of Directors and its specialised committees.

To this end, the Board of Directors has to dedicate an agenda item to these procedures once a year.

At end-2016, a formal assessment of the Board of Directors was carried out by an external consultant under the responsibility of the Appointments Committee. The purpose of this assessment was to evaluate the Board of Directors' operating procedures and the performance of its duties but also to identify the progress made since the assessment performed in December 2013, in order to identify potential areas for improvement. The assessment involved submitting a questionnaire to each Director and individual interviews with the external consultant in order to obtain the Directors' opinion on the composition and operating procedures of the Board of Directors and its specialised committees, as well as its culture and strategy. The Company was compared with its market peers and CAC 40 companies.

In January 2017, the analysis of the results was presented to the Board of Directors by the Chairman of the Appointments Committee. In addition to the Directors' active participation in Board of Directors' meetings, the analysis particularly highlighted that the experience and skills of each Director were deemed to be relevant and useful to the Board of Directors' discussions. Moreover, it demonstrated that the Board of Directors has the necessary skills at its disposal to successfully fulfil its strategic objectives.

After presenting the results of this assessment, the Board of Directors discussed its procedures together and explored possible areas for improvement as well as actions to take. On the recommendation of the Appointments Committee, the Board of Directors took the results of this assessment into consideration when proposing new appointments and the renewal of the terms of office of Directors during the financial year. With a view to achieving gender balance and strengthening the Board of Directors' international profile and digital expertise, three new women with different nationalities, skills and experience were appointed as Directors and two Directors representing employees also joined the Board of Directors.

The Board of Directors decided that it will undertake a self-assessment once again, starting in 2018. Accordingly, all of the Directors will receive a questionnaire in which they will be asked to express their personal views on the composition and operating procedures of the Board of Directors and its specialised committees.

3.2.3 Board of Directors' specialised committees

The Board of Directors has set up specialised committees that review any questions submitted to them for their opinion by the Board of Directors or the Chairman of the Board of Directors.

To take into account the nature and specific characteristics of the Company's operations, the Board of Directors created the following specialised committees:

- the Accounts Committee;
- the Compensation Committee;
- the Appointments Committee;
- the CSR Committee;
- the Strategic Committee.

The specialised committees are made up of Directors appointed by the Board of Directors for the period during which they are in office. During the 2017 financial year, the composition of the specialised committees was reviewed following the appointment of new Directors (as described in Section 3.2.1.2 of this Registration Document).

These specialised committees regularly report on their work to the Board of Directors and share with it their observations, opinions, proposals and recommendations. To this end, the Chairman of each specialised committee (or, if they are unavailable, another member of the same specialised committee) gives an oral summary of their work to the Board of Directors at its upcoming meeting.

Duties of these specialised committees have not been set up to be delegated powers that have been conferred to the Board of Directors in accordance with legal provisions or the Articles of Association. The specialised committees have consultative power and conduct their work under the responsibility of the Board of Directors, which alone has statutory decision-making power and which remains collectively responsible for the fulfilment of its duties.

The Chairman of the Board of Directors ensures that the number, duties, composition and operation of the specialised committees are adapted to the needs of the Board of Directors and best corporate governance practices at all times.

Each specialised committee, except for the Strategic Committee, is chaired by an Independent Director appointed from among its members.

The secretary of each specialised committee is an individual selected by its Chairman.

These specialised committees meet as often as necessary on the invitation of their Chairman, or at the request of one-half of their members. They may call upon external experts where needed.

The Chairman of a specialised committee may ask the Chairman of the Board of Directors to interview any of the Group's Senior Managers regarding issues falling within the specialised committees' scope, as defined by the Board of Directors' Internal Rules.

3.2.3.1 The Accounts Committee

The Accounts Committee meets at least four times a year.

Composition

60% of the members of the Accounts Committee qualify as Independent Directors within the meaning of the AFEP-MEDEF code (which recommends that at least two-thirds of members be independent). The Board of Directors is satisfied with this composition given the decision to limit the number of committee members, with two Directors representing the main shareholders, and to enhance the effectiveness of the committee's work, which requires a high level of expertise in finance and accounting. In addition, the committee is chaired by an Independent Director.

As of December 31, 2017, the composition of the Accounts Committee was as follows:

- Chairman: Georges Ralli (Independent Director);
- members: Nicolas Bazire, Philippe Houzé, Mathilde Lemoine (Independent Director), Bertrand de Montesquiou (Independent Director).

5 members

6 meetings

93.3% attendance rate (*versus* 93% in 2016)

In accordance with Article L. 823-19 of the French commercial code (*Code de commerce*) and the AFEP-MEDEF code, the members of the Accounts Committee must have expertise in finance and accounting. Accordingly, the Chairman of the Accounts Committee, Georges Ralli, an Independent Director, has sufficient professional experience in management and direction of groups on an international level to be considered an expert in finance, as described in his biography in Section 3.2.1.4. of this Registration Document. The other members of the committee, in particular the Independent Directors, have skills derived from their experience, professional background and course of study as described in their biographies in Section 3.2.1.4. of this Registration Document.

Duties

The Accounts Committee monitors issues relating to the preparation and verification of accounting and financial information. Its main duties are as follows:

- *in respect of the review of the Financial Statements:*
  - it reviews the Financial Statements and ensures that the accounting methods adopted to prepare the Company and Consolidated Financial Statements are relevant and consistent before they are submitted to the Board of Directors; it monitors the procedures used to prepare the Financial Statements and assesses the validity of the methods used to present material transactions; it ensures that the time frame for providing the Financial Statements and reviewing them is adequate,
  - it monitors the process for preparing financial information and, where applicable, makes recommendations to ensure the integrity of such information; it is provided with the main financial communication documents,
  - it monitors the effectiveness of the internal control, risk management and, where applicable, Group internal audit systems relating to the preparation and processing of accounting and financial information, without compromising its independence; it ensures that such systems are in place and implemented, and that corrective measures are undertaken in the event that any significant failings or anomalies are identified. To this end, the Statutory Auditors and the Group internal audit and risk control managers submit their main findings to the committee.

    It consults the Group internal audit and risk control managers and issues its opinion on the organisation of their services. It must be kept informed about the Group internal audit programme and must be provided with the Group internal audit reports or a regular summary of these reports,
  - it examines the risks and material off-balance sheet commitments, assesses the significance of any malfunctions or failings of which it is informed and notifies the Board of Directors thereof; to this end, the review of the Financial Statements must be accompanied by a presentation prepared by Executive Management describing the Company's risk exposure and its material off-balance sheet commitments, as well as a presentation prepared by the Statutory Auditors highlighting both the key findings of their statutory audit, including any audit adjustments and significant internal control failings identified during their engagement, and accounting options applied; it examines the section of the report of the Chairman of the Board of Directors to the Shareholders' Meeting covering internal control and risk management procedures,
  - it regularly reviews the mapping of the Group's main risks that may be reflected in the accounts or which have been identified by Executive Management and may have an impact on the Financial Statements; it takes note of the main characteristics of the risk management systems and the results of their operations, drawing in particular on the work of the internal audit and risk control managers and the Statutory Auditors,

- it examines the scope of consolidation and, where applicable, the reasons why certain companies are not included in said scope;

- *in respect of relations with the Statutory Auditors:*

  The Statutory Auditors must submit the following to the Accounts Committee:

  - their general work programme and the sampling procedures used,
  - their proposed amendments to the Financial Statements or accounting documents and their comments on the assessment methods used,
  - any irregularities or inaccuracies they have identified,
  - the conclusions of the comments and amendments with regard to the results of the period compared with those of the previous period,
  - an additional audit report prepared in accordance with the regulations in force setting out the findings of the statutory audit, by no later than the date of submission of the audit report.

  The committee consults the Statutory Auditors, in particular during the meetings covering the review of the process for preparing the financial information and reviewing the Financial Statements, to enable them to report on the performance and findings of their engagement. The Statutory Auditors accordingly inform the Accounts Committee of the main areas of risk or uncertainty they have identified regarding the Financial Statements, their audit approach and any difficulties they encountered during the engagement.

  They also inform the Accounts Committee of any significant internal control failings they have identified during their engagement concerning the procedures relating to the preparation and processing of accounting and financial information;

- *in respect of the rules governing the independence and objectivity of the Statutory Auditors:*

  - the committee recommends the Statutory Auditor selection process to the Board of Directors and oversees said process. If a tendering procedure is used, the committee supervises the procedure and validates the specifications and choice of firms consulted; it submits a recommendation to the Board of Directors on the Statutory Auditor(s) proposed by the Shareholders' Meeting and also submits a recommendation to the Board of Directors at the time when the terms of office of the Statutory Auditor(s) are to be renewed, in accordance with the regulations in force,
  - it monitors the performance of the Statutory Auditors' engagement; it considers the findings and conclusions of the French High Council of Statutory Auditors (*Haut Conseil du Commissariat aux Comptes*) following the audits carried out in accordance with the regulations applicable to Statutory Auditors,
  - it ensures that the Statutory Auditors comply with the independence conditions set out in the applicable regulations; it analyses, alongside the Statutory Auditors, the risks to their independence, including those relating to the amount and breakdown of their fees and the protection measures taken in order to mitigate these risks; it also ensures that the Statutory Auditors comply with the conditions relating to the acceptance or the performance of their engagement and obtains from the Statutory Auditors an annual statement attesting to their independence and detailing the amount and breakdown, by category of engagement, of the fees paid to them during the financial year,
  - it approves the provision of any non-prohibited non-audit services by the Statutory Auditors, such as those provided for in the applicable regulations.

The committee regularly reports to the Board of Directors on the performance of its duties. It also reports to the Board of Directors on the findings of the Statutory Audit engagement, how this engagement has contributed to the integrity of the financial information and the role it has played in this process, and immediately informs it of any difficulties encountered;

- *interviews:*

  For all issues related to the performance of its duties, the Accounts Committee may interview the Group's financial and accounting managers as well as the Group internal audit and risk control managers without any other members of the Company's Executive Management in attendance, if it deems it appropriate. The Chairman of the Board of Directors must be informed of this in advance.

  The Accounts Committee may call on external experts as necessary.

2017 principal activities

Over the course of the Accounts Committee's six meetings, the following main topics were reviewed:

- *in respect of the review of the Financial Statements:*
  - review of the draft Company and Consolidated Financial Statements for the financial year ended December 31, 2016 and related reports,
  - review of the half-yearly Consolidated Financial Statements and the related report,
  - review of disputes and risks as part of the analysis of provisions,
  - results of goodwill impairment tests,
  - preparation for the adoption of the new standard, IFRS 16 on leases,
  - hard-close procedures,
  - review of the Chairman's report on internal control and risk management procedures relating to the preparation and processing of accounting and financial information for the year ended December 31, 2016;

3

- *in respect of internal control:*
  - follow-up on the Group Internal Audit Department's tasks,
  - tracking of Group treasury and financing operations,
  - control and monitoring of investment projects, review of strategic projects (Atacadão's IPO in Brazil),
  - development of the accounting organisation and information systems;
- *in respect of relations with the Statutory Auditors:*
  - follow-up on the Statutory Auditors' audit process,
  - review of non-audit services provided by the Statutory Auditors, as governed by the applicable regulations;
- *in respect of the rules governing the independence and objectivity of the Statutory Auditors:*
  - recommendations regarding the renewal of the appointment of Mazars as Statutory Auditor.

3.2.3.2 The Compensation Committee

The Compensation Committee meets as often as necessary.

Composition

A majority of the members of the Compensation Committee qualify as Independent Directors, in accordance with the provisions of the AFEP-MEDEF code.

As of December 31, 2017, the composition of the Compensation Committee was as follows:

- Chairman: Thierry Breton (Independent Director);
- members: Flavia Buarque de Almeida, Charles Edelstenne (Independent Director), Anne-Claire Taittinger (Independent Director), Lan Yan (Independent Director).

5 members

2 meetings

100% attendance rate (*versus* 100% in 2016)

Duties

The Compensation Committee is responsible for formulating proposals on the various components of compensation paid to Directors (in particular with regard to the total amount of attendance fees and the allocation procedures) and to Executive Officers.

It is responsible for reviewing all issues relating to the personal status of the Executive Officers, including compensation, pension and death & disability benefits, benefits in kind and the provisions governing the termination of their term of office.

It is mainly in charge of formulating proposals on decisions to grant stock options (to subscribe and/or purchase Company shares) to Executive Officers and all or some of the salaried employees of the Company and its affiliates in accordance with the Shareholders' Meeting authorisations.

It examines the conditions under which options are granted and provides a list of beneficiaries of options and the number of options allocated to each of them. It formulates proposals determining the characteristics of options, such as the subscription and/or purchase price of shares, their duration, any applicable conditions on the exercise of the options and the relevant procedures.

It is also responsible for formulating proposals on the free allocation of existing or new shares in accordance with the Shareholders' Meeting authorisations. It proposes the names of beneficiaries of the share allocations and any conditions specifically related to the length of vesting and lock-up periods and criteria for share allocations.

It is informed of the compensation policy for top executives who are not Company Officers.

2017 principal activities

Over the course of the Compensation Committee's two meetings, the following main topics were reviewed:

- *compensation of Executive Officers*:
  - determination of the variable portion for 2016 for Georges Plassat, setting of conditions for 2017,
  - determination of the long-term compensation for Georges Plassat,
  - information about the variable portion for Deputy Chief Executive Officers set by the Chairman and Chief Executive Officer and setting of conditions for 2017,
  - determination of the amount and pension supplement of Georges Plassat and Deputy Chief Executive Officers, performance conditions fulfilment for 2016 and setting of conditions for 2017,
  - determination of compensation components associated with the retirement of Georges Plassat from July 18, 2017,
  - determination of the components and structure of compensation for Alexandre Bompard, the Chairman and Chief Executive Officer since July 18, 2017;
- *June 15, 2017 Shareholders' Meeting*:
  - review of compensation policy of Executive Officers,
  - review of the presentation of compensation components for Georges Plassat and Deputy Chief Executive Officers in the 2016 Registration Document and components that must be submitted to an advisory vote and for the approval of the Shareholders' Meeting, in accordance with AFEP-MEDEF code recommendations and the French commercial code ("Say on Pay"),
  - authorisation procedure for regulated agreements and commitments concluded during the financial year in relation with the compensation of the Executive Officers,
  - changes in Directors' attendance fees to be approved by the Shareholders' Meeting.

3.2.3.3 The Appointments Committee

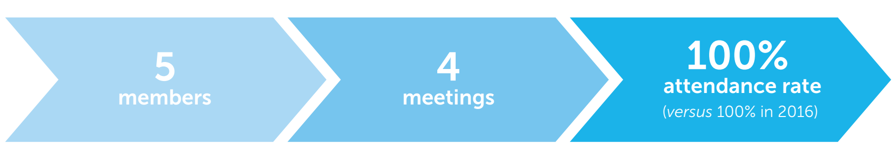
The Appointments Committee meets as often as necessary.

Composition

A majority of the members of the Compensation Committee qualify as Independent Directors and there are no Executive Officers, in accordance with the provisions of the AFEP-MEDEF code.

As of December 31, 2017, the composition of the Appointments Committee was as follows:

- Chairman: Bertrand de Montesquiou (Independent Director);
- members: Nicolas Bazire, Philippe Houzé, Diane Labruyère-Cuilleret (Independent Director), Anne-Claire Taittinger (Independent Director).



During the first half of 2017, Georges Plassat, Chairman and Chief Executive Officer until July 18, 2017, was involved in the work carried out by the Appointments Committee in particular regarding the appointment and renewal of terms of Directors for the June 15, 2017 Shareholders' Meeting.

Duties

The Appointments Committee reviews and formulates an opinion on any candidate being considered for Director or Executive Officer positions. It submits proposals to the Board of Directors after an in-depth examination of all the factors to be taken into account in its decision-making process, particularly in light of the composition of and changes to the Company's shareholder base to ensure a well-balanced Board of Directors. It also assesses the appropriateness of the renewal of terms of office.

It organises a procedure for the nomination of future Independent Directors.

Independent Director qualification criteria are discussed by the Appointments Committee and reviewed each year by the Board of Directors prior to the publication of the annual report.

It is also responsible for assessing Directors' independence and reporting its findings to the Board of Directors. If necessary, the Appointments Committee reviews situations caused by a Director's repeated absence.

The committee makes recommendations to the Board of Directors on the appointment of specialised committee members when their terms are up for renewal.

It also assists the Board of Directors in adapting the Company's corporate governance practices and assessing their efficiency.

It reviews solutions to ensure that good corporate governance practices remain in place.

It reviews the Chairman's draft report on corporate governance and any other document required by law or regulations.

2017 principal activities

Over the course of the Appointments Committee's four meetings, the following main topics were reviewed:

- *governance*:
  - external assessment of the Board of Directors' procedures and review of the report by the Directors,
  - review of the updated version of the Board of Directors' Internal Rules following revisions made to the AFEP-MEDEF code in November 2016,
  - changes to the composition of the Board of Directors and its specialised committees following the conclusions drawn from the Board of Directors' assessment with a view to recommending appointments or renewal of Directors and to examine procedures for designating Directors representing employees,
  - succession plan: in the first half of 2017, all meetings were dedicated to the succession plan as part of the new governance structure in connection with the retirement of Georges Plassat and the appointment of Alexandre Bompard to replace him as Chairman and Chief Executive Officer;
- *June 15, 2017 Shareholders' Meeting*:
  - annual review of certain Directors' independence and assessment of the situation of two new women Directors to verify that they qualify as Independent Directors,
  - review of the "Governance practises" section of the Chairman's report on corporate governance,
  - changes in the composition of the Board of Directors:
    - appointments and renewal of terms of office for the June 15, 2017 Shareholders' Meeting,
    - appointing more women to the Board of Directors,
    - procedures for designating Directors representing employees;
- *Board of Directors' specialised committees and Lead Director*:
  - review of the composition of the Board of Directors' specialised committees following the appointment of new Directors to the Board of Directors,
  - proposed appointment of Philippe Houzé as Lead Director replacing Amaury de Sèze.

3.2.3.4 The CSR Committee

The CSR Committee meets as often as necessary.

Composition

A majority of the members of the CSR Committee qualify as Independent Directors within the meaning of the AFEP-MEDEF code.

As of December 31, 2017, the composition of the CSR Committee was as follows:

- Chair: Diane Labruyère-Cuilleret (Independent Director);
- members: Patricia Moulin Lemoine, Bertrand de Montesquiou (Independent Director), Marie-Laure Sauty de Chalon (Independent Director).

4 members

2 meetings

100% attendance rate (*versus* 100% in 2016)

Duties

The CSR Committee:

- reviews the Group's CSR strategy and the rollout of the related CSR initiatives;
- verifies that the Group's CSR commitments are integrated in light of the challenges specific to the Group's business and objectives;
- evaluates risks, identifies new opportunities and takes account of the impact of the CSR policy in terms of business performance;
- reviews the annual report on non-financial performance;
- reviews the summary of ratings awarded to the Group by ratings agencies and in non-financial analysis.

2017 principal activities

During the course of the two meetings of the CSR Committee, the following main topics were reviewed:

- 2016 CSR results;
- results of the risk prevention plan associated with working conditions in the non-food supply chain;
- implementation of a duty of care plan;
- review of procurement practices and the organic cotton supply chain;
- overview of 2018 CSR strategies in each country;
- progress on implementing the risk prevention plan;
- CSR customer survey/in-store initiatives;
- waste management/the integrated report/charity rounding-up campaign;
- CSR communication strategy.

3.2.3.5 The Strategic Committee

The Strategic Committee meets as often as necessary.

Composition

As of December 31, 2017, the composition of the Strategic Committee was as follows:

- Chairman: Alexandre Bompard;
- Vice-Chairman: Abilio Diniz;
- members: Nicolas Bazire, Philippe Houzé, Georges Ralli (Independent Director).

Duties

The Strategic Committee prepares the Board of Directors' work on the Group's strategic objectives and the key topics of interest, including:

- development priorities and opportunities for diversifying the Group's operations;
- strategic investments and significant partnership projects.

2017 principal activities

Given the recent changes in governance and the "Carrefour 2022" transformation plan, Directors have been asked to work on the Group's strategic objectives and finalise the transformation plan. To this end, a Strategic Committee meeting was held as part of the transformation plan review process.

3.3 Executive Management and the Group Executive Committee

3.3.1 Executive Management

Executive Management structure

By decision of the Shareholders' Meeting on July 28, 2008, the Company adopted the form of a *société anonyme* (public limited company) with a Board of Directors. By its decision of June 21, 2011, the Board of Directors combined the duties of Chairman and Chief Executive Officer. The Board of Directors' decision to combine the duties of Chairman and Chief Executive Officer was designed to simplify the decision-making process and enhance the efficiency and responsiveness of the Company's governance.

When Alexandre Bompard was appointed as Chairman and Chief Executive Officer on July 18, 2017, the Board of Directors decided to maintain the Company's current management structure, which combines the duties of Chairman and Chief Executive Officer.

The ratification and renewal of his directorship will be submitted to the approval of the Shareholders' Meeting of June 15, 2018.

Limitations of powers of the Chairman and Chief Executive Officer

By virtue of the Board of Directors' Internal Rules, the Chairman and Chief Executive Officer cannot carry out the following transactions or actions in the name and on behalf of the Company without the Board of Directors' prior consent:

- investment and divestment transactions under consideration by the Group, in particular acquisitions and disposals of assets or holdings, subscriptions to any issues of shares, partnership interests or bonds and the conclusion of partnerships and joint-venture agreements, as well as any transaction likely to affect the Group's strategy, in an amount exceeding 250 million euros per investment/divestment on behalf of the Group. The Chairman and Chief Executive Officer does not have sole decision-making power for more than two successive transactions of an individual amount less than or equal to 250 million euros per financial year;
- financial transactions, regardless of their conditions, in an amount exceeding 2 billion euros; the Chairman and Chief Executive Officer must report to the Board of Directors for transactions below this amount;
- decision to directly establish overseas sites through the creation of a branch, a direct or indirect affiliate, or the acquisition of an interest or the withdrawal from these sites;
- any merger, spin-off or asset transfer for net asset transfer values in excess of 250 million euros, excluding any internal restructuring;
- the total or partial sale of non-financial assets not valued in the statement of financial position, including brands, particularly the Carrefour brand and customer data;
- in the event of a dispute, any transaction or settlement in an amount greater than 100 million euros per case.

The Lead Director, Philippe Houzé, safeguards the quality of corporate governance by assisting the Chairman of the Board of Directors in his duties to ensure that the Company's governance bodies are operating correctly. In this capacity, he pays particular attention to situations where there is a real or potential conflict of interest, which could affect Directors or the Chairman of the Board of Directors in respect of the Company's interests, whether this relates to operational projects, strategic management or specific agreements.

In 2017, the Board of Directors held discussions without the Chairman and Chief Executive Officer's inattendance, on topics related to his compensation, in accordance with recommendation 17.3 of the AFEP-MEDEF code. In the first half of 2017, the Board of Directors also took the opportunity to hold discussions and deliberate, without him in attendance, on the implementation of the succession plan. The Board of Directors did not express the need to organise additional meetings without the Chairman and Chief Executive Officer, who is the only Executive Director among the Board of Directors' 19 members.

3.3.2 The Group Executive Committee

On September 22, 2017, the Chairman and Chief Executive Officer announced the appointment of a Group Executive Committee. The new management team is now comprised of managers from the Group and individuals from other horizons contributing complementary expertise. The formation of this team is an important milestone which will improve management of the Group.

Chaired by the Chairman and Chief Executive Officer, the Group Executive Committee is comprised of 14 members:

Name	Main position held within the Group
Alexandre Bompard	Chairman and Chief Executive Officer
Executive Directors – Regions	
Pascal Clouzard	Executive Director, France
Guillaume de Colonges	Executive Director, Northern and Eastern Europe (Belgium, Poland and Romania)
Thierry Garnier	Executive Director, Asia (China and Taiwan)
Noël Prioux	Executive Director, Latin America (Brazil and Argentina)
Eric Uzan	Executive Director, Southern Europe (Spain and Italy)
Executive Directors – Operations	
Marie Cheval	Executive Director, Customers, Services and Digital Transformation
Jacques Ehrmann	Executive Director, Assets, International Development and Innovation
Gérard Lavinay	Executive Director, Merchandise, Supply and Formats
Executive Directors – Corporate	
Matthieu Malige	Chief Financial Officer
Laurent Vallée	General Secretary
Jérôme Nanty	Executive Director, Human Resources for the Group and France
Laurent Glépin	Executive Director, Communication for the Group and France
Frédéric Haffner	Executive Director, Strategy and M&A

Alexandre Bompard

Information on Alexandre Bompard's educational background and work experience is described in Section 3.2.1.4 of this Registration Document.

Pascal Clouzard

Pascal Clouzard is a graduate of the ENSTA ParisTech institute of advanced engineering and of the Entrepreneur Master's programme at HEC Business School. After beginning his career in consulting with A.T. Kearney – where he spent eight years at the Lisbon, Madrid and Paris offices – he joined Carrefour in 1999 as Group Director of Food Purchases, and subsequently became Group Director of Non-Food Purchases. He joined Carrefour Spain in 2006, serving as Marketing Director, Merchandise Director and Executive Director for Hypermarkets. He was appointed Chief Executive Officer of Carrefour Spain in 2011. Since 2014, Pascal Clouzard has also served as the Group's lead coordinator for digital. Since October 2, 2017, he has held the position of Executive Director for France.

Guillaume de Colonges

Guillaume de Colonges holds a university degree in Economics and completed an advanced management course at Harvard Business School in the United States. He began his career as a floor manager at Carrefour Anglet in 1992, before taking on various operational posts in hypermarkets in France and Poland. Subsequently, he acquired operational experience as Commercial and Supply Chain Director, and from 2000 to 2008 as Director of supermarket and hypermarket operations in Turkey and Taiwan. He then became Managing Director of Carrefour in Asia in Malaysia and in Singapore in 2009 and at Carrefour Turkey in 2011. In 2014, Guillaume de Colonges became Executive Director Poland. Since October 2, 2017, he has been Executive Director for Northern and Eastern Europe (Belgium, Poland and Romania). He directly oversees the operations of Carrefour Belgium.

Thierry Garnier

Thierry Garnier is a graduate of *École Polytechnique* and *École des Mines*. He began his career at the Ministry of Industry and in 1996 became a Technical Advisor to Michel Barnier, Minister of State for European Affairs. He joined Carrefour in 1997 as Hypermarket Director before becoming Hypermarkets Regional Director in France. In 2003, Thierry Garnier was appointed Managing Director of Supermarkets in France and in 2008 he became International Executive Director of the Carrefour group. In April 2012, he became Executive Director China & Taiwan. Since October 2, 2017, Thierry Garnier has served as Executive Director for Asia (China and Taiwan). He directly oversees the operations of Carrefour China.

Noël Prioux

Noël Prioux has a technical qualification in accountancy. He began his career with Carrefour in 1984, holding various operational positions within the West Regional Division for Carrefour France Hypermarkets. In 1996, Noël Prioux was appointed Director of Financial Services in France, then Executive Director Turkey. From 2001 to 2003, he was in charge of Carrefour hypermarkets in France. Subsequently, he managed Group international subsidiaries in Colombia, South Asia and Spain from 2004 to 2011. In June 2011, he became Executive Director France. Since October 2, 2017, Noël Prioux has been Executive Director for Latin America (Argentina and Brazil). He directly oversees the operations of Grupo Carrefour Brasil.

Éric Uzan

Éric Uzan holds a degree in Business Management and Public Administration. He began his career at Carrefour in 1981 and rose through the ranks to become Managing Director for northwest France in 1996. As of 1998, he has served in turn as Executive Director in Greece, Mexico, Brazil, Argentina, Thailand and Indonesia. In 2013, he became Executive Director for Italy. Since October 2, 2017, Éric Uzan has served as Executive Director for Southern Europe (Spain and Italy). He directly oversees the operations of Carrefour Spain.

Marie Cheval

Marie Cheval is a graduate of *Institut d'Études Politiques de Paris* and *École Nationale de l'Administration* (ENA). In 1999, she joined the French General Inspectorate of Finance. From 2002 to 2011, she held a number of positions with the La Poste Group: Director of Financial Services Strategy for La Poste and later for La Banque Postale, Marketing and Sales Director (2006-2009), then Director of Operations (2009-2011). In 2011, Marie Cheval joined the Société Générale Group as Director of Global Transactions and Payment Services. She was appointed Chief Executive Officer of Boursorama in 2013. On October 2, 2017, Marie Cheval joined the Carrefour group as Executive Director Customers, Services and Digital Transformation for the Group and France.

Jacques Ehrmann

Jacques Ehrmann is a graduate of HEC Business School. He began his career as General Secretary of Le Méridien Hotels in 1989 before moving on to the General Management of Euro Disney (1995-1997) and Club Méditerranée (1997-2002). He joined the Casino Group in 2003 as Managing Director for Property and Development, where he led the creation of Mercialys and was part of the General Management team for seven years. In 2013, Jacques Ehrmann joined Carrefour group's Executive Management as Executive Director for Assets, Development and New Activities. In April 2014, he was also appointed Chairman and Chief Executive Officer of Carmila, a company specialised in the revitalisation of shopping centres adjacent to Carrefour hypermarkets. Since October 2, 2017, Jacques Ehrmann has held the position of Executive Director for Assets, International Development and Innovation. He continues to serve as Chairman and Chief Executive Officer of Carmila.

Gérard Lavinay

Gérard Lavinay began his career at Euromarché in 1980, holding several positions both in-store and in the logistics department in that hypermarket chain which was taken over by Carrefour in 1991. From 1998 onwards, he held various positions at Carrefour in Greece before joining Carrefour Chile's Executive Management team in 2003. He returned to France in 2004 and served as Group Supply Chain Director and Group Managing Director for IT and Supply Chain. In 2008, he was appointed Executive Director for Supermarkets in France. Gérard Lavinay joined Carrefour Belgium in 2009 as Executive Director and Managing Director. In 2013, he supervised Carrefour's operations in Northern Europe (Belgium, Poland and Romania) and international merchandise support and coordination teams. Since October 2, 2017, Gérard Lavinay has been Executive Director for Merchandise, Supply and Formats. He is notably in charge of merchandise, own-brand products, supply chain and formats.

Matthieu Malige

Matthieu Malige is a graduate of HEC Business School and *École des Travaux Publics* and holds a Master of Science degree from UCLA. He started his career at Lazard Frères. From 2003 to 2011, he held various positions within the Carrefour group: Director of Strategy and Development, Chief Financial Officer of Carrefour Belgium and Chief Financial Officer of Carrefour France. In 2011, he joined the Fnac group as Chief Financial Officer and on July 20, 2016 following the company's acquisition of Darty, he became Chief Financial Officer of the Fnac Darty Group. On October 16, 2017, Matthieu Malige was appointed Chief Financial Officer of the Carrefour group.

Laurent Vallée

Laurent Vallée is a graduate of ESSEC Business School, *Institut d'Études Politiques de Paris* and *École Nationale de l'Administration* (ENA). He began his career at the *Conseil d'État*, France's administrative Supreme Court, where he served in particular as Government Commissioner and Constitutional Advisor to the Government's Secretary General. From 2008 to 2010, Laurent Vallée was a lawyer with the Clifford Chance law firm, before being appointed Director of Civil Affairs at the Ministry of Justice in April 2010. He was then General Corporate Secretary of the Canal+ Group from 2013 to 2015. Since March 2015, he has served as Secretary General of the *Conseil Constitutionnel*, France's constitutional council. On August 30, 2017, Laurent Vallée joined the Executive Management team as General Secretary of the Carrefour group.

Jérôme Nanty

Jérôme Nanty is a graduate of *Institut d'Études Politiques de Paris* and has a Master's degree in public law. He began his career in 1986 at Société Générale before joining the capital markets division of Crédit Lyonnais bank in 1989, first as a bond market operator and subsequently as a manager of a portfolio of bond issuers. In 1998, he joined the bank's Human Resources department as manager of employment policy and later labour relations. From 2001 to 2004, he served as Director of Labour and Social Relations for the Crédit Lyonnais group. From 2003 onwards, he held the same position at the Crédit Agricole group. As such, he was in charge of the labour aspect of the merger of Crédit Lyonnais with Crédit Agricole. He was appointed as Director of Human Resources at LCL in 2005 and at the Caisse des Dépôts group in 2008. From 2013 to 2016, he was General Secretary of the Transdev group. Since July 2016, he has served as General Secretary and Director of Human Resources of the Air France-KLM group. On October 2, 2017, Jérôme Nanty joined the Carrefour group as Executive Director for Human Resources for the Group and France.

Laurent Glépin

Laurent Glépin is a graduate of EFAP, the French Institute of Press Attachés. He began his career with the French political party *Rassemblement pour la République*, serving as Press *Attaché* from 1990 to 1993, and subsequently as Press Secretary from 1993 to 1995. From 1995 to 2007, Laurent Glépin served as Press Advisor to the French Presidency. From 2007 to 2008, he was Director of Communications at Georges Pompidou Centre, the French national centre for art and culture. From 2008 to 2010, he served as Director of Communications and Press Relations for Europe 1. In January 2011, Laurent Glépin was appointed Director of Communications and Cultural Initiatives for the Fnac group and in 2016 he became Director of Communications for the Fnac Darty group. On October 2, 2017, he joined the Carrefour group as Executive Director, Communications for the Group and France.

Frédéric Haffner

Frédéric Haffner is a graduate of HEC Business School. In 1999, he joined Rothschild & Cie, where he led a number of mergers & acquisitions and financing transactions to support the international development of major French and European corporations. He joined Carrefour in 2014 as Director of M&A. In 2017, he coordinated the IPO of Carmila and Grupo Carrefour Brasil. Since October 2, 2017, Frédéric Haffner has served as Executive Director for Strategy and M&A.

3.4 Compensation and benefits granted to Company Officers

3.4.1 Directors' compensation

The Shareholders' Meeting of June 15, 2017 increased the annual budget for Directors' attendance fees to 1,200,000 euros for the period from August 1, 2016 to July 31, 2017, and for subsequent periods, to take into account renewed terms of office and appointments of Directors and the new composition of the Board of Directors' specialised committees.

At its meeting on April 11, 2018, the Board of Directors decided to amend the allocation procedures for Directors' attendance fees. These procedures had not changed since 2012. The variable portion of attendance fees paid to Directors based on their frequency of attendance will take precedence in future financial years.

As from August 1, 2018, the attendance fees will be allocated as follows:

- Chairman of the Board of Directors: 10,000 euros;
- Vice-Chairman of the Board of Directors: 40,000 euros;
- Lead Director: 40,000 euros;
- Director: 45,000 euros comprised of:
  - a variable portion of 25,000 euros (versus 10,000 euros until July 31, 2018) based on the Director's frequency of attendance,
  - a fixed portion of 20,000 euros (versus 35,000 euros until July 31, 2018);
- Chairman of the Accounts Committee: 30,000 euros;
- Chairman of the Compensation Committee, the Appointments Committee, the CRS Committee and the Strategic Committee: 10,000 euros;
- members of specialised committees: compensation of 10,000 euros for belonging to one or more specialised committees, based on the committee member's frequency of attendance.

The variable portion of Directors' attendance fees is paid in proportion to the number of Board of Directors' and/or specialised committee meetings attended by the members (100% of the variable portion will be allocated for attendance at all meetings).

Directors' attendance fees are paid once a year, in July.

The two Directors representing employees have an employment contract within the Group and are therefore compensated for work unrelated to their directorship. Consequently, this compensation is not disclosed. They do not receive attendance fees.

During 2016 and 2017, Directors received attendance fees in the following amounts excluding other compensation (except for the Executive Officers described in Section 3.4.2 of this Registration Document):

Directors' attendance fees paid in 2016 and 2017
(in euros)[7]

	2016	2017
Alexandre Bompard[1]	-	2,451.61
Georges Plassat[2]	65,000.00	55,000.00
Bernard Arnault	36,666.66	36,111.11
Nicolas Bazire	68,750.00	63,000.00
Jean-Laurent Bonnafé	41,666.64	42,777.77
Thierry Breton	65,000.00	63,888.88
René Brillet[3]	63,750.00	54,142.05
Flavia Buarque de Almeida[4]	-	16,199.05
Abilio Diniz	13,954.33	42,777.77
Charles Edelstenne	55,000.00	52,777.77
Philippe Houzé	70,000.00	70,044.00
Diane Labruyère-Cuilleret	65,000.00	65,000.00
Mathilde Lemoine	53,750.00	55,000.00
Bertrand de Montesquiou	65,000.00	65,000.00
Patricia Moulin Lemoine	53,333.30	55,000.00
Nadra Moussalem[5]	8,954.33	25,538.94
Georges Ralli	130,000.00	125,000.00
Marie-Laure Sauty de Chalon[6]	-	6,726.72
Amaury de Sèze[3]	105,000.00	91,098.05
Anne-Claire Taittinger	55,000.00	55,000.00
Lan Yan[6]	-	6,726.72
TOTAL	**1,052,491.92**	**1,049,260.44**

(1) Director and Chairman of the Board of Directors since July 18, 2017.
(2) Director and Chairman of the Board of Directors until July 18, 2017.
(3) Director until June 15, 2017.
(4) Director since April 12, 2017.
(5) Director until March 8, 2017.
(6) Director since June 15, 2017.
(7) Gross amounts before withholding tax for non-French residents and payroll tax for French residents.

3.4.2 Compensation of Executive Officers

3.4.2.1 2017 compensation policy for Executive Officers

The Shareholders' Meeting of June 15, 2017 approved the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and benefits in kind that may be awarded to Executive Officers in accordance with Article L. 225-37-2 of the French commercial code.

The payment of the variable and exceptional components of compensation due in respect of the 2017 financial year is subject to the approval of the Shareholders' Meeting of June 15, 2018, in accordance with Article L. 225-100, paragraph 6 of the French commercial code.

I/ Principles for determining the compensation of Executive Officers

The rules and principles used in determining the compensation and other benefits of Executive Officers are approved by the Board of Directors on the recommendation of the Compensation Committee; the Board of Directors refers in particular to the AFEP-MEDEF code.

The principles used in determining the compensation of Executive Officers of the Company are as follows:

Balance

The Board of Directors ensures that no component of compensation is disproportionate. It also ensures that each component of compensation is relevant to the Company's interests.

Consistency

The compensation policy for Executive Officers seeks to reward the individual performance of each Executive Officer as well as the collective performance of the management team.

The policy reflects the responsibilities, experience, performance and potential of each Executive Officer.

Performance

The compensation of Executive Officers is closely linked to the Group's operational performance in order to reward them for their performance and progress made, in particular through annual variable compensation and a long-term incentive plan.

The variable compensation of Executive Officers is subject to the fulfilment of certain performance conditions set by the Board of Directors, on the recommendation of the Compensation Committee, and which include financial and qualitative objectives that are precise, simple, measurable and rigorous.

The Board of Directors may periodically review these objectives and amend them accordingly to better reflect the Group's strategic ambitions; the Board also ensures their continued implementation.

To get Executive Officers actively involved in the Group's growth over the long term and to be more closely aligned with shareholders' interests, compensation may also include Company performance shares.

In line with the Group's Corporate Social Responsibility (CSR) commitments, CSR-related performance objectives may also be taken into account when determining the compensation of Executive Officers.

Comparability

The compensation of Executive Officers must be competitive in order to attract, motivate and retain talent at the highest levels of the Group. To assess the Group's competitiveness, other companies' compensation practices are regularly analysed based on a panel of French and foreign companies that serve as benchmarks in their respective markets.

II/ Criteria for determining, allocating and awarding the components of compensation of Executive Officers

The components of compensation of Executive Officers are as follows:

Annual compensation

Annual compensation comprises a fixed portion and a variable portion. This compensation reflects the responsibilities, experience and skills of each Executive Officer, as well as market practices.

Annual fixed compensation

Annual fixed compensation is reviewed at relatively long intervals, although it may be re-examined by the Board of Directors in certain cases, particularly when an Executive Officer's term is up for renewal.

Annual variable compensation

Annual variable compensation may not exceed a maximum amount expressed as a percentage of annual fixed compensation.

Specifically, annual variable compensation may not exceed 200% of the annual fixed compensation of Executive Officers. However, the Board of Directors may decide to lower this ceiling.

Annual variable compensation is subject to the fulfilment of performance conditions based on achieving financial objectives and individual qualitative objectives. The performance objectives are based, for 50% of annual variable compensation, on achieving financial objectives and, for the remaining 50%, on achieving individual qualitative objectives as defined by the Board of Directors on the recommendation of the Compensation Committee. The expected level of achievement of financial objectives used to determine annual variable compensation is established precisely but is not disclosed for confidentiality purposes.

As from the compensation due in respect of 2017 and in accordance with Article L. 225-100, paragraph 6 of the French commercial code, the components of annual variable compensation may only be paid following the approval of the Ordinary Shareholders' Meeting to be held in 2018.

Long-term incentive plan

This long-term incentive plan may include stock options, performance shares or a cash payout under the following terms and conditions:

- the long-term incentive plan may represent up to a maximum of 50% of the gross maximum compensation;
- in order to benefit from the plan, the person concerned must fulfil qualitative and quantitative performance conditions, as set by the Board of Directors on the recommendation of the Compensation Committee, over a multi-year period;
- in order to benefit from the plan, the person concerned must remain in office at the end of the financial years considered.

If stock options or performance shares are granted, the Board of Directors will set the number of shares that each Executive Officer is required to hold until the termination of his/her term of office, in accordance with the provisions of the French commercial code.

Directors' attendance fees

The Board of Directors may decide to pay Directors' attendance fees to Executive Officers as consideration for their membership on the Board of Directors and on one or more Board of Directors' specialised committees.

These attendance fees are paid in accordance with the same rules applicable to Directors, as described in Section 3.4.1 of this Registration Document. They are comprised of a fixed portion and a variable portion based on the Directors' frequency of attendance at meetings of the Board of Directors and its specialised committees.

Exceptional compensation

In certain special circumstances, the Board of Directors may decide to award exceptional compensation to Executive Officers.

Such compensation may include stock options, performance shares or a cash payout.

Compensation or benefits due or likely to be due upon taking office

In accordance with the comparability principle described above, the Board of Directors may, on the recommendation of the Compensation Committee, award compensation related to a new Executive Officer taking office.

Such compensation may include stock options, performance shares or a cash payout.

Commitments mentioned in the first and sixth paragraphs of Article L. 225-42-1 of the French commercial code

In line with market practices, the Company provides its Executive Officers with an income replacement plan for when they retire.

Specifically, the Group's Executive Officers may receive a supplementary defined benefit pension plan, provided for under Article L. 137-11 of the French social security code (*Code de la sécurité sociale*), offered within the Group since 2009. Plan membership is subject to the fulfilment of performance conditions.

The plan is described in Section 3.4.2.3 of this Registration Document.

In certain circumstances, the Board of Directors may decide to award a termination payment to Executive Officers or agree to a non-compete obligation.

The award of a termination payment is subject to performance conditions. The Board of Directors may waive the implementation of the non-compete obligation upon an Executive Officer's termination.

The termination payment awarded to Executive Officers is capped at two years' fixed and variable compensation. Any potential non-compete obligation is included in the above ceiling.

Executive Officers also benefit from a supplementary healthcare and insurance scheme.

Benefits in kind

At the Board of Directors' discretion and on the recommendation of the Compensation Committee, Executive Officers may receive benefits in kind. The award of benefits in kind is determined in view of the nature of the position held.

Executive Officers therefore have a company car. Other benefits in kind may be provided for based on the specific situation of each Executive Officer.

3.4.2.2 2018 compensation policy for the Chairman and Chief Executive Officer

At its meeting on April 11, 2018, the Board of Directors decided that it would submit to the Shareholders' Meeting to be held on June 15, 2018 the following resolution on the 2018 compensation policy for the Chairman and Chief Executive Officer presented below.

The Shareholders' Meeting, pursuant to Article L. 225-37-2 of the French commercial code, deliberating under the conditions required for Ordinary Shareholders' Meetings as to quorum and majority, having examined the Board of Directors' report, in accordance with Article L. 225-37-2 of the French commercial code, approves the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and benefits of any kind that may be awarded to Alexandre Bompard for his term as Chief Executive Officer for the 2018 financial year.

I/ Principles for determining the compensation of the Chairman and Chief Executive Officer

The rules and principles used in determining the compensation and other benefits of the Chairman and Chief Executive Officer are approved by the Board of Directors on the recommendation of the Compensation Committee; the Board of Directors refers in particular to the AFEP-MEDEF code.

The principles used in determining the compensation of the Chairman and Chief Executive Officer are as follows:

Balance

The Board of Directors ensures that no component of compensation is disproportionate. It also ensures that each component of compensation is relevant to the Company's interests.

Consistency

The compensation policy for the Chairman and Chief Executive Officer aims to reward the Group's operating performance on the one hand and the Chairman and Chief Executive Officer's individual performance on the other.

The policy reflects the responsibilities, experience, performance and potential of the Chairman and Chief Executive Officer.

Performance

The Chairman and Chief Executive Officer's compensation is closely linked to the Group's operating performance, the purpose being to reward him for his performance and progress made, in particular through annual variable compensation and a long-term incentive plan.

The Chairman and Chief Executive Officer's variable compensation is subject to the fulfilment of certain performance conditions set by the Board of Directors, on the recommendation of the Compensation Committee, and which include quantitative financial and non-financial objectives as well as qualitative objectives that are precise, simple, measurable and rigorous.

The Board of Directors may periodically review these objectives and amend them accordingly to better reflect the Group's strategic ambitions; the Board also ensures their continued implementation.

Moreover, to get the Chairman and Chief Executive Officer actively involved in the Group's growth over the long term and to be more closely aligned with shareholders' interests, a portion of the compensation may also include Company performance shares.

In line with the Group's corporate social responsibility (CSR) commitments, CSR-related non-financial performance objectives may also be taken into account when determining the compensation of the Chairman and Chief Executive Officer.

Comparability

The Chairman and Chief Executive Officer's compensation must be competitive in order to attract, motivate and retain talent at the highest levels of the Group. To assess the Group's competitiveness, other companies' compensation practices are regularly analysed using a panel of French and foreign companies that serve as benchmarks in their respective markets.

II/ Criteria for determining, allocating and awarding the components of compensation of the Chairman and Chief Executive Officer

The components of the Chairman and Chief Executive Officer's compensation are as follows:

Annual compensation

Annual compensation comprises a fixed portion and a variable portion. This compensation reflects his responsibilities, experience and skills, as well as market practices.

Annual fixed compensation

Annual fixed compensation is reviewed at relatively long intervals, although it may be re-examined by the Board of Directors in certain cases, particularly when the Chairman and Chief Executive Officer's term is up for renewal.

Annual variable compensation

Annual variable compensation may not exceed a maximum amount expressed as a percentage of annual fixed compensation.

Specifically, annual variable compensation may not exceed 165% of the Chairman and Chief Executive Officer's annual fixed compensation.

Annual variable compensation is subject to the fulfilment of performance conditions based on achieving quantitative financial and non-financial objectives, as well as individual qualitative objectives. The performance objectives are based, for 80% of annual variable compensation, on achieving quantitative objectives and, for the remaining 20%, on achieving individual qualitative objectives as defined by the Board of Directors on the recommendation of the Compensation Committee. The expected level of achievement of quantitative objectives used to determine annual variable compensation is established precisely but is not disclosed for confidentiality purposes.

The annual variable compensation due in respect of 2018 and in accordance with Article L. 225-100, paragraph 6 of the French commercial code, may only be paid following the approval of the Ordinary Shareholders' Meeting to be held in 2019 to approve the financial statement for the year ending December 31, 2018.

Long-term incentive plan

The long-term incentive plan may include stock options, performance shares or a cash payout under the following terms and conditions:

- the long-term incentive plan may not exceed 50% of the gross maximum compensation;
- in order to benefit from the plan, the person concerned must fulfil qualitative and quantitative performance conditions, as set by the Board of Directors on the recommendation of the Compensation Committee, over a multi-year period;
- in order to benefit from the plan, the person concerned must remain in office at the end of the financial years considered.

If stock options or performance shares are granted, the Board of Directors will set the number of shares that the Chairman and Chief Executive Officer is required to hold until the termination of his term of office, in accordance with the provisions of the French commercial code.

Directors' attendance fees

The Board of Directors may decide to pay Directors' attendance fees to the Chairman and Chief Executive Officer in his capacity as Director, Chairman of the Board of Directors and specialised committee member.

These attendance fees are paid in accordance with the rules applicable to Directors, as described in Section 3.4.1 of this Registration Document. They are comprised of a fixed portion and a variable portion based on the Directors' frequency of attendance at the Board of Directors' meetings and its specialised committees meetings.

Exceptional compensation

In certain special circumstances, the Board of Directors may decide to award exceptional compensation to the Chairman and Chief Executive Officer.

Such compensation may include stock options, performance shares or a cash payout.

Compensation or benefits due or likely to be due upon taking office

In accordance with the comparability principle described above, the Board of Directors may, on the recommendation of the Compensation Committee, award compensation related to the act of taking of office.

Such compensation may include stock options, performance shares or a cash payout.

Commitments mentioned in the first and sixth paragraphs of Article L. 225-42-1 of the French commercial code

In line with market practices, the Company provides its Chairman and Chief Executive Officer with an income replacement plan for when he retires.

Specifically, the Chairman and Chief Executive Officer may receive a supplementary defined benefit pension plan, provided for under Article L. 137-11 of the French social security code (*Code de la sécurité sociale*), offered within the Group since 2009. Plan membership is subject to the fulfilment of performance conditions.

The plan is described in Section 3.4.2.3 of this Registration Document.

Furthermore, in certain circumstances, the Board of Directors may also decide to award a termination payment to the Chairman and Chief Executive Officer and/or agree to a non-compete obligation.

The award of a termination payment is subject to performance conditions. The Board of Directors may waive the implementation of the non-compete obligation upon the Chairman and Chief Executive Officer's termination.

The termination payment that may be awarded to the Chairman and Chief Executive Officer is capped at two years' fixed and variable compensation. Any potential non-compete obligation is included in the above ceiling.

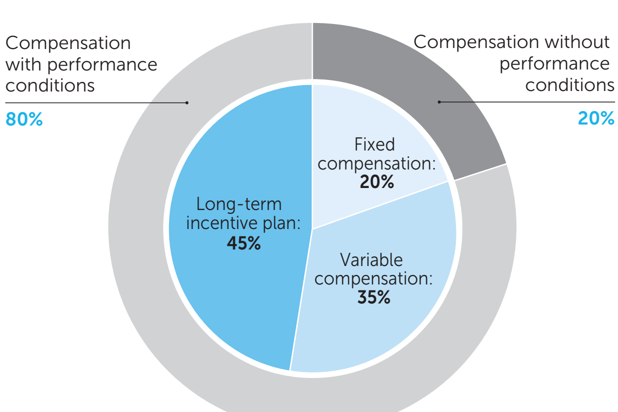
Lastly, the Chairman and Chief Executive Officer benefits from a supplementary healthcare and insurance scheme.

Benefits in kind

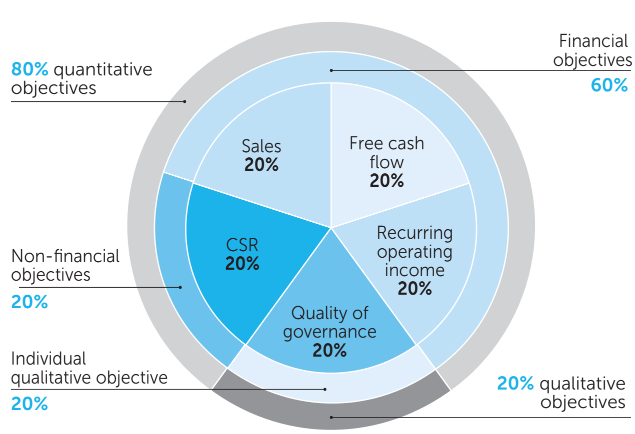
At the Board of Directors' discretion and on the recommendation of the Compensation Committee, the Chairman and Chief Executive Officer may receive benefits in kind. The award of benefits in kind is determined in view of the nature of the position held.

Accordingly, the Chairman and Chief Executive Officer has a company car. Other benefits in kind may be provided for in specific situations.

2018 compensation structure



2018 annual variable compensation



3.4.2.3 Compensation of Alexandre Bompard, Chairman and Chief Executive Officer

The Shareholders' Meeting of June 15, 2017 approved the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and benefits in kind that may be awarded to the Chairman and Chief Executive Officer in accordance with Article L. 225-37-2 of the French commercial code.

The table below summarises the components of compensation due or paid to Alexandre Bompard in respect of 2017 in his capacity as Chairman and Chief Executive Officer as from July 18 of that year.

	2017 financial year	
(in euros)	**Amounts due for the financial year**	**Amounts paid during the financial year**
Alexandre Bompard Chairman and Chief Executive Officer since July 18, 2017		
Fixed compensation(1)	750,000	750,000
Variable compensation(1)	1,237,500	N/A
Long-term incentive plan	N/A(3)	N/A
Termination payment	N/A	N/A
Directors' attendance fees(2)	2,452	2,452
Benefits in kind(1) (company car with driver)	1,450	1,450
TOTAL	**1,991,402**	**753,902**

	2017 financial year
Estimated value of options granted during the financial year	N/A
Estimated value of performance-based shares granted during the financial year	N/A

(1) Prorated over six months, in accordance with the Board of Directors' decision.
(2) Period from July 18, 2017 to July 31, 2017.
N/A: Not applicable.
(3) If the performance conditions in respect of 2017 and 2018 are met, Alexandre Bompard will receive a cash incentive of 3,252,000 euros, subject to approval by the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2018.

Annual compensation

2017 compensation

Alexandre Bompard receives annual compensation comprising a fixed portion and a variable portion. In respect of 2017, both portions were 50% prorated for the year.

For 2017, his fixed compensation amounted to 750,000 euros, based on the annual fixed compensation set at 1,500,000 euros.

The annual variable compensation of Alexandre Bompard is based on the fulfilment of objectives and can represent up to 165% of his annual fixed compensation, depending on the extent to which objectives are achieved. The fulfilment of 100% of his objectives for 2017 and 2018 would entitle Alexandre Bompard to annual variable compensation equal to 100% of his annual fixed compensation. The achievement of his objectives at 120% would entitle him to annual variable compensation amounting to 165% of his fixed compensation. For every increase in fulfilment over 100% and up to 120%, the annual variable compensation would increase on a linear basis.

The performance objectives for his annual variable compensation are based, for 50%, on achieving financial objectives (with sales and recurring operating income each accounting for half) and, for the remaining 50%, on achieving individual qualitative objectives (with quality of governance and CSR each accounting for half).

The expected level of achievement of financial objectives used to determine the variable portion of annual compensation is established precisely but is not disclosed for confidentiality purposes.

On April 11, 2018, the Board of Directors set the amount of Alexandre Bompard's annual variable compensation in respect of 2017 at 1,237,500 euros.

Thus, his annual variable compensation for 2017 amounted to 165% of his annual fixed compensation.

OBJECTIVES	CRITERIA	TYPE	WEIGHTING	OBJECTIVES ACHIEVED
Financial	Sales	Quantitative	25%	Met
	Recurring operating income	Quantitative	25%	Partially met
Non-financial	CSR	Quantitative	25%	Exceeded
		Total quantitative	75%	
Individual qualitative	Quality of governance	Qualitative	25%	Exceeded

Payment of Alexandre Bompard's annual variable compensation is subject to approval by the Shareholders' Meeting on June 15, 2018.

2018 compensation

For the 2018 financial year, the Board of Directors decided to maintain the fixed portion of his annual compensation, at 1,500,000 euros.

In accordance with the 2018 compensation policy, the annual variable compensation was modified to include an objective regarding free cash flow (excluding non-recurring items).

Alexandre Bompard's 2018 annual variable compensation will be determined with the weighting of the following objectives:

OBJECTIVES	CRITERIA	TYPE	WEIGHTING
Financial	Sales	Quantitative	20%
	Recurring operating income	Quantitative	20%
	Free cash flow (excluding non-recurring items)	Quantitative	20%
Non-financial	CSR	Quantitative	20%
		Total quantitative	80%
Individual qualitative	Quality of governance	Qualitative	20%

Long-term incentive plan

On July 18, 2017, the Board of Directors decided, on the recommendation of the Compensation Committee, to offer Alexandre Bompard every year a long-term incentive plan that may include stock options, performance shares or a cash payout under the following terms and conditions:

- the long-term incentive may represent up to a maximum of 45% of the gross target compensation, *i.e.*, the sum of the annual fixed compensation, the above-mentioned 165% variable target compensation and the long-term incentive;
- in order to benefit from the plan, two of the three following objectives set by the Board of Directors must be fulfilled at more than 100% for two consecutive years: sales, recurring operating income and CSR;
- in order to benefit from the plan, Alexandre Bompard must remain Chairman and Chief Executive Officer at the end of the financial years set out above.

Under these conditions, the Board of Directors put in place a long-term cash incentive plan subject to the fulfilment of the conditions in respect of 2017 and 2018 financial years in accordance with the principles set out above.

If the performance conditions in respect of 2017 and 2018 are met, Alexandre Bompard will receive a cash incentive of 3,252,000 euros, subject to approval by the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2018.

A long-term incentive plan will be offered under the same terms and conditions and with the same objectives as the 2017 and 2018 long-term incentive plan, but with performance assessed over 2018 and 2019.

Supplementary defined benefit pension plan

On July 18, 2017, the Board of Directors decided that Alexandre Bompard would be eligible for the supplementary defined benefit pension plan, provided for under Article L. 137-11 of the French social security code, offered within the group to Senior Managers.

The Board of Directors felt that enrolling Alexandre Bompard in this plan would enable the Group to further incentivise and retain its new Executive Officer.

1. Eligibility conditions

Plan membership is subject to fulfilment of the following cumulative conditions:

- plan participants must have completed at least three years of actual continued service within the Group;
- their gross annual compensation must be greater than 18 times the annual ceiling for social security contributions; and
- they must be employed by the Group when they retire in accordance with the provisions of Article L. 137-11 of the French social security code.

2. Methods for determining the reference compensation

The reference compensation is the average of the gross annual compensation received within the Group over the last three calendar years preceding the year of retirement.

This average may not exceed 60 times the annual ceiling for social security contributions.

In determining the reference compensation, only the annual base and the annual variable compensation paid are taken into consideration. Any other form of compensation is excluded, whether direct or indirect.

3. Rate of accrual of pension rights

The amount of the annual pension supplement is equal to 2.75% of the reference compensation per year of service, subject to the performance conditions being met.

The annuity thus calculated will be added to any other pensions or retirement annuities (social security old age pension, compulsory top-up pension for managers (AGIRC/ARRCO), annuities from supplementary company schemes, etc.).

The number of years of service retained for calculating the pension supplement will be that acquired by Alexandre Bompard within the Group in his capacity as an employee or an Executive Officer. It takes into account his entire length of service within the Group, including under non-consecutive contracts.

4. Fulfilment of performance conditions

The accrual of pension rights under this scheme is subject to performance conditions.

Any given year is only taken into account in determining the amount of the annuity if it corresponds to a year during which the performance conditions were met.

Each year, the Board of Directors determines the applicable performance conditions that correspond, barring exceptions, to meeting at least 80% of the quantitative performance conditions, which triggers the payment of annual variable compensation to Alexandre Bompard.

At the end of each year, the Board of Directors checks whether the performance conditions were met during the year. If this is not the case, the year is not taken into account when calculating the annuity.

Moreover, the allocation of a pension supplement presupposes that, for at least two-thirds of the years, the performance conditions have been validated during Alexandre Bompard's period of service within the Group.

5. Methods for determining caps

The amount of the annuity is subject to a double cap. If this cap is exceeded, it is reduced accordingly.

The cumulative amount of the gross annual annuity and of all the annuities from supplementary Group retirement schemes cannot exceed 25% of the reference compensation.

Moreover, the amount of the gross annual annuity cannot exceed the difference between:

- 45% of the reference compensation; and
- the gross annual amount of all the base, compulsory top-up and supplementary pensions.

6. Methods of financing pension rights

The annuities are paid by an insurance company to which the Company pays premiums according to the financing requirements that evolve as the beneficiaries retire and claim their pensions.

7. Charges and contributions payable by the Company

The employer pays an annual contribution of 24% on the premiums paid to the insurance company.

During its meeting on April 11, 2018 and on the recommendation of the Compensation Committee, the Board of Directors noted that the applicable performance conditions triggering the payment of the Chairman and Chief Executive Officer's annual variable compensation, *i.e.*, fulfilment of at least 80% of the quantitative performance conditions, had been met in 2017.

The estimated amount of the gross annual annuity at December 31, 2017 would have been 64,726 euros.

Termination payment

On July 18, 2017, the Board of Directors decided, on the recommendation of the Compensation Committee, that Alexandre Bompard would be entitled to a termination payment under the following conditions.

The Board of Directors felt that this undertaking would further incentivise and retain Alexandre Bompard as the Group's new Executive Officer.

Conditions for the award of the termination payment:

1. Performance conditions

The award of a termination payment is subject to the performance conditions pegged to achieving the following objectives: growth in sales and recurring operating income and CSR.

Alexandre Bompard will therefore receive a termination payment if, during at least half of his term(s) of office and during two of the last three years preceding the termination of his appointment as Chairman and Chief Executive Officer, he exceeded all his objectives set by the Board of Directors for determining his benefits under his long-term incentive plans. If a long-term incentive plan was not in place for one of the financial years considered, only the fulfilment of the objectives set by the Board of Directors for determining his annual variable compensation will be taken into account.

As an exception, if Alexandre Bompard's term of office expires before two years have passed, the objectives mentioned above will be assessed for the year preceding the year the term expired.

2. Reasons for departure

The termination payment will be paid in the event of the termination, for any reason whatsoever, of his duties as Chairman and Chief Executive Officer, except in cases of removal for gross negligence or wilful misconduct or a change of position within the Carrefour group.

The Board of Directors considered that the termination payment being contingent on a non-compete obligation justifies departing from the exclusions provided under AFEP-MEDEF code in relation to termination payments for Executive Officers. The AFEP-MEDEF code recommendation only addresses termination payments, and not non-compete obligations.

3. Non-compete obligation

The termination payment is contingent on the non-compete obligation that will come into effect when Alexandre Bompard terminates his duties as Chairman and Chief Executive Officer.

This obligation will last 18 months as from the time he leaves office. The purpose is to prohibit him from working for a competitor within a number of specified businesses operating in the retail food industry.

4. Amount of the termination payment

Lastly, Alexandre Bompard will be eligible for a termination payment equal to his annual fixed and target variable compensation, excluding all other forms of compensation, such as that paid under a long-term incentive plan.

5. Termination payment conditions

In accordance with the provisions of Article L. 225-42-1 of the French commercial code, no payment can be made before the Board of Directors states that the above conditions have been fulfilled (on the date of or after the termination or the effective change of position of the Chairman and Chief Executive Officer).

Compensation or benefits due or likely to be due upon taking office

N/A

Directors' attendance fees

The amount of Directors' attendance fees paid to Alexandre Bompard in his capacity as Chairman of the Board of Directors, Director and Chairman of the Strategic Committee is determined according to the rules defined in Section 3.4.1 of this Registration Document.

Supplementary healthcare and insurance schemes

Alexandre Bompard is covered by healthcare and death and disability insurance plans.

Benefits in kind

Alexandre Bompard has a company car with a driver, corresponding to a gross benefit in kind valued at 1,450 euros (*prorata* over six months).

3.4.2.4 Compensation of Georges Plassat, Chairman and Chief Executive Officer until July 18, 2017

The Shareholders' Meeting of June 15, 2017 approved the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and benefits in kind that may be awarded to Georges Plassat in his capacity as Chairman and Chief Executive Officer until July 18, 2017 in accordance with Article L. 225-37-2 of the French commercial code.

On July 18, 2017, Georges Plassat informed the Board of Directors that he had decided to retire.

The Board of Directors acknowledged his decision and accepted his resignation from the Board of Directors and from the office of Chairman and Chief Executive Officer, effective as of that date

The table below summarises the components of compensation due or paid to Georges Plassat in respect of 2016 and 2017 in his capacity as Chairman and Chief Executive Officer until July 18, 2017.

	2016 financial year		2017 financial year	
(in euros)	**Amounts due for the financial year**	**Amounts paid during the financial year**	**Amounts due for the financial year**	**Amounts paid during the financial year**
Georges Plassat Chairman and Chief Executive Officer until July 18, 2017				
Fixed compensation	1,500,000	1,500,000	818,750[5]	818,750[5]
Variable compensation[1]	1,821,000	2,250,000	896,593[5]	1,821,000
Long-term incentive plan	3,252,000	N/A	N/A	6,504,000[6]
Termination payment and non-compete obligation[2]	N/A	N/A	3,975,000	3,975,000
Directors' attendance fees[3]	65,000	65,000	55,000	55,000
Benefits in kind (company car with driver)	3,976	3,976	2,319[5]	2,319[5]
TOTAL	**6,641,976**	**3,818,976**	**5,747,662**	**13,176,069**

	2016 financial year	2017 financial year
Estimated value of options granted during the financial year	N/A	N/A
Estimated value of performance-based shares granted during the financial year[4]	3,092,600	N/A

(1) The variable compensation due for the year is paid in year Y+1.
(2) At its meeting on July 18, 2017, the Board of Directors noted that: the performance conditions in respect of 2014, 2015 and 2016 had been met; Georges Plassat did not leave as a result of a change of position within the Carrefour group or due to removal for gross negligence or wilful misconduct; Georges Plassat would receive a termination payment, subject to the signing of a non-compete obligation which has been signed.
(3) Period of the year (August 1 to July 31).
(4) It should be noted that this is an estimated value. The shares shall only vest following a vesting period of three years beginning as from the allocation date. The number of shares that vest will depend on the fulfilment of three performance conditions, as assessed at the close of the three-year vesting period: two conditions linked to financial performance – EBITDA growth (for 35%) and organic sales growth (for 35%) – and a CSR-related condition (for 30%).
(5) Amount calculated prorata to his length of service with Carrefour group until July 18, 2017.
(6) Amount paid in 2017 in respect of the long-term incentive plans for the 2014/2015 and 2015/2016 financial years.
N/A: Not applicable.

Annual compensation

Georges Plassat received annual compensation comprising a fixed portion and a variable portion. On July 18, 2017, the Board of Directors decided that his annual fixed compensation in respect to 2017 would be paid *prorata* to his length of service with Carrefour group until that date, in an amount of 818,750 euros for the period.

The annual variable compensation of Georges Plassat was based on the fulfilment of objectives and could represent up to 165% of his annual fixed compensation, depending on the extent to which objectives were achieved. The performance objectives for his annual variable compensation were based, for 50% of his annual variable compensation, on achieving financial objectives (with sales and recurring operating income each accounting for half) and, for the remaining 50%, on achieving individual qualitative objectives (with quality of governance and CSR each accounting for half).

OBJECTIVES	CRITERIA	TYPE	WEIGHTING
Financial	Sales	Quantitative	25%
	Recurring operating income	Quantitative	25%
Non financial	CSR	Quantitative	25%
		Total quantitative	75%
Individual qualitative	Quality of governance	Qualitative	25%

The expected level of achievement of financial objectives used to determine the variable portion of annual compensation is established precisely but is not disclosed for confidentiality purposes.

On July 18, 2017, the Board of Directors decided that Georges Plassat's annual variable compensation would be paid *prorata* to his length of service with Carrefour group until that date.

On April 11, 2018, the Board of Directors set the amount of Georges Plassat's annual variable compensation in respect of 2017 at 896,593 euros. Thus, his annual variable compensation for 2017 represented 110% of his annual fixed compensation.

Payment of this annual variable compensation is subject to approval by the Shareholders' Meeting on June 15, 2018.

Long-term incentive plan

On the recommendation of the Compensation Committee, the Board of Directors awarded a long-term incentive plan in respect of the 2014/2015, 2015/2016 and 2016/2017 financial years to the Chairman and Chief Executive Officer on April 29, 2015. This incentive plan may include stock options, performance shares or a cash payout under the following terms and conditions:

- the long-term incentive plan may represent up to a maximum of 45% of the gross target compensation;
- in order to benefit from the plan, two of the three qualitative performance conditions (CSR) and quantitative performance conditions (sales and recurring operating income) set by the Board of Directors must be fulfilled at more than 100% for two consecutive years;
- in order to benefit from the plan, Georges Plassat must remain Chairman and Chief Executive Officer at the end of the financial years set out above.

In the event that the Chairman and Chief Executive Officer leaves the Company before the end of the time period set out for the fulfilment of the performance conditions, he would not receive any payment under the long-term incentive plan, except in the case of exceptional circumstances set out by the Board of Directors, in compliance with the recommendation of the AFEP-MEDEF code.

No performance shares or stock options were granted in the Group in respect of 2012, 2013, 2014 and 2015.

Under these conditions, the Board of Directors approved a long-term incentive plan in respect of 2016 and 2017 based on the grant of performance shares in accordance with the terms and conditions described below.

Performance share plan

In accordance with the 14th resolution adopted by the Shareholders' Meeting of May 17, 2016, on the recommendation of the Compensation Committee, the Board of Directors decided on July 27, 2016 to approve a performance share plan for some 950 Group employees, comprising a maximum total of 1,950,000 shares (representing 0.26% of the share capital).

Under this plan, on the recommendation of the Compensation Committee, the Board of Directors decided to grant a maximum total of 140,000 performance shares to Georges Plassat (representing 7.2% of the shares granted and 0.019% of the share capital).

The Board of Directors decided that these shares shall only vest following a vesting period of three years beginning as from the allocation date. The number of shares that vest will depend on the fulfilment of three performance conditions measured at the end of the three-year vesting period: two conditions linked to financial performance – EBITDA growth (for 35%) and organic sales growth (for 35%) – and a CSR-related condition (for 30%).

The shares will vest on the condition that, at the end of the vesting period, the beneficiary holds an executive position in which capacity he is covered by the general social security scheme in accordance with Article L. 311-3 of the French social security code, unless he retires before the vesting date.

However, the plan rules stipulated that the condition of holding a position with the Group was not applicable to employees and Executive Officers, particularly in the event of the grantee's death or retirement (resigning from the Company to receive a pension).

As a result, on July 18, 2017, the Board of Directors observed that Georges Plassat's retirement would not cause him to forfeit his vesting rights and that he could be entitled to the performance shares under the same terms and conditions as the other Executive Officers (in particular, three years after the date of grant and assuming fulfilment of the collective performance conditions described above).

Supplementary defined benefit pension plan

Georges Plassat was eligible to a supplementary defined benefit pension plan, as described in Article L. 137-11 of the French social security code, offered within the Group since 2009 to the Group's Executive Officers (Chairman and Chief Executive Officer, Deputy Chief Executive Officers and a few key senior executives).

The characteristics of the supplementary defined benefit pension plan, such as the vesting conditions, are similar to those applicable to Alexandre Bompard, as described on Section 3.4.2.3.

On July 18, 2017, Georges Plassat informed the Board of Directors that he had decided to retire.

The same day, the Board of Directors:

- noted that the performance conditions in respect of 2016 had not been met;
- observed that the degree of fulfilment of the performance conditions in respect of the first two quarters of 2017 could only be assessed in 2018;
- observed that Georges Plassat had contributed to the current supplementary pension plan for seven years;
- decided, in light of the above, that Georges Plassat was eligible for a pension supplement in an annual gross amount of 453,083 euros;
- decided, in light of the above, that the pension supplement could be increased to reflect the fulfilment of or failure to meet the performance conditions in respect of 2017.

On April 11, 2018, the Board of Directors noted, on the recommendation of the Compensation Committee, that at least 80% of the quantitative performance conditions triggering the payment of the Chairman and Chief Executive Officer's annual variable compensation had been met in 2017. As a result, given the extent to which the performance conditions for 2017 were fulfilled, the pension supplement will represent an annual gross amount of 517,810 euros.

Termination payment

During its meetings on January 29 and February 8, 2012, the Board of Directors put in place a termination payment for Georges Plassat in the event of his departure before April 2, 2015.

During its meeting on April 29, 2015, the Board of Directors, on the recommendation of the Compensation Committee, expressed its intent to maintain the principle of awarding a termination payment to Georges Plassat.

Georges Plassat's performance justified keeping in place this termination payment. Other factors were that he did not have any long-term incentive plan for 2012 and 2013 and he agreed to a non-compete obligation in exchange for the termination payment.

The Board of Directors therefore considered that all of these reasons justified departing from the AFEF-MEDEF code recommendations, excluding (i) the termination payment in the event of departure unrelated to a change of strategy or control and (ii) when the Chairman and Chief Executive Officer can start claiming his pension shortly after his departure. The AFEP-MEDEF code recommendations only address termination payments and not non-compete obligations.

The Board of Directors noted that this termination payment was genuinely beneficial for the Company as Georges Plassat had a vested interest in the Company's performance and would prevent him from working for a competitor for a period of 18 months following the termination of his duties.

Conditions for the award of the termination payment:

1. Performance conditions

The award of a termination payment was subject to the performance conditions pegged to achieving quantitative objectives (growth in sales and recurring operating income) and qualitative objectives (CSR).

Georges Plassat would therefore receive a termination payment if during at least half of his term(s) of office and during two of the last three years preceding the termination of his appointment as Chairman and Chief Executive Officer, he exceeded all his quantitative and qualitative objectives set by the Board of Directors for determining his benefits under his long-term incentive plans. If a long-term incentive plan was not in place for one of the financial years considered, only the fulfilment of the objectives set by the Board of Directors for determining his annual variable compensation will be taken into account.

As an exception, if Georges Plassat's term of office had expired before two years had passed, the quantitative and qualitative objectives mentioned above would have been assessed for the year preceding the year the term expired.

2. Reasons for departure

The termination payment would be due in the event of the termination, for any reason whatsoever, of his duties as Chairman and Chief Executive Officer, except in cases of removal for gross negligence or wilful misconduct or a change of position within the Carrefour group.

3. Non-compete obligation

The termination payment was contingent on the non-compete obligation that came into effect when Georges Plassat terminated his duties as Chairman and Chief Executive Officer.

This obligation lasts 18 months as from the time he leaves office. The purpose is to prohibit him from working for a competitor within a number of specified businesses operating in the retail food industry.

4. Amount of the termination payment

Lastly, Georges Plassat would be eligible for a termination payment equal to his annual fixed and target variable compensation, excluding all other forms of compensation, such as that paid under a long-term incentive plan.

5. Payment of the termination payment

In accordance with the provisions of Article L. 225-42-1 of the French commercial code, no payment could be made before the Board of Directors stated that the above conditions had been fulfilled (on the date of or after the termination or the effective change of position of the Chairman and Chief Executive Officer).

On July 18, 2017, the Board of Directors noted that:

- the performance conditions in respect of 2014, 2015 and 2016 had been met, in compliance with Article L. 225-42-1 of the French commercial code;
- Georges Plassat did not leave as a result of a change of position within the Carrefour group or due to removal for gross negligence or wilful misconduct;
- Georges Plassat would receive as termination payment a gross amount of 3,975,000 euros, subject to the signing of a non-compete obligation that the Board of Directors authorised and approved at the same meeting.

The non-compete obligation prohibits Georges Plassat from working for a competitor for a period of 18 months. The Board of Directors noted that signing the agreement was in the Company's best interests and would avoid any risk of Georges Plassat working for a competitor after his retirement.

Directors' attendance fees

The amount of Directors' attendance fees paid to Georges Plassat is described in Section 3.4.1 of this chapter. For the period from August 1, 2016 to July 18, 2017, Georges Plassat was paid 55,000 euros in respect of his duties as Director, Chairman of the Board of Directors, member and Chairman of the Strategic Committee.

Benefits in kind

Georges Plassat had a company car with a driver, corresponding to a gross benefit in kind valued at 2,319 euros (calculated *prorata* to his length of service with Carrefour group until July 18, 2017).

3.4.2.5 Compensation of the Deputy Chief Executive Officers

The terms of office of the two Deputy Chief Executive Officers, Pierre-Jean Sivignon and Jérôme Bédier, ended on July 18, 2017. The information concerning their compensation in respect of 2017 is given *prorata* temporis to their term in office.

Under their employment contracts, the Deputy Chief Executive Officers were compensated for their respective roles as General Secretary and Chief Financial Officer. They did not receive any compensation for their duties as Executive Officers. The rules and principles used in determining their compensation and other benefits were defined by Georges Plassat as part of the senior executive compensation policy and as such were not submitted for the approval of the Shareholders' Meeting on June 15, 2017, which approved the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and benefits that may be awarded to Executive Officers in respect of their duties, in accordance with Article L. 225-37-2 of the French commercial code.

The Deputy Chief Executive Officers received annual compensation comprising a fixed portion and a variable portion.

The annual variable compensation of the Deputy Chief Executive Officers was based on fulfilling objectives and could represent up to 200% of their annual fixed compensation. The performance objectives for their annual variable compensation were based for 50% on achieving financial objectives (gross like-for-likes sales, recurring operating income, average basket and average ticket, these objectives accounting respectively for 30%, 50%, 10% and 10%) and, for the remaining 50%, on the achievement of individual qualitative objectives set by Georges Plassat, Chairman and Chief Executive Officer until July 18, 2017.

In accordance with the 14th resolution adopted by the Shareholders' Meeting of May 17, 2016, on the recommendation of the Compensation Committee, the Board of Directors decided at its meeting on July 27, 2016 to approve a performance share plan for some 950 Group employees, comprising a maximum total of 1,950,000 shares (representing 0.26% of the share capital). The Deputy Chief Executive Officers are beneficiaries of the plan in accordance with the terms and conditions described below.

The Deputy Chief Executive Officers were eligible to a supplementary defined benefit pension plan, as described in Article L. 137-11 of the French social security code. Since 2009 this plan has been available and offered to the Group's senior executives (Chairman and Chief Executive Officer, Deputy Chief Executive Officers, and some key senior executives).

Pierre-Jean Sivignon

Pierre-Jean Sivignon's term of office as Deputy Chief Executive Officer ended on July 18, 2017.

The table below summarises the components of compensation due or paid on a prorata basis to Pierre-Jean Sivignon in respect of 2016 and 2017 in his capacity as Deputy Chief Executive Officer until July 18, 2017.

	2016 financial year		2017 financial year	
(in euros)	**Amounts due during the financial year**	**Amounts paid during the financial year**	**Amounts due during the financial year**	**Amounts paid for the financial year**
Pierre-Jean Sivignon Deputy Chief Executive Officer until July 18, 2017				
Fixed compensation	800,000	800,000	423,684(3)	423,684(3)
Variable compensation(1)	969,091	1,025,310	0	969,091
Benefits in kind (company car)	5,017	5,017	2,759(3)	2,759(3)
TOTAL	**1,774,108**	**1,830,327**	**426,443**	**1,395,534**

	2016 financial year	2017 financial year
Estimated value of options granted during the financial year	N/A	N/A
Estimated value of performance-based shares granted during the financial year(2)	1,104,500	N/A

(1) The variable compensation due for the year is paid in year Y+1 and includes profit-sharing.
(2) It should be noted that this is an estimated value. The shares shall only vest following a vesting period of three years beginning as from the allocation date. The number of shares that vest will depend on the fulfilment of three performance conditions, as assessed at the close of the three-year vesting period: two conditions linked to financial performance – EBITDA growth (for 35%) and organic sales growth (for 35%) – and a CSR-related condition (for 30%).
(3) Calculated prorata until the end of his term as Deputy Chief Executive Officer on July 18, 2017.
N/A: Not applicable.

Annual compensation

Pierre-Jean Sivignon received annual compensation comprising a fixed portion.

In respect of 2017, his annual fixed compensation amounted to a gross 423,684 euros (calculated prorata until the end of his term as Deputy Chief Executive Officer on July 18, 2017).

Performance share plan

In accordance with the 14th resolution adopted by the Shareholders' Meeting of May 17, 2016, on the recommendation of the Compensation Committee, the Board of Directors decided at its meeting on July 27, 2016 to approve a performance share plan for some 950 Group employees, comprising a maximum total of 1,950,000 shares (representing 0.26% of the share capital).

Under this plan, on the recommendation of the Compensation Committee, the Board of Directors decided to grant a maximum total of 50,000 performance shares to Pierre-Jean Sivignon (representing 2.55% of the shares granted and 0.0065% of the share capital).

The Board of Directors decided that these shares shall only vest following a vesting period of three years beginning as from the allocation date. The number of shares that vest will depend on the fulfilment of three performance conditions measured at the end of the three-year vesting period: two conditions linked to financial performance – EBITDA growth (for 35%) and organic sales growth (for 35%) – and a CSR-related condition (for 30%).

Supplementary defined benefit pension plan

Pierre-Jean Sivignon was eligible to a supplementary defined benefit pension plan. The characteristics of the scheme applicable to Pierre-Jean Sivignon (eligibility conditions, methods for determining the reference compensation, rate of accrual of pension rights, caps, charges and contributions paid by the Company) are described in Section 3.4.2.3 of this Registration Document.

Benefits in kind

Pierre-Jean Sivignon had a company car, corresponding to a gross benefit in kind valued at 2,759 euros (calculated *prorata* until the end of his term as Deputy Chief Executive Officer on July 18, 2017).

Jérôme Bédier

Jérôme Bédier's term of office as Deputy Chief Executive Officer ended on July 18, 2017. He left the Group on October 16, 2017.

The table below summarises the components of compensation due or paid on a prorata basis to Jérôme Bédier in respect of 2016 and 2017 in his capacity as Deputy Chief Executive Officer until July 18, 2017.

	2016 financial year		2017 financial year	
(in euros)	**Amounts due during the financial year**	**Amounts paid during the financial year**	**Amounts due during the financial year**	**Amounts paid for the financial year**
Jérôme Bédier Deputy Chief Executive Officer until July 18, 2017				
Fixed compensation	600,000	600,000	317,183[3]	317,183[3]
Variable compensation[1]	577,429	585,599	0	577,429
Benefits in kind (company car)	2,989	2,989	1,644[3]	1,644[3]
TOTAL	**1,180,417**	**1,188,587**	**318,827**	**896,255**

	2016 financial year	2017 financial year
Estimated value of options granted during the financial year	N/A	N/A
Estimated value of performance-based shares granted during the financial year[2]	1,104,500	N/A

(1) The variable compensation due for the year is paid in year Y+1 and includes profit-sharing.
(2) It should be noted that this is an estimated value. The shares shall only vest following a vesting period of three years beginning as from the allocation date. The number of shares that vest will depend on the fulfilment of three performance conditions, measured at the end of the three-year vesting period: two conditions linked to financial performance – EBITDA growth (for 35%) and organic sales growth (for 35%) – and a CSR-related condition (for 30%).
(3) Calculated prorata until the end of his term as Deputy Chief Executive Officer on July 18, 2017.
N/A: Not applicable.

Annual compensation

Jérôme Bédier received annual compensation comprising a fixed portion.

In respect of 2017, his annual fixed compensation amounted to a gross 317,183 euros (calculated prorata until the end of his term as Deputy Chief Executive Officer on July 18, 2017).

Performance share plan

In accordance with the 14th resolution adopted by the Shareholders' Meeting of May 17, 2016, on the recommendation of the Compensation Committee, the Board of Directors decided at its meeting on July 27, 2016 to approve a performance share plan for some 950 Group employees, comprising a maximum total of 1,950,000 shares (representing 0.26% of the share capital).

Under this plan, on the recommendation of the Compensation Committee, the Board of Directors decided to grant a maximum total of 50,000 performance shares to Jérôme Bédier (representing 2.55% of the shares granted and 0.0065% of the share capital).

The Board of Directors decided that these shares shall only vest following a vesting period of three years beginning as from the allocation date. The number of shares that vest will depend on the fulfilment of three performance conditions measured at the end of the three-year vesting period: two conditions linked to financial performance – EBITDA growth (for 35%) and organic sales growth (for 35%) – and a CSR-related condition (for 30%).

Supplementary defined benefit pension plan

Jérôme Bédier was eligible to a supplementary defined benefit pension plan. The characteristics of the scheme applicable to Jérôme Bédier (eligibility conditions, methods for determining the reference compensation, rate of accrual of pension rights, caps, charges and contributions paid by the Company) are described in Section 3.4.2.3 of this Registration Document.

Benefits in kind

Jérôme Bédier had a company car, corresponding to a gross benefit in kind valued at 1,644 euros (calculated *prorata* until the end of his term as Deputy Chief Executive Officer on July 18, 2017).

3.4.3 Breakdown of compensation and benefits granted to Executive Officers

The tables summarising the compensation paid to Executive Officers during the year may be found on Section 3.4.2 of this Registration Document.

DIRECTORS' ATTENDANCE FEES AND OTHER COMPENSATION RECEIVED BY DIRECTORS

Table presented on Section 3.4.1 of this Registration Document.

STOCK OPTIONS GRANTED DURING THE FINANCIAL YEAR TO EACH EXECUTIVE OFFICER BY THE ISSUER OR A GROUP COMPANY

None.

STOCK OPTIONS EXERCISED DURING THE FINANCIAL YEAR BY EACH EXECUTIVE OFFICER

None.

PERFORMANCE-BASED SHARES GRANTED TO EACH EXECUTIVE OFFICER BY THE ISSUER OR A GROUP COMPANY

None.

PERFORMANCE-BASED SHARES WHICH BECAME AVAILABLE DURING THE FINANCIAL YEAR FOR EACH EXECUTIVE OFFICER

None.

HISTORICAL INFORMATION ON STOCK OPTION PLANS

None.

HISTORICAL INFORMATION ON THE PERFORMANCE SHARE PLAN

	Plan on 07/27/2016
Date of the Shareholders' Meeting	05/17/2016
Date of the Board of Directors' Meeting	07/27/2016
Total number of performance shares including those granted to:	1,947,550
Executive Officers until July 18, 2017:	240,000
Georges Plassat	140,000
Pierre-Jean Sivignon	50,000
Jérôme Bédier	50,000
Vesting date	07/28/2019
End of lock-up period	07/28/2019
Performance conditions	(i) 35% growth in the Company's EBITDA over a three-year period (ii) 35% growth in the Company's organic sales over a three-year period (iii) 30% corporate social responsibility (CSR) objective over a three-year period
Number of shares vested at December 31, 2017	0
Cumulative number of cancelled or forfeited performance shares	204,600
Performance shares outstanding at the end of the financial year	1,742,950

MULTI-ANNUAL VARIABLE COMPENSATION OF EACH EXECUTIVE OFFICER

Name and position of the Executive Officer	Plan	2016 financial year	2017 financial year
Alexandre Bompard Chairman and Chief Executive Officer		N/A	N/A
Georges Plassat Chairman and Chief Executive Officer until July 18, 2017	2015-2016 long-term incentive plan	3,252,000	N/A

	Employment contract		Supplementary pension plan		Compensation or benefits due or likely to be due upon termination or a change in position		Compensation related to a non-compete clause	
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Alexandre Bompard Chairman and Chief Executive Officer		X	X		X		X	

3.5 "Comply or Explain" rule of the AFEP-MEDEF code

In accordance with the "Comply or Explain" rule of the AFEP-MEDEF code, the Company indicates in this section the provisions of the code that it did not apply in 2017.

Recommendations of the AFEP-MEDEF code	Group practice and explanation
The Lead Director must be independent (Article 6.3).	At its meeting on June 15, 2017, and on the recommendation of the Appointments Committee, the Board of Directors appointed Philippe Houzé as Lead Director. Although the Board of Directors did not consider Philippe Houzé to be an Independent Director, it recognised his extensive experience in retail and in governance.
A Director will not qualify as an Independent Director if he/she has been a Director for more than 12 years (Article 8.5.6).	On the recommendation of the Appointments Committee, the Board of Directors examined the situation of Anne-Claire Taittinger, whose term of office exceeded 12 years on April 20, 2017. The Board of Directors noted this year that Anne-Claire Taittinger exhibited complete independence of thought. The Board of Directors took into account the objectivity she consistently demonstrated during its discussions and decisions, as well as her ability to express her beliefs and make sound judgements in all situations. The Board of Directors also took into account in its analysis the fact that Anne-Claire Taittinger serves as an Independent Director and as Chair of the Audit and Accounts Committee on the Board of Directors of another listed company. Consequently, the Board of Directors confirmed that the previous assessment, according to which Anne-Claire Taittinger was deemed to be independent, was still confirmed.
Independent Directors must make up at least two-thirds of the Audit Committee (Article 15.1).	60% of the members of the Accounts Committee qualify as Independent Directors within the meaning of the AFEP-MEDEF code. The Board of Directors is satisfied with this composition given the decision to limit the number of committee members, with two Directors representing the main shareholders, and to enhance the effectiveness of the committee's work, which requires a high level of expertise in finance and accounting. In addition, the committee is chaired by an Independent Director.
The Compensation Committee should comprise a Director representing employees (Article 17.1).	A period of time to adapt to their office is given to Directors representing employees before discussing with them in 2018 their participation in one or more Board of Directors' specialised committees.
An Executive Officer may not receive a termination payment if he/she elects to leave the company in order to hold another position, changes position within the same group, or can start claiming his/her pension (Article 24.5.1).	On July 18, 2017, the Board of Directors decided, on the recommendation of the Compensation Committee, that Alexandre Bompard would be entitled to a termination payment. The termination payment is contingent on the non-compete obligation that will come into effect when Alexandre Bompard terminates his duties as Chairman and Chief Executive Officer. This termination payment will be due in the event of the termination, for any reason whatsoever, of his duties as Chairman and Chief Executive Officer, except in cases of removal for gross negligence or wilful misconduct or a change of position within the Carrefour group. The Board of Directors considers that the termination payment being contingent on a non-compete obligation justifies departing from the AFEP-MEDEF code recommendation, which only addresses termination payments, and not non-compete obligations.

3.6 Regulated agreements and commitments referred to in Articles L. 225-38 *et seq.* and L. 225-42-1 of the French commercial code

We hereby inform you that seven new regulated agreements and commitments governed by Articles L. 25-38 *et seq.* and L. 225-42.1 of the French commercial code were concluded and authorised by the Board of Directors during the past year, as set out in the Statutory Auditors' special report in accordance with Article L. 225-40 of said code, which must mention any regulated agreements and commitments authorised and concluded during the financial year, as well as any such regulated agreements and commitments that have continued during the financial year.

Only these regulated agreements and commitments will be submitted to the Shareholders' Meeting of June 15, 2018 for approval.

During its meeting on April 11, 2018, the Board of Directors reviewed the regulated agreements and commitments authorised and concluded during this financial year and the past years that continued during this financial year.

3.7 Transactions in the Company's shares carried out by Company Officers

In accordance with Article 223-26 of the General Regulations of the French financial markets authority (*Autorité des marchés financiers* – AMF), we hereby inform you that the following transactions were carried out during the 2017 financial year by persons referred to in Article L. 621-18-2 of the French monetary and financial code (*Code monétaire et financier*):

Transaction date	First name/last name or corporate name	Office held at the Company on the transaction date	Transaction type	Financial instrument	Price per share *(in euros)*	Transaction amount *(in euros)*
04/18/2017	Jérôme Bédier	Deputy Chief Executive Officer	Acquisition	Shares	20.40	102,000.00
06/29/2017	Flavia Buarque de Almeida	Director	Acquisition	Shares	22.1895	22,189.50
06/29/2017	Groupe Arnault	A legal entity linked to Bernard Arnault, Director	Acquisition by opting to receive payment of the dividend in shares	Shares	20.15	1,859,724.10
06/29/2017	Bunt	A legal entity linked to Bernard Arnault, Director	Acquisition by opting to receive payment of the dividend in shares	Shares	20.15	238,596.15
06/29/2017	Cervinia Europe	A legal entity linked to Bernard Arnault, Director	Acquisition by opting to receive payment of the dividend in shares	Shares	20.15	26,632,537.10
06/30/2017	Stanhore International Trading S.à.R.L.	A legal entity linked to Abilio Diniz, Director	Extension of a structured financing arrangement, which initially covered 24,808,463 Carrefour shares, to 28,681,014 Carrefour shares. 1,461,957 Carrefour shares owned by Energy Jet S.à.r.l., a Stanhore International Trading S.à.R.L. subsidiary, were pledged to cover Stanhore International Trading S.à.R.L. bonds under the structured financing arrangement	Shares	N/A	N/A
07/03/2017	Georges Ralli	Director	Acquisition by opting to receive payment of the dividend in shares	Shares	20.15	3,909.10
07/04/2017	Galfa	A legal entity linked to Patricia Moulin Lemoine and Philippe Houzé, Directors	Acquisition by opting to receive payment of the dividend in shares	Shares	20.15	54,189,959.20
07/10/2017	Lan Yan	Director	Acquisition	Shares	21.155	21,155.00
07/13/2017	Stanhore International Trading S.à.R.L.	A legal entity linked to Flavia Buarque de Almeida and Abilio Diniz, Directors	Acquisition by opting to receive payment of the dividend in shares	Shares	20.15	40,581,213.40
07/13/2017	Energy Jet S.à.r.l.	A legal entity linked to Flavia Buarque de Almeida and Abilio Diniz, Directors	Acquisition by opting to receive payment of the dividend in shares	Shares	20.15	1,023,358.05
07/13/2017	Abilio Diniz	Director	Acquisition by opting to receive payment of the dividend in shares	Shares	20.15	685.10
07/13/2017	Galfa	A legal entity linked to Patricia Moulin Lemoine and Philippe Houzé, Directors	Sale	Shares	21.15	56,879,266.05

Transaction date	First name/last name or corporate name	Office held at the Company on the transaction date	Transaction type	Financial instrument	Price per share *(in euros)*	Transaction amount *(in euros)*
07/13/2017	Stanhore International Trading S.à.R.L.	A legal entity linked to Flavia Buarque de Almeida and Abilio Diniz, Directors	Transfer of 1,421,150 free shares under a structured financing arrangement	Shares	N/A	N/A
08/31/2017	Groupe Arnault	A legal entity linked to Bernard Arnault and Nicolas Bazire, Directors	Acquisition	Shares	16.879	6,498,415.00
09/04/2017	Alexandre Bompard	Chairman and Chief Executive Officer	Acquisition	Shares	16.53	100,006.50
09/05/2017	Alexandre Bompard	Chairman and Chief Executive Officer	Acquisition	Shares	16.51	49,530.00
09/14/2017	Galfa	A legal entity linked to Patricia Moulin Lemoine and Philippe Houzé, Directors	Acquisition	Shares	16.80	1,008,000.00
09/14/2017	Galfa	A legal entity linked to Patricia Moulin Lemoine and Philippe Houzé, Directors	Acquisition of 10,000,000 shares	Call options	N/A	N/A
09/18/2017	Alexandre Bompard	Chairman and Chief Executive Officer	Acquisition	Shares	16.7522	151,439.88
10/02/2017	Labruyère & Eberlé SAS	A legal entity linked to Diane Labruyère-Cuilleret, Director	Sale	Shares	16.9552	13,072,459.20
10/02/2017	Labruyère & Eberlé SAS	A legal entity linked to Diane Labruyère-Cuilleret, Director	Acquisition	Warrants	N/A	N/A
04/12/2018	Alexandre Bompard	Chairman and Chief Executive Officer	Acquisition	Shares	15.965	399,125.00

3.8 Statutory Auditors' special report on regulated agreements and commitments

This is a translation into English of the Statutory Auditors' report on the regulated agreements and commitments with third parties issued in French and it is provided solely for the convenience of English speaking users.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2017

To the Carrefour Shareholders' Meeting,

In our capacity as Statutory Auditors of your Company, we hereby report to you on the regulated party agreements and commitments.

It is our responsibility to inform you, on the basis of the information provided to us, of the principal terms and conditions, the purpose and benefits to the Company of the agreements and commitments brought to our attention or which we may have identified during the course of our audit, as well as the reasons justifying that such agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and commitments, if any. It is your responsibility, pursuant to Article R.225-31 of the French Commercial Code (*Code de commerce*), to assess the interest of the conclusion of these agreements and commitments for the purpose of approving them.

In addition, it is our responsibility, where appropriate, to provide you with the information stipulated in Article R.225-31 of the French Commercial Code (*Code de commerce*) relating to the implementation during the year of the agreements and commitments previously approved at the Shareholders' Meeting, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux comptes*) relating to this engagement. These procedures require that we plan and perform our work to verify that the information provided to us is consistent with the documents from which it was derived.

Agreements and commitments subject to the approval at the shareholders' meeting

Agreements and commitments authorized during the past year

Pursuant to Article 225-40 of the French Commercial Code, the following agreements and commitments, which were previously authorized by the Board of Directors, have been brought to our attention.

Agreement with the company Kampos, whose Managing Director is Mr. Georges Ralli, a member of the Board of Director of the Company

Person concerned

Mr. Georges Ralli, member of the Board of Director of the Company and Managing Director of the company Kampos.

Nature and purpose

At its meeting on March 8, 2017, the Company's Board of Directors authorized an agreement with the company Kampos relating to a technical analysis in connection with the IPO of the Carrefour Group's Brazilian subsidiary.

Terms and conditions

Consideration for the technical analysis assignment, estimated to last six months, comprises a flat rate of €45,000, excluding expenses borne by the Company upon presentation of supporting documents. The assignment was performed during financial year 2017, and the consideration paid in 2018.

Reasons justifying that the agreement is in the Company's interest

The Board of Directors considered that the purpose of the assignment was to analyze and ensure the conditions for success of the IPO of the Carrefour Group's Brazilian subsidiary and to make useful recommendations to the Board of Directors, including by meeting the main players involved in the IPO in France and Brazil.

New syndicated loan agreement with a syndicate of banks, including BNP Paribas

Person concerned

Jean-Laurent Bonnafé, member of the Board of Director of the Company and director and CEO of BNP Paribas.

Nature and purpose

At its meeting on April 12, 2017, the Board of Directors authorized the replacement of the seven-year revolving credit facility (maturing in 2019) entered into on April 4, 2012 and modified by the rider dated July 31, 2014, with a new revolving credit facility entered into with a syndicate of banks, including BNP Paribas.

Terms and conditions

The new revolving facility agreement, entered into on May 2, 2017, provides for a revolving credit line of €1,400 million.

Interest payable on amounts drawn is calculated at Euribor plus an initial margin of 0.25%. This initial margin of 0.25% is adjusted according to a credit margin grid based on the long-term credit margin rating of the Company. In addition to interest, a utilization fee is charged based on the portion of the facility drawn. If the line of credit is not drawn, Carrefour must pay a non-utilization fee equal to 35% of the applicable margin (0.25% margin adjusted, if applicable, according to the credit margin rating).

As of December 31, 2017, this line of credit was not drawn by the Company.

Reasons justifying that the agreement is in the Company's interest

The Board of Directors considered that the main purpose of the new revolving credit facility of €1,400 million, entered into on May 2, 2017 with the same banks, was to extend the term of the credit facility to 2024 (five years with two one-year extension options), while lowering the variable interest rate margin under very favorable conditions.

Rider to the Renovation and Development agreement between Carmila and the Company

Person concerned

Mr. Jérôme Bédier, Deputy Chief Executive Officer of Carrefour until July 18, 2017 and director of Carmila until August 25, 2017.

Nature and purpose

At its meeting on April 12, 2017, the Board of Directors authorized a rider to the Renovation and Development agreement entered into between Carmila and the Company on April 16, 2014 for an initial term of 10 years with a view to setting up in France, Spain and Italy, a common strategy to enhance the value and attractiveness of shopping centers jointly owned by Carmila (shopping centers) and the Carrefour Group (hypermarkets and car parks).

Terms and conditions

The purpose of the rider, signed on May 3, 2017, was to extend the scope of the Renovation and Development agreement to include assets acquired by Carmila SAS since 2014 and those held by Cardety (now Carmila SA), and to extend the initial term of the agreement until December 31, 2027.

Reasons justifying that the agreement is in the Company's interest

In connection with the planned listing of Carmila SAS shares, through a merger by absorption of Carmila SAS by Cardety, the Company's Board of Directors considered that the agreements entered into between the Carrefour Group and the Carmila Group when Carmila SAS was incorporated in 2014 required certain adjustments.

The Company's Board of Directors also considered that the agreement would ensure the sustainability of the partnership between the Carrefour Group and Carmila SA (following the merger by absorption) and the policy aimed at enhancing Carrefour Group shopping centers.

Agreement relating to the partial secondment of Mr. Jacques Ehrmann

Person concerned

Mr. Jérôme Bédier, Deputy Chief Executive Officer of the Company until July 18, 2017 and director of Carmila until August 25, 2017.

Nature and purpose

At its meeting on April 12, 2017, the Company's Board of Directors authorized an agreement on the partial secondment of staff for four years under which Mr. Jacques Ehrmann has been seconded to Carmila by the Company for 50% of his time to exercise his duties as Chairman and Chief Executive Officer of Carmila.

Terms and conditions

The secondment agreement, entered into on April 12, 2017 between the Company and Carmila, stipulates that the fixed and variable remuneration of Mr. Jacques Ehrmann, for the share corresponding to his time seconded to Carmila, will be reinvoiced by the Company to Carmila (based on criteria approved by Carmila's Board of Directors with regard to the variable remuneration payments made by Carmila).

Reasons justifying that the agreement is in the Company's interest

In connection with the planned listing of Carmila's shares, through the merger by absorption of Carmila SAS by Cardety, the agreements entered into between the Carrefour Group and the Carmila Group when Carmila SAS was incorporated in 2014 required certain adjustments.

Non-compete obligation binding Mr. Georges Plassat, Chairman and Chief Executive Officer until July 18, 2017

Person concerned

Mr. Georges Plassat, Chairman and Chief Executive Officer of the Company until July 18, 2017.

Nature and purpose

At its meeting of July 18, 2017, the Board of Directors authorized a non-compete obligation.

Terms and conditions

The purpose of the non-compete obligation is to prohibit, for an 18-month period, Mr. Georges Plassat from exercising professional duties in rival concerns. The non-compete obligation is limited to the exercise of professional duties within mainland France.

Granting of the settlement payment was subject to a non-compete obligation. The financial cost was limited to a gross indemnity of €3,975,000 (commitment given by the Company in the event of termination of the duties of Mr. Georges Plassat approved at the Shareholders' Meeting held on June 11, 2015).

Reasons justifying that the commitment is in the Company's interest

The Board of Directors considered that this commitment is in the Company's interest as it avoids the risk of Mr. Georges Plassat exercising professional duties in rival concerns.

Commitments given by the Company in favor of Mr. Alexandre Bompard, Chairman and Chief Executive Officer, in the event of termination of his duties

Person concerned

Mr. Alexandre Bompard, Chairman and Chief Executive Officer.

Nature and purpose

At its meeting on July 18, 2017, the Board of Directors authorized a settlement payment in the event that Mr. Alexandre Bompard's duties are terminated.

Terms and conditions

Mr. Alexandre Bompard will be entitled to receive a settlement payment of an amount equal to one year's fixed and target variable remuneration. The settlement payment is subject to the satisfaction of performance conditions linked to the attainment of the following targets: growth of revenue, of the recurring operating income and CSR.

Mr. Alexandre Bompard will receive a settlement payment if, during at least half of the years comprising his terms of office as well as during two of the last three years of his appointment as Chairman and Chief Executive Officer, he has met all his targets set by the Board of Directors for the determination of his long-term incentive plan (over 100% attainment of targets). In the absence of a long term incentive plan for one of the financial years considered, the attainment of targets set by the Board of Directors for the determination of his annual variable remuneration will be solely taken into account. If Mr. Alexandre Bompard's term of office expires before two years, the abovementioned targets will be assessed for the year preceding expiry of his term of office.

The settlement payment will be made in the event of termination of his term of office as Chairman and Chief Executive Officer for whatever reason, except in cases of removal for serious misconduct or wrongful acts or following a change in his appointment within the Carrefour Group.

The Board of Directors will ensure that the performance conditions have been met upon termination of Mr. Alexandre Bompard's term of office.

Reasons justifying that the agreement is in the Company's interest

The settlement payment is subject to a non-compete obligation which will bind Mr. Alexandre Bompard during an 18-month period as of the termination of his duties as Chairman and Chief Executive Officer. Its purpose is to prohibit the Chairman and Chief Executive Officer from exercising professional duties in rival concerns including a certain number of specific companies in the food retail industry.

Commitments given by the Company in favor of Mr. Alexandre Bompard, Chairman and Chief Executive Officer, concerning the supplementary defined benefit pension plan

Person concerned:

Mr. Alexandre Bompard, Chairman and Chief Executive Officer.

Nature and purpose:

On 18 July 2017, the Board of Directors authorized Mr. Alexandre Bompard's eligibility for the supplementary defined benefit pension plan.

Terms and conditions

Mr. Alexandre Bompard will be eligible for the supplementary defined benefit pension plan intended for the Group's main executives whose gross annual remuneration is greater than 18 times the French social security annual ceiling.

Eligibility for the plan is subject to all of the following conditions: receiving gross annual remuneration (fixed and variable) in excess of 18 times the French social security annual ceiling; being on the Carrefour payroll when the basic social security pension is taken; working at the Carrefour Group for at least three consecutive years; and having reached the age mentioned in Article L.161-17-2 of the Social Security Code.

The benchmark remuneration is equal to the average gross annual remuneration received at Carrefour Group during the last three calendar years preceding the year of cessation of activity. This average is capped at 60 times the French annual social security ceiling. To determine benchmark remuneration, only the gross base salary and annual variable remuneration paid are considered, to the exclusion of any other direct or indirect form of remuneration.

The annual supplementary pension benefits amount to 2.75% of the benchmark remuneration per year of seniority, subject to compliance with applicable performance targets. The pension amount is also calculated by deducting benefits from supplementary pension plans in place at Carrefour (benefits from a collective retirement savings plan or from a pension plan funded by salary contributions are not taken into account).

The seniority applied to calculate supplementary pension benefits is that acquired by the Chairman and Chief Executive Officer as an employee or executive within the Carrefour Group.

The acquiring of supplementary pension plan benefits is subject to performance targets implemented in accordance with the requirements of Article L.225-42-1 of the French Commercial Code. A year is only taken into account in determining the pension amount if the performance conditions for that year are attained. The Board of Directors determines the applicable performance conditions each year corresponding, subject to exception, to at least 80% satisfaction of quantitative performance conditions triggering the payment of annual variable remuneration of the Chairman and Chief Executive Officer.

Furthermore, the grant of an additional pension requires the validation of at least two-thirds of the years with respect to the performance conditions throughout the individual's presence within the Group.

The aggregate amount of gross annual pension plus any gross annuities from supplementary pension plans in force within the Carrefour Group (for the portion of pension corresponding to employer funding) is capped at 25% of benchmark remuneration. Furthermore, the amount of gross annual pension cannot exceed the difference between: 45% of benchmark remuneration and the gross annual amount of all social security contributions for basic, additional and supplementary pensions.

At the end of each year, the Board of Directors verifies the achievement of the performance conditions during the prior year. In the event that the conditions are not met, the year in question will not be taken into account when calculating the pension amount.

At the end of the term of office of the Chairman and Chief Executive Officer, the Board of Directors will meet to verify that all performance conditions have been met. If this is the case, the additional pension will automatically be granted. If not, no additional pension will be paid.

Reasons justifying that the commitment is in the Company's interest

The Board of Directors considered that this commitment in favor of Mr. Alexandre Bompard will foster a sense of loyalty and commitment.

Agreements and commitments already approved by the shareholder's meeting

Agreements and commitments authorized in previous years and having continuing effect during the year

In accordance with Article R. 225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, authorized in previous years by the Shareholders' Meeting, have had continuing effect during the year.

Investment agreement and shareholders' agreement with Colony Capital Acquisitions LLC

Persons concerned

Mr. Thomas J. Barrack, Company director until May 17, 2016 and managing director of Colony Capital LLC, the management company of Colony Capital Acquisitions LLC and Mr. Nadra Moussalem, Company director between May 17, 2016 and March 8, 2017 and Chairman of Colkart S.A.S., signatory company of the shareholders' agreement.

Nature and purpose

At its meeting on January 15, 2014, the Board of Directors authorized the signing of an investment agre ement with, notably, Colony Capital Acquisitions LLC.

Terms and conditions

This agreement defines the terms and conditions of the transfer of Carrefour assets and the terms and conditions of investments by Carrefour and other investors, including Colony Capital Acquisitions LLC, in a new company, Carmila; this agreement also included a shareholders' agreement signed 16 April 2014.

Following the signature of the final agreement between the parties on January 24, 2014, Carmila, dedicated to enhancing the value of the shopping malls adjacent to Carrefour hypermarkets in France, Spain and Italy became the owner of a portfolio of 171 shopping malls.

These agreements became null and void following the merger and acquisition of Carmila SAS by Cardety on 12 June 2017.

Syndicated loans with a syndicate of banks including BNP Paribas

Person concerned

Jean-Laurent Bonnafé, Company director and director and CEO of BNP Paribas.

Nature and purpose

At its meetings on July 30 and October 15, 2014, the Board of Directors authorized the signing of an amendment to a syndicated loan dated April 4, 2012 and a new agreement to replace agreements dated July 23, 2010 and November 21, 2011, with a syndicate of banks including BNP Paribas.

Terms and conditions

<u>Revolving Facility Agreement signed on 22 January 2015</u>

A €2,500 million syndicated loan agreement (Revolving Facility Agreement) accompanied by a €1 billion security line of credit (Swingline) was signed on January 22, 2015. Following the exercise of the two extension options of the January 22, 2015 contract, (effective extensions in January 2016 and in January 2017) its term expires in January 2022.

Interest payable on amounts drawn is calculated at EURIBOR plus an initial margin of 0.275% for the revolving facility and at EONIA plus an initial margin of 0.275% and mandatory costs for the swingline facility. The initial margin of 0.275% is adjusted according to a credit margin grid based on the long-term credit rating of the Company. In addition to interest, a utilization fee is charged based on the portion of the facility drawn (fee representing between 0.10% and 0.40% of the amount drawn).

If the line of credit is not drawn, Carrefour must pay a non-utilization fee equal to 35% of the applicable margin (35% of the 0.275% margin adjusted, if applicable, according to the credit margin grid).

As of December 31, 2017, this line of credit was not drawn by the Company.

<u>Revolving Facility Agreement signed on April 4, 2012, modified by an amendment dated July 31, 2014</u>

The syndicated loan agreement (Revolving Facility Agreement), as modified, now provides for a revolving line of credit of €1,400 million. The term of the agreement expires on April 2019.

Interest payable on amounts drawn is calculated at EURIBOR plus an initial margin of 0.30%. This initial margin of 0.30% is adjusted according to a credit margin grid based on the long-term credit rating of the Company. In addition to interest, a utilization fee is charged based on the portion of the facility drawn.

If the line of credit is not drawn, Carrefour must pay a non-utilization fee equal to 35% of the applicable margin (0.30% margin adjusted, if applicable, according to the credit margin grid).

This agreement was replaced by a new Revolving Facility Agreement signed on 2 May 2017. The new agreement is submitted for the approval of the Shareholders meeting to approve the account for the financial year closed on 31 December 2017.

Commitments given by the Company in favor of Mr. Georges Plassat, Chairman and Chief Executive Officer until July 18, 2017, in the event of termination of his duties

Person concerned

Georges Plassat, Chairman and Chief Executive Officer until 18 July 2017.

Nature and purpose

At its meeting on April 29, 2015, the Board of Directors approved the financial conditions to be applied in the event that Mr. Georges Plassat's duties are terminated.

Terms and conditions

In the event of termination of his duties as Chairman and Chief Executive Officer, except in cases of removal for serious misconduct or wrongful acts or following a change in his appointment within Carrefour Group, the Chief Executive Officer will be entitled to receive a settlement payment of an amount equal to one year's fixed and target variable remuneration (excluding other kinds of remuneration and especially remuneration paid under a long term incentive plan), it being specified that reaching the age limit set out in the Carrefour Articles of association does not constitute an exclusion for the purposes of the settlement payment.

Performance conditions linked to the attainment of quantitative targets (growth in revenue and recurring operating income) and qualitative targets (CSR) are applicable to the grant of the settlement payment. Mr. Georges Plassat will receive a settlement payment if during at least half of the years comprising his terms of office as well as during two of the last three years of his appointment as Chairman and Chief Executive Officer, he has met all his quantitative and qualitative targets set by the Board of Directors for the determination of his long-term incentive plan (over 100% attainment of targets). In the absence of a long term incentive plan for one of the financial years considered, the attainment of targets set by the Board of Directors for the determination of his annual variable remuneration will be solely taken into account.

Moreover, the settlement payment is subject to a non-compete obligation which will bind Mr. Georges Plassat during an 18-month period commencing the termination of his duties as Chairman and Chief Executive Officer.

Mr. Georges Plassat retired and resigned from his executive duties on 18 July 2017. At its meeting of 18 July 2017, the Board of Directors acknowledged that he had attained the performance targets required by Article L.225-42-1 of the French Commercial Code and moved to pay Mr. Georges Plassat a supplementary pension benefit subject to the non-compete obligation. This non-compete obligation is submitted for the approval of the Shareholders meeting to approve the accounts for the financial year ended 31 December 2017.

Commitments given by the Company in favor of Mr. Georges Plassat, Chairman and Chief Executive Officer, Mr. Jérôme Bédier and Mr. Pierre-Jean Sivignon, Deputy Chief Executive Officers until July 18, 2017, concerning the supplementary defined benefit pension plan

Persons concerned

Mr. Georges Plassat, Chairman and Chief Executive Officer, Mr. Jérôme Bédier and Mr. Pierre-Jean Sivignon, Deputy Chief Executive Officers until 18 July 2017.

Nature and purpose

On June 11, 2015, the Board of Directors authorized an amendment to the supplementary defined benefit pension plan governed by Article L.137-11 of the French Social Security Code (Code de la sécurité sociale) to which Mr. Georges Plassat, Mr. Jérôme Bédier and Mr. Pierre-Jean Sivignon are eligible.

Terms and conditions

This amended supplementary defined benefit pension plan is intended for the Group's main executives (Chairman and Chief Executive Officer, Deputy Chief Executive Officers and certain key executives) and is subject to the following terms and conditions:

- Beneficiaries: a minimum of three years effective seniority, gross annual remuneration in excess of 18 times the French social security annual ceiling and career achieved within Carrefour;
- Benefits: 2.75% of the benchmark remuneration per year of seniority, subject to the compliance with applicable performance conditions each year. No pension is paid if a minimum number of years have not been validated with respect to performance conditions;
- Applicable seniority is seniority within the Carrefour Group: it encompasses the presence within the Group including non-consecutive employment contracts. There is no provision for the grant of additional seniority;
- Benchmark remuneration is equal to the average annual remuneration (base salary + annual variable remuneration) received during the last three calendar years preceding the year of cessation of activity, capped at 60 times the French social security annual ceiling;
- Annual pension subject to a dual cap: (i) 25% of the benchmark remuneration and (ii) the difference between 45% of the benchmark remuneration and the annual amount of basic, additional and supplementary pensions.
- In case of death, the surviving spouse receives a pension equal to 50% of the beneficiary's retirement pension.
- Respect of performance conditions:
  - A year is only taken into account in determining the amount of the pension if the performance conditions for that year are attained;
  - The Board of Directors determines the applicable performance conditions each year corresponding, subject to exception, to at least 80% satisfaction of quantitative performance conditions triggering the payment of annual variable remuneration;
  - At the end of each year, the Board of Directors verifies the achievement of the performance conditions during the prior year. Thus, the Board of Directors, based on the proposal of the compensation Committee, noticed:
    - At its meeting on March 8, 2017, that performance condition corresponding to at least 80% satisfaction of the quantitative performance triggering the payment of annual variable remuneration were not met.
  - Furthermore, the grant of an additional pension requires the validation of at least two-thirds of the years with respect to the performance conditions throughout the individual's presence within the Group.

Mr. Georges Plassat retired and resigned from his executive duties on 18 July 2017. At its meeting of 18 July 2017, the Board of Directors decided that Mr. Georges Plassat was eligible for a supplementary pension of an annual gross amount of €453,083 and that this supplementary pension could be increased based on the attainment or non-attainment of performance targets for the 2017 financial year. At its meeting of 11 April 2018, on the recommendation of the Remuneration Committee, the Board of Directors acknowledged that he had attained the applicable performance targets, namely at least 80% satisfaction of the same quantitative performance targets as those triggering the payment of annual variable remuneration of the Chairman and Chief Executive Officer. As a result, the supplementary pension will be an annual gross amount of €517,810.

The mandates of Mr. Jérôme Bédier and Mr. Pierre-Jean Sivignon as Deputy Chief Executive Officers ended on 18 July 2017.

Commitment given in favor of Mr. Jérôme Bédier, Deputy Chief Executive Officer until July 18, 2017, in respect of his fixed annual remuneration as Secretary General of the Group

Persons concerned

Mr. Jérôme Bédier, Deputy Chief Executive Officer of Carrefour until 18 July 2017.

Nature and purpose

On 9 March 2016, the Board of Directors authorized an increase in the gross fixed annual remuneration of Mr. Jérôme Bédier in respect of his duties as General Secretary of the Group.

Terms and conditions

Mr. Jérôme Bédier's gross fixed annual remuneration is increased by €150,000 for the fiscal year 2016.

Mr. Jérôme Bédier's mandate as Deputy Chief Executive Officer ended on 18 July 2017.

The Statutory Auditors

Courbevoie, Paris-La Défense and Neuilly-sur-Seine, 20 April 2018

French original signed by

MAZARS	KPMG S.A.	DELOITTE & ASSOCIÉS
David Chaudat	Patrick-Hubert Petit	Antoine De Riedmatten
Émilie Loreal	Caroline Bruno-Diaz	Stéphane Rimbeuf

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MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF DECEMBER 31, 2017

4.1 Consolidated sales and earnings performance

4.1.1 Main earnings indicators

(in millions of euros)	**2017**	**2016**	**% change**	**% change at constant exchange rates**
Net sales	78,897	76,645	2.9%	2.6%
Gross margin from recurring operations	**18,214**	**17,985**	**1.3%**	**1.2%**
in % of net sales	*23.1%*	*23.5%*	*(0.4)%*	*(0.3)%*
Sales, general and administrative expenses and amortisation	(16,209)	(15,634)	3.7%	3.9%
Recurring operating income	2,006	2,351	(14.7)%	(17.2)%
Recurring operating income before depreciation and amortisation[1]	*3,636*	*3,886*	*(6.4)%*	*(9.7)%*
Recurring operating income after net income from companies accounted for by the equity method	**2,010**	**2,315**	**(13.2)%**	**(16.0)%**
Non-recurring operating income and expenses, net	(1,310)	(372)	na	na
Finance costs and other financial income and expenses, net	(445)	(515)	(13.6)%	(13.5)%
Income tax expense	(618)	(494)	25.1%	24.5%
Net income/(loss) from continuing operations - Group share	(531)	786	(167.6)%	(175.0)%
Net income/(loss) from discontinued operations - Group share	1	(40)	(101.7)%	(101.7)%
NET INCOME/(LOSS) - GROUP SHARE	(531)	746	(171.1)%	(179.0)%
FREE CASH FLOW (INCLUDING NON-RECURRING ITEMS)[2]	503	603		
NET DEBT AT DECEMBER 31, 2017	3,743	4,531		

- In 2017, consolidated sales rose 2.6% at constant exchange rates to 78.9 billion euros;
- Recurring operating income before depreciation and amortisation[1] came in at 3,636 million euros (down 9.7% at constant exchange rates);
- Recurring operating income totalled 2,006 million euros, down 14.7% at current exchange rates reflecting strong competitive pressure, particularly in France, an increase in distribution costs in the Group's main markets, an increase in depreciation after a period of significant investments and a more difficult situation in Argentina;
- Non-recurring operating income and expenses represented a net expense of 1,310 million euros, and mainly comprised an impairment loss charged against goodwill allocated to the Group's Italian operations for 700 million euros, and writedowns relating to the network of ex-Dia stores;
- Finance costs and other financial income and expenses, net, stood at 445 million euros, a 70 million-euro improvement compared with 2016, thanks in particular to a decrease in the Group's net debt;
- Income tax expense amounted to 618 million euros, representing an effective tax rate of 242.0% as a result of non-recurring items recorded in 2017;
- The net loss from continuing operations – Group share came in at 531 million euros, compared with net income of 786 million euros in 2016;
- Net income from discontinued operations – Group share totalled 1 million euros;
- Taking into account all of these items, the Group ended the period with a net loss – Group share of 531 million euros, *versus* net income of 746 million euros in 2016;
- Free cash flow [2] came to 503 million euros, *versus* 603 million euros in 2016, taking into account lower capital expenditure (excluding Cargo Property), which was down 355 million euros to 2,415 million euros.

(1) Recurring operating income before depreciation and amortisation relating to logistics equipment included in the cost of sales.
(2) Free cash flow corresponds to cash flows from/(used in) operating activities before net finance costs, and after the change in working capital requirement, less cash flows from/(used in) investing activities.

4.1.2 Analysis of the main income statement items

Net sales by region

The Group's operating segments consist of the countries in which it does business, combined by region, and "Global functions", corresponding to the holding companies and other administrative, finance and marketing support entities.

(in millions of euros)	**2017**	**2016**	**% change**	**% change at constant exchange rates**
France	35,835	35,877	(0.1)%	(0.1)%
Rest of Europe	21,112	20,085	5.1%	5.1%
Latin America	16,042	14,507	10.6%	8.3%
Asia	5,907	6,176	(4.4)%	(3.2)%
TOTAL	**78,897**	**76,645**	**2.9%**	**2.6%**

The Carrefour group generated net sales of 78.9 billion euros, up 2.6% at constant exchange rates.

- Sales in France were stable at 35.8 billion euros, demonstrating momentum in line with 2016 in a highly competitive environment.
- Sales in the rest of Europe increased by a sharp 5.1%, mainly reflecting an improved trend in Northern Europe.
- In Latin America, sales were up 8.3% year on year. This sound performance was achieved at a time of significantly reduced food price inflation in Brazil and persistently weak consumption in Argentina linked to unfavourable economic conditions.
- In Asia, sales contracted 3.2% in 2017 at constant exchange rates, following a 5.6% decrease in sales in China, which was partially offset by 3.1% growth in sales in Taiwan.

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Net sales by region – contribution to the consolidated total

(in %)	**2017(1)**	**2016**
France	45.6%	46.8%
Rest of Europe	26.8%	26.2%
Latin America	20.0%	18.9%
Asia	7.6%	8.1%
TOTAL	**100.0%**	**100.0%**

(1) At constant exchange rates.

At constant exchange rates, the contribution of emerging markets (Latin America and Asia) to consolidated net sales continued to rise, representing 27.6% in 2017, *versus* 27.0% in 2016.

Recurring operating income by region

(in millions of euros)	**2017**	**2016**	**% change**	**% change at constant exchange rates**
France	692	1,031	(32.9)%	(32.9)%
Rest of Europe	677	712	(4.9)%	(4.8)%
Latin America	715	711	0.6%	(7.0)%
Asia	4	(58)	(107.1)%	(97.6)%
Global functions	(83)	(45)	83.1%	82.6%
TOTAL	**2,006**	**2,351**	**(14.7)%**	**(17.2)%**

Recurring operating income fell by 17.2% year on year, to 2,006 million euros.

In France, recurring operating income came to 692 million euros, down 32.9% compared with 2016. Carrefour France suffered from strong competitive pressure. In addition, operating losses generated by the network of ex-Dia stores continued to weigh heavily on the country's profitability, accounting for 150 million euros of the year-on-year decrease.

In Europe (excluding France), recurring operating income dipped by 4.8% at constant exchange rates to 677 million euros, with operating margin[1] contracting by 34 points to 3.2% of sales. Mixed performances were recorded across the region, with operating margin holding firm in Northern Europe while Southern Europe's was down, also impacted by a tough competitive environment, as well as inflation in distribution costs in Spain.

In Latin America, recurring operating income came in at 715 million euros in 2017, down 7.0% at constant exchange rates. Brazil delivered a solid operating performance, despite strong food deflation, driven by the confirmed success of the Atacadão model which improved its profitability. In Argentina, unfavourable macroeconomic conditions resulted in operating losses.

In Asia, recurring operating income came to 4 million euros in 2017, an improvement of 62 million euros *versus* 2016.

The Group reaped the fruits of the action plans implemented in China, in particular in terms of cost reduction, in a context that remains highly competitive, marked by rapidly-changing consumption habits. In Taiwan, sales growth remained strong and operating margin continued to improve.

Depreciation and amortisation

Depreciation and amortisation of tangible and intangible assets, and investment property amounted to 1,567 million euros in 2017. At 1.9% of sales, the ratio was stable compared to 2016.

Taking into account the depreciation and amortisation relating to logistics equipment included in the cost of sales, a total of 1,630 million euros was recognised in the 2017 consolidated income statement, compared with 1,535 million euros in 2016.

Net income of equity-accounted companies

The net income of equity-accounted companies totalled 4 million euros, *versus* a net loss of 36 million euros in 2016. The increase was mainly due to the improvement in net income from the Group's investment in Turkey.

(1) Recurring operating income as a percentage of net sales.

Non-recurring income and expenses, net

Non-recurring income and expenses correspond to certain material items that are unusual in terms of their nature and frequency, such as impairment charges, restructuring costs and provision charges recorded to reflect revised estimates of risks provided for in prior periods, based on information that came to the Group's attention during the reporting year.

Non-recurring items represented a net expense of 1,310 million euros in 2017.

The detailed breakdown is as follows:

(in millions of euros)	**2017**	**2016**
Net gains on sales of assets	22	39
Restructuring costs	(279)	(154)
Other non-recurring items	(13)	(127)
Non-recurring income and expenses net before asset impairments and write-offs	**(271)**	**(242)**
Asset impairments and write-offs	(1,039)	(130)
Impairments and write-offs of goodwill	*(707)*	*(5)*
Impairments and write-offs of tangible and intangible assets	*(332)*	*(125)*
NON-RECURRING INCOME AND EXPENSES, NET	**(1,310)**	**(372)**

As in 2016, gains on disposals of assets in 2017 primarily related to sales of various individually non-material assets.

Restructuring costs recognised in 2017 concerned plans to streamline operating structures in several of the Group's countries. Restructuring measures primarily concern France (particularly costs relating to the overhaul of supply chains), Italy, Argentina, China (store closure plan), and Spain (plan to integrate the hypermarkets acquired from Eroski).

The expense recognised in 2016 mainly includes the residual impact of integrating the Dia France stores acquired in late 2014, as well as costs relating to the overhaul of supply chains in France.

In defining its transformation plan, the Group reviewed its financial trajectories and adjusted certain assumptions underlying financial projections for its operations in Italy. The impairment tests carried out on this basis (see the accounting principles in Note 6.3 to the Consolidated Financial Statements) led the Group to recognise a 700 million-euro impairment loss against goodwill allocated to its Italian operations. This impairment loss has no impact on cash flow.

Impairment was also recognised against non-current assets other than goodwill in an amount of 302 million euros, primarily in France, China and Italy. This impairment reflects a decline in the outlook for an improvement in the profitability of certain loss-making stores, including stores which the Group intends to sell or close in 2018 within the scope of the transformation plan announced on January 23, 2018 (particularly former Dia stores in France). In addition, 30 million euros' worth of assets were written off during the year (2016: 33 million euros).

In 2016, impairment losses against non-current assets other than goodwill totalled 93 million euros and chiefly concerned assets of loss-making stores, mainly in China.

Other non-recurring income and expenses amounted to a net expense of 13 million euros in 2017, compared with an expense of 127 million euros in 2016, mainly relating to the tax on retail space in France (TaSCom), which resulted from a change in the accounting treatment of said tax.

A description of non-recurring income and expenses is provided in Note 5.3 to the Consolidated Financial Statements.

Operating income

The Group ended 2017 with operating income of 700 million euros, *versus* 1,943 million euros in 2016.

Finance costs and other financial income and expenses, net

Finance costs and other financial income and expenses represented a net expense of 445 million euros, representing 0.6% of sales as in 2016.

(in millions of euros)	**2017**	**2016**
Finance costs, net	(317)	(377)
Other financial income and expenses, net	(128)	(138)
FINANCE COSTS AND OTHER FINANCIAL INCOME AND EXPENSES, NET	**(445)**	**(515)**

Finance costs, net fell by 60 million euros to 317 million euros.

Other financial income and expenses represented a net expense of 128 million euros, compared with a net expense of 138 million euros in 2016.

Income tax expense

Income taxes amounted to 618 million euros, compared with 494 million euros the year before. The effective tax rate was 242.0% compared to 34.6% in 2016, as a result of non-recurring items recorded in 2017.

Net income attributable to non-controlling interests

Net income attributable to non-controlling interests came to 169 million euros, *versus* 148 million euros in 2016.

Net income/(loss) from continuing operations – Group share

The Group reported a net loss from continuing operations of 531 million euros in 2017, compared with net income of 786 million euros in 2016.

Net income/(loss) from discontinued operations – Group share

In 2017, net income from discontinued operations totalled 1 million euros.

In 2016, the net loss from discontinued operations amounted to 40 million euros, corresponding mainly to the loss generated by Dia stores sold during the year or held for sale at the year-end, which were classified as discontinued operations in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

4.2 Group financial position

4.2.1 Shareholders' equity

At December 31, 2017, shareholders' equity stood at 12,159 million euros, compared with 12,008 million euros at the previous year-end, representing an increase of 151 million euros.

The increase mainly reflects:

- the net loss for the year of 362 million euros;
- other comprehensive income for a negative 482 million euros (mainly explained by exchange differences on translating foreign operations);
- changes in capital and additional paid-in capital and other movements in 2017 mainly reflect the July 2017 Grupo Carrefour Brasil IPO: the primary offering of 840 million euros generated (i) an increase of 370 million euros in non-controlling interests and (ii) an increase of 470 million euros in shareholders' equity, Group share corresponding to the dilution gain (Notes 2.2 and 3.2.1 to the Consolidated Financial Statements);
- dividends paid in an amount of 254 million euros, of which 151 million euros paid to Carrefour shareholders and 103 million euros to non-controlling shareholders of subsidiaries.

4.2.2 Net debt

Net debt was reduced by 788 million euros to 3,743 million euros at December 31, 2017 from 4,531 million euros at December 31, 2016.

Net debt breaks down as follows:

(in millions of euros)	**2017**	**2016**
Bonds	6,596	6,962
Other borrowings	522	690
Finance lease liabilities	301	322
Total borrowings before derivative instruments recorded in liabilities	7,419	7,974
Derivative instruments recorded in liabilities	78	101
TOTAL LONG AND SHORT TERM BORROWINGS (1)	7,497	8,075
Of which, long-term borrowings	*6,428*	*6,200*
Of which, short-term borrowings	*1,069*	*1,875*
Other current financial assets	161	239
Cash and cash equivalents	3,593	3,305
TOTAL CURRENT FINANCIAL ASSETS (2)	3,753	3,544
NET DEBT = (1) - (2)	**3,743**	**4,531**

Long and short-term borrowings (excluding derivatives) mature at different dates, through 2025 for the longest tranche of bond debt, leading to balanced repayment obligations in the coming years, as shown below:

(in millions of euros)	**2017**	**2016**
Due within 1 year	991	1,774
Due in 1 to 2 years	1,333	333
Due in 2 to 5 years	3,056	3,221
Due beyond 5 years	2,039	2,646
TOTAL	7,419	7,974

At December 31, 2017, the Group had access to 3.9 billion euros in committed syndicated lines of credit with no drawing restrictions expiring in 2022 (excluding extension options), underpinning its liquidity position.

Cash and cash equivalents totalled 3,593 million euros at December 31, 2017 compared with 3,305 million euros at December 31, 2016, representing an increase of 288 million euros.

4.2.3 Cash flows for the period and cash and cash equivalents

Net debt was reduced by 788 million euros over the year, after falling by 15 million euros in 2016. The change is analysed in the simplified statement of cash flows presented below:

(in millions of euros)	**2017**	**2016**
Cash flow from operations	2,653	2,964
Change in trade working capital requirement	250	614
Change in other receivables and payables	(93)	(160)
Change in consumer credit granted by the financial services companies	32	(103)
Investments	(2,379)	(2,749)
Change in amounts due to suppliers of fixed assets	(88)	(70)
Other	127	107
Free cash flow	503	603
Acquisitions of subsidiaries and investments in associates	(251)	(187)
Purchases and disposals without change in control	479	(40)
Cash dividends/reinvested dividends	677	48
Finance costs, net	(317)	(377)
Exchange rates	(138)	(96)
Other	(165)	63
Decrease/(Increase) in net debt	788	15

Free cash flow came to 503 million euros in 2017, compared with 603 million euros in 2016, and mainly comprised:

- cash flow from operating activities in an amount of 2,653 million euros;
- the change in trade working capital requirement, which amounted to 250 million euros in 2017 *versus* 614 million euros in 2016;
- operational investments in an amount of 2,379 million euros, compared with 2,749 million euros in 2016. The decrease reflects the evolution in the Group's investment strategy and measures implemented in the second half of 2017 to control capital expenditure.

4.2.4 Financing and liquidity resources

Corporate Treasury and Financing's liquidity management strategy consists of:

- promoting conservative financing strategies in order to ensure that the Group has a sufficiently strong credit rating and can raise funds on the bond and commercial paper markets;
- maintaining a presence in the debt market through regular debt issuance programmes, mainly in euros, in order to create a balanced maturity profile. The Group's issuance capacity under its Euro Medium Term Notes (EMTN) programme totals 12 billion euros;
- using the 5 billion-euro commercial paper programme on Euronext Paris, described in a prospectus filed with the Banque de France;
- maintaining undrawn medium-term bank facilities that can be drawn down at any time according to the Group's needs. At December 31, 2017, the Group had two undrawn syndicated lines of credit obtained from a pool of leading banks, for a total of 3.9 billion euros. Group policy consists of keeping these facilities on stand-by to support the commercial paper programme. The loan agreements for the syndicated lines of credit include the usual commitments clauses, including *pari passu*, negative pledge, change of control and cross-default clauses and a clause restricting substantial sales of assets. The pricing grid may be adjusted up or down to reflect changes in the long-term credit rating.

In Brazil, Atacadão SA issued commercial promissory notes (*notas promissórias*) with maturity between 6 and 19 months during the second half of the year amounting to a total of 2 billion Brazilian reals (Note 12.2.2 to the Consolidated Financial Statements).

The Group considers that its liquidity position is robust, as it has sufficient cash reserves to meet its debt repayment obligations in the coming year.

The Group's debt profile is balanced, with no peak in refinancing needs across the remaining life of bond debt, which averaged three years and nine months.

At December 31, 2017, Carrefour was rated BBB+/A-2 with a stable outlook by S&P.

4.2.5 Restrictions on the use of capital resources

There are no material restrictions on the Group's ability to recover or use the assets and settle the liabilities of foreign operations, except for those resulting from local regulations in its host countries. The local supervisory authorities may require banking subsidiaries to comply with certain capital, liquidity and other ratios and to limit their exposure to other Group parties.

4.2.6 Expected sources of funding

To meet its commitments, Carrefour can use its free cash flow and raise debt capital using its EMTN and commercial paper programmes, as well as its credit lines.

4.3 Outlook for 2018

The Group is fully mobilised to execute the "Carrefour 2022" plan presented on January 23, 2018. With this plan, the Group has launched a profound transformation, with 2022 targets that will be reached through actions in all geographies.

In order to invest in growth and rapidly improve its price competitiveness, short-term measures have been launched, notably to reach the target of 2 billion euros in cost cuts by 2020 on a full-year basis.

2018 constitutes the first year of the plan and is a pivotal year in the Group's transformation. More specifically, the plan's implementation will be materialised by advances in 2018 in each of the plan's pillars, notably by:

Deploying a simplified and open organisation:

- Faster decision-making process;
- Implementation of the previously-announced departure plans at headquarters.

Achieving productivity and competitiveness gains:

- Target of shedding 273 ex-Dia stores from our scope;
- A first wave of cost savings within the framework of the plan to achieve savings of 2 billion euros by 2020 on a full-year basis and investments in commercial competitiveness;
- Capex of 2 billion euros.

Creating an omni-channel universe of reference:

- Acceleration in the Cash and Carry format, notably with:
  - the opening of 20 new Atacadão stores in Brazil,
  - the conversion of 16 hypermarkets to the Maxi format in Argentina;
- Launch of the single e-commerce platform, *Carrefour.fr*;
- Extended food e-commerce offering in France with 15 new cities offering home delivery (D+1) and 10 new cities offering one-hour delivery;
- Opening of 170 new Drives in France;
- Implementation of partnerships aiming in particular at accelerating the Group's digitalisation, along the lines of the partnership with Showroomprivé.

Overhauling the offering to promote food quality:

- Launch of actions to revamp and develop our offering in fresh and organic products and our own brands:
  - launch of an Agri-ecology plan in several fresh product categories and of the "Organic development" contract and the doubling of the number of employees trained in fresh products with the WWF® aiming at supporting the upstream segment of the agri-business chain,
  - broadening of our organic product ranges in stores,
  - deployment of "blockchain" technology in all Carrefour Quality Lines to improve the traceability of our offer.

4.4 Other information

4.4.1 Accounting principles

The accounting and calculation methods used to prepare the 2017 Consolidated Financial Statements are the same as those used for the 2016 Consolidated Financial Statements, except for the following amendments, which were applicable as of January 1, 2017:

- Amendments to IAS 7 – *Disclosure Initiative*: the requisite disclosures regarding changes in liabilities arising from financing activities are set out in Note 12;
- Amendments to IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses*: these amendments did not have a material impact on the Consolidated Financial Statements.

The Group decided not to early adopt the following standards, amendments and interpretations that were not applicable as of January 1, 2017:

Adopted for use in the European Union:

- IFRS 9 – *Financial Instruments* (applicable in annual periods beginning on or after January 1, 2018);
- IFRS 15 – *Revenue from Contracts with Customers* (applicable in annual periods beginning on or after January 1, 2018);
- IFRS 16 – *Leases* (applicable in annual periods beginning on or after January 1, 2019).

In addition, IFRS Annual Improvements 2014-2016 Cycle (applicable in annual periods beginning on or after January 1, 2018) will have no impact on the Consolidated Financial Statements.

Not yet adopted for use in the European Union:

- Amendments to IFRS 10 and IAS 28 – *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture* (Application deferred indefinitely by the IASB);
- Amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions* (applicable in annual periods beginning on or after January 1, 2018);
- Amendments to IAS 40 – *Transfers of Investment Property* (applicable in annual periods beginning on or after January 1, 2018);
- IFRIC 22 – *Foreign Currency Transactions and Advance Consideration* (applicable in annual periods beginning on or after January 1, 2018);
- IFRIC 23 – *Uncertainty over Income Tax Treatments* (applicable in annual periods beginning on or after January 1, 2019);
- IFRS 17 – *Insurance Contracts* (applicable in annual periods beginning on or after January 1, 2021);
- Amendments to IFRS 9 - *Prepayment Features with Negative Compensation* (applicable in annual periods beginning on or after January 1, 2019);
- Amendments to IAS 28 – *Long-term Interests in Associates and Joint Ventures* (applicable in annual periods beginning on or after January 1, 2019);
- IFRS Annual Improvements 2015-2017 Cycle;
- Amendments to IAS 19 – *Compensation Plan Amendment, Curtailment or Settlement* (applicable in annual periods beginning on or after January 1, 2019).

The Group is currently analysing the potential impacts of IFRIC 23 and IFRS 17. It does not expect the application of the other standards, amendments or interpretations to have a material impact on its Consolidated Financial Statements.

Details of the new and amended standards and interpretations, including those not yet adopted for use in the European Union, are provided in Note 1.2 to the Consolidated Financial Statements, "Changes of method".

4.4.2 Significant events of the period

New Group management team

The Board of Directors appointed Alexandre Bompard to replace Georges Plassat as Chairman of the Board of Directors and Chief Executive Officer of the Carrefour group, effective July 18, 2017.

On September 22, 2017 Alexandre Bompard announced the appointment of a Group Executive Committee effective on October 2, 2018. The new management team comprises managers from the Group and individuals from other horizons bringing complementary expertise.

The first task of the new management team has consisted in redefining the Group's strategy. The Group's ambition is to become the leader of the food transition for all and regain momentum. The transformation plan announced on January 23, 2018 aims at revamping the Carrefour model, by simplifying its organisation and by opening up to partnerships, improving operational efficiency, investing in growth formats, building an efficient omni-channel model and developing the fresh and organic products offering, notably under the Carrefour brand.

IPO of the Group's Brazil operations

In June 2017, the Group announced that Atacadão SA, the parent company of the Carrefour group's operations in Brazil (Grupo Carrefour Brasil) filed a prospectus with the Brazilian Securities Commission (CVM) with the aim of listing the shares of Grupo Carrefour Brasil on the *Novo Mercado* segment of the São Paulo stock exchange.

The IPO took place on July 20, 2017 and consisted of a primary offering of 205,882,353 shares issued by Grupo Carrefour Brasil and a secondary offering of 34,461,489 and 56,800,000 Grupo Carrefour Brasil shares sold by Carrefour and Península, respectively.

Carrefour also granted a secondary over-allotment option to the Brazilian banks participating in the offering that led to the placement of an additional 34,369,876 Carrefour-owned shares to cover over-allotment.

Based on the IPO price, set at 15 Brazilian reals per share, the primary offering amounted to 3.1 billion Brazilian reals (0.8 billion euros), thereby valuing, at the launch of the IPO and following a capital increase, Grupo Carrefour Brasil's equity at 29.7 billion Brazilian reals (8.1 billion euros).

After the completion of the IPO and the exercise by Península of its call option to purchase 71,003,063 Grupo Carrefour Brasil shares from Carrefour, Carrefour holds a 71.8% interest in Grupo Carrefour Brasil, while Península holds 11.5% and Grupo Carrefour Brasil's free float is 16.7%.

The accounting impact of the transaction is presented in Note 3.2.1 to the Consolidated Financial Statements.

Absorption of Carmila by Cardety

On March 2, 2017, Carmila and Cardety, two property companies over which the Group has significant influence, announced a draft merger agreement under which Carmila would be absorbed by Cardety, whose shares are listed on Euronext Paris. The merger took place on June 12, 2017. Post completion, Carrefour held 42.45% of the new entity, which has been named Carmila.

As part of its development plan, the merged entity carried out a capital increase for 628.6 million euros in July 2017, subscribed by Carrefour in an amount of 50 million euros. Carrefour now owns 35.76% of the shares and voting rights of Carmila.

The accounting impact of the business combination is presented in Note 3.2.1 to the Consolidated Financial Statements.

Acquisition of hypermarkets in Spain

On February 29, 2016, the Carrefour group announced it had signed an agreement with the Eroski group to acquire 36 compact hypermarkets with a total sales area of 235,000 square metres, as well as eight shopping malls and 22 service stations adjacent to the stores.

The conditions precedent have been met for the acquisition of 31 stores. The accounting impact of the transaction is presented in Note 3.2.1 to the Consolidated Financial Statements.

The acquisition has enabled Carrefour to expand its store network to 27 new towns and cities, and strengthen its position in the food market. In this way, the Group is furthering its ongoing multi-format and omni-channel development for the benefit of its customers.

Impairment of goodwill allocated to Italian operations

In defining its transformation plan, the Group reviewed the financial trajectories of its various regions and adjusted certain assumptions underlying financial projections for its operations in Italy. Although profitability in the region has gradually improved over the past few years, certain commercial dynamics observed in 2017 prompted the Group to adjust its forecast in terms of margins and free cash flow (change in cash from operating activities less operational investments) as reflected in the financial trajectory defined by the Group's Executive Management.

The results of the impairment tests carried out on this basis (Note 6.3 to the Consolidated Financial Statements) led the Group to recognise a 700 million-euro impairment loss against goodwill allocated to its Italian operations. This impairment loss is included in non-recurring expenses and has no impact on cash flow (Note 5.3 to the Consolidated Financial Statements).

Securing the Group's long-term financing

In December 2016, the Group exercised its option to extend its 2,500 million-euro credit facility by one year. The extension was effective in January 2017 and the facility will now mature in January 2022.

On May 2, 2017, the Group obtained a new 1,400 million-euro five-year bank facility (maturing in May 2022) from a pool of eight banks with two one-year extension options. This new facility will replace the facility of the same amount expiring in April 2019.

These operations contribute to the ongoing strategy to secure the Group's long-term financing sources by maintaining the average maturity of its facilities (which has risen from 4.1 years as of December 31, 2016 to 4.2 years as of December 31, 2017).

On June 7, 2017 (settlement on June 14, 2017), the Group issued 500 million US dollars' worth of six-year cash-settled convertible bonds (maturing in June 2023) to institutional investors. The bonds were issued at 98.25% of their nominal value, and do not bear interest as they are zero-coupon bonds. The resulting initial conversion price is 27.7536 euros, including a conversion premium of 20% over the Carrefour reference share price. They may be converted into cash only and will not give rise to the issuance of new shares or carry rights to existing shares.

In parallel with the bond issue, the Group purchased cash-settled call options on its own shares in order to hedge its economic exposure relating to cash payments due on bonds in the event that investors exercise their conversion rights.

The above operations, for which a EUR/USD cross currency swap was arranged in euros, provide the Group with the equivalent of standard euro-denominated bond financing (see a description of the related accounting treatment in Note 12.2 to the Consolidated Financial Statements).

The issue consolidated the Group's long-term financing, extended the average maturity of its bond debt (from 3.6 years to 3.9 years at June 7, 2017) and further reduced its borrowing costs.

2016 dividend reinvestment option

At the Annual Shareholders' Meeting held on June 15, 2017, the shareholders decided to set the 2016 dividend at 0.70 euros per share with a dividend reinvestment option.

The issue price of the shares to be issued in exchange for reinvested dividends was set at 20.15 euros per share, representing 90% of the average of the opening prices quoted on Euronext Paris during the 20 trading days preceding the date of the Annual Shareholders' Meeting, less the net amount of the dividend of 0.70 euros per share and rounded up to the nearest euro cent.

The option period was open from June 21 to July 4, 2017. At the end of this period, shareholders owning 71.32% of Carrefour's shares had elected to reinvest their 2016 dividends.

July 13, 2017 was set as the date for:

- settlement/delivery of the 18,442,657 new shares corresponding to reinvested dividends, representing a total capital increase including premiums of 372 million euros;
- payment of the cash dividend to shareholders who chose not to reinvest their dividends, representing a total payout of 151 million euros.

4.4.3 Main related-party transactions

The main related-party transactions are disclosed in Note 7.3 to the Consolidated Financial Statements.

4.4.4 Subsequent events

"Carrefour 2022" transformation plan

On January 23, 2018, the Carrefour group unveiled its transformation plan based on four pillars:

- Deploy a streamlined and open organisation;
- Achieve productivity and competitiveness gains;
- Create a leading omni-channel universe;
- Overhaul the offering to promote food quality.

In the first pillar, the Group's headquarters around the globe will be scaled back in order to improve teams' operational efficiency and responsiveness:

- In the Île-de-France region, the corporate headquarters in Boulogne will be closed and a project to build a new 30,000 square-metre headquarters in Essonne will be abandoned;
- A strictly voluntary redundancy plan will be offered to 2,400 employees at the headquarters in France, out of a total workforce of 10,500;
- In Belgium, the measures announced on January 25, 2018 to reduce expenditure and operating costs and to increase operational efficiency could have an impact on jobs. Any implementation of these measures, which could impact up to 1,233 employees, will be launched following the information and consultation procedure in progress with trade unions.

A provision will be accrued for the cost of these measures in 2018 when the conditions for recognising such a provision are met.

The second pillar aims to regain room for manoeuvre to improve the Group's efficiency and competitiveness in the interest of its customers. This will involve a significant reduction in its cost base and a more effective, targeted investment policy focused on its growth drivers. As well as a 2 billion-euro cost reduction plan, the roll-out of this pillar will eliminate certain loss centres. Struggling stores will exit the Group's scope of consolidation. These include the network of 273 ex-Dia stores which have experienced great difficulties. A search for buyers has been or will be launched. In the absence of buyers, the stores will be closed.

The property and equipment of the stores concerned have therefore been written down in the Consolidated Financial Statements for the year ended December 31, 2017 (Note 5.3 to the Consolidated Financial Statements).

Strategic partnership in China

On January 23, 2018, Carrefour announced that it had signed a term sheet with Tencent and Yonghui regarding a potential investment in Carrefour China. The planned transaction, which is subject to the finalisation of further due diligence and the agreement of the parties on the definitive terms of the complete legal documentation, would allow Carrefour to remain Carrefour China's largest shareholder and to continue to control the company.

The potential investment would leverage Carrefour's retail knowledge with Tencent's technological excellence and Yonghui's operational know-how and in particular its deep knowledge of fresh products.

Also on January 23, 2018, Carrefour and Tencent announced that they had signed a preliminary agreement regarding strategic business cooperation in China in order to bring together Carrefour's retail knowledge with Tencent's digital expertise and innovation capabilities.

Thanks to this partnership, Carrefour would improve its online visibility, increase the traffic of its offline and online retail activities, and benefit from Tencent's advanced digital and technological expertise to develop new smart retail initiatives.

Strategic partnership with Showroomprivé

On January 11, 2018, Carrefour announced that it had signed a strategic agreement with Showroomprivé, Europe's second-largest online private sales player. This partnership is part of both groups' strategy of developing a leading omni-channel offering, and will notably cover areas such as sales, marketing, logistics and data.

In order to seal the partnership, Carrefour acquired 16.86% of Showroomprivé's share capital on February 7, 2018. This took the form of an off-market acquisition of the block of shares owned by Conforama, a Steinhoff group subsidiary, at a price of 13.5 euros per share, for a total amount of around 79 million euros.

An additional payment will be made by Carrefour to Conforama should Carrefour launch a takeover bid for Showroomprivé within 18 months of the completion of the transaction.

This transaction was granted an exemption from the obligation to launch a public offer by the French financial markets authority (AMF).

Upon completion of the transaction, Carrefour will replace Conforama in the current shareholders' agreement between the founders of Showroomprivé and Conforama, under an agreement whose main terms are identical to the existing pact between the founders and Conforama/Steinhoff. The founders will retain 27.17% of the capital and 40.42% of the voting rights. Carrefour will hold 16.86% of the capital and 13.67% of the voting rights.

The shareholders' agreement contains provisions relating to (i) the composition of the Board of Directors (11 Directors and one non-voting Director, including five appointed by the founders among whom the Chairman who has a casting vote and one Director and one non-voting Director appointed by Carrefour, as well as five Independent Directors); (ii) an undertaking of the parties to maintain the current management; and (iii) possible termination of the shareholders' agreement in case of persistent disagreement on major strategic decisions, which could lead to the unwinding of the Carrefour investment or a tender offer.

The Group considers that its representation on Showroomprivé's Board of Directors gives it significant influence over the company. Accordingly, the stake acquired by the Group on February 7, 2018 will be accounted for by the equity method in the Consolidated Financial Statements as from that date.

No other events have occurred since the year-end that would have a material impact on the Consolidated Financial Statements.

4.5 First-quarter 2018 sales

First-quarter 2018 sales of 20,776 million euros, up +2.6% at constant exchange rates and up 0.4% on a like-for-like basis, penalized by:

- **Less favorable markets overall in Europe**, notably due to adverse weather conditions impacting more specifically non-food and hypermarkets;
- **Continued sharp food deflation in Brazil**;
- **Persistently strong competitive pressure** in the Group's main markets.

	Sales inc. VAT *(in millions of euros)*	LFL*	Total variation: At current exchange rates	Total variation: At constant exchange rates
GROUP	20,776	+0.4%	(2.4)%	+2.6%
France	9,489	(0.1)%	+0.9%	+0.9%
Other countries	11,287	+0.7%	(5.1)%	+4.0%
Europe	5,538	(0.8)%	+2.9%	+2.8%
Latin America	3,978	+4.5%	(11.9)%	+9.1%
Asia	1,771	(3.9)%	(10.9)%	(4.5)%

* *Excluding petrol and calendar effects of +0.2% and +1.3% respectively at constant exchange rates.*

First-quarter 2018 sales inc. VAT: like-for-like growth of 0.4%

Carrefour's first-quarter 2018 sales stood at 20,776 million euros, up 2.6% at constant exchange rates. Taking into account an unfavorable currency effect of -5.0%, principally due to the depreciation of the Brazilian Real, the total variation of sales at current exchange rates was -2.4%.

On a like-for-like basis, first-quarter 2018 sales were up +0.4%, impacted by less dynamic markets in Europe, continued food deflation in Brazil, strong competitive pressure in the Group's main markets, but also by operational disruptions in France and Belgium.

In **France**, sales were up +0.9% in total (down 0.1% like-for-like) in a less favorable market than in the previous quarter and in a persistently competitive environment. Supermarkets and convenience posted solid sales momentum with like-for-like growth over the quarter. Hypermarket sales were affected by adverse weather conditions and operational disruptions.

Europe posted a +2.8% increase in total sales at constant exchange rates (and a 0.8% decrease like-for-like) with contrasting performance in food between countries, reflecting divergent market dynamics.

- In **Spain**, total sales growth was +4.4%, driven by the strong performance of the stores acquired from *Eroski* which were integrated over the course of 2017. Like-for-like sales were down -0.6%, in line with trends in the second half of 2017 despite a less dynamic food market;
- In **Italy**, amid a persistently difficult consumption environment and tougher competitive pressure, total sales were down 0.9% and like-for-like sales decreased by -3.2%. This evolution reflects a challenging comparable base over the past two years, boosted by the roll-out of supermarket *clusterization* and the extension of shopping hours in some stores to 24 hours a day;
- Sales in **Belgium** were down -0.4% in total and -1.6% like-for-like, notably impacted by operational disruptions;
- In **Poland**, total sales were up +5.7% at constant exchange rates (-0.8% like-for-like), while strong momentum continued in **Romania**, with sales growth of +10.6% at constant exchange rates and +7.7% like-for-like, driven by an increase in volumes.

In **Latin America**, total sales rose by +9.1% at constant exchange rates and by +4.5% on a like-for-like basis:

- In **Brazil**, like-for-like sales posted a slight increase of +0.4%. At Carrefour Retail, food sales are more resilient than in previous quarters despite strong deflation; non-food sales continued to post a double-digit increase on high comparables. Atacadão's sales increased by +0.5% like-for-like, also penalized by food deflation. Regarding financial services, total billings with the Group's credit cards were up +37.5% in the quarter and Banco CSF's credit portfolio rose by +23.6%.
- In **Argentina**, like-for-like sales were up +21.2%, reflecting the country's inflation. Volumes continued to gradually increase.

Finally, in **Asia,** sales were down by -4.5% at constant exchange rates and -3.9% like-for-like, in line with trends in previous quarters. Like-for-like sales in **China** decreased by -6.6% in a competitive environment marked by the increasing share of the e-commerce channel, notably during the Chinese New Year celebrations. Positive trends continued in **Taiwan**, where like-for-like sales grew for the thirteenth consecutive quarter, by +3.3%.

Variation of first-quarter 2018 sales inc. VAT

		Variation ex petrol ex calendar		Total variation inc. petrol	
	Sales inc. VAT *(in millions of euros)*	LFL	Organic	at constant exchange rates	at current exchange rates
FRANCE	9,489	(0.1)%	(1.2)%	+0.9%	+0.9%
Hypermarkets	4,823	(2.3)%	(2.9)%	(0.5)%	(0.5)%
Supermarkets	3,098	+1.6%	(0.4)%	+1.5%	+1.5%
Proximity/other formats	1,568	+3.0%	+2.6%	+4.2%	+4.2%
OTHER COUNTRIES	11,287	+0.7%	+2.1%	+4.0%	(5.1)%
Other European countries	**5,538**	**(0.8)%**	**+0.1%**	**+2.8%**	**+2.9%**
Spain	2,204	(0.6)%	+0.4%	+4.4%	+4.4%
Italy	1,316	(3.2)%	(3.2)%	(0.9)%	(0.9)%
Belgium	1,022	(1.6)%	(1.2)%	(0.4)%	(0.4)%
Poland	511	(0.8)%	+1.2%	+5.7%	+9.2%
Romania	486	+7.7%	+10.3%	+10.6%	+7.4%
Latin America	**3,978**	**+4.5%**	**+7.4%**	**+9.1%**	**(11.9)%**
Brazil	3,261	+0.4%	+4.0%	+6.0%	(11.0)%
Argentina	717	+21.2%	+21.2%	+22.2%	(15.8)%
Asia	**1,771**	**(3.9)%**	**(4.3)%**	**(4.5)%**	**(10.9)%**
China	1,248	(6.6)%	(7.7)%	(8.0)%	(13.7)%
Taiwan	523	+3.3%	+4.6%	+4.6%	(3.4)%
GROUP TOTAL	20,776	+0.4%	+0.8%	+2.6%	(2.4)%

Expansion under banners - First-quarter 2018

(in thousands of sq. m)	Dec. 31, 2017	Openings/Store enlargements	Acquisitions	Closures/Store reductions	Total Q1 2018 change	March 31, 2018
France	5,764	16	2	(20)	(2)	5,762
Europe (ex France)	5,599	24	-	(46)	(22)	5,577
Latin America	2,408	24	-	(1)	23	2,432
Asia	2,736	17	-	(69)	(53)	2,684
Others*	1,111	7	-	(13)	(7)	1,104
GROUP	17,618	87	2	(150)	(60)	17,558

* *Africa, Middle East and Dominican Republic.*

Store network under banners – First-quarter 2018

(no. of stores)	Dec. 31, 2017	Openings	Acquisitions	Closures/ Diposals	Transfers	Total change Q1 2018	March 31,2018
HYPERMARKETS	1,376	7	-	(11)	7	3	1,379
France	247	-	-	-	-	-	247
Europe (ex France)	460	1	-	(1)	(3)	(3)	457
Latin America	193	-	-	-	-	-	193
Asia	365	5	-	(7)	10	8	373
Others*	111	1	-	(3)	-	(2)	109
SUPERMARKETS	3,243	20	1	(26)	(5)	(10)	3,233
France	1,060	5	1	(6)	-	0	1,060
Europe (ex France)	1,756	10	-	(20)	+3	(7)	1,749
Latin America	147	-	-	-	-	-	147
Asia	58	3	-	-	(8)	(5)	53
Others*	222	2	-	-	-	2	224
CONVENIENCE	7,327	76	-	(182)	-	(106)	7,221
France	4,267	25	-	(77)	-	(52)	4,215
Europe (ex France)	2,446	49	-	(97)	-	(48)	2,398
Latin America	521	1	-	(4)	-	(3)	518
Asia	41	1	-	(4)	-	(3)	38
Others*	52	-	-	-	-	-	52
CASH & CARRY	354	4	-	-	(2)	2	356
France	144	-	-	-	-	-	144
Europe (ex France)	42	-	-	-	-	-	42
Latin America	153	4	-	-	-	4	157
Asia	2	-	-	-	(2)	(2)	0
Others*	13	-	-	-	-	-	13
GROUP	12,300	107	1	(219)	-	(111)	12,189
France	5,718	30	1	(83)	-	(52)	5,666
Europe (ex France)	4,704	60	-	(118)	-	(58)	4,646
Amérique latine	1,014	5	-	(4)	-	1	1,015
Asie	466	9	-	(11)	-	(2)	464
Others*	398	3	-	(3)	-	-	398

* *Africa, Middle East and Dominican Republic.*

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4.6 Parent company financial review

4.6.1 Business and financial review

As the Group's holding company, Carrefour (the Company) manages a portfolio of shares in French and foreign subsidiaries and affiliates.

In 2017, operating income amounted to 148 million euros and essentially consisted of costs rebilled to other Group entities.

Net financial expense amounted to 4,264 million euros in 2017 compared with net financial income of 204 million euros in 2016. The negative 4,468 million-euro change in this item is mainly attributable to:

- the recognition in 2017 of 5,292 million euros in net charges to provisions for impairment of financial investments versus net charges of 75 million euros in 2016, and mainly relates to the merger deficit allocated to Carrefour France shares in the amount of 4,709 million euros. Impairment testing methods and their outcomes are described in Notes 1.2 and 3 to the annual Company Financial Statements;
- a 521 million-euro increase in dividends received;
- an increase in the merger surplus, with a positive effect of 180 million euros. A merger surplus of 96 million euros was recognised in 2017 following the merger of PRM and Boedim. The Company booked a merger deficit of 84 million euros in 2016 following the transfer of On Line Carrefour's assets and liabilities.

Net non-recurring expense represented 35 million euros in 2017 and consisted mainly of charges to provisions for miscellaneous contingencies.

Net loss for the year amounted to 4,160,459,740.65 euros.

Other transactions

On June 7, 2017 (settlement on June 14, 2017), the Company issued 500 million US dollars worth of six-year non-dilutive cash-settled convertible bonds (maturing in June 2023) to institutional investors. The issue was hedged in euros to provide the Company with the equivalent of standard euro-denominated bond financing.

The issue consolidated the Company's long-term financing, extended the average maturity of its bond debt (from 3.6 years to 3.9 years at June 7, 2017) and further reduced its borrowing costs.

The Company redeemed two bond issues at maturity, one for a nominal value of 1,000 million euros and a coupon of 1.875%, the other for 250 million euros with a coupon of 4.678%.

These transactions consolidated Carrefour's long-term financing and further reduced its borrowing costs.

In accordance with the disclosure requirements of Article L. 441-6-1 of the French commercial code (*Code de commerce*), the table below shows the Company's trade payables and trade receivables by due date.

PAYMENT CYCLES OF SUPPLIERS AND CUSTOMERS

Annual declaration of payment cycles of suppliers and customers *(in thousands of euros)*	**Year ended December 31, 2017**											
	Article D. 441 I-1: Unpaid and overdue incoming invoices at the reporting date						**Article D. 441 I-2: Unpaid and overdue outgoing invoices at the reporting date**					
	0 days	**1-30 days**	**31-60 days**	**61-90 days**	**91+ days**	**Total (1 day or more)**	**0 days**	**1-30 days**	**31-60 days**	**61-90 days**	**91+ days**	**Total (1 day or more)**
(A) BY AGEING CATEGORY												
Number of invoices	6	70	4	2	42*	124		4			3*	7
Total amount (including VAT) of the invoices	124	1,110	110	8	1,100*	2,328		106			7,451*	7,557
Percentage of total amount of purchases (including VAT) over the period	0%	1%	0%	0%	1%	1%						
Percentage of revenue (including VAT) over the period								0%			5%	5%
(B) INVOICES EXCLUDED FROM (A) RELATING TO DOUBTFUL OR UNRECOGNISED PAYABLES AND RECEIVABLES												
Number of invoices excluded	none						none					
Total amount of invoices excluded	0						0					
(C) STANDARD PAYMENT DEADLINES USED (CONTRACTUAL OR LEGAL DEADLINES - ARTICLE L. 441-6 OR ARTICLE L. 443-1 OF THE FRENCH COMMERCIAL CODE)												
Payment deadlines used to calculate late payments	X	Contractual deadlines: (specify)					X	Contractual deadlines: (specify)				
		Legal deadlines: (specify)						Legal deadlines: (specify)				
	The contractual deadlines applied fall within a 20- to 60-day period.						The contractual deadlines applied fall within a 20- to 60-day period.					

** Mainly correspond to intragroup invoices.*

4.6.2 Subsidiaries and affiliates

As part of its effort to manage its equity portfolio, during the year the Company carried out the transactions described below:

- subscription to the capital increase of subsidiaries Carrefour Systèmes d'Information for 150 million euros, Carrefour Asia Limited for 101 million euros and Adialea for 9 million euros;
- transfer of PRM and BOEDIM's assets and liabilities.

4.6.3 Income appropriation

It is recommended that the Shareholders' Meeting appropriate distributable income as follows:

Net loss for the year	**(€4,160,459,740.65)**
Allocation to the legal reserve	-
Retained earnings at December 31, 2017	€5,437,446,555.38
Income available for distribution	€1,276,986,814.73
2017 dividends paid out of distributable income	€356,351,793.06
Balance of retained earnings after allocation	€920,635,021.67

The amount of retained earnings after appropriation of 2016 net income was increased by the amount of the 2016 dividends that were not paid on treasury shares.

In the event of a change in the number of shares eligible for dividends with respect to the 774,677,811 shares comprising the share capital at December 31, 2017, the total dividend amount would be adjusted and the amount allocated to retained earnings would be determined on the basis of the dividends actually paid.

The total dividend amount of €356,351,793.06, which represents a dividend of €0.46 per share before payroll taxes and the 21% withholding tax (*prélèvement obligatoire non libératoire*) stipulated in Article 117 *quater* of the French general tax code (*Code général des impôts*), qualifies, for individuals who are resident in France for tax purposes, for the 40% tax relief described in Article 158-3-2 of the French general tax code, if the taxpayer elects to be taxed at the progressive income tax rate.

It is recommended that the Shareholders' Meeting offer each shareholder the option to receive the dividend payment:

- in cash;
- or in new Company shares.

The new shares, if the option is exercised, will be issued at a price equal to 90% of the average opening prices listed during the 20 trading sessions on Euronext Paris prior to the date of this Shareholders' Meeting, less the amount of the dividend that is the subject of this resolution and rounded up to the nearest euro cent. Such issued shares would carry dividend rights as of January 1, 2018 and rank *pari passu* with the other shares in the Company's share capital.

Shareholders may opt for payment of the dividend in cash or in new shares from June 21, 2018 to July 4, 2018 inclusive, by sending their request to the financial intermediaries that are authorised to pay the dividend or, for Registered Shareholders listed in the issuer-registered accounts held by the Company, to its authorised representative, Société Générale, CS 30812, 44308 Nantes Cedex 03, France.

For shareholders who have not exercised their option by July 4, 2018, the dividend will be paid in cash.

For shareholders who have not opted for payment in shares, the dividend will be paid in cash on July 13, 2018. For shareholders who have opted for a dividend payment in shares, the settlement by delivery of shares will take place on the same date.

As required by law, the dividends paid per share for the three preceding financial years and the amounts eligible for tax relief under Article 158-3-2 of the French general tax code are set out below:

Financial year	Gross dividend paid	Dividends eligible for 40% tax relief	Dividends not eligible for 40% tax relief
2014	€0.68	€0.68	-
2015	€0.70	€0.70	-
2016	€0.70	€0.70	-

4.6.4 Research and development

The Company does not implement any research and development policy.

4.6.5 Recent developments

See Management's discussion and analysis of the Group's performance for information on the outlook for 2018 based on the rollout of the "Carrefour 2022" plan throughout the Company, its subsidiaries and the Group's share of the profits and losses and net assets of associates and joint ventures accounted for by the equity method.

4.6.6 Company earnings performance in the last five financial years

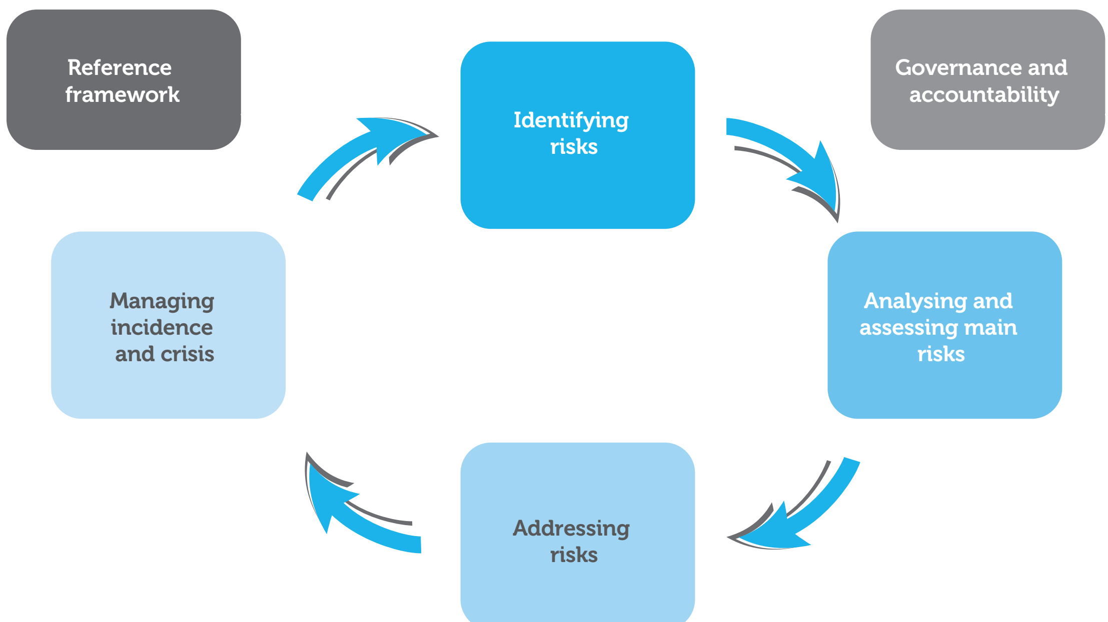
(in millions of euros)	**2017**	**2016**	**2015**	**2014**	**2013**
I – Capital at year-end					
Share capital	1,937	1,891	1,846	1,837	1,810
Issue and merger premiums	16,693	16,367	16,023	15,930	15,672
Number of existing ordinary shares	774,677,811	756,235,154	738,470,794	734,913,909	723,984,192
II – Results of operations for the financial year					
Income before tax, employee profit-sharing and depreciation, amortisation and provisions	893	219	626	2,166	1,758
Income tax	230	261	193	238	222
Employee profit-sharing payable for the financial year					
Income after tax and employee profit-sharing and depreciation, amortisation and provisions	(4,160)	433	831	4,440	1,804
Distributed income[(1)]	356	529	517	500	449
III – Net income per share					
Income after tax and employee profit-sharing but before depreciation, amortisation and provisions	1.45	0.63	1.11	3.27	2.73
Income after tax, employee profit-sharing and depreciation, amortisation and provisions	(5.37)	0.57	1.13	6.04	2.49
Net dividend allocated to each share[(1)]	0.46	0.70	0.70	0.68	0.62
IV – Employees					
Average number of employees during the financial year	7	7	7	8	9
Amount of payroll for the financial year	17	15	21	22	15
Amount paid as employee benefits for the financial year (social security, social services)	6	4	5	7	5

(1) For 2017, this was set by the Board of Directors and will be submitted to the 2018 Shareholders' Meeting for approval.

4.7 Risk management

In an uncertain, constantly changing environment, proactive risk management is an essential part of sustainable development for the Company's business, and is an aim shared by all employees.

This approach also enables the review of all processes within the Company and the identification of opportunities and areas for improvement.



The risk management system implemented by the Group is primarily based on identifying and accounting for principal risk factors and uncertainties which may have a material impact on its activities, financial position or image (4.7.1).

For the past several years, the Group has been committed to a coordinated risk management policy based on the mapping of major risks, rules and the communication of best practices, with the implementation of a risk prevention and management system (4.7.2).

As part of a regular analysis and review of insurable risks, the Group also implements solutions to transfer risks to the insurance market (4.7.3).

To manage difficult situations that may significantly impact its activities, financial position or image, the Group has also developed a comprehensive crisis management system (4.7.4).

4.7.1 Principal risk factors

The principal risk factors identified by the Group are presented below, grouped into four categories:

- business environment;
- strategy and governance;
- operations;
- and financial.

In 2017, the Group focused on:

- regulatory changes, particularly regarding personal data with the new General Data Protection Regulation (GDPR), prevention of market abuse, and implementation of the requirements set out in France's Sapin II law (transparency, anti-corruption and economic reform) and the new duty of care law;
- information system security in view of the growing threats related to cybercrime and the online sales development strategy;
- and product quality and safety.

On January 23, 2018, the Group presented its "Carrefour 2022" transformation plan designed to adapt its business model and organisation to become the world leader in the food transition for everyone. The plan is structured around four pillars: deploy a simple and open organisation, achieve productivity and competitiveness gains, create a leading omni-channel universe and overhaul the product offering to promote food quality. The Group risk map includes plans to prevent and manage the operational and strategic risks related to this transformation plan.

4.7.1.1 Business environment

Political and social environment

Some of the Group's activities are exposed to risk and uncertainty in countries which have experienced or may experience a period of political or social instability or weak governance.

During the past several years, the Group has developed a global monitoring system and country-specific risk maps which take into account a number of indicators. These tools are updated annually and provide forward-looking monthly tracking, in order to support decision making in the context of the Group's international growth.

For example, some countries where the Group operates through franchise partners are experiencing social tensions or political instability, leading the Group to carefully monitor these developing situations over the long term.

All proposals or plans to operate in a new country and all security risks related to stores in a particular geographic area are carefully reviewed and assessed to ensure an insightful decision-making process.

Economic environment and market volatility

The economic situation in countries where the Group operates may affect demand, spending levels and our customers' consumer habits. Such impacts may be intensified by the instability and unpredictability of the global, national or regional economic climate. Volatility in asset prices and the cost of raw materials and commodity-related products (agriculture, metals, fuel, energy costs, etc.) may also impact sales, costs and results.

Due to the nature of its activities, the Group pays particular attention to monitoring and taking into account the changing economic climate and future outlooks in the countries where it operates, specifically through a number of studies and exchanges. Given the interdependence of activities and the price sensitivity for Group customers, changes in market prices are also taken into consideration at various levels, especially purchases of goods and general and administrative expenses. The Group pays close attention to the economic climate in its countries of operation and more particularly in certain emerging countries.

Key economic indicators in countries where the Group operates are tracked monthly and taken into account in both strategic planning and project assessments. The Group may call upon a panel of experts as part of this oversight.

During the year, the Group carried out a review of the issues arising from the availability and volatility of commodities. It has effective tools that provide a forward-looking view of food and non-food commodity prices.

Environment, regulatory pressure and developments

Regulations applicable to the Group in countries where it operates, along with regulatory changes and actions taken by local, national and international regulators, are likely to impact our activities and the Group's financial performance.

The Group is subject to a wide range of laws and regulations in France and abroad governing the operation of establishments open to the public, consumer protection, relationships between industry and retail, and regulations specific to certain activities (such as banking, insurance, payment, supply chain, e-commerce, real estate and service stations).

The local Legal Department in each country is responsible for monitoring regulations and taking them into consideration, under the coordination and supervision of the Group Legal Department. Focused on forward-planning and optimal allocation of resources, the Group Legal Department has also developed and implemented a legal risk mapping process, specifically taking into account the environment and regulatory changes.

For example, the Group has taken note of the new European Union data protection regulation, which comes into effect as of May 2018 in all 28 EU member states. The Group has implemented a pan-European programme to govern and coordinate the compliance work required by the General Data Protection Regulation (GDPR) at Group level. The programme is based on action plans for each country and on key roles in each entity (data protection officer, employee business line officer, customer business line officer, IT officer).

Changes in the industry and the competitive environment

Highly exposed to changes in consumer behaviour in a world of changing technology, the mass retail industry is characterised by intense competition, with saturated markets in Europe and relatively constrained margins. This drives constant, rapid changes within the industry that may impact the Group's operations and performance.

Furthermore, the retail market is evolving rapidly due mainly to the development of online shopping and changes in consumer behaviour. E-commerce has enjoyed a spectacular boom, radically shaking up conditions in all markets and countries where Carrefour's banners operate. Consumption habits, consumer behaviour and the retail landscape have all changed. Each of these factors could have an impact on the Group's operations and performance.

The changing competitive environment is monitored and addressed at country level, and handled at Group level by Executive Management, in an effort to foresee and identify growth opportunities or decisions to be made.

Natural disasters and climate change

In most countries where it operates, the Group may be exposed to natural disasters, with direct or indirect impacts on its activities, assets, customers and employees, and entailing consequences for its financial position. In an environment impacted by climate change, uncertain meteorological conditions may also affect its operations, especially with regard to customer behaviour.

Since 2008, the Group has conducted extensive work to improve the management of natural risks in its operations, and regularly updates its mapping of environmental risks and issues in order to develop knowledge, improve assessment, adapt preventive measures and adjust insurance coverage. This work was carried out in all countries where the Group operates, either directly or through franchises. A forward-looking exercise was conducted on climate change by using a mapping of natural risks and risk- and country-based assessments to identify "sensitive" sites and prevention fact sheets.

Terrorism and crime

The retail industry is particularly exposed to criminal and terrorist risks given the numerous parties with which it has dealings, its vast number of sites, and the flows of people, products and finances that its activity generates. This entails both material direct and indirect impacts, especially in stores.

Preventive and protective measures for each site are determined based on risk exposure, with a regular review of the systems and adjustments made based on the development of threats.

The Group is currently mapping its exposure to criminal and terrorist risks in all of its processes, from country level right down to store level.

Events since 2015 have led the Group to revalidate and, where applicable, readjust the prevention and crisis management systems in several countries where it operates.

4.7.1.2 Strategy and governance

Strategy definition, adjustment and implementation

In a political, economic, social and competitive environment which is both uncertain and complex, any inefficiencies in developing, communicating and rolling out the Group's vision and strategy may damage its reputation and financial and operational performance. Likewise any issues in managing projects or restructurings could also negatively impact the Group.

Following its announcement of the "Carrefour 2022" plan, the Group is exposed to the strategic risks inherent in implementing any transformation plan. The plan sets out a number of objectives, including financial targets, which are based on various assumptions about the Group's business and economic conditions. The Group may not be able to fully achieve its transformation objectives and, even if they are achieved, they may not produce the expected benefits or may not produce them as soon as expected. The Group's inability to successfully implement and achieve its transformation objectives could have an adverse impact on its reputation and on its financial and operating performance.

As part of business tracking and key action plans, each country carries out extensive work in building strategy in cooperation with Executive Management. Objectives and commitments are regularly reviewed to ensure that resources are allocated in the best possible manner.

Compliance and fair practices

In an increasingly litigious world, where regulatory authorities have broader power, the failure to comply with regulations and contractual commitments, within the scope of the Group's operational activities and in its relations with its employees, can have a material impact on the Group's financial performance and reputation.

In October 2016, the Group distributed its Ethics Principles, providing employees with a set of guidelines on how to conduct themselves in the workplace on a daily basis. The Ethics Principles are shared with suppliers and service providers under Ethics Charters as described in the Group's regulatory framework. Procedures are currently being implemented to assess the position of customers, key suppliers and intermediaries based on the risk map.

A whistleblowing system introduced in 2016 can be used to report any breaches of the Ethics Principles, particularly with regard to corruption and conflicts of interest. Information, and in particular the whistleblower's identity, is guaranteed to be kept confidential throughout the entire process. No disciplinary action may be taken against an employee who reports an ethics issue in good faith.

The Group has taken the measures required to comply with the law of December 9, 2016 on transparency, anti-corruption and economic reform (known as the "Sapin II" law), which came into effect on June 1, 2017, and with the order of December 1, 2016 strengthening the French law on anti-money laundering and counter-terrorism financing, which implements in French law the European Directive of May 20, 2015 as described in Section 4.7.2 of the present Registration Document on the risk prevention and management system.

Corporate social responsibility

Looking beyond regulatory compliance, given consumers' growing concerns about responsible and sustainable retailing and the nature and reality of commitments, corporate social responsibility (CSR) policies and actions may impact the Group's reputation and its financial performance.

For a number of years, the Group has maintained a proactive CSR policy, described in Chapter 2 of the Registration Document, with a wide range of concrete initiatives and the involvement of all countries where the Group operates. The assessment of environmental, labour and societal risks is an essential component in developing and updating the Group's CSR approach.

Carrefour has long fostered a risk-aware culture embracing the issues of human rights and fundamental freedoms, health and safety, and the environment, which are the areas addressed by France's duty of care law passed on March 27, 2017. The duty of care plan described in Section 2.6 of the Registration Document sets out the formal processes and methods embedded in Carrefour's social responsibility approach and the additional measures taken under the duty of care plan.

The Group is among the top five global retailers in terms of CSR and is the only French company among the 12 leaders in the Food & Staples Retailing sector of the Dow Jones Sustainability Index World (DJSI).

Environment

In the scope of its activities, the Group may be exposed to a wide range of environmental risks (water, air, ground, noise or visual pollution) mainly with respect to its large number of operated sites.

While environmental regulations are tightening in many countries and consumers are becoming increasingly aware of the need to protect the environment, certain activities and processes are particularly sensitive (waste treatment, recycling of own-brand product packaging, consumption of refrigerants and energy, explosive atmospheres, fuel, alternative transport, etc.) and particular attention is paid to natural resource management (water, fishery resources, wood, etc.).

Environmental protection and preservation is considered by the Group, along with industrial risks, with a focus on prevention through study and analysis, but also through the operational implementation of prevention or treatment systems, such as for risks related to the fuel business. All initiatives intended to reduce the environmental footprint of our business activities and measures taken to mitigate the impacts of climate change are presented in the Registration Document in Section 2 on Corporate Social Responsibility.

Assessment of environmental risks and issues aims to improve our knowledge and understanding of the related challenges and to enable the Group to better address risks in order to protect its business and employees.

Disputes and litigation

In the scope of its normal activities, the Group is involved in various legal and administrative proceedings and is subject to administrative audits, whose outcomes are uncertain with potentially material impacts on its financial position or reputation. The Group's exposure to any material litigation is described in Note 9.2 to the Consolidated Financial Statements.

The relevant departments manage and oversee disputes at the country and Group levels. Provisions are also recorded in the financial statements for disputes and litigation when an obligation to a third party exists at the period-end.

To the Group's knowledge, other than the proceedings described in Notes 9.2 and 9.3 to the Consolidated Financial Statements, there are no other ongoing governmental, legal or arbitration proceedings to which the Group may be a party that are likely to have, or have had during the last 12 months, a material impact on the Group's financial position.

4.7.1.3 Operations

Relevance and performance of economic and business models

In a highly competitive environment with very unstable markets, the relevance of economic and business models and their rapid adjustment to changing consumption habits and patterns, as well as efficient and effective purchasing, can have a material impact on the Group's operational and financial performance, in terms of the structure and design of such models and the ability to deploy them in-store.

Adapting business models to customer expectations is a major challenge for the development and design teams, which is why the Group leverages a forward-looking approach and constant monitoring. All factors and effects that may have an impact on the preparation of economic models are carefully monitored and subject to numerous pre-deployment tests.

Operational and financial control of growth and expansion

In a highly competitive environment with cost pressure and increasingly scarce high-quality locations in certain countries, the Group may be unable or find it difficult to identify, obtain or develop the best sites, in line with its strategy of always seeking to increase profitability based on valid and reliable assumptions while taking into account all risk factors. This may impact its financial performance and ability to fulfil its objectives and lead it to inadequately identify, assess and integrate new assets or companies.

All of these factors are considered in the proposals analysed by the country-level Finance departments, in connection with the Development department and, where applicable, the Carrefour Property teams. The most significant proposals are reviewed and first approved by the Group Investment Committee (CIG).

Partnerships and franchising

Since most of the Group's stores under banner are operated as franchises and the Group's growth relies on partnerships in several countries, the evaluation, selection, support and oversight of these various franchisees and partners may have an impact on financial and operational performance, and on the Group's reputation in the event the partners' practices do not comply with regulations or the Group's standards and values.

It is important to carry out a partner risk analysis when considering a new partnership or when monitoring existing partnerships.

As part of the implementation and execution of franchise and partnership agreements, support documentation for business operations is provided to franchisees and partners. This documentation covers the Group's business and financial methods, its quality, health and safety standards, the Ethics Principles and the Graphic Charter. The documents are periodically updated, and franchise advisers offer support for their implementation through regular visits to partners and franchisees.

Some Group projects are carried out through equity-accounted companies, where the Group's level of influence and control and its ability to manage risk may be limited.

Control of the supply chain

In an interdependent global market with a large number of suppliers and increased cross-docking, in both traditional retailing and e-commerce, the performance of logistics processes and continuity of supply to the Group's stores, both consolidated and franchised, as well as the delivery of customer orders placed through e-commerce, are essential to customer satisfaction and the achievement of operational and financial targets, with greater risk in emerging markets and multinational corporations' growing responsibility for their supply chains.

Given that purchasing is a key way of standing out from the competition, the Group's organisation is adapted to its international scope while capitalising on its knowledge of local markets and relying on entities dedicated to sourcing new products. Risk mapping of the purchasing function describes the purchasing processes, identifies purchasing risks and classifies identified risks in terms of source, position in the process, cause and effect.

Particular care is paid to the risk of disruption in the supply chain. This involves identifying a warehouse's exposure to risk, classifying and quantifying the potential impacts of the risk of disruption in the supply chain and prioritising investment to improve the level of control. Over a number of years, the Group has developed expertise which ensures the flow of supplies to its stores, relying on integrated logistics platforms and service providers, along with business continuity plans in the event of an unusual situation.

In France, under a back office simplification plan, the Group has simplified information systems (simpler ordering, inventory management, pricing verification, deliveries, real-time inventories, possibility to reserve products through e-commerce channels, better in-store margin control, etc.) and optimised data management and usage (360° vision of products, customers, inventory and real-time information, and large-scale data analysis for improved customer relationship management).

Under the Caravelle project, the Group has set up a multi-format food supply chain, revised the logistics barycentres in each region and revamped its non-food model. This has resulted in shorter distances between the warehouse and the store, fleet sharing, optimised delivery rounds and loading time gains, lower inventory levels because of a reduced number of stocking locations and improved in-store service rates.

Product quality, compliance and safety

Ensuring quality and safety of the Group's own-brand products and complying with health standards in stores are major issues which can significantly impact reputation and financial performance, and which may in some cases result in liability for the Group. The same is true in terms of monitoring logistics as well as recall and withdrawal procedures for all products sold (national brand product listings).

The Group Quality Department has developed a number of standards and tools which are deployed in all countries where the Group operates. The country-level Quality Departments are also part of the Quality network, with regular meetings and discussions aimed at increased sharing of best practices and ensuring a consistent approach. The Group has also launched a major employee training programme and regularly communicates with customers about food safety.

In addition, the system includes a procedure for swiftly removing any potentially dangerous product from inventory and taking it off the shelves. This procedure is evolving in order to provide additional automated solutions to increase the safety level even further.

Carrefour brand products are subject to more stringent procedures and controls, from design to marketing, as part of a comprehensive approach presented in the Registration Document in Section 2 on Corporate Social Responsibility.

Safety of people and property

Compliance with health and safety regulations and the protection of Group assets are important priorities. Insufficient consideration of these issues could negatively impact the Group's reputation, operations and financial performance, and may also have legal consequences.

An appropriate crisis management system in case of a major event is an important part of limiting its potentially significant negative consequences, especially with regard to business continuity.

The Group's risk prevention organisation ensures the personal safety of employees and customers and the security of property at all Group sites by using human, technical and organisational resources appropriate to the risks. Risk mapping of the safety and security of people and property identifies the external and internal environments, the construction and operation stages, critical control points and tools associated with each risk.

A detailed assessment of health risks is performed at Group level for local and expatriate employees.

Coordinated by Executive Management, each country has an organisation to report information quickly in the event of an incident and deploy the appropriate resources.

Human resource management

As the largest private employer in many of the countries where the Group operates, the retail profession is based on human relations and employee engagement. In a highly competitive talent market with major demographic changes, the Group faces a challenge in attracting, retaining, training, motivating, compensating and developing employees and top candidates.

As a responsible employer, the Group is implementing a major initiative adapted to these human resource challenges, presented in the Registration Document in Section 2 on Corporate Social Responsibility.

Continuity, integrity and confidentiality of information systems

Given that most of the Group's activities and a number of its functions largely depend on information systems developed or administered by internal resources or outside service providers, any weakness in these systems could noticeably disrupt operations and result in material impacts on financial and operational performance, especially with regard to the ordering, cash handling and financial reporting systems.

With information systems that are constantly changing and difficult to grasp as a whole, along with an increase in nomadic computing and cybercrime, information systems security is also a challenge, especially the protection of employee and customer data.

The Group is implementing a number of measures to ensure continuity of operations and the protection of sensitive data. Data confidentiality, integrity, availability and traceability are guaranteed by an information management system.

The following risks are covered: fraudulent use of data and systems, racist, sexual or offensive statements, discrimination or harassment, illegal downloads, illegal use of equipment, software or data, publication of confidential information, misuse of passwords, and use of personal, identifiable information.

The Group Information systems department handles the development and consistency of all computer applications within the Group, as part of a coordinated effort to promote synergies while taking a forward-looking approach to incorporating technological developments.

A dedicated team, which relies on a network in all countries where the Group operates, works to ensure information system security through tailored governance, shared standards and regular controls.

The Group Data Security Committee manages the Group's data protection system, which involves all employees in information security. It refers to the Group's information security policy, which sets out the rules applicable to all Group entities.

Control and valuation of assets

Site quality and control of the Group's assets are key factors for competitiveness and success. This involves anticipating and maintaining an optimal level of property holdings, while remaining attentive to the maintenance, management and value of the Group's assets. The act of performing property appraisals may present a number of risks related to real estate and financial markets.

With a significant portion of stores operated under commercial leases, the Group's inability to renew them under favourable terms could impact financial performance. The same applies to inefficient or sub-optimal management of tenant relations at sites owned by the Group.

For asset acquisitions, the cost of some acquisitions may require significant financial resources, particularly external financing which the Group cannot guarantee will be obtained under satisfactory conditions. For asset disposals, if the economic situation or the real estate market should worsen, the Group may not be in a position to dispose of its commercial real estate assets under satisfactory financial conditions or deadlines, if such should prove necessary.

Lastly, with the Group also carrying out real estate development for certain sites, the risks related to this activity might incur delays or even cancellations of investment transactions, their completion at a higher cost than initially projected, or lower profits than those expected at the outset.

Under the responsibility and coordination of the Executive Director for Assets, Development and New Ventures, who is also in charge of all Carrefour Property activities, each country implements an asset control and valuation policy tailored to its strategy.

Cargo, a property company dedicated to the Group's supply chain in France, ensures control over the logistics centres, which are key property assets, and over the real estate for some logistics premises. Cargo is 32%-owned by the Group alongside co-investors and holds around one-third of the Group's distribution centres in France. The Group manages and is the sole tenant of Cargo.

4.7.1.4 Financial risk management

The main risks associated with the financial instruments used by the Group are liquidity, interest rate, currency, credit and equity risks. They are described in detail in Note 12.7 to the Consolidated Financial Statements.

Due to the differing natures of the various businesses, financial risks arising from the bancassurance business (including Carrefour Banque in particular) are managed separately from those related to the retail business.

An organisation has been set up around a cash-pooling system to track financial risks. A reporting system ensures that Group Executive Management can oversee the department's implementation of the approved management strategies.

The risks associated with the consumer credit business are managed and tracked directly by the entities concerned. Corporate Treasury and Financing oversees the proper implementation of the rules governing the consumer credit business, jointly with the other investors in the business, where applicable. A reporting system is in place between local teams and Corporate Treasury and Financing.

Liquidity risk

A schedule of borrowings by maturity and detailed information on liquidity risk appear in Note 12.7 to the Consolidated Financial Statements.

Liquidity risk is the risk that Carrefour will be unable to settle its financial liabilities when they fall due.

The Group manages its liquidity risk by ensuring, to the extent possible, that it has sufficient liquid assets at all times to settle its liabilities when they fall due, whatever the market conditions.

A Liquidity Committee meets at monthly intervals to check that the Group's financing needs are covered by its available resources.

Corporate Treasury and Financing's liquidity management strategy consists of:

- promoting conservative financing strategies in order to ensure that the Group's credit rating allows it to raise funds on the bond and commercial paper markets;
- maintaining a presence in the debt market through regular debt issuance programmes, mainly in euros, in order to create a balanced maturity profile. The Group's issuance capacity under its Euro Medium-Term Notes (EMTN) programme totals 12 billion euros;
- using the 5 billion-euro commercial paper programme on Euronext Paris, described in a prospectus filed with Banque de France;
- maintaining undrawn medium-term bank facilities that can be drawn down at any time according to the Group's needs. At December 31, 2017, the Group had two undrawn syndicated lines of credit obtained from a pool of leading banks, for a total of 3.9 billion euros.

  Group policy consists of keeping these facilities on stand-by to support the commercial paper programme. The loan agreements for the syndicated lines of credit include the usual clauses, such as *pari passu*, negative pledge, change of control, restriction on substantial asset sales and cross default. The pricing grid may be adjusted up or down to reflect changes in the long-term credit rating.

In Brazil, money market instruments (*notas promissórias*) with maturities of six to 19 months were issued by Atacadão SA in the second half of 2017, as presented in Note 12.2.2 to the Consolidated Financial Statements.

The Group considers its liquidity position to be robust. It has sufficient cash reserves to meet its debt repayment obligations in the coming year.

The Group's debt profile is balanced, with no peak in refinancing needs across the remaining life of bond debt, which averages three years and nine months.

Carrefour Banque's liquidity risk is monitored within the framework of an Executive Management-approved liquidity strategy that is part of the Group's overall strategy. Carrefour Banque's refinancing situation is assessed based on internal standards, early warning indicators and regulatory ratios.

The objectives of liquidity risk management are to:

- ensure that refinancing needs are met, based on monthly assessments of projected cash surpluses or shortfalls over a three-year period performed by comparing static forecasts of committed financing facilities with dynamic lending forecasts;
- gradually achieve compliance with the new Basel III liquidity coverage ratios, through a process that is designed to deliver a sustainable improvement in asset quality by investing in a dedicated fund eligible for inclusion in the ratio calculation and extending the maturity of liabilities in order to improve the net stable funding ratio;
- diversify refinancing sources to include bank lines of credit, bond issues, securitisation programmes, money market issues and customer deposits. During 2017, Carrefour Banque took out a 400 million-euro loan from the European Central Bank to support the financing and development of its businesses (see Note 5.5.2 to the Consolidated Financial Statements).

The master trust structure allows Carrefour Banque to dynamically manage series of asset-backed securities issued by the securitisation fund. Within this structure, the 110 million-euro series was renewed for a two-year period, as from June 2016.

In November 2014, Carrefour Banque secured its refinancing sources by rolling over its 750 million-euro five-year syndicated line of credit and negotiating two one-year extension options, the second of which was exercised in 2016, extending the facility's maturity to November 2021.

Interest rate risk

Interest rate risk is the risk of a change in interest rates leading to an increase in the Group's net borrowing costs. Detailed information on interest-rate risk appears in Note 12.7 to the Consolidated Financial Statements.

Interest rate risk is managed at headquarters level by Corporate Treasury and Financing, which reports monthly to an Interest Rate Risk Committee responsible for recommending hedging strategies and methods to be used to limit interest rate exposures and optimise borrowing costs.

Long-term borrowings are generally at fixed rates of interest and do not therefore give rise to any exposure to rising interest rates.

Various financial instruments – mainly swaps and options – are nonetheless used to hedge borrowings against the risk of changes in interest rates. Hedge accounting is applied in all cases where the required criteria are met.

Variable rate long-term borrowings are hedged using financial instruments that cap rises in interest rates over all or part of the life of the debt.

Currency risk

Detailed information on currency risk appears in Note 12.7 to the Consolidated Financial Statements.

Currency transaction risk is the risk of an unfavourable change in exchange rates having an adverse effect on cash flows from commercial transactions denominated in foreign currency.

The Group conducts its international operations through subsidiaries that operate almost exclusively in their home country, such that purchases and sales are denominated in local currency. As a result, the Group's exposure to currency risk on commercial transactions is naturally limited and mainly concerns imported products. Currency risk related to import transactions (i.e., goods purchases billed in foreign currencies) covered by firm commitments is hedged by forward purchases of the payment currency. Currency hedges are generally for periods of less than 12 months.

Currency translation risk is the risk of an unfavourable change in exchange rates reducing the value of the net assets of a subsidiary whose functional currency is not the euro, after conversion into euros for inclusion in the Group's Consolidated Financial Statements.

The consolidated statement of financial position and income statement are exposed to a currency translation risk: consolidated financial ratios are affected by changes in exchange rates used to translate the income and net assets of foreign subsidiaries operating outside the eurozone.

The translation risk on foreign operations outside the eurozone mainly concerns the Brazilian real, Argentine peso and Chinese renminbi. For example, changes in the average exchange rates used in 2017 compared with those for 2016 increased consolidated net sales by 269 million euros or 0.3% and recurring operating income by 58 million euros, or 3%.

Lastly, when financing is arranged locally, it is generally denominated in local currency.

Credit risk

1) Trade receivables

Trade receivables correspond mainly to amounts receivable from franchisees (for delivered goods and franchise fees), suppliers (mainly rebates and commercial income) and tenants of shopping mall units (rent). Impairment losses are recognised where necessary, based on an estimate of the debtor's ability to pay the amount due and the age of the receivable.

At December 31, 2017, trade receivables net of impairment (excluding receivables from suppliers) amounted to 1,433 million euros (see Note 5.4.3 to the Consolidated Financial Statements). At that date, past due receivables amounted to a net 165 million euros, of which 30 million euros were over 90 days past due (2.1% of total trade receivables net of impairment, excluding receivables from suppliers). No impairment has been recognised for these receivables as the Group considers that the risk of non-recovery is very limited.

2) Investments (cash equivalents and other current financial assets)

The Group's short-term cash management strategy focuses on acquiring liquid investments that are easily convertible into cash and are subject to an insignificant risk of changes in value.

Investments are made for the most part by Corporate Treasury and Financing, in diversified instruments such as term deposits with leading banks and mutual funds classified by the French financial markets authority (*Autorité des marchés financiers* – AMF) as "money market" and "short-term money market" funds without any withdrawal restrictions. Investments made at the country level are approved by Corporate Treasury and Financing.

Counterparty risk monitoring procedures are implemented to track counterparties' direct investment strategies and the underlying assets held by mutual funds in which the Group invests. The Group's objective is to never hold more than 5% of a fund's units and to never invest more than 250 million euros in any single fund.

Equity risk

Equity risk corresponds to the potential impact of changes in the Carrefour share price on its share-based payment commitments and on treasury shares.

Group policy is to avoid taking positions on its own shares or those of other companies, except in response to particular circumstances or needs.

From time to time, the Group buys back its shares on the market or purchases call options on its shares, mainly in connection with its liquidity agreement and performance share plans. The frequency and size of these purchases depend on the share price.

At December 31, 2017, shares and options held by the Group covered its total commitments under outstanding performance share plans.

Marketable securities portfolios and other financial investments held by the Group consist for the most part of money market instruments that do not expose the Group to any material equity risk.

In addition, the equity risk arising on the convertible bond issue made by the Group in June 2017 is fully hedged by symmetrical options purchased from banks. The derivatives are recognised as assets and liabilities in the statement of financial position in an amount of 12.4 million euros.

Quality of financial management, budgets and reporting

The organisation and procedures for financial and accounting matters are set forth in the Group's Reference Guide to Corporate Rules, which applies to all subsidiaries.

The procedures and tools used are intended to control financial flows in all countries where the Group operates, to verify that budgets and forecasts best reflect observed trends, to prepare a realistic estimate of future performance, and to ensure that the Consolidated Financial Statements provide a true and fair view of the Group's financial position and results.

4.7.1.5 Financial services

Financial services distribute consumer credit, savings products, insurance products and payment services, exposing them to classic financial risks (risks of providing financing and insurance, risks related to financial ratios, liquidity risk, etc.) along with regulatory obligations to which financial and banking institutions are subject, specifically systems to combat money laundering and terrorism financing.

Carrefour Banque has a risk management procedure and a map of processes for managing credit risk.

Carrefour Banque has defined materiality thresholds for incidents uncovered through internal control procedures.

Credit risk

To protect against default by borrowers, the Group's finance companies have set up systems to check the quality and repayment capacity of their customers. These include:

- decision-making aids such as credit scoring applications, income/debt simulation tools and credit history checking procedures;
- interrogation of positive and negative credit history databases, where they exist;
- active management of collection processes;
- credit risk monitoring and control systems.

Within each credit company, a Credit Risk Department is responsible for all of these processes, and the Board of Directors receives copies of all Credit Risk Management Committee reports.

At Group level, a Credit Risk – Europe unit has been set up to oversee and implement credit risk management policies in France, Spain, Belgium and Italy.

Detailed information on the Group's exposure to credit risk appears in Note 12.7 to the Consolidated Financial Statements.

4.7.2 Risk prevention and management system

The risk prevention and management system implemented by the Group relies primarily on identifying, analysing and addressing major risks likely to affect people, assets, the environment, the Group's objectives or its reputation.

Risk represents the possibility of an event occurring that could affect the Group's personnel, assets, environment, objectives or reputation.

Risk management is a dynamic system comprising a set of resources, standards of conduct, procedures and actions adapted to the individual characteristics of the Company and its subsidiaries, which enables the Group's Executive Management to keep the risks at a level the Group deems to be acceptable. Its main objectives are to:

- create and preserve the Group's value, assets and reputation;
- increase the security of the Group's decision-making and procedures to promote the achievement of objectives;
- spur Group employees to adopt a shared vision of the main risks and raise their awareness of the risks inherent in their business.

The risk management system has several objectives and is based on a cross-functional approach with people as its core pillar:

- risk management aims to anticipate rather than incur risks;
- it gives executives an objective, overarching view of the Company's potential threats and opportunities, enables them to take risks on a controlled, considered basis and supports the decision-making process;
- the development of a positive risk management culture helps to raise awareness and consideration of all factors and creates an environment that fosters accountability, initiative and innovation.

Effective risk management relies on a shared vision of challenges and optimal coordination.

The Group incorporates risk management into its day-to-day business practices. Risk management is a job shared by all employees with the aim of developing a risk management culture.

For example, the Group launched three projects during the year:

- implementing the requirements of the European Regulation of April 16, 2014 on market abuse, which came into effect on July 3, 2016 and replaced the January 28, 2003 European Directive, establishing new rules and measures applicable to listed companies and their Executive Officers and Company Officers regarding inside information. The Group has adapted its internal procedure pursuant to this new EU regulation. A Stock Market Ethics Charter has been circulated to the relevant people and sets out the rules that apply with regard to:
  - management of insider lists (permanent and occasional) and lists of persons with access to sensitive and confidential information subject to confidentiality requirements,
  - information and communication with insiders and persons subject to confidentiality requirements,
  - procedure for deferring the disclosure of inside information, and
  - disclosure of Directors' and Executive Officers' share dealings;

- in June 2017, establishing a formal anti-bribery and corruption policy and its presentation to the staff representative bodies. Bribery and corruption risks were mapped as part of the Group's compliance risk mapping exercise.

  It is based on a review of all third parties with which the Group has a relationship and combines several approaches that look at the Group's business and geographical operations from different angles. The Group's stakeholders were involved in the process of reviewing the principal risks according to their areas of expertise. A structured approach and an ordered view of the risks were shared with the countries and relevant internal functions. To implement this policy, the countries used communications tools illustrated with specific examples for the targeted audience, for example at purchasing level or store level. A training system has been set up and is aimed at managers and other employees who are most exposed to the risk of bribery and corruption. The Group has established rules applicable to all employees on accepting gifts and invitations. All employees involved in a purchasing, negotiation or accreditation process (principal, buyer, decision-maker) are required to sign a statement of independence each year. Any potential conflicts of interest are addressed in accordance with the Group's Ethics Principles;
- drawing up a formal duty of care plan. The approach is based on Carrefour's Ethics Principles, a Code of Conduct setting the framework for the day-to-day behaviour and actions of its employees. The aim is to instil these same principles throughout the global value chain through the Supplier Charter and Ethical Standards Charter, which are an integral part of all purchase contracts for goods and services in all of Carrefour's countries of operation. It is rolled down to the Group's various business activities through many other initiatives, including partnerships, dialogue with stakeholders, CSR strategy and social dialogue. It takes form through the engagement of the women and men who work for the Carrefour group. The relevance and completeness of the duty of care plan will be assessed in working meetings with stakeholders, particularly those with expertise in the matters addressed by the plan: WWF® France, the International Federation for Human Rights (*Fédération internationale des ligues des droits de l'homme* – FIDH) and UNI Global Union. As required by the law, the Group will report annually on the implementation of this duty of care plan. The first report will cover 2018 and will be published in 2019.

Within the Group, the adoption and implementation of risk management principles is delegated to the Group Functional Departments and the Country Executive management teams, which are responsible for identifying, analysing and addressing the main risks they face.

The Group's Functional Departments are responsible for identifying and documenting the main risk management rules applicable to their function. They support the countries in implementing their own rules by organising and running functional networks.

The Country Executive management teams:

- perform regulatory monitoring and recognise impacts;
- establish procedures and suitable measures for preventing and protecting against risks occurring and limiting impacts;
- manage incidents;
- notify the Group's Executive Management of any event that is likely to have an impact on the Group's image or financial performance.

The Group Risks & Compliance Department leads the risk management system and provides methodological support to the Operational and Functional departments. It does so by deploying an oversight, assessment and mapping tool for major risks and developing an operational risk map.

The risk assessment tool is completed each year by the Country Executive Management teams on the basis of identified risk factors. These assessments are reviewed during interviews with the Group Risks & compliance department.

The Group Risks & Compliance Department also worked on country-by-country mapping of health risks, natural risks, criminal and terrorist risks, and legal risks, while conducting studies on emerging risks and supporting certain Operational Departments. It also supports the Purchasing Departments in expanding their knowledge and assessment of supplier risk.

In operational terms, the Group Risks & Compliance Department coordinates and leads a network of Security/Risk Prevention Directors present in all Group countries. Since 2011, Carrefour has regularly communicated a Risk prevention Charter which defines the scope of action, the role and responsibilities of the country-level Security/Risk Prevention functions, and the ethical rules they must follow.

In each country where the Group operates, a Security/Risk Prevention Department is responsible for the security of the Company's property, equipment and intangible assets and ensures the safety of the people on its sites. It is tasked with implementing the human, organisational and technical resources necessary to manage both accidental and intentional risks (natural disasters, malicious acts, theft, etc.).

The safety and security of people and property is one of the essential elements of the risk management system, ensuring:

- protection suitable for the Group's customers, employees, service providers and sites;
- regulatory compliance of sites in all countries where the Group operates;
- protection and enhancement of the Group's image and reputation.

The prevention policy relies on risk mapping, loss analysis and the identification of emerging risks as part of an ongoing oversight process and specific studies.

The Group Risks & Compliance Department prepares a consolidated annual report on the Security/Risk Prevention function at Group level, with benchmarks between management and performance indicators for the function in each country, in terms of loss, workforce, resources and action plans.

4.7.3 Insurance

For the past several years, the Group's insurance strategy has focused on providing the best possible protection for people and assets.

4.7.3.1 Group insurance policy

The Group's insurance strategy is primarily based on identifying insurable risks through a regular review of existing and emerging risks, in close cooperation with operational managers, the various Carrefour group departments involved and external specialists.

Worldwide programmes

The Carrefour group has implemented comprehensive, worldwide programmes (especially for property damage and business interruption and civil liability policies) that provide uniform coverage for all formats (consolidated stores only), wherever the stores are located (except in countries where regulations prohibit this type of programme).

Thus, the Group has a solid understanding of the limits of the coverage in place, and the certainty that its insurance programmes have been taken out with leading global insurers.

Acquisitions during the year

The Carrefour group ensures that acquisitions carried out over the course of the insurance year are quickly covered under its comprehensive programmes, or, where applicable, benefit from its DIC/DIL (difference in conditions/difference in limits) coverage policies, in order to ensure solid control over existing coverage and benefits.

Prevention policy

The Group's insurance policy requires that risk prevention measures be monitored by the Group Risks & Compliance Department in coordination with local Group liaisons in each country, as well as with the Group's insurers.

Transfer of risk to the insurance market

The Group transfers identified insurable risks to the insurance market or self-insures, in accordance with the Group insurance policy and consistent with the Group's general policies.

Self-insurance of certain risks

In order to optimise insurance costs and better manage risk, the Group has a policy of maintaining certain high-frequency risks within property damage and business interruption, civil liability and goods transportation through its captive re-insurance company. The results of this captive company are consolidated in the Group's financial statements.

A stop-loss provision per claim and per insurance year has been established in order to protect the captive company's interests and limit its commitments.

4.7.3.2 Information concerning the main insurance programmes

The following is provided for information purposes only in order to illustrate the scope of action in 2017. This information should not be regarded as unchanging, since the insurance market is constantly evolving. The Group's insurance strategy therefore depends on and adapts to insurance market conditions.

Property damage and business interruption coverage

This insurance protects the Group's assets through an "all risks, with exceptions" policy, on the basis of guarantees available on the insurance market to cover the traditional risks for this type of coverage, which include fire, lightning, theft, natural disaster and the resulting operating losses.

The limits of this property damage and business interruption policy are consistent with those of an international retail company. Deductibles are established as appropriate for the various store formats.

Exclusions in force for this policy comply with market practices.

Civil liability coverage

This programme is intended to cover the Group's activities against the financial consequences of its civil liability in the event that the Company may be held liable for resulting damage and/or bodily harm caused to third parties.

The limits of this civil liability policy are consistent with those of an international retail company. Deductibles vary from country to country.

Exclusions in force for this policy comply with market practices.

The Group is also covered against the risk of harming the environment as part of its comprehensive, worldwide civil liability insurance programme.

Mandatory insurance

The Group takes out different insurance programmes in accordance with local law, including:

- auto insurance;
- construction insurance (building defects, ten-year builder liability, etc.);
- professional liability insurance related to its activities:
  - banking,
  - insurance,
  - travel.

4.7.4 Crisis management

To address extraordinary situations that may impact business continuity and the fulfilment of its objectives, the Group has established a global crisis management organisation.

At Group level, the Group Risks & Compliance Department coordinates the crisis management system directly with Executive Management, in close cooperation with the Group Communications department.

Depending on the nature and scope of the event, the crisis may be handled locally, reporting to Country Executive Management, or at country level in accordance with crisis management principles, as defined in the Group's regulatory framework.

Each Country Executive Director establishes a formal crisis management organisation to address the main scenarios likely to impact business continuity, by bringing together all internal functions concerned and relying on a network of external experts who are mobilised as necessary depending on the type of crisis.

This organisation specifically includes a backup plan at the level of each establishment, an appropriate system for product recall and withdrawal, in accordance with the Group Quality Department's recommendations and standards, as well as an alert system to permit rapid reporting of information from all sites.

All members of the Country Executive Committee and the other internal players involved are trained in crisis management and crisis communications. Performing crisis simulations frequently tests the collective abilities of each Country Executive Committee.

A number of tools have also been developed at Group level.

In recognition of its industry-leading CSR strategy, the Group has been selected to form part of the Dow Jones Sustainability Index World (DJSI). Of the 25 selection criteria analysed, the Group obtained the best industry score in the "Risk & Crisis Management" category.

4.8 Internal control system

Introduction

Responsibility for the set-up, maintenance and steering of internal control procedures across the Group lies with the Group's Executive Management, which has submitted this section of the report to the Statutory Auditors and the Board of Directors, which approved it on February 28, 2018 on the recommendation of the Accounts Committee.

Applicable reference framework

The Carrefour group's internal control system is based on the AMF's reference framework, updated on July 22, 2010. This section has been prepared in accordance with Article L. 225-100-1 of the French commercial code.

Scope

The internal control system presented in this report is implemented in the Company and all its fully-consolidated subsidiaries, and covers a larger scope than the procedures relating to the preparation and processing of accounting and financial information.

4.8.1 Definition and objectives of the internal control system

The internal control system comprises a set of resources, standards of conduct, procedures and actions adapted to the individual characteristics of the Company and its subsidiaries, which:

- contribute to the control of its activities, the efficiency of its operations and the efficient use of its resources;
- enable it to take into consideration, in an appropriate manner, all major operational, financial or compliance-related risks.

More specifically, the internal control system is designed to ensure:

- that the Group's economic and financial targets are achieved in accordance with laws and regulations;
- that instructions and directional guidelines established by the Group's Executive Management in respect of internal control are applied;
- that the internal processes are working correctly, particularly those contributing to the security of assets;
- that financial information is reliable.

By helping to prevent and control the risks that may prevent the Group from achieving its objectives, the internal control system plays a key role in the management and oversight of its activities. However, as the AMF reference framework underscores, no matter how well designed and properly applied, an internal control system cannot fully guarantee that the Group's objectives will be achieved. There are inherent limitations in all internal control systems, which arise, in particular, from uncertainties in the outside world, the exercise of judgement or problems that may occur due to technical or human failure, or simple error.

4.8.2 Internal control organisation and parties involved

4.8.2.1 Internal control organisation

Internal control activities are designed to ensure that the necessary measures are taken in order to reduce exposure to the strategic, operational and asset risks likely to affect the achievement of the Group's objectives. Control activities take place throughout the organisation, at every level and in every function, including prevention and detection controls, manual and IT controls, and hierarchical controls.

The Group is organised geographically to ensure that specific local needs and interests are addressed effectively and that operations are as responsive as possible, with each country serving as a basic link in its organisation. The internal control system comprises formal procedures and operating methods for each country, which stipulate ways of carrying out an action or process in accordance with the Group's regulatory framework.

The internal control system is based on this organisational principle:

- the Group's Executive Management sets the reference framework for the Group's internal control system. Executive Management's role is to design, coordinate, lead and continuously supervise internal control systems, and it has defined a Group regulatory framework that covers all the principles and standards applicable at store, supply chain and Group support function level.

  All countries are required to implement the Group regulatory framework. Its main aims are to cover all risks related to the Group's assets through more than 100 rules:

  - accounting and financial risks,
  - risks associated with the safety and security of people and property,
  - risks to the continuity, integrity, confidentiality and security of information systems,
  - contractual obligation, compliance and communication risks;
- at country level, the Country Executive management teams are responsible for adopting and implementing internal control procedures. They have established procedures and operating methods, including control activities required to cover all the strategic, operational and asset risks relating to their businesses and organisation. These procedures and operating methods include and extend the key controls set out in the Group's regulatory framework.

4.8.2.2 Parties involved in internal control

A. At Group level

The **Group's Executive Management** is responsible for the internal control system.

It is also tasked with designing, implementing and overseeing the internal control systems suited to the size of the Group, its activity and its organisation.

It initiates any corrective actions that are needed to rectify an identified malfunction and to maintain a situation within the limits of acceptable risk. It ensures that these actions are successfully implemented.

Executive Management's duties in relation to the internal control system also include defining the corresponding roles and responsibilities in the Group.

The Group's Executive Management has created the following organisation structure:

- the **Group Finance Department** is responsible for:
  - ensuring that accounting and financial information is reliable,
  - managing risks that may be reflected in the financial statements and have an impact on them,
  - measuring Group performance and budget control,
  - following Group investment procedures;
- the **Group Legal Department** is responsible for:
  - overseeing the governance policy for legal services,
  - establishing the governance policy of Group subsidiaries,
  - managing the Group's legal risks,
  - establishing the Group's market abuse prevention policy;
- the **Group Risks & Compliance Department** is responsible for:
  - identifying, analysing, assessing and addressing risks within the Group, in support of the Functional Departments and Country Executive Directors,
  - managing risks associated with the safety and security of people and property, through a Risk Prevention Charter and a safety policy for travel abroad,
  - establishing an overall compliance framework by drawing up and circulating compliance programmes throughout the entire Group,
  - establishing the Group's insurance policy,
  - coordinating the Group crisis management system;
- the **Group Property Department** is responsible for:
  - establishing the Group's property policy,
  - risk management related to security and the operation of establishments open to the public;
- the **Group Quality Department** is responsible for:
  - establishing the product quality, health and safety policy within the Group,
  - managing security, quality, compliance and product safety risk,
  - coordinating crisis management relating to product safety risks;

- the **Group CSR Department** is responsible for:
  - ensuring Carrefour suppliers uphold human rights,
  - defining and implementing processes to ensure that suppliers comply with the Group's Social and Ethical Standards Charter, which is an integral part of all procurement contracts,
  - managing the audit process, which includes a preliminary review with the sourcing teams, an initial audit with an independent firm, follow-up audits by independent firms with second-opinion audits carried out by the Group and, lastly, specific audits to check one-off or specific items,
  - helping suppliers to achieve compliance in partnership with FIDH,
  - raising awareness among suppliers and sourcing teams and providing them with training,
  - implementing a duty of care and prevention plan with respect to the environment, employees, human rights and corruption, jointly with the Group Risks & Compliance Department;
- the **Group Human Resources Department** is responsible for:
  - establishing a human resource management policy within the Group that:
    - ensures the proper availability level of resources, suitable for current and future business requirements,
    - monitors employees' career development and commitment,
    - ensures high-quality social dialogue,
    - defines the framework for the compensation policy and employee benefits and guides the associated commitments,
    - helps to create a culture of collective development and performance;
  - coordinating social risk management;
- the **Group Information Systems Department** is responsible for:
  - establishing the information systems security policy within the Group. Information systems aim to respond to needs and meet requirements regarding information security, reliability, availability and traceability:
    - at Group level, the accounting and financial information system is based on a reporting and consolidation tool for preparing the Consolidated Financial Statements and measuring the Group's operating performance,
    - the Country Executive Directors are responsible for their own information systems, and have implemented measures to ensure system security and digital data integrity;
  - managing risks relating to the continuity, integrity, confidentiality and security of information systems;
- the **Group Insurance Department** is responsible for setting up insurance to cover the Group's insurable risks as effectively as possible and according to available capacity on the market, pursuant to Group insurance policies. It works with the Group Risks & Compliance Department in transferring a portion of the risks to the insurance market;
- the **Group Internal Audit Department** is tasked with:
  - assessing the operation of asset risk management and related internal control systems by performing the tasks included in the annual audit plan,
  - regularly monitoring and making any necessary recommendations to improve these systems,
  - leading and consolidating the annual self-assessment campaigns to develop internal control tools as carried out by the Country Executive Directors.

The **Board of Directors** reports on the Group's principal risks and uncertainties in the management report.

It takes note of the process for preparing the financial information as well as the essential characteristics of the internal control and risk management systems communicated in a timely manner by the Accounts Committee and the Group's Executive Management. It also takes note of the CSR risk prevention plan provided by the CSR Committee.

The role of the **Accounts Committee** established by the Board of Directors is primarily to:

- review the financial statements and ensure that the accounting methods adopted to prepare the Company and Consolidated Financial Statements are relevant and consistent before they are presented to the Board of Directors. It monitors the procedures used to prepare the financial statements and assesses the validity of the methods used to present material transactions;
- monitor the process for preparing financial information and, where applicable, make recommendations to ensure the integrity of such information;
- monitor the effectiveness of the internal control, risk management and, where applicable, internal audit systems relating to the preparation and processing of accounting and financial information, without compromising its independence. It ensures that such systems are in place and implemented, and that corrective measures are undertaken in the event that any failings or anomalies are identified. For this purpose, the Statutory Auditors and the internal audit and risk control managers submit their main findings to the committee. It consults the internal audit and risk control managers and issues its opinion on the organisation of their services. It must be kept informed about the internal audit programme and must be provided with the internal audit reports or a regular summary of these reports;
- review risks and material off-balance sheet commitments, assess the significance of any malfunctions or weaknesses reported to it and inform the Board of Directors where appropriate. As such, the review of the financial statements must be accompanied by a presentation prepared by Group Executive Management describing the Company's risk exposure and its material off-balance sheet commitments, as well as a presentation prepared by the Statutory Auditors highlighting both the key findings of their statutory audit, including any audit adjustments and significant internal control failings identified during their engagement, and accounting options applied. In the management report, it reviews the section covering internal control and risk management procedures;

- it regularly reviews the map of the Group's main risks that may be reflected in the financial statements or which have been identified by Group Executive Management and may have an impact on the financial statements. It takes note of the main characteristics of the risk management systems and the results of their operations, drawing in particular on the work of the internal audit and risk control managers and the Statutory Auditors.

The role of the **CSR Committee** set up by the Board of Directors is to:

- review the Group's CSR strategy and the rollout of the related CSR initiatives;
- verify that the Group's CSR commitments are integrated in light of the challenges specific to the Group's business and objectives;
- assess risks, identify new opportunities and take account of the impact of the CSR policy in terms of business performance;
- review the annual report on non-financial performance;
- review the summary of ratings awarded to the Group by ratings agencies and in non-financial analysis.

B. At country level

The **Country Executive Director** is responsible for setting up, running and supervising the internal control system at country level. The country internal controllers support the Country Executive Director by:

- helping to define the country internal control system, particularly by ensuring that the Group internal control framework is properly rolled out;
- ensuring that procedures defined by the country and the Group are properly applied.

4.8.2.3 Internal control environment

4.8.2.3.1 Internal control procedures and measures

The Group has set up a formal control environment using various procedures and control measures, with for example a Group regulatory framework, Ethics Principles and a definition of the powers, responsibilities and objectives assigned at each level of the organisation, according to the principle of the separation of duties:

- at country level, the Group regulatory framework is reflected in precise operating procedures. It is the tool with which each country conducts its internal controls, which are, in turn, audited by the Group;
- the Ethics Principles have been distributed to all Group employees since October 2016. Their purpose is to establish the ethical framework within which all employees must conduct their work on a day-to-day basis. An ethics whistleblowing system can be used by Group employees to report any situations or behaviour that do not comply with the Ethics Principles;
- the policies reflecting the Group's values through principles for professional conduct that guarantee excellence and the sustainability of the Group's performance. Every employee participates in their implementation;
- the Group's Executive Management has established rules of governance limiting the powers of the Company officers of each Group company. Prior approval by the Board of Directors or the equivalent body of the company concerned is required for some transactions. Delegations of powers and responsibilities are established at country and Group level in accordance with hierarchical and functional organisational charts. This structure complies with the principle of the separation of duties;
- lastly, this structure is conveyed by a management framework that is underpinned by medium-term objectives organised according to country and by the steering of activities in line with annual budget targets and corresponding to individual plans.

The Group ensures that relevant and reliable information is disseminated and conveyed to the parties concerned so that they can perform their duties in accordance with Group standards and procedures:

- the GroupOnline intranet system provides employees with a number of practical tools, including information on the primary standards and procedures with which they must comply;
- the Group regulatory framework has been communicated to all Country Executive Directors responsible for disseminating it;
- procedures setting out best practices and the information reporting process are also communicated to the various countries by the Group's main departments;
- the Group's accounting policies are sent to every Finance Director at the end of each quarter;
- the Group Investment Committee's governance rules are sent to all Finance Directors.

Similarly, the countries make sure to relay relevant, reliable information to the parties concerned so that they can perform their duties in accordance with Group standards and procedures.

4.8.2.3.2 Guidance and monitoring of the internal control system

Continuous monitoring

Continuous monitoring is organised so that incidents can be pre-empted or detected as rapidly as possible. Management plays a long-term daily role in the effective implementation of the internal control system. Specifically, it establishes corrective action plans and reports to the Group's Executive Management on significant malfunctions when necessary.

Periodic monitoring

Periodic monitoring takes place through managers and operatives, country internal controllers and the Group Internal Audit Department:

- managers and operatives check that the internal control system is working correctly, identify the main risk incidents, draw up action plans and ensure that the internal control system is appropriate in view of the Group's objectives;
- the country internal controllers periodically check that control activities are being properly implemented and that they are effective against risks. Control activities are defined and implemented by process managers, coordinated by internal controllers who report to members of the Country Executive Committee and to the Country Executive Director. Coordination by the internal controllers ensures consistency in control activity methodology and guarantees comprehensive coverage of all risks across all processes;
- the Group Internal audit department provides the Country Executive management teams, the Accounts Committee and the Group's Executive Management with the findings of their engagement and their recommendations.

Furthermore, the Statutory Auditors report on any significant internal control failings they have identified during their engagement concerning the procedures relating to the preparation and processing of accounting and financial information.

Each Country Executive Director has established a formal annual self-assessment process:

- the process uses standard tools that focus on existing frameworks and are based on an internal control risk analysis for each activity and on the identification of key control points;
- the results of the internal control self-assessment covering asset risks are centralised periodically at Group internal audit level;
- one of the Group Internal Audit Department's objectives in implementing actions is the quantitative measurement, through scoring systems, of the divergence between the self-assessment and the level of internal control determined on the basis of its work. Monitoring these divergences makes it possible to gauge the quality of the country's internal control self-assessment.

Guidance and supervision of the internal control system involve the monitoring, by the country internal controllers, of the action plans relating to the internal control self-assessment and risk mapping processes and of the recommendations of the Group Internal Audit Department.

The monitoring of action plans covering asset risks is centralised periodically at the level of the Group Internal Audit Department.

As an additional step in the guidance and supervision system, the Country Executive Director signs a letter of affirmation on the internal control system, confirming his or her appropriation of and responsibility for internal control in terms of reporting and correcting deficiencies.

The Group's Executive Management supervises the internal control system in particular by reviewing the minutes of meetings of the following bodies and departments:

- Group Ethics Committee;
- Group Investment Committee;
- Data Security Committee;
- IT Request Management Committee;
- financial committees that guide the Group's financial policy;
- Antigaspi Committee;
- Group Information Systems Department;
- Group Internal Audit Department;
- Group Risks & Compliance Department;
- any other *ad hoc* committee meeting convened according to the needs identified by the Group's Executive Management.

Lastly, the Accounts Committee established by the Board of Directors monitors the effectiveness of the internal control and risk management systems. Its role is described above.

4.8.2.4 Internal accounting and financial control

4.8.2.4.1 General organisational principles of accounting and financial control

Internal accounting and financial control aims to ensure:

- the compliance of reported accounting information with the applicable rules (international accounting standards);
- the application of instructions and strategic objectives established by the Group;
- the prevention and detection of fraud and accounting and financial irregularities;
- the presentation and reliability of published financial information.

Risks related to the production of accounting and financial information can be classified into two categories:

- those related to the accounting of recurring operations in the Group's host countries, whose control systems must be set as close as possible to decentralised operations;
- those related to the accounting of non-recurring operations that may have a material impact on the Group's financial statements.

The internal control system described in the following paragraphs incorporates this risk approach.

Management within each country is responsible for identifying risks that impact the preparation of financial and accounting information as well as taking the necessary steps to adapt the internal control system.

With regard to information that requires special attention given its impact on the Consolidated Financial Statements, the Group Reporting and Consolidation Department requests the necessary explanations and may perform such controls itself. It can also assign an external auditor to carry out such controls or submit a request to the Chairman and Chief Executive Officer for the Internal Audit Department to intervene.

The Group Reporting and Consolidation Department checks the country-level consolidated reporting packages at the end of each monthly period. If need be, corrections are made to the reporting packages by the countries themselves. In addition, inspections are conducted in each country at least twice a year.

4.8.2.4.2 Management of the accounting and finance organisation

Organisation of the finance function

The finance function is mainly based on a two-level organisation:

- the Group Financial Control Department defines the IFRS accounting principles applicable to Carrefour and provides leadership and oversight of the production of Consolidated Financial Statements and management reports. This Department includes a Reporting and Consolidation Department and a Performance Analysis Department:
  - the Reporting and Consolidation Department monitors standards, defines the Group accounting doctrine ("IFRS accounting principles applicable to Carrefour"), produces and analyses the Consolidated Financial Statements and prepares the consolidated accounting and financial information, and is the direct link to the Finance Departments at country level,
  - the Performance Analysis Department analyses both prospective and retrospective management reports. It requests explanations from the country-level Finance Departments and alerts the Group's Executive Management to key issues and any potential impact;
- the country-level Finance Departments are responsible for the production and control of the country-level Company and Consolidated Financial Statements. They are also responsible for deploying an internal control system within their scope that is adapted to their specific challenges and risks, taking into account the Group's recommendations and directives. Management control and merchandise management control at country level also fall within their responsibility.

The country/business unit/functional administrator accounting function is handled by centralised teams in each country, under the supervision of the country-level Finance Director. These teams belong to the Finance and Management network and are led by the Group Finance Department, particularly through the sharing of information on a collaborative platform.

The Group Executive Director – Finance and Management appoints the country-level Finance Directors.

Accounting principles

Group accounting principles are specified in a regularly updated document that is communicated to all those involved in the process.

The IFRS accounting principles applicable to Carrefour are reviewed twice a year, before the end of each financial year and six-month period. They are defined by the Standards Department, which forms part of the Group Reporting and Consolidation Department, and are presented to the Statutory Auditors. Material changes, additions or deletions are presented to the Accounts Committee.

An updated version is available to all members of the Finance and Management network on the collaborative platform.

The IFRS accounting principles applicable to Carrefour are incumbent upon the country-level Finance Departments. If necessary, country-level Finance Departments consult the Group Reporting and Consolidation Department, which alone can provide interpretations and clarifications.

The country-level Finance Directors meet regularly to discuss new changes to the IFRS accounting principles applicable to Carrefour and any application issues encountered.

The Standards Director, who reports to the Reporting and Consolidation Director, performs technical monitoring of IFRS and leads the process of updating Group accounting principles in liaison with the countries. It reviews technical issues raised within the Group and ensures that Carrefour is represented in professional organisations that deal with accounting standards.

Tools and operating methods

The Group continues to standardise the accounting systems used in the various countries. Specifically, this has led to the implementation of an organisational model that includes the establishment of shared national service centres (for the processing and payment of invoices involving merchandise, fixed assets, general expenses and payroll), thus standardising and documenting procedures in the various countries and ensuring the appropriate separation of duties. Operating methods are made available to all users.

Each country implements tools to address its specific consolidation needs. The Group uses a consolidation and reporting tool to detail, make reliable and facilitate the transmission of data, controls and consolidation operations.

Accounting and financial information systems are subject to the same security requirements as all other systems.

Consolidation/reporting process and principal controls

To assist the Group consolidation process, each country is responsible for reporting its own financial data by legal entity and for consolidating the financial statements at its own level.

The Group Reporting and Consolidation Department's nine-person team leads this process and is responsible for producing the Group's Consolidated Financial Statements. Responsibilities have been defined by country, as have cross-functional analysis responsibilities within the team. Consolidation has occurred on a monthly basis since 2015 (quarterly previously). Only the half-yearly and annual Consolidated Financial Statements are subject to a third-party review or audit and are published. The Group uses identical tools, data and regional breakdowns for its management reports and Consolidated Financial Statements.

Subsidiaries prepare their own statutory financial statements as well as the Consolidated Financial Statements converted into euros for their region. The Finance department in each country makes use of controls in place in the consolidation tool. Countries also have access to a Group benchmark for expected controls during the production of accounting and financial information and the consolidation process. The Reporting and Consolidation Department checks for consistency and performs a reconciliation and analysis at the end of each month.

The main options and accounting estimates are subject to review by the Group Reporting and Consolidation Department and the country-level Finance Directors, including during meetings for financial statement reporting options, organised before the financial statements are reported at Group and country level in cooperation with external auditors.

Between reporting dates, country visits by the Reporting and Consolidation Department teams provide opportunities to improve processes at country level by promoting understanding and dissemination of the Group's accounting principles and addressing specific issues within the various countries.

If necessary, inspections can lead to recommendations aimed at improving the country's consolidation procedures.

A hard-close procedure was introduced by the Reporting and Consolidation Department in late May to anticipate, as far in advance as possible, any potentially sensitive subjects relating to the six-month reporting period.

Also, a review is carried out in late September by the Statutory Auditors to assess the quality of the Group's internal control system and of the processes associated with measuring income and expenses that, due to their nature and amount, have a material impact on Group performance, so that any weaknesses can be rectified before the financial year-end. The countries are asked to carry out specific work, which is reviewed by the Statutory Auditors. This work focuses mainly on internal control of the supplier and inventory cycles, a review of the main disputes and risks, and impairment testing of stores.

In order to provide an opinion to the Board of Directors on the draft financial statements, the Accounts Committee reviews the annual and half-yearly financial statements and the findings of the Statutory Auditors' team concerning their work.

Accordingly, the Accounts Committee meets regularly and as necessary so that it can monitor the process of preparing the accounting and financial information and ensure that the principal accounting options applied are pertinent.

Oversight of the internal control system

Oversight of the internal control system is mainly based on:

- a self-assessment process for the application and oversight of the main regulations defined by the Group concerning internal accounting and financial control. Action plans are defined at country level where necessary and are subject to monitoring;
- in-country actions by the Group Internal Audit Department. The internal audit plan incorporates tasks to review internal accounting and financial control.

Oversight also involves assessing the information provided by the Statutory Auditors as part of their in-country operations. The country-level Finance Directors systematically provide the Group Reporting and Consolidation Department with summaries of actions and letters of recommendation from the Statutory Auditors. It oversees the implementation of these recommendations.

The entire process is regularly presented to the Accounts Committee. When significant shortcomings are detected in a country's internal control system, the Accounts Committee is given a quarterly presentation of changes to action plans.

At each reporting date, the Group Internal Audit Department receives letters of affirmation, signed by the Country Executive Director and country-level Finance Director, certifying that the consolidation reporting packages are fair and were prepared in accordance with the IFRS accounting principles applied by Carrefour.

4.8.2.4.3 Control over financial communications

Role and purpose of financial communications

The objective of financial communications is to provide the entire financial community with clear information about the Group's strategy, business model and performance, by publishing accurate, true and fair information while upholding the principle of shareholder equality with regard to information.

Organisation of financial communications

Financial communications address a diverse audience, primarily comprised of institutional investors, individual shareholders and employees. They are disseminated as required by law (Shareholders' Meeting) or the AMF's regulations (periodic publications, press releases). The Group also uses other channels for its financial communications, including conference calls, investor presentations on results or events (investors day), meetings, conferences and roadshows for financial analysts and investors, the Registration Document and annual report, and the corporate website.

In organisational terms:

- the Shareholder Relations Department is responsible for informing the general public (individual shareholders);
- the Investor Relations Department, Group Executive Director – Finance and Management, and the Chairman and Chief Executive Officer are the sole contacts for analysts and institutional investors;
- the Group Human Resources Department, with support from the Group Communications Department, manages information intended for employees;
- the Group Communications Department manages press relations.

Procedures for controlling financial communications

The Group Financial Control Department is the exclusive source of financial information.

Internal controls regarding the financial communications process focus on compliance with the principle of shareholder equality, among other issues. All press releases and significant announcements are prepared by mutual agreement between the Financial Communications Department, which is part of the Group Finance Department, and the Group Communications Department.

The segregation of roles and responsibilities allows for strict independence between Executive management teams, sensitive departments (e.g., mergers and acquisitions) and the Financial Communications Department.

Financial communications policy

The Group Finance Department defines and implements the policy on disclosing financial results to the markets. The Carrefour group discloses its sales on a quarterly basis and its results on a half-yearly basis. The Board of Directors is informed of all periodic publications and press releases on financial and strategic operations, and makes comments as appropriate.

At the beginning of 2017, the Group did not issue guidance on its recurring operating income target. However, throughout the financial year, the Group Finance Department checks that the recurring operating income target provided by the analyst consensus remains achievable and may, where applicable, issue a revision when budget forecasts reveal a significant discrepancy.

The Group Financial Communications Department is also involved in setting the financial calendar and reviewing financial communications for Atacadão, the listed Brazilian subsidiary controlled by the Group, and ensures that their financial communications are consistent.

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CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

The Consolidated Financial Statements are presented in millions of euros, rounded to the nearest million. As a result, there may be rounding differences between the amounts reported in the various statements.

5.1 Consolidated income statement

(in millions of euros)	Notes	2017	2016	% change
Net sales	*5.1*	78,897	76,645	2.9%
Loyalty program costs		(644)	(591)	9.0%
Net sales net of loyalty program costs		**78,253**	**76,054**	**2.9%**
Other revenue	*5.1*	2,722	2,720	0.1%
Total revenue		80,975	78,774	2.8%
Cost of sales	*5.2*	(62,760)	(60,789)	3.2%
Gross margin from recurring operations		**18,214**	**17,985**	**1.3%**
Sales, general and administrative expenses, depreciation and amortisation	*5.2*	(16,209)	(15,634)	3.7%
Recurring operating income		2,006	2,351	(14.7)%
Net income/(loss) from equity-accounted companies	*7*	4	(36)	(110.3)%
Recurring operating income after net income from equity-accounted companies		**2,010**	**2,315**	**(13.2)%**
Non-recurring income and expenses, net	*5.3*	(1,310)	(372)	n.a.
Operating income		700	1,943	(64.0)%
Finance costs and other financial income and expenses, net	*12.6*	(445)	(515)	(13.6)%
Finance costs, net		*(317)*	*(377)*	*(15.8)%*
Other financial income and expenses, net		*(128)*	*(138)*	*(7.7)%*
Income before taxes		**255**	**1,428**	**(82.1)%**
Income tax expense	*8.1*	(618)	(494)	25.1%
Net income/(loss) from continuing operations		**(363)**	**934**	**(138.8)%**
Net income/(loss) from discontinued operations	*3.4*	1	(40)	
NET INCOME/(LOSS) FOR THE YEAR		**(362)**	**894**	**(140.5)%**
Group share		**(531)**	**746**	**(171.1)%**
of which net income/(loss) from continuing operations		(531)	786	(167.6)%
of which net income/(loss) from discontinued operations		1	(40)	n.a.
Attributable to non-controlling interests		**169**	**148**	**14.1%**

Basic earnings per share *(in euros)*	2017	2016	% change
Earnings/(loss) from continuing operations per share	(0.70)	1.06	(166.1)%
Earnings/(loss) from discontinued operations per share	0.00	(0.05)	n.a.
Basic earnings/(loss) per share – Group share	(0.70)	1.01	(169.6)%

Diluted earnings per share *(in euros)*	2017	2016	% change
Diluted earnings/(loss) from continuing operations per share	(0.70)	1.06	(166.1)%
Diluted earnings/(loss) from discontinued operations per share	0.00	(0.05)	n.a.
Diluted earnings/(loss) per share – Group share	(0.70)	1.01	(169.6)%

Details of earnings per share calculations are provided in Note 11.6.

5.2 Consolidated statement of comprehensive income

(in millions of euros)	Notes	2017	2016
Net income/(loss) for the year		(362)	894
Effective portion of changes in the fair value of cash flow hedges(1)	*11.4*	(17)	10
Changes in the fair value of available-for-sale financial assets(1)	*11.4*	(3)	(4)
Exchange differences on translating foreign operations(2)	*11.4*	(473)	361
Items that may be reclassified subsequently to profit or loss		**(493)**	**367**
Remeasurements of defined benefit plans obligation(1)	*10.1/11.4*	10	(109)
Items that will not be reclassified to profit or loss		**10**	**(109)**
Other comprehensive income/(loss) after tax		(482)	258
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(844)**	**1,152**
Group share		(889)	904
Attributable to non-controlling interests		45	248

(1) Presented net of the tax effect (Note 11.4).

(2) Exchange differences on translating foreign operations recognised in 2017 mainly reflect the decline of the Brazilian real. In 2016, gains in the Brazilian real and Taiwan dollar were partly offset by declines in the Argentine peso and Polish zloty.

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5.3 Consolidated statement of financial position

ASSETS

(in millions of euros)	Notes	December 31, 2017	December 31, 2016
Goodwill	*6.1*	7,977	8,640
Other intangible assets	*6.1*	1,364	1,266
Property and equipment	6.2	13,097	13,406
Investment property	6.4	410	314
Investments in companies accounted for by the equity method	7	1,355	1,361
Other non-current financial assets	12.5	1,367	1,430
Consumer credit granted by the financial services companies – long term	5.5	2,455	2,371
Deferred tax assets	8.2	636	829
Other non-current assets	5.4	337	79
Non-current assets		28,996	29,697
Inventories	5.4	6,690	7,039
Trade receivables	5.4	2,750	2,682
Consumer credit granted by the financial services companies – short term	5.5	3,866	3,902
Other current financial assets	12.2	161	239
Tax receivables	5.4	890	1,044
Other assets	5.4	851	907
Cash and cash equivalents	12.2	3,593	3,305
Assets held for sale		16	31
Current assets		18,816	19,148
TOTAL ASSETS		**47,813**	**48,845**

SHAREHOLDERS' EQUITY AND LIABILITIES

(in millions of euros)	Notes	December 31, 2017	December 31, 2016
Share capital	*11.2*	1,937	1,891
Consolidated reserves and income for the year		8,122	8,536
Shareholders' equity, Group share		**10,059**	**10,426**
Shareholders' equity attributable to non-controlling interests	*11.5*	2,099	1,582
Total shareholders' equity		12,159	12,008
Long-term borrowings	*12.2*	6,428	6,200
Provisions	*9*	3,003	3,064
Consumer credit financing – long term	*5.5*	2,661	1,935
Deferred tax liabilities	*8.2*	489	543
Non-current liabilities		12,581	11,742
Short-term borrowings	*12.2*	1,069	1,875
Suppliers and other creditors	*5.4*	15,082	15,396
Consumer credit financing – short term	*5.5*	2,817	3,395
Tax payables	*5.4*	1,282	1,260
Other payables	*5.4*	2,813	3,153
Liabilities related to assets held for sale		11	16
Current liabilities		23,074	25,095
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**47,813**	**48,845**

5.4 Consolidated statement of cash flows

(in millions of euros)	**2017**	**2016**
Income before taxes	255	1,428
CASH FLOWS FROM OPERATING ACTIVITIES		
Income tax	(588)	(269)
Depreciation and amortisation expense	1,632	1,547
Capital (gains)/losses on sales of assets	(49)	(39)
Change in provisions and impairment	1,013	(126)
Finance costs, net	317	377
Net income and dividends received from equity-accounted companies	76	79
Impact of discontinued operations	(4)	(32)
Cash flow from operations	**2,653**	**2,964**
Change in working capital requirement[1]	157	454
Impact of discontinued operations	(0)	(11)
Net cash from operating activities (excluding financial services companies)	**2,810**	**3,407**
Change in consumer credit granted by the financial services companies	32	(103)
Net cash from operating activities	2,843	3,305
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment and intangible assets[2]	(2,379)	(2,749)
Acquisitions of non-current financial assets	1	3
Acquisitions of subsidiaries and investments in associates[3]	(260)	(193)
Proceeds from the disposal of subsidiaries and investments in associates	9	6
Proceeds from the disposal of property and equipment and intangible assets	158	152
Proceeds from the disposal of non-current financial assets	4	4
Change in amounts receivable from disposals of non-current assets and due to suppliers of non-current assets	(117)	(70)
Investments net of disposals	**(2,584)**	**(2,847)**
Other cash flows from investing activities	(54)	(25)
Impact of discontinued operations	3	16
Net cash from/(used in) investing activities	(2,635)	(2,856)

(in millions of euros)	**2017**	**2016**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issues to non-controlling interests(4)	969	255
Acquisitions and disposals of investments without any change of control(5)	479	(40)
Dividends paid by Carrefour (parent company)(6)	(151)	(121)
Dividends paid by consolidated companies to non-controlling interests	(141)	(86)
Change in treasury stock and other equity instruments	(40)	30
Change in current financial assets(7)	34	152
Issuance of bonds(7)	981	743
Repayments of bonds(7)	(1,250)	(666)
Net financial interests paid	(320)	(378)
Other changes in borrowings(7)	(197)	111
Net cash from/(used in) financing activities	362	0
Net change in cash and cash equivalents before the effect of changes in exchange rates	570	449
Effect of changes in exchange rates	(283)	131
NET CHANGE IN CASH AND CASH EQUIVALENTS	**288**	**581**
Cash and cash equivalents at beginning of year	3,305	2,724
Cash and cash equivalents at end of year	3,593	3,305

(1) The change in working capital is analysed in Note 5.4.1.

(2) Acquisitions of property and equipment and intangible assets are presented in Notes 6.1 and 6.2.

(3) This item mainly reflects the acquisition of stores in Spain (described in Note 3.2.1). In 2016, cash used in acquisitions of subsidiaries and investments in associates corresponded primarily to the acquisition of Billa in Romania (Note 3.2.2) and several acquisitions in France, notably in the e-commerce sector.

(4) In 2017, this item corresponds mainly to the cash capital increase carried out by Grupo Carrefour Brasil in connection with the July 2017 IPO, as described in Notes 2.2 and 3.2.1 (primary offering of 840 million euros, net of directly related issue costs). As in 2016, it also includes the share capital of Cargo Property Holding subscribed and paid up in that year by third-party investors (non-controlling interests). See Note 3.2.2.

(5) Changes in this item in 2017 primarily result from the sale by the Group of 139,834,428 Grupo Carrefour Brasil shares in connection with the secondary offering of the IPO for the Group's Brazilian operations and the exercise of the call option by Península (see Notes 2.2 and 3.2.1).

(6) Dividends paid by Carrefour (parent company) correspond to cash dividends paid to shareholders who chose not to reinvest their dividends (Note 2.7).

(7) Note 12.2 provides a breakdown of total borrowings. Changes in liabilities arising from financing activities are detailed in Note 12.4.

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5.5 Consolidated statement of changes in shareholders' equity

(in millions of euros)	Shareholders' equity, Group share						
	Share capital(1)	**Translation reserve**	**Fair value reserve**(2)	**Other consolidated reserves and net income**	**Total Shareholders' equity, Group share**	**Non-controlling interests**	**Total Shareholders' equity**
Shareholders' equity at December 31, 2015	1,846	(835)	(7)	8,628	9,633	1,039	10,672
Net income for the year 2016	-	-	-	746	746	148	894
Other comprehensive income after tax	-	261	3	(106)	158	100	258
Total comprehensive income 2016	**-**	**261**	**3**	**640**	**904**	**248**	**1,152**
Share-based payments	-	-	-	3	3	-	3
Treasury stock (net of tax)	-	-	-	49	49	-	49
2015 dividend payment(3)	44	-	-	(165)	(121)	(126)	(247)
Change in capital and additional paid-in capital(4)	-	-	-	-	-	443	443
Effect of changes in scope of consolidation and other movements	-	5	1	(47)	(43)	(21)	(64)
Shareholders' equity at December 31, 2016	1,891	(569)	(3)	9,108	10,426	1,582	12,008
Net income for the year 2017	-	-	-	(531)	(531)	169	(362)
Other comprehensive income after tax	-	(349)	(20)	11	(358)	(124)	(482)
Total comprehensive income 2017	**-**	**(349)**	**(20)**	**(520)**	**(889)**	**45**	**(844)**
Share-based payments	-	-	-	12	12	1	13
Treasury stock (net of tax)	-	-	-	(31)	(31)	-	(31)
2016 dividend payment(3)	46	-	-	(197)	(151)	(103)	(254)
Change in capital and additional paid-in capital(4)	-	-	-	470	470	370	840
Effect of changes in scope of consolidation and other movements(4)	-	32	-	191	223	204	427
Shareholders' equity at December 31, 2017	1,937	(885)	(24)	9,032	10,059	2,099	12,159

(1) At December 31, 2017, the share capital was made up of 774,677,811 ordinary shares (see Note 11.2.1).
(2) This item comprises:
- *the effective portion of changes in the fair value of cash flow hedges;*
- *cumulative changes in the fair value of available-for-sale financial assets.*

(3) The 2015 dividend, totalling 509 million euros, was paid:
- *in cash for 121 million euros; and*
- *in new shares for 388 million euros (corresponding to the aggregate par value of the new shares for 44 million euros and premiums for 344 million euros).*

Dividends paid to non-controlling interests in 2016 came to 126 million euros and related mainly to the Group's Brazilian and Spanish subsidiaries.
The 2016 dividend (Note 2.7), totalling 523 million euros, was paid:
- *in cash for 151 million euros; and*
- *in new shares for 372 million euros (corresponding to the aggregate par value of the new shares for 46 million euros and premiums for 326 million euros).*

Dividends paid to non-controlling interests in 2017 for 103 million euros mainly concern Spanish, French and Brazilian subsidiaries.

(4) Changes in capital and additional paid-in capital and other movements in 2017 mainly reflect the July 2017 Grupo Carrefour Brasil IPO: the primary offering of 840 million euros generated (i) an increase of 370 million euros in non-controlling interests and (ii) an increase of 470 million euros in shareholders' equity, Group share corresponding to the dilution gain; Carrefour's sale of 139,834,428 Grupo Carrefour Brasil shares within the context of the secondary offering and following Península's exercise of its call option, resulted in (i) a 274 million-euro disposal gain net of tax and directly related selling costs recorded within "Shareholders' equity, Group share" and (ii) the recognition of non-controlling interests for 208 million euros (Notes 2.2 and 3.2.1).
The increase in non-controlling interests in 2016 chiefly corresponded to the portion of Cargo Property Holding's share capital subscribed by third-party investors (including uncalled capital).

5.6 Notes to the Consolidated Financial Statements

Note 1 Basis of preparation of the consolidated financial statements

The Consolidated Financial Statements for the year ended December 31, 2017 were approved for publication by the Board of Directors on February 28, 2018. They will be submitted to shareholders for final approval at the Annual General Meeting.

Carrefour (the "Company") is domiciled in France. The Consolidated Financial Statements for the year ended December 31, 2017 comprise the financial statements of the Company and its subsidiaries (together the "Group") and the Group's share of the profits and losses and net assets of associates and joint ventures accounted for by the equity method. The presentation currency of the Consolidated Financial Statements is the euro, which is the Company's functional currency.

1.1 Statement of compliance

In accordance with European Regulation (EC) 1606/2002 dated July 19, 2002, the 2017 Consolidated Financial Statements have been prepared in compliance with the international accounting standards adopted for use in the European Union as of December 31, 2017 and applicable at that date, with 2016 comparative information prepared using the same standards.

International accounting standards comprise International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), IFRS Interpretations Committee (IFRIC) interpretations and Standard Interpretations Committee (SIC) interpretations.

All of the standards and interpretations endorsed by the European Union are published in the Official Journal of the European Union, which can be accessed in the EUR-Lex.

At December 31, 2017, the standards and interpretations adopted for use in the European Union were the same as those published by the IASB and applicable at that date, except for IAS 39 – *Financial Instruments: Recognition and Measurement*, which was only partly adopted. The unadopted provisions of IAS 39 had no impact on the Group's Consolidated Financial Statements.

The Consolidated Financial Statements also include the material disclosures required by Standard no. 2016-09 published by the French accounting authorities (*Autorité des Normes Comptables* – ANC).

1.2 Changes of method

The accounting policies and calculation methods used to prepare the 2017 Consolidated Financial Statements are the same as those used for the 2016 Consolidated Financial Statements, except for the following amendments, which were applicable as of January 1, 2017:

- Amendments to IAS 7 – *Disclosure Initiative*: the requisite disclosures regarding changes in liabilities arising from financing activities are set out in Note 12;
- Amendments to IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses*: these amendments did not have a material impact on the Consolidated Financial Statements.

The Group decided not to early adopt the following standards, amendments and interpretations that were not applicable as of January 1, 2017:

Adopted for use in the European Union

Standards, amendments and interpretations	Effective date for the Group
IFRS 9 – *Financial Instruments*, along with the amendments to IFRS 4 – *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*	January 1, 2018

Main provisions and consequences for the Group:
This new standard, which describes the principles to be applied for the classification and measurement of financial assets and liabilities, will replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 notably introduces:
– a new approach to classifying financial instruments based on the business model and contractual terms of financial instruments (first topic);
– a new financial asset impairment (credit loss) model based on expected losses as opposed to the current model based on incurred losses (second topic); and
– new hedge accounting principles, excluding macro hedge accounting (third topic).
The Group is primarily concerned by the changes introduced by the second topic of IFRS 9 on financial asset impairment, which will mainly impact its banking and insurance business. It has developed a new methodological framework for this business, which notably defines rules for assessing an increase in credit risk, for determining expected losses (at one year and at maturity) and for taking information into account on a prospective basis. Applying these new provisions will result in an increase in impairment recognised against loans and credit granted by the Group's banking subsidiaries. This increase will arise mainly from the recognition of expected losses on loans and credit for which there is no objective evidence of impairment within the meaning of IAS 39, and on undrawn loan commitments and credit facilities (expected losses recognised as from the signature of a lending agreement). Recognising this change in method will have a negative impact on equity at January 1, 2018 which is expected to amount between (200) million euros and (250) million euros net of corporate income tax (subject to control and audit work underway); comparative periods presented will not be restated pursuant to the option available in IFRS 9 transitional provisions. Applying the new expected loss impairment model to trade receivables and lease receivables will result in additional impairment at the transition date (expected credit losses at maturity on receivables not yet due, calculated based on the past due period). The impact on consolidated equity is not expected to be material. After its transition to IFRS 9, the Group does not expect any material recurring impacts on its income statement, except in the event of material new exposures or a financial crisis.
The new principles for classifying and measuring financial instruments (first topic of the standard) and for hedge accounting (third topic) will not have a material impact on the Consolidated Financial Statements, since most financial assets, currently classified within "Loans and receivables", will continue to be recorded at amortised cost under IFRS 9, and all transactions eligible for hedge accounting under IAS 39 will remain eligible for hedge accounting under the new standard.

IFRS 15 – *Revenue from Contracts with Customers* (including *Clarifications to IFRS 15* published in April 2016)	January 1, 2018

Main provisions and consequences for the Group:
IFRS 15, which replaces IAS 18 – *Revenues* and IAS 11 – *Construction Contracts* and the related interpretations, defines the revenue recognition model to be used in IFRS financial statements. IFRS 15 applies to all contracts with customers except for leases (rental revenue and sublease income), financial instruments (interest income) and insurance contracts, which are dealt with in other standards.
IFRS 15 defines a single framework for recognising revenue. It introduces new concepts and principles with regard to revenue recognition, particularly in terms of identifying performance obligations and allocating the transaction price to performance obligations when there are several different performance obligations in a given contract. IFRS 15 also includes new disclosure requirements for the notes to financial statements.
Since the bulk of the Group's net sales (revenue) is derived from sales to end customers in stores and service stations (sales with no other performance obligation for which revenue is recognised when the customer pays at the check-out), the impacts of applying IFRS 15 to recognise net sales and other revenue at January 1, 2018 will not be material.

IFRS 16 – *Leases*	January 1, 2019

Main provisions and consequences for the Group:
IFRS 16, which will replace IAS 17 – *Leases* and the related interpretations, sets out the principles for recognising leases and introduces major changes in the accounting for leases by lessees, since it eliminates the distinction for lessees between operating and finance leases.
Under IFRS 16, all leases are to be brought onto the statement of financial position by recognising a right-of-use asset and a lease liability corresponding to the present value of the lease payments due over the reasonably certain term of the lease. IFRS 16 will therefore affect the presentation of lease transactions in the income statement (with rental expense replaced by a depreciation expense and interest expense) and in the cash flow statement (lease payments representing payment of interest and repayment of the outstanding liability will impact financing cash flows).
Applying IFRS 16 will result in a significant increase in the Group's total borrowings as well as a substantial improvement in recurring operating income and cash flow from operating activities. The lease commitments described in Note 6.5, calculated over the non-cancellable term of property leases taking into account the contractual or legal provisions enabling leases to be terminated before the end of the lease term, are not entirely representative of the lease liability to be recognised in accordance with IFRS 16.
The Group began to prepare for IFRS 16 implementation in 2016 and will continue this project through to the effective date of the standard in 2019. It is currently in the process of identifying and analysing existing leases and lease provisions, and compiling all of the data necessary to accurately estimate the impact of first-time application (January 1, 2019) on equity. At this stage, the Group has not yet decided on its transition approach.

In addition, IFRS Annual Improvements 2014-2016 Cycle (applicable in annual periods beginning on or after January 1, 2018) will have no impact on the Consolidated Financial Statements.

Not yet adopted for use in the European Union

Standards, amendments and interpretations	Effective date[1]
Amendments to IFRS 10 and IAS 28 – *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*	Application deferred indefinitely by the IASB
Amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions*	January 1, 2018
Amendments to IAS 40 – *Transfers of Investment Property*	January 1, 2018
IFRIC 22 – *Foreign Currency Transactions and Advance Consideration*	January 1, 2018
IFRIC 23 – *Uncertainty over Income Tax Treatments*	January 1, 2019
IFRS 17 – *Insurance Contracts*	January 1, 2021
Amendments to IFRS 9 – *Prepayment Features with Negative Compensation*	January 1, 2019
Amendments to IAS 28 – *Long-term Interests in Associates and Joint Ventures*	January 1, 2019
IFRS Annual Improvements 2015-2017 Cycle	January 1, 2019
Amendments to IAS 19 – *Compensation Plan Amendment, Curtailment or Settlement*	January 1, 2019

(1) Subject to adoption by the European Union.

The Group is currently analysing the potential impacts of IFRIC 23 and IFRS 17. It does not expect the application of the other standards, amendments or interpretations to have a material impact on its Consolidated Financial Statements.

1.3 Use of estimates and judgement

Preparation of Consolidated Financial Statements involves the use of management estimates and assumptions that may affect the reported amounts of certain assets, liabilities, income and expenses, as well as the disclosures contained in the notes. These estimates and assumptions are reviewed at regular intervals to ensure that they are reasonable in light of past experience and the current economic situation. Actual results may differ from current estimates. In addition to using estimates, Group management is required to exercise judgement when determining the appropriate accounting treatment of certain transactions and activities and how it should be applied.

The main estimates and judgements applied for the preparation of these Consolidated Financial Statements concern:

- useful lives of operating assets (Note 6);
- definition of cash-generating units (CGUs) for the purpose of impairment tests on non-current assets other than goodwill (Note 6.3);
- recoverable amount of goodwill, other intangible assets and property and equipment (Note 6.3);
- fair value of identifiable assets acquired and liabilities assumed in business combinations (Note 3.1);
- measurement of rebates and commercial income (Note 5.2.1);
- classification of leases (Notes 6.2 and 6.5);
- measurement of provisions for contingencies and other business-related provisions (Note 9);
- determination of the level of control or influence exercised by the Group over investees (Notes 3 and 7);
- assumptions used to calculate pension and other post-employment benefit obligations (Note 10.1);
- recognition of deferred tax assets and some tax credits (Note 8).

1.4 Measurement methods

The Consolidated Financial Statements have been prepared using the historical cost convention, except for:

- certain financial assets and liabilities measured using the fair value model (Note 12);
- assets acquired and liabilities assumed in business combinations, measured using the fair value model (Note 3.1);
- non-current assets held for sale, measured at the lower of carrying amount and fair value less costs to sell.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Based on the hierarchy defined in IFRS 13 – *Fair Value Measurement*, fair value may be measured using the following inputs:

- Level 1 inputs: unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs: models that use inputs that are observable for the asset or liability, either directly (*i.e.*, prices) or indirectly (*i.e.*, price-based data);
- Level 3 inputs: inputs that are intrinsic to the asset or liability and are not based on observable market data for the asset or liability.

Note 2 Significant events of the year

2.1 New Group management team

The Board of Directors appointed Alexandre Bompard to replace Georges Plassat as Chairman of the Board of Directors and Chief Executive Officer of the Carrefour group, effective July 18, 2017.

On September 22, 2017 Alexandre Bompard announced the appointment of a Group Executive Committee effective October 2, 2017. The new management team comprises managers from the Group and individuals from other horizons bringing complementary expertise.

The first task of this new management team has consisted in redefining the Group's strategy. The Group's ambition is to become the leader of the food transition for all and regain momentum. The transformation plan announced on January 23, 2018 aims at revamping the Carrefour model, by simplifying its organisation and by opening up to partnerships, improving operational efficiency, investing in growth formats, building an efficient omni-channel model and developing the fresh and organic products offering, notably under the Carrefour brand.

2.2 IPO of the Group's Brazil operations

In June 2017, the Group announced that Atacadão SA, the parent company of the Carrefour group's operations in Brazil (Grupo Carrefour Brasil) filed a prospectus with the Brazilian Securities Commission (CVM) with the aim of listing the shares of Grupo Carrefour Brasil on the Novo Mercado segment of the São Paulo stock exchange.

The IPO took place on July 20, 2017 and consisted of a primary offering of 205,882,353 shares issued by Grupo Carrefour Brasil and a secondary offering of 34,461,489 and 56,800,000 Grupo Carrefour Brasil shares sold by Carrefour and Península, respectively.

Carrefour also granted a secondary over-allotment option to the Brazilian banks participating in the offering that led to the placement of an additional 34,369,876 Carrefour-owned shares to cover over-allotment.

Based on the IPO price, set at 15 Brazilian reals per share, the primary offering amounted to 3.1 billion Brazilian reals (0.8 billion euros), thereby valuing, at the launch of the IPO and following a capital increase, Grupo Carrefour Brasil's equity at 29.7 billion Brazilian reals (8.1 billion euros).

After the completion of the IPO and the exercise by Península of its call option to purchase 71,003,063 Grupo Carrefour Brasil shares from Carrefour, Carrefour holds a 71.8% interest in Grupo Carrefour Brasil, while Península holds 11.5% and Grupo Carrefour Brasil's free float is 16.7%.

The accounting impact of the transaction is presented in Note 3.2.1.

2.3 Absorption of Carmila by Cardety

On March 2, 2017, Carmila and Cardety, two property companies over which the Group has significant influence, announced a draft merger agreement under which Carmila would be absorbed by Cardety, whose shares are listed on Euronext Paris. The merger took place on June 12, 2017. Post completion, Carrefour held 42.45% of the new entity, which has been named Carmila.

As part of its development plan, the merged entity carried out a capital increase for 628.6 million euros in July 2017, subscribed by Carrefour in an amount of 50 million euros. Carrefour now owns 35.76% of the shares and voting rights of Carmila.

The accounting impact of the business combination is presented in Note 3.2.1.

2.4 Acquisition of hypermarkets in Spain

On February 29, 2016, the Carrefour group announced it had signed an agreement with the Eroski group to acquire 36 compact hypermarkets with a total sales area of 235,000 square metres, as well as 8 shopping malls and 22 service stations adjacent to the stores.

The conditions precedent have been met for the acquisition of 31 stores. The accounting impact of the transaction is presented in Note 3.2.1.

The acquisition has enabled Carrefour to expand its store network to 27 new towns and cities, and strengthen its position in the food market. In this way, the Group is furthering its ongoing multi-format and omni-channel development for the benefit of its customers.

2.5 Impairment of goodwill allocated to Italian operations

In defining its transformation plan, the Group reviewed the financial trajectories of its various regions and adjusted certain assumptions underlying financial projections for its operations in Italy. Although profitability in the region has gradually improved over the past few years, certain commercial dynamics observed in 2017 prompted the Group to adjust its forecast in terms of margins and free cash flow (change in cash from operating activities less operational investments) as reflected in the financial trajectory defined by the Group's Executive Management.

The results of the impairment tests carried out on this basis (Note 6.3) led the Group to recognise a 700 million-euro impairment loss against goodwill allocated to its Italian operations. This impairment loss is included in non-recurring expenses and has no impact on cash flow (Note 5.3).

2.6 Securing the Group's long-term financing

In December 2016, the Group exercised its option to extend its 2,500 million-euro credit facility by one year. The extension was effective in January 2017 and the facility will now mature in January 2022.

On May 2, 2017, the Group obtained a new 1,400 million-euro five-year bank facility (maturing in May 2022) from a pool of eight banks with two one-year extension options. This new facility will replace the facility of the same amount expiring in April 2019.

These operations contribute to the ongoing strategy to secure the Group's long-term financing sources by maintaining the average maturity of its facilities (which has risen from 4.1 years as of December 31, 2016 to 4.2 years as of December 31, 2017).

On June 7, 2017 (settlement on June 14, 2017), the Group issued 500 million US dollars worth of six-year cash-settled convertible bonds (maturing in June 2023) to institutional investors. The bonds were issued at 98.25% of their nominal value, and do not bear interest as they are zero-coupon bonds.

The resulting initial conversion price is 27.7536 euros, including a conversion premium of 20% over the Carrefour reference share price. They may be converted into cash only and will not give rise to the issuance of new shares or carry rights to existing shares.

In parallel with the bond issue, the Group purchased cash-settled call options on its own shares in order to hedge its economic exposure relating to cash payments due on bonds in the event that investors exercise their conversion rights.

The above operations, for which a EUR/USD cross currency swap was arranged in euros, provide the Group with the equivalent of standard euro-denominated bond financing (see a description of the related accounting treatment in Note 12.2).

The issue consolidated the Group's long-term financing, extended the average maturity of its bond debt (from 3.6 years to 3.9 years at June 7, 2017) and further reduced its borrowing costs.

2.7 2016 dividend reinvestment option

At the Annual Shareholders' Meeting held on June 15, 2017, the shareholders decided to set the 2016 dividend at 0.70 euros per share with a dividend reinvestment option.

The issue price of the shares to be issued in exchange for reinvested dividends was set at 20.15 euros per share, representing 90% of the average of the opening prices quoted on Euronext Paris during the 20 trading days preceding the date of the Annual Shareholders' Meeting, less the net amount of the dividend of 0.70 euros per share and rounded up to the nearest euro cent.

The option period was open from June 21 to July 4, 2017. At the end of this period, shareholders owning 71.32% of Carrefour's shares had elected to reinvest their 2016 dividends.

July 13, 2017 was set as the date for:

- settlement/delivery of the 18,442,657 new shares corresponding to reinvested dividends, representing a total capital increase including premiums of 372 million euros;
- payment of the cash dividend to shareholders who chose not to reinvest their dividends, representing a total payout of 151 million euros.

Note 3 Scope of consolidation

3.1 Accounting principles

Basis of consolidation

The Consolidated Financial Statements include the financial statements of subsidiaries from the date of acquisition (the date when the Group gains control) up to the date when the Group ceases to control the subsidiary, and the Group's equity in associates and joint ventures accounted for by the equity method.

(i) Subsidiaries

A subsidiary is an entity over which the Group exercises control, directly or indirectly. An entity is controlled when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group considers all facts and circumstances when assessing whether it controls an investee, such as rights resulting from contractual arrangements or substantial potential voting rights held by the Group.

The profit or loss of subsidiaries acquired during the year is included in the Consolidated Financial Statements from the date when control is acquired. The profit or loss of subsidiaries sold during the year or that the Group ceases to control, is included up to the date when control ceases.

Intra-group transactions and assets and liabilities are eliminated in consolidation. Profits and losses on transactions between a subsidiary and an associate or joint venture accounted for by the equity method are included in the Consolidated Financial Statements to the extent of unrelated investors' interests in the associate or joint venture.

(ii) Associates and joint ventures

Entities in which the Group exercises significant influence (associates), and entities over which the Group exercises joint control and that meet the definition of a joint venture, are accounted for by the equity method, as explained in Note 7 "Investments in equity-accounted companies".

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

(iii) Other investments

Investments in companies where the Group does not exercise control or significant influence over financial and operating policy decisions are qualified as available-for-sale financial assets and reported under "Other non-current financial assets". The accounting treatment of these investments is described in Note 12 "Financial assets and liabilities, finance costs and other financial income and expenses".

Business combinations

Business combinations, defined as transactions where the assets acquired and liabilities assumed constitute a business, are accounted for by the purchase method. Business combinations carried out since January 1, 2010 are measured and recognised as described below, in accordance with IFRS 3 – *Business Combinations* (as revised in 2008).

- As of the acquisition date, the identifiable assets acquired and liabilities assumed are recognised and measured at fair value.
- Goodwill corresponds to the excess of (i) the sum of the consideration transferred (*i.e.*, the acquisition price) and the amount of any non-controlling interest in the acquiree, over (ii) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. It is recorded directly in the statement of financial position of the acquiree, in the latter's functional currency, and is subsequently tested for impairment at the level of the Cash Generating Unit to which the acquiree belongs, by the method described in Note 6.3. Any gain from a bargain purchase (*i.e.*, negative goodwill) is recognised directly in profit or loss.
- For business combinations on a less than 100% basis, the acquisition date components of non-controlling interests in the acquiree (*i.e.*, interests that entitle their holders to a proportionate share of the acquiree's net assets) are measured at either:
  - fair value, such that part of the goodwill recognised at the time of the business combination is allocated to non-controlling interests ("full goodwill" method); or
  - the proportionate share of the acquiree's identifiable net assets, such that only the goodwill attributable to the Group is recognised ("partial goodwill" method).

The method used is determined on a transaction-by-transaction basis.

- The provisional amounts recognised for a business combination may be adjusted during a measurement period that ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable, or at the latest 12 months from the acquisition date. Adjustments during the measurement period to the fair value of the identifiable assets acquired and liabilities assumed or the consideration transferred are offset by a corresponding adjustment to goodwill, provided they result from facts and circumstances that existed as of the acquisition date. Any adjustments identified after the measurement period ends are recognised directly in profit or loss.
- For a business combination achieved in stages (step acquisition), when control is acquired the previously held equity interest is remeasured at fair value through profit or loss. In the case of a reduction in the Group's equity interest resulting in a loss of control, the remaining interest is also remeasured at fair value through profit or loss.
- Transaction costs are recorded directly as an operating expense for the period in which they are incurred.

At the IFRS transition date, the Group elected to maintain the accounting treatment for business combinations applied under previous accounting standards, in line with the option available to first-time adopters under IFRS 1 – *First-time Adoption of International Financial Reporting Standards*.

Changes in ownership interest not resulting in a change of control

Any change in the Group's ownership interest in a subsidiary after the business combination that does not result in control being acquired or lost is qualified as a transaction with owners in their capacity as owners and recorded directly in equity in accordance with IFRS 10 – *Consolidated Financial Statements*. It is shown in cash flows from financing activities in the statement of cash flows.

Translation of the financial statements of foreign operations

The Consolidated Financial Statements are presented in euros.

An entity's functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of Group entities is the currency of their home country.

The financial statements of entities whose functional currency is not the euro and is not the currency of a hyperinflationary economy are translated into euros as follows:

- assets and liabilities are translated at the period-end closing rate;
- income and expenses are translated at the weighted average exchange rate for the period;
- all resulting exchange differences are recognised in "Other comprehensive income" and are taken into account in the calculation of any gain or loss realised on the subsequent disposal of the foreign operation;
- items in the statement of cash flows are translated at the average rate for the period unless the rate on the transaction date is materially different.

No Group companies operated in a hyperinflationary economy in either 2017 or 2016.

Translation of foreign currency transactions

Transactions by Group entities in a currency other than their functional currency are initially translated at the exchange rate on the transaction date.

At each period-end, monetary assets and liabilities denominated in foreign currency are translated at the period-end closing rate and the resulting exchange gain or loss is recorded in the income statement.

Intra-group loans to certain foreign operations are treated as part of the net investment in that operation if settlement of the loan is neither planned nor likely to occur. The gain or loss arising from translation of the loan at each successive period-end is recorded directly in "Other comprehensive income" in accordance with IAS 21 – *The Effects of Changes in Foreign Exchange Rates*.

Non-current assets and disposal groups held for sale and discontinued operations

If the carrying amount of a non-current asset (or disposal group) will be recovered principally through a sale transaction rather than through continuing use, it is presented separately in the consolidated statement of financial position under "Assets held for sale" in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. Liabilities related to non-current assets held for sale are also reported on a separate line of the consolidated statement of financial position (under "Liabilities related to assets held for sale"). Following their classification as held for sale, the assets concerned are measured at the lower of their carrying amount and fair value less costs to sell and they cease to be depreciated or amortised.

A discontinued operation is a component of an entity that has been either disposed of or classified as held for sale, and:

- represents a separate major line of business or geographical area of operations; and
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

It is classified as a discontinued operation at the time of sale or earlier if its assets and liabilities meet the criteria for classification as "held for sale". When a component of an entity is classified as a discontinued operation, comparative income statement and cash flow information is restated as if the entity had met the criteria for classification as a discontinued operation on the first day of the comparative period.

In addition, all the assets and liabilities of the discontinued operation are presented on separate lines on each side of the statement of financial position, for the amounts at which they would be reported at the time of sale after eliminating intra-group items.

3.2 Main changes in scope of consolidation

3.2.1 Changes in 2017

IPO of the Group's Brazil operations

The initial public offering of Grupo Carrefour Brasil shares took place on July 20, 2017 and consisted of:

- a primary offering of 205,882,353 shares issued by Grupo Carrefour Brasil; and
- a secondary offering of 125,631,365 Grupo Carrefour Brasil shares, of which 68,831,365 shares sold by Carrefour (including additional shares placed in respect of the secondary over-allotment option).

Carrefour also sold 71,003,063 Grupo Carrefour Brasil shares to Península after the latter exercised its call option.

After completion of the IPO and the exercise by Península of its call option, Carrefour holds a 71.8% interest in Grupo Carrefour Brasil, while Península holds 11.5% and Grupo Carrefour Brasil's free float is 16.7%.

These operations had no impact on the analysis of control over Group subsidiaries in Brazil, which therefore continue to be consolidated within Carrefour's Consolidated Financial Statements.

The primary offering resulted in (i) the recognition of non-controlling interests in an amount of 370 million euros, and (ii) an increase of 470 million euros in shareholders' equity, Group share corresponding to the dilution gain. In accordance with IFRS 10 – *Consolidated Financial Statements*, Carrefour's sale of Grupo Carrefour Brasil shares within the context of the secondary offering and following Península's exercise of its call option, resulted in (i) a 274 million-euro disposal gain net of tax and directly related selling costs recorded within "Shareholders' equity, Group share" and (ii) the recognition of non-controlling interests for 208 million euros.

Absorption of Carmila by Cardety

Carmila was absorbed by Cardety on June 12, 2017. Shares in the new entity, named Carmila, are listed on Euronext Paris. In addition, the Carmila group increased its share capital by 628.6 million euros in July 2017 in order to finance its 2017-2020 development plan. Having subscribed to the capital increase in an amount of 50 million euros, Carrefour now owns 35.76% of the shares and voting rights of Carmila.

In parallel with the merger, the entity's corporate governance rules were adapted, resulting in the restructuring of its administration and management bodies, and amendments to its Articles of Association and the Board of Directors' internal rules. In light of the amended corporate governance rules, the Group considers that it has significant influence over the new entity, Carmila, which is accounted for using the equity method. The Group's position is primarily based on the fact that the Carrefour group is not represented by a majority on the Board of Directors, which comprises 14 members, of which eight are independent and five are appointed by Carrefour. Therefore, the Group cannot alone impose decisions requiring the Board's prior consent, which partly concern the relevant activities.

Prior to the merger, both Cardety and Carmila were accounted for using the equity method. Accordingly, the only impact of this transaction on the Consolidated Financial Statements was the recognition of a non-material dilution gain.

Acquisition of hypermarkets in Spain

On February 29, 2016, the Carrefour group announced it had signed an agreement with the Eroski group to acquire 36 compact hypermarkets with a total sales area of 235,000 square metres, as well as 8 shopping malls and 22 service stations adjacent to the stores.

The conditions precedent were met during the year for the acquisition of 31 stores.

In accordance with IFRS 3 – *Business Combinations*, following the evaluation of the assets acquired and liabilities assumed carried out by the Group, the acquisition-date fair value of the net assets acquired, which correspond primarily to land and buildings included within "Property and equipment" and "Investment property", was estimated at 78 million euros. Considering the 168 million-euro acquisition price, fully paid in cash during the year, goodwill of 90 million euros was recognised in the Consolidated Financial Statements.

The effect of the acquisition on 2017 consolidated operating income and net income was not material.

The revenue and profit attributable to the acquired operations (part of the Spain operating segment) recorded in the consolidated statement of comprehensive income for the period was not material.

3.2.2 Changes in 2016

Acquisition of Billa Romania

The acquisition of Billa Romania completed on June 30, 2016 led to the recognition of negative goodwill in accordance with IFRS 3, for a non-material amount.

Acquisition of Rue du Commerce

The acquisition of Rue du Commerce completed in January 2016 led to the recognition of negative goodwill in accordance with IFRS 3, for a non-material amount.

Creation of Cargo Property

Cargo Property Holding is a new real estate company set up with external investors to own logistics facilities. The company is 35.2%-owned by the Group with the remaining shares held by three co-investors. As well as being its largest shareholder, Carrefour is also the sole lessee of the assets held by Cargo Property Holding and its subsidiaries. In light of the rules governing the appointment and dismissal of Cargo Property's legal manager, as specified in the shareholders' agreement, Carrefour has the ability to direct decisions about the relevant activities. The Group therefore considers that it controls Cargo Property Holding and its subsidiaries and these companies have been fully consolidated in the 2017 and 2016 financial statements.

Other changes

Other changes in scope of consolidation in 2016 mainly resulted from the following transactions:

- Transaction leading to the loss of control of Carrefour Property Development (renamed Cardety), which was 43.1%-owned at December 31, 2016 (and accounted for as an associate by the equity method from April 2016);
- Several acquisitions in France in the e-commerce sector (including Greenweez, the leading online organic food retailer).

3.3 Scope of consolidation at December 31, 2017

The list of consolidated companies (subsidiaries and associates) is presented in Note 16.

The Group reviewed its analyses of control over subsidiaries in which it is not the sole investor, in light of changes in facts and circumstances during the year, and particularly those transactions described in Note 3.2. Based on its review, there were no changes in the type of control exercised over these subsidiaries.

3.4 Net income/(loss) from discontinued operations

In 2016, the net loss from discontinued operations amounted to 40 million euros, corresponding mainly to the loss generated by Dia stores sold during the year or held for sale at the year-end, which were classified as discontinued operations in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations.*

Note 4 Segment information

Accounting principles

IFRS 8 – *Operating Segments* requires the disclosure of information about an entity's operating segments derived from the internal reporting system and used by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance. The Carrefour group's operating segments consist of the countries in which it conducts its business through the integrated store network, as each country's results are reviewed monthly by the Group's Chief Executive Officer who is the chief operating decision-maker within the meaning of IFRS 8.

Countries located in the same region are considered to have similar characteristics and have been combined to create four geographical segments, as allowed by IFRS 8. These segments are:

- France;
- Rest of Europe: Spain, Italy, Belgium, Poland and Romania;
- Latin America: Brazil and Argentina;
- Asia: China and Taiwan.

The income and expenses of certain support entities are allocated to the various countries proportionately to the services provided to each, with any unallocated income and expenses reported under "Global functions".

Segment assets include goodwill, other intangible assets, property and equipment, investment property and "other segment assets", corresponding to inventories, trade receivables, consumer credit granted by the financial services companies and other assets. Segment liabilities comprise suppliers and other creditors, consumer credit financing and other payables.

Segment capital expenditure corresponds to the acquisitions of property and equipment and intangible assets (other than goodwill) reported in the statement of cash flows.

The disclosures in the tables below have been prepared using the same accounting policies as those applied to prepare the Consolidated Financial Statements.

4.1 Segment results

2017 *(in millions of euros)*	Total	France	Europe	Latin America	Asia	Global Functions
Net sales	78,897	35,835	21,112	16,042	5,907	0
Other revenue	2,722	871	692	802	300	56
Recurring operating income before depreciation and amortisation	3,636	1,384	1,136	936	182	(2)
Recurring operating income	2,006	692	677	715	4	(83)
Capital expenditure	2,379	903	636	526	164	150
Depreciation and amortisation expense(1)	(1,630)	(692)	(459)	(221)	(178)	(81)

2016 *(in millions of euros)*	Total	France	Europe	Latin America	Asia	Global Functions
Net sales	76,645	35,877	20,085	14,507	6,176	0
Other revenue	2,720	877	718	750	301	74
Recurring operating income before depreciation and amortisation	3,886	1,680	1,134	901	142	29
Recurring operating income	2,351	1,031	712	711	(58)	(45)
Capital expenditure	2,749	1,287	625	519	174	144
Depreciation and amortisation expense(1)	(1,535)	(650)	(422)	(190)	(200)	(74)

(1) Including the depreciation and amortisation relating to logistics equipment included in the cost of sales.

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4.2 Segment assets and liabilities

December 31, 2017 *(in millions of euros)*	Total	France	Europe	Latin America	Asia	Global Functions
Assets						
Goodwill	7,977	4,814	2,518	537	106	1
Other intangible assets	1,364	275	451	157	27	453
Property and equipment	13,097	5,670	3,896	2,574	946	11
Investment property	410	4	160	120	126	-
Other segment assets	17,839	9,158	3,402	3,808	923	549
Total segment assets	40,686	19,921	10,427	7,195	2,128	1,015
Unallocated assets	7,127					
TOTAL ASSETS	**47,813**					
Liabilities (excluding equity)						
Segment liabilities	24,655	11,658	5,781	4,616	2,137	462
Unallocated liabilities	11,000					
TOTAL LIABILITIES	**35,654**					

December 31, 2016 *(in millions of euros)*	Total	France	Europe	Latin America	Asia	Global Functions
Assets						
Goodwill	8,640	4,775	3,124	627	112	1
Other intangible assets	1,266	298	395	158	25	390
Property and equipment	13,406	5,716	3,782	2,815	1,079	14
Investment property	314	3	128	46	137	-
Other segment assets	18,024	9,342	3,324	3,851	1,165	342
Total segment assets	41,650	20,134	10,754	7,497	2,517	748
Unallocated assets	7,195					
TOTAL ASSETS	**48,845**					
Liabilities (excluding equity)						
Segment liabilities	25,139	11,927	5,767	4,597	2,429	420
Unallocated liabilities	11,698					
TOTAL LIABILITIES	**36,837**					

Note 5 Operating items

5.1 Revenue

Accounting principles

Revenue ("Total revenue") comprises net sales and other revenue.

Net sales correspond exclusively to sales *via* the Group's stores, e-commerce sites and service stations (to end-customers) and cash-and-carry sales (to franchisees).

Other revenue comprises revenue from banking and insurance activities (including bank card fees, and arranging fees for traditional and revolving credit facilities), property development revenue, travel agency fees, commissions relating to e-commerce sales made on behalf of third parties (Marketplaces), shopping mall rents and franchise fees.

Revenue is measured at the fair value of the consideration received or receivable in exchange for goods or services, excluding sales taxes and net of any benefits granted to customers.

Deferred loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sale transaction. They are measured at fair value with some of the proceeds of the initial sale allocated to the award credits accounted for as a liability. The deferred portion of the proceeds is recognised as revenue when the award credits are used by the customer, in accordance with IFRIC 13 – *Customer Loyalty Programmes*.

Revenue is recognised:

- On sales of goods, when the risks and rewards of ownership of the goods are transferred to the customer (commonly at the store checkout for sales *via* the Group's stores, or on the delivery date for sales *via* e-commerce sites and sales to franchisees);
- On sales of services, in the period in which the service is rendered. Financial services revenues (bank card fees and arranging fees for traditional and revolving credit facilities) are recognised over the life of the contract.

5.1.1 Net sales

(in millions of euros)	2017	2016	% change
Net sales	78,897	76,645	2.9%

Excluding the currency effect, 2017 net sales amounted to 78,628 million euros versus 76,645 million euros the previous year, an increase of 2.6%.

Changes in exchange rates added 269 million euros to net sales in 2017, and mainly concerned the Latin America segment.

Net sales by country

(in millions of euros)	2017	2016
France	35,835	35,877
Rest of Europe	21,112	20,085
Spain	8,634	8,049
Italy	4,919	4,892
Belgium	3,993	3,994
Poland	1,785	1,649
Romania	1,781	1,501

(in millions of euros)	2017	2016
Latin America	16,042	14,507
Brazil	13,248	11,772
Argentina	2,795	2,735
Asia	5,907	6,176
China	4,050	4,446
Taiwan	1,857	1,729

5.1.2 Other revenue

(in millions of euros)	2017	2016	% change
Financing fees and commissions(1)	1,384	1,373	0.8%
Rental revenue	228	213	6.9%
Revenue from sub-leases	256	260	(1.2)%
Property development revenue(2)	89	113	(21.6)%
Other revenue(3)	765	761	0.5%
TOTAL OTHER REVENUE	**2,722**	**2,720**	**0.1%**

(1) Including net banking revenue and net insurance revenue generated by the Group's financial services and insurance companies.
(2) Corresponding to the sale price of properties developed by the Group for resale. After deducting development costs recorded in "Cost of sales", the property development margin amounts to 20 million euros in 2017 (38 million euros in 2016).
(3) The amounts reported on the "Other revenue" line in the above table correspond mainly to franchise fees, business lease fees and related revenue.

5.2 Recurring operating income

Accounting principles

Recurring operating income is an earnings indicator disclosed in order to help users of the Consolidated Financial Statements to better understand the Group's underlying operating performance. It corresponds to operating income (defined as earnings from continuing operations before interest and tax) before material items that are unusual in terms of their nature and frequency and are reported under "Non-recurring income" or "Non-recurring expenses" (Note 5.3).

5.2.1 Cost of sales

Accounting principles

Cost of sales corresponds to the cost of purchases net of rebates and commercial income, changes in inventory (including impairments), discounting revenue, exchange gains and losses on goods purchases, logistics costs and other costs (primarily the cost of products sold by the financial services companies and the production costs of the property development business).

Rebates are calculated based on immediate or deferred discount rates on purchases, as specified in the contractual terms negotiated each year. Rebates can be:

- unconditional, *i.e.*, proportionate to total purchases and subject to no other conditions;
- conditional, *i.e.*, dependent on meeting certain conditions (e.g., growth in the supplier's net sales with the Group).

Commercial income corresponds to income from services carried out by Carrefour for its suppliers.

Rebates and commercial income recognised in "Cost of sales" are measured based on the contractual terms specified in the agreements signed with suppliers.

5.2.2 Sales, general and administrative expenses, and depreciation and amortisation

(in millions of euros)	2017	2016	% change
Sales, general and administrative expenses	(14,641)	(14,147)	3.5%
Depreciation and amortisation of property and equipment, intangible assets, and investment property	(1,567)	(1,487)	5.4%
TOTAL SG&A EXPENSES AND DEPRECIATION AND AMORTISATION	(16,209)	(15,634)	3.7%

Sales, general and administrative expenses

Sales, general and administrative expenses break down as follows:

(in millions of euros)	2017	2016	% change
Employee benefits expense	(8,599)	(8,240)	4.4%
Property rentals	(1,086)	(1,022)	6.2%
Advertising expense	(973)	(955)	1.9%
Fees	(888)	(895)	(0.7)%
Maintenance and repair costs	(850)	(796)	6.7%
Energy and electricity	(628)	(670)	(6.3)%
Taxes other than on income	(595)	(578)	2.9%
Other SG&A expenses	(1,023)	(992)	3.2%
TOTAL SG&A EXPENSES	(14,641)	(14,147)	3.5%

Depreciation and amortisation

Including supply chain depreciation recognised in cost of sales, total depreciation and amortisation expense recognised in the consolidated income statement amounted to 1,630 million euros in 2017 (2016: 1,535 million euros), as follows:

(in millions of euros)	2017	2016	% change
Property and equipment	(1,359)	(1,313)	3.5%
Intangible assets	(175)	(143)	22.0%
Assets under finance leases	(20)	(18)	11.5%
Investment property	(13)	(12)	10.5%
Depreciation and amortisation of property and equipment, intangible assets, and investment property	**(1,567)**	**(1,487)**	**5.4%**
Depreciation and amortisation of logistic activity	**(63)**	**(48)**	**30.2%**
TOTAL DEPRECIATION AND AMORTISATION	(1,630)	(1,535)	6.2%

5.3 Non-recurring income and expenses

Accounting principles

In accordance with the recommendation of the French accounting authorities (*Autorité des normes comptables* [ANC] recommendation no. 2013-03 dated November 7, 2013), non-recurring income and expenses are reported on a separate line of the income statement. Non-recurring items are defined as "items that are limited in number, clearly identifiable and non-recurring that have a material impact on consolidated results".

This classification is applied to certain material items of income and expense that are unusual in terms of their nature and frequency, such as non-recurring impairment charges, restructuring costs and provision charges and income recorded to reflect revised estimates of risks provided for in prior periods, based on information that came to the Group's attention during the reporting year.

They are presented separately in the income statement to "help users of the financial statements to better understand the Group's underlying operating performance and provide them with useful information to assess the earnings outlook".

(in millions of euros)	**2017**	**2016**
Net gains on sales of assets	22	39
Restructuring costs	(279)	(154)
Other non-recurring income and expenses	(13)	(127)
Non-recurring income and expenses, net before asset impairments and write-offs	**(271)**	**(242)**
Asset impairments and write-offs	(1,039)	(130)
of which Impairments and write-offs of goodwill	*(707)*	*(5)*
of which Impairments and write-offs of property and equipment and intangible assets	*(332)*	*(125)*
NON-RECURRING INCOME AND EXPENSES, NET	**(1,310)**	**(372)**
of which:		
Non-recurring income	*397*	*118*
Non-recurring expense	*(1,706)*	*(490)*

Net gains on sales of assets

As in 2016, gains on disposals of assets in 2017 primarily related to sales of various individually non-material assets.

Restructuring costs

Restructuring costs recognised in 2017 concerned plans to streamline operating structures in several of the Group's countries. Restructuring measures primarily concern France (particularly costs relating to the overhaul of supply chains), Italy, Argentina, China (store closure plan), and Spain (plan to integrate the hypermarkets acquired from Eroski).

The expense recognised in 2016 mainly includes the residual impact of integrating the Dia France stores acquired in late 2014, as well as costs relating to the overhaul of supply chains in France.

Impairment losses and asset write-offs

In defining its transformation plan, the Group reviewed its financial trajectories and adjusted certain assumptions underlying financial projections for its operations in Italy. The impairment tests carried out on this basis (see the accounting principles in Note 6.3) led the Group to recognise a 700 million-euro impairment loss against goodwill allocated to its Italian operations. This impairment loss has no impact on cash flow.

Impairment was also recognised against non-current assets other than goodwill in an amount of 302 million euros, primarily in France, China and Italy. This impairment reflects a decline in the outlook for an improvement in the profitability of certain loss-making stores, including stores which the Group intends to sell or close in 2018 within the scope of the transformation plan announced on January 23, 2018 (particularly former Dia stores in France). In addition, 30 million euros' worth of assets were written off during the year (2016: 33 million euros).

In 2016, impairment losses against non-current assets other than goodwill totalled 93 million euros and chiefly concerned assets of loss-making stores, mainly in China.

Other non-recurring income and expenses

Other non-recurring income and expenses recognised in 2016 consisted mainly of the impact of a change in accounting treatment of the tax on retail space in France (TaSCom) under IFRIC 21 – *Levies*. The TaSCom law dated July 13, 1972 was modified by France's Amended Finance law for 2015 and by the 2017 Finance law.

5.4 Working capital

5.4.1 Change in working capital

The change in working capital reported in the consolidated statement of cash flows under "Net cash from operating activities" breaks down as follows:

(in millions of euros)	2017	2016	Change
Change in inventories	28	(350)	378
Change in trade receivables	(73)	(117)	44
Change in trade payables	324	1,083	(759)
Change in loyalty program liabilities	(29)	(2)	(27)
Change in trade working capital requirement	250	614	(365)
Change in other receivables and payables	(93)	(160)	67
CHANGE IN WORKING CAPITAL REQUIREMENT	**157**	**454**	**(297)**

Working capital, like all other items in the statement of cash flows, is translated at the average rate for the period.

5.4.2 Inventories

Accounting principles

In accordance with IAS 2 – *Inventories*, goods inventories and the inventories of the property development business (properties under construction) are measured at the lower of cost and net realisable value.

The cost of goods inventories corresponds to the latest purchase price plus all related expenses. This method is appropriate given the rapid inventory turnover, and the resulting values are close to those obtained by the first in-first out (FIFO) method. The cost of goods inventories includes all components of the purchase cost of goods sold (with the exception of exchange gains and losses) and takes into account the rebates and commercial income negotiated with suppliers.

Net realisable value corresponds to the estimated selling price in the ordinary course of business, less the estimated additional costs necessary to make the sale.

(in millions of euros)	December 31, 2017	December 31, 2016
Inventories at cost	6,927	7,278
Impairment	(237)	(239)
INVENTORIES, NET	**6,690**	**7,039**

5.4.3 Trade receivables

Accounting principles

Trade receivables correspond for the most part to rebates and commercial income receivable from suppliers, amounts receivable from franchisees, shopping mall rental receivables and receivables of the property development business.

They represent financial instruments classified as "Loans and receivables" (Note 12).

Trade receivables are initially recognised for the invoice amount. Impairment losses are recognised where necessary, based on an estimate of the debtor's ability to pay the amount due and the age of the receivable (Note 12.7.4).

Certain Group subsidiaries operate receivables discounting programmes. In accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*, receivables sold under these programmes are derecognised when substantially all of the related risks and rewards (*i.e.*, mainly default, late payment and dilution risks) are transferred to the buyer.

(in millions of euros)	December 31, 2017	December 31, 2016
Receivables from clients	1,601	1,523
Impairment	(168)	(181)
Receivables from clients, net	1,433	1,342
Receivables from suppliers	1,317	1,341
TOTAL TRADE RECEIVABLES	**2,750**	**2,682**

5.4.4 Suppliers and other creditors

Accounting principles

Suppliers and other creditors correspond primarily to trade payables. They also include payables that suppliers have transferred to financial institutions as part of reverse factoring programmes, as there is no substantial difference in the nature or terms of the liabilities before and after factoring.

They are classified in the category of “Financial liabilities measured at amortised cost”, as defined in IAS 39 – *Financial Instruments: Recognition and Measurement* (Note 12). Suppliers and other creditors are initially recognised at their nominal amount, which represents a reasonable estimate of fair value in light of their short maturities.

5.4.5 Tax receivables and payables

Tax receivables

(in millions of euros)	December 31, 2017	December 31, 2016
VAT and sales tax receivables	527	811
Other tax (other than on income) receivables	41	56
Current income tax receivables[1]	322	177
TOTAL TAX RECEIVABLES	**890**	**1,044**

(1) In 2017, CICE (tax credit for competitiveness and employment) receivables were sold for a total of 197 million euros (2016: 201 million euros). The Group was able to demonstrate that substantially all the risks and rewards of ownership of the tax credits had been transferred to the buyer and the credits were therefore derecognised by analogy with the principle in IAS 39 concerning the derecognition of financial assets. The cost of this discounting transaction amounted to 1.6 million euros (2016: 3.5 million euros) and was recorded in “Other financial income and expenses”.

Tax payables

(in millions of euros)	December 31, 2017	December 31, 2016
VAT and sales tax payables	425	379
Other tax (other than on income) payables	699	750
Current income tax payables	157	130
TOTAL TAX PAYABLES	**1,282**	**1,260**

5.4.6 Other current assets and other payables

Other assets

(in millions of euros)	December 31, 2017	December 31, 2016
Prepaid expenses	344	327
Proceeds receivable from disposals of non-current assets	44	16
Employee advances	18	20
Other operating receivables, net	445	544
TOTAL OTHER CURRENT ASSETS	**851**	**907**
Prepaid expenses – long term	73	79
Tax receivables – long term[1]	264	-
TOTAL OTHER NON-CURRENT ASSETS	**337**	**79**

(1) These correspond to tax credits expected to be collected in over 12 months which were previously included in tax receivables within current assets.

Other current payables

(in millions of euros)	December 31, 2017	December 31, 2016
Accrued employee benefits expense	1,608	1,760
Payables to suppliers of non-current assets	640	752
Deferred revenue	118	122
Other payables	447	519
TOTAL OTHER CURRENT PAYABLES	**2,813**	**3,153**

5.5 Banking and insurance activities

Accounting principles

To support its core retailing business, the Group offers banking and insurance services to customers, mainly in France, Spain and Brazil.

The financial services companies offer their customers "Carrefour" bank cards that can be used in the Group's stores and elsewhere, consumer loans and savings products such as life insurance and passbook savings accounts.

Due to its contribution to the Group's total assets and liabilities and its specific financial structure, this secondary business is presented separately in the Consolidated Financial Statements:

- Consumer credit granted by the financial services companies (payment card receivables, personal loans, etc.) is presented in the statement of financial position under "Consumer credit granted by the financial services companies – long term" and "Consumer credit granted by the financial services companies – short term", as appropriate;
- Financing for these loans is presented under "Consumer credit financing – long term" and "Consumer credit financing – short term", as appropriate;
- The other assets and liabilities of the banking activities (property and equipment, intangible assets, cash and cash equivalents, accrued taxes and payroll costs, etc.) are presented on the corresponding lines of the statement of financial position;
- Net revenues from banking activities are reported in the income statement under "Other revenue";
- The change in the banking and insurance activities' working capital is reported in the statement of cash flows under "Change in consumer credit granted by the financial services companies".

5.5.1 Consumer credit granted by the financial services companies

At December 31, 2017, consumer credit granted by the financial services companies totalled 6,321 million euros (December 31, 2016: 6,273 million euros), as follows:

(in millions of euros)	December 31, 2017	December 31, 2016
Payment card receivables	4,352	4,432
Loans	2,450	2,347
Consumer credit (on purchases made in Carrefour stores)	70	69
Other financing	273	289
Impairment	(824)	(863)
TOTAL CONSUMER CREDIT GRANTED BY THE FINANCIAL SERVICES COMPANIES	**6,321**	**6,273**
Short-term financing	*3,866*	*3,902*
Long-term financing	*2,455*	*2,371*

5.5.2 Consumer credit financing

The related consumer credit financing amounted to 5,478 million euros at December 31, 2017 (December 31, 2016: 5,330 million euros), as follows:

(in millions of euros)	December 31, 2017	December 31, 2016
Debt securities (retail certificates of deposit, medium-term notes)	1,032	1,251
Bank borrowings(1)	554	317
Bonds and notes(2)	1,932	1,846
Customer passbook savings deposits	567	501
Securitisations(3)	410	510
Other refinancing debt to financial institutions	973	886
Other	10	19
TOTAL CONSUMER CREDIT FINANCING	**5,478**	**5,330**
Short-term borrowings	*2,817*	*3,395*
Long-term borrowings	*2,661*	*1,935*

(1) A zero-coupon, four-year loan obtained in 2017 by Carrefour Banque from the European Central Bank for 400 million euros (maturing in March 2021).

(2) In 2016:

- *new bond issue by Carrefour Banque: five-year variable rate bonds at three-month Euribor +68 bps for 500 million euros (maturing on April 20, 2021);*
- *redemption by Carrefour Banque in April of variable rate bonds representing a nominal amount of 300 million euros.*

(3) Master Credit Cards Pass reloadable securitisation programme with compartments launched by Carrefour Banque in November 2013. Asset pool: 560 million euros. Proceeds from the securitisation: 400 million euros. The fund amount at December 31, 2017 was 410 million euros (510 million euros at December 31, 2016). The securitisation fund is fully consolidated in the Group's financial statements.

Note 6 Intangible assets, property and equipment, investment property

6.1 Intangible assets

Accounting principles

Goodwill

Goodwill is initially recognised on business combinations as explained in Note 3.1.

In accordance with IAS 36 – *Impairment of Assets*, goodwill recognised on business combinations is not amortised but is tested for impairment every year, or more frequently if there is an indication that its carrying amount may not be recovered, by the method described in Note 6.3.

Other intangible assets

Intangible assets consist mainly of software and other intangible assets related to the stores.

Separately acquired intangible assets are initially recognised at cost and intangible assets acquired in business combinations are recognised at fair value (Note 3.1).

Software is amortised by the straight-line method over periods ranging from one to eight years.

Goodwill, which constitutes the main intangible asset, is reported separately from other intangible assets in the statement of financial position.

(in millions of euros)	December 31, 2017	December 31, 2016
Goodwill, net	7,977	8,640
Other intangible assets	1,364	1,266
INTANGIBLE ASSETS, NET	**9,341**	**9,906**

6.1.1 Goodwill

The recoverable amount of goodwill is generally monitored at the level of the cash-generating units (CGUs) represented by the countries in which the Group conducts its business through its integrated store networks.

The 663 million-euro decrease in net goodwill in 2017 was mainly due to impairment losses recognised for 707 million euros (Notes 2.5 and 6.3).

(in millions of euros)	Net goodwill at December 31, 2016	Acquisitions	Disposals	Impairment	Other movements	Translation adjustment	Net goodwill at December 31, 2017
France	4,775	39	-	-	-	-	4,814
Belgium	956	-	-	-	-	-	956
Spain	862	90	-	-	-	-	952
Brazil	575	-	-	-	-	(77)	498
Italy[1]	960	-	-	(707)	-	-	253
Poland	238	-	-	-	-	13	252
Argentina	53	-	-	-	-	(13)	39
Other countries	221	-	-	-	-	(9)	213
TOTAL	**8,640**	**129**	**-**	**(707)**	**-**	**(85)**	**7,977**

(1) Impairment recognised in the period concerns goodwill allocated to countries (operating segments) for 700 million euros; the remaining balance of 7 million euros relates to goodwill allocated to stores.

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In 2016, the total carrying amount of goodwill increased by 145 million euros, mainly reflecting translation adjustments to Brazilian goodwill and goodwill recognised on acquisitions in France, notably in the e-commerce sector.

(in millions of euros)	Net goodwill at December 31, 2015	Acquisitions	Disposals	Impairment	Other movements	Translation adjustment	Net goodwill at December 31, 2016
France	4,718	66	(17)	-	8	-	4,775
Italy	964	-	-	(5)	-	-	960
Belgium	957	-	-	-	(1)	-	956
Spain	862	-	-	-	-	-	862
Brazil	465	-	-	-	-	110	575
Poland	246	-	-	-	-	(8)	238
Argentina	63	-	-	-	-	(10)	53
Other countries	220	-	-	-	-	1	221
TOTAL	**8,495**	**66**	**(17)**	**(5)**	**8**	**93**	**8,640**

6.1.2 Other intangible assets

(in millions of euros)	December 31, 2017	December 31, 2016
Other intangible assets, at cost	3,233	2,987
Amortisation	(1,974)	(1,859)
Impairment	(90)	(78)
Intangible assets in progress	195	216
OTHER INTANGIBLE ASSETS, NET	**1,364**	**1,266**

Changes in other intangible assets

(in millions of euros)	Cost	Amortisation and impairment	Net carrying amount
At December 31, 2015	3,393	(2,379)	1,014
Acquisitions	357	-	357
Disposals	(704)	659	(45)
Translation adjustment	72	(50)	22
Amortisation	-	(150)	(150)
Impairment	-	(10)	(10)
Changes in scope of consolidation, transfers and other movements	85	(8)	76
At December 31, 2016	3,202	(1,937)	1,266
Acquisitions	379	-	379
Disposals	(81)	33	(48)
Translation adjustment	(70)	43	(27)
Amortisation	-	(181)	(181)
Impairment	-	(18)	(18)
Changes in scope of consolidation, transfers and other movements	(3)	(3)	(6)
At December 31, 2017	3,427	(2,063)	1,364

6.2 Property and equipment

Accounting principles

Property and equipment mainly comprise buildings, store fixtures and fittings and land.

Initial recognition

In accordance with IAS 16 – *Property, Plant and Equipment*, land, buildings and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. Qualifying assets are defined in IAS 23 – *Borrowing Costs* as assets that necessarily take a substantial period of time to get ready for their intended use or sale, corresponding in the Group's case to investment properties, hypermarkets and supermarkets for which the construction period exceeds one year.

Assets under construction are recognised at cost less any identified impairment losses.

Useful lives

Depreciation of property and equipment begins when the asset is available for use and ends when the asset is sold, scrapped or reclassified as held for sale in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*.

Land is not depreciated. Other property and equipment, or each significant part of an item of property or equipment, are depreciated by the straight-line method over the following estimated useful lives:

Buildings	• Buildings	40 years
	• Site improvements	10 to 20 years
	• Car parks	6 to 10 years
Equipment, fixtures and fittings		4 to 8 years
Other		3 to 10 years

In light of the nature of its business, the Group considers that its property and equipment have no residual value.

Depreciation periods are reviewed at each year-end and, where appropriate, adjusted prospectively in accordance with IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*.

Leases

New long-term leases – particularly property leases – are analysed in accordance with IAS 17 – *Leases* to determine whether they represent finance leases, *i.e.*, leases that transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee, or operating leases. For property leases, the analysis is performed separately for the land on the one hand and the building on the other.

Finance leases are accounted for as follows:

- The leased assets are recognised in the statement of financial position at fair value or, if lower, the present value of the minimum lease payments. They are depreciated over their useful life, in the same way as assets owned outright, or, if shorter, over the lease term;
- The liability for the future lease payments is recognised in the statement of financial position under "Long-term borrowings" and "Short-term borrowings" (Note 12.2.1);
- Lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

Leases that do not transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee are classified as operating leases. Operating lease payments are recognised in the income statement (under "recurring operating expenses") on a straight-line basis over the life of the lease (Note 5.2.2).

(in millions of euros)	December 31, 2017	December 31, 2016
Land	2,576	2,565
Buildings	10,403	10,200
Equipment, fixtures and fittings	15,842	15,458
Other fixed assets	431	430
Assets under construction	658	789
Finance leases – land	456	460
Finance leases – buildings	1,171	1,182
Finance leases – equipment, fixtures and fittings	84	84
Property and equipment at cost	31,621	31,169
Depreciation	(16,758)	(16,237)
Depreciation of assets under finance leases	(983)	(968)
Impairment	(783)	(558)
PROPERTY AND EQUIPMENT, NET	13,097	13,406

Changes in property and equipment

(in millions of euros)	Cost	Amortisation and impairment	Net carrying amount
At December 31, 2015	29,116	(17,045)	12,071
Acquisitions[1]	2,368	-	2,368
Disposals	(1,045)	914	(130)
Depreciation	-	(1,371)	(1,371)
Impairment	-	(75)	(75)
Translation adjustment	643	(221)	422
Changes in scope of consolidation, transfers and other movements	87	35	123
At December 31, 2016	31,169	(17,763)	13,406
Acquisitions[1]	1,995	-	1,995
Disposals	(796)	644	(153)
Depreciation	-	(1,438)	(1,438)
Impairment	-	(266)	(266)
Translation adjustment	(804)	352	(453)
Changes in scope of consolidation, transfers and other movements	58	(53)	5
At December 31, 2017	31,621	(18,524)	13,097

(1) Acquisitions: the amount shown for acquisitions essentially includes operational maintenance and refurbishment investments for the Group's assets and investments to develop the store network, along with investments made by Cargo Property, the real estate entity dedicated to logistics that was created in 2016. The decrease in acquisitions reflects the evolution in the Group's investment strategy and measures implemented in the second half of 2017 to control capital expenditure.

6.3 Impairment tests

Accounting principles

In accordance with IAS 36 – *Impairment of Assets*, intangible assets and property and equipment are tested for impairment whenever events or changes in the market environment indicate that the recoverable amount of an individual asset and/or a cash-generating unit (CGU) may be less than its carrying amount. For assets with an indefinite useful life – mainly goodwill in the case of the Carrefour group – the test is performed at least once a year.

Individual assets or groups of assets are tested for impairment by comparing their carrying amount to their recoverable amount, defined as the higher of their fair value less costs of disposal and their value in use. Value in use is the present value of the future cash flows expected to be derived from the asset.

If the recoverable amount is less than the carrying amount, an impairment loss is recognised for the difference. Impairment losses on property and equipment and intangible assets (other than goodwill) may be reversed in future periods provided that the asset's increased carrying amount attributable to the reversal does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years.

Impairment of assets other than goodwill

Impairment tests on property and equipment are performed at the level of the individual stores (CGUs), for all formats.

In accordance with IAS 36, intangible assets (other than goodwill) and property and equipment are tested for impairment whenever there is an indication that their recoverable amount may be less than their carrying amount. All stores that report a recurring operating loss before depreciation and amortisation in two consecutive years (after the start-up period) are tested.

Recoverable amount is defined as the higher of value in use and fair value less the costs of disposal.

Value in use is considered to be equal to the store's discounted future cash flows over a period of up to five years plus a terminal value. Fair value is estimated based on the prices of recent transactions, industry practice, independent valuations or the estimated price at which the store could be sold to a competitor.

The discount rate applied is the same as for impairment tests on goodwill.

Goodwill impairment

IAS 36 requires impairment tests to be performed annually at the level of each CGU or group of CGUs to which the goodwill is allocated.

According to the standard, goodwill is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the business combination. Each CGU or group of CGUs to which the goodwill is allocated should represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and should not be larger than an operating segment as defined in IFRS 8 – *Operating Segments* before aggregation.

For the purpose of analysing the recoverable amount of goodwill, each individual country is considered to represent a separate CGU. The choice of this level is based on a combination of organisational and strategic criteria. In particular, operations within each country (hypermarkets, supermarkets, etc.) use shared resources (country-level centralised purchasing organisation, marketing systems, headquarters functions, etc.) that represent an essential source of synergies between the various operations.

Value in use corresponds to the sum of discounted future cash flows for a period generally not exceeding five years, plus a terminal value calculated by projecting data for the final year to perpetuity at a perpetual growth rate. A specific discount rate by country is used for the calculation. Future cash flows used in the impairment tests carried out in 2017 were estimated based on the financial trajectories defined by the Group's Executive Management.

The discount rate for each country corresponds to the weighted average cost of equity and debt, determined using the median gearing ratio for the sector. Each country's cost of equity is determined based on local parameters (risk-free interest rate and market premium). The cost of debt is determined by applying the same logic.

Fair value is the price that would be received to sell the operations in the country tested for impairment in an orderly transaction between market participants. Fair value is measured using observable inputs where these exist (multiples of net sales and/or EBITDA for recent transactions, offers received from potential buyers, stock market multiples for comparable companies) or based on analyses performed by internal or external experts.

Additional tests are performed at the interim period-end when there is an indication of impairment. The main impairment indicators used by the Group are as follows:

- internal impairment indicator: a material deterioration in the ratio of recurring operating income before depreciation and amortisation to net revenues excluding petrol between the budget and the most recent forecast;
- external impairment indicator: a material increase in the discount rate and/or a severe downgrade in the IMF's GDP growth forecast.

Impairment losses recognised on goodwill are irreversible, including those recorded at an interim period-end.

6.3.1 Impairment of goodwill and sensitivity analysis

Based on the impairment tests carried out in 2017, the Group recognised a 700 million-euro impairment loss against goodwill allocated to its Italian operations. In 2016, no impairment was recognised against goodwill.

6.3.1.1 Countries for which impairment was recognised against goodwill

For several years now the Group has paid particular attention to the value of its Italian operations in light of market trends observed in that country. Although the profitability of the Group's Italian operations has gradually improved over the past few years, in line with strategic plans (used to estimate value in use for the impairment tests carried out in previous periods), certain commercial dynamics observed in 2017 led the Group to adjust its forecast in terms of margins and free cash flow (change in cash from operating activities less operational investments) as reflected in the financial trajectory defined by the Group's Executive Management.

Adjustments in the operating and financial assumptions used as a basis for future cash flow forecasts led to a significant decrease in the value in use of the Group's Italian operations. In this context, an in-depth analysis was carried out to determine the fair value of the Group's Italian operations. This analysis adopted a multi-criteria valuation approach which took into account multiples observed for comparable companies in the retail sector in Europe, and the market value of Italian real estate assets, determined based on independent appraisals. The resulting fair value represents Executive Management's best estimate.

Based on the above, the impairment test on the Group's Italian assets led to the recognition of a 700 million-euro impairment loss in 2017. At December 31, 2017, in light of cumulative impairment losses from prior periods (2,200 million euros), the residual value of goodwill allocated to Italian operations is just 253 million euros.

6.3.1.2 Countries for which the recoverable amount of goodwill was close to the carrying amount

In the impairment tests carried out at December 31, 2017, the recoverable amount of Poland CGUs was found to be close to – but still greater than – the carrying amount. Consequently, no impairment was recognised but sensitivity analyses were performed to determine the changes in the main financial assumptions that would lead to an impairment loss being recognised. The amounts below represent the difference between the recoverable amount and the carrying amount of the net assets allocated to Poland. The "-" sign indicates that the scenario would have led to the recognition of an impairment loss for the amount shown.

Sensitivity to changes in WACC and perpetual growth rate

		WACC (%)				
		(0.5)%	(0.25)%	0.00%	0.25%	0.5%
Perpetual growth (%)	(1.00)%	(2)	(24)	(45)	(65)	(83)
	(0.50)%	115	83	54	27	2
	0.00%	191	153	**117**	85	55
	0.50%	285	237	194	154	119
	1.00%	555	475	405	343	289

A 50 bp decrease in the EBITDA margin (recurring operating income before depreciation and amortisation as a proportion of net sales) assumption used to determine the terminal value would not have changed the conclusions of the impairment test.

6.3.1.3 Other countries

For the other countries where the Group conducts business, the analysis of sensitivity to a simultaneous change in the key inputs based on reasonably possible assumptions did not reveal any probable scenario according to which the recoverable amount of any of the groups of CGUs would be less than its carrying amount.

In particular, although the value in use of operations in France decreased following the adjustment of the operating and financial assumptions reflected in the financial trajectory defined by the Group's Executive Management, it remains well above the carrying amount of assets in France.

6.3.1.4 Main financial assumptions used to estimate value in use

The perpetual growth rates and discount rates (corresponding to the weighted average cost of capital – WACC) applied for impairment testing purposes in 2017 and 2016 are presented below by CGU:

	2017		2016	
Country	After-tax discount rate	Perpetual growth rate	After-tax discount rate	Perpetual growth rate
France	6.3%	1.8%	6.3%	1.8%
Spain	6.8%	2.1%	6.8%	1.9%
Italy	6.7%	1.7%	6.6%	1.7%
Belgium	6.2%	1.8%	6.3%	1.8%
Poland	8.4%	3.0%	8.5%	2.8%
Romania	9.0%	2.6%	8.5%	2.5%
Brazil	12.3%	4.4%	13.0%	4.8%
Argentina	16.2%	7.4%	16.6%	7.3%
China	9.7%	2.4%	8.9%	2.6%
Taiwan	7.2%	1.9%	7.4%	1.9%

6.4 Investment property

Accounting principles

IAS 40 – *Investment Property* defines investment property as property (land or a building or both) held to earn rentals or for capital appreciation or both. Based on this definition, investment property held by the Group consists of shopping malls (retail and service units located behind the stores' check-out area) that are exclusively or jointly owned or subject to a finance lease and represent a surface area of at least 2,500 square metres. These assets generate cash flows that are largely independent of the cash flows generated by the Group's other retail assets.

Investment property is recognised at cost and is depreciated over the same period as owner-occupied property (Note 6.2).

Rental revenue generated by investment property is reported in the income statement under "Other revenue" on a straight-line basis over the lease term. The rewards granted by the Group under its leases are an integral part of the net rental revenue and are recognised over the lease term (Note 6.2).

The fair value of investment property is measured twice a year:

- by applying a multiple that is a function of (i) each shopping mall's profitability and (ii) a country-specific capitalisation rate, to the gross annualised rental revenue generated by each property; or
- by obtaining independent valuations prepared using two methods: the discounted cash flows method and the yield method. Valuers generally also compare the results of applying these methods to market values per square metre and to recent transaction values.

In view of the limited external data available, particularly concerning capitalisation rates, the complexity of the property valuation process and the use of passing rents to value the Group's own properties, the fair value of investment property is determined on the basis of level 3 inputs.

(in millions of euros)	December 31, 2017	December 31, 2016
Investment property at cost	593	475
Depreciation and impairment	(183)	(161)
TOTAL INVESTMENT PROPERTY, NET	**410**	**314**

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Changes in investment property

(in millions of euros)	
At December 31, 2015	383
Depreciation	(17)
Translation adjustment	(4)
Acquisitions	33
Disposals	(3)
Transfers and other movements	(77)
At December 31, 2016	314
Depreciation	(18)
Translation adjustment	(20)
Acquisitions	12
Disposals	(0)
Investment properties acquired in a business combination	29
Transfers from "Property and equipment"	93
At December 31, 2017	410

Rental revenue generated by investment property, reported in the income statement under "Other revenue", totalled 76.6 million euros in 2017 (2016: 67.2 million euros). Operating costs directly attributable to the properties amounted to 12.3 million euros in 2017 (2016: 13.9 million euros).

The estimated fair value of investment property at December 31, 2017 was 988 million euros (December 31, 2016: 681 million euros).

The rise in fair value is attributable to (i) the increase in the market value of several shopping centres as a result of the independent appraisals carried out in 2017, particularly in China and Poland, and (ii) new shopping malls included in investment property in 2017 (following a business combination in Spain and the reclassification of shopping malls previously shown in property and equipment but which met the definition of investment property in 2017).

6.5 Leased property

All property leases have been reviewed to determine whether they are operating leases or finance leases to be accounted for by the method described in Note 6.2.

6.5.1 Finance leases

The following table shows future minimum lease payments due for the non-cancellable term of finance leases at December 31, 2017 and 2016:

Lease commitments at December 31, 2017 *(in millions of euros)*	**Total**	**Within one year**	**In one to five years**	**Beyond five years**
Minimum future lease payments	546	47	165	333
Discounted present value	324	44	130	150

Lease commitments at December 31, 2016 *(in millions of euros)*	**Total**	**Within one year**	**In one to five years**	**Beyond five years**
Minimum future lease payments	570	47	177	346
Discounted present value	351	44	139	168

Rental expense and rental revenue from subleases recorded in the income statement are as follows:

Lease payments and revenue from subleases *(in millions of euros)*	**2017**	**2016**
Minimum lease payments made during the year	(40)	(53)
Contingent lease payments made during the year	(0)	(4)
Revenue from subleases received during the year	17	18

The future minimum sublease payments expected to be received under non-cancellable subleases amounted to 14 million euros at December 31, 2017 as at December 31, 2016.

6.5.2 Operating leases

The following table shows future minimum lease payments due for the non-cancellable term of operating leases at December 31, 2017 and 2016:

Lease commitments at December 31, 2017 *(in millions of euros)*	**Total**	**Within one year**	**In one to five years**	**Beyond five years**
Minimum future lease payments	3,712	1,115	1,744	853
Discounted present value	2,928	1,034	1,358	536

Lease commitments at December 31, 2016 *(in millions of euros)*	**Total**	**Within one year**	**In one to five years**	**Beyond five years**
Minimum future lease payments	3,625	1,070	1,754	801
Discounted present value	2,853	993	1,363	497

Rental expense and rental revenue from subleases recorded in the income statement are as follows:

Lease payments and revenue from subleases *(in millions of euros)*	**2017**	**2016**
Minimum lease payments made during the year	(1,217)	(1,113)
Contingent lease payments made during the year	(12)	(23)
Revenue from subleases received during the year	255	265

The future minimum sublease payments expected to be received under non-cancellable subleases amounted to 197 million euros at December 31, 2017 (December 31, 2016: 138 million euros).

Note 7 Investments in equity-accounted companies

Accounting principles

The consolidated statement of financial position includes the Group's share of the change in the net assets of companies accounted for by the equity method (associates and joint ventures), as adjusted to comply with Group accounting policies, from the date when significant influence or joint control is acquired until the date when it is lost.

Companies accounted for by the equity method are an integral part of the Group's operations and the Group's share of their net profit or loss is therefore reported as a separate component of recurring operating income ("Recurring operating income after net income from equity-accounted companies"), in accordance with the recommendation of the French accounting authorities (*Autorité des normes comptables* [ANC] recommendation no. 2013-01).

7.1 Changes in investments in equity-accounted companies

Changes in investments in equity-accounted companies can be analysed as follows:

(in millions of euros)	
At December 31, 2015	1,433
Translation adjustment	(15)
Share of net income	(36)
Dividends	(79)
Capital increase	58
Other movements	0
At December 31, 2016	1,361
Translation adjustment	(19)
Share of net income	4
Dividends	(80)
Capital increase	64
Other movements	24
At December 31, 2017	1,355

7.2 Information about associates

The following table shows key financial indicators for associates:

(in millions of euros)	% interest	Total assets	Shareholders' equity	Non-current assets	Net sales/ Revenues	Net income/(loss)
Carmila (France)	36%	5,197	2,782	4,675	301	36
Carrefour SA (Turkey)	46%	713	2	437	1,105	(74)
Provencia SA (France)	50%	420	237	194	843	27
Mestdagh (Belgium)	25%	279	64	96	604	(9)
Ulysse (Tunisia)	25%	156	78	133	319	16
Costasol (Spain)	34%	92	50	63	126	13
Other companies(1)	-	883	295	503	1,394	26

(1) Corresponding to a total of 187 companies, none of which is individually material.

All of the summary financial data presented in the table above have been taken from the financial statements of associates, restated where necessary to reflect adjustments made to harmonise accounting methods on application of equity accounting. These data have not been adjusted for any changes in fair value recognised at the time of the acquisition or for any loss of control and elimination of the Group's share of profit or loss arising on asset disposals or acquisitions carried out between the Group and the associate.

Carmila was set up in 2014 by the Group and its co-investment partners. Its corporate purpose is to enhance the value of the shopping centres adjacent to Carrefour hypermarkets in France, Spain and Italy. Carmila is accounted for by the equity method because the governance system established with the co-investors allows Carrefour to exercise significant influence over its financial and operating policy decisions.

Up until its merger with Cardety on June 12, 2017, Carmila's governance was organised by a shareholders' agreement between Carrefour (owner of a 42% stake in Carmila) and other institutional investors (owner of the remaining 58% stake). This agreement specified the composition of the Board of Directors and the list of decisions requiring the Board's prior approval (votes subject to a simple or qualified majority, depending on the importance of the matters discussed).

In parallel with the merger of Carmila into Cardety (details of which are provided in Note 2.3), the entity's corporate governance rules were adjusted, resulting in the restructuring of its administration and management bodies, and amendments to its Articles of Association and the Board of Directors' internal rules. In light of the amended corporate governance rules, the Group considers that it has significant influence over the new entity, Carmila, which is accounted for using the equity method. The Group's position is primarily based on the fact that the Carrefour group is not represented by a majority on the Board of Directors, which comprises 14 members, of which 8 are independent and 5 are appointed by Carrefour. Therefore, the Group cannot alone impose decisions requiring the Board's prior consent, which partly concern the relevant activities.

The following table presents key financial indicators for Carmila at December 31, 2017 and 2016 (as published in Carmila's consolidated financial statements[1]).

(in millions of euros)	**2017**	**2016**
Revenue (rental income)	301	276
Operating income before fair value adjustment of assets	230	219
Operating income[1]	394	376
Net income from continuing operations	314	296
Total non-current assets[1]	5,521	4,916
Total current assets	513	289
of which cash and cash equivalents	*329*	*71*
Total non-current liabilities	2,158	2,200
Total current liabilities	334	354
% interest held by Carrefour	*35.76%*	*42.42%*
Amount of the investment in equity-accounted company	942	895
Carrefour - Cash dividends received from Carmila	66	62

(1) Since Carmila opted to apply the fair value model for the accounting of its investment properties, in accordance with the option provided in IAS 40, the figures presented in the above table are adjusted to reflect real estate fair value corrections. Before being accounted for by the equity method in the Group financial statements, Carmila's consolidated financial statements are therefore restated to apply the cost model applied by Carrefour.

7.3 Transactions with associates (related parties)

The following table presents the main related-party transactions carried out in 2017 with companies over which the Group exercises significant influence:

(in millions of euros)	**Carmila (France)**	**Carrefour SA (Turkey)**	**Provencia (France)**	**Mestdagh (Belgium)**	**Ulysse (Tunisia)**
Net sales (sales of goods)	-	0	596	51	7
Franchise fees	-	3	10	8	2
Property development revenue[1]	109	-	-	-	-
Sales of services	14	-	-	10	-
Fees and other operating expenses	(7)	-	-	-	-
Proceeds from the disposal of non-current assets[1][2]	-	-	-	-	-
Receivables at December 31, 2017	23	1	33	7	3
Payables at December 31, 2017	(1)	(4)	-	-	-

(1) Amounts are presented before elimination of the Group's share in the associate of revenues and proceeds arising on transactions carried out between the Group and the associate.
(2) The non-current assets correspond to property and equipment, investment property and financial assets.

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Note 8 Income tax

Accounting principles

Income tax expense comprises current taxes and deferred taxes. It includes the *Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE) local business tax in France assessed on the value-added generated by the business, which is reported under income tax expense because the Group considers that it meets the definition of a tax on income contained in IAS 12 – *Income Tax*.

Deferred taxes are calculated on all temporary differences between the carrying amount of assets and liabilities in the consolidated statement of financial position and their tax basis (except in the specific cases referred to in IAS 12), and carried-forward tax losses. They are measured at the tax rates that are expected to apply to the period when the asset will be realised or the liability will be settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are not discounted and are classified in the statement of financial position under "Non-current assets" and "Non-current liabilities".

The recoverability of deferred tax assets is assessed separately for each tax entity, based on estimates of future taxable profits contained in the business plan for the country concerned (prepared as described in Note 6.3) and the amount of deferred tax liabilities at the period-end. A valuation allowance is recorded to write down deferred tax assets whose recovery is not considered probable.

8.1 Income tax expense for the period

(in millions of euros)	**2017**	**2016**
Current income tax expense (including provisions)	(496)	(590)
Deferred income taxes	(122)	95
TOTAL INCOME TAX EXPENSE	**(618)**	**(494)**

Tax proof

Theoretical income tax for 2017 and 2016 has been calculated by multiplying consolidated income before tax by the standard French corporate income tax rate. For 2017, theoretical income tax expense amounted to 88 million euros compared with actual net income tax expense of 618 million euros.

(in millions of euros)	**2017**	**2016**
Income before taxes	255	1,428
Standard French corporate income tax rate	*34.4%*	*34.4%*
Theoretical income tax expense	**(88)**	**(492)**
Adjustments to arrive at effective income tax rate:		
• Differences between the standard French corporate income tax rate and overseas nominal taxation rates	(40)	19
• Effect of changes in applicable tax rates	(46)	31
• Tax expense and tax credits not based on the taxable income[1]	(77)	(28)
• Tax effect of other permanent differences	(135)	(40)
• Deferred tax assets recognised on temporary differences and tax loss carryforwards of previous years[2]	139	150
• Deferred tax assets not recognised on temporary differences and tax loss carryforwards arising in the year[3]	(98)	(81)
• Valuation allowances on deferred tax assets recognised in prior years[3]	(270)	(69)
• Tax effect of net income from equity-accounted companies	(1)	(12)
• Other differences	1	29
TOTAL INCOME TAX EXPENSE	**(618)**	**(494)**
Effective tax rate	*242.0%*	*34.6%*

(1) The reported amount of taxes with no tax base takes into account the CVAE local business tax in France, amounting to 62 million euros in 2017 (2016: 69 million euros), withholding taxes and changes in provisions for tax risks (Note 9.2.1).

(2) As in 2016, deferred tax assets recognised in 2017 on prior years' tax losses primarily concerned Brazil.

(3) Valuation allowances recorded on deferred tax assets mainly concerned China and Argentina.

8.2 Deferred tax assets and liabilities

The Group had a net deferred tax asset of 147 million euros at December 31, 2017, a decrease of 138 million euros compared with the previous year-end.

(in millions of euros)	December 31, 2017	December 31, 2016	Change
Deferred tax assets	636	829	(193)
Deferred tax liabilities	(489)	(543)	55
NET DEFERRED TAX ASSETS	**147**	**285**	**(138)**

The following table shows the main sources of deferred taxes:

		Change			
(in millions of euros)	December 31, 2016	Income statement	Income tax on other comprehensive income (OCI)	Changes in consolidation scope, translation adjustment, other	December 31, 2017
Tax loss carryforwards	1,101	119	-	(113)	1,108
Property and equipment	218	1	-	(15)	205
Non-deductible provisions	962	(155)	(28)	(41)	738
Goodwill amortisation allowed for tax purposes	201	45	-	1	247
Other intangible assets	3	1	-	(0)	4
Inventories	181	10	-	(18)	172
Financial instruments	48	(38)	(3)	(1)	5
Other temporary differences	250	(79)	-	(53)	118
Deferred tax assets before netting	2,964	(97)	(31)	(239)	2,597
Effect of netting deferred tax assets and liabilities	(590)	2	-	81	(508)
Deferred tax assets after netting	2,374	(95)	(31)	(158)	2,090
Valuation allowances on deferred tax assets	(1,545)	(62)	0	153	(1,454)
Net deferred tax assets	829	(157)	(31)	(5)	636
Property and equipment	(292)	(6)	-	90	(208)
Provisions recorded solely for tax purposes	(376)	(37)	-	(0)	(413)
Goodwill amortisation allowed for tax purposes	(197)	(2)	-	28	(171)
Other intangible assets	(0)	3	-	(4)	(1)
Inventories	(21)	2	-	-	(19)
Financial instruments	(16)	(5)	13	0	(7)
Other temporary differences	(232)	82	-	(27)	(177)
Deferred tax liabilities before netting	(1,134)	37	13	88	(997)
Effect of netting deferred tax assets and liabilities	590	(2)	-	(81)	508
Deferred tax liabilities after netting	(543)	35	13	7	(489)
NET DEFERRED TAXES	**285**	**(122)**	**(18)**	**2**	**147**

8.3 Unrecognised deferred tax assets

Unrecognised deferred tax assets amounted to 1,454 million euros at December 31, 2017 (December 31, 2016: 1,545 million euros), including 738 million euros related to tax loss carryforwards (December 31, 2016: 768 million euros) and 716 million euros on temporary differences (December 31, 2016: 777 million euros).

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Note 9 Provisions and contingent liabilities

Accounting principles

In accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*, a provision is recorded when, at the period-end, the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount of the provision is estimated based on the nature of the obligation and the most probable assumptions. Provisions are discounted when the effect of the time value of money is material.

Contingent liabilities, which are not recognised in the statement of financial position, are defined as:

- possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- present obligations that arise from past events but are not recognised because (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or (ii) the amount of the obligation cannot be measured with sufficient reliability.

9.1 Changes in provisions

(in millions of euros)	December 31, 2016	Translation adjustment	Increases	Discounting adjustment	Reversals of surplus provisions	Utilisations	Other	December 31, 2017
Post-employment benefit obligations(1)	1,279	(2)	97	(38)	(39)	(42)	0	1,256
Claims and litigation	1,312	(119)	448	-	(210)	(150)	(1)	1,280
Tax reassessments	*885*	*(84)*	*285*	-	*(106)*	*(27)*	*7*	*960*
Disputes with current and former employees	*243*	*(22)*	*109*	-	*(63)*	*(93)*	*(8)*	*166*
Legal disputes	*184*	*(14)*	*54*	-	*(41)*	*(30)*	*1*	*154*
Restructuring	98	(2)	76	-	(10)	(54)	(0)	108
Other(2)	375	(0)	66	-	(26)	(56)	1	359
TOTAL PROVISIONS	**3,064**	**(123)**	**687**	**(38)**	**(285)**	**(302)**	**(0)**	**3,003**

(1) See Note 10.
(2) Other provisions primarily concern technical risks associated mainly with the insurance business and onerous contracts.

Group companies are involved in a certain number of claims and legal proceedings in the normal course of business. They are also subject to tax audits that may result in reassessments. The main claims and legal proceedings are described below. In each case, the risk is assessed by Group management and their advisors.

At December 31, 2017, the claims and legal proceedings in which the Group was involved were covered by provisions totalling 1,280 million euros (December 31, 2016: 1,312 million euros). No details are provided because the Group considers that disclosure of the amount set aside in each case could be seriously detrimental to its interests.

9.2 Claims and litigation

In the normal course of its operations in around a dozen different countries, the Group is involved in tax, employee-related and commercial disputes and legal proceedings.

9.2.1 Tax reassessments

Certain Group companies have been or are currently the subject of tax audits conducted by their local tax authorities.

In Brazil, tax audits are in progress covering, in particular, the tax on the distribution of goods and services (ICMS), related tax credits (determination of the amounts claimable and documentation of the claims), and federal contributions to the social integration programme and to the financing of the social security system (Pis-Cofins). The Group has challenged most of the assessments, particularly the constitutionality of certain legislative provisions on which they are based. The estimated risk in each case is reviewed regularly with Carrefour Brazil's advisors and an appropriate provision is recorded. At December 31, 2017, the corresponding provision totalled 518 million euros (versus 551 million euros at December 31, 2016). Judicial deposits paid in respect of tax reassessments contested by the Group amounted to 509 million euros (517 million euros at December 31, 2016) and are included under "Other non-current financial assets" (Note 12.5).

In France, Carrefour was notified of corporate income tax reassessments relating to the scope of the cap on deductible financial expenses in 2014. Carrefour is challenging this reassessment.

The tax authorities in several countries have disallowed part of the headquarters expenses deducted by Group companies. The Group has contested these reassessments.

9.2.2 Employee-related disputes

As a major employer, the Group is regularly involved in disputes with current or former employees.

From time to time, disputes may also arise with a large group of current or former employees. In Brazil, many former employees have initiated legal proceedings against the Group, claiming overtime pay that they allege is due to them.

9.2.3 Legal and commercial disputes

The Group is subject to regular audits by the authorities responsible for overseeing compliance with the laws applicable to the retail industry and by the competition authorities. Disputes may also arise with suppliers as a result of differing interpretations of legal or contractual provisions.

9.3 Contingent liabilities

To the best of the Group's knowledge, there are no contingent liabilities that may be considered likely to have a material impact on the Group's results, financial position, assets and liabilities or business.

In Brazil, the Group is exposed to tax risks which the Group and its counsel consider are unlikely to materialise. The tax risks represent a total exposure of 2.3 billion euros at December 31, 2017. The main tax risk concerns the amortisation of goodwill for tax purposes related to the acquisition of Atacadão which occurred in 2007. The Group is contesting assessments totalling almost 650 million euros, and filed an appeal at Judicial sphere in the fourth quarter of 2017.

Note 10 Number of employees, employee compensation and benefits

Accounting principles

Group employees receive short-term benefits (such as paid vacation, paid sick leave and statutory profit-sharing bonuses), long-term benefits (such as long-service awards and seniority bonuses) and post-employment benefits (such as length-of-service awards and supplementary pension benefits). Post-employment benefits may be paid under defined contribution or defined benefit plans.

All of these benefits are accounted for in accordance with IAS 19 – *Employee Benefits*. Short-term benefits (*i.e.*, benefits expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services) are classified as current liabilities (under "Other payables") and recorded as an expense for the year in which the employees render the related services (Note 5.2.2). Post-employment benefits and other long-term benefits are measured and recognised as described in Note 10.1.

Two types of share-based payment plans have been set up for management and selected employees – stock option plans and performance share plans. These plans fall within the scope of IFRS 2 – *Share-based Payment* and are accounted for as described in Note 10.2.

10.1 Pension and other post-employment benefits

Accounting principles

Post-employment benefits are employee benefits that are payable after the completion of employment. The Group's post-employment benefit plans include both defined contribution plans and defined benefit plans.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity that is responsible for the plan's administrative and financial management as well as for the payment of benefits, such that the Group has no obligation to pay further contributions if the plan assets are insufficient. Examples include government-sponsored pension schemes, defined contribution supplementary pension plans and defined contribution pension funds.

The contributions are recorded as an expense for the period in which they become due.

Defined benefit and long-term benefit plans

A liability is recognised for defined benefit obligations that are determined by reference to the plan participants' years of service with the Group.

The defined benefit obligation is calculated annually using the projected unit credit method, taking into account actuarial assumptions concerning future salary levels, retirement age, mortality, staff turnover and the discount rate.

The discount rate corresponds to the interest rate observed at the period-end for investment grade corporate bonds with a maturity close to that of the defined benefit obligation. The calculations are performed by a qualified actuary.

The net liability recorded for defined benefit plans corresponds to the present value of the defined benefit obligation less the fair value of plan assets (if any). The cost recognised in the income statement comprises:

- current service cost, past service cost and the gain or loss on plan amendments or settlements (if any), recorded in operating expense;
- interest expense on the defined benefit liability, net of interest income on the plan assets, recorded in net financial expense.

Remeasurements of the net defined benefit liability (comprising actuarial gains and losses, the return on plan assets and any change in the effect of the asset ceiling) are recognised immediately in "Other comprehensive income".

10.1.1 Description of the main defined benefit plans

The main defined benefit plans concern supplementary pension benefits paid annually in some countries to retired employees of the Group, and length-of-service awards provided for in collective bargaining agreements that are paid to employees upon retirement. The plans, which are presented below, mainly concern France, Belgium and Italy.

French plans

Group employees in France are entitled to a length-of-service award when they retire, determined in accordance with the law and the applicable collective bargaining agreement. The award is measured as a multiple of the individual's monthly salary for the last 12 months before retirement, determined by reference to his or her years of service.

In 2009, the Group set up a supplementary pension plan, amended in 2015. The main characteristics of the plan are as follows:

- eligibility: plan participants must have completed at least three years' service at the time of retirement and their annual compensation must be greater than 18 times the annual ceiling for social security contributions;
- benefits: 2.75% of the reference compensation per year of service, subject to the applicable performance conditions being met for each year. No benefits are paid if a minimum number of years has not been validated in connection with the performance conditions;
- years of service taken into account for the calculation of plan benefits: years of service with the Carrefour group under consecutive or non-consecutive employment contracts. The plan's terms do not provide for any increase in benefits for participants who have completed more than a certain number of years' service;
- the reference compensation is calculated as the average of the last three salaries (basic salary + annual variable compensation) received over the last three calendar years preceding retirement or 60 times the annual ceiling for social security contributions, whichever is lower;
- annual benefit cap: 25% of the reference compensation and the difference between 45% of the reference compensation and the total basic and supplementary pension benefits received by the plan participant;
- reversionary pension: upon the participant's death, payable to the surviving spouse in an amount equal to 50% of the original benefit.

Belgian plans

The Group's main commitments in Belgium concern "prepensions" and the "solidarity fund".

The prepension scheme provides for the payment of unemployment benefits during the period from the retirement age proposed in the collective bargaining agreement to the statutory retirement age. Carrefour is committed to topping up the benefits paid by the Belgian State, so that the individuals concerned receive 95% of their final net salary. The retirement age under Belgian law, amended in 2015, is 67 (unless otherwise provided). Under the collective bargaining agreement applicable to Carrefour, employees are eligible for prepension benefits from the age of 62 (unless otherwise provided).

The solidarity fund is a corporate supplementary pension plan that offers participants the choice between a lump sum payment on retirement or a monthly pension for the rest of their lives. The plan was closed in 1994 and replaced by a defined contribution plan. Consequently, the projected benefit obligation only concerns pension rights that vested before 1994.

Furthermore, as of 2016, an additional provision has been recorded for defined contribution plans with a minimum legal guaranteed yield, in view of the current economic conditions.

Italian plans

The Group's commitments in Italy primarily concern the *Trattemento di Fine Rapporto* (TFR) deferred salary scheme. The TFR scheme underwent a radical reform in 2007, with employers now required to pay contributions to an independent pension fund in full discharge of their liability. The Group's obligation therefore only concerns deferred salary rights that vested before 2007.

10.1.2 Net expense for the period

The expense recorded in the income statement is detailed as follows:

2016 *(in millions of euros)*	**France**	**Belgium**	**Italy**	**Other countries**	**Group total**
Service cost(1)	(112)	13	0	1	(98)
Interest cost (discount effect)	17	10	2	1	30
Return on plan assets	(1)	(4)	-	(0)	(5)
Other items	3	0	-	(0)	3
EXPENSE (INCOME) FOR 2016	**(93)**	**19**	**3**	**1**	**(71)**

2017 *(in millions of euros)*	**France**	**Belgium**	**Italy**	**Other countries**	**Group total**
Service cost(1)	31	12	0	1	44
Interest cost (discount effect)	11	6	2	1	18
Return on plan assets	(0)	(3)	-	(0)	(3)
Other items	(1)	-	-	-	(1)
EXPENSE (INCOME) FOR 2017	**40**	**15**	**2**	**1**	**58**

(1) The following table presents details of service cost:

5

2016 *(in millions of euros)*	France	Belgium	Italy	Other countries	Group total
Current service cost	59	13	0	1	72
Past service cost (plan amendments and curtailments)	(154)	-	0	-	(154)
Settlements and other	(16)	-	-	-	(16)
Total Service cost 2016	(112)	13	0	1	(98)

2017 *(in millions of euros)*	France	Belgium	Italy	Other countries	Group total
Current service cost	57	17	0	1	74
Past service cost (plan amendments and curtailments)	1	(4)	-	(0)	(3)
Settlements and other	(26)	-	(0)	-	(26)
Total Service cost 2017	31	12	0	1	44

The net expense for 2017 breaks down as (43) million euros recorded in employee benefits expense and (15) million euros recorded in financial expense.

10.1.3 Breakdown of the provision

(in millions of euros)	France	Belgium	Italy	Other countries	Group total
Defined benefit obligation	911	480	136	39	1,565
Fair value of plan assets	(53)	(227)	-	(7)	(286)
PROVISION AT DECEMBER 31, 2016	858	253	136	32	1,279
Defined benefit obligation	889	450	128	42	1,509
Fair value of plan assets	(16)	(230)	-	(7)	(253)
PROVISION AT DECEMBER 31, 2017	873	221	128	35	1,256

10.1.4 Change in the provision

(in millions of euros)	France	Belgium	Italy	Other countries	Group total
Provision at December 31, 2015	845	250	136	27	1,258
Movements recorded in the income statement	(93)	19	3	1	(71)
Benefits paid directly by the employer	(4)	(13)	(6)	(0)	(24)
Effect of changes in scope of consolidation	(5)	-	0	0	(5)
Change in actuarial gains and losses(1)	113	4	4	3	124
Other	3	(6)	(1)	0	(4)
Provision at December 31, 2016	858	253	136	32	1,279
Movements recorded in the income statement	40	15	2	1	59
Benefits paid directly by the employer	(7)	(12)	(9)	(0)	(28)
Effect of changes in scope of consolidation	(5)	-	-	-	(5)
Change in actuarial gains and losses(1)	(13)	(28)	(1)	4	(38)
Other	(0)	(8)	-	(2)	(10)
Provision at December 31, 2017	873	221	128	35	1,256

(1) This line breaks down as follows:

2016 *(in millions of euros)*	France	Belgium	Italy	Other countries	Group total
Actuarial (gain)/loss due to experience	9	0	(3)	1	7
Actuarial (gain)/loss due to demographic assumption changes	26	-	(0)	2	28
Actuarial (gain)/loss due to financial assumption changes	79	147	8	0	235
Return on plan assets (greater)/less than discount rate	(1)	(144)	-	0	(145)
Changes in actuarial gains and losses 2016	113	4	4	3	124

2017 *(in millions of euros)*	France	Belgium	Italy	Other countries	Group total
Actuarial (gain)/loss due to experience	6	-	1	2	9
Actuarial (gain)/loss due to demographic assumption changes	(6)	-	(0)	1	(5)
Actuarial (gain)/loss due to financial assumption changes	(12)	(20)	(2)	0	(34)
Return on plan assets (greater)/less than discount rate	(1)	(8)	-	0	(9)
Changes in actuarial gains and losses 2017	(13)	(28)	(1)	4	(38)

10.1.5 Plan assets

(in millions of euros)	France	Belgium	Italy	Other countries	Group total
Fair value at December 31, 2015	70	84	-	6	161
Effect of changes in scope of consolidation	-	-	-	-	-
Return on plan assets	1	4	-	0	5
Benefits paid out of plan assets	(20)	(12)	-	(0)	(33)
Actuarial gain/(loss)	1	144	-	(0)	145
Other	-	7	-	1	8
Fair value at December 31, 2016	53	227	-	7	286
Effect of changes in scope of consolidation	-	-	-	-	-
Return on plan assets	0	3	-	0	3
Benefits paid out of plan assets	(31)	(16)	-	7	(40)
Actuarial gain/(loss)	1	8	-	(0)	9
Other	(6)	8	-	(7)	(5)
Fair value at December 31, 2017	16	230	-	7	253

Plan assets break down as follows by asset class:

	December 31, 2017				December 31, 2016			
	Bonds	Equities	Monetary investments	Real estate and other	Bonds	Equities	Monetary investments	Real estate and other
France	57%	7%	33%	3%	55%	7%	35%	3%
Belgium	36%	9%	55%	0%	39%	10%	51%	0%

All bonds and equities held in plan asset portfolios are listed securities.

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10.1.6 Actuarial assumptions and sensitivity analysis

The assumptions used to measure defined benefit obligations for length-of-service awards are as follows:

	2017	2016
Retirement age	62-67	62-67
Rate of future salary increases	1.9% to 2.5%	1.8% to 2.7%
Inflation rate	1.9%	1.9%
Discount rate	1.4%	1.2%

At December 31, 2017, a discount rate of 1.44% was used for France, Belgium and Italy (December 31, 2016: 1.2%). The discount rate is based on an index of AA-rated corporate bonds with maturities similar to the estimated duration of the defined benefit obligation.

In 2017, the average duration of the defined benefit obligation under French, Belgian and Italian plans was 11.3 years, 9 years and 9.2 years respectively (2016: 11.7 years, 9.6 years and 9.4 years respectively).

Sensitivity tests show that:

- a 25-bps increase in the discount rate would reduce the defined benefit obligation under the French, Belgian and Italian plans by around 37 million euros;
- a 25-bps increase in the inflation rate would increase the defined benefit obligation under the French, Belgian and Italian plans by around 26 million euros.

10.2 Share-based payments

Accounting principles

Two types of share-based payment plans have been set up for members of management and selected employees – stock option plans and performance share plans.

As the plans are equity-settled, the benefit represented by the share-based payment is recorded in employee benefits expense with a corresponding increase in shareholders' equity in accordance with IFRS 2 – *Share-based Payment*. The cost recorded in employee benefits expense corresponds to the fair value of the equity instruments on the grant date (*i.e.*, the date on which grantees are informed of the plan's characteristics and terms). Fair value is determined using the Black & Scholes option pricing model for stock options and the share price on the grant date for performance shares. Performance conditions that are not based on market conditions are not taken into account to estimate the fair value of stock options and performance shares at the measurement date. However, they are taken into account in estimates of the number of shares that are expected to vest, as updated at each period-end based on the expected achievement rate for the non-market performance conditions.

The cost calculated as described above is recognised on a straight-line basis over the vesting period.

The cost of share-based payment plans for 2017 recorded under "Employee benefits expense" in recurring operating income was 13.1 million euros, with a corresponding increase in equity (2016: 3.2 million euros).

Details of the stock option and performance share plans set up for Executive Management and selected employees are presented below.

10.2.1 Stock option plans

There were no longer any Carrefour SA stock option plans outstanding at December 31, 2017, since the 2010 plans based on performance conditions and continued employment in the Group expired in July 2017. Movements in these plans in 2017 were as follows:

	2017	2016
Options outstanding at January 1	1,823,200	7,287,307
of which, exercisable options	*1,823,200*	*7,287,307*
Options granted during the year(1)	-	-
Options exercised during the year	-	-
Options cancelled or that expired during the year(2)	(1,823,200)	(5,464,107)
Options outstanding at December 31	-	1,823,200
of which, exercisable options	-	*1,823,200*

(1) The Compensation Committee decided not to grant any Carrefour SA stock options in 2017.
(2) The 2010 plans expired in July 2017. The 1,823,200 options that had not been exercised as of that date were cancelled.

On March 21, 2017, the Board of Directors of Atacadão decided to award options on existing or new Atacadão shares. This stock option plan was approved by Atacadão's Shareholders' Meeting held on the same date. Options awarded under this plan represent a maximum number of 9,283,783 shares, or 0.47% of Atacadão's share capital. The options are subject to the following vesting conditions:

- one-third of the options vest at the date of the company's IPO;
- one-third of the options will vest 12 months after the date of the IPO;
- one-third of the options will vest 24 months after the date of the IPO.

The options may be exercised up to March 21, 2023 at a price of 11.7 Brasilian reals.

The table below shows the **main assumptions used** to calculate the fair value of the options awarded in 2017.

Fair value of the options at the grant date	Brazil 2017 "Pre-IPO" Plan
Exercise price *(in R$)*	11.7
Estimated fair value of the share *(in R$)*	11.7
Volatility *(in %)*	29.02%
Dividend growth *(in %)*	1.35%
Risk-free interest rate *(in %)*	10.25%
Expected life of share option *(years)*	2.72
Model	Binomial
Fair value option at grant date *(in R$)*	3.73

Movements during the period in the stock option plan were as follows:

	2017
Options outstanding at January 1	-
of which, exercisable options	-
Options granted during the year	7,838,783
Options exercised during the year	-
Options cancelled or that expired during the year	-
Options outstanding at December 31	7,838,783
of which, exercisable options	*2,612,928*

10.2.2 Performance share plans

On July 27, 2016, based on the Compensation Committee's recommendation, the Board of Directors decided to use the authorisation given in the 14th resolution of the Annual Shareholders' Meeting held on May 17, 2016 to grant performance shares (new or existing shares) to some 950 Group employees. The plan provided for the grant of a maximum of 1,950,000 shares (representing 0.26% of the share capital). The shares will vest only if the grantee remains with the Group until the end of the vesting period and several performance conditions are met.

The vesting period is three years from the date of the Board meeting at which the rights were granted. The number of shares that vest will depend on the achievement of three performance conditions:

- two conditions linked to financial performance (EBITDA growth for 35% and organic sales growth for 35%); and
- a CSR-related condition (for 30%).

Details of the performance share plans in progress at December 31, 2017 are presented below:

	2016 Performance plan
Shareholders' Meeting date	May 17, 2016
Grant date(1)	September 15, 2016
Vesting date(2)	July 28, 2019
Total number of shares allotted at the grant date	1,944,850
Number of grantees at the grant date	950
Fair value of each share *(in euros)*(3)	20.18

(1) Notification date (i.e., date on which grantees were notified of the plans' characteristics and terms).
(2) The shares will vest only if the grantee remains with the Group until the end of the vesting period and several performance conditions are met.
(3) The Carrefour share price on the grant date (reference price) adjusted for estimated dividends not received during the vesting period.

Movements in performance share grants were as follows:

	2017	2016
Shares allotted at January 1	1,942,150	-
of which, vested shares	-	-
Shares granted during the year	-	1,944,850
Shares delivered to the grantees during the year	(3,500)	-
Shares cancelled during the year	(199,200)	(2,700)
Shares allotted at December 31	1,739,450	1,942,150
of which, vested shares	*8,000*	-

10.3 Management compensation (related parties)

The following table shows the compensation paid by the Carrefour group during the year to the Group's key management personnel.

The key management personnel are the members of the Board of Directors, the 6 members of the Group's management team (up until October 2, 2017), and the 14 members of the Group's Executive Committee (as from October 2, 2017).

(in millions of euros)	**2017**	**2016**
Compensation for the year	5.3	4.2
Prior year bonus[1]	11.4	5.2
Benefits in kind (accommodation and company car)	0.1	0.0
Total compensation paid during the year	16.8	9.4
Employer payroll taxes	5.1	3.3
Termination benefits[1]	4.0	-

(1) Amounts shown for the year 2017 include compensation paid to Mr Georges Plassat, Chairman of the Board of Directors and Chief Executive Officer of the Carrefour group until July 18, 2017, in respect of (i) the 2014/2015 and 2015/2016 long-term incentive plans, and (ii) the termination benefit resulting from the termination of his duties as Chairman and Chief Executive Officer, after acknowledgement by the Board of Directors that the relevant conditions had been met, in particular the performance conditions and the requirement to enter into a non-compete agreement, in accordance with Article L. 225-42-1 of the French commercial code (Code de commerce).

Other management benefit plans are as follows:

- defined benefit pension plan described in Note 10.1. The plan liability and cost attributable to members of the management team cannot be disclosed separately as the total liability and cost are allocated among members of management and other plan participants using allocation keys;
- stock options and performance shares: the serving members of the management team at December 31, 2017 held 123,000 performance shares (December 31, 2016: 287,500), for which the vesting conditions are described in Note 10.2.2. The recognised cost of share-based payment plans for members of the management team was not material in either 2017 or 2016.

Directors' attendance fees paid to members of the Board of Directors amounted to 1 million euros in 2017 (2016: 1.1 million euros).

10.4 Number of employees

	2017	**2016**
Senior Directors	522	512
Directors	2,267	2,183
Managers	42,575	41,022
Employees	330,790	328,613
AVERAGE NUMBER OF GROUP EMPLOYEES	**376,154**	**372,330**
NUMBER OF GROUP EMPLOYEES AT THE YEAR-END	**378,923**	**384,151**

Note 11 Equity and earnings per share

11.1 Capital management

The parent company, Carrefour SA, must have sufficient equity capital to comply with the provisions of the French commercial code.

The Group owns interests in a certain number of financial services companies (banks, insurance companies). These subsidiaries must have sufficient equity capital to comply with capital adequacy ratios and the minimum capital rules set by their local banking and insurance supervisors.

Capital management objectives (equity and debt capital) are to:

- ensure that the Group can continue operating as a going concern, in particular by maintaining high levels of liquid resources;
- optimise shareholder returns;
- keep gearing at an appropriate level, in order to minimise the cost of capital and maintain the Group's credit rating at a level that allows it to access a wide range of financing sources and instruments.

In order to maintain or adjust its gearing, the Group may take on new borrowings or retire existing borrowings, adjust the dividend paid to shareholders, return capital to shareholders, issue new shares, buy back shares or sell assets in order to use the proceeds to pay down debt.

11.2 Share capital and treasury stock

11.2.1 Share capital

At December 31, 2017, the share capital was made up of 774,677,811 ordinary shares with a par value of 2.5 euros each, all fully paid.

(in thousands of shares)	2017	2016
Outstanding at January 1	756,235	738,471
Issued for cash	-	-
Issued upon exercise of stock options	-	-
Issued in payment of dividends	18,443	17,764
Cancelled shares	-	-
Outstanding at December 31	774,678	756,235

The increase during the year corresponded to new shares issued to shareholders who chose to reinvest their 2016 dividend (Notes 2.6 and 11.3).

11.2.2 Treasury stock

Accounting principles

Treasury stock is recorded as a deduction from shareholders' equity, at cost. Gains and losses from sales of treasury stock (and the related tax effect) are recorded directly in shareholders' equity without affecting net income/(loss) for the year.

At December 31, 2017, a total of 11,719,539 shares were held in treasury (December 31, 2016: 9,473,039 shares).

The shares held in treasury are intended notably for the Group's stock option and performance share plans, or for the liquidity agreement set up in July 2016 with Rothschild & Cie Banque (which replaces the 2014 agreement with Oddo Corporate Finance).

All rights attached to these shares are suspended for as long as they are held in treasury.

11.3 Dividends

The 2016 ordinary dividend of 0.70 euros per share was paid on July 13, 2017 as follows:

- settlement/delivery of the 18,442,657 new shares corresponding to reinvested dividends, representing a total capital increase of 372 million euros including premiums;
- 151 million euros paid in cash to shareholders who had chosen not to reinvest their dividends.

11.4 Other comprehensive income

Group share *(in millions of euros)*	2017			2016		
	Pre-tax	**Tax**	**Net**	**Pre-tax**	**Tax**	**Net**
Effective portion of changes in the fair value of cash flow hedges	(29)	10	(19)	12	(4)	8
Changes in the fair value of available-for-sale financial assets	(2)	1	(1)	(7)	3	(5)
Exchange differences on translating foreign operations	(349)	0	(349)	261	0	261
Items that may be reclassified subsequently to profit or loss	**(380)**	**11**	**(369)**	**266**	**(2)**	**264**
Remeasurements of defined benefit plans obligation	39	(29)	11	(122)	15	(106)
Items that will not be reclassified to profit or loss	**39**	**(29)**	**11**	**(122)**	**15**	**(106)**
TOTAL OTHER COMPREHENSIVE INCOME - GROUP SHARE	**(340)**	**(18)**	**(358)**	**144**	**14**	**158**

Non-controlling interests *(in millions of euros)*	2017			2016		
	Pre-tax	**Tax**	**Net**	**Pre-tax**	**Tax**	**Net**
Effective portion of changes in the fair value of cash flow hedges	4	(1)	2	3	(1)	2
Changes in the fair value of available-for-sale financial assets	(3)	1	(2)	2	(1)	1
Exchange differences on translating foreign operations	(124)	0	(124)	100	0	100
Items that may be reclassified subsequently to profit or loss	**(123)**	**(0)**	**(124)**	**104**	**(1)**	**103**
Remeasurements of defined benefit plans obligation	(1)	1	(0)	(3)	0	(2)
Items that will not be reclassified to profit or loss	**(1)**	**1**	**(0)**	**(3)**	**0**	**(2)**
TOTAL OTHER COMPREHENSIVE INCOME - NON-CONTROLLING INTERESTS	**(124)**	**0**	**(124)**	**102**	**(1)**	**100**

11.5 Shareholders' equity attributable to non-controlling interests

Non-controlling interests mainly concern:

- the sub-group made up of Carrefour Banque SA and its subsidiaries (part of the France operating segment), which is 60% owned by the Group;
- the sub-group made up of Atacadão and its subsidiaries (part of the Brazil operating segment), which is 71.8% owned by the Group.

The following tables present the key information from the sub-groups' Consolidated Financial Statements:

Carrefour Banque SA sub-group

Income statement *(in millions of euros)*	**2017**	**2016**
Revenue (Net Banking Revenue)	360	389
Net income	38	29
of which:		
• *attributable to the Carrefour group*	*23*	*18*
• *attributable to non-controlling interests*	*15*	*12*

Statement of financial position *(in millions of euros)*	**December 31, 2017**	**December 31, 2016**
Non-current assets	1,823	2,016
Current assets	3,021	2,790
Non-current liabilities (excluding shareholders' equity)	2,631	1,975
Current liabilities	1,686	2,307
Dividends paid to non-controlling interests	9	9

Grupo Carrefour Brasil sub-group

Income statement *(in millions of euros)*	**2017**	**2016**
Total revenue	13,945	12,472
Net income	475	353
of which:		
• *attributable to the Carrefour group*	*319*	*267*
• *attributable to non-controlling interests*	*155*	*86*

Statement of financial position *(in millions of euros)*	**December 31, 2017**	**December 31, 2016**
Non-current assets	4,313	4,135
Current assets	4,222	4,288
Non-current liabilities (excluding shareholders' equity)	1,122	2,047
Current liabilities	4,102	3,908
Dividends paid to non-controlling interests	57	16

The increase in non-controlling interests in Grupo Carrefour Brasil is the result of the IPO described in Notes 2.2 and 3.2.1.

There are no individually material non-controlling interests in other subsidiaries.

11.6 Earnings per share (Group share)

Accounting principles

In accordance with IAS 33 – *Earnings Per Share*, basic earnings per share is calculated by dividing net income, Group share by the weighted average number of shares outstanding during the period. Treasury stock, including shares held indirectly through the equity swap described in Note 11.2.2, are not considered to be outstanding and are therefore deducted from the number of shares used for earnings per share calculations. Contingently issuable shares are treated as outstanding and included in the calculation only from the date when all necessary conditions are satisfied.

Diluted earnings per share is calculated by adjusting net income, Group share and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares.

Dilutive potential ordinary shares correspond exclusively to the stock options and performance shares presented in Note 10.2.1. Their dilutive effect is calculated by the treasury stock method provided for in IAS 33 which consists in applying the proceeds that would be generated from the exercise of stock options to the purchase of shares at market price (defined as the average share price for the period). In accordance with this method, stock options are considered to be potentially dilutive if they are in the money (based on the sum of the exercise price and the fair value of the services rendered by the grantee, in accordance with IFRS 2 – *Share-based Payment*).

Basic earnings per share	**2017**	**2016**
Net income/(loss) from continuing operations	(531)	786
Net income/(loss) from discontinued operations	1	(40)
Net income/(loss) for the year	(531)	746
Weighted average number of shares outstanding[(1)]	756,976,463	740,030,536
Basic earnings/(loss) from continuing operations per share *(in euros)*	(0.70)	1.06
Basic earnings/(loss) from discontinued operations per share *(in euros)*	0.00	(0.05)
Basic earnings/(loss) per share *(in euros)*	(0.70)	1.01

(1) In accordance with IAS 33, the weighted average number of shares used to calculate 2016 earnings per share was adjusted to take into account the effect of the 2016 dividends paid in shares on July 13, 2017 (retrospective adjustment of the effect of the 10% discount on shares issued in payment of dividends, determined by the treasury stock method).

Diluted earnings per share	**2017**	**2016**
Net income/(loss) from continuing operations	(531)	786
Net income/(loss) from discontinued operations	1	(40)
Net income/(loss) for the year	(531)	746
Weighted average number of shares outstanding, before dilution	756,976,463	740,030,536
Potential dilutive shares	-	145,127
Stock grants	-	*145,127*
Stock options	-	-
Diluted weighted average number of shares outstanding	756,976,463	740,175,662
Diluted earnings/(loss) from continuing operations per share *(in euros)*	(0.70)	1.06
Diluted earnings/(loss) from discontinued operations per share *(in euros)*	0.00	(0.05)
Diluted earnings/(loss) per share *(in euros)*	(0.70)	1.01

The net income from continuing operations being negative in 2017, the performance shares granted are not deemed dilutives.

Note 12 Financial assets and liabilities, finance costs and other financial income and expenses

Accounting principles

Non-derivative financial assets

In accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*, the main financial assets are classified in one of the following four categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

Their classification determines their accounting treatment. They are classified by the Group upon initial recognition, based on the type of asset and the purpose for which it was acquired. Purchases and sales of financial assets are recognised on the trade date, defined as the date on which the Group is committed to buying or selling the asset.

(i) Financial assets at fair value through profit or loss

These are financial assets held for trading, *i.e.*, assets acquired principally for the purpose of selling them at a profit in the short term, or financial assets designated at the outset as at fair value through profit or loss.

They are measured at fair value with changes in fair value recognised in the income statement, under financial income or expense.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that do not meet the criteria for classification as either held for trading or available for sale.

They are initially recognised at fair value and are subsequently measured at amortised cost by the effective interest method. For short-term receivables with no specified interest rate, fair value is considered to be equal to the original invoice amount.

These assets are tested for impairment when there is an indication that their recoverable amount may be less than their carrying amount. If this is found to be the case, an impairment loss is recorded.

This category includes trade receivables, other loans and receivables (reported under "Other financial assets") and consumer credit granted by the financial services companies.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets other than loans and receivables with fixed or determinable payments and a fixed maturity that the Group has the positive intention and ability to hold to maturity. They are initially recognised at fair value and are subsequently measured at amortised cost by the effective interest method.

The Group did not hold any assets classified as held-to-maturity at December 31, 2017 or December 31, 2016.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that do not meet the criteria for classification in any of the other three categories. They consist mainly of shares in non-consolidated companies. Available-for-sale financial assets are measured at fair value, with changes in fair value recognised in "Other comprehensive income", under "Changes in the fair value of available-for-sale financial assets". When the assets are sold, the gains and losses accumulated in shareholders' equity are reclassified to the income statement.

However, in the event of a prolonged or significant fall in value of an equity instrument or a decline in estimated cash flows from a debt instrument, an impairment loss is recognised in the income statement. If, in a subsequent period, the impairment decreases, the previously recognised impairment loss is released as follows:

- for equity instruments (shares and other): through "Other comprehensive income";
- for debt instruments (bonds, notes and other): where an increase is observed in estimated future cash flows, through profit or loss for an amount not exceeding the previously recognised impairment loss.

The fair value of listed securities corresponds to their market price. For unlisted securities, fair value is determined by reference to recent transactions or by using valuation techniques based on reliable and observable market data. When it is impossible to obtain a reasonable estimate of an asset's fair value, it is measured at historical cost.

Non-derivative financial assets held by the Group

The main non-derivative financial assets held by the Group are as follows:

- non-current financial assets, mainly comprising investments in non-consolidated companies and long-term loans;
- trade receivables (Note 5.4.3);
- consumer credit granted by the financial services companies (Note 5.5.1);
- other current financial assets, mainly available-for-sale financial assets, measured at fair value, and short-term loans and deposits.

Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognised at fair value plus transaction costs and premiums directly attributable to their issue. They are subsequently measured at amortised cost.

Non-derivative financial liabilities held by the Group

The main non-derivative financial liabilities held by the Group are as follows:

- borrowings: "Long-term borrowings" and "Short-term borrowings" include bonds and notes issued by the Group, finance lease liabilities, other bank loans and overdrafts, and financial liabilities related to securitised receivables for which the credit risk is retained by the Group;
- suppliers and other creditors (Note 5.4.4);
- consumer credit financing (Note 5.5.2);
- other payables: other payables classified in current liabilities correspond to all other operating payables (mainly accrued employee benefits expense and amounts due to suppliers of non-current assets) and miscellaneous liabilities.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to risks arising in the course of business, mainly currency and interest rate risks. Exceptionally, the risk of changes in the prices of certain commodities – mainly diesel – may also be hedged.

Derivatives are initially recognised at fair value. They are subsequently measured at fair value with the resulting unrealised gains and losses recorded as explained below.

(i) Derivatives designated as hedging instruments

Hedge accounting is applied if, and only if, the following conditions are met:

- at the inception of the hedge, there is formal designation and documentation of the hedging relationship;
- the effectiveness of the hedge is demonstrated at inception.

The derivatives used by the Group may be qualified as either cash flow hedges or fair value hedges. The Group does not currently hedge its net investment in foreign operations.

Cash flow hedges

For instruments qualified as cash flow hedges, the portion of the change in fair value determined to be an effective hedge is recognised directly in "Other comprehensive income" and accumulated in shareholders' equity until the hedged transaction affects profit. The ineffective portion of the change in fair value is recognised in the income statement, under "Financial income and expense".

The main cash flow hedges consist of interest rate options and swaps that convert variable rate debt to fixed rate debt, and forward purchases of foreign currencies that hedge future goods purchases in foreign currency.

Fair value hedges

Changes in fair value of instruments qualified as fair value hedges are recognised in the income statement, with the effective portion offsetting changes in the fair value of the hedged item.

Examples of fair value hedges include swaps set up to convert fixed rate bonds and notes to variable rate. The hedged portion of the underlying financial liability is remeasured at fair value. Changes in fair value are recognised in the income statement and are offset by the effective portion of symmetrical changes in the fair value of the interest rate swaps.

(ii) Other derivative instruments

Other derivative instruments are measured at fair value, with changes in fair value recognised in profit or loss. Derivative instruments used by the Group include interest rate and currency swaps and vanilla interest rate options.

Fair value calculation method

The fair values of currency and interest rate instruments are determined using market-recognised pricing models or prices quoted by external financial institutions.

Values estimated using pricing models are based on discounted future cash flows for futures and forward contracts or, for options, the Black & Scholes option pricing model. The models are calibrated using market data such as yield curves and exchange rates obtained from recognised financial data services.

The fair value of long-term borrowings is estimated based on the quoted market price for bonds and notes or the value of future cash flows discounted based on market conditions for similar instruments (in terms of currency, maturity, interest rate and other characteristics).

Fair value measurements of derivative financial instruments incorporate counterparty risk in the case of instruments with a positive fair value, and own credit risk for instruments with a negative fair value. Credit risk is measured using the mathematical models commonly used by market analysts. At December 31, 2017 and 2016, the effect of incorporating these two types of risk was not material.

12.1 Financial instruments by category

At December 31, 2017 *(in millions of euros)*	Carrying amount	Breakdown by category: Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receiv-ables	Financial liabilities at amortised cost	Debt hedged by fair value hedges	Derivative instru-ments	Fair value
Investments in non-consolidated companies	101	-	101	-	-	-	-	101
Other long-term investments	1,266	-	425	841	-	-	-	1,266
Other non-current financial assets	**1,367**	**-**	**526**	**841**	**-**	**-**	**-**	**1,367**
Consumer credit granted by the financial services companies	6,321	-	-	6,321	-	-	-	6,321
Trade receivables	2,750	-	-	2,750	-	-	-	2,750
Other current financial assets	161	-	70	64	-	-	27	161
Other assets(1)	506	-	-	506	-	-	-	506
Cash and cash equivalents	3,593	3,593	-	-	-	-	-	3,593
ASSETS	**14,698**	**3,593**	**596**	**10,483**	**-**	**-**	**27**	**14,698**
Total long- and short-term borrowings	7,497	-	-	-	7,419	-	78	7,878
Total consumer credit financing	5,478	-	-	-	5,468	-	10	5,478
Suppliers and other creditors	15,082	-	-	-	15,082	-	-	15,082
Other payables(2)	2,695	-	-	-	2,695	-	-	2,695
LIABILITIES	**30,751**	**-**	**-**	**-**	**30,663**	**-**	**88**	**31,133**

(1) Excluding prepaid expenses.
(2) Excluding deferred revenue.

At December 31, 2016 *(in millions of euros)*	Carrying amount	Breakdown by category: Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receiv-ables	Financial liabilities at amortised cost	Debt hedged by fair value hedges	Derivative instru-ments	Fair value
Investments in non-consolidated companies	98	-	98	-	-	-	-	98
Other long-term investments	1,333	-	427	905	-	-	-	1,333
Other non-current financial assets	**1,430**	**-**	**525**	**905**	**-**	**-**	**-**	**1,430**
Consumer credit granted by the financial services companies	6,273	-	-	6,273	-	-	-	6,273
Trade receivables	2,682	-	-	2,682	-	-	-	2,682
Other current financial assets	239	-	68	122	-	-	49	239
Other assets(1)	580	-	-	580	-	-	-	580
Cash and cash equivalents	3,305	3,305	-	-	-	-	-	3,305
ASSETS	**14,509**	**3,305**	**593**	**10,562**	**-**	**-**	**49**	**14,509**
Total long- and short-term borrowings	8,075	-	-	-	7,719	254	101	8,590
Total consumer credit financing	5,330	-	-	-	5,313	-	17	5,330
Suppliers and other creditors	15,396	-	-	-	15,396	-	-	15,396
Other payables(2)	3,031	-	-	-	3,031	-	-	3,031
LIABILITIES	**31,831**	**-**	**-**	**-**	**31,458**	**254**	**119**	**32,346**

(1) Excluding prepaid expenses.
(2) Excluding deferred revenue.

Analysis of assets and liabilities measured at fair value

The table below shows assets and liabilities presented according to the fair value hierarchy provided for in IFRS 13 – *Fair Value Measurement* (Note 1.4):

December 31, 2017 *(in millions of euros)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in non-consolidated companies	-	-	101	101
Other long-term investments	425	-	-	425
Other current financial assets - Available-for-sale	70	-	-	70
Other current financial assets - Derivative instruments recorded in current financial assets	-	27	-	27
Cash and cash equivalents	3,593	-	-	3,593
Consumer credit financing - Derivative instruments recorded in liabilities	-	(10)	-	(10)
Borrowings - Derivative instruments recorded in liabilities	-	(76)	(2)	(78)

December 31, 2016 *(in millions of euros)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in non-consolidated companies	-	-	98	98
Other long-term investments	427	-	-	427
Other current financial assets - Available-for-sale	68	-	-	68
Other current financial assets - Derivative instruments recorded in current financial assets	-	49	-	49
Cash and cash equivalents	3,305	-	-	3,305
Consumer credit financing - Derivative instruments recorded in liabilities	-	(17)	-	(17)
Borrowings - Derivative instruments recorded in liabilities	-	(95)	(6)	(101)

No assets or liabilities measured at fair value were reclassified between the various levels between December 31, 2016 and 2017.

12.2 Net debt

12.2.1 Net debt calculation

Net debt at December 31, 2017 amounted to 3,743 million euros, a decrease of 788 million euros from December 31, 2016. This amount breaks down as follows:

(in millions of euros)		**December 31, 2017**	**December 31, 2016**
Bonds and notes		6,596	6,962
Other borrowings		522	690
Finance lease liabilities		301	322
Total borrowings before derivative instruments recorded in liabilities		7,419	7,974
Derivative instruments recorded in liabilities		78	101
TOTAL BORROWINGS	[1]	7,497	8,075
of which, long-term borrowings		*6,428*	*6,200*
of which, short-term borrowings		*1,069*	*1,875*
Other current financial assets		161	239
Cash and cash equivalents		3,593	3,305
TOTAL CURRENT FINANCIAL ASSETS	[2]	3,753	3,544
NET DEBT	[1] - [2]	3,743	4,531

12.2.2 Bonds and notes

		Face value					Book value of the debt
(in millions of euros)	Maturity	December 31, 2016	Issues	Repayments	Translation adjustments	December 31, 2017	December 31, 2017
Public placements[1]		7,029	446	(1,250)	(29)	6,196	6,092
EMTN, EUR, 8 years, 4.678%	2017	250	-	(250)	-	-	
EMTN, EUR, 5 years, 1.875%	2017	1,000	-	(1,000)	-	-	
Euro Bond Fixed rate, EUR, 7 years, 5.25%	2018	279	-	-	-	279	279
EMTN, EUR, 6 years, 1.75%	2019	1,000	-	-	-	1,000	999
EMTN, EUR, 10 years, 4.00%	2020	1,000	-	-	-	1,000	999
EMTN, EUR, 11 years, 3.875%	2021	1,000	-	-	-	1,000	993
EMTN, EUR, 8 years, 1.75%	2022	1,000	-	-	-	1,000	964
Cash-settled convertible bonds, USD 500 million, 6 years, 0%	2023	-	446	-	(29)	417	370
EMTN, EUR, 8 years, 0.750%	2024	750	-	-	-	750	744
EMTN, EUR, 10 years, 1.25%	2025	750	-	-	-	750	745
Private placements[2]		-	535	-	(31)	504	504
Notas promissorias comerciais, BRL 500 million, 6 months, 102% CDI	2018	-	134	-	(8)	126	126
Notas promissorias comerciais, BRL 500 million, 8 months, 102.25% CDI	2018	-	134	-	(8)	126	126
Notas promissorias comerciais, BRL 500 million, 14 months, 102.3% CDI	2019	-	134	-	(8)	126	126
Notas promissorias comerciais, BRL 500 million, 19 months, 103.25% CDI	2019	-	134	-	(8)	126	126
TOTAL BONDS AND NOTES		7,029	981	(1,250)	(61)	6,700	6,596

(1) Issues carried out as part of Carrefour SA's EMTN programme.
(2) Issues carried out by Atacadão SA.

On June 7, 2017, Carrefour issued 500 million US dollars worth of six-year cash-settled convertible bonds. The bonds, which do not bear interest, may be converted into cash only and will not give rise to the issuance of new shares or carry rights to existing shares.

In accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*, conversion options on the bonds qualify as embedded derivatives and are therefore accounted for separately from inception.

Subsequent changes in the fair value of these options are recognised in income and set off against changes in the fair value of the call options purchased on Carrefour shares in parallel with the bond issue.

The bonds are recognised at amortised cost, excluding the conversion feature.

A EUR/USD cross-currency swap for 500 million US dollars was arranged at the inception of these transactions for the same maturity. The swap has been accounted for as a cash flow hedge and had a fair value of (26) million euros at December 31, 2017.

12.2.3 Other borrowings

(in millions of euros)	December 31, 2017	December 31, 2016
Latin America borrowings	237	376
Other borrowings	145	173
Accrued interest[1]	92	96
Other financial liabilities	48	46
TOTAL OTHER BORROWINGS	**522**	**690**

(1) Accrued interest on total borrowings, including bonds and notes.

12.2.4 Cash and cash equivalents

Accounting principles

Cash includes cash on hand and demand deposits.

Cash equivalents are highly liquid investments with an original maturity of less than three months that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(in millions of euros)	December 31, 2017	December 31, 2016
Cash	1,685	1,558
Cash equivalents	1,908	1,747
TOTAL CASH AND CASH EQUIVALENTS	**3,593**	**3,305**

There are no material restrictions on the Group's ability to recover or use the assets and settle the liabilities of foreign operations, except for those resulting from local regulations in its host countries.

The local supervisory authorities may require banking subsidiaries to comply with certain capital, liquidity and other ratios and to limit their exposure to other Group parties.

12.2.5 Other current financial assets

(in millions of euros)	December 31, 2017	December 31, 2016
Available-for-sale financial assets	70	68
Deposits with maturities of more than three months	53	110
Derivative instruments	27	49
Other	11	12
TOTAL OTHER CURRENT FINANCIAL ASSETS	**161**	**239**

12.3 Analysis of borrowings (excluding derivative instruments recorded in liabilities)

12.3.1 Analysis by interest rate

	December 31, 2017		December 31, 2016	
(in millions of euros)	Before hedging	After hedging	Before hedging	After hedging
Fixed rate borrowings	6,701	6,701	7,545	7,295
Variable rate borrowings	717	717	424	678
TOTAL BORROWINGS (BEFORE DERIVATIVE INSTRUMENTS RECORDED IN LIABILITIES)	**7,419**	**7,419**	**7,969**	**7,974**

12.3.2 Analysis by currency

(in millions of euros)	December 31, 2017	December 31, 2016
Euro	6,500	7,385
Brazilian real	623	199
Argentine peso	122	178
Taiwan dollar	66	74
Polish zloty	65	64
Chinese yuan	37	67
Romanian leu	5	5
TOTAL BORROWINGS (BEFORE DERIVATIVE INSTRUMENTS RECORDED IN LIABILITIES)	**7,419**	**7,974**

The above analysis by currency concerns borrowings including the impact of currency swaps.

Euro-denominated borrowings represented 88% of total borrowings (excluding derivative instruments recorded in liabilities) at December 31, 2017 (December 31, 2016: 93%).

12.3.3 Analysis by maturity

(in millions of euros)	December 31, 2017	December 31, 2016
Due within one year	991	1,774
Due in 1 to 2 years	1,333	333
Due in 2 to 5 years	3,056	3,221
Due beyond 5 years	2,039	2,646
TOTAL BORROWINGS (BEFORE DERIVATIVE INSTRUMENTS RECORDED IN LIABILITIES)	**7,419**	**7,974**

12.4 Changes in liabilities arising from financing activities

(in millions of euros)	Other current financial assets	Borrowings	Total Liabilities arising from financing activities
At December 31, 2016	(239)	8,075	7,836
Changes from financing cash flows	**34**	**(786)**	**(753)**
Change in current financial assets	34	-	34
Issuance of bonds	-	981	981
Repayments of bonds	-	(1,250)	(1,250)
Net financial interest paid	-	(320)	(320)
Other changes in borrowings	-	(197)	(197)
Non-cash changes	**44**	**208**	**253**
Effect of changes in foreign exchange rates	17	(156)	(139)
Effect of changes in scope of consolidation	-	(213)	(213)
Changes in fair values	12	14	25
Finance costs, net	-	317	317
Other changes	16	246	262
At December 31, 2017	(161)	7,497	7,336

12.5 Other non-current financial assets

(in millions of euros)	December 31, 2017	December 31, 2016
Deposits[1]	741	771
Financial services companies' portfolio of assets	426	427
Investments in non-consolidated companies	101	98
Long-term loans	9	9
Other	90	125
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS	1,367	1,430

(1) Deposits include judicial deposits paid in Brazil in the course of litigation described in Notes 9.2 and 9.3 (mostly tax reassessments contested by the Group), pending final decisions from the relevant courts, as well as security deposits paid to lessors under property rental agreements.

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12.6 Finance costs and other financial income and expenses

Accounting principles

This item corresponds mainly to finance costs. Other financial income and expenses consist for the most part of discounting adjustments and late interest payable on certain liabilities.

This item breaks down as follows:

(in millions of euros)	2017	2016
Interest income from loans and cash equivalents	**25**	**27**
Interest income from bank deposits	24	29
Interest income from loans	0	(1)
Finance costs	**(342)**	**(404)**
Interest expense on financial liabilities measured at amortised cost, adjusted for income and expenses from interest rate instruments	(319)	(378)
Interest expense on finance lease liabilities	(23)	(26)
Ineffective portion of fair value hedges of borrowings	1	-
Finance costs, net	(317)	(377)
Other financial income and expenses, net	**(128)**	**(138)**
Actualisation cost on defined employee benefit debt	(18)	(30)
Interest income on pension plan assets	3	5
Financial transaction tax	(38)	(36)
Late interest due in connection with tax reassessments and employee-related litigation	(37)	(23)
Dividends received on available-for-sale financial assets	3	2
Proceeds from the sale of available-for-sale financial assets	9	35
Cost of sold available-for-sale financial assets	(2)	(32)
Exchange gains and losses	(4)	(1)
Cost of bond buybacks	(7)	(7)
Changes in the fair value of interest rate derivatives	(9)	(15)
Other	(28)	(37)
FINANCE COSTS AND OTHER FINANCIAL INCOME AND EXPENSES, NET	**(445)**	**(515)**
Financial expenses	*(485)*	*(583)*
Financial income	*41*	*68*

12.7 Risk management

The main risks associated with the financial instruments used by the Group are liquidity, interest rate, currency, credit and equity risks. The Group's policy for managing these risks is described below.

Due to the differing natures of the various businesses, financial risks arising from the banking and insurance business (including Carrefour Banque in particular) are managed separately from those related to the retail business.

An organisation has been set up to track financial risks based on a cash-pooling system managed by the Corporate Treasury and Financing department.

A reporting system ensures that Group Executive Management can oversee the department's implementation of the approved management strategies.

The risks associated with the consumer credit business are managed and tracked directly by the entities concerned. Corporate Treasury and Financing oversees the proper implementation of the rules governing the consumer credit business, jointly with the other investors in the business where applicable. A reporting system exists between local teams and Corporate Treasury and Financing.

12.7.1 Liquidity risk

12.7.1.1 Retail business

Liquidity risk is the risk that Carrefour will be unable to settle its financial liabilities when they fall due.

The Group manages its liquidity risk by ensuring, to the extent possible, that it has sufficient liquid assets at all times to settle its liabilities when they fall due, whatever the conditions in the market.

A Liquidity Committee meets at monthly intervals to check that the Group's financing needs are covered by its available resources.

Corporate Treasury and Financing's liquidity management strategy consists of:

- promoting conservative financing strategies in order to ensure that the Group's credit rating allows it to raise funds on the bond and commercial paper markets;
- maintaining a presence in the debt market through regular debt issuance programmes, mainly in euros, in order to create a balanced maturity profile. The Group's issuance capacity under its Euro Medium-Term Notes (EMTN) programme totals 12 billion euros;
- using the 5 billion-euro commercial paper programme on Euronext Paris, described in a prospectus filed with the Banque de France;
- maintaining undrawn medium-term bank facilities that can be drawn down at any time according to the Group's needs. At December 31, 2017, the Group had two undrawn syndicated lines of credit obtained from a pool of leading banks, for a total of 3.9 billion euros. Group policy consists of keeping these facilities on stand-by to support the commercial paper programme. The loan agreements for the syndicated lines of credit include the usual commitments clauses, including *pari passu*, negative pledge, change of control and cross-default clauses and a clause restricting substantial sales of assets. The pricing grid may be adjusted up or down to reflect changes in the long-term credit rating.

In Brazil, Atacadão SA issued commercial promissory notes (*notas promissórias*) with maturity between 6 and 19 months during the second half of the year amounting to a total of 2 billion Brazilian reals (Note 12.2.2).

The Group considers that its liquidity position is robust. It has sufficient cash reserves to meet its debt repayment obligations in the coming year.

The Group's debt profile is balanced, with no peak in refinancing needs across the remaining life of bond debt, which averages three years and nine months.

12.7.1.2 Banking and insurance business

Carrefour Banque's liquidity risk is monitored within the framework of an Executive Management-approved liquidity strategy that is part of the Group's overall strategy.

Carrefour Banque's refinancing situation is assessed based on internal standards, early warning indicators and regulatory ratios.

Liquidity risk management objectives are to:

- ensure that refinancing needs are met, based on monthly assessments of projected cash surpluses or shortfalls over a three-year period performed by comparing static forecasts of committed financing facilities with dynamic lending forecasts;
- achieve compliance with the new Basel III liquidity coverage ratios, through a process that is designed to deliver a sustainable improvement in asset quality by investing in a dedicated fund eligible for inclusion in the ratio calculation and extending the maturity of liabilities in order to improve the net stable funding ratio;
- diversify refinancing sources to include bank lines of credit, bond issues, securitisation programmes, money market issues and customer deposits. During 2017, Carrefour Banque took out a 400 million-euro loan from the European Central Bank to support the financing and development of its businesses (Note 5.5.2). The master trust structure allows it to dynamically manage asset-backed securities series issued by the securitisation fund. Within this structure, the 110 million-euro series was renewed for a two-year period, as from June 2016.
  In November 2014, Carrefour Banque secured its refinancing sources by rolling over its 750 million-euro five-year syndicated line of credit and negotiating two one-year extension options. The second of these was exercised in 2016, extending the facility's maturity to November 2021.

The following tables analyse the cash flows generated by the Group's financial and other liabilities by period.

December 31, 2017 *(in millions of euros)*	**Carrying amount**	**Contractual cash flows**	**Within 1 year**	**In 1 to 5 years**	**Beyond 5 years**
Fixed rate borrowings	7,117	7,557	1,285	4,325	1,947
Finance lease liabilities	301	546	47	165	333
Derivative instruments	78	64	25	-	39
Total Borrowings	7,497	8,167	1,358	4,490	2,319
Suppliers and other creditors	15,082	15,082	15,082	-	-
Consumer credit financing	5,478	5,478	2,817	2,661	-
Other payables(1)	2,695	2,695	2,695	-	-
TOTAL FINANCIAL LIABILITIES	**30,751**	**31,422**	**21,952**	**7,151**	**2,319**

(1) Excluding deferred revenue.

December 31, 2016 *(in millions of euros)*	**Carrying amount**	**Contractual cash flows**	**Within 1 year**	**In 1 to 5 years**	**Beyond 5 years**
Borrowings hedged by fair value hedges	254	251	251	-	-
Fixed rate borrowings	7,397	8,090	1,627	3,892	2,572
Finance lease liabilities	322	570	47	177	346
Derivative instruments	101	98	83	9	6
Total Borrowings	8,075	9,009	2,008	4,077	2,924
Suppliers and other creditors	15,396	15,396	15,396	-	-
Consumer credit financing	5,330	5,330	3,395	1,935	-
Other payables(1)	3,031	3,031	3,031	-	-
TOTAL FINANCIAL LIABILITIES	**31,831**	**32,766**	**23,830**	**6,012**	**2,924**

(1) Excluding deferred revenue.

12.7.2 Interest rate risk

Interest rate risk is the risk of a change in interest rates leading to an increase in the Group's net borrowing costs.

It is managed at headquarters level by Corporate Treasury and Financing, which reports monthly to an Interest Rate Risk Committee responsible for recommending hedging strategies and methods to be used to limit interest rate exposures and optimise borrowing costs.

Long-term borrowings are generally at fixed rates of interest and do not therefore give rise to any exposure to rising interest rates. Various financial instruments are nonetheless used to hedge borrowings against the risk of changes in interest rates. These are mainly basic swaps and options. Hedge accounting is applied in all cases where the required criteria are met.

Variable rate long-term borrowings are hedged using financial instruments that cap rises in interest rates over all or part of the life of the debt.

The following table shows the sensitivity of total borrowings to changes in interest rates over one year:

	50-bps decline		50-bps increase	
(in millions of euros) *(- = loss; + = gain)*	**Impact on shareholders' equity (OCI)**	**Impact on income statement**	**Impact on shareholders' equity (OCI)**	**Impact on income statement**
Investments	-	(3.4)	-	3.4
Options qualified as cash flow hedges	(0.2)	(8.3)	7.8	4.7
Instruments classified as held for trading	-	(0.2)	-	0.5
TOTAL EFFECT	**(0.2)**	**(11.9)**	**7.8**	**8.6**

12.7.3 Currency risk

Currency transaction risk is the risk of an unfavourable change in exchange rates having an adverse effect on cash flows from commercial transactions denominated in foreign currency.

The Group conducts its international operations through subsidiaries that operate almost exclusively in their home country, such that purchases and sales are denominated in local currency.

As a result, the Group's exposure to currency risk on commercial transactions is naturally limited and mainly concerns imported products. Currency risks on import transactions (*i.e.*, goods purchases billed in foreign currencies) covered by firm commitments are hedged by forward purchases of the payment currency. Currency hedges are generally for periods of less than 12 months.

The following table shows the effect of an increase/decrease in exchange rates on currency instruments:

	10% decline		10% increase	
(in millions of euros) *(- = loss; + = gain)*	**Impact on shareholders' equity (OCI)**	**Impact on income statement**	**Impact on shareholders' equity (OCI)**	**Impact on income statement**
Position EUR/USD	-	(104.7)	-	104.7
Position EUR/RON	-	6.2	-	(6.2)
Position EUR/PLN	-	5.7	-	(5.7)
Position EUR/HKD	-	(4.3)	-	4.3
Position EUR/CNY	-	(2.6)	-	2.6
Position RON/USD	-	(2.0)	-	2.0

Currency translation risk is the risk of an unfavourable change in exchange rates reducing the value of the net assets of a subsidiary whose functional currency is not the euro, after conversion into euros for inclusion in the Group's consolidated statement of financial position.

The consolidated statement of financial position and income statement are exposed to a currency translation risk: consolidated financial ratios are affected by changes in exchange rates used to translate the income and net assets of foreign subsidiaries operating outside the eurozone.

The translation risk on foreign operations outside the eurozone mainly concerns the Brazilian real, Argentine peso and Chinese renminbi. For example, changes in the average exchange rates used in 2017 compared with those for 2016 increased consolidated net sales by 269 million euros, or 0.3%, and recurring operating income by 58 million euros, or 3%.

Lastly, when financing is arranged locally, it is generally denominated in local currency.

12.7.4 Credit risk

The Group's estimated exposure to credit risk is presented below:

(in millions of euros)	December 31, 2017	December 31, 2016
Investments in non-consolidated companies	101	98
Other long-term investments	1,266	1,333
Total Other non-current financial assets	1,367	1,430
Consumer credit granted by the financial services companies	6,321	6,273
Trade receivables	2,750	2,682
Other current financial assets	161	239
Other assets(1)	506	580
Cash and cash equivalents	3,593	3,305
MAXIMUM EXPOSURE TO CREDIT RISK	**14,698**	**14,509**

(1) Excluding prepaid expenses.

12.7.4.1 Retail business

1) Trade receivables

Trade receivables correspond mainly to amounts receivable from franchisees (for delivered goods and franchise fees), suppliers (mainly rebates and commercial income) and tenants of shopping mall units (rent). Impairment losses are recognised where necessary, based on an estimate of the debtor's ability to pay the amount due and the age of the receivable.

At December 31, 2017, trade receivables net of impairment (excluding receivables from suppliers) amounted to 1,433 million euros (Note 5.4.3). At that date, past due receivables amounted to a net 165 million euros, of which 30 million euros were over 90 days past due (2.1% of total trade receivables net of impairment, excluding receivables from suppliers). No impairment has been recognised for these receivables as the Group considers that the risk of non-recovery is very limited.

2) Investments (cash equivalents and other current financial assets)

The Group's short-term cash management strategy focuses on acquiring liquid investments that are easily convertible into cash and are subject to an insignificant risk of changes in value.

Investments are made for the most part by Corporate Treasury and Financing, in diversified instruments such as term deposits with leading banks and mutual funds classified by the AMF as "money market" and "short-term money market" funds without any withdrawal restrictions. Investments made at the country level are approved by Corporate Treasury and Financing.

Counterparty risk monitoring procedures are implemented to track counterparties' direct investment strategies and the underlying assets held by mutual funds in which the Group invests. The Group's objective is to never hold more than 5% of a fund's units and to never invest more than 250 million euros in any single fund.

12.7.4.2 Banking and insurance business

1) Credit risk management

To protect against default by borrowers, the Group's financial services companies have set up systems to check the quality and repayment capacity of their customers. These include:

- decision-making aids such as credit scoring applications, income/debt simulation tools and credit history checking procedures;
- interrogation of positive and negative credit history databases, where they exist;
- active management of collection processes;
- credit risk monitoring and control systems.

Within each credit company, a Credit Risk department is responsible for all of these processes, and the Board of Directors receives copies of all Credit Risk Management Committee reports.

At Group level, a Credit Risk – Europe unit has been set up to oversee and implement credit risk management policies in France, Spain, Belgium and Italy.

2) Provisions for non-performing consumer loans

Consumer loans are classified as non-performing when the Group believes that there is a risk that all or part of the amount due will not be recovered (for example, because of overdue payment or a litigation procedure).

Provision models are developed in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement* and local banking regulations in each country, according to a two-step process:

- classification of outstanding loans in uniform risk categories based on the probability of default; then
- modelling of the loss given default based on historical data.

Analysis of due and past due consumer loans

(in millions of euros)	December 31, 2017	Amounts not yet due at the period-end	Amounts due and past due at the period-end			
			0 to 3 months	3 to 6 months	6 months to 1 year	More than one year
Consumer credit granted by the financial services companies	6,321	6,063	46	47	57	108

(in millions of euros)	December 31, 2016	Amounts not yet due at the period-end	Amounts due and past due at the period-end			
			0 to 3 months	3 to 6 months	6 months to 1 year	More than one year
Consumer credit granted by the financial services companies	6,273	6,030	69	55	15	104

Analysis of consumer loans by maturity

(in millions of euros)	December 31, 2017	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
France	2,383	1,018	1,300	64
Belgium	162	8	143	11
Spain	2,057	1,293	293	471
Italy	205	92	92	22
Argentina	141	139	2	-
Brazil	1,374	1,316	58	-
TOTAL	**6,321**	**3,866**	**1,887**	**568**

(in millions of euros)	December 31, 2016	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
France	2,592	1,081	1,426	85
Belgium	166	5	149	11
Spain	1,812	1,260	258	294
Italy	201	93	46	63
Argentina	176	172	4	0
Brazil	1,326	1,290	36	-
TOTAL	**6,273**	**3,902**	**1,918**	**453**

12.7.5 Equity risk

Equity risk corresponds to the potential impact of changes in the Carrefour share price on its share-based payment commitments and on treasury stock.

Group policy is to avoid taking positions on its own shares or those of other companies, except in response to particular circumstances or needs.

From time to time, the Group buys back its shares on the market or purchases call options on its shares, mainly in connection with its liquidity agreement and its performance share plans. The frequency and size of these purchases depend on the share price.

At December 31, 2017, shares and options held covered the Group's total commitments under outstanding Carrefour SA performance share plans.

Marketable securities portfolios and other financial investments held by the Group consist for the most part of money market instruments that do not expose the Group to any material equity risk.

The equity risk associated with the conversion options embedded in the bonds issued by the Group in June 2017 (Note 12.12.2) is fully hedged by symmetrical options contracted with banks. On the statement of financial position, these derivatives are shown in assets and in liabilities for an amount of 12.4 million euros.

Note 13 Off-balance sheet commitments

Accounting principles

Commitments given and received by the Group that are not recognised in the statement of financial position correspond to contractual obligations whose performance depends on the occurrence of conditions or transactions after the period-end. There are three types of off-balance sheet commitments, related to (i) cash transactions, (ii) retailing operations and (iii) acquisitions of securities. The Group is also party to leases that give rise to future commitments such as for the payment of rent on retail units leased by the Group from owners (commitments given), and the payment of rent on retail units in shopping malls owned by the Group and leased to other parties (commitments received).

Commitments given *(in millions of euros)*	December 31, 2017	By maturity: Due within 1 year	By maturity: Due in 1 to 5 years	By maturity: Due beyond 5 years	December 31, 2016
Related to cash management transactions	11,606	10,128	1,393	85	11,322
Financial services companies	*11,403*	*10,052*	*1,350*	*1*	*10,191*
Other companies	*203*	*77*	*43*	*83*	*1,131*
Related to operations/real estate/expansion	2,672	1,527	1,052	93	3,433
Related to sales of securities	159	51	28	80	301
Related to leases	3,712	1,115	1,744	853	3,625
TOTAL	**18,149**	**12,820**	**4,218**	**1,110**	**18,680**

Commitments received *(in millions of euros)*	December 31, 2017	By maturity: Due within 1 year	By maturity: Due in 1 to 5 years	By maturity: Due beyond 5 years	December 31, 2016
Related to cash management transactions	6,351	978	5,357	16	6,743
Financial services companies	*1,799*	*340*	*1,446*	*13*	*1,833*
Other companies	*4,552*	*638*	*3,911*	*2*	*4,910*
Related to operations/real estate/expansion	1,321	368	669	284	1,328
Related to sales of securities	323	225	52	46	309
Related to leases	671	265	320	85	770
TOTAL	**8,666**	**1,837**	**6,399**	**431**	**9,149**

Off-balance sheet commitments related to cash transactions include:

- credit commitments given to customers by the financial services companies in the course of their operating activities, and credit commitments received from banks;
- mortgages and other guarantees given or received, mainly in connection with the Group's real estate activities;
- committed lines of credit available to the Group but not drawn down at the period-end.

Off-balance sheet commitments related to operations mainly include:

- commitments to purchase land given in connection with the Group's expansion programmes;
- miscellaneous commitments arising from commercial contracts;
- performance bonds issued in connection with the Group's expansion programmes;
- rent guarantees and guarantees from shopping mall operators;
- guarantees for the payment of receivables.

Off-balance sheet commitments related to securities consist of commitments to purchase and sell securities received from or given to third parties:

- for the most part in France, in connection with the Group's franchising activities;
- including immediately exercisable put and call options and sellers' warranties given to third parties. No value is attributed to sellers' warranties received by the Group.

Off-balance sheet commitments related to leases correspond to minimum operating lease payments to made on the non-cancellable lease term.

At December 31, 2017, 728 hypermarket properties and 467 supermarket properties were owned outright out of a total integrated store base of 1,258 hypermarkets and 1,440 supermarkets.

Rent on store properties not owned by the Group totalled 1,086 million euros in 2017 (Note 5.2.2).

Of total future minimum rentals due under operating and finance leases, 27% are due within one year, 45% in one to five years and 28% beyond five years.

Future minimum rentals under operating leases – determined based on the Group's maximum commitment in terms of both duration and amount for each of the property leases in progress at the period-end – amounted to 3,712 million euros at December 31, 2017, or 2,928 million euros after discounting (Note 6.5).

The Group also owns various shopping malls built mainly on the same sites as its hypermarkets and supermarkets and leased to third parties, as well as a number of store premises leased to franchisees. Rental revenues from these retail units in 2017 amounted to 228 million euros. Future minimum rentals receivable from these retail units – determined based on the tenants' maximum commitment in terms of both duration and amount for each of the leases in progress at the period-end – amounted to 671 million euros at December 31, 2017, or 546 million euros after discounting.

Note 14 Subsequent events

"Carrefour 2022" transformation plan

On January 23, 2018, the Carrefour group unveiled its transformation plan based on four pillars:

- Deploy a streamlined and open organisation;
- Achieve productivity and competitiveness gains;
- Create a leading omni-channel universe;
- Overhaul the offering to promote food quality.

In the first pillar, the Group's headquarters around the globe will be scaled back in order to improve teams' operational efficiency and responsiveness:

- In the Île-de-France region, the corporate headquarters in Boulogne will be closed and a project to build a new 30,000 square-metre headquarters in Essonne will be abandoned;
- A strictly voluntary redundancy plan will be offered to 2,400 employees at the headquarters in France, out of a total workforce of 10,500;
- In Belgium, the measures announced on January 25, 2018 to reduce expenditure and operating costs and to increase operational efficiency could have an impact on jobs.

  Any implementation of these measures, which could impact up to 1,233 employees, will be launched following the information and consultation procedure in progress with trade unions.

A provision will be accrued for the cost of these measures in 2018 when the conditions for recognising such a provision are met.

The second pillar aims to regain room for manoeuvre to improve the Group's efficiency and competitiveness in the interest of its customers. This will involve a significant reduction in its cost base and a more effective, targeted investment policy focused on its growth drivers. As well as a 2 billion-euro cost reduction plan, the roll-out of this pillar will eliminate certain loss centres. Struggling stores will exit the Group's scope of consolidation. These include the network of 273 ex-Dia stores which have experienced great difficulties. A search for buyers has been or will be launched. In the absence of buyers, the stores will be closed.

The property and equipment of the stores concerned have therefore been written down in the Consolidated Financial Statements for the year ended December 31, 2017 (Note 5.3).

Strategic partnership in China

On January 23, 2018, Carrefour announced that it had signed a preliminary agreement with Tencent and Yonghui regarding a potential investment in Carrefour China. The planned transaction, which is subject to the finalisation of further due diligence and the agreement of the parties on the definitive terms of the complete legal documentation, would allow Carrefour to remain Carrefour China's largest shareholder and to continue to control the company.

The potential investment would leverage Carrefour's retail knowledge with Tencent's technological excellence and Yonghui's operational know-how and in particular its deep knowledge of fresh products.

Also on January 23, 2018, Carrefour and Tencent announced that they had signed a preliminary agreement regarding strategic business cooperation in China in order to bring together Carrefour's retail knowledge with Tencent's digital expertise and innovation capabilities.

Thanks to this partnership, Carrefour would improve its online visibility, increase the traffic of its offline and online retail activities, and benefit from Tencent's advanced digital and technological expertise to develop new smart retail initiatives.

Strategic partnership with Showroomprivé

On January 11, 2018, Carrefour announced that it had signed a strategic agreement with Showroomprivé, Europe's second-largest online private sales player. This partnership is part of both groups' strategy of developing a leading omni-channel offering, and will notably cover areas such as sales, marketing, logistics and data.

In order to seal the partnership, Carrefour acquired 16.86% of Showroomprivé's share capital on February 7, 2018. This took the form of an off-market acquisition of the block of shares owned by Conforama, a Steinhoff group subsidiary, at a price of 13.5 euros per share, for a total amount of around 79 million euros.

An additional payment will be made by Carrefour to Conforama should Carrefour launch a takeover bid for Showroomprivé within 18 months of the completion of the transaction.

This transaction was granted an exemption from the obligation to launch a public offer by the French financial markets authority (AMF).

Upon completion of the transaction, Carrefour will replace Conforama in the current shareholders' agreement between the founders of Showroomprivé and Conforama, under an agreement whose main terms are identical to the existing pact between the founders and Conforama/Steinhoff. The founders will retain 27.17% of the capital and 40.42% of the voting rights. Carrefour will hold 16.86% of the capital and 13.67% of the voting rights.

The shareholders' agreement contains provisions relating to (i) the composition of the Board of Directors (11 Directors and one non-voting Director, including five appointed by the founders among whom the Chairman who has a casting vote and one Director and one non-voting Director appointed by Carrefour, as well as five Independent Directors); (ii) an undertaking of the parties to maintain the current management; and (iii) possible termination of the shareholders' agreement in case of persistent disagreement on major strategic decisions, which could lead to the unwinding of the Carrefour investment or a tender offer.

The Group considers that its representation on Showroomprivé's Board of Directors gives it significant influence over the company. Accordingly, the stake acquired by the Group on February 7, 2018 will be accounted for by the equity method in the Consolidated Financial Statements as from that date.

Note 15 Fees paid to the auditors

	Fees 2017								
(in thousands of euros)	Deloitte & Associés[(1)]	Network	Total Deloitte	KPMG SA[(1)]	Network	Total KPMG	MAZARS[(1)]	Network	Total MAZARS
Financial statements certification services	1,614	764	2,378	3,377	5,752	9,129	1,323	840	2,163
Carrefour SA - Issuer	*319*	-	*319*	*494*	-	*494*	*333*	-	*333*
Subsidiaries (controlled entities)	*1,294*	*764*	*2,058*	*2,883*	*5,752*	*8,635*	*990*	*840*	*1,830*
Other services[(2)]	8	796	804	253	1,574	1,827	42	305	346
Carrefour SA - Issuer	-	*79*	*79*	*22*	-	*22*	*38*	*76*	*114*
Subsidiaries (controlled entities)	*8*	*716*	*724*	*231*	*1,574*	*1,805*	*4*	*229*	*233*
TOTAL	**1,622**	**1,560**	**3,182**	**3,630**	**7,326**	**10,956**	**1,364**	**1,145**	**2,509**

(1) Carrefour SA (holding company) Statutory Auditors (excluding services provided by their network).
(2) Including services that are by law to be provided by Statutory Auditors.

Other services provided by Carrefour SA's auditors mainly include services related to the issuance of certificates and agreed-upon procedures on financial information and internal control.

Note 16 List of consolidated companies

16.1 Fully consolidated companies at December 31, 2017

FRANCE	Percent interest used in consolidation
ALHE DISTRIBUTION	100
ALSATOP	100
AMIDIS ET CIE	100
ANTIDIS	100
AVENUE	52
BELLEVUE DISTRIBUTION	100
BLADIS	100
BLO DISTRIBUTION	100
CSD	74
CSF	100
CADS	99.5
CALLOUETS	51
CARAUTOROUTES	100
CARDADEL	100
CARFUEL	100
CARGO PROPERTY ALLONNES	35.2
CARGO PROPERTY BAGE LA VILLE	35.2
CARGO PROPERTY BAIN DE BRETAGNE	35.2
CARGO PROPERTY BRIE COMTE ROBERT	35.2
CARGO PROPERTY CHOLET	35.2
CARGO PROPERTY COMBS LA VILLE	35.2
CARGO PROPERTY CREPY	35.2
CARGO PROPERTY EPAUX BEZU	35.2
CARGO PROPERTY GERANT	100
CARGO PROPERTY HOLDING	35.2
CARGO PROPERTY LA COURNEUVE	35.2
CARGO PROPERTY LAUDUN	35.2
CARGO PROPERTY LUNEVILLE	35.2
CARGO PROPERTY PLAISANCE DU TOUCH	35.2
CARGO PROPERTY POUPRY ARTENAY	35.2
CARGO PROPERTY SAVIGNY SUR CLAIRIS	35.2
CARGO PROPERTY VENDIN	35.2
CARIMA	100
CARMA	50
CARMA COURTAGE	50
CARMA VIE	50
CARREFOUR ADMINISTRATIF FRANCE	100
CARREFOUR BANQUE	60
CARREFOUR DRIVE	100
CARREFOUR FRANCE	100
CARREFOUR FRANCE PARTICIPATION	100
CARREFOUR HYPERMARCHES	100
CARREFOUR IMPORT	100
CARREFOUR LIBERTY	100

FRANCE	Percent interest used in consolidation
CARREFOUR MANAGEMENT	100
CARREFOUR MARCHANDISES INTERNATIONALES	100
CARREFOUR MONACO	100
CARREFOUR NOLIM	100
CARREFOUR OMNICANAL	100
CARREFOUR PARTENARIAT INTERNATIONAL	100
CARREFOUR PROPERTY FRANCE	100
CARREFOUR PROPERTY GESTION	100
CARREFOUR PROPERTY INTERNATIONAL	100
CARREFOUR PROXIMITE FRANCE	100
CARREFOUR SA	100
CARREFOUR SERVICES CLIENTS	100
CARREFOUR STATION SERVICE	100
CARREFOUR SUPPLY CHAIN	100
CARREFOUR VOYAGES	100
CENTRE DE FORMATION ET COMPETENCES	100
CHALLENGER	100
CIGOTOP	100
CLAIREFONTAINE	100
CMCB DISTRIBUTION	100
COMPAGNIE D'ACTIVITE ET DE COMMERCE INTERNATIONAL -CACI-	100
CONCEPT 2003	100
CORSAIRE	50
COVIAM 8	100
COVIAM 9	100
COVICAR 2	100
COVICAR 40	100
COVICAR IC 6	100
COVICAR IC 8	100
CPF ASSET MANAGEMENT	100
CPF PROJECT	100
CRF REGIE PUBLICITAIRE	100
CRFP13	100
CRFP19	100
CRFP20	100
CRFP21	100
CRFP22	100
CRFP23	100
CRFP8	100
CROQUETTELAND	70
CSD TRANSPORTS	74
CSI	100

FRANCE	Percent interest used in consolidation
DAUPHINOISE DE PARTICIPATIONS	100
DE LA COQUERIE	100
DE LA FONTAINE	51
DE SIAM	51
DIGITAL MEDIA SHOPPER	100
DISTRIVAL	100
DOREL	100
ECALHAN	51
ED FRANCHISE	100
EPG	66
ERTECO	100
FALDIS	99.9
FCT MASTER CREDIT CARD 2013	60
FINANCIERE RSV	100
FINIFAC	100
FONCIERE LES 4 ROUTES	100
FORUM DEVELOPPEMENT	100
FRAMIDIS	100
FRED 8	100
GAMACASH	100
GEILEROP	100
GENEDIS	100
GERNIMES	100
GIE BREST BELLEVUE	79.9
GRANDSVINS-PRIVÉS.COM	100
GREENWEEZ	97.6
GUILVIDIS	100
GUYENNE & GASCOGNE	100
GVTIMM	51
HAUTS DE ROYA	100
HYPARLO	100
HYPERADOUR	100
HYPERMARCHES DE LA VEZERE	50
IMMAUFFAY	51
IMMO ARTEMARE	51
IMMO BACQUEVILLE	51
IMMOBILIERE CARREFOUR	100
IMMOBILIERE ERTECO	100
IMMOCYPRIEN	51
IMMODIS	100
IMMOLOUBES	51
IMMOTOURNAY	51
INTERDIS	100
JOUFFROY	100
LA CROIX VIGNON	51
LALAUDIS	99
LANN KERGUEN	51.2
LAPALUS	100
LAURENJI	100

FRANCE	Percent interest used in consolidation
LE COURTEMBLET	100
LES TASSEAUX	51
LES VALLEES	51
LOGIDIS	100
LUDIS	100
LVDIS	100
LYBERNET	50
MAISON JOANNES BOUBEE	100
MARKET PAY	100
MARKET PAY TECH	100
MATOLIDIS	100
MAXIMOISE DE CREATION	51
MENUDIS	100
MICHEL DISTRIBUTION	100
MICHEL HOCHARD	100
MONTECO	100
MONTEL DISTRIBUTION	100
MY DESIGN	66
NOSAEL	51
OOSHOP	100
PASDEL	100
PHIVETOL	100
PRASSIDIS	100
PROFIDIS	100
PROLACOUR	100
PROPHI	100
RESSONS	51
RUE DU COMMERCE	100
SAFETY	100
SAINT HERMENTAIRE	100
SAM PROSPECTIVE	90
SAMAD	100
SCI COVICAR IC 7	100
SCI IC AULNAY	100
SCI PROXALBY	74
SCYCADIS	100
SELIMA	100
SELOJA	51
SIGOULIM	51
SMD	100
SOCIETE DES NOUVEAUX HYPERMARCHES	100
SODIMODIS	100
SODISAL	100
SODISCAF	100
SODISTOURS	100
SODITA	100
SODITRIVE	100
SOFALINE	100
SOFIDIM	98.9

FRANCE	Percent interest used in consolidation
SOVAL	100
STELAUR	99.9
STENN	100
STORYDIS	100
SUPER AZUR	100
SUPERADOUR	100
SUPERDIS	96.5
TOP CONSO OPCO	100
TOP CONSO PROPCO	100
TOP CORRECTION OPCO	100
TOP CORRECTION PROPCO	100
TROTTEL	50
UNIVU	100
VAN K	100
VEZERE DISTRIBUTION	50
VIZEGU	90.1

GERMANY	Percent interest used in consolidation
CARREFOUR PROCUREMENT INTERNATIONAL AG & CO. KG	100

ARGENTINA	Percent interest used in consolidation
BANCO DE SERVICIOS FINANCIEROS SA	60
INC SA	100

BELGIUM	Percent interest used in consolidation
BRUGGE RETAIL ASSOCIATE	100
CAPARBEL	100
CARREFOUR BELGIUM	100
CARREFOUR FINANCE	100
CARUM	100
DE NETELAAR	100
DRIVE 1	100
DRIVE 2	100
ECLAIR	100
FILUNIC	100
FIMASER	60
GROSFRUIT	100
HALLE RETAIL ASSOCIATE	100
FIRST IN FRESH	100
HEPPEN RETAIL ASSOCIATE	100
MARKET A1 CBRA	100

BELGIUM	Percent interest used in consolidation
MARKET B2 CBRA	100
MARKET C3 CBRA	100
MARKET D4 CBRA	100
MARKET E5 CBRA	100
MARKET F6 CBRA	100
ORTHROS	100
ROB	100
SCHILCO	100
SOUTH MED INVESTMENTS	100
STIGAM	100
VANDEN MEERSSCHE NV	100

BRAZIL	Percent interest used in consolidation
ATACADAO DISTRIBUICAO COMERCIO E INDUSTRIA SA	72
BANCO CSF SA	36.6
BSF HOLDING SA	36.6
CARREFOUR COMMERCIO E INDUSTRIA LTDA	72
CMBCI INVESTIMENTOS E PARTICIPAÇÕES LTDA	72
COMERCIAL DE ALIMENTOS CARREFOUR SA	72
IMOPAR PARTICIPCOES E ADMINISTRACAO IMOBILIARIA LTDA	72
PANDORA PARTICIPACOES LTDA	72
RIOBONITO ASSESSORIA DE NEGOCIOS LTDA	72
TROPICARGAS TRANSPORTES LTDA	72
VERPARINVEST SA	72

CHINA	Percent interest used in consolidation
BEIJING CARREFOUR COMMERCIAL CO., LTD	55.0
BEIJING CHAMPION SHOULIAN COMMUNITY CHAIN STORES CO., LTD	100
BEIJING CHUANGYIJIA CARREFOUR COMMERCIAL	100
BEIJING REPRESENTATIVE OFFICE OF CARREFOUR SA	100
CARREFOUR (CHINA) CONVENIENCE STORE INVESTMENT CO., LTD	100
CARREFOUR (CHINA) MANAGEMENT & CONSULTING SERVICES CO., LTD	100
CARREFOUR (SH) E-COMMERCE CO., LTD	100
CARREFOUR (SH) SUPPLY CHAIN CO., LTD	100
CARREFOUR (SHANGHAI) INVESTMENT MANAGEMENT AND CONSULTING SERVICES CO., LTD	100
CHANGCHUN CARREFOUR COMMERCIAL CO., LTD	100

CHINA	Percent interest used in consolidation
CHANGSHA CARREFOUR HYPERMARKET	100
CHANGZHOU YUEDA CARREFOUR COMMERCIAL CO., LTD	60
CHENGDU CARREFOUR HYPERMARKET CO., LTD	100
CHONGQING CARREFOUR COMMERCIAL CO., LTD	65
DALIAN CARREFOUR COMMERCIAL CO., LTD	100
DONGGUAN CARREFOUR COMMERCIAL CO., LTD	100
FOSHAN CARREFOUR COMMERCIAL CO., LTD	100
FUZHOU CARREFOUR COMMERCIAL CO., LTD	100
GUANGZHOU JIAGUANG SUPERMARKET CO., LTD	100
GUIZHOU CARREFOUR COMMERCIAL CO., LTD	100
HAIKOU CARREFOUR COMMERCIAL	100
HANGZHOU CARREFOUR HYPERMARKET CO., LTD	100
HARBIN CARREFOUR HYPERMARKET CO., LTD	100
HEBEI BAOLONGCANG CARREFOUR COMMERCIAL CO., LTD	100
HEFEI YUEJIA COMMERCIAL CO., LTD	60
HUHHOT CARREFOUR COMMERCIAL COMPANY CO., LTD	100
JINAN CARREFOUR COMMERCIAL CO., LTD	100
KUNMING CARREFOUR HYPERMARKET CO., LTD	100
NANCHANG YUEJIA COMMERCIAL CO., LTD	60
NANJING YUEJIA SUPERMARKET CO., LTD	65
NINGBO CARREFOUR COMMERCIAL	100
QINGDAO CARREFOUR COMMERCIAL	95
QUJING CARREFOUR HYPERMARKET CO., LTD	100
SHANDONG CARREFOUR COMMERCIAL CO., LTD	100
SHANGAI CARHUA SUPERMARKET LTD	55
SHANGHAI GLOBAL SOURCING CONSULTING CO LTD	100
SHANGHAI JIAYUAN COMMERCIAL CO., LTD	100
SHANGHAI PROXIMITY SUPERMARKET	100
SHANXI YUEJIA COMMERCIAL CO., LTD	55
SHENYANG CARREFOUR COMMERCIAL CO., LTD	100
SHENZHEN CARREFOUR COMMERCIAL	100
SHENZHEN LERONG SUPERMARKET CO., LTD	100
SHIJIAZHUANG CARREFOUR COMMERCIAL CO., LTD	100

CHINA	Percent interest used in consolidation
SICHUAN CARREFOUR COMMERCIAL CO., LTD	100
SOCIEDAD DE COMPRAS MODERNAS, SA SHANGHAI REPRESENTATIVE OFFICE	100
SUZHOU YUEJIA SUPERMARKET CO., LTD	55
THE CARREFOUR (CHINA) FOUNDATION FOR FOOD SAFETY LTD	100
TIANJIN JIAFU COMMERCIAL CO., LTD	100
TIANJIN QUANYE CARREFOUR HYPERMARKET CO., LTD	100
WUHAN HANFU SUPERMARKET CO., LTD	100
WUXI YUEJIA COMMERCIAL CO., LTD	55
XIAMEN CARREFOUR COMMERCIAL CO., LTD	100
XIAN CARREFOUR HYPERMARKET CO., LTD	100
XINJIANG CARREFOUR HYPERMARKET	100
XUZHOU YUEJIA COMMERCIAL CO., LTD	60
ZHENGZHOU YUEJIA COMMERCIAL CO., LTD	60
ZHUHAI CARREFOUR COMMERCIAL CO., LTD	100
ZHUHAI LETIN SUPERMARKET CO., LTD	100
ZHUZHOU CARREFOUR COMMERCIAL CO., LTD	100

SPAIN	Percent interest used in consolidation
CENTROS COMERCIALES CARREFOUR, SA	100
CARREFOUR NORTE, SL	100
SOCIEDAD DE COMPRAS MODERNAS, SAU	100
CARREFOUR NAVARRA, SL	100
SERVICIOS FINANCIEROS CARREFOUR, EFC, SA	60
GROUP SUPECO MAXOR, SLU	100
NORFIN HOLDER, SL	100
SUPERMERCADOS CHAMPION, SAU	100
INVERSIONES PRYCA, SAU	100
CARREFOUR PROPERTY ESPANA, SLU	100
CARREFOURONLINE, SLU	100
CORREDURIA DE SEGUROS CARREFOUR, SAU	100
SIDAMSA CONTINENTE HIPERMERCADOS, SA	100
VIAJES CARREFOUR, SLU	100

ITALY	Percent interest used in consolidation
CARREFOUR BANCA	60
CARREFOUR ITALIA FINANCE SRL	100
CARREFOUR ITALIA SPA	100
CARREFOUR PROPERTY ITALIA SRL	99.8
CONSORZIO PROPRIETARI CENTRO COMMERCIALE BRIANZA	52.8
CONSORZIO PROPRIETARI CENTRO COMMERCIALE BUROLO	89.0
CONSORZIO PROPRIETARI CENTRO COMMERCIALE GIUSSANO	76.8
CONSORZIO PROPRIETARI CENTRO COMMERCIALE MASSA	54.1
CONSORZIO PROPRIETARI CENTRO COMMERCIALE THIENE	57.8
CONSORZIO PROPRIETARI CENTRO COMMERCIALE TORINO MONTECUCCO	87.2
CONSORZIO PROPRIETARI CENTRO COMMERCIALE VERCELLI	84.2
DIPERDI SRL	99.8
GALLERIA COMMERCIALE PADERNO SRL	99.8
GALLERIA COMMERCIALE PROPERTY FUTURA SRL	99.8
GS SPA	99.8
SCARL SHOPVILLE GRAN RENO	57.7
SOCIETA SVILUPPO COMMERCIALE SRL	99.8

HONG KONG	Percent interest used in consolidation
CARREFOUR ASIA LTD	100
CARREFOUR GLOBAL SOURCING ASIA	100
CARREFOUR TRADING ASIA LTD (CTA)	100

INDIA	Percent interest used in consolidation
CARREFOUR INDIA MASTER FRANCHISE LTD	100
CARREFOUR WC & C INDIA PRIVATE LTD	100

IRELAND	Percent interest used in consolidation
CARREFOUR INSURANCE LIMITED	100

LUXEMBOURG	Percent interest used in consolidation
VELASQUEZ SA	100

NETHERLANDS	Percent interest used in consolidation
CARREFOUR CHINA HOLDINGS BV	100
CARREFOUR NEDERLAND BV	100
CARREFOUR PROPERTY BV	100
FICADAM BV	100
HYPER GERMANY BV	100
INTERCROSSROADS BV	100
INTERNATIONAL MERCHANDISE TRADING BV	100
SOCA BV	100

POLAND	Percent interest used in consolidation
CARREFOUR POLSKA	100
CPA WAW 1	100
IBES	100

ROMANIA	Percent interest used in consolidation
ALLIB ROM SRL	100
ARTIMA SA	100
BRINGO MAGAZIN	51
CARREFOUR PRODUCTIE SI DISTRIBUTIE	100
CARREFOUR ROUMANIE	100
COLUMBUS ACTIVE SRL	100
COLUMBUS OPERATIONAL SRL	100
MILITARI GALERIE COMERCIALA	100
SUPECO INVESTMENT SRL	100

SWITZERLAND	Percent interest used in consolidation
CARREFOUR WORLD TRADE	100
HYPERDEMA (PHS)	100

TAIWAN	Percent interest used in consolidation
CARREFOUR INSURANCE BROKER CO	60
CARREFOUR TELECOMMUNICATION CO	60
CHARNG YANG DEVELOPMENT CO	30
PRESICARRE	60

16.2 Equity-accounted companies at December 31, 2017

FRANCE	Percent interest used in consolidation
ABREDIS	50
ADIALEA	45
ALEXANDRE	50
ANGIDIS	50
ANTONINE	50
ARLOM	50
AROBLIS	50
AUBINYC	50
AUDIST SAS	50
AZAYDIS	34
AZIMMO	33.8
BAMAZO	50
BELONDIS	50
BIADIS	34
BLS RETRAIL	50
BORDEROUGE	50
BOURG SERVICES DISTRIBUTION "BSD"	50
BPJ	26
BS DISTRIBUTION	50
CABDIS	50
CALODIAN DISTRIBUTION	50
CARDUTOT	26
CARGAN	50
CARMILA	35.8
CERBEL	50
CEVIDIS	50
CHAMNORD	55.4
CHERBOURG INVEST	48
CHRISTIA	50
CINQDIS 09	50
CJA DISTRIBUTION	50
CLUNYDIS	50
CODINOG	50
COFLEDIS	50
COLODOR	50
COROU	50
COVIAM 21	50
CRISANE	50
DECODIS	26
DEPOT PETROLIER DE LYON	50
DEPOTS PETROLIERS COTIERS	24.4
DIRIC	50
DISTRI PALAVAS	50
DISTRIBOURG	50
DISTRICAB	50
DISTRIFLEURY	50

FRANCE	Percent interest used in consolidation
DOUDIS	50
DU MOULIN	50
EDENDIS	50
ENTREPOT PETROLIER DE VALENCIENNES	34
FABCORJO	50
FARO	50
FIVER	50
FONCIERE MARSEILLAN	50
FONCIERE PLANES	50
FONCIERE SOLANDIS	33.8
FRELUM	50
GALLDIS	50
GANDIS	50
GPVM	30
GRANDI	50
GWENDA	50
HBLP	25
IDEC	50
IMMO ST PIERRE EGLISE	50
J2B	50
JEDEMA	50
JLEM	50
JOSIM	34
JTDS MARKET	50
JUPILOU	34
LA CATALANE DE DISTRIBUTION	50
LA CRAUDIS	50
LAITA BELON DISTRIBUTION	50
LB LE PLAN	50
LE CLAUZELS	50
LE PETIT BAILLY	50
LEATILD	50
LES OLIVIERS	50
LEZIDIS	50
LSODIS	50
LUMIMMO	51
LYEMMADIS	50
MADIS	50
MAGODIS	50
MAISON VIZET FABRE	40.3
MALISSOL	50
MARIDYS	50
MASSEINE	50
MAUDIS	50
MBD	50
MIMALI	50

FRANCE	Percent interest used in consolidation
MORTEAU DISTRIBUTION	50
NASOCA	50
NCL	50
NOUKAT	50
OLICOURS	50
OUISDIS	50
OULLIDIS	50
PAM	50
PHILODIS	50
PLAMIDIS	50
PLANE MARSEILLAN	50
PRODIX	50
PROVENCIA SA	50
RD2M	50
REBAIS DISTRIBUTION	50
RIMADIS	50
ROND POINT	34
ROSE BERGER	26
SADEV	26
SAINT JUERY DISTRIBUTION	50
SALACA	50
SAM	50
SASD	26
SCA	50
SCB	26
SCGR DISTRIBUTION	50
SCI 2C	50
SCI 2F	50
SCI FONCIERE DES ALBERES	50
SCI IMMODISC	49.5
SCI LA BEAUMETTE	49
SCI LA CLAIRETTE	49.5
SCI LATOUR	60
SCI PONT D'ALLIER	49.5
SCI SOVALAC	49.5
SCOMONDIS	50
SDAP	26
SDR	50
SEREDIS	26
SERPRO	50
SIFO	50
SME	50
SOBRAMIC	50
SOCADIS	50
SOCADIS CAVALAIRE	50
SODIBOR	50
SODICAB	50
SODILIM	50

FRANCE	Percent interest used in consolidation
SODIMER	50
SODYEN	50
SOLANDIS	34
SOMADIS	50
SOQUIMDIS	50
SOVADIS	50
SOVALDIS	50
SPC DISTRI	50
ST BONNET DISCOUNT	50
ST PAUL DE DISTRIBUTION	50
STE DU DEPOT PETROLIER DE NANTERRE	20
TIADIS	50
TURENNE	50
VALCRIS DISTRIBUTION	50
VALMENDIS	50
VICUN	50

BELGIUM	Percent interest used in consolidation
MESTDAGH	25

BRAZIL	Percent interest used in consolidation
COSMOPOLITANO SHOPPING EMPREENDIMENTOS SA	35.9

SPAIN	Percent interest used in consolidation
2012 ALVARO EFREN JIMENEZ, SL	26
2012 CORDOBA RODRIGUEZ, SL	26
2012 ERIK DAVID, SL	26
2012 FLORES HERNANDEZ, SL	26
2012 LIZANDA TORTAJADA, SL	26
2012 NAYARA SAN MARTIN YANGÜELA, SL	26
2013 ALBADALEJO VALENCIA, SL	26
2013 CID OTERO, SL	26
2013 CORCOLES ARGANDOÑA, SL	26
2013 COUÑAGO NEVADO, SL	26
2013 GISBERT CATALA, SL	26
2013 MARTINEZ CARRION, SL	26
2013 SOBAS ROMERO, SL	26
ANTONIO PEREZ 2010, SL	26
COSTASOL DE HIPERMERCADOS, SL	34
D-PARKING, SCP	57.5
GLORIAS PARKING, SA	50

SPAIN	Percent interest used in consolidation
ILITURGITANA DE HIPERMERCADOS, SL	34
JM MARMOL SUPERMERCADOS, SL	26
LAREDO EXRPRESS J.CARLOS VAZQUEZ, SL	26
LUHERVASAN, SL	26
SUPERMERCADO CENTENO, SL	26
SUPERMERCATS HEGERVIC MATARO, SL	26
SUPERMERCATS SAGRADA FAMILIA, SL	26
VALATROZ, SL	26

ITALY	Percent interest used in consolidation
CARMILA THIENE SRL	49.8
CONSORZIO PROPRIETARI CENTRO COMMERCIALE ASSAGO	49.9
CONSORZIO PROPRIETARI CENTRO COMMERCIALE ROMANINA	46.3
CONSORZIO PROPRIETARI CENTRO COMMERCIALE SIRACUSA	33.3
SCARL SHOPVILLE LE GRU	39.3

NETHERLANDS	Percent interest used in consolidation
ARAVIS INVESTMENTS BV	50

POLAND	Percent interest used in consolidation
C SERVICES	30

ROMANIA	Percent interest used in consolidation
PLOIESTI SHOPPING CITY	50

TURKEY	Percent interest used in consolidation
CARREFOUR SABANCI TICARET MERKEZI AS CARREFOUR SA	46

TUNISIA	Percent interest used in consolidation
ULYSSE	25

5.7 Statutory Auditors' report on the Consolidated Financial Statements

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.

For the year ended December 31, 2017

To the Carrefour Shareholders' Meeting,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meetings, we have audited the accompanying consolidated financial statements of Carrefour for the year ended December 31, 2017.

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 31 December 2017 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 Accounts 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 rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 of Regulation (EU) No 537/2014 or in the French Code of ethics (*code de déontologie*) for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to 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.

Key Audit Matters	Responses as part of our audit
Measurement and recognition of rebates and service agreement (See notes 1.3 and 5.2.1 of the consolidated financial statements)	
The Group signed a significant number of purchase agreements with suppliers which include: • Commercial discounts based on the purchase volumes or on other contractual terms such as the achievement of threshold or the increase of purchase volumes (« rebates ») ; • Revenues from services provided to suppliers by the Group (« service agreements »). Rebates and service agreement received from suppliers by the Group are estimated in compliance with the contractual terms agreed in the purchase agreement with suppliers and are recorded as a reduction of cost of sales. Given the significant number of agreements and the specificities of each agreement, the measurement and the recognition of rebates and service agreement represent a key audit matter.	We have obtained an understanding on the internal controls implemented by the Group on the measurement and the recognition of rebates and service agreement. We assessed their design and implementation and we tested their effectiveness through a sample of agreement. Our other procedures based on a sample of rebates and service agreement consisted mainly of : • Matching the data used for the calculations of rebates and service agreement with the contractual terms mentioned in the agreements signed with the suppliers; • Comparing last year's estimates with actual figures in order to assess the reliability of the rebates and service agreement measurement's process; • Matching the purchase volumes used for the calculation of the expected rebates and service agreement for the year ended December 31, 2017 with the purchase volumes recorded in the Group's procurement system; • Performed substantive analytical procedures on rebates and service agreement variation.

Key Audit Matters	Responses as part of our audit
Tax provisions of Brazilian subsidiaries: estimation of provisions and contingent liabilities (See notes 1.3, 9.1, 9.2.1 and 9.3 of the consolidated financial statements)	
In Brazil, the Group is involved in tax risks, in particular, to the tax on the distribution of goods and services (ICMS) and to the corresponding tax credits recorded, to the federal contributions related to the social integration programme and to the financing of the social security system (Pis-Cofins) and to the tax amortization of goodwill recognised in 2007 in the context of the acquisition of Atacadão. The assessment of the risk related to each tax litigation is reviewed regularly by the Group's tax department and the subsidiary's Management, with the support of its external counsels for the most significant tax litigations in order to determine the need of recording a provision or not, and in the case where a provision should be recorded, to estimate the amount of the provision. We considered the tax risk of the brazilian subsidiaries, for both the estimation of the provisions and the information disclosed in the financial statement as a key audit matter due to the amount and the number of tax risks, to the complexity of the tax legislation especially for retail companies in Brazil and the level of management judgment in the assessment of the outcome of the ongoing litigations and the amount of the provision to be booked.	We have obtained an understanding of the internal controls implemented by the Group to identify tax risks in the brazilian subsidiaries. In order to appreciate if the provisions for tax risks in for brazilian subsidiaries have been correctly estimated, we performed the following procedures, with the assistance of our tax experts: • Conducted interviews with the tax department in order to assess the current state of the risks identified, the investigations and reassessments made by the tax authorities and monitor the development of ongoing tax disputes; • Analysed the opinion of the external counsels of the entities of the Group on the ongoing tax disputes and the information on ongoing procedures and their potential financial impacts that have been provided by the external counsels in response to our written confirmation requests; • Performed a review of the estimates and positions adopted by the management to measure the provisions booked; • Assessed the information disclosed in notes 9.2.1 and 9.3 of the consolidated financial statements.
Valuation of the recoverable amount of the Goodwill allocated to Italy and Poland (notes 1.3, 2.5, 6.1.1 and 6.3 of the consolidated financial statements)	

The amount of Goodwill recorded following external growth operations is tested for impairment at the country level in which the Group operates.
As mentioned in note 6.3, the recoverable amount of Goodwill is tested whenever events or changes in the market environment indicate a risk of an impairment loss and at least once a year. An impairment loss is recognised when the carrying value of Goodwill exceeds its recoverable amount. The recoverable value is defined as the higher amount of the fair value and the value in use. The estimation of the value in use is performed through the discounted future cash flows expected in accordance with the methodology defined in note 6.3. The determination of the value in use involves significant judgments made by management, especially regarding the projected future cash flows, the discount rate and the perpetual growth rate used.
The fair value is defined as the price that would be received to sell the country's activities within the ordinary course of business between market participants. It is estimated based on external data when available or analysis prepared by internal or external experts.
As of December 31, 2017, the carrying value of Goodwill allocated to Italy amounted to 253 million euros, after consideration of a 700 million-euro-impairment loss based on the calculation of a fair value with reference to a multi-criteria approach.
Poland, for which the recoverable amount of Goodwill amounted to 252 million euros, was found to be close to the carrying amount as of December 31, 2017. Sensitivity analysis on the recoverable amount of Goodwill allocated to Poland in relation to assumptions retained were performed by the management and presented in note 6.3.1.2.
In this context, we have considered the valuation of the recoverable amount of Goodwill allocated to Poland and Italy as a key audit matter given the significant part of judgment involved to assess the recoverable amounts, the impairment amount recorded on Italy, and the low headroom between the recoverable and the carrying value of Poland.
	In order to review procedures performed by the management to determine the recoverable amount of Goodwill allocated to Italy and Poland, we mainly :
	• assessed the appropriateness of the methodology used to determine the recoverable amount;
	• analysed for the calculation of the value in use:
	  ◦ lthe consistency of the projected cash flows used with our understanding of the Group's perspectives and strategic orientations in Italy and Poland and with the latest estimations presented to the Board of Directors ;
	  ◦ the reasonableness of the financial assumptions used (discount rates and perpetual growth rates) with the assistance of our specialists in financial valuation;
	• reviewed for Italy, the datas used to determine the fair value based on a multi-criteria approach valuation which took account multiples observed for comparable companies in the retail sector in Europe as well as the market value of real estate assets based on external valuations;
	• assessed for Poland, the relevance of sensitivity analysis performed by the Group and reviewed the appropriateness of the information disclosed in note 6.3.1.2.

Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented 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.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Carrefour by the Shareholders' Meetings held on April 15, 2003 for Deloitte & Associés, on September 5, 1968 for KPMG S.A. (considering the firm merger and acquisition during previous years) and on June 21, 2011 for Mazars.

As at December 31, 2017, Deloitte & Associés, KPMG S.A. and Mazars were in the 15th year, 50th year and 7th year of total uninterrupted engagement.

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 Accounts 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 Accounts Committee

We submit a report to the Accounts Committee 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 Accounts 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 Accounts 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 Accounts Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The Statutory Auditors

Neuilly sur Seine, Paris-La Défense et Courbevoie, February 28, 2018

French original signed by

DELOITTE & ASSOCIÉS	KPMG S.A.	MAZARS
Antoine De Riedmatten	Patrick-Hubert Petit	David Chaudat
Stéphane Rimbeuf	Caroline Bruno-Diaz	Émilie Loreal

6

COMPANY FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

6.1 Balance Sheet at December 31, 2017

The financial statements are presented in millions of euros, rounded to the nearest million. As a result, there may be rounding differences between the amounts reported in the various statements.

Assets

		Dec. 31, 2017			Dec. 31, 2016
(in millions of euros)	Notes	Total	Depreciation, amortisation and impairment	Net	Net
Intangible fixed assets		20	11	9	11
Tangible fixed assets		2	2	0	0
Financial investments		37,094	7,023	30,071	35,332
Fixed assets	3	37,116	7,036	30,080	35,343
Accounts receivable	4	739	203	536	813
Cash and marketable securities	5	335	59	276	228
Current assets		1,074	262	812	1,041
Prepayments and deferred charges	4	45	0	45	44
TOTAL ASSETS		**38,235**	**7,298**	**30,937**	**36,428**

Equity and liabilities

(in millions of euros)	Notes	Dec. 31, 2017	Dec. 31, 2016
Share capital		1,937	1,891
Issue and merger premiums		16,693	16,367
Legal reserve		189	184
Regulated reserves		378	378
Other reserves		39	39
Retained earnings		5,436	5,531
Net income for the year		(4,160)	433
Shareholders' equity	6	20,512	24,823
Provision for contingencies and charges	7	295	342
Bonds		6,283	7,123
Financial liabilities	8	6,283	7,123
Trade payables		24	26
Accrued taxes and payroll costs		139	106
Other operating liabilities		48	1
Operating liabilities	8	211	133
Other miscellaneous liabilities		3,607	4,007
Prepayments and deferred revenue		29	-
Miscellaneous liabilities	8	3,636	11,263
TOTAL EQUITY AND LIABILITIES		**30,937**	**36,428**

6.2 Income statement for the year

(in millions of euros)	2017	2016
Reversals of impairment and provisions, and transferred charges	11	3
Other income	137	140
Total operating income	148	143
Other purchases and external charges	(195)	(163)
Wages and salaries, payroll taxes	(23)	(19)
Depreciation, amortisation, impairment and other provision expense	(15)	(14)
Taxes other than on income, other operating expenses	(6)	(4)
Total operating expenses	(239)	(200)
Operating loss	(91)	(57)
Income from shares in subsidiaries and affiliates	1,085	565
Interest income, revenue from disposals of marketable securities	129	35
Reversals of impairment and other provisions	98	92
Total financial income	1,312	692
Provision charges and impairment of financial assets	(5,338)	(160)
Interest and other financial expenses	(238)	(328)
Total financial expenses	(5,576)	(488)
Financial income (expense), net	(4,264)	204
Recurring income (expense) before tax, net	(4,355)	147
Net non-recurring expense from revenue transactions	5	(7)
Net non-recurring income (expense) from corporate actions	(1)	0
Net non-recurring depreciation, amortisation, impairment and other provision income	(39)	32
Non-recurring income (expense), net	(35)	25
Employee profit-sharing	0	0
Income tax benefit	230	261
NET INCOME (LOSS)	**(4,160)**	**433**

6.3 Statement of cash flows

(in millions of euros)	2017	2016
Net income (loss)	(4,160)	433
Depreciation and amortisation	2	1
Provisions and impairment of financial assets, net of reversals	5,238	32
Other changes	(96)	0
Cash flow from operations	984	466
Change in other receivables and payables	(47)	47
Net cash from operating activities	937	513
Acquisitions of tangible and intangible fixed assets	-	(1)
Acquisitions of shares in subsidiaries and affiliates	(260)	(17)
Other cash flows from (used in) investing activities(1)	4	(34)
Net cash used in investing activities	(256)	(52)
Dividends paid	(151)	(124)
Net change in debt	(840)	83
Change in intra-Group receivables and payables	362	(486)
Net cash used in financing activities	(629)	(527)
Net change in cash and cash equivalents	52	(66)
Cash and cash equivalents at beginning of year(2)	(10)	56
Cash and cash equivalents at end of year(2)	42	(10)
Net change in cash and cash equivalents	52	(66)

(1) Of which change in treasury shares (recorded in assets, under marketable securities – see Note 5).
(2) Excluding treasury shares.

6.4 Notes to the Company Financial Statements

Note 1 Accounting principles

The financial statements of the Company have been prepared and are presented in accordance with the principles and policies defined in *Autorité des Normes Comptables* (ANC) Regulation 2014-03, approved by government order of September 8, 2014.

The financial statements have been prepared on a going concern basis using the accruals method, in accordance with the principle of prudence.

Accounting policies have been applied consistently from one period to the next.

Assets and liabilities are measured according to the historical cost convention.

There were no changes in measurement or presentation methods in 2017 compared with the previous year. ANC Regulation 2015-05 on forward financial instruments and hedging transactions, applicable as of January 1, 2017, had no impact on the financial statements for the year ended December 31, 2017 and did not give rise to the restatement of prior periods.

1.1 Tangible and intangible fixed assets

Intangible assets mainly comprise software, stated at acquisition cost.

Tangible fixed assets are stated at cost, corresponding to the purchase price and ancillary expenses.

Intangible fixed assets are amortised and tangible fixed assets are depreciated over their estimated useful lives, as follows:

- Software: 3 to 8 years;
- Computer equipment: 3 years;
- Building fixtures and fittings: 8 years;
- Other: 3 to 10 years.

If the net carrying amount of a tangible or intangible fixed asset is not expected to be recovered through the future economic benefits generated by the asset, an impairment loss is recognised for the difference between its carrying amount and the higher of its value in use and fair value.

1.2 Financial investments

Financial investments consist of shares in subsidiaries and affiliates, including any allocated merger deficits, loans and advances to subsidiaries and affiliates and other financial assets.

Shares in subsidiaries and affiliates are stated at cost.

At January 1, 2016, on the first time application of ANC Regulation 2015-06, merger deficits resulting mainly from the merger of Carrefour-Promodès in 2000 were allocated to the investments in Carrefour France, Norfin Holder, Caparbel, Carrefour Nederland BV and Hyparlo based on the respective unrealised gains as at that date.

Shares in subsidiaries and affiliates are tested for impairment at each year-end to confirm that their net carrying amount (including the net carrying amount of any allocated merger deficits) does not exceed their value in use.

Value in use is estimated based on a range of criteria including the Company's interest in the investee's net assets, projected future cash flows from the investment and a fair value measurement of the net assets based on reasonable business projections if existing (multiples of net sales and/or EBITDA for recent transactions, offers received from buyers, stock market multiples for comparable companies) or based on analyses performed by internal or external experts, adjusted where applicable for net debt.

An impaiment is recorded when the value in use is becomes lower than the net book value (including, when applicable the net book value of affected merger deficit).

Impairment losses are recorded in net financial income or expense, along with impairments written off on disposal of the interests concerned. Gains and losses on disposal of shares in subsidiaries and affiliates are recorded in non-recurring income or expenses.

1.3 Accounts receivable

Accounts receivable mainly correspond to intra-group receivables related to the provision of services, in which case the receivables are recognised when the service is provided.

Accounts receivable are stated at their nominal amount and an impairment loss is booked when their recoverable amount falls below their carrying amount.

1.4 Marketable securities

Marketable securities include:

- Carrefour shares designated as being held for allocation to employees under stock option plans and free shares plans. They are not written down to market value because they are intended to be allocated to employees and a provision is recorded in liabilities as explained below in the note on provisions;
- Carrefour shares available for allocation to employees or to stabilise the share price. These shares are stated at the lower of cost and market value, corresponding to the average share price for the month of December;
- Carrefour shares under the liquidity agreement. These shares are stated at the lower of cost and market value corresponding to the average share price for the month of December;
- Mutual fund units, stated at the lower of cost and market value.

1.5 Foreign currency transactions

Income and expenses recorded in foreign currencies are translated at the exchange rate on the transaction date. Receivables, payables and cash in foreign currency are recorded in the balance sheet at the year-end exchange rate or the hedging rate if applicable.

The difference arising from the application of the year-end rate is recorded in the balance sheet under "Prepayments and deferred charges".

1.6 Pension benefit obligations

Pension benefit obligations corresponding to amounts payable to employees on retirement and benefits payable under supplementary pension schemes are measured using the projected unit credit method. The main actuarial assumptions used to measure the obligations are described below.

The Company applies the rules set out under ANC Recommendation 2013-02 for the recognition and measurement of pension benefits and other obligations.

The provision at December 31, 2017 reflects the full amount of the present value of pension benefit obligations (including actuarial gains and losses and past service costs), net of plan assets.

1.6.1 Termination benefit obligations

The Company's total liability for amounts payable to employees on retirement is covered by a provision recorded in the balance sheet. Company employees in France are entitled to a lump-sum payment when they retire.

The assumptions used to calculate the provision are as follows:

- Rate of future salary increases: 2.5%;
- Payroll tax rate: 35%;
- Discount rate: 1.44%;
- Staff turnover rate: average of the actual turnover rates for headquarters staff in 2015, 2016 and 2017, i.e., employees with 0 to 5 years' seniority: 7.41%, employees with 6 to 10 years' seniority: 6.77%, employees with 11 to 15 years' seniority: 6.95%, employees with 16 to 20 years' seniority: 4.96%, employees with 21 to 25 years' seniority: 3.19%, and employees with 26 years' seniority or more: 2.36%. For employees aged over 55, the turnover rate is assumed to be zero;
- Mortality table: TV TD 10-12.

1.6.2 Retirement obligations

In 2009, the Company set up a supplementary pension plan. The main terms of this defined benefit plan, which was amended in 2015, are as follows:

- Eligibility: plan participants must have completed at least three years' service at the time of retirement and their annual compensation must be greater than 18 times the annual ceiling for Social Security contributions;
- Years of service taken into account for the calculation of plan benefits: years of service with the Carrefour group under consecutive or non-consecutive employment contracts. The Company does not grant any length-of-service awards;
- Benefits: 2.75% of the reference compensation per year of service, subject to the applicable performance conditions being met for each year. No benefits are paid if a minimum number of years has not been validated in connection with the performance conditions;
- Reference compensation: average of the last three years' salary and bonus preceding the retirement date or 60 times the annual ceiling for Social Security contributions, whichever is lower;
- Annual benefit cap: 25% of the reference compensation and the difference between 45% of the reference compensation and the total basic and supplementary pension benefits received by the plan participant;
- Upon the participant's death, a reversionary pension is payable to the surviving spouse in an amount equal to 50% of the original benefit.

1.7 Income tax

Carrefour SA is the head company of a tax group.

Under the terms of the agreement between the companies in the tax group, each company records in its accounts the income tax expense or benefit that it would have paid or received if it had been taxed on a stand-alone basis.

The tax saving or additional tax charge corresponding to the difference between the sum of the taxes payable by the companies in the tax group and the tax expense or benefit calculated on the basis of the tax group's consolidated profit or loss is recorded by Carrefour SA.

The corporate income tax rate in France is 33.33% and companies are also required to pay a surtax (*contribution additionnelle*) corresponding to 3.3% of their tax liability beyond the first 763,000 euros, bringing the total tax rate to 34.43%.

Tax credits deductible from income tax expense are reported in the income statement under "Income tax benefit".

1.8 Provisions

A provision is recorded when (i) the Company has an obligation towards a third party, (ii) the amount of the obligation can be reliably estimated, (iii) it is probable that an outflow of resources will be necessary to settle the obligation and (iv) no equivalent economic benefit is expected to be received in return.

A liability is recognised when (i) the decision has been made to set up a stock option or free share plan, (ii) the Company has an obligation to deliver existing shares to grantees and (iii) it is probable or certain that an outflow of resources will be necessary to settle the obligation without any equivalent economic benefit being received in return. When the free shares or stock option rights may only be exercised at the end of a specified period of employee service, the liability is recognised as a provision that is reduced over the vesting period as the employee service is received.

1.9 Risk information

1.9.1 Interest rate and foreign exchange risk

Interest rate hedging instruments are used mainly to limit the effects of changes in exchange rates on the Company's variable-rate borrowings.

The main instruments are interest rate swaps and options and forward foreign exchange purchase and sale contracts, purchased over-the-counter from leading banking counterparties.

Gains and losses on hedging instruments are recognised on a symmetrical basis with the loss or gain on the hedged item. A provision is booked at the year-end for unrealised losses on outstanding derivative instruments not in a hedging relationship.

Details of derivative instruments outstanding at December 31, 2017 are presented in Note 10.

1.9.2 Equity risk

Equity risk concerns Carrefour shares acquired for allocation upon exercise of stock options. When their market price is less than the option exercise price, the shares are reclassified as "Shares available for allocation" in the marketable securities account, and an impairment loss is recognised for the difference between their purchase price and the average Carrefour share price for the month of December.

See Note 5 for details.

Note 2 Significant events of the year

2.1 Financial income (expense), net

Net financial expense amounted to 4,264 million euros in 2017 compared with net financial income of 204 million euros in 2016. The negative 4,468 million euro change in this item is mainly attributable to:

- the recognition in 2017 of 5,292 million euros in net charges to provisions for impairment of financial investments versus net charges of 75 million euros in 2016, and mainly relates to the merger deficit allocated to Carrefour France shares in the amount of 4,709 million euros. Impairment testing methods and their outcomes are described in Notes 1.2 and 3 to the financial statements;
- a 521 million-euro increase in dividends received;
- an increase in the merger surplus, with a positive effect of 180 million euros. A merger surplus of 96 million euros was recognised in 2017 following the merger of PRM and Boedim. The Company booked a merger deficit of 84 million euros in 2016 following the merger of On Line Carrefour.

2.2 Issuance of USD 500 million worth of non-dilutive cash-settled convertible bonds maturing in June 2023

On June 7, 2017 (settlement on June 14, 2017), Carrefour issued USD 500 million worth of six-year cash-settled convertible bonds (maturing in June 2023) to institutional investors. The bonds were issued at 98.25% of their nominal value, and do not bear interest as they are zero-coupon bonds. The resulting initial conversion price is 27.7536 euros, including a conversion premium of 20% over the Carrefour reference share price. They may be converted into cash only and will not give rise to the issuance of new shares or carry rights to existing shares.

In parallel with the bond issue, Carrefour purchased cash-settled call options on its own shares in order to hedge its economic exposure relating to cash payments due on bonds in the event that investors exercise their conversion rights.

The above operations, for which a EUR/USD cross currency swap was arranged in euros, provide Carrefour with the equivalent of standard euro-denominated bond financing.

The issue consolidated Carrefour's long-term financing, extended the average maturity of its bond debt (from 3.6 years to 3.9 years at June 7, 2017) and further reduced its borrowing costs.

2.3 Securing Carrefour's long-term financing

In December 2016, Carrefour exercised its option to extend its 2,500 million-euro credit facility by one year. The extension was effective in January 2017 and the facility will now mature in January 2022.

On May 2, 2017, Carrefour obtained a new 1,400 million-euro five-year bank facility (expiring in May 2022) with two one-year extension options from a pool of eight banks. This new facility will replace the facility of the same amount expiring in April 2019.

These operations contribute to the ongoing strategy to secure Carrefour's long-term financing sources by maintaining the average maturity of its facilities (which has risen from 4.1 years as of December 31, 2016 to 4.2 years as of December 31, 2017).

2.4 Realisation of the CICE tax credit

Carrefour sold its CICE (*Crédit impôt compétitivité emploi*) tax credit receivables for an aggregate amount of 197 million euros. Related fees and discount charges amounted to 1.6 million euros and were recorded in "Interest and other financial expenses".

Note 3 Fixed assets

(in millions of euros)	Intangible fixed assets	Tangible fixed assets	Financial fixed assets	Total
Cost				
At January 1, 2017	20	2	37,063	37,085
Acquisitions	-	-	260[1]	260
Reclassifications	-	-	(229)[2]	(229)
Gross amount at December 31, 2017 (A)	20	2	37,094	37,116
At January 1, 2017	9	2	1,731	1,742
Impairment recorded and reversed during the period	2	-	5,292[3]	5,294
Total depreciation/amortisation at December 31, 2017 (B)	11	2	7,023	7,036
NET TOTAL (A) - (B)	**9**	**0**	**30,071**	**30,080**

(1) Mainly corresponding to the subscription to the Carrefour Systèmes d'Information and Carrefour Asia Limited capital increases.
(2) Corresponding to the value of the shares in merged subsidiaries PRM and Boedim.
(3) Mainly corresponding to the impairment of the merger deficit allocated to Carrefour France shares:
- *The impairment test consists in calculating the difference between value in use, determined based on future cash flow projections, and the net carrying amount of the shares, including any allocated merger deficits;*
- *Value in use is determined based on the operating and financial assumptions reflected in the financial trajectory defined by the Group's Executive Management in connection with the Group's transformation plan, taking account of the sales trends observed in 2017. The financial assumptions used for the purposes of impairment testing are described below:*

i. post-tax discount rate: 6.3%,
ii. perpetual growth rate: 1.8%.

Note 4 Current assets, prepayments and deferred charges

(in millions of euros)	Dec. 31, 2017	Due within 1 year	Due in 1 to 5 years	Due in more than 5 years
Accounts receivable	739	739	-	-
Prepayments and deferred charges	45	14	27	4
TOTAL	**784**	**753**	**27**	**4**

Prepayments and deferred charges mainly include bond redemption premiums for 24 million euros and bond issuance costs for 13 million euros, which are amortised over the life of the corresponding bonds.

Note 5 Marketable securities

Marketable securities include:

- 9,469,539 Carrefour shares available for allocation to employees of Carrefour and its subsidiaries, for 233 million euros;
- 2,250,000 shares acquired under a liquidity agreement.

In 2017, changes in Carrefour shares held by the Company were as follows:

		Assets		
(in millions of euros)	**Number**	**Cost**	**Impairment**	**Provisions**
As of December 31, 2016	9,473,039	233	(21)	(25)
Stock options purchased to cover stock option plans expired but not exercised	-	-	4	-
Acquisition of shares under a liquidity agreement, net of disposals	2,250,000	41	(2)	-
Shares allocated to the 2016 free share plan	(3,500)	-		
Impairment of shares not yet allocated to specific share-based payment plans, or allocated to out-of-the-money stock options	-	-	(39)	-
As of December 31, 2017	11,719,539	274	(58)	(25)

The market value of Carrefour shares held at December 31, 2017, based on the final quoted price for the year of 18.06 euros per share, was 212 million euros.

This account also includes term deposits in an amount of 50 million euros and cash available for the acquisition of shares under the liquidity agreement in an amount of 12 million euros.

Note 6 Shareholders' equity

6.1 Share capital

The share capital is made up of 774,677,811 shares with a par value of 2.50 euros each.

6.2 Changes in shareholders' equity

(in millions of euros)	**Share capital**	**Issue and merger premiums**	**Other reserves, retained earnings and net income**	**Total shareholders' equity**
Shareholders' equity at December 31, 2016 including net income for the year	1,891	16,367	6,565	24,823
Distribution of dividends[(1)]				
Decided at the 2017 Annual Shareholders' Meeting	-	-	(529)	(529)
Issuance of new shares as part of the 2016 dividend	46	326	-	372
Change in premiums, reserves and retained earnings	-	-	6	6
Shareholders' equity at December 31, 2017 before net income for the year	1,937	16,693	6,042	24,672
Net income for the 2017			(4,160)	(4,160)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2017 INCLUDING NET INCOME FOR THE YEAR	1,937	16,693	1,882	20,512

(1) The 2016 dividend was paid in July 2017, in cash for 151 million euros and in Carrefour shares for 372 million euros, resulting in the issuance of 18,442,657 new shares.

Dividends not paid on Carrefour shares held in treasury on the ex-dividend date, in the amount of 6 million euros, were credited to retained earnings.

6.3 Treasury share reserve

The carrying amount of Carrefour shares held in treasury at December 31, 2017 was 217 million euros.

Note 7 Provisions and impairment

7.1 Changes of provisions and impairment

(in millions of euros)	Dec. 31, 2016	Increases	Reversals: Used	Reversals: Surplus	Dec. 31, 2017
Obligations to deliver shares	25	-	-	-	25
Pension obligations	84	-	-	(2)	82
Other[1]	233	59	-	(104)	188
Provision for contingencies and charges	**342**	**59**	**0**	**(106)**	**295**
On intangible fixed assets	-	-	-	-	-
On financial investments	1,731	5,292	-	-	7,023
On accounts receivable	203	-	-	-	203
On other items (marketable securities)	22	41	(4)	(4)	55
Impairment	**1,956**	**5,333**	**(4)**	**(4)**	**7,281**
TOTAL PROVISIONS AND IMPAIRMENT	**2,298**	**5,392**	**(4)**	**(110)**	**7,576**
Analysis					
Movements recorded in operating income and expense		13		(11)	
Movements recorded in financial income and expense		5,338	(4)	(97)	
Movements recorded in non-recurring income and expense		41		(2)	
TOTAL		**5,392**	**(4)**	**(110)**	

(1) "Other" relates to provisions for risks related to subsidiaries and affiliates and provisions for miscellaneous contingencies and disputes.

7.2 Charasteristics of stock option plans and free share plans

There were no longer any Carrefour SA stock option plans outstanding at December 31, 2017, since the 2010 plans based on performance conditions and continued employment in the Group expired in July 2017.

Movements in these plans in 2017 were as follows:

	2017	2016
Number of free shares granted at January 1	1,823,200	7,287,307
of which exercisable options	*1,823,200*	*7,287,307*
Options granted in 2017[1]	-	-
Options exercised in 2017	-	-
Options cancelled or that expired in 2017[2]	(1,823,220)	(5,464,107)
Number of options outstanding at December 31	-	1,823,200
of which exercisable options	-	*1,823,200*

(1) The Compensation Committee decided not to grant any stock options in 2017.
(2) The 2010 plans expired in July 2017. The 1,823,200 options that had not been exercised as of that date were cancelled.

On July 27, 2016, based on the Compensation Committee's recommendation, the Board of Directors decided to use the authorisation given in the 14th resolution of the Annual Shareholders' Meeting held on May 17, 2016 to grant performance shares (existing shares or shares to be issued) to about 950 Group employees.

The plan provided for the grant of a maximum of 1,950,000 shares (representing 0.26% of the share capital). The shares will vest only if the grantee remains with the Group until the end of the vesting period and several performance conditions are met.

The vesting period is three years from the date of the Board meeting at which the rights were granted.

The number of shares that vest will depend on the achievement of three performance conditions:

- two conditions linked to financial performance (EBITDA growth for 35% and organic sales growth for 35%); and
- a CSR-related condition (for 30%).

The main characteristics of free share plans outstanding at December 31, 2017 are presented below:

	2016 Performance plan
Date of the Annual Shareholders' Meeting	May 17, 2016
Grant date(1)	September 15, 2016
Vesting date(2)	July 28, 2019
Number of shares awarded at grant date	1,944,850
Number of grantees at grant date	950
Fair value of each share *(in €)*(3)	20.18

(1) Notification date (i.e. date on which grantees were notified of the plans' characteristics and terms).
(2) The shares will vest only if the grantee remains with the Group until the end of the vesting period and several performance conditions are met.
(3) The Carrefour share price on the grant date (reference price) adjusted for estimated dividends not received during the vesting period.

Movements in performance shares in 2017 were as follows:

	2017	2016
Number of free shares granted at January 1	1,942,150	-
of which shares outstanding	-	-
Shares granted in 2017	-	1,944,850
Shares delivered to the grantees in 2017	(3,500)	-
Shares cancelled in 2017	(199,200)	(2,700)
Number of free shares granted at December 31	1,739,450	1,942,150
of which shares outstanding	*8,000*	-

Note 8 Borrowings

8.1 Change in financial liabilities

(in millions of euros)	Dec. 31, 2016	Increases	Decreases	Dec. 31, 2017	o/w accrued interest
Bonds	7,123	418	1,258	6,283	87
TOTAL FINANCIAL LIABILITIES	7,123	418	1,258	6,283	87

8.2 Maturities of liabilities

(in millions of euros)	Dec. 31, 2017	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Bonds	6,283	366	4,000	1,917
Trade payables	24	24	-	-
Accrued taxes and payroll costs	139	139	-	-
Other miscellaneous liabilities(1)	3,606	3,606	-	-
TOTAL	10,052	4,135	4,000	1,917

(1) Liabilities due within one year essentially correspond to borrowings from subsidiaries.

Note 9 Related parties

There were no material transactions with related parties – other than wholly-owned subsidiaries – that were not entered into on arm's length terms.

Note 10 Off-balance sheet commitments

10.1 Other commitments

(in millions of euros)	**Dec. 31, 2017**
Guarantees	24
Subsidiaries' tax losses utilised by Carrefour SA	962
Rent guarantees(1)	171
Other guarantees given	29
Total commitments given	1,186
Undrawn syndicated lines of credit(2)	3,900
Rent guarantees(1)	171
Total commitments received	4,071

(1) Rent guarantees:
Rent guarantees given or received under real estate leases: the guarantee corresponds to the future minimum payments due under non-cancellable real estate leases.
(2) At December 31, 2017, the Company had two undrawn syndicated lines of credit obtained from a pool of leading banks totalling 3,900 million euros and expiring in 2022.

10.2 Notional amount of derivative instruments by maturity

(in millions of euros)	**Dec. 31 , 2017**	**Due within 1 year**	**Due in 1 to 5 years**	**Due beyond 5 years**	**Dec. 31, 2016**	**Due within 1 year**	**Due in 1 to 5 years**	**Due beyond 5 years**
Issuer swap (Carrefour variable-rate borrower)								
Euribor/fixed rate	-	-	-	-	**250**	250	-	-
Purchased calls								
Symmetrical with USD 500m convertible bonds	417	-	417	-	-	-	-	-
Currency swaps								
EUR/USD on convertible bonds	417	-	417	-	-	-	-	-
Purchased interest rate options (caps)								
Notional amount	600	-	600	-	**5,050**	450	4,600	-
Purchased interest rate options (floors)								
Notional amount	-				**500**	500	-	-
Purchased swaptions								
Notional amount	1,400	250	1,150	-	**900**	-	900	-
Sold swaptions								
Notional amount	(350)	-	(350)	-	**(150)**	-	(150)	-

10.3 Fair value of derivative instruments

(in millions of euros)	**Dec. 31, 2017**
Purchased calls	12
Currency swaps	(26)
Purchased interest rate options (caps)	3
Purchased interest rate options (swaptions)	9
Sold interest rate options (swaptions)	(2)

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Note 11 Average number of employees

11.1 Average number of employees

	2017
Managerial	7
TOTAL EMPLOYEES	7

11.2 Compensation

Statutory and discretionary profit-sharing plans have been set up by the Company for all employees with at least three months' service with the Carrefour group. The amounts payable under these plans were as follows in 2017 and 2016:

(in euros)	2017	2016
Discretionary profit shares paid in respect of the prior year invested in the discretionary profit-sharing fund	53,358	152,160
Statutory profit shares in respect of the prior year invested in the statutory profit-sharing fund	62,594	115,206

Details of management compensation are provided in the management report.

Note 12 Tax

12.1 Unrecognised deferred taxes

	Dec. 31, 2016		Changes		Dec. 31, 2017	
(in millions of euros)	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
1 - Temporarily non-deductible expenses						
• Provisions for pension obligations	48	-	(27)	-	21	-
• Provisions for impairment of receivables	-	-	-	-	-	-
• Provisions for contingencies and charges	3	-	(1)	-	2	-
• Other						
2 - Temporarily non-taxable revenue						
• Capital gains on mergers and asset contributions qualifying for rollover relief	-	280	-	(30)	-	250
TOTAL	**51**	**280**	**(28)**	**(30)**	**23**	**250**

The decrease in deferred tax liabilities is attributable to the planned reduction in the tax rate from 28.92% to 25.83% in 2022. This latter rate has been applied to the measurement of deferred tax liabilities since the income tax on the related transactions is payable beyond 2022.

12.2 Breakdown of net income and corresponding tax

(in millions of euros)	**Before tax**	**Tax**	**After tax**
Recurring income before profit-sharing	(4,355)	(121)	(4,476)
Net non-recurring expense	(35)	2	(33)
Group relief	-	349	349
2017 BOOK INCOME	**(4,390)**	**230**	**(4,160)**

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Note 13 Subsequent events

No events have occurred since the year-end that would have a material impact on the Company.

Note 14 Subsidiaries and affiliates

Data in greyed out cells are not provided because their disclosure would be seriously prejudicial to the Company's interests.

(in millions of euros)	Share capital	Reserves and retained earnings	% interest	Investment at cost	Investment net	Gross amount of merger losses allocated to shares	Net merger losses allocated to shares	Last published income	Last published revenue	Dividends received	Notes
A- DETAILED INFORMATION											
1. Subsidiaries (over 50% owned)											
France											
CARMA	23	60	50.0	44	44	-	-	8	-	1	(1)
CARREFOUR BANQUE	101	527	60.0	124	124	-	-	28	379	17	(1)
CARREFOUR FRANCE	1,995	3,700	99.6	3,979	3,979	6,952	2,243	263	46	263	(1)
CARREFOUR MANAGEMENT	0	0	100.0	23	0	-	-	-	-	-	
CARREFOUR SYSTEMES D'INFORMATION	164	(11)	100.0	168	153	-	-	(85)	421	-	
CRFP 8	3,381	278	74.8	2,528	2,528	-	-	219	-	-	
CRFP 13	41	6	38.0	385	385	-	-	3	-	-	(1)
GUYENNE ET GASCOGNE	106	19	99.9	428	428	-	-	(1)	19	-	(1)
HYPARLO	63	165	100.0	450	450	180	155	47	-	47	(1)
TOTAL				8,128	8,092	7,132	2,398	567	865	329	
International											
CARREFOUR ASIA	18	(140)	100.0	124	-	-	-			-	
CARREFOUR NEDERLAND	2,259	3,202	100.0	3,603	3,603	767	720			610	(1)
NORFIN HOLDER	2	4,479	79.9	3,177	3,177	2,872	2,779			102	(1)
CAPARBEL	6,334	(40)	100.0	6,334	6,334	636	636				(1)
TOTAL				13,239	13,114	4,275	4,136	0	0	712	
2. Affiliates (10%-50% owned)											
France											
TOTAL				0	0		0	0	0	0	
International											
ATACADAO	1,019	868	32.9	251	251	-	-			-	(1)
CARREFOUR FINANCE	6,823	246	25.0	1,668	1,668	-	-			-	(1)
CARREFOUR ITALIA	1,917	(300)	30.0	2,072	96	-	-			-	(1)
TOTAL				**3,991**	**2,015**		**0**	**0**	**0**	**0**	

(in millions of euros)	Share capital	Reserves and retained earnings	% interest	Investment at cost	Investment net	Gross amount of merger losses allocated to shares	Net merger losses allocated to shares	Last published income	Last published revenue	Dividends received	Notes
B- AGGREGATE INFORMATION											
1. Other subsidiaries											
France				23	23	0	0			29	
International				2	1	0	0			0	
2. Other investments											
France				51	44	0	0			6	
International				248	241	0	0			10	
C- GENERAL INFORMATION ABOUT INVESTMENTS											
French subsidiaries (total)				8,151	8,115	7,132	2,398			358	
International subsidiaries (total)				13,240	13,116	4,275	4,136			712	
French affiliates (total)				51	44	0	0			6	
International affiliates (total)				4,239	2,256	0	0			10	
TOTAL				**25,681**	**23,530**	**11,407**	**6,535**			**1,085**	

(1) The columns "Share capital", "Reserves and retained earnings", "Last published income" and "Last published revenue" correspond to information for 2016 since the 2017 data have not yet been authorised for issue by the appropriate governance bodies.

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6.5 Statutory Auditors' report on the Company Financial Statement

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.

For the year ended December 31, 2017

To the Carrefour Shareholders' Meeting,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meetings, we have audited the accompanying financial statements of Carrefour for the year ended December 31, 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December 31, 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Accounts 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 Financial Statements*" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 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 or in the French code of ethics (*Code de déontologie*) for statutory auditors.

Emphasis of matter

We draw your attention to Note 1 to the financial statements which describes the change in accounting method relating to the first-time adoption as of January 1, 2017 of ANC regulation 2015-05 relating to forward contracts and hedging transactions. Our opinion is not modified in respect to this matter.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the 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 financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the financial statements.

Key Audit Matters

Measurement of the value in use of the shares of Carrefour France S.A.S.

(Notes 1.2, 2.1, 3 and 14 to the financial statements)

As of December 31, 2017, shares in subsidiaries and affiliates, including allocated merger losses, were recorded on the balance sheet for a net carrying amount of €30,065 million, or 97% of total assets.

As stated in Note 1.2 to the financial statements, shares in subsidiaries and affiliates are subject to impairment tests at each year-end in order to verify that their net carrying amount (including, where necessary, the net carrying amount of allocated merger losses) does not exceed their value in use.

As of December 31, 2017, the merger loss allocated to the shares of Carrefour France S.A.S. was impaired in financial income or loss by €4,709 million based on the value in use. The Carrefour France S.A.S. value in use was determined using the future cash flow forecasts based on management's significant judgments.

In this context, we considered the measurement of the Carrefour France S.A.S. value in use to be a key audit matter due to the significant net carrying amount of the shares including the allocated loss, the impairment amount recognized for the period, the uncertainties relating to the probability of future cash flow forecasts used to measure the value in use and the sensitivity to changes of the financial data and assumptions used.

Responses as part of our audit

In order to measure the value in use of the shares of Carrefour France S.A.S. as determined by management, our work mainly consisted in:

- assessing the appropriateness of the methodology used to determine the value in use;
- analyzing the consistency of the cash flow forecasts used with our understanding of the group's strategic outlook and guidance in France and with management's most recent estimates presented to the Board of Directors;
- analyzing the reasonableness of the financial parameters used (discount and perpetual growth rates) with the help of our financial valuation specialists;
- assessing the appropriateness of the disclosures in Notes 1.2, 2.1, 3 and 14 to the financial statements.

Verification of the Management Report and of the Other Documents Provided to Shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information given in the management report and other documents provided to shareholders with respect to the financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents provided to Shareholders with respect to the financial position and the financial statements.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance contains the information required by Articles L. 225-37-3 and L. 225-37-4 of the French commercial code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French commercial code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Carrefour by the Shareholders' Meetings held on April 15, 2003 for Deloitte & Associés, on September 5, 1968 for KPMG S.A. (considering the firm merger and acquisition during previous years) and on June 21, 2011 for Mazars.

As of December 31, 2017, Deloitte & Associés, KPMG S.A. and Mazars were in the 15th, 50th, and 7th year of total uninterrupted engagement, respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Accounts Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the 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 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 Company's affairs.

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 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 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 financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Accounts Committee

We submit a report to the Accounts Committee 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 Accounts Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Accounts Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France 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 Accounts Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The Statutory Auditors

Neuilly-sur-Seine, Paris La Défense, and Courbevoie, April 20, 2018

French original signed by

DELOITTE & ASSOCIÉS	KPMG S.A.	MAZARS
Antoine De Riedmatten	Patrick-Hubert Petit	David Chaudat
Stéphane Rimbeuf	Caroline Bruno-Diaz	Émilie Loreal

7

INFORMATION ABOUT THE COMPANY

7.1 Information about the Company

7.1.1 Corporate name/Trade and Companies Register

Carrefour

Registered with the Nanterre Trade and Companies Register under no. 652 014 051

7.1.2 Head office

33, avenue Émile Zola, 92100 Boulogne-Billancourt, France.

Phone: +33 (0)1 41 04 26 00

7.1.3 Legal form/term

French public limited company (*société anonyme*) governed by the provisions of the French commercial code (*Code de commerce*).

By decision of the Shareholders' Meeting of July 28, 2008, the Company adopted the form of a public limited company with a Board of Directors. Following its deliberations on June 21, 2011, the Board of Directors decided to combine the duties of Chairman and Chief Executive Officer.

This Board of Directors' decision to combine the duties of Chairman and Chief Executive Officer met the objective to simplify the decision-making process and enhance the efficiency and responsiveness of the Company's governance.

The term of the Company, which began on July 11, 1959, will expire on July 10, 2058, unless the Company is wound up in advance or its term is extended.

7.1.4 Main provisions of the Articles of Association

7.1.4.1 Corporate purpose (Article 3)

The purpose of the Company is to:

- create, acquire and operate, in France and abroad, stores for the sale of all items, products, foodstuffs and merchandise and, secondarily, to provide within the said stores all services that may be of interest to customers;
- purchase, manufacture, sell, represent and package the said products, foodstuffs and merchandise;
- in general, carry out all industrial, commercial, financial, property and real estate operations relating directly or indirectly to the said purpose or which may facilitate the said purpose or ensure its development.

The Company may act, directly or indirectly, and conduct any and all of these operations in any country, on its own behalf or on behalf of third parties, either alone or within partnerships, alliances, groups or companies, with any other persons or companies, and carry out and complete them in any manner whatsoever.

The Company may also acquire any and all interests and stakes in any French or foreign companies or businesses, regardless of their purpose.

7.1.4.2 The Board of Directors (Articles 11, 12, 13 and 14)

The Company is managed by a Board of Directors comprising between three and eighteen members.

When the number of Directors appointed by the Ordinary Shareholders' Meeting exceeding 75 years of age is higher than the third of the Directors in office, the oldest Director shall be deemed to have resigned; his or her mandate shall expire at the nearest Ordinary Shareholders' Meeting.

Each Director must own at least 1,000 shares during his/her term of office, with the exception of the Directors representing employees.

The members of the Board of Directors are appointed for a three-year term, including the Directors representing the employees, and a third (or an equivalent proportion) of the members of the Board of Directors appointed by the Ordinary Shareholders' Meeting is renewed every year. At the Board of Directors meeting following the initial appointments, the names of the Directors exiting the Board at the end of their first and second year are determined by drawing lots. Exiting Directors are eligible for re-election.

Directors, including the Directors representing employees, shall cease to hold office at the end of the Ordinary Shareholders' Meeting, called to approve the Financial Statements for the ended financial year, that is held during the year in which said Director’s term of office is to expire.

When the Company falls within the scope of Article L. 225-27-1 of the French commercial code, the Board of Directors shall also include one or two Directors representing the employees.

In accordance with applicable laws, when the number of Directors, calculated according to Article L. 225-27-1-II of the French commercial code, is lower or equal to twelve (12), a Director representing employees is appointed by the Group Committee (Comité de Groupe français Carrefour). When the number of Directors exceeds twelve (12), and provided that this criterion is still fulfilled at the day of appointment, a second Director representing employees is appointed by the European Works Council (Comité d’Information et de Concertation européen Carrefour). When the number of Directors, initially exceeding twelve (12) members, falls to twelve (12) members or below, the Director appointed by the European Works Council (Comité d’Information et de Concertation européen Carrefour) shall remain in office until the expiry of his or her term of office.

The Director(s) representing employees are not taken into account for the determination of the maximum number of Directors provided by the French commercial code, or for the enforcement of Article L. 225-18-1 paragraph 1 of the French commercial code.

The office of the Director representing the employees expires before its term under the conditions laid out in the law and this article, in particular in cases of termination of his/her/their employment agreement except in the event of an intergroup transfer. If the conditions laid out in Article L. 225-27-1 of the French commercial code are not fulfilled at the end of a given financial year, the office of the Directors representing employees expires at the end of the meeting at which the Board of Directors acknowledges that the Company is no longer subject to this legal requirement.

In the event of a vacancy, for any reason, of the office of a Director representing employees, the vacant seat is filled according to the conditions laid out in Article L. 225-34 of the French commercial code. Until the date of replacement of the Director representing the employees, the Board of Directors may validly meet and deliberate.

In addition to the provisions of Article L. 225-29 paragraph 2 of the French commercial code, and for the avoidance of doubt, it is specified, that the failure of the committees designated by the Articles of Association to appoint a Director representing employees does not affect the validity of the deliberations of the Board of Directors, in accordance with the law and this article.

Subject to the provisions of this article and to legal provisions, the Directors representing employees have the same status, rights and obligations as the other Directors.

The Board of Directors appoints a Chairman, from among its members, who shall be a natural person. The age limit for the position of Chairman is set at seventy-five (75) years. The Chairman may perform his functions until the Shareholders' Meeting called to approve the Financial Statements for the past financial year, held during the year in which the Chairman reaches his seventy-fifth birthday.

The Chairman may be appointed for the entire duration of his/her term of office as a Director.

The Board of Directors appoints a Vice-Chairman from among its members, who is asked to replace the Chairman in case of absence, temporary unavailability, resignation, death or non-renewal of his/her term of office. In the event of temporary unavailability, this replacement is valid only as long as the Chairman is unavailable; in all other cases, it is valid until a new Chairman is elected.

The Chairman organises and directs the Board of Directors’ work, reporting thereon to the Shareholders’ Meeting.

The Chairman ensures the proper functioning of the Company’s bodies and, in particular, ensures that the Directors are able to perform their duties.

The Board of Directors meets as often as required to serve the Company’s interests, either at the head office or at any other place indicated in the Notice of Meeting.

The Directors are called to meetings by the Chairman or, where necessary, by the Vice-Chairman, by any means, including orally.

Board of Directors' meetings are chaired by the Chairman of the Board of Directors or, where necessary, by the Vice-Chairman.

Proceedings are conducted under the conditions of *quorum* and majority prescribed by law.

The Secretary of the Board of Directors is authorised to certify copies and extracts of meeting minutes.

The Board of Directors determines the Company's business strategy and oversees its implementation.

Subject to the powers expressly attributed to the Shareholders' Meetings and within the scope of the corporate purpose, the Board of Directors deals with all matters relating to the proper management of the Company and, through its proceedings, handles other matters concerning it.

The Board of Directors conducts the controls and audits that it deems appropriate. The Directors receive all information needed to perform their duties and may consult any documents that they deem appropriate.

7.1.4.3 Management (Article 16)

As provided by law, the Management of the Company comes under the responsibility of either the Chairman of the Board of Directors or another private individual appointed by the Board of Directors and bearing the title of Chief Executive Officer.

Based on a majority vote of the Directors present or represented, the Board of Directors chooses between the two aforementioned management methods.

The Board of Directors appoints, from among its members or otherwise, the Chief Executive Officer, who must be a private individual under the age of 70, who has the broadest powers to act on the Company's behalf under all circumstances. The Chief Executive Officer exercises his/her powers within the scope of the corporate purpose and subject to those powers expressly attributed by law to the Shareholders' Meetings and the Board of Directors. The Chief Executive Officer represents the Company in its dealings with third parties.

The age limit for the position of Chief Executive Officer is 70. The duties of a Chief Executive Officer who reaches this age end following the Shareholders' Meeting convened to approve the previous year's financial statements and held during the year in which this age is reached.

When the Company is managed by the Chairman, the provisions of the laws and regulations or Articles of Association relating to the Chief Executive Officer are applicable to him/her. The Chairman assumes the title of Chairman and Chief Executive Officer and may perform his/her duties until the Ordinary Shareholders' Meeting convened to approve the previous year's financial statements and held during the year in which he/she reaches the age of 70.

The Board of Directors may determine the areas in which the Chief Executive Officer must consult the Board of Directors in performing his/her duties.

7.1.4.4 Crossing of thresholds (Article 7)

Pursuant to Article 7 of the Articles of Association, in addition to compliance with the legal obligation to inform the Company when holding certain percentages of the capital and related voting rights, any private individual or legal entity, acting alone or in concert, that holds a number of shares representing a proportion of the share capital or voting rights greater than or equal to 1% of the share capital or voting rights, or any multiple of this percentage, must inform the Company of the total number of shares and voting rights held, as well as the securities giving future access to the capital and the voting rights potentially related to them, by registered post with acknowledgement of receipt within five trading days of the date on which the threshold is crossed.

The obligation to inform the Company also applies when the shareholder's percentage of capital or voting rights falls below each of the aforementioned thresholds.

The penalties provided by law for failure to comply with the obligation to declare the crossing of the statutory thresholds also apply in the event of failure to declare the crossing of the thresholds stipulated in these Articles of Association, at the request, as noted in the minutes of the Shareholders' Meeting, of one or more shareholders holding at least 5% of the Company's capital or voting rights.

7.1.4.5 Shareholder rights (Article 9)

Double voting rights are conferred on all fully paid up registered shares that have been registered in the name of the same shareholder for at least two years.

Double voting rights are cancelled for any shares converted into bearer form or whose ownership is transferred, subject to any exceptions provided for by law.

The Extraordinary Shareholders' Meeting is solely authorised to modify shareholders' rights, as provided by law.

7.1.4.6 Shareholders' Meetings (Articles 20 to 23)

All shareholders are entitled to attend Shareholders' Meetings in person or by proxy, upon presentation of identification and evidence of share ownership, in the form and at the place indicated in the Notice of Meeting, in accordance with the conditions set forth under applicable laws and regulations.

Every shareholder has the right to participate in Shareholders' Meetings by way of a proxy granted to any other person or legal entity of his or her choice, and may also vote by post, subject to the conditions set forth under applicable laws and regulations.

Any shareholder may, if the Board of Directors so decides when convening the Shareholders' Meeting, also participate in and vote at Shareholders' Meetings via videoconference or any other means of telecommunication (including the Internet) that enables him/her to be identified under the conditions and according to the procedures laid down by the laws in force. Shareholders are notified of such a decision in the Notice of Meeting published in the French bulletin of compulsory legal notices (*Bulletin des annonces légales obligatoires*).

Those shareholders who use, for this purpose and within the required periods, the electronic voting form provided on the website set up by the Shareholders' Meeting organiser are considered to be shareholders present or represented. The electronic form may be completed and signed directly on this site using a login and password, as provided for in the first sentence of the second paragraph of Article 1316-4 of the French civil code (*Code civil*).

The proxy or vote thus cast electronically prior to the Shareholders' Meeting, as well as the acknowledgement of receipt provided, will be considered binding documents that are enforceable against all persons, it being specified that, in the event of a transfer of shares occurring prior to the date set forth under the applicable laws and regulations, the Company will invalidate or modify accordingly, depending on the situation, the proxy or vote cast prior to said date.

Shareholders' Meetings are convened by the Board of Directors under the conditions and within the time limits prescribed by law. They are held at the head office or in any other place indicated in the Notice of Meeting.

The Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in his/her absence, by the Vice-Chairman or a Director designated by the Board of Directors.

Vote teller duties are fulfilled by the two shareholders, present and willing, who hold the greatest number of votes, either in their own name or by proxy.

The Meeting Committee ("Bureau") appoints a secretary, who does not need to be a member of the Shareholders' Meeting.

Ordinary and Extraordinary Shareholders' Meetings voting under the conditions of quorum and majority prescribed by law exercise the powers assigned to them in accordance with the law.

7.1.4.7 Provision of the issuer's Articles of Association that would delay, postpone or prevent a change in its control

None.

7.2 Information on the capital

7.2.1 Change in share capital

Capital increase

The Shareholders' Meeting of June 15, 2017, under its third resolution, resolved to offer each shareholder the option to receive the payment of the net dividend, to which the shareholder is entitled by virtue of shares held, in the form of new Company shares.

The Company's share capital was accordingly increased by a nominal amount of 46,106,642.50 euros (forty-six million, one hundred six thousand, six hundred forty-two euros and fifty cents) through the creation of 18,442,657 new Company shares, which were fully paid up as of their issue, carry dividend rights as of January 1, 2017 and rank *pari passu* with the other shares in the Company's share capital.

Following this increase, the share capital amounts to 1,936,694,527.50 euros (one billion, nine hundred thirty-six million, six hundred ninety-four thousand, five hundred twenty-seven euros and fifty cents). It is divided into 774,677,811 shares of 2.50 euros each.

Shares not representing capital; number and main characteristics

None.

Amount of convertible or exchangeable securities or securities with stock purchase warrants

None.

Information on the conditions governing any right of acquisition and/or any obligation relating to unpaid share capital, or on any undertaking to increase the capital

None.

Information on the capital of any member of the Group that is under option or subject to a conditional or unconditional agreement to be put under option, and the details of such options

None.

7.2.2 Summary of delegations of authority and powers concerning capital increases

Type	Guarantee amount	Duration	Expiry date
Issue of shares and/or marketable securities with preferential subscription rights			
• Shares	€500 million	26 months	August 15, 2019
• Other marketable securities	€4.4 billion	26 months	August 15, 2019
Issue of shares and/or marketable securities without preferential subscription rights as part of a public tender or public exchange offer made by the Company for another company			
• Shares	€175 million	26 months	August 15, 2019
• Other marketable securities	€1.54 billion	26 months	August 15, 2019
Issue of shares and/or marketable securities without preferential subscription rights (private investment)			
• Shares	€175 million	26 months	August 15, 2019
• Other marketable securities	€1.54 billion	26 months	August 15, 2019
Issue of shares and/or marketable securities to remunerate contributions-in-kind granted to the Company in an amount of up to 10% of the share capital	10%	26 months	August 15, 2019
Capital increase by incorporation of reserves, profits and premiums	€500 million	26 months	August 15, 2019
Capital increase in favour of employees who are members of a Company savings plan (shareholder waiver of preferential subscription rights)	€35 million	26 months	August 15, 2019
Free allotment of new or existing Company shares to salaried employees and officers of the Company and its affiliates (shareholder waiver of preferential subscription rights)(1)	0.8% 0.25% (Company Officers)	38 months	July 16, 2019

(1) Pursuant to the authorisation given in the 14th resolution adopted by the Shareholders' Meeting of May 17, 2016, and based on the Compensation Committee's recommendation, the Board of Directors decided at its meeting on July 27, 2016 to grant performance shares (new or existing shares) to 950 Group employees. The plan provided for the grant of a maximum of 1,950,000 shares (representing 0.26% of the share capital). The shares will vest only if the grantee remains with the Group until the end of the vesting period and several performance conditions are met.

CHANGE IN THE COMPANY'S CAPITAL

Event	Change in the number of shares	Capital *(in euros)*
Position at June 30, 1999	233,069,544	582,673,860.00
Capital increase in payment for the exchange offer initiated on the shares of Promodès	109,427,940	
Capital increases following the exercise of stock options	4,866	
Position at December 31, 1999	342,502,350	856,255,875.00
Capital increase in payment for the takeover merger of Promodès	6,387,126	
Cancellation of 15,000 CDVs in connection with the above merger	(15,000)	
Allotment of free shares (at a rate of one new share per old share)	348,874,476	
Capital increases following the exercise of stock options	6,600	
Capital increases following the exercise of stock purchase warrants	8,412	
Capital increases following bond conversions	1,062,032	
Capital increase reserved for employees	12,317,444	
Position at December 31, 2000	711,143,440	1,777,858,600.00
Capital increases following the exercise of stock options	12,300	
Capital increase following the exercise of stock purchase warrants	84	
Capital increase following bond conversions	30	
Position at December 31, 2001	711,155,854	1,777,889,635.00
Capital increases following the exercise of stock options	9,000	
Capital increase following bond conversions	72	
Capital increase in payment for the takeover merger of Bontemps	4,535,604	
Cancellation of the shares received in connection with the above merger	(4,535,604)	
Capital increase in payment for the exchange offer initiated on the shares of Centros Comerciales Carrefour (Spain)	4,976,845	
Position at December 31, 2002	716,141,771	1,790,354,427.50
Capital increase following the exercise of stock purchase warrants	612	
Position at December 31, 2003	716,142,383	1,790,355,957.50
Capital reduction through cancellation of shares	(11,022,833)	
Position at December 31, 2004	705,119,550	1,762,798,875.00
Capital increase in payment for the takeover merger of Paroma	79,158,600	
Cancellation of the shares received in connection with the above merger	(79,159,434)	
Position at April 20, 2005	705,118,716	1,762,796,790.00
Capital reduction through cancellation of shares	(216,000)	
Position at December 31, 2005	704,902,716	1,762,256,790.00
Position at December 31, 2006	704,902,716	1,762,256,790.00
Position at December 31, 2007	704,902,716	1,762,256,790.00
Position at December 31, 2008	704,902,716	1,762,256,790.00
Position at December 31, 2009	704,902,716	1,762,256,790.00
Capital reduction through cancellation of shares	(25,566,716)	
Position at December 31, 2010	679,336,000	1,698,340,000.00
Position at December 31, 2011	679,336,000	1,698,340,000.00
Capital increase in payment for the Guyenne & Gascogne exchange offer	13,331,250	
	692,667,250	1,731,668,125.00
Capital increase resulting from the option to pay the dividend in shares	16,547,403	
Position at December 31, 2012	709,214,653	1,773,036,632.50
Capital increase resulting from the option to pay the dividend in shares	14,769,539	

Event	Change in the number of shares	Capital (*in euros*)
Position at December 31, 2013	723,984,192	1,809,960,480.00
Capital increase resulting from the option to pay the dividend in shares	10,929,717	
Position at December 31, 2014	734,913,909	1,837,284,772.50
Capital increase resulting from the option to pay the dividend in shares	3,556,885	
Position at December 31, 2015	738,470,794	1,846,176,985.00
Capital increase resulting from the option to pay the dividend in shares	17,764,360	
Position at December 31, 2016	756,235,154	1,890,587,885.00
Capital increase resulting from the option to pay the dividend in shares	18,442,657	
Position at December 31, 2017	774,677,811	1,936,694,527.50

7.2.3 Treasury share buybacks

Treasury shares

At December 31, 2017, the Company held 11,719,539 treasury shares (i.e., 1.51% of the share capital).

The market value of treasury shares held at December 31, 2017, based on the final quoted price known for the year of 18.06 euros per share, was 212 million euros.

At December 31, 2017, none of the Company's affiliates held Carrefour shares.

Share buybacks

The Shareholders' Meeting held on June 15, 2017, deliberating pursuant to Article L. 225-209 of the French commercial code, authorised the Board of Directors to purchase Company shares, enabling it to use the option of dealing in treasury shares, in particular to:

- engage in market making activities with respect to Carrefour shares through an investment services provider, in the context of a liquidity agreement conforming to the professional rules approved by the French financial markets authority (*Autorité des marchés financiers*);
- fulfill any stock option plan in respect of the Company, free share allocation or other forms of allocation of shares, to employees or corporate officers of the Company or a Group company;
- allot or exchange shares, upon the exercise of rights attached to securities giving access to share capital;
- cancel shares;
- engage in any market making activities that may be recognised by law or the French financial markets authority.

For each of the goals pursued, the number of shares purchased was as follows:

1. Liquidity agreement

   On July 14, 2016, Carrefour entered into a liquidity agreement with Rothschild & Cie Banque, which complies with the professional rules of the French financial markets association (*Association française des marchés financiers* – AMAFI) approved by the AMF on March 21, 2011.

   At December 31, 2017, the following resources were allocated to the liquidity account:

   - 2,250,000 shares;
   - 51,784,706.00 euros.

   In 2017, the Company purchased 14,995,051 shares at an average price of 21.84 euros per share, and sold 12,745,051 shares at an average price of 22.45 euros per share. At December 31, 2017, the Company held 2,250,000 shares under the agreement.

2. Stock option plans

   The 2010 plans expired in July 2017. The 1,823,200 options that had not been exercised as of that date were cancelled.

3. Performance share plan

   Following the death of two employees, 3,500 shares were delivered in 2017 under the performance share plan of July 27, 2016, in accordance with the plan rules.

4. Cancellation

   The Company did not cancel any shares in 2017.

5. Sale of treasury shares

   No shares were sold in 2017 (other than under the liquidity agreement).

Description of the share buyback programme approved by the Shareholders' Meeting of June 15, 2017

1. Date of the Shareholders' Meeting that approved the share buyback programme and implementation decision:

   Approval of the programme: Shareholders' Meeting of June 15, 2017.

   Implementation decision: Board of Directors' Meeting of June 15, 2017.

2. Number of shares and percentage of capital held directly or indirectly by the issuer:

   At May 31, 2017, the Company held 9,568,539 treasury shares, i.e., 1.27% of the share capital.

3. Purposes for which shares are held by the Company:

   9,471,539 treasury shares are used to cover stock option plans and 97,000 treasury shares are held by the Company through the liquidity agreement.

4. Objectives of the share buyback programme:

   Purchases will be made, in descending order of priority, to:

   - engage in market making activities with respect to Carrefour shares through an investment services provider, in the context of a liquidity agreement conforming to the professional rules approved by the French financial markets authority *(Autorité des marchés financiers)*;
   - fulfill any stock option plan in respect of the Company, free share allocation or other forms of allocation of shares, to employees or corporate officers of the Company or a Group company;
   - allot or exchange shares, upon the exercise of rights attached to securities giving access to share capital;
   - cancel shares;
   - engage in any market making activities that may be recognised by law or the French financial markets authority.

   The purchase, sale or transfer of shares may be carried out and paid for by any means, on one or more occasions, on the open market or through a private transaction, including the use of option mechanisms, derivatives – in particular the purchase of call options – or securities giving a right to shares of the Company, under the terms set forth by the market authorities. Moreover, the maximum portion of capital that can be bought, sold or transferred as blocks of securities may extend to the entire share buyback programme.

   The Company may not use the authority granted by the Shareholders' Meeting of June 15, 2017 and continue to implement its share buyback programme in the event of a tender offer involving shares or other securities issued or initiated by the Company.

5. Maximum percentage of capital, maximum number and characteristics of the shares the Company intends to acquire and maximum purchase price:

   The maximum purchase price per share is 45 euros and the maximum number of shares that may be purchased is 75,623,515 (representing approximately 10% of the share capital at December 31, 2016). The total amount that the Company may use to buy back its own shares may not exceed 3,403,058,175 euros.

   Given that the Company already held 9,568,539 treasury shares at May 31, 2017, representing 1.27% of the share capital as of that date, the maximum number of shares that may be purchased under this authorisation is 66,054,976.

6. Term of the share buyback programme:

   Eighteen months from June 15, 2017 pursuant to the authorisation granted at the Shareholders' Meeting, i.e., until December 14, 2018.

7. Transactions carried out by way of acquisition, disposal or transfer under the previous share buyback programme:

Percentage of capital held directly and indirectly by the Company *(in shares and as a percentage)* at the beginning of the previous programme on May 17, 2016	8,965,320/1.21%
Number of shares cancelled over the past 24 months	
Number of shares held at May 31, 2017 *(in shares and as a percentage)*	9,568,539/1.27%
Gross book value of the portfolio *(in euros)*	235,961,104
Market value of the portfolio *(in euros)*	222,420,689

	Total gross flows		Open positions on the day of the programme description's publication			
	Purchases	Sales/Transfers	Open purchase position		Open sale position	
Number of shares	27,862,560	27,259,341	Call options purchased	Forward purchases	Call options sold	Forward sales
Average maximum maturity			43 days			
Average transaction price	23.16	23.10				
Strike price			29.91			
Amount	645,294,909	629,625,814				

Grant of options

There were no longer any Carrefour SA stock option plans outstanding at December 31, 2017, since the 2010 plans based on performance conditions and continued employment in the Group expired in July 2017. Movements in these plans in 2017 were as follows:

	2017	**2016**
Number of options oustanding at January 1	1,823,200	7,287,307
of which, exercisable options	*1,823,200*	*7,287,307*
Options granted in 2017(1)	-	-
Options exercised in 2017	-	-
Options cancelled or that expired in 2017(2)	(1,823,200)	(5,464,107)
Number of options outstanding at December 31	-	1,823,200
of which, exercisable options	*0*	*1,823,200*

(1) Based on the recommendations of the Compensation Committee, the Board of Directors did not grant any stock options in 2017.
(2) The 2010 plans expired in July 2017. The 1,823,200 options that had not been exercised as of that date were cancelled.

Grant of shares

On July 27, 2016, based on the Compensation Committee's recommendation, the Board of Directors decided to use the authorisation given in the 14th resolution of the Shareholders' Meeting held on May 17, 2016 to grant performance shares (new or existing shares) to 950 Group employees. The plan provided for the grant of a maximum of 1,950,000 shares (representing 0.26% of the share capital). The shares will vest only if the grantee remains with the Group until the end of the vesting period and several performance conditions are met.

The vesting period is three years from the date of the Board of Directors' meeting at which the rights were granted. The number of shares that vest will depend on the achievement of three performance conditions:

- two conditions linked to financial performance (EBITDA growth for 35% and organic sales growth for 35%); and
- a CSR-related condition (for 30%).

Details of the performance share plans in progress at December 31, 2017 are presented below:

	2016 Performance plan
Date of the Annual Shareholders' Meeting	May 17, 2016
Grant date(1)	September 15, 2016
Vesting date(2)	July 28, 2019
Number of shares awarded at grant date	1,944,850
Number of grantees at grant date	950
Fair value of one share *(in euros)*(3)	20.18

(1) Notification date (i.e., date on which grantees were notified of the plans' characteristics and terms).
(2) The shares will vest only if the grantee remains with the Group until the end of the vesting period and several performance conditions are met.
(3) The Carrefour share price on the grant date (reference price) adjusted for estimated dividends not received during the vesting period.

Movements in performance shares in 2017 were as follows:

	2017	2016
Number of free shares granted at January 1	1,942,150	0
of which, shares outstanding	*0*	*0*
Shares granted in 2017	-	1,944,850
Shares delivered to the grantees in 2017	(3,500)	-
Shares cancelled in 2017	(199,200)	(2,700)
Number of free shares granted at December 31	1,739,450	1,942,150
of which, shares outstanding	*8,000*	*0*

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7.3 Shareholders

7.3.1 Main shareholders

At December 31, 2017, the share capital amounted to 1,936,694,527.50 euros (one billion, nine hundred thirty-six million, six hundred ninety-four thousand, five hundred twenty-seven euros and fifty cents). It is divided into 774,677,811 shares of 2.50 euros each.

The Company is authorised to identify bearer shares.

On the basis of extrapolations carried out using the identifiable bearer securities report as of December 2017, the number of listed shareholders exceeds 270,000 (slightly more than 6,100 of which are Registered Shareholders either directly or indirectly *(au nominatif pur ou administré)*).

The number of voting rights at December 31, 2017 was 965,708,370. After deducting the voting rights that cannot be exercised from this figure, the total number of voting rights is 953,988,831.

CAPITAL (AT DECEMBER 31, 2017)

To the Company's knowledge, the breakdown of the capital and voting rights at December 31, 2017 was as follows:

Shareholders	Number of shares	Capital *(%)*	Number of actual voting rights	Actual voting rights *(%)*	Number of theoretical voting rights	Theoretical voting rights *(%)*
Galfa	77,474,211	10.00%	151,756,385	15.91%	151,756,385	15.71%
	22,291,101(1)	2.88%	-	-	22,291,101	2.31%
Subtotal – Galfa	99,765,312	12.88%	151,756,385	15.91%	174,047,486	18.02%
Stanhore International Trading S.à.R.L.	60,078,731(2)	7.76%	96,038,237	10.07%	96,038,237	9.94%
Cervinia Europe	39,368,215	5.08%	74,968,036	7.86%	74,968,036	7.76%
Groupe Arnault	3,134,046	0.40%	3,134,046	0.33%	3,134,046	0.32%
Bunt	412,858	0.05%	412,858	0.04%	412,858	0.04%
	24,999,996(1)	3.23%	-	-	24,999,996	2.59%
Subtotal – Groupe Arnault	67,915,115	8.77%	78,514,940	8.23%	103,514,936	10.72%
Employees	7,529,183	0.97%	14,671,433	1.54%	14,671,433	1.52%
Shares owned	11,719,539	1.51%	-	-	11,354,539	1.18%
Public	527,669,931	68.11%	613,007,836	64.26%	566,081,739	58.62%
TOTAL	**774,677,811**	**100.00%**	**953,988,831**	**100.00%**	**965,708,370**	**100.00%**

(1) Held via call options.
(2) Shares pledged to two banks under structured financing arrangements.

On January 26, 2018, Galfa acquired additional 730,000 double voting rights. On this same date, Galfa held 152,486,385 voting rights, accounting for 18.09% of the voting rights.

On April 1, 2018, Stanhore International Trading S.à.R.L. acquired additionnal 22,154,124 double voting rights. This company notified the Company that it had exceeded the legal and statutory threshold of 10% and 11% of the voting rights of the Company. On this same date, Stanhore International Trading S.à.R.L. held 118 192 361 voting rights, accounting for 11.93% of the voting rights.

Carrefour shareholder agreement

There is no shareholder agreement at Carrefour.

Note that the breakdown of capital and voting rights as published at December 31, 2016 and December 31, 2015 was as follows:

CAPITAL (AT DECEMBER 31, 2016)

Shareholders	Number of shares	As a %	Number of ordinary voting rights	As a %	Number of extraordinary voting rights	As a %
Blue Partners(1)	38,611,574	5.11%	45,174,022	5.05%	45,174,022	5.05%
Cervinia Europe	38,046,501	5.03%	73,646,322	8.24%	73,646,322	8.24%
Groupe Arnault	2,656,752	0.35%	2,656,752	0.30%	2,656,752	0.30%
Bunt(2)	25,401,013	3.36%	25,401,013	2.84%	25,401,013	2.84%
Subtotal – Concert(3)	**104,715,840**	**13.85%**	**146,878,109**	**16.43%**	**146,878,109**	**16.43%**
Galfa(4)	87,414,211	11.56%	142,914,486	15.98%	142,914,486	15.98%
Stanhore International Trading S.à.R.L.(5)	57,973,181	7.67%	57,973,181	6.48%	57,973,181	6.48%
Energy Jet SRL	1,461,957	0.19%	1,461,957	0.16%	1,461,957	0.16%
Subtotal – Abilio Diniz	**59,435,138**	**7.86%**	**59,435,138**	**6.65%**	**59,435,138**	**6.65%**
Employees	7,376,156	0.98%	14,715,332	1.65%	14,715,332	1.65%
Shares owned	9,473,039	1.25%	-	-	-	-
Public	487,820,770	64.51%	530,276,090	59.30%	530,276,090	59.30%
TOTAL	756,235,154	100.00%	894,219,155	100.00%	894,219,155	100.00%

(1) Of which 4,135,736 Carrefour shares lent by Blue Partners with right of recall at its sole initiative by virtue of Article L. 233-9 I, 6° of the French commercial code.
(2) Of which 24,999,996 shares held through assimilation of Carrefour shares that can be acquired under a call option.
(3) At December 31, 2016, Blue Partners and Cervinia Europe owned 42,162,269 shares granting double voting rights.
(4) Of which 10,000,000 shares held in relation to a call option to be settled physically or in cash.
(5) Of which 30,754,124 shares pledged to one bank under a structured financing arrangement.

CAPITAL (AT DECEMBER 31, 2015)

Shareholders	Number of shares	As a %	Number of ordinary voting rights	As a %	Number of extraordinary voting rights	As a %
Blue Partners(1)	38,611,538	5.23%	64,564,811	7.70%	64,564,811	7.70%
Cervinia Europe	38,046,501	5.15%	71,870,406	8.57%	71,870,406	8.57%
Groupe Arnault	2,656,752	0.36%	2,656,752	0.32%	2,656,752	0.32%
Bunt(2)	25,388,570	3.44%	25,388,570	3.03%	25,388,570	3.03%
Subtotal – Concert(3)	**104,703,361**	**14.18%**	**164,480,539**	**19.61%**	**164,480,539**	**19.61%**
Galfa	74,282,174	10.06%	74,282,174	8.86%	74,282,174	8.86%
Stanhore Trading Internacional SRL	34,497,549	4.67%	34,497,549	4.11%	34,497,549	4.11%
Energy Jet SRL	1,461,957	0.20%	1,461,957	0.17%	1,461,957	0.17%
Fundo De Invest. Em Ações Maldivas	1,321,508	0.18%	1,321,508	0.16%	1,321,508	0.16%
Subtotal – Abilio Diniz	**37,281,014**	**5.05%**	**37,281,014**	**4.45%**	**37,281,014**	**4.45%**
Employees	7,406,057	1.00%	14,745,233	1.76%	14,745,233	1.76%
Shares owned	7,927,703	1.07%	-	-	-	-
Public	506,870,485	68.64%	547,886,870	65.33%	547,886,870	65.33%
TOTAL	738,470,794	100.00%	838,675,830	100.00%	838,675,830	100.00%

(1) Of which 4,135,736 shares lent by Blue Partners with right of recall at its sole initiative by virtue of Article L. 233-9 I, 6° of the French commercial code.
(2) Of which 24,999,996 shares held through assimilation of Carrefour shares that can be acquired under a call option.
(3) At December 31, 2015, Blue Partners and Cervinia Europe owned 61,274,178 shares granting double voting rights.

Employee shareholding

At December 31, 2017, Group employees held 0.97% of the Company's share capital through the Company mutual fund.

7.3.2 Information referred to in Article L. 233-13 of the French commercial code

At December 31, 2017, GALFA, a simplified joint-stock company formed under French law whose head office is located at 27, rue de la Chaussée d'Antin, 75009 Paris, France, held more than one-tenth of the share capital and three-twentieths of the voting rights.

Cervinia Europe, a private limited company formed under Luxembourg law whose head office is located at 2-4, avenue Marie-Thérèse, L-2132 Luxembourg, Grand Duchy of Luxembourg, Groupe Arnault, a European company governed by a Management Board and a Supervisory Board under French law whose head office is located at 41, avenue Montaigne, 75008 Paris, France and Bunt, a private limited company formed under Luxembourg law whose head office is located at 2-4, avenue Marie-Thérèse, L-2132 Luxembourg, Grand Duchy of Luxembourg, held more than one-twentieth of the share capital and more than one-tenth of the voting rights.

Stanhore International Trading S.à.R.L., whose head office is located at 26, boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg held more than one-twentieth of the share capital and voting rights.

7.3.3 Information referred to in Article L. 225-37-5 of the French commercial code

To the Company's knowledge, the composition of the share capital is as shown in the table in Section 7.3.1. of this Registration Document.

To the Company's knowledge, there is no agreement between its principal shareholders that could result in a change of control of the Company if implemented subsequently.

The summary table of current delegations of authority and powers granted to the Board of Directors appears in Section 7.2.2. of this Registration Document. Any delegation whose implementation is likely to jeopardise a public offer is suspended during the public offer period.

7.4 Stock market information

Carrefour is listed on the Paris Stock Exchange (Euronext Paris – Compartment A – ISIN code: FR0000120172). It is eligible for the Deferred Settlement Service and is included in the CAC 40, SBF 120, FTSE Eurotop 100 and Stoxx Europe 600 Retail indices.

At December 31, 2017, Carrefour's share was in 38th position in the CAC 40 index in terms of market capitalisation, with a weighting of 0.84%.

Changes in Carrefour's share price must be assessed over the long term, given that short-term changes do not always reflect the Group's fundamentals.

	2013	2014	2015	2016	2017
Closing price *(in euros)*[1]					
• highest	29.02	29.20	32.80	26.74	23.64
• lowest	18.90	22.09	23.65	20.90	16.47
• at December 31	28.81	25.30	26.65	22.89	18.04
Number of shares at December 31	723,984,192	734,913,909	738,470,794	756,235,154	774,677,811
Market capitalisation at December 31 *(in billions of euros)*	20.9	18.6	19.7	17.3	14.0
Average daily volume[1][2]	2,598,027	2,985,228	3,064,488	3,167,915	3,310,080
Net income from recurring operations per share *(in euros)*	1.37	1.67	1.35	1.06	(0.70)
Net dividend *(in euros)*	0.62	0.68	0.70	0.70	0.46[3]
Yield	2.15%	2.69%	2.63%	3.06%	2.55%

(1) Source: Euronext.
(2) Average daily volume on Euronext.
(3) Subject to approval by the Shareholders' Meeting on June 15, 2018.

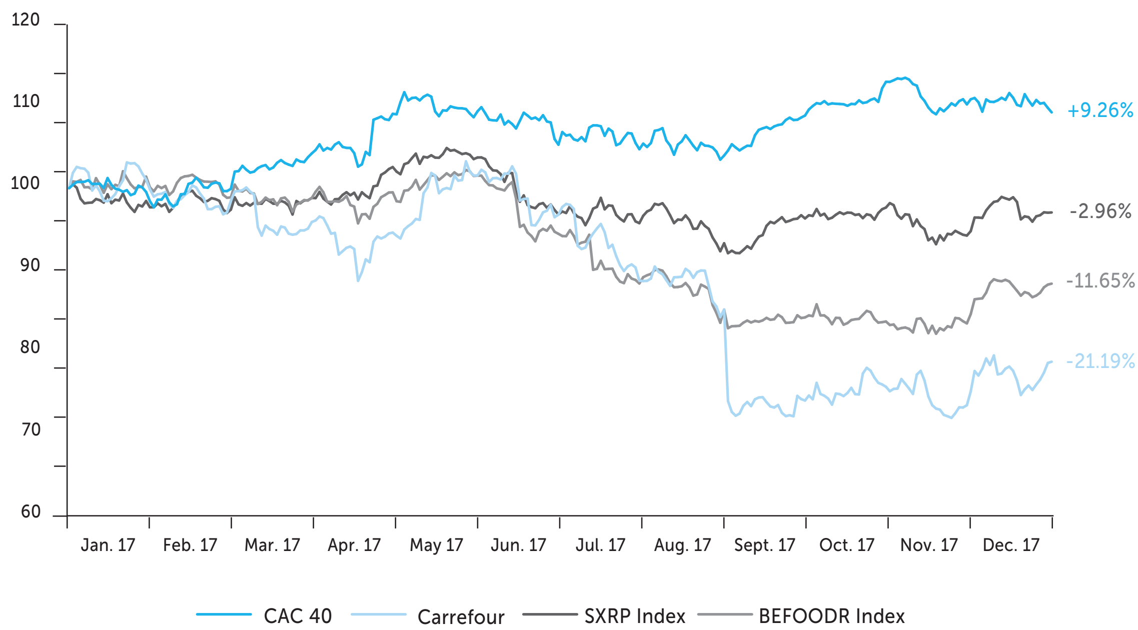
CARREFOUR SHARE PRICE IN 2017

	Highest*	Lowest*	Average closing price*	Number of shares traded	Amount of capital traded*
January	23.61	22.525	23.10	62,071,205	1,434,770,593
February	22.97	22.16	22.56	45,509,700	1,025,477,944
March	22.91	21.565	22.03	67,139,191	1,472,745,488
April	22.055	20.3	21.29	63,103,524	1,336,328,771
May	23.64	21.485	22.61	71,700,862	1,623,616,192
June	23.5	21.85	22.75	68,167,742	1,553,983,414
July	22.45	20.305	21.38	59,465,048	1,267,643,951
August	20.7	16.94	20.13	77,937,386	1,482,445,301
September	17.095	16.515	16.81	98,628,271	1,658,354,303
October	17.87	16.84	17.29	86,218,049	1,491,499,045
November	17.785	16.47	17.10	79,868,122	1,370,923,696
December	18.215	17.11	17.70	64,261,316	1,133,190,872

Source: Euronext.
** In euros.*

Share price in 2017 (100 base)

Carrefour share price in relation to the CAC 40, BEFOODR[1] and STOXX Europe 600 Retail[2] indices.



Source: Bloomberg.

(1) Composition of Bloomberg Europe Food Retailers (BEFOODR) index: Ahold Delhaize, Carrefour, Casino, Colruyt, Dia, ICA Gruppen, Jeronimo Martins, Kesko OYJ, Morrison, Sainsbury, Tesco.

(2) Composition of Stoxx Europe 600 Retail index: Ahold Delhaize, B&M European Value Retail, Groupe Booker, Carrefour, Casino, Colruyt, Delivery Hero, Dia, Dixons Retail, Dufry, H&M, ICA Gruppen, Inchcape, Inditex, Jeronimo Martins, Just Eat, Kering, Kesko OYJ, Kingfisher, Marks & Spencer, Metro, Morrison, Next, Ocado, Saga, Sainsbury, Tesco, WH Smith, Zalando.

8

ADDITIONAL INFORMATION

8.1 Publicly available documents

Documents concerning the Company and, in particular, its Articles of Association, Financial Statements and the reports presented to its Shareholders' Meetings by the Board of Directors and the Statutory Auditors may be consulted at the head office at 33, avenue Émile Zola, 92100 Boulogne-Billancourt, France.

These documents are also available on the Company's website : *www.carrefour.com*.

8.2 Person responsible

8.2.1 Person responsible for the Registration Document and the Annual Financial Report

Alexandre Bompard, Chairman and Chief Executive Officer.

8.2.2 Declaration by the person responsible for the Registration Document and the Annual Financial Report

"I hereby certify, having taken all reasonable measures to this end, that the information contained in this Registration Document is, to the best of my knowledge, true and correct, and that there are no omissions that are likely to affect its import.

I hereby certify that, to the best of my knowledge, the Financial Statements were prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and income of the Company and of all the consolidated companies, and that the attached management report gives a true and fair view of the changes in the business, results and financial position of the Company and of all the consolidated companies, as well as a description of the main risks and uncertainties to which they are subject.

I have obtained a letter from the Statutory Auditors stating that they have completed their assignment, which included checking the information concerning the financial position and the Financial Statements provided in this Registration Document and reading it entirely ."

April 26, 2018

Alexandre Bompard

Chairman and Chief Executive Officer

8.3 Person responsible for the financial information

Matthieu Malige

Chief Financial Officer

8.4 Persons responsible for auditing the Financial Statements

	Date of initial appointement	Date of last renewal	Term of office(1)
PRINCIPAL STATUTORY AUDITORS			
Deloitte & Associés 185, avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine Cedex, France Signatories : Stéphane Rimbeuf and Antoine De Riedmatten	April 15, 2003	June 11, 2015	2021
KPMG SA Tour Eqho, 2, avenue Gambetta, 92066 Paris La Défense Cedex, France Signatories: Caroline Bruno-Diaz and Patrick-Hubert Petit	September 5, 1968	June 11, 2015	2021
MAZARS 61, rue Henri-Régnault, 92400 Courbevoie, France Signatories: Emilie Loreal and David Chaudat	June 21, 2011	June 15, 2017	2023
ALTERNATE STATUTORY AUDITORS			
BEAS 7-9, Villa Houssay, 92200 Neuilly-sur-Seine Cedex, France	April 15, 2003	June 11, 2015	2021
SALUSTRO REYDEL Tour Eqho, 2, avenue Gambetta, 92066 Paris La Défense Cedex, France	June 11, 2015	-	2021

(1) Date of the Shareholders' Meeting called to approve the Financial Statements for the previous year ended December 31.

8.5 Information incorporated by reference

In accordance with Article 28 of EU Regulation 809/2004 of April 29, 2004, this Registration Document includes by reference the following information, to which the reader is invited to refer:

- for the financial year ended December 31, 2016: Consolidated Financial Statements, Company Financial Statements and related Statutory Auditors' reports included in the Registration Document filed with the French financial markets authority (*Autorité des marchés financiers – AMF*) on April 25, 2017 under number D. 17-0425, on pages 170 to 244, 248 to 266, 245 to 246 and 267 to 268 respectively;
- for the financial year ended December 31, 2015: Consolidated Financial Statements, Company Financial Statements and related Statutory Auditors' reports included in the Registration Document filed with the AMF on April 25, 2016 under number D. 16-0391, on pages 151 to 225, 226 to 227, 229 to 249 and 250 to 251 respectively.

The information included in these two Registration Documents, other than that indicated above, is, where applicable, replaced or updated by the information included in this Registration Document. The two Registration Documents are available under the conditions described in Section 8.1 "Publicly available documents" of this Registration Document.

8.6 Concordance tables

8.6.1 Registration Document concordance table

Appendix I Commission Regulation (EC) 809/2004	Page no.	Chapter/ Section no.
1/ Persons responsible		
1.1. Identity	336	8.2.1
1.2. Certification	336	8.2.2
2/ Statutory Auditors		
2.1. Identity	337	8.4
2.2. Change, if any		N/A
3/ Selected financial information		
3.1. Historical financial information: consolidated key figures	22	1.4.3
3.2. Interim financial information		N/A
4/ Risk factors	192-203	4.7
5/ Information concerning the issuer		
5.1. Company history and development	6-14	1.1 & 1.2
5.2. Investments		
5.2.1. Main investments made for each financial year of the period covered	*22-24/178 231-232 282-283*	*1.4.3-4.2.3 5.6 (note 4) 5.6 (note 13)*
5.2.2. Current main investments	*22-24/178 231-232 282-283*	*1.4.3-4.2.3 5.6 (note 4) 5.6 (note 13)*
5.2.3. Main investments planned	*180*	*4.3*
6/ Business overview		
6.1. Principal activities	15-20	1.3
6.2. Principal markets	22-24	1.4.3
6.3. Exceptional events	21 22-24	1.4.1 & 1.4.2 1.4.3
6.4. Issuer's dependence	196	4.7.1.3
6.5. Competitive position	22-24	1.4.3
7/ Organisational chart		
7.1. Brief description of the Group	20	1.3.6
7.2. List of significant subsidiaries	285-292	5.6 (note 16)
8/ Real estate, plants and equipment		
8.1. Significant tangible fixed assets	19 243-244 247-248	1.3.5 5.6 (note 6.2) 5.6 (note 6.4)
8.2. Environmental issues	40-49 50-59	2.2 2.3
9/ Review of financial position and income		
9.1. Financial position	177-179	4.2
9.2. Operating income	172-176	4.1
10/ Cash and cash equivalents and capital		
10.1. Information about the capital	177-220 264-267 307	4.2.1-5.5 5.6 (note 11) 6.4 (note 6)
10.2. Cash flow	178 218-219	4.2.3 5.4
10.3. Borrowing terms and financing structure	177-178/179 268-281	4.2.2-4.2.4 5.6 (Note 12)

Appendix I Commission Regulation (EC) 809/2004	Page no.	Chapter/ Section no.
10.4. Restrictions on the use of capital	179 273	4.2.5 5.6 (Note 12.2.4)
10.5. Expected financing sources	179	4.2.6
11/ Research and development, patents and licences	191	4.6.4
12/ Information on trends		
12.1. Principal trends since the end of the last financial year	184	4.4.4
12.2. Events that could significantly impact future outlook	180	4.3
13/ Profit forecasts and estimates		N/A
14/ Administrative, management and supervisory bodies and Executive Management		
14.1. Information concerning members	116-127	3.2.1.4
14.2. Conflicts of interest	115	3.2.1.3
15/ Compensation and benefits		
15.1. Compensation paid and benefits in kind	142-159	3.4
15.2. Provisions for pensions and retirement	256-260	5.6 (Note 10.1)
16/ Operation of administrative and management bodies		
16.1. Expiration of current terms of office	111	3.2.1.1
16.2. Service contracts binding members of administrative, management and supervisory bodies	115	3.2.1.3
16.3. Information about the Board of Directors' committees	131-138	3.2.3
16.4. Compliance with the corporate governance system in force	110/159	3.1/3.5
17/ Employees		
17.1. Number of employees	70-87	2.5
17.2. Profit-sharing and stock options	148 152 156-157 158-159 326-329	3.4.2.3 3.4.2.4 3.4.2.5 3.4.3 7.2.3
17.3. Agreement on employee profit-sharing	73-75 158-159 330-331	2.5.1 3.4.3 7.3
18/ Principal shareholders		
18.1. Shareholders holding more than 5% of the capital	330-331	7.3
18.2. Existence of different voting rights	322	7.1.4.5
18.3. Direct or indirect control		N/A
18.4. Agreement that could result in a change of control if implemented	330-331	7.3
19/ Related-party transactions	161/164-169 251	3.6/3.8 5.6 (note 7.3)
20/ Financial information concerning the issuer's assets and liabilities, financial position and results		
20.1. Historical financial information	213-292/297-315	5/6
20.2. *Pro forma* financial information		N/A
20.3. Financial statements	213-292/297-315	5/6
20.4. Verification of annual historical financial information	293-296 316-318	5.7 6.5
20.5. Date of most recent financial information	213-292/297-315	5/6
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20.8. Legal and arbitration proceedings	255	5.6 (Note 9.2)
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Appendix I Commission Regulation (EC) 809/2004	Page no.	Chapter/ Section no.
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21.2. Articles of incorporation and Articles of Association	320-323	7.1
22/ Key agreements		N/A
23/ Information from third parties, expert statements and declarations of interest		
23.1. Identity	107	2.7.5
23.2. Certification	107-108	2.7.5
24/ Publicly available documents	336	8.1
25/ Information about equity interests	285-292 314-315	5.6 (Note 16) 6.4 (Note 14)

8.6.2 Annual financial report concordance table

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2/ Consolidated Financial Statements	213-292	5
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Analysis of financial position	177-179	4.2
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Treasury share buybacks carried out by the Company	326-329	7.2.3
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5/ Statutory Auditors' reports on the Company Financial Statements and Consolidated Financial Statements	293-296 316-318	5.7 6.5
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8.6.3 Management report concordance table

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French commercial code	L. 225-100-1, L. 232-1, L. 233-6 and L. 233-26	Situation of the Company during the financial year and objective, comprehensive analysis of changes in the business, results and financial position of the Company and of the Group	172-191	4.1 to 4.6
French commercial code	L. 225-100-1	Key non-financial performance indicators relating to the Company's specific activity	94-96	2.7.1
French commercial code	L. 233-6	Significant acquisitions during the financial year of equity interests in companies whose head office is located in France	182-183	4.4.2
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Reference texts			Page no.	Chapter/ Section no.
French commercial code	L. 232-1 and L. 233-26	Foreseeable changes in the situation of the Company and of the Group	180	4.3
French general tax code	243 *bis*	Dividends distributed for the three previous financial years and amount of income distributed for these same financial years eligible for the 40% tax reduction	190	4.6.3
French commercial code	L. 441-6, L. 441-6-1 and D. 441-4	Information on the payment cycles of the Company's suppliers and customers	188	4.6.1
		Presentation of the Group		
French commercial code	L. 225-100-1	Description of the principal risks and uncertainties to which the Company is subject	193-202	4.7.1
French commercial code	L. 225-100-1	Financial risks related to the impact of climate change and presentation of the measures the Company has taken to reduce said impact by implementing a low-carbon strategy in all areas of its operations	194	4.7.1.1
French commercial code	L. 225-100-1	Main characteristics of the internal control and risk management procedures implemented by the Company relating to the preparation and processing of accounting and financial information	209-211	4.8.2.4
French commercial code	L. 225-100-1	Details on the Company's objectives and policy concerning hedges in each main transaction category for which hedge accounting is used	278-279	5.6 (note 12.7.2)
French commercial code	L. 225-100-1	The Company's exposure to price, credit, liquidity and cash flow risks	198-200	4.7.1.4
French commercial code	L. 225-102-1, R. 225-105 and R. 225-105-1	Social and environmental consequences of the business	31-106	2
French commercial code	L. 225-102-1	Collective bargaining agreements entered into by the Company and their impact on the Company's financial performance and employee working conditions	76-81	2.5.3
French commercial code	L. 225-102-2	If the Company operates a facility of the type referred to in Article L. 515-36 of the French environmental code (*Code de l'environnement*): • Description of risk prevention policy regarding technological accidents; • Report on civil liability insurance coverage for property and people and details on how the Company plans to ensure that victims are adequately compensated in the event of a technological accident for which the Company is liable (including "Seveso" facilities)		N/A
French commercial code	L. 225-102-4	Duty of care plan enabling the Company to identify risks and prevent serious violations as regards human rights and fundamental freedoms, health, safety, and the environment due to the Company's operations and those of its suppliers and subcontractors	26-88	2.6
French commercial code	L. 232-1	Research and development activities	191	4.6.4
		Information regarding corporate governance		
French commercial code	L. 225-185	Conditions under which options may be exercised and held by the Executive Officers	158	3.4.3
French commercial code	L. 225-197-1	Conditions under which performance shares granted to the Executive Officers may be held	158	3.4.3
French monetary and financial code	L. 621-18-2	Transactions involving the Company's shares carried out by executives and related persons	162-163	3.7
French commercial code	L. 225-184	Options granted to or subscribed or purchased during the financial year by the Company Officers and each of the top ten employees who are not Company officers, and options granted to all employees, by category	158	3.4.3
		Information about the Company and capital		
French commercial code	L. 225-211	Details of purchases and sales of treasury shares during the financial year Information relating to treasury share buybacks carried out by the Company with a view to allocating them to employees and/or executives	326-329	7.2.3

Reference texts			Page no.	Chapter/ Section no.
French commercial code	R. 228-90	Possible adjustments for securities giving access to the capital in the event of buybacks of shares or financial transactions		N/A
French commercial code	L. 225-102	Report on employee profit-sharing as of the last day of the financial year, and proportion of capital represented by shares held by employees under the Company savings plan and by current and former employees under Company mutual funds	330-331	7.3
French commercial code	L. 464-2	Injunctions or financial penalties for anti-competitive practices		N/A
French commercial code	L. 233-13	Identity of private individuals or legal entities holding, directly or indirectly, more than one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, one-third, one-half, two-thirds, eighteen-twentieths or nineteen-twentieths of the share capital or voting rights at Shareholders' Meetings	332	7.3.2
French monetary and financial code	L. 511-6	The amount of loans due within less than two years granted by the Company on an ancillary basis to micro-enterprises, SMEs or middle-market companies with which it has economic ties justifying such loans		N/A
		Information related to the Financial Statements		
French commercial code	L. 232-6	Possible changes in the presentation of the Financial Statements and the valuation methods used		N/A
French commercial code	R. 225-102	Company earnings performance in the last five financial years	191	4.6.6

8.6.4 Corporate governance report concordance table

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French commercial code	L. 225-37-2	Presentation of the proposed resolutions regarding the compensation policy	146	3.4.2.2
French commercial code	L. 225-37-3 L. 225-100, II R. 225-29-1	Total compensation and benefits of any kind due or paid during the financial year to each Company Officer Compensation and benefits received by companies controlling or controlled by the Company for a position held within the Company	142-159	3.4
French commercial code	L. 225-37-3	Commitments of any kind made by the Company to its Company Officers relating to compensation, indemnity or benefits due or likely to be due upon the assumption of, the termination of, or change in these duties or subsequent thereto	142-159	3.4
French commercial code	L. 225-37-3	Withholding of attendance fees for failure to meet gender parity requirements		N/A
French commercial code	L. 225-37-3	Reference to resolutions voted on as part of the *ex-ante* vote	144	3.4.2.1
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French commercial code	L. 225-37-4	List of all Company officers' mandates and duties they performed in any company during the financial year	116-127	3.2.1.4
French commercial code	L. 225-37-4	Regulated agreements and commitments entered into between a Company Officer or a shareholder holding more than 10% of the voting rights, and a subsidiary	161	3.6
French commercial code	L. 225-37-4	Executive Management's choice of management methods	139	3.3.1
French commercial code	L. 225-37-4	Summary of outstanding delegations of authority and powers granted by the Shareholders' Meeting to the Board of Directors concerning capital increases	324	7.2.2
French commercial code	L. 225-37-4	Composition of the Board of Directors, conditions of preparation and organisation of the Board of Directors' work.	128-131	3.2.2

Reference texts			Page no.	Chapter/ Section no.
French commercial code	L. 225-37-4	Application of the principle of gender equality	113	3.2.1.2
French commercial code	L. 225-37-4	Limitations of powers of the Chief Executive Officer	139	3.3.1
French commercial code	L. 225-37-4	Reference to the corporate governance code	110	3.1
French commercial code	L. 225-37-4	Specific rules governing shareholders' participation to Shareholders' Meetings	320-323	7.1.4
French commercial code	L. 225-37-5	Rules applicable to the appointment and replacement of members of the Board of Directors and to the amendment of the Company's Articles of Association	320-323	7.1.4
French commercial code	L. 225-37-5	Powers of the Board of Directors, including in particular the issue or buyback of shares	128 139 326-328	3.2.2 3.3.1 7.2.3
		Information about the capital		
French commercial code	L. 225-37-5	Structure and change of the Company's capital	324-329 330-332	7.2 7.3
French commercial code	L. 225-37-5	Statutory restrictions about the exercise of voting rights and share transfers or contractual clauses brought to the Company's knowledge		N/A
French commercial code	L. 225-37-5	Direct or indirect interests in the Company's capital brought to the Company's knowledge	330-332	7.3
French commercial code	L. 225-37-5	List of holders of any security conferring special rights of control and description of these securities		N/A
French commercial code	L. 225-37-5	Control mechanisms provided under a possible employee share ownership scheme when the rights of control are not exercised by employees		N/A
French commercial code	L. 225-37-5	Agreements between shareholders brought to the Company's knowledge and which may result in restrictions on share transfers and the exercise of voting rights		N/A
French commercial code	L. 225-37-5	Agreements concluded by the Company that are amended or terminated in the event of a change in control of the Company, unless this disclosure would seriously harm its interests (except in cases of a legal obligation to disclose)		N/A
French commercial code	L. 225-37-5	Agreements providing for compensation to members of the Board of Directors or employees if they resign or are dismissed without real and serious cause or if their employment ends as a result of a public offer	142-159	3.4

CONTACTS

Carrefour group
Head office
33, avenue Émile-Zola
TSA 55555
92649 Boulogne-Billancourt Cedex
France

Investor
relations
investisseurs@carrefour.com

Shareholder
relations
contact@actionnaires.carrefour.com

Shareholders' Club
Autorisation 93261
92535 Levallois-Perret Cedex
France
Tel.: 0805 902 902
club@actionnaires.carrefour.com

Registered
shareholders
Société Générale Securities Services
32 rue du Champ de Tir
CS 30812
44308 Nantes cedex 3
France
Tel.: +33 (0)2 51 85 67 89
Fax: +33 (0)2 51 85 53 42

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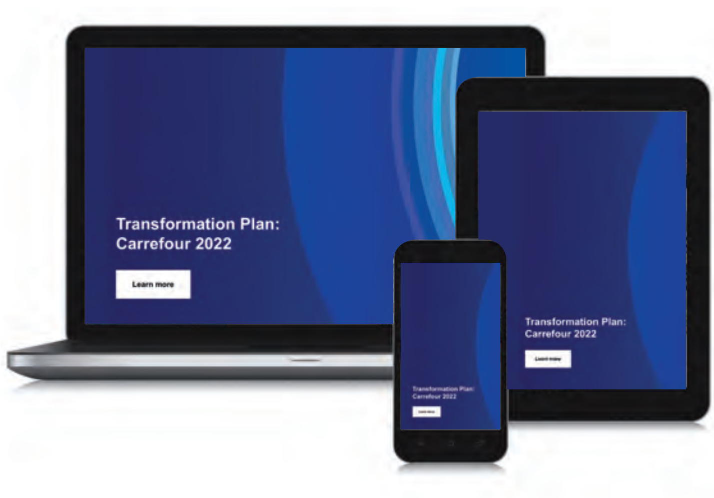

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www.carrefour.com
@CarrefourGroup

Société anonyme with capital of 1,936,694,527.50 euros
Head office: 33, avenue Émile Zola – 92100 Boulogne-Billancourt – France
652 014 051 RCS Nanterre