

46%

BREEAM In-Use
certified portfolio in
value at end-2017

100%

Proportion of newly
signed leases covered
by an environmental
clause

55%

Women
in the workforce
at end-2017



2

CORPORATE SOCIAL RESPONSIBILITY

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2.1 MERY'21: A COMMITMENT TO RESPONSIBLE AND ETHICAL MANAGEMENT

Corporate social responsibility (CSR) is an integral part of Mercialys' strategy and management. It manifests itself in the day-to-day implementation of responsible and ethical management of shopping centers. Determined to play an active part in the socio-ecological transition of local communities, Mercialys codified its CSR strategy in 2015 under the name: MERY'21.

This strategy dovetails with the business plan and covers its four core values:

Proximity: this positioning is unique to Mercialys in the commercial property sector. Its portfolio is based on human-sized shopping centers in locations accessible by public transport, with strong local roots enabling them to capitalize on their primary catchment area. It is the basis for the vision of the shopping center as a local player which Mercialys applies through its CSR strategy.

Agility: a specific approach is taken for each center, the characteristics of which are regularly fine-tuned to ensure that the offering remains relevant and appropriate to the local context. This evolutionary concept and this flexibility also enable Mercialys

to tailor its CSR strategy to the specific needs and priorities of customers and the local community.

Innovation: Mercialys is resolutely committed to an innovative vision of local retail sites which has enabled it to develop a versatile, service-based approach. When it comes to CSR, the capacity for innovation is a major advantage when complying with regulatory changes and, more importantly, when identifying and adapting to new consumer habits.

Engagement: Mercialys works with retailers to support them at each stage of their store's life cycle. This strong partnership, combined with a long-standing commitment to sustainable development, underpins the definition and implementation of a comprehensive CSR strategy capable of covering all the various issues and identifying holistic solutions for the social development of communities.

Finally, responsibility is the cornerstone of the CSR strategy and reinforces the level of compliance that all stakeholders expect from Mercialys.

2.1.1 A strategy consisting of 15 sites

Developed by Mercialys' teams with a participatory approach, the CSR strategy is being rolled out at 15 sites. For each of them, it sets quantitative and qualitative targets to be achieved by 2020 and proposes an operational program to be implemented across the entire portfolio, while taking into account the specific needs of the different sites.

A dedicated organization and team have been set up under the responsibility of Senior Management. Operational deployment is based on a network of CSR officers covering all of the Company's services and support functions. Oversight, and the monitoring of key performance indicators in particular, is carried out by a proprietary internal tool, "MERY RSE".

2.1.1.1 IDENTIFYING THE PRIORITY CHALLENGES

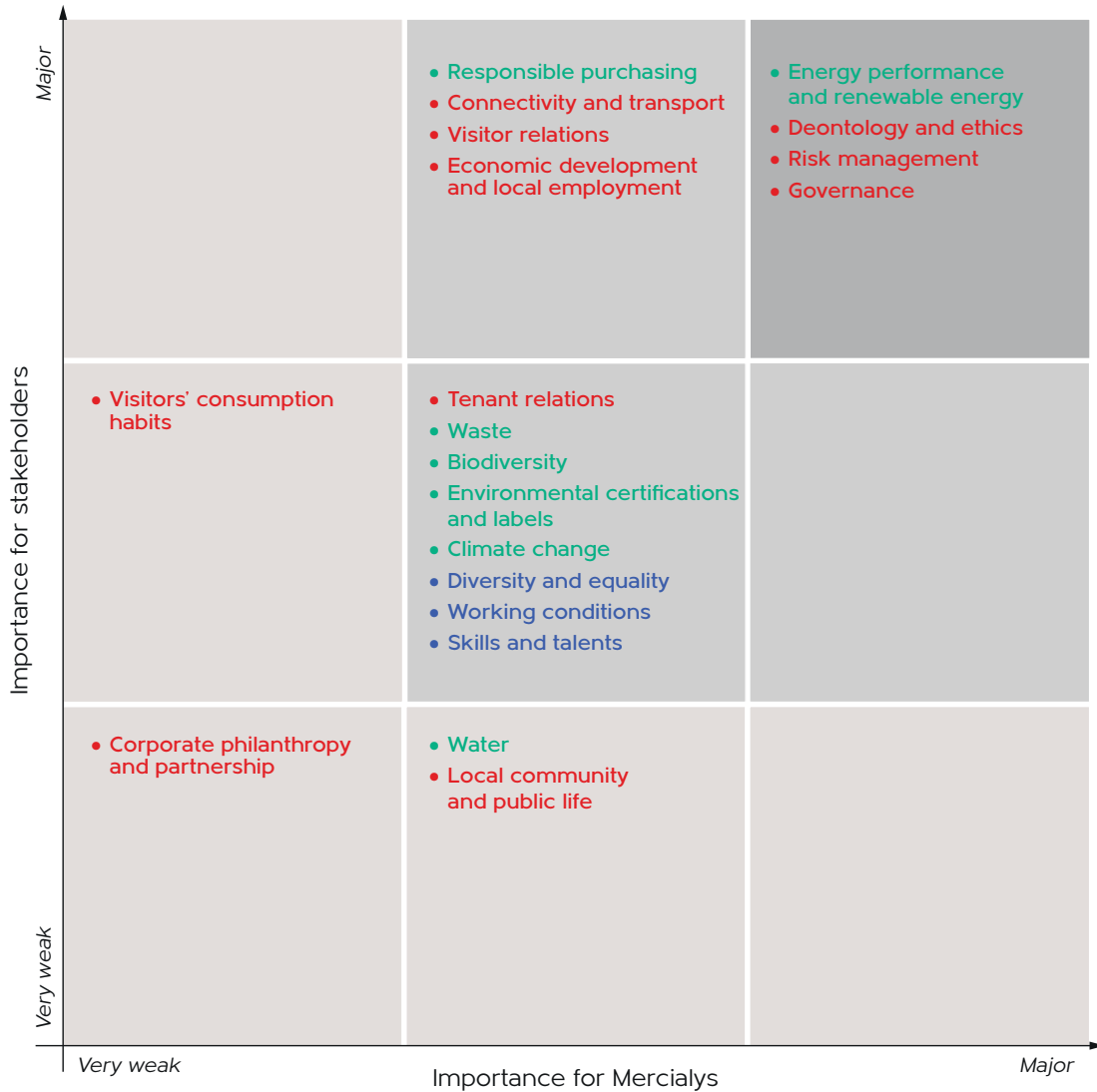
In 2016, Mercialys conducted a materiality analysis aimed at prioritizing the challenges to sustainable development in line with the priorities of the business and the expectations of its

stakeholders. This process identified the "material" challenges on which Mercialys will focus its CSR efforts to optimize value creation for all its stakeholders. This process will be repeated in 2018 so that the matrix is updated every two years.

As a result of this work the following materiality matrix was constructed, which identifies:

- four priority challenges:
 - energy efficiency and renewable energy,
 - governance,
 - ethics and compliance,
 - risk management;
- six key challenges:
 - responsible purchasing,
 - connectivity and transport,
 - visitor relations,
 - tenant relations,
 - working conditions,
 - economic development and local employment.

MERCIALYS' MATERIALITY MATRIX



• Environmental challenges
















• Social challenges

• Societal challenges

2.1.1.2 THE CSR STRATEGY'S 15 ISSUES

The 15 issues covered by the CSR strategy address all the concerns of Mercialys' stakeholders, including visitors, retailers, employees, partners, service providers and suppliers, local authorities etc.

The link between stakeholders and each issue is illustrated in the table below.

ISSUES	INVOLVED STAKEHOLDERS						
	Employees	Retailers	Service providers and suppliers	Visitors	Financial community	Local authorities	Non-profit organizations
ENVIRONMENT							
 Centers' certification	✓	✓	✓				
 Energy	✓	✓	✓				
 Climate change	✓	✓	✓				
 Water	✓	✓	✓				
 Waste	✓	✓	✓				
 Biodiversity	✓	✓	✓				
 Connection and mobility		✓		✓		✓	
SOCIAL							
 Employees							✓
SOCIETAL							
 Health and safety of consumers and retailers	✓	✓		✓		✓	
 Responsible purchasing	✓		✓				
 Responsible investment	✓				✓		
 Local economic development	✓	✓	✓				✓
 Accessibility for all	✓		✓			✓	
 Public life and citizenship	✓			✓			✓
 Engaged and alternative consumption	✓	✓		✓		✓	

2.1.2 Organization and management

2.1.2.1 AN ORGANIZATION THAT PROMOTES THE CROSS-DISCIPLINARY NATURE OF THE CSR APPROACH

To be more cross-disciplinary, the CSR teams are grouped within a section of the Company's Marketing and Communications department. The teams in this "Brand, CSR and Communication" section are composed of experts reporting to the Chief Operating Officer, to whom they give monthly updates. This organizational structure ensures that decision-making is in line with the business strategy while improving communication with all stakeholders on achievements, targets and best practice.

The CSR teams are also invited to Management Committee meetings to inform members about the implementation of the CSR strategy.

Moreover, for the operational deployment of CSR actions and reporting, the CSR team relies on a network of CSR officers based in different departments throughout the Company, as well as outsourced operational and support functions (property manager and delegated project management).

If necessary, CSR staff also attends team meetings of other departments to update them on a particular aspect of the CSR strategy.

In 2017, the Company's governing bodies stepped up their monitoring of the CSR strategy. For example, the Board's Audit and Risks Committee has added sustainable development to its responsibilities. The CSR team will, in this case, report regularly to the Committee on its challenges, strategy and results.



2.1.2.2 TOOLS TO MONITOR AND MANAGE THE IMPLEMENTATION OF MERY'21

A dedicated online platform, "MERY RSE", has been set up to monitor and manage the CSR strategy, particularly the key performance indicators (KPIs) associated with each of the 15 MERY'21 sites. This helps facilitate data collection, and increases the reliability of the indicators calculated, by conducting automatic consistency checks on uploaded data.

For example, the main environmental indicators (energy and water consumption, quantity of waste, refrigerant leakage, etc.)

are entered in the tool each month by the property manager or service providers operating at the centers. Corporate indicators are received on a quarterly basis from the centers' managers via the platform, while social indicators are sent annually to the CSR teams by the Human Resources Division and Personnel Department. The tool therefore plays a vital part in reinforcing non-financial reporting and improving its reliability.

It also enables the implementation of MERY'21 to be managed and monitored. As a result, the CSR performance of the various centers in Mercialis' real estate portfolio is monitored against the strategic objectives set in 2015.

2.1.3 Measuring performance

2.1.3.1 NON-FINANCIAL PERFORMANCE

ISSUES	2020 TARGET	2017 RESULT
 Centers' certification	Improve the certification level of all centers by one grade	46% of the portfolio is BREEAM In-Use certified
 Energy	20% reduction in energy consumption per sqm compared to 2015	4,6% reduction
 Climate change	20% reduction in greenhouse gas emissions per visitor compared to 2015	22% reduction
 Water	15% reduction in water consumption compared to 2015	1% reduction
 Waste	55% of waste recovered	24% of waste recovered
 Biodiversity	Being involved in the protection of ordinary biodiversity	Policy of zero phytosanitary use across the entire portfolio
 Connection and mobility	15% increase in visitors traveling to centers using a form of transport other than a petrol-engined car (compared to 2015)	14% of visitors arrived by public transport in 2017, versus 7% in 2015
 Employees	No ethical incident	Updating the Ethics Charter and Code of Business Conduct
	Implement the psychosocial risks prevention policy	Introduction of teleworking
	Make training a commitment driver for employees	100% of employees trained during the year
	Combat all forms of discrimination	Set up a partnership structure to welcome interns and trainees with disabilities
 Health and safety of consumers and retailers	100% of centers with high-level risk management	100% of centers with an audit of the security provider
 Responsible purchasing	80% of contracts for more than Euro 10,000 have responsibility clauses	Inclusion of CSR clauses in the property manager's mandate and the delegated project management contract
 Responsible investment	Become a leading SRI stock	Improvement of Mercialys' rating in the main benchmarks and CSR questionnaires (GRESB, VIGEO, CDP, GAIA, MSCI, Sustainalytics, Oekom, Trucost)
 Local economic development	Contributing to local economic development	37% of centers held a jobs fair in 2017
 Accessibility for all	80% of visitors have a positive perception of the accessibility of our centers	
 Public life and citizenship	Facilitating social harmony	100% of Mercialys' properties hosted at least one non-profit organization in 2017
 Engaged and alternative consumption	15% more leases for these new forms of consumption compared to 2015	

2.1.3.2 MAIN HIGHLIGHTS OF 2017

A new organization introduced to improve efficiency

In 2017, Mercialis reorganized its CSR governance and its interactions with its main service providers (property manager and delegated project management) to improve its CSR, and particularly its environmental, performance. Routine monthly updates on various topics (consumption monitoring, regulations, etc.) have been introduced to ensure regular management and monitoring of the operational implementation of Mercialis' CSR strategy.

A unique portfolio certification program

In 2017, Mercialis embarked on an ambitious BREEAM In-Use certification program for its real estate portfolio. This innovative pilot project, unique in France for its scale and short timescale, was carried out jointly with the certifying body (BRE). It enabled 25 assets to be certified at the same time, thereby increasing the percentage of the BREEAM In-Use certified portfolio to 46% at December 31, 2017 (*versus* 28% at December 31, 2016). The robustness and resilience of Mercialis' CSR strategy, as well as the quality of the associated procedures, contributed to the success of this project.

Special non-financial ratings

In 2017, Mercialis was recognized by the Socially Responsible Investment (SRI) community for the quality of its non-financial communication and CSR performance.

For its second assessment by Global Real Estate Sustainability Benchmark (GRESB), the Company was ranked 26th in the Retail World category, up 42 places from 2016, and is now in the "GREEN STAR" category.

In addition, for its first assessment by the Carbon Disclosure Project (CDP), Mercialis scored an excellent rating of "A-", in recognition of the Company's commitment to tackling climate change. The Company is therefore among the top three French real estate companies.

Mercialis was also ranked third in the GAIA Index in the category of companies with revenues of between €150 and 500 million. Overall, the Company has gained eight places and is ranked 17th out of the 230 firms analyzed.

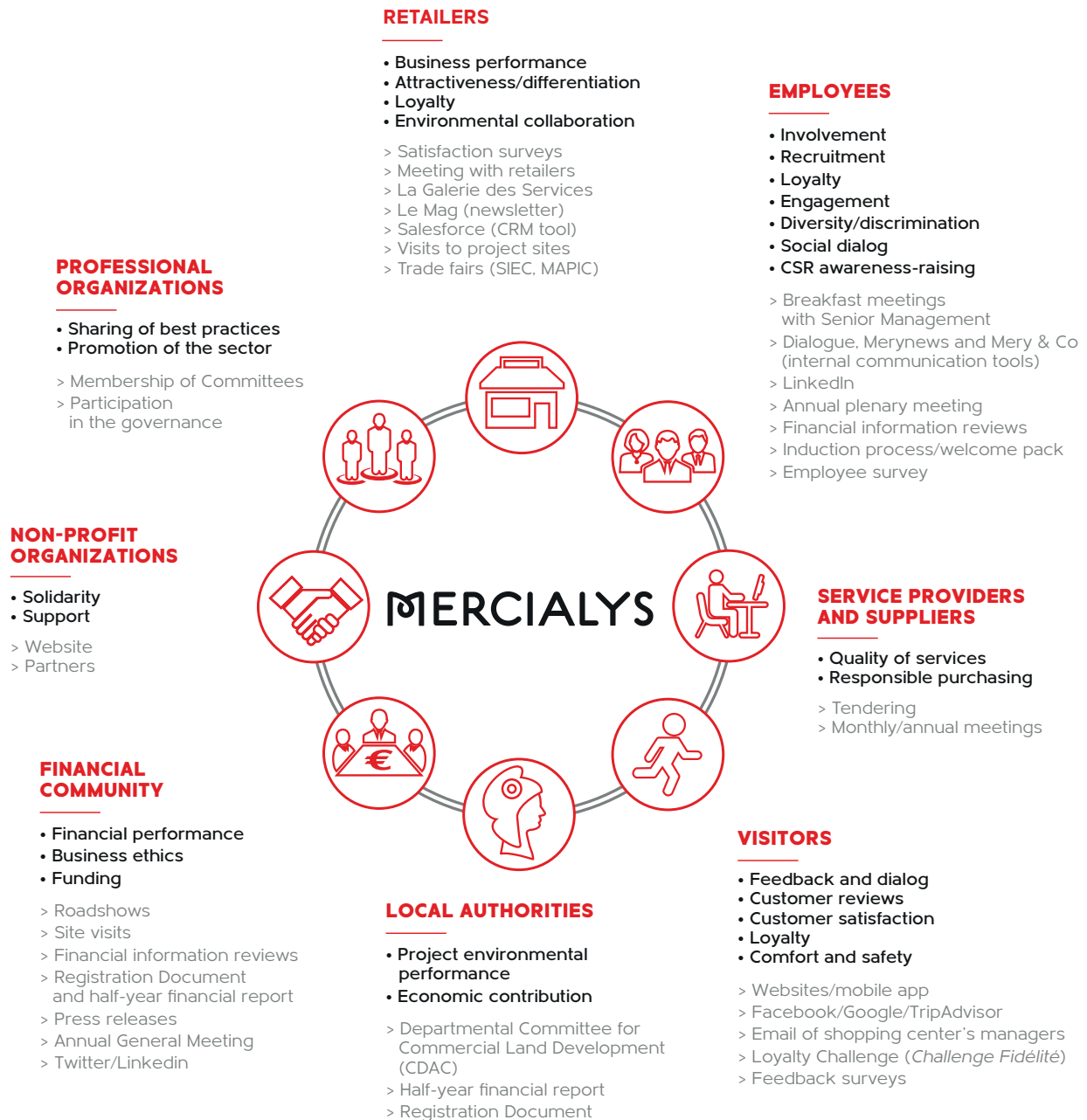
The quality of the Company's publications has also been recognized by the European Real Estate Association (EPRA), which awarded Mercialis the "EPRA Gold Most Improved sBPR Award 2017". The Company was placed in the "Gold" category following its first year of applying best practice in non-financial reporting.

Finally, Mercialis made remarkable progress in the Grand Prix de la Transparence, an award for the clarity and quality of financial and non-financial information, finishing third out of the companies in the SBF 120. The Company also won the award for best progress, climbing 80 places in the space of one year.

2.2 ENGAGE WITH ALL STAKEHOLDERS

Mercialys has forged solid relationships, and engages in regular dialog, with all its stakeholders: not only its retailers and direct customers, but also the visitors to its shopping centers, its suppliers and service providers, local government and non-profit

organizations, and the financial community and professional bodies. This dialog is an opportunity to build partnerships and, more generally, to implement a process of innovation and continuous improvement.



Legend:

STAKEHOLDER

- Main CSR challenges
- > Types of dialog

2.2.1 Retailers

2.2.1.1 SATISFY AND RETAIN RETAILERS

Retailers are Mercialys' customers. The Company is therefore keen to meet their needs and ensure that they have the best environment in which to operate. To that end, it conducts regular feedback surveys among the retailers at its shopping centers. It

asks them about their experience of the center, what they think of the services offered, how good they think the service providers are, and so on.

It then uses the survey results to take appropriate action to improve retailer satisfaction.

Tenant satisfaction

		Percentage (by value) of centers covered by a tenant feedback survey	Number of retailers surveyed	Coverage rate
Current scope	2015	7%	25	100%
	2016	0%	0	100%
	2017	53%	529	100%

Mercialys, building on its position as a partner to its retailer tenants, is always looking for new ways to help them improve their business.

Using innovative and effective tools and services, the Company provides day-to-day support to its retailers. The objective: to help them operate and grow their business through intelligent services, tailored to their operational needs. In 2017, Mercialys launched La Galerie des Services, a truly digital ecosystem gathering together all the tools for retailers on one secure platform.

Designed as an operational tool, the intuitive platform has an ergonomic, user-friendly interface. The services offered are divided into five main categories:

- "consult" (shopping center opening hours, access map, delivery methods, etc.);
- "exchange" (sales performance);
- "communicate" (communication tools, job vacancies, etc.);
- "retain" (Challenge Fidélité);
- "develop" (e-commerce, casual retailing, etc.).

Through this single interface and these innovative services, La Galerie des Services offers retailers efficient solutions, free of charge, that enable them to improve how they run their business, to develop customer relationships, or to accelerate their growth. Mercialys has designed the platform to simplify interactions, build trust with retailers, and meet their needs and expectations.

Finally, the "G La Galerie" architectural concept - originally developed in 2015 and now deployed at almost all of Mercialys' assets - is also designed to improve the shopping center experience of retailers and visitors.

The internal and external design of the centers, the redevelopment of car parks and access roads and the reorganization of communal areas, based around customer services and rest areas, have helped modernize the centers and led to a significant improvement in visual, thermal and auditory comfort, both for tenants and visitors.

2.2.1.2 WORKING TOGETHER TO IMPROVE THE ENVIRONMENTAL PERFORMANCE OF SHOPPING CENTERS

To improve the environmental performance of its shopping centers, Mercialys is keen to involve its tenants in reducing their overall environmental impact. In 2013, it signed its first environmental schedule to the lease, which soon became standard for all new contracts signed and covering the entire premises (excluding amendments and exempt leases). The environmental schedule provides, in particular, for the exchange of information between the lessor and the lessee and an action plan to improve the overall environmental performance of the building and the leased premises.

In 2017, 219 new environmental schedules were signed. This means that all the leases signed during the year included an environmental schedule (excluding amendments and exempt leases for which this is impossible or irrelevant, given the term of the lease).

In 2017, to put these environmental schedules into practice, each center manager has presented the Mercialys CSR strategy to the retailers, together with the key environmental indicators for the site. The meetings were also an opportunity to share the results of the tenant feedback survey and to discuss areas for improvement.

Environmental schedules to the lease

		Green leases as a percentage of all leases signed during the year	Coverage rate
Current scope	2015	61%	100%
	2016	70%	100%
	2017	100%	100%

Furthermore, in 2016 Mercialis organized its first Retailer CSR Convention to strengthen the partnership dynamic with retailers regarding CSR. In partnership with the French "Club Génération Responsable", a club of 63 retailers committed to CSR, the purpose of the convention was to understand the difficulties that retailers encounter in launching their CSR strategy in shopping centers and to canvass them on their expectations.

The event offered an insight into retailer expectations regarding waste sorting and mobility services, two priorities that Mercialis focused on in 2017 ahead of pilot schemes to be conducted with retailers in 2018.

Indeed, as part of La Galerie des Services, CSR features in the "Consult" module where retailers are given a guide to sustainable practices. There are also plans to use the "Communicate" module to routinely share information on the environmental performance of each asset.

2.2.1.3 ENSURE THE HEALTH AND SAFETY OF RETAILERS

Risk management is a major challenge for the Company, which makes every effort to comply with this regulatory requirement. For example, Mercialis has a Risk Prevention Committee which monitors all types of risks - whether operational, financial, ethical or market-related - and ensures that the proper procedures are followed.

In the event of an incident at one of its shopping centers, the teams use crisis management procedures which are regularly reviewed and tested to ensure that they are effective when the time comes.

For more information about risk management, see chapter 5, page 253 and following.

Furthermore, to inform its tenants and promote a health and safety risk management culture, Mercialis has produced a special guide for them available via La Galerie des Services.

2.2.2 Visitors

2.2.2.1 DEVELOPING VISITOR LOYALTY

Visitor satisfaction is particularly important to Mercialis: footfall and customer loyalty are the foundations for retailer performance - and thus the performance of the assets.

In 2017, Mercialis changed how it measures visitor satisfaction. In the past, the Company would send out a physical questionnaire via a market research firm. However, it now uses its own digital tools to poll customers. After visiting a Mercialis shopping center,

customers receive an email inviting them to answer an initial feedback question. Depending on their response (positive or negative), customers are then invited to answer three more questions and to rate their satisfaction on a scale of 1 to 10. A section is left blank for customers to write comments or suggest improvements. By developing its digital tools, Mercialis can now measure visitor satisfaction in real time and be more responsive in taking corrective action.

Visitor satisfaction

		Percentage of centers covered by a feedback survey, by value over the past two years	Coverage rate
Current scope	2015	63%	100%
	2016	65%	100%
	2017	86%	100%

In addition, to express their views and give feedback, customers can also interact with Mercialis shopping center management via the shopping center websites or Facebook pages.

To further improve visitor satisfaction at its centers, in 2015 Mercialis introduced a free loyalty scheme, "Challenge Fidélité". The scheme, which was unprecedented in the commercial real estate sector, rewards customers for interacting with the center, whether physically (by visiting the center) or online (by posting comments on the Facebook page, for example). Each type of

interaction scores a certain number of points. Every three months, customers' scores are added up and those with the highest scores win vouchers.

By signing up to the Challenge Fidélité, customers can also receive special offers and make use of exclusive services at the center. Finally, customers can sponsor friends and family and introduce them to the shopping center, thereby acting as brand ambassadors.

Loyalty

		Percentage of centers covered by a loyalty challenge scheme, by value	Number of customers who have joined the loyalty challenge scheme	Coverage rate
Current scope	2015	9%	420	100%
	2016	61%	12,505	100%
	2017	72%	25,497	100%

2.2.2.2 EDUCATING VISITORS ABOUT SUSTAINABLE DEVELOPMENT

Mercialis conducts two types of information campaigns to educate visitors to its shopping centers about the challenges of sustainable development:

- cross-functional information campaigns at all centers in Mercialis' portfolio, by displaying messages about public transport options on screens in the centers, or providing electric vehicle charging stations;
- "bespoke" information campaigns, tailored to each center according to the latest CSR news: job fairs, Disability Employment Week, blood donations, etc.

Moreover, a real-time display of solar energy production is available at each center with a photovoltaic power plant, thereby raising customer awareness of energy-related problems.

Finally, the aim is increasingly to develop video content for information and learning purposes. In 2017, to mark the first anniversary of the opening of La Galerie Espaces Fenouillet in Toulouse, a film showcasing the center's CSR initiatives was produced and shown on a loop on a large screen at one of the entrances.

2.2.2.3 ENSURING VISITOR HEALTH AND SAFETY

The health and safety of visitors and retailers is an important challenge for Mercialis; indeed, it is a priority for the Company. Risk monitoring and related procedures are handled by the Risk Prevention Committee.

Moreover, the Company performs audits and additional studies on certain risks to ensure that they are properly managed. These include: testing the water supply for legionella contamination, performing structural surveys on the strength of its roofs, auditing security providers to check that they are familiar with the fire drill and that the personnel on site have the correct qualifications, testing for the presence of asbestos, etc.

For more information about risk management, see chapter 5, page 253 and following.

2.2.3 Suppliers and service providers

2.2.3.1 PURCHASING

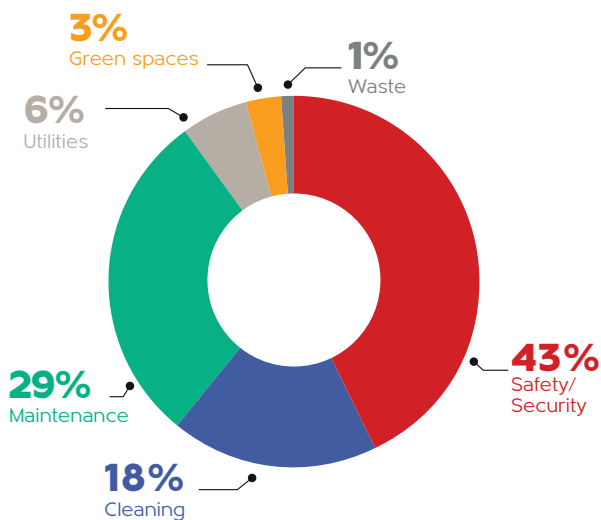
Mercialis calls on a large number of economic players to oversee, manage and extend its shopping centers: real estate managers, project managers, architects, communication agencies, IT service providers, real estate experts, land surveyors, construction firms, etc.

Its purchasing therefore has a major societal impact, due to the amount of purchasing, its ongoing nature and the diversity of business sectors concerned.

The Company mainly uses service providers. The Service Agreement signed with the Casino group sets out the terms under which the Casino group supplies Mercialis with the support functions necessary for its operations. In addition, mandates for rental management and for technical and administrative management have been signed with Sudeco, a subsidiary of the Casino group.

For centers managed by Sudeco, the property manager acting for Mercialys can identify the following major purchasing categories:

- purchases of fluids (energy and water);
- maintenance service purchases;
- safety-related purchases;
- cleaning service purchases;
- waste removal and treatment purchases;
- purchases related to the upkeep of green spaces.



These percentages were calculated using expenditure budgets.

Purchases of fluids and waste treatment represent, on average, 6% and 1% respectively of the costs of a Mercialys shopping center.

2.2.3.2 MERCIALYS' RESPONSIBLE PURCHASING POLICY

In addition to regulatory compliance, CSR is integral to Mercialys' purchasing policy. The Company steers its suppliers and service

2.2.4 Local players

2.2.4.1 NON-PROFIT ORGANIZATIONS

Mercialys supports the local voluntary sector by regularly hosting activities for sports associations and charities at its shopping centers (e.g. fund-raising, promotional or awareness-raising activities, etc.). In 2017, each center hosted at least one non-profit organization.

Mercialys has also been a partner of Doctors of the World since 2015. In 2017, 38 shopping centers from Mercialys' real estate portfolio took part in the operation, which recruited over 3,000 donors. The total amount of annual donations was estimated to be around Euro 500,000.

providers towards giving more consideration to social and environmental concerns.

In 2017, Mercialys worked on including CSR clauses in service agreements that have a significant environmental impact - namely construction and property management at its centers.

CSR clauses have therefore been incorporated into Sudeco's technical management mandate. The property manager is expected to comply with Mercialys' Charter of Ethics and Code of business conduct, as well as its CSR strategy, and must also suggest ways of improving environmental performance and submit a monthly report on fluid consumption.

As regards projects and works, a set of specifications covering all the environmental requirements was prepared by Mercialys and attached to the delegated project management contract to ensure that the Company's CSR strategy is taken into account in projects that the Delegated Project Management carries out on its behalf (environmental certification process, reduction of noise pollution from construction sites, plant energy performance, indoor air quality analysis, construction waste sorting, soil protection during construction, etc.).

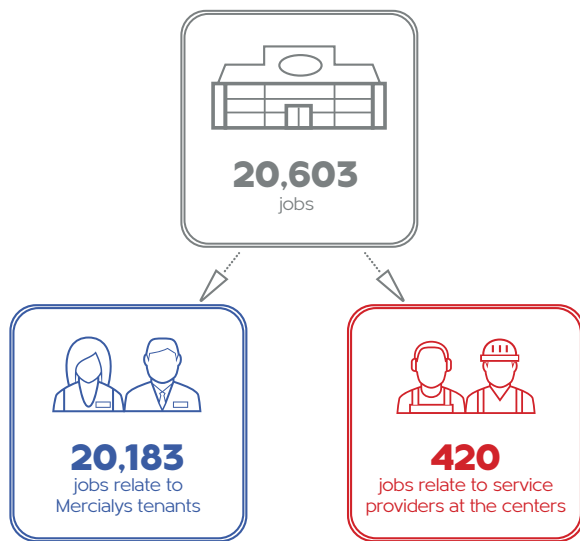
Mercialys also takes advantage of invitations to tender launched by Sudeco to include environmental and social clauses in the purchasing of services for its centers (cleaning, grounds maintenance, general maintenance, etc.). Thus, the invitation to tender launched in 2017 for the cleaning contract included provisions for the systematic use of environmentally certified products.

Finally, apart from contractual clauses, Mercialys seeks to engage constructively with its service providers to examine how they can work together in the interests of continuous improvement and requires Sudeco to meet the main suppliers of its centers each year. In 2017, for example, Mercialys met with the service provider in charge of green spaces maintenance at its centers to see how to further the process of biodiversity protection.

2.2.4.2 LOCAL AUTHORITIES

Mercialys is a key player in the local economy and job market. A large number of people work at a shopping center, such as store assistants, sales personnel, architects, construction workers, and service providers in charge of cleaning or the maintenance of planted areas. Thus, through its properties, Mercialys creates indirect local employment covering a wide range of trades.

In 2017, it was estimated (see § 2.5.1.4 C, p. 98) that Mercialys' shopping centers supported around 20,600 jobs: more than 20,180 jobs are with retailers and more than 420 are with service providers operating at the centers.



Public authorities are stakeholders with whom there is dialog at all stages of development of a real estate project:

- upstream, to determine jointly how to stimulate the local economy while minimizing the project's environmental impact;
- during management of the property, to support local employment or any initiatives that might be implemented by the authorities;
- during an extension or renovation project, to determine jointly how to strengthen the commercial hub without dramatically increasing its environmental footprint.

2.2.5 Financial community

The Chief Financial Officer and the Investor Relations Manager are responsible for relations with the financial community, particularly investors, shareholders and analysts. They have various opportunities to meet with investors and analysts: Financial Communication Meetings, Annual General Meetings, roadshows, conference calls, conferences, etc.

Mindful of the quality of its relations with the financial community, Mercialys regularly engages with investors and seeks to improve the quality of the information it publishes, both financial and non-financial. Its commitment to the clarity of its non-financial

reporting and to transparency was recognized with several awards in 2017. These included: the "EPRA Gold Most Improved sBPR Award 2017", an EPRA Gold Award for the application of international best practices in non-financial reporting, and coming third in the "Grands Prix de la Transparence" awards for SBF 120 companies.

The Company's financial reporting is conducted to the highest international standards. In recognition of this, it has for several years received an EPRA Gold Award in this field.

2.2.6 Professional bodies

Mercialys is a member of several professional associations:

- EPRA (European Public Real Estate Association);
- FSIF (French Federation of Real Estate Companies);
- CNCC (French Council of Shopping Centers).

Mercialys pays annual dues to these organizations on the basis of the fee schedules established by them.

The Company sits on the various committees and working groups of these industry associations, and on one governing body (the Board of Directors of the CNCC).

Mercialys is an active member of the CNCC and FSIF Sustainable Development Committees. Moreover, in 2017 Mercialys' CSR officer was appointed Chair of the CNCC's Sustainable

Development Committee, following nomination by the Committee and by the CNCC Chief Executive.

Because these bodies represent the entire sector, this gives Mercialys the opportunity to communicate its position on any lobbying they might initiate. Whatever actions are taken, lobbying is a highly controlled practice within the company and solely within the purview of Senior Management. Indeed, the Charter of Ethics and Code of business conduct - given to each employee upon joining the Company, and updated annually - state that any position involving the Company and its place within its business sectors is the sole prerogative of the Senior Management or subject to its approval.

2.3 WORKING TO REDUCE ENVIRONMENTAL IMPACTS

Because the management of environmental impacts is a significant strategic objective, Mercialys implements action plans and improvement plans in the areas of energy, water, waste, biodiversity and greenhouse gas emissions.

Mercialys is mindful of the energy performance of its buildings, both during the design and construction phases and during the operational phase of its portfolio.

Climate change is a major challenge for the real estate sector, as its consequences can be numerous: floods, major snow events, droughts, etc.

The reduction of greenhouse gases is therefore a major challenge and a key priority, whether these emissions are related to the energy consumption of buildings, the transport of visitors or leaks of refrigerant. In 2018, Mercialys will therefore set out its carbon roadmap to 2030.

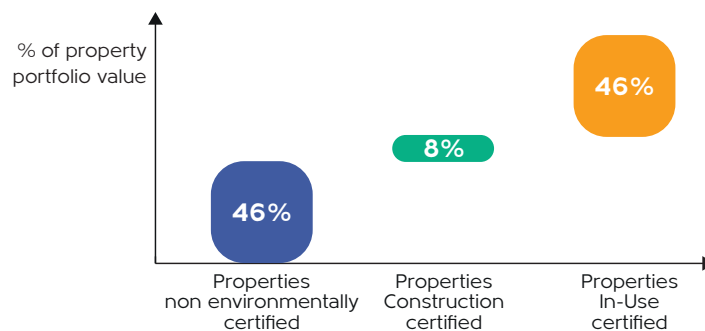
The Company is also committed to reducing water consumption at its centers, although its properties are not situated in areas of water stress and its activities are not intensive users of water.

Moreover, its commitment to encourage the protection of "urban" and "ordinary" biodiversity is principally achieved by maintaining and enhancing green spaces at its centers, as most of its portfolio are located in urban or semi-urban areas.

Finally, conscious of the challenges associated with waste recycling, Mercialys seeks to raise awareness of this subject, both among teams working on construction sites, and among its employees and tenants.

2.3.1 Environmental certification

Environmental certification is a valuable tool for environment management, widely used in the field of commercial real estate to coordinate environmental policy, to improve practices and to reassure stakeholders of the robustness of the approach undertaken.



2.3.1.1 BREEAM NEW CONSTRUCTION CERTIFIED PROJECTS

Mercialys has chosen BREEAM New Construction for the certification of its projects and La Galerie Espaces Fenouillet, a shopping center in Toulouse, was certified BREEAM Excellent in 2017. The retail park adjoining the center is also BREEAM Excellent certified.

Environmental construction certification (Cert - Tot⁽¹⁾)

		Percentage of centers certified BREEAM New Construction, by value		Number of centers certified BREEAM Construction		Coverage rate
Current scope	2015	0%		0		100%
	2016	0%		0		100%
	2017	8%		1		100%

(1) The codes in brackets correspond to the EPRA nomenclature used for the Sustainability Best Practices Recommendations (SBPR) Guidelines.

2.3.1.2 A BREEAM IN-USE CERTIFIED PORTFOLIO

To manage the environmental performance of its assets effectively, Mercialis uses BREEAM In-Use standards, which are the benchmark in the commercial real estate sector.

The Company has embarked upon the gradual certification of its entire portfolio. The aim is to improve the certification of all its centers by one level by 2020.

BREEAM In-Use certification is a valuable management tool for the teams because of its exhaustive benchmarking (nine environmental themes monitored), its relevance to the shopping centers, and its stringent requirements. It enables Mercialis'

teams to enter a virtuous circle of continuous improvement and competitive spirit, and external stakeholders to assess the environmental quality of the Company's shopping centers.

In 2017, Mercialis entered a new phase by embarking on a pilot certification program for its portfolio with BRE, the certifying body. The program - which was unprecedented in France - allowed Mercialis to certify 25 assets at the same time.

Mercialis was able to manage this project due to the relevance of its CSR strategy, of the procedures introduced, and of the actions taken. Therefore, as of December 31, 2017, 46% of the portfolio was BREEAM In-Use certified (*versus* 28% as of December 31, 2016), with an average certification level of Good on Axis 1 of the benchmark and Very Good on Axis 2.

Operational environmental certification (Cert - Tot)

		Percentage of BREEAM In-Use certified centers, by value	Number of BREEAM In-Use certified centers	Coverage rate
Current scope	2015	28%	5	100%
	2016	28%	5	100%
	2017	46%	22	100%

2.3.2 Managing energy consumption

Energy performance is a major challenge for Mercialis. Energy effectiveness enables Mercialis to reduce the environmental footprint of its shopping centers and protects its tenants from fluctuating energy prices.

This is why Mercialis has recorded its requirements in its work specifications, which it has annexed to the delegated project management contract and shared with all the teams involved with these subjects.

2.3.2.1 ENERGY PERFORMANCE DURING CONSTRUCTION

The design and construction phases are critical to reducing the energy consumption of a building. This involves following bi-climatic architecture principles to reflect or even take advantage of natural elements (such as wind or sun) to reduce the building's energy requirements, particularly by encouraging natural lighting or enhancing its insulation.

The construction techniques also impact on the building's energy efficiency as well as the energy performance calculated for the shopping center.

2.3.2.2 MANAGING ENERGY EFFICIENCY WHILE OPERATING

In 2017, Mercialis' shopping centers consumed about 60,000 MWh of energy, *i.e.* equivalent to the annual electricity consumption of 12,840 French households⁽¹⁾.

76% of the energy consumed by Mercialis' shopping centers is electricity.

(1) Source: French Energy Regulatory Commission - 2015.

Energy mix and total energy consumption (Elec-Abs, Elec-LfL, DH&C-Abs, DH&C-LfL, Fuels-Abs, Fuels-LfL)

		Total energy consumption (in MWh)	Electricity consumption (in MWh)	Gas consumption (in MWh)	Consumption of urban heating (in MWh)	Coverage rate
Current scope	2015	69,841	49,392	19,066	1,383	95%
	2016	66,654	48,621	16,570	1,462	96%
	2017	60,089	45,767	12,757	1,565	95%
Like-for-like	2015	49,186	37,646	10,157	1,383	94%
	2016	47,497	37,103	8,932	1,462	94%
	2017	46,937	35,742	9,631	1,565	94%
	Change 2016-2017	-1.2%	-3.7%	7.8%	7%	
	Change 2015-2017	-4.6%	-5.1%	-5.2%	13.2%	

The consumption of fuel oil has not been recorded in because it is marginal. It only concerns the supply for back-up generators which are only likely to be used in the event of the outage of a primary system.

Mercialys is working to reduce the energy consumption of its properties while they are operating. Thus, on a like-for-like basis, the Company reduced the energy consumption of its centers by 5% between 2015 and 2017. These efforts were offset by the

climate effect, as evidenced by the increase in gas consumption (for heating only) due to a colder winter than in the previous two years.

Energy intensity per sq.m (Energy - Int)

		Surface energy intensity (in kWh/m ²)	Coverage rate
Current scope	2015	186.7	95%
	2016	188.6	96%
	2017	179.8	95%
Like-for-like	2015	169.7	94%
	2016	169.1	94%
	2017	164.7	94%
	Change 2016-2017	-2.6%	
	Change 2015-2017	-2.9%	

Mercialys reduced its energy intensity per unit area by 3% on a like-for-like basis between 2015 and 2017.

Energy intensity per visitor (Energy - Int)

		Intensity of energy use (in kWh/visitor)	Coverage rate
Current scope	2015	0.41	72%
	2016	0.44	71%
	2017	0.42	69%
Like-for-like	2015	0.39	78%
	2016	0.38	78%
	2017	0.38	78%
	Change 2016-2017	-0.6%	
	Change 2015-2017	-4.5%	

In 2017, Mercialis developed a tool to calculate the energy consumption of its portfolio, adjusted for climate. This adjustment excludes the impact of climate on energy consumption. The resulting indicator can be used to measure changes in

consumption due to the energy efficiency actions implemented by sites, estimated to be an 8% reduction between 2015 and 2017.

Energy consumption at constant climate

		Climate-adjusted energy consumption (in MWh)		Coverage rate
Current scope	2015		45,285	67%
	2016		44,107	68%
	2017		40,614	68%
Like-for-like	2015		33,381	68%
	2016		32,239	68%
	2017		30,738	68%
	Change 2016-2017		-4.7%	
	Change 2015-2017		-7.9%	

2.3.2.3 ENERGY CONSUMPTION OF LARGE FOOD STORES

To have a snapshot of the energy efficiency of large food stores and high-street assets (hypermarkets and Monoprix) acquired for redevelopment, Mercialis has been monitoring the private consumption of these tenants since 2016.

Private energy consumption

		Total energy consumption (in MWh)	Electricity consumption (in MWh)	Gas consumption (in MWh)	Fuel oil consumption (in MWh)
Current scope	2016	84,176	75,291	7,642	1,243
	2017	92,327	81,925	9,372	1,031
Like-for-like	Change 2016-2017	-3.9%	-4.7%	7.4%	-17.1%

On a like-for-like basis between 2016 and 2017, the total energy consumption of large food stores fell by around 4%, despite the harsh climatic conditions in 2017.

2.3.2.4 RENEWABLE ENERGY

In 2017, 8% of the energy consumption at Mercialis' centers was from renewable sources.

Percentage of renewable energy consumption (Elec-Abs)

		Percentage of renewable energy consumption (in %)	Coverage rate
Current scope	2017	8.4%	95%

Mercialis promotes the development of renewable energies by installing photovoltaic shading in its parking lots and rooftop solar installations in collaboration with GreenYellow, a subsidiary of the Casino group.

At December 31, 2017, Mercialis had 38 photovoltaic power plants in its portfolio, producing the equivalent of 86% of energy

consumption on a current basis in 2017. The photovoltaic shading in the parking areas also has the advantage enhancing customer comfort, as it protects them from the sun and rain.

On a like-for-like basis, the production of renewable energy increased by 17% between 2015 and 2017.

Production of renewable energies

		Number of power plants	Total power (in kW)	Total area of solar panels (in sq.m)	Production (in MWh)	Percentage of the portfolio covered, by value	Coverage rate
Current scope	2015	30	40,712	202,816	44,334	30%	100%
	2016	36	40,766	203,148	47,829	38%	100%
	2017	38	42,235	210,497	51,736	39%	100%
Like-for-like	Change 2016-2017				8.2%		100%
	Change 2015-2017				16.7%		100%

2017 was a key year for renewable energy development at Mercialis' assets because, for the first time, a newly installed photovoltaic power plant had supplied electricity to the La Galerie

Cap Costières shopping center. Thus, 27% of the site's energy needs are covered by on-site renewable energy production.

Mercialis plans to roll out this project to new assets in 2018.

2.3.3 Action to tackle climate change

Climate change is a risk for the real estate sector. For Mercialis' business in particular:

- some shopping centers may need to introduce "structural" measures to adapt to climate change which could have a significant economic impact;
- the physical risk would also result in a change in the operation of the centers, which would have to adapt (change in outside temperature and increased occurrence of extreme events, etc.);
- some "weather-sensitive" retailers would see their revenues impacted, which would also pose an indirect risk to Mercialis, as lessor.

Greenhouse gas emissions, particularly carbon dioxide (CO₂), are the main factor in global warming. Therefore, Mercialis is committed to measuring and monitoring its emissions, together with actions aimed at reducing them.

2.3.3.1 ADAPTING TO THE CONSEQUENCES OF CLIMATE CHANGE

There are numerous consequences of climate change, such as flooding, heavy snowfall, drought, etc. Mercialis' portfolio is therefore exposed to a number of risks – such as destabilization of structures and pollution – that may eventually have a significant economic impact, such as increasing insurance premiums, maintenance expenditure, and reputational risk for example.

Prior to each project, a systematic analysis of historical climate events is carried out to optimize site design.

2.3.3.2 SCOPE 1 AND 2 EMISSIONS

The air conditioning systems installed in Mercialis' shopping centers work using refrigerant fluids. Due to their age and the fact that they operate under high pressure, these facilities may leak. The leakage of refrigerant fluids into the air conditioning systems releases gases with a particularly⁽¹⁾ high global warming potential.

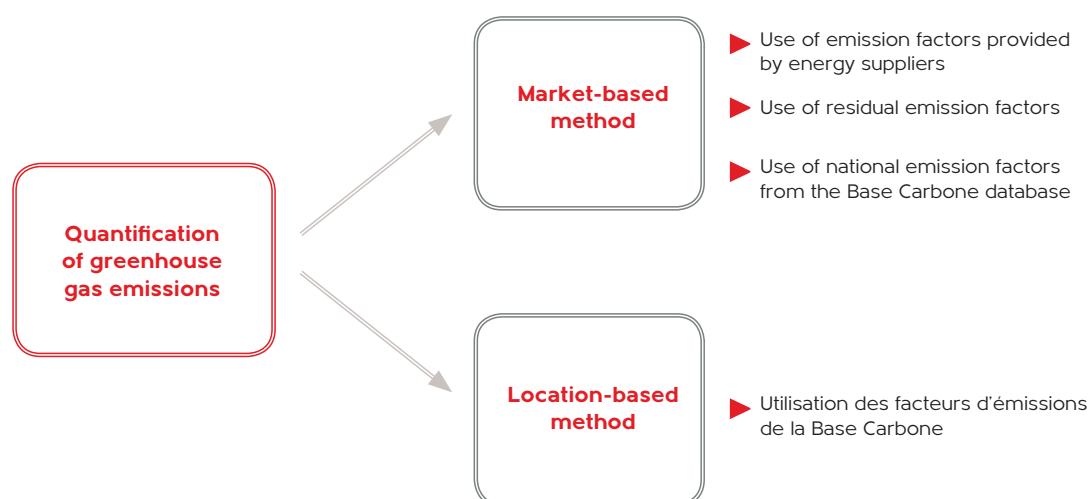
(1) Global Warming Potential (GWP) is a measure of the contribution of a gas to the greenhouse effect.

Greenhouse gas emissions (Scopes 1 and 2) (GHG-Dir-Abs, GHG-Indir-Abs)

		Direct emissions (Scope 1) (in tCO ₂ e)	Indirect emissions (Scope 2) (in tCO ₂ e)		Total direct and indirect emissions (Scopes 1 & 2) (in tCO ₂ e)		Coverage rate
			Location-based method	Market-based method	Location-based method	Market-based method	
Current scope	2015	3,137	2,829	-	5,966	-	72%
	2016	2,707	2,782	-	5,489	-	78%
	2017	2,566	4,660	4,302	7,226	6,868	92%
Like-for-like	2015	2,238	2,281	-	4,519	-	71%
	2016	1,900	2,154	-	4,054	-	71%
	2017	1,734	2,056	-	3,790	-	71%
	Change 2016-2017	-8.7%	-4.6%	-	-6.5%	-	
	Change 2015-2017	-22.5%	-9.9%	-	-16.1%	-	

On a like-for-like basis, Scope 1 and 2 greenhouse gas emissions fell by more than 16% between 2015 and 2017.

In accordance with the CDP (Carbon Disclosure Project) protocol, priority is given to the most relevant emission factors, where these are available (see diagram below).



Carbon intensity per sq.m (Scopes 1 and 2) (GHG - Int)

		Carbon intensity per area (in kg of CO ₂ equivalent per sq.m)	
		Carbon intensity per area	Coverage rate
Current scope	2015	22.5	72%
	2016	19.1	78%
	2017	23.7	92%
Like-for-like	2015	20.4	71%
	2016	19.1	71%
	2017	17.4	71%
	Change 2016-2017	-8.5%	
	Change 2015-2017	-14.3%	

NB: the greenhouse gas emissions shown above are calculated using emission factors adapted for the location-based method.

The average carbon intensity for Mercialis is 23.7 kg CO₂ equivalent per sq.m, corresponding to class C of the energy performance certificate (DPE) for shopping centers.

On a like-for-like basis, Mercialis reduced its carbon intensity per area by 14% between 2015 and 2017.

Carbon intensity per visitor (Scopes 1 and 2) (GHG - Int)

		Carbon intensity per visitor (in kg CO ₂ equivalent per visitor)	Coverage rate
Current scope	2015	0.06	61%
	2016	0.05	62%
	2017	0.06	67%
Like-for-like	2015	0.05	59%
	2016	0.05	59%
	2017	0.04	59%
	Change 2016-2017	-10.5%	
	Change 2015-2017	-21.6%	

NB: the greenhouse gas emissions shown above are calculated with emission factors adapted for the location-based method.

Greenhouse gas emissions per visitor fell by more than 21% between 2015 and 2017.

2.3.3.3 CONSIDERING THE LARGEST SCOPE: SCOPE 3

In 2017, Mercialys worked to quantify its Scope 3 emissions to better understand its broader carbon footprint. To do this, the Company used the GHG Protocol to quantify its emissions based on the 15 categories provided by the method (purchased goods and services, employee commuting, investments, etc.).

Greenhouse gas emissions Scope 3



681,757*

Greenhouse gas emissions linked to products sold by retailers



46,468*

Greenhouse gas emissions linked to commuting by employees and tenants



263,999*

Greenhouse gas emissions linked to visitor transport



65,137*

Greenhouse gas emissions linked to the energy consumption of tenants and the upstream emissions associated with the consumption of its centers



Scope 3 coverage rate: 95%

* In tons equivalent of CO₂

This carbon analysis helped to identify the main sources of greenhouse gas emissions for Mercialys in 2017, ranked in order of importance:

- products sold by retailers at its centers;
- visitors traveling to its centers;
- energy consumption of tenants and upstream emissions associated with the consumption at its centers;
- commuting by its employees and tenants.

This analysis will enable Mercialys to prioritize its mitigating action based on the carbon impact of the different emission sources and the associated level of operational management.

Developing mobility to reduce the carbon footprint

Changing the modes of transport used by visitors to travel to and from Mercialys' centers is key to reducing Mercialys' carbon footprint.

Mode of transport used by visitors

	Car or motorbike	Public transport	Walking	Bicycle	Coverage rate
2015	85.5%	7.4%	6.3%	0.8%	53%
2016	85.5%	7.4%	6.2%	0.8%	52%
2017	74.5%	14%	8.9%	2.5%	62%
Change 2016-2017	-	-	-	-	-
Change 2015-2017	-12.9%	88.5%	42.4%	210.7%	

In 2017, 75% of visitors used a car to get to Mercialys' shopping centers, making this a significant challenge for the Company. Mercialys is keen to nudge people towards new forms of mobility, such as carpooling, and to that end has formed a partnership with online carpooling community BlaBlaCar. Mercialys provides

Mercialys is focusing its efforts in two areas:

- the development of an innovative, less carbon-intensive, transport offering, in conjunction with local authorities and through partnerships with companies and/or organizations in this sector. Thus, in its car parks, the Company is providing special equipment:
 - bicycle shelters;
 - parking spaces reserved for carpooling users;
 - charging stations for electric and hybrid vehicles.
- promotion of the use of low carbon footprint transport for visitors and retailers including: real-time display of bus timetables in the center, messages raising awareness on screens in the center, information on the shopping centers' website, and mobile app for the shopping center, etc.

visitors with dedicated carpooling spaces at its centers, which are listed in the BlaBlaCar application. In 2017, 68% of centers were listed (by value) and 7,255 journeys were made from these centers.

Carpooling

	Percentage of centers with carpooling spaces, by value	Number of BlaBlaCar users of carpooling spaces	Number of BlaBlaCar trips made from centers	Coverage rate
2017 current scope	68.5%	10,240	7,255	100%

Mercialys is also developing a network of charging stations for electric and hybrid vehicles to encourage visitors to switch to greener vehicles. As of December 31, 2017, 22 charging stations were available at Mercialys' centers.

Electric vehicle charging stations

	Number of charging stations	Number of sockets	Percentage of centers with electric vehicle charging stations	Coverage rate
2017 current scope	22	40	37.2%	100%

2.3.4 Responsible waste management in a circular economy

Three types of waste are generated by Mercialis' shopping centers:

- construction waste, associated with building or renovating the shopping centers;
- waste from visitors to the shopping centers;
- and operating waste from retail tenants.

Aware of the challenges associated with recycling waste, Mercialis is striving to increase awareness of this issue among teams working on construction sites, and among its employees and tenants.

Volume of construction waste

	(in tons)	Morlaix	Rennes	Monthieu
Current scope 2017	Non-Hazardous Industrial Waste (NHIW)	92.8	152.98	202.76
	Rubble	72.48	6.44	105
	Wood	0	29.88	2.72
	Scrap metal	0	11.4	0
	Total	165.28	200.7	310.48

2.3.4.2 OPERATIONAL WASTE

In the shopping centers, the waste generated is directly linked to the packaging of products sold by the retailers and their logistical operations.

For Mercialis, apart from the quantities produced, the challenge therefore lies in recycling the waste, with the view that today's waste is tomorrow's resources. For a property company, the complexity of this challenge lies in "the behavioral component": waste from retailers is placed in dedicated areas and trash cans. Recycling is therefore dependent on the way the retailers sort their waste.

In addition to reducing the impact of their business activities on the environment, retailers can also benefit economically from recycling waste. In fact, cardboard, plastic and other recyclable materials are bought by specialized service providers in order to resell them as secondary raw materials. By improving the way they sort their waste, retailers can therefore help centers to

2.3.4.1 CONSTRUCTION WASTE

In France, about 78% of all construction waste by volume is associated with economic activities⁽¹⁾. Construction waste is therefore a significant concern.

In 2017, Mercialis' three main extension projects (Saint-Etienne, Morlaix and Rennes) generated 676 tons of waste.

Therefore, to reduce the environmental impact of this waste, its reuse on site and/or sorting for recycling are to be encouraged. Accordingly, on site construction waste sorting is one of the criteria included in Mercialis' work specifications, attached to the delegated project management contract.

reduce the cost of removing and processing such waste, and thus the amount of charges invoiced to tenants.

Mercialis' responsibility for its waste is consequently twofold:

- first, it needs to provide appropriate space, equipment and processing channels for both its tenants and visitors to the shopping centers;
- second, it needs to raise awareness and encourage retailers to improve how they sort their waste.

Within the current scope, Mercialis' properties generated 7,270 tons of waste in 2017. This represents an average of 182 tons of waste for each shopping center.

76% of the waste produced by the properties is made up of non-hazardous industrial waste, 23% is cardboard and 1% is other waste (plastic, wood, metal and compostable materials). 24% of this waste was sorted in 2017. On a like-for-like basis, the recovery rate rose by 13% between 2015 and 2017.

(1) Source: Ademe - Key figures for waste - 2015 edition.

Waste tonnage (Waste-Abs, Waste-LfL)

		Total quantity of waste (in tons)	Non-hazardous industrial waste (in tons)	Cardboard (in tons)	Plastic (in tons)	Compostable materials (in tons)	Metal (in tons)	Wood (in tons)	Sorting rate	Coverage rate
Current scope	2015	6,518	5,141	1,334	21	22	0	0	21%	85%
	2016	7,467	5,970	1,455	24	17	0	0	20%	91%
	2017	7,270	5,506	1,651	33	62	4	14	24%	92%
Like-for-like	2015	5,317	4,184	1,090	21	22	0	0	21%	83%
	2016	5,374	4,519	1,175	24	17	0	0	21%	83%
	2017	5,473	4,156	1,270	28	2	4	14	24%	83%
	Change 2016-2017	-4.6%	-8%	8.1%	15.9%	-90.6%			13.6%	
	Change 2015-2017	2.9%	-0.7%	16.5%	36.7%	-92.9%			13%	

Almost 60% of waste from Mercialys' shopping centers was not sent to landfill in 2017.

Distribution of waste by destination (Waste-Abs, Waste-LfL)

		Recycled	Reused	Compost	Incineration with energy recycling	Incineration without energy recycling	Landfill	Others	No information	Coverage rate
Current scope	2015	2.1%	0.0%	12.7%	3.2%	29.5%	28.3%	12.1%	12.1%	54%
	2016	1.2%	0.0%	6.5%	5.5%	39.3%	25.9%	10.9%	10.6%	58%
	2017	15.0%	0.0%	3.8%	6.1%	25.0%	30.5%	9.9%	9.8%	42%
Like-for-like	2015	1.8%	0.0%	9.4%	4.9%	20.3%	34.2%	15.5%	14.0%	31%
	2016	1.3%	0.0%	4.6%	5.8%	32.0%	32.8%	12.5%	10.9%	31%
	2017	1.6%	0.0%	3.6%	8.1%	28.5%	35.5%	10.5%	12.2%	31%
	Change 2016-2017	19.8%		-21.5%	39.5%	-10.9%	8.2%	-16.6%	12.0%	
	Change 2015-2017	-12.1%		-61.1%	67.0%	40.2%	3.8%	-32.4%	-12.9%	

2.3.5 Preserving biodiversity

Mercialys' impact on biodiversity is limited as most of its assets are located in urban or semi-urban areas.

For Mercialys, preserving biodiversity is not limited to "out-of-the-ordinary" species. For this reason, the Company aims to become a protector of "urban" and "ordinary" biodiversity. Thus, Mercialys' commitment to protecting biodiversity takes the form of maintaining green spaces in its shopping centers.

After conducting environmental audits on certain of its centers, Mercialys amended the maintenance contracts for green spaces, in order:

- to introduce a "zero phytosanitary products" policy;

- to fight against invasive species that harm native biodiversity by disturbing and destroying it;
- to promote the use of indigenous species to limit the need for external action.

In 2017, to continue its protection of ordinary biodiversity, beehives were installed on the roof of La Galerie Espaces Fenouillet in Toulouse. At the same time, an information display was set up in the center to tell customers about bee preservation. In 2018, when the honey is harvested, customers will be invited to sample the honey from the center's beehives and to learn how honey is produced.

2.3.6 Water: reducing consumption and preserving aquatic resources

2.3.6.1 WATER CONSUMPTION

Since the Company's assets are not located in areas subject to water stress and the Company's business does not consume excessive amounts of water, this is not a significant challenge for Mercialis. In 2017, 136,145 m³ of water was used on 89% of Mercialis' properties (by value).

On a like-for-like basis, water consumption fell by 1% between 2015 and 2017.

In order to reduce its environmental footprint, Mercialis is working to reduce water consumption in its shopping centers.

Its actions can be seen in the introduction of water-saving equipment (dry urinals, pressure reducers, dual-flush systems, etc.) in the bathroom facilities in the centers, as well as regular monitoring of consumption carried out by the teams. Rainwater storage tanks are also used to provide water to the toilet facilities and spray the green areas, thereby reducing the water used for such purposes. Finally, consideration of the types of plant species chosen by landscapers for planting schemes also reduces the need for spraying the green spaces in the shopping centers.

Total water consumption (Water-Abs, Water-LfL)

		Water consumption (in m ³)	Coverage rate
Current scope	2015	135,459	83%
	2016	139,763	88%
	2017	136,145	89%
Like-for-like	2015	104,914	83%
	2016	111,067	83%
	2017	104,172	83%
	Change 2016-2017	-6.2%	
	Change 2015-2017	-0.7%	

Water intensity per sq.m (Water - Int)

		Water intensity (in m ³ /m ²)	Coverage rate
Current scope	2015	0.89	83%
	2016	0.89	88%
	2017	0.91	89%
Like-for-like	2015	0.98	83%
	2016	1.03	83%
	2017	0.96	83%
	Change 2016-2017	-6.8%	
	Change 2015-2017	-1.3%	

Water intensity per visitor (Water - Int)

		Water intensity (in L/visitor)	Coverage rate
Current scope	2015	1.22	63%
	2016	1.27	66%
	2017	1.14	64%
Like-for-like	2015	1.21	70%
	2016	1.28	70%
	2017	1.19	70%
	Change 2016-2017	-7.3%	
	Change 2015-2017	-1.5%	

2.3.6.2 WATER QUALITY

Mercialys also pays close attention to the quality of the water it discharges, in order to preserve aquatic resources and the ecosystems that depend on them. The majority of Mercialis shopping centers are equipped with oil separators to treat water before it is discharged into the network.

In addition, to ensure the high quality of water discharged, the Company is progressively signing discharge agreements with water utility companies. These agreements provide, in particular, for the regular monitoring of physical and chemical quality of water discharged into the network.

2.4 SUPPORTING AND EMPOWERING OUR EMPLOYEES IN A SAFE AND ETHICAL WORKING ENVIRONMENT

Employees are a vital asset and play a key role in the success and performance of the business. They are also ambassadors for the Company and its CSR commitment among the various external stakeholders. This is why the human resources function is strategic for Mercialis, paying particular attention to identifying talent, training staff and ensuring the wellness of employees.

As the benchmark for shopping centers in France, Mercialis has to lead by example, unequivocally respecting basic codes of business conduct. It frames its business and projects within a responsible and long-term vision, formalized in a "Charter of Ethics and Code of business conduct". This document sets out the standards of behavior that all employees are required to adopt and enforce while at work.

2.4.1 Deontology and ethics

2.4.1.1 RESPECT FOR FUNDAMENTAL RIGHTS

Mercialys operates in metropolitan France and some French overseas territories (DOM-TOM). In conducting its business, the Company ensures consistent application of national and European laws, as well as respect for fundamental principles in the fields of human rights, labor law, environmental protection and the fight against corruption and money laundering.

2.4.1.2 CHARTER OF ETHICS AND CODE OF BUSINESS CONDUCT

Through its Charter of Ethics and Code of business conduct, Mercialis affirms its deep-seated commitment to the fundamental values enshrined in the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights. This contains rules based on the law and ethics, including those preventing conflicts of interest and fighting against corruption. This charter is given to each new hire and is redistributed annually to all employees. It is accessible in several languages on the Company's website (www.mercialys.com) and is attached to Mercialis's contract with its main service providers, who are required to comply with it.

In 2017, 85% of Mercialys' employees⁽¹⁾ received training in ethics. After a presentation of the theory and the associated penalties, particularly on corruption and conflicts of interest, case studies were examined.

2.4.1.3 INSIDER TRADING POLICY

As a company listed on the Euronext Paris regulated market (ISIN: FR0010241638 - ticker symbol: MERY), Mercialys is also required to show exemplary levels of transparency and to comply with the stock market regulations in force.

The Company is particularly careful to prevent any possible stock market infringements by those who have privileged information and has therefore adopted an Insider trading policy covering all obligations in this regard.

The provisional timetable of financial communications, specifying the scheduled publication dates of periodic information - namely the annual and interim financial statements and quarterly information - is published on the Company's website.

The Chief Financial Officer emails the provisional timetable of "blackout periods" (periods during which no trading in Mercialys' financial instruments is permitted) to permanent insiders and individuals with regular access to sensitive information, prior to the publication of results and earnings.

The Chief Financial Officer also raises the issue at group presentation meetings to new recruits, regardless of their role, seniority and likelihood of exposure to privileged information.

2.4.1.4 WHISTLEBLOWING PROCEDURE AND COMPLIANCE OFFICER

Since January 1, 2018, Mercialys has had a compliance officer who oversees compliance and ethics. A whistleblower protection procedure has also been introduced and is offered to all employees, guaranteeing them confidentiality. Any employee may contact the compliance officer, should the need arise.

2.4.2 Workforce

Mercialys' workforce changed little in 2017 (-1.7% compared to 2016).

The majority of the Company's workforce (86%) have permanent contracts (CDI).

Additionally, in 2017 Mercialys welcomed 18 interns.

Distribution of the workforce by type of employment contract

	2017		2016		2015	
Staff with permanent employment contracts (CDI)	98	86%	96	83%	91	96%
Staff with temporary employment contracts (CDD)	16	14%	20	17%	4	4%
TOTAL STAFF	114	100%	116	100%	95	100%

2.4.2.1 ORGANIZATION OF WORKING HOURS

Depending on the employee's status, there are three types of system for organizing working hours:

- a fixed number of days, for managers;
- a fixed number of hours per week, for supervisors;
- hours per week, for administrative employees.

89% of Mercialys employees work full-time. Employees working part-time have requested to do so.

Distribution of the workforce by length of work

	2017		2016		2015	
Full-time staff	102	89%	106	91%	85	90%
Part-time staff	12	11%	10	9%	10	10%
TOTAL STAFF	114	100%	116	100%	95	100%

There is also a teleworking scheme, as described on paragraph 2.4.7, page 93.

(1) Excluding CEO and interns.

2.4.2.2 STAFF TURNOVER

In 2017, Mercialys recruited 35 new members of staff and hired 12 interns. It also employed seven temporary workers.

Particular attention was paid to the induction process for the new hires. The welcome pack and induction process were reviewed to adapt them to changes in the Company and its organization. In particular, all new recruits were offered an induction tailored to the needs and specific nature of their role.

Recruitment (Emp - Turnover)

	2017	2016	2015
New hires with permanent employment contracts (CDI)	22	23	26
New hires with temporary employment contracts (CDD)	13	20	3
TOTAL HIRES	35	43	29

In 2017, to strengthen the attractiveness of the Mercialys employer brand, work was done to raise the Company's profile on social media (LinkedIn) and at specialist trade fairs, and to showcase the careers on offer (video testimonials posted on the Company's LinkedIn page).

Departures (Emp - Turnover)

	2017	2016	2015
Economic redundancies	0	0	0
Redundancies for other reasons (voluntary severance, personal reasons)	5	5	8
Total departures	36	21	15
Permanent staff turnover	14%	16%	17%

20 departures were related to the time-bound nature of temporary contracts.

In 2017, 36 employees left the Company. The turnover for staff on permanent contracts was 14%.

2.4.3 Skills development

2.4.3.1 GENERAL TRAINING POLICY

Mercialys' training policy is structured around two areas:

- development of employees' skills and knowledge;
- support for staff during the course of their career or profession.

To express their needs and to exercise their right to training, employees are invited to put forward any training requests during their annual performance review. Training, whether certified or otherwise, can also be formulated on a case-by-case basis by managers according to the needs identified for their employees, to ensure that their knowledge is adapted to changes in their current position or a planned future role.

In 2017, 100% of employees attended one or more training courses, *versus* 64% in 2016.

For employee training, Mercialys uses a training center that offers three types of training:

- specific face-to-face training for the various business activities (real estate finance, commercial negotiation, management, etc.);
- cross-functional face-to-face training, which may be useful for all employees (communications, languages, etc.);
- training in e-learning.

Training (Emp - Training)

	2017	2016	2015
Total number of training hours	1,747	1,082	962
Average number of training hours per employee	15.3	9.3	10.1
Percentage of employees trained	101%	64%	62%
Budget allocated to training (<i>in thousands of euros</i>)	198	193	107.2

NB: training hours include employees who have left the Company.

In addition, Mercialys employees are frequently reminded about CSR and environmental protection through presentations by the CSR team at team meetings or in Merynews articles on these topics.

2.4.3.2 EMPLOYEE ENGAGEMENT

The Company is committed to employee engagement, particularly through philanthropic initiatives.

Solidarity

	2017	2016	2015
Number of days donated to caregivers	6	4	5

Mercialys measures its employees' engagement using an anonymous survey conducted every two years. For the last HR survey in 2016, the participation rate was 81%. By analyzing the results and sharing them with all employees, areas for improvement emerged which led to the joint formulation of an

Thus, Mercialys employees can show support by "donating" holidays to colleagues who have a relative (young or old) in need of constant care. In 2017, six days of leave were donated in this way by Mercialys employees as part of the "Help the Caregivers" program.

Mercialys employees are also invited to take part in the annual national Food Bank collection, by helping warehouse volunteers during the last weekend in November.

action plan, shared by each head of department with his or her teams. In 2017, the introduction of teleworking and the change in the appraisal process are two examples of the action plan in operation.

2.4.4 Compensation

2.4.4.1 SALARIES

To increase its appeal and retain its employees, Mercialys has an incentive-based compensation policy in place which is designed to be attractive compared to its business sector and motivational.

The compensation for Mercialys' management team is made up of a fixed salary and variable compensation. The variable component varies from 8% to 80% of overall compensation and is correlated to the achievement of three types of objective, evaluated at the start of the following year:

- quantitative objectives for Mercialys;

- individual quantitative and qualitative objectives, related to the employee's performance evaluated by his/her manager;
- Managerial Attitudes and Behavior (ACM), *i.e.* the managerial behavior and actions expected by the Company from each of its employees. The ACM was revised in 2016 to take CSR into account so that each employee can incorporate it into his/her role and day-to-day activities. These are organized around the acronym "LIDERS": Leadership, Innovation, Decision, Engagement, client Responsibility, Social & societal.

Changes in compensation

	2017	2016	2015
Average annual increase for employees	1%	1%	0.7%

In 2017, the average percentage increase stipulated by compulsory annual negotiations was 1%.

Following the employee survey carried out in 2016, Mercialys' staff appraisal process was revised. Appraisals are now made every six months rather than annually, to give the manager and employee more opportunity to discuss achievement of the objectives and update them if necessary during the year.

Bonus shares

2.4.4.2 BONUS SHARES

Mercialys introduced a bonus share plan to help retain its highest performing employees. In 2017, a comprehensive plan for all eligible employees was also implemented. Thus, 43,947 shares were awarded at no cost.

For more details, see chapter 3, paragraph 13.4, page 177.

	2017	2016	2015
Number of shares distributed	43,947	42,464	0

2.4.5 Promoting diversity

Mercialys firmly believes that diversity is a source of healthy competition and innovation and is beneficial for all. The Company has therefore been committed for many years to combating all forms of discrimination, whether based on gender, age, disability, sexual preference, religion or physical appearance.

2.4.5.1 GENDER EQUALITY

Women make up 55% of the Mercialis workforce and 43% of managers.

Employee breakdown by gender (Diversity - Emp)

	2017		2016		2015	
Female managers	37	43%	35	43%	31	40%
Male managers	49	57%	46	57%	46	60%
Female employees	13	87%	13	59%	4	67%
Male employees	2	13%	9	41%	2	33%
Female supervisors	13	100%	13	100%	12	100%
Male supervisors	0	0%	0	0%	0	0%
TOTAL WOMEN	63	55%	61	53%	47	49%
TOTAL MEN	51	45%	55	47%	48	51%

In 2017, women represented 51% of Mercialis' supervisory staff⁽¹⁾.

Equality in management (Diversity - Emp)

	2017		2016		2015	
Number of women on the Management Committee	2	22%	2	22%	1	14%
Number of women on the Board of Directors	6	50%	5	42%	4	36%

Women make up 22% of the Management Committee and 50% of the Board of Directors of Mercialis. Women also chair the three specialized committees assisting the Board of Directors (Investment Committee, Audit, Risks and Sustainable Development Committee, and Appointments and Compensation Committee).

Mercialys is therefore particularly exemplary in terms of gender equality at all levels of management.

For the fourth consecutive year, Mercialis has been recognized as one of the SBF 120 companies with the highest percentage of women in its governing bodies.

Equal pay (Diversity - Pay)

	2017	2016
Average salary for male executives (<i>in euros</i>)	70,726	69,989
Average salary for female executives (<i>in euros</i>)	60,629	66,802
Executive pay differential	-15%	-4%

NB: The average wages of employees and supervisors are not disclosed due to the low number of staff concerned. In 2017, the pay gap between 2016 and 2017 is due to women leaving for more senior roles.

Moreover, Mercialis is committed to achieving effective pay equality. In order to ensure similar changes in compensation, the average salary increase expected by the collective agreement is automatically applied to the salaries of women during their

maternity leave. Finally, during maternity and paternity leave, Mercialis makes up the entire salary differential not covered by social security.

(1) Supervisors and managers.

Equality in career progression

	2017		2016		2015	
Number of women promoted during the year	1	100%	1	100%	3	75%

100% of employees promoted in 2017 were women.

Equality in recruitment

	2017		2016		2015	
Number of women recruited during the year	21	66%	24	75%	13	45%

Equality in training (Diversity - Emp)

	2017		2016		2015	
Number of women trained during the year	61	53%	51	69%	32	54%

2.4.5.2 INDUCTION OF DISABLED PEOPLE IN THE WORKPLACE

Mercialys' policy concerning the employment of disabled workers focuses on three areas:

- the use of suitable recruitment solutions through specialized recruitment firms;
- the development of partnerships with schools to accommodate interns or young graduates with disabilities. For example, in 2017 the Company signed a three-year partnership agreement with the Institute of Political Studies in Paris, to receive applications from students with disabilities for internships or entry-level positions;
- raising awareness among employees and managers by sending information emails, especially during Disability Employment Week.

In 2017, Mercialys did not have any disabled employees in its workforce.

In addition, Mercialys indirectly contributes to the employment of disabled people by using companies in the protected sector for services provided at its shopping centers, such as the upkeep of green spaces and cleaning.

2.4.5.3 KEEPING OLDER PEOPLE IN EMPLOYMENT AND THE INDUCTION OF YOUNG PEOPLE

The average age of Mercialys' employees is 37.

In 2017, 14 workers under 26 and 1 worker over 50 joined its workforce.

Distribution of workforce by age group

	2017		2016		2015	
Staff under 30	33	29%	36	31%	16	17%
Staff aged between 30 and 50 (inclusive)	67	59%	66	57%	68	71%
Staff over 50	14	12%	14	12%	11	12%

2.4.6 Dialog between management and labor

Mercialys employees benefit from a collective employee dialog agreement. This defines the role of the various parties involved, determines how information and communication technologies are used and identifies the modus operandi of constructive employee dialog.

On account of Mercialis' size, employee dialog is conducted through staff representatives. Staff representatives are invited to monthly meetings to raise questions or to receive information from Management. In 2017, 17 meetings took place with staff representatives.

Mercialys employees are covered by 10 main collective agreements (excluding amendments).

These agreements are as follows:

- the agreement on employee dialog of December 19, 2016;
- the master agreement on psychosocial risks of January 22, 2010;
- the agreement on arduous working conditions of July 4, 2012;
- the agreement relating to the Company Savings Plan (PEE) of July 31, 2008;

- the agreement relating to the Collective Retirement Savings Plan (PERCO) of September 25, 2009;
- the agreement on the Time Savings Plan (CET) of May 20, 2008;
- the Group agreement on Equal Opportunities, Diversity and Discrimination Prevention of October 14, 2005;
- the agreement on equality between men and women in the workplace of November 21, 2011;
- the agreement on solidarity day arrangements of April 29, 2005;
- the agreement of December 7, 2012 on leave for family caregivers.

In addition, in November 2017, a new agreement on professional equality was signed.

The collective agreements are available to all workers on the intranet.

Collective bargaining

	2017		2016	
Number of employees covered by a collective agreement	114	100%	116	100%

Furthermore, several communication tools are in place to ensure regular dialog between employees and the Management team:

- the bi-monthly internal information newsletter, "Merynews", which showcases achievements so that they can be shared with all employees;
- "Dialogue", a consultation platform, enables employees to address their questions to Senior Management;
- quarterly breakfast meetings are held between the Chairman and a limited number of employees. In 2017, 20 workers took part in these events.

In 2017, Mery & Co, a bi-annual newsletter that focuses on different Company's departments, introduced employees to the property management business.

Two annual events also provide Management with an opportunity to share information with all staff on shared success stories and forthcoming projects: the Mercialis plenary meeting and Financial Information Meetings, to which all employees are invited and where the Company's annual results and strategy are presented.

2.4.7 Ensuring health and safety in the workplace

Mercialys' activities do not present a major risk to the health and safety of workers. Mercialis' key actions on health and safety in the workplace therefore focus on the prevention of psychosocial risks.

Various arrangements have been introduced to prevent such risks: training, crisis lines, collective agreements, etc.

Accidents at work (H&S - Emp)

	2017	2016	2015
Fatal accidents	0	0	0
Number of occupational diseases	0	0	0
Number of work-related accidents resulting in lost time of at least one day	0	0	0
Frequency rate of work-related accidents resulting in lost time of at least one day	0%	0%	0%
Severity rate of work-related accidents resulting in lost time of at least one day	0%	0%	0%

Absenteeism (H&S - Emp)

	2017	2016	2015
Absenteeism rate	3,4%	3,4%	3,9%

Due to regular travel by some teams, particular attention is paid to road safety. A comprehensive campaign, including an information booklet or "on the road memo", an e-learning module on preventing risks on the road, a guide to "10 eco-driving tips" and specific training sessions, have been introduced to raise employee awareness about the dangers of driving and to remind them how to drive safely.

The action plan developed following the employee engagement survey conducted in 2016 provided clarification of Company policy on the prevention of psychosocial risks.

In 2017, a questionnaire was sent to all employees to assess three aspects of this subject: the intensity and complexity of the work, the pace of work, and managing emotions. The participation rate was 72.5%.

The objective was to analyze the results of the questionnaire before working together on the best prevention policy. This is organized around three areas, by introducing:

- actions to eliminate risk;
- actions to mitigate risk;
- remedial actions following manifestation of the risk.

Moreover, in 2017 each manager presented to all his or her staff a charter on the right to disconnect. This defines the right to disconnect and sets out best practice for avoiding stress caused by excessive use of digital devices at work.

The action plan, developed jointly following the 2016 employee survey, also includes a teleworking pilot scheme. After two months of conclusive tests with a panel of eight employees, the scheme was made permanent in 2017. It involved 22 employees at December 31, 2017. Staff must have worked for the company for at least a year before they are eligible for the scheme.

Teleworking

	2017
Number of teleworkers	22
Number of people eligible for teleworking	58
Teleworking participation rate	38%

2.5 METHODOLOGY AND DATA VERIFICATION

2.5.1 Methodology

The indicators provided below in the CSR part of the Mercalys Registration Document have been selected to meet external requirements concerning non-financial information, both regulatory (Article 225 of the Grenelle 2 Act, Article 173 of the Law on energy transition for green growth, and the Law on the prevention of food waste) and sector-related (GRESB, EPRA, etc.) information.

Mercalys' non-financial reporting complies with the sectoral guide on CSR reporting drawn up by the French Council of Shopping Centers (CNCC) and with EPRA Sustainability Best Practice Recommendations.

2.5.1.1 SCOPE

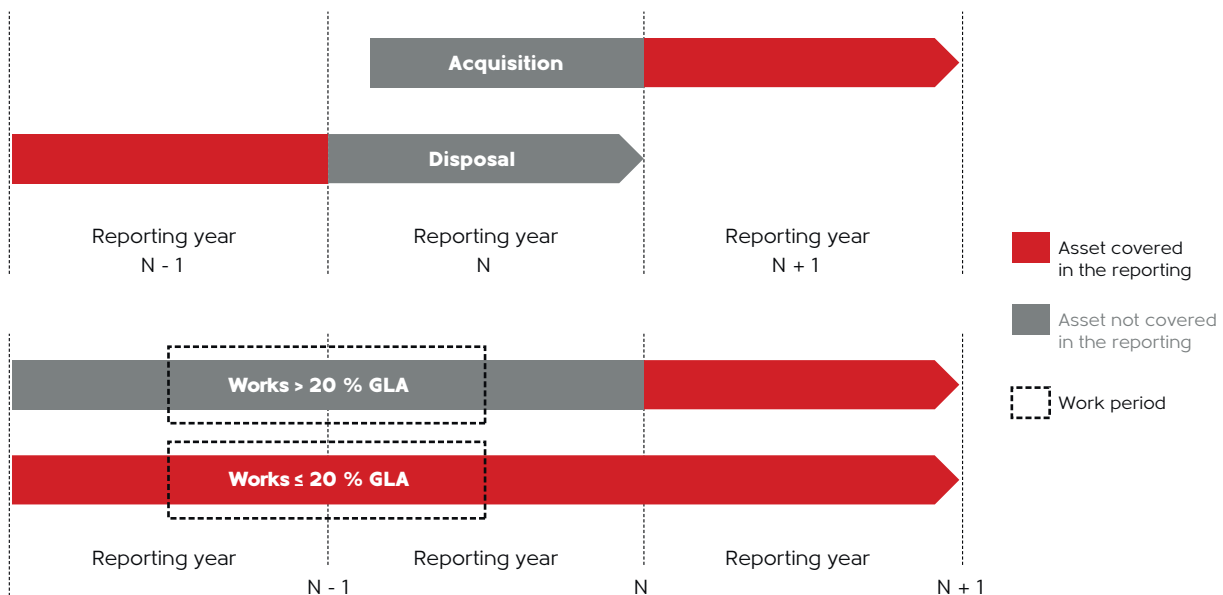
A. CSR scope

The CSR scope includes assets in the portfolio at December 31, excluding "Monoprix" assets and individual lots. The CSR scope therefore solely consists of shopping centers.

B. Current scope

The current scope comprises assets within the CSR scope, excluding acquisitions during the year.

In accordance with the recommendations of the CNCC's CSR reporting guide, assets acquired or sold during the reporting period have been excluded from the reporting scope. Assets undergoing works representing GLA surface creation of more than 20% are likewise excluded from the scope (see diagram below).



C. Like-for-like

The like-for-like reporting scope comprises assets within the current scope, excluding assets that have undergone works during the year.

are reported over a rolling 12-month period, from October 1, 2016 to September 30, 2017. The data given as "2016" thus correspond to environmental indicators calculated from October 1, 2015 through September 30, 2016. Likewise, the 2015 data are those consolidated from October 1, 2014 through September 30, 2015.

D. Reporting period

The environmental indicators (energy consumption, water consumption, greenhouse gas emissions, waste quantities, etc.)

Social and societal indicators are always reported on a calendar basis, from January 1 to December 31, 2017.

2.5.1.2 COVERAGE RATE

For each indicator, the coverage rate is given in terms of fair value.

The fair value of each asset is based on appraisals conducted on behalf of Mercialys. Corsican assets are consolidated at 60%, in line with the financial report.

For constant scope coverage rates, the market values at December 31, 2015, the baseline year for the CSR strategy, are used.

2.5.1.3 EXCLUSIONS

Certain information required by Article 255 of the French Grenelle Law 2, by the French Law on energy transition for green growth, and by the French Law on the fight against food waste is not reported because of the nature of Mercialys' activities and its structure. The reasons behind these exclusions are explained below.

A. Employee breakdown by geographic area

Mercialys operates solely in France. Its employees are split between offices in Paris and offices in the regions. It does not therefore seem particularly relevant to go into such a level of detail.

B. Promoting and respecting the stipulations of the International Labour Organization's fundamental conventions relating to freedom of association, the elimination of discrimination in employment and occupation, the elimination of forced or compulsory labor and the effective abolition of child labor.

Mercialys operates solely in France.

France has ratified the eight fundamental conventions of the International Labour Organization (ILO), namely:

1. Convention 29 on forced labor;
2. Convention 87 on freedom of association and protection of the right to organize;
3. Convention 98 on the right to organize and collective bargaining;
4. Convention 100 on equal remuneration;
5. Convention 105 on the abolition of forced labor;
6. Convention 111 concerning discrimination;
7. Convention 138 on the minimum age for admission to employment;
8. Convention 182 on the worst forms of child labor.

France has transposed the fundamental principles of these conventions into its national law.

More particularly:

- freedom of association was included in the French Law of July 1, 1901;
- the right to collective bargaining was included in the French Labor Code by the Law of July 12, 1971.

Mercialys therefore respects these principles in the same way as it respects other regulatory requirements.

C. Other actions undertaken to support human rights

Mercialys operates solely in France. France adopted the Universal Declaration of Human Rights in 1948 and ratified the European Convention on Human Rights in 1974.

D. Water supply on the basis of local requirements

All Mercialys' properties are located in France. Its shopping centers are therefore not located in areas of water stress (according to the UN definition, regions for which availability of water per year and per person is less than 1,700 m³).

E. Consumption of raw materials and the measures taken to improve the efficiency of their use

Given the nature of its business activities, Mercialys does not buy raw materials directly.

F. Use of soil

Mercialys did not cause any material artificialization of land in 2017.

G. The amount of provisions and guarantees for environmental risks

The major environmental risks identified are correlated with an operating activity.

As of December 31, 2017, Mercialys had not set aside any provisions for environmental risk.

H. Measures to fight food waste

In 2017, Mercialys did not carry out any particular action in the fight against food waste. Nevertheless, the Company relays the initiatives of its tenants or its large food stores adjoining its malls.

2.5.1.4 DEFINITIONS

A. Social indicators

Social indicators are reported for 100% of the Company's workforce.

1. Headcount

The headcount is computed at December 31 of year N, including staff on both open-ended and fixed-term contracts.

2. Hiring

Hiring is accounted for in the number of new contracts signed.

3. Absenteeism rate

The absenteeism rate is calculated using the total number of hours of absence but excluding the hours taken for maternity or paternity leave. The absenteeism rate is calculated on the basis of hours worked, composed of theoretical working hours and break times.

B. Environmental indicators

1. Energy consumption

This relates to electricity, gas and heating consumption paid for and managed by Mercialis' real estate manager, Sudeco, or Corin Asset Management for properties in Corsica.

This indicator therefore includes energy consumption for the common parts of shopping centers (mall and parking lots) and potentially any consumption by stores and the hypermarket if these are connected to communal facilities. Consumption is reported on the basis of actual billed consumption.

2. Renewable energy

A power plant installed on the roof of a shopping center or the shading over a car park is considered to be a photovoltaic power plant.

When a shopping center is equipped with installations on the roof and shading over car parks, two such power plants are recognized. Furthermore, the assets held by a Company in which Mercialis is a minority shareholder are taken into account in this indicator.

Moreover, the share of renewable consumption published on paragraph 2.3.2.4, page 79, is calculated on the basis of the ratios provided by the various energy suppliers.

3. Intensity of use

The footfall used to calculate the intensity of use (kWh/visitor, m³/visitor, etc.) is obtained from counting systems fitted at some centers. They are calculated over the same period as the environmental indicators (i.e., from October 1 of year N-1 to September 30 of year N).

4. Greenhouse gas emissions relating to energy consumption

Location-based emissions

Location-based emission factors used to obtain greenhouse gas emissions from energy consumption are taken from the French Base Carbone 2017 national database.

These are set out in the table below.

Emission factor (in kg CO ₂ eq/kWh)	Electricity		Gas
	2016 and 2017	2015	
Metropolitan France	0.0463	0.0512	0.184
Corsica	0.53		
Reunion Island	0.701		

Emission factor (in kg CO ₂ eq/kWh)	Urban heat
Paris	0.195
Valence	0.295
Grenoble	0.146

Market-based emissions

Market-based emission factors are derived directly from the different energy suppliers. If the emission factor is not available for year N at the time of publication of the Registration Document, the emission factor for N-1 is used. In addition, for properties for which information is not provided by the energy supplier, the residual factor calculated by the AIB (Association of Issuing Bodies) is used. For Corsican and Reunionese assets, the location-based emission factor of the Base Carbone database is used.

5. Greenhouse gas emissions relating to refrigerant leaks

Greenhouse gas emissions generated by refrigerant leaks from air conditioning systems are calculated as follows:

- greenhouse gas emissions generated by liquid = quantity of liquid x GWP of the liquid
- with greenhouse gas emissions in kilograms of CO₂ and the quantity of liquid in kilograms

Refrigerant leaks are data stated by the service provider responsible for maintaining air conditioning systems.

The Global Warming Potential (GWP) of the various refrigerant gases used in systems is taken from IPCC reports. These are set out in the table below.

Refrigerant fluid	100-year GWP
R22	2,110
R134A	1,550
R407C	1,920
R410A	2,250
R717	1
RS45	3,245
RS70	1,765
R404A	4,550

6. Scope 3 greenhouse gas emissions

Scope 3 greenhouse gas emissions are calculated on the basis of estimates. For tenants, energy consumption was extrapolated on the basis of a sq.m ratio provided by the Sustainable Real Estate Observatory. Emissions associated with sales of retailer products were estimated on the basis of monetary ratios per sq.m, per business sector. Finally, emissions related to travel were calculated on the basis of surveys, actual data or INSE studies.

7. Waste

This relates to waste:

- produced by retailers;
- left by visitors in shopping center waste containers.

Waste quantities are given by the service provider that collects and handles the treatment of waste on a web platform.

In case of removal by the local council, an estimation methodology was developed on the basis of the center's revenues.

8. Water consumption

This concerns drinking water consumption in communal areas, expressed in liters. This consumption is associated with the shopping center's sanitation facilities, cleaning and watering of green spaces. It does not include water consumption relating to fire safety, such as sprinklers and storage tanks. These consumption figures are taken from meter readings.

9. Head office data

The environmental indicators related to offices occupied by Mercialis are limited to the surface area occupied in the building (percentage shares).

10. Green leases

The coverage rate of environmental lease schedules is calculated as a percentage of leases signed during the year with an environmental schedule. Exempt leases and lease amendments are excluded.

C. Societal indicators

Jobs at Mercialis shopping centers include:

- store positions in shopping centers. These jobs were identified specifically from a sample of Mercialis' centers. Based on the corresponding areas, employment ratios per sq.m, specific to each business sector, were calculated. These area-based ratios are used to extrapolate store positions at all shopping centers in Mercialis' portfolio;
- indirect jobs with service providers operating at Mercialis' centers. The following activities were taken into account: maintenance, cleaning, insurance and security.

2.5.2 EPRA indicators

In accordance with EPRA (sBPR) reporting best practices, Mercialis reports its energy consumption, greenhouse gas emissions, waste generation and water consumption of its centers and its head office.

2.5.2.1 METHODOLOGY AND CHANGES

EPRA performance indicators are shown within the scope of the common and private areas served by common facilities, in keeping with Mercialis' scope of operational responsibility.

Surface area intensity figures are calculated using the surface area of the common and private areas served, in order to match the scope served and the surface areas taken into account.

EPRA performance indicators are calculated on the basis of actual data, taken from invoices. They are not estimated.

Purely private consumption paid directly by lessees is reported separately in paragraph 2.3.2.3, page 79.

For each EPRA performance indicator, the coverage rate is entered as a percentage of the total value of the CSR scope.

EPRA performance indicators are shown according to only one asset type, since the reporting scope contains only shopping centers over the reporting period.

Published data is subject to verification by an independent third party with a moderate level of assurance. The opinion of the auditors is given in paragraph 2.5.3, page 100.

EPRA performance indicators for offices are reported separately from those of the portfolio as the asset type is different, and they are not owned by Mercialis.

2.5.2.2 EPRA INDICATORS FOR THE HEAD OFFICE

Indicator	EPRA code	Unit	2015	2016	2017	Change 2016/2017
Total electricity consumption	Elec-Abs	MWh	181	225	216	
Total like-for-like electricity consumption	Elec-LFL	MWh	181	225	216	-4%
Total energy consumption from district heating or cooling networks	DH&C-Abs	MWh	137	156	156	
Total energy consumption from district heating or cooling networks, like-for-like basis	DH&C-LFL	MWh	137	156	156	0%
Total fuel consumption	Fuels-Abs	MWh	4.0	4.0	4.2	
Total fuel consumption, like-for-like basis	Fuels-LFL	MWh	4.0	4.0	4.2	4%
Energy intensity of the building	Energy-Int	kWh/sq.m	Not applicable	Not applicable	Not applicable	
Total direct GHG emissions	GHG-Dir-Abs	tCO ₂	1.104	0.736	0.829	
Total indirect GHG emissions	GHG-Indir-Abs	tCO ₂	37.6	43.9	43.3	
Carbon intensity of the building	GHG-Int	tCO ₂ /sq.m	Not applicable	Not applicable	Not applicable	
Total water consumption	Water-Abs	m ³	478	608	514	
Total water consumption, like-for-like basis	Water-LFL	m ³	478	608	514	-15%
Water intensity of the building	Water-Int	m ³ /visit	Not applicable	Not applicable	Not applicable	
Total waste production by type of treatment	Waste-Abs	tons	4.7	5.7	6.2	
		% recycled	35%	34%	34%	
		% sent to landfill	65%	66%	66%	
Total waste production by type of treatment, like-for-like basis	Waste-LFL	tons	4.7	5.7	6.2	10%
		% recycled	35%	34%	34%	0%
		% sent to landfill	65%	66%	66%	0%
Type and number of assets certified	Cert-Tot	% of portfolio certified	0	0	0	

2.5.3 Statutory Auditor's opinion

INDEPENDENT VERIFIER'S REPORT ON CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

To the Shareholders,

In our quality as an independent verifier accredited by the COFRAC⁽¹⁾, under the number n° 3-1050, and as a member of the network of one of the Statutory Auditors of the company Mercialis, we present our report on the consolidated social, environmental and societal information established for the year ended on the December 31, 2017, presented in the "Sustainable Development" section of the management report, hereafter referred to as the "CSR Information," pursuant to the provisions of the Article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the Company

It is the responsibility of the Management Board to establish a management report including CSR Information referred to in the Article R. 225-105 of the French Commercial Code (*Code de commerce*), in accordance with the protocols used by the Company (hereafter referred to as the "Criteria"), of which a summary is included in the management report and available on request at the Company's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the Article L. 822-11 of the French Commercial Code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial Code (*Code de commerce*) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria (Reasoned opinion regarding the fairness of the extra-financial information stated).

Nonetheless, it is not our role to give an opinion on the compliance with other legal dispositions where applicable, in particular those provided for in the Sapin II law n°2016-1691 of December 9, 2016 (anti-corruption).

Our verification work was undertaken by a team of four people between October 2017 and February 2018 for an estimated duration of eight weeks.

We conducted the work described below in accordance with the professional standards applicables in France and the Order of May 13, 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness, in accordance with the international standard ISAE 3000⁽²⁾.

1. ATTESTATION OF PRESENCE OF CSR INFORMATION

Nature and scope of the work

We obtained an understanding of the Company's CSR issues, based on interviews with the management of relevant departments, a presentation of the Company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the Company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We compared the information presented in the management report with the list provided in the Article R. 225-105-1 of the French Commercial Code (*Code de commerce*).

In the absence of certain consolidated information, we verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial Code (*Code de commerce*).

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L. 233-1 and the entities which it controls, as aligned with the meaning of the Article L. 233-3 of the French Commercial Code (*Code de commerce*).

Conclusion

Based on this work, we confirm the presence in the management report of the required CSR information.

(1) Scope available at www.cofrac.fr

(2) ISAE 3000 - Assurance engagements other than audits or reviews of historical information.

2. LIMITED ASSURANCE ON CSR INFORMATION

Nature and scope of the work

We undertook two interviews with people responsible for the preparation of the CSR Information in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and legibility, taking into consideration industry standards, in particular the sectoral recommendations of the European Public Real Estate Association (EPRA) as well as the environmental and societal Protocol of the National Council of Shopping Centers (CNCC) of July 2013;
- verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important⁽¹⁾:

- at the level of the consolidated entity and of the controlled entities, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- at the level of the representative selection of sites that we selected⁽²⁾, based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average 7% of the gross market value of the Group's assets and 5% of the energy consumption of the 2017 reporting scope.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the Company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information taking into account, if relevant, professional best practices formalised in the CSR reporting sectorial Guide of the National Council of Shopping Centre. According to this Guide, the environmental impacts (energy, water and waste) of shopping centres are monitored for the volumes that are managed and procured (*i.e.* volumes used for common areas and private areas connected to the common network), except those procured directly by tenants.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Paris-La Défense, February 15, 2018

French original signed by:

Independent Verifier

ERNST & YOUNG et Associés



Eric Duvaud Associé
développement durable



Bruno Perrin
Associé

(1) **Social information**

KPIs: Total headcount, hiring and terminations, rate of turnover, absenteeism, share of women in management, work accident frequency rate, and average number of hours of training by trained collaborator;

Qualitative information: Employment (total headcount and distribution, remunerations and their evolution), health and safety at the work place, work accidents as well as occupational diseases, training policies, diversity and equality of opportunities and treatment (measures undertaken for gender equality, inclusion of disabled people, anti-discrimination policies and actions).

Environmental and societal information

KPIs: Energy consumption as well as climate-corrected energy consumption per m² and per visitor of commercial assets, the share of renewable energies, GHG emissions of the Group (scope 1 and 2 as well as evaluation of scope 3), the share of sorted managed waste and the rate of recovery of waste managed on commercial assets, consumption of water, proportion of green leases signed;

Qualitative information: Company's organization to take into account environmental matters and environmental assessment approaches or certification BREEAM, measures to improve energy efficiency and the use of renewable energies, territorial impact (direct, indirect and induced jobs), the importance of outsourcing and the consideration of social and environmental issues in the purchasing policy and in relations with suppliers and subcontractors, the satisfaction of visitors and lessees.

(2) The shopping centers of La Galerie Géant La Valentine in Marseille and La Galerie Géant Annemasse in Annemasse.