



## Presentation of the transformation plan

### « Carrefour 2022 »

Transcript of the speech of Alexandre Bompard,  
Chairman and Chief Executive Officer

January 23, 2018

*An introductory video is shown.*

#### (a) Background

Good morning Ladies and Gentlemen.

Let me welcome you and thank you most heartily for being here today and for the interest that you show in our Group. The video that you just saw shows the significant changes which are currently affecting the food retail sector. And it is in this context that I would like to present to you the new strategic plan for the Carrefour Group.

Carrefour – need I remind you – is an incredibly powerful company. I fully realise that when I was appointed as CEO of the Group six months ago, right from the beginning, as you know, the Group was based on a ground-breaking concept, all under the same roof. Its model was characterised by strong productivity, low property cost and great purchasing power.

Very early on, Carrefour's destiny and the one of the agro-foods sector were intertwined, because the agro-foods sector was supposed to produce high volumes to supply our hypermarkets, and our hypermarkets responded remarkably well to the boom of mass consumption. Little by little, Carrefour replicated its model in numerous countries to become a global food retailer, thanks to a series of visionary leaders.

This story led to a strong and unmatched asset portfolio. We have 400 000 highly-skilled employees, more than 300 business lines, we have a leadership position in the global food sector, our brand is recognised by all. Today, Carrefour is also 100 million household customers and 4 billion transactions. And our 12 000 stores are now covering 33 countries.

These assets were developed by my predecessor, Georges Plassat, whom I want to commend for all the work he's done in the past five years as CEO. These assets will lay the ground for all the future work that I intent to carry out with my team.

This model, however, as strong as it may be, has suffered by three deeply-rooted mutations that have impacted the whole of the food retail sector.

The first mutation is the brutal transformation of the competitive landscape. Because of innovation, as you know, we have global platforms, general platforms which can allow you to have access to almost anything in just a few clicks. we also have some specialised platforms that prevail in certain segments. Each day, new start-ups are



making things easier for consumers. And new alliances are signed and are reshaping the market.

The second mutation is in the change when it comes to client expectations, customer expectations. Our clients want better, faster cheaper and new products. Today, this trend is actually gathering speed because of the development of new technologies and new distribution channels. Customer loyalty to a particular brand is actually no longer automatic. It is getting weaker and the customer path is not as linear as it used to be. It is more fragmented.

The third mutation: food behaviour and eating behaviours. The consumer no longer tolerates and will no longer tolerate not to be assured of the quality of the food he or she eats. To me, this is a crucial observation. For the long-standing stakeholders in our sector, these shocks have had a tremendous impact, and even more so for Carrefour, because it took quite a while for Carrefour to fully understand these shocks and take them into account in its strategy. Carrefour did not evolve fast enough with its customers. It drifted apart from its expectations, focusing more on its relationship with suppliers than on the control it had on its offering. The digital world did not allow us to get closer to our customers. We failed in Carrefour Drive, for example. We only converted to Carrefour Drive quite recently and when we finally launched it, we did not manage to invest as much in it to offer the same quality of service as our competitors. That led to Carrefour only obtaining 10% of market share on Drive in France, against 50% for the Number 1 on the market, which represents 5 billion euros.

So, we managed to gather strength by adding our assets up. Carrefour is active on every format, but it is not a multi-format group. Carrefour is active on every distribution channel, but it is not an omni-channel group. It is present in 33 countries, but it does not know how to capitalise on its size. And all this creates more difficulties and generates complexity.

So, we unfortunately drifted apart from our core businesses, our core interests: the cost, the prices, and the top-line. Our costs are, in fact, too high, especially overheads. In France, Carrefour employs 10 500 people who are not working either in our stores or our platforms. Which also explains why our distribution costs have exploded since 2014. They represent more than 20% of our turnover today.

Then, our competitiveness and our price image deteriorated in most regions where we are present, when in fact I truly believe that price competitiveness is an absolute necessity if we want to succeed with our customers. In recent times, Carrefour has overinvested to generate growth, but unfortunately the results were disappointing and it was not profitable.

So, the result is irrefutable: this deterioration of our financial trajectory. We have noticed poor like-for-like results in most formats and countries, and deterioration in our return on capital and free cash flow. So we need to radically transform our group, so that strength, quantity and diversity of our assets finally show their value. I truly believe that our Group is fully able to succeed and manage this transformation.

Of course, it requires setting up a thorough operational plan, but it also requires overhauling the Group's ambition. Carrefour spearheaded one of the main fights that



we had to battle in the 21<sup>st</sup> century: consumption democratisation. I think that now needs to be at the forefront of one of the major challenges of the 21<sup>st</sup> century which raises economic, social, health and environmental issues. Carrefour needs to be the global leader of food transition for all. That is the main objective of the Carrefour 2022 plan that I am here to present to you.

## **(b) Leading the food transition for all**

I think that this ambition is Carrefour's DNA? It is the only group which can spearhead this new fight.

So, what is the Food Transition? Allow me to let you find out in this video.

*A video is shown.*

I think the video that we just saw shows the extent, the scope of the challenge that we will need to face in this 21<sup>st</sup> century. Our agricultural production model has finally reached its limits. There is a decrease in production yields. There is more and more pollution. It is more and more difficult for our farmers to make a living. So it is our duty to overhaul this model. And in fact, customers are well aware of this, they have never been more concerned about the food that they eat, yet we tell them that they have never eaten better, yet they have never been more concerned. They are ever more so informed, and yet they have the impression that they don't know what they are eating. Our customers are now focusing on the products themselves. They want easy access to information and quality standards. Food is not a product like any other. It is a lot more precious than its actual price.

So we are now faced with a structural change in our production and consumption modes. We often – quite rightly so in fact – say how important the energy transition is, but I believe that the food transition is just as such. I am convinced that this is one of the greatest challenges of our century and Carrefour must be the global leader in this new fight.

I believe that Carrefour is the only player that is powerful enough, that is covering all the chain, and all the different food categories to make this food transition a reality. Thanks to our coverage, by working closely on a daily basis with millions of customers, thanks to the services that we are going to invent and develop, thanks to affordable food prices, thanks to the choices we are going to take on our food offering, I believe that we will have the means to implement this transition in all the regions where we are present.

Our duty is to set an example at every step of our activity, both for upstream and downstream activities.

We have already set in motion a certain number of initiatives in sustainable management, sustainable packaging, and tackling food waste, but we want to go even further. We are going to deploy a certain number of pro-active measures on our food offering, we want to strengthen our upstream activities, we want to have sustainable and responsible sourcing, we want to democratise organic products, we want to improve the quantity of our own private brands. These are characteristics of our ambition and in the next few months, we will roll out these initiatives at the global level, and we will show how serious we are on this matter.



Food security must be our top priority. Customers trust and are confident in our ability to guarantee that we give them security and quality – they must be secured. If you look at the Lactalis scandal, for example, it confirmed my strong belief that we have the right ambition at Carrefour. At Carrefour, even though we immediately withdrew the faulty products from the shelves, despite security standards, and the vigilance of our teams, we did not manage to be exemplary. Which means that there is still a lot of work to be done. So, it is up to us to be even more demanding. In fact, here, it is the credibility of our company, of our brand which is at stake. I think every employee must understand this and should not neglect this particular aspect.

To secure this ambition at the Group level, I have decided to renew our governance at the Group level. I have appointed as Head of Food Safety and Quality for the whole Group, Laurent Vallée. He will be the one in charge of our concrete implementation of our ambition. We are also setting up a Food Steering Committee made up of different experts to implement these different commitments.

Ladies and gentlemen, yesterday Carrefour managed to react to the boom of mass consumption. Tomorrow, Carrefour will spearhead the Food Transition for All. This is my ambition for the company, an ambition that will embody our fight for our customers. I think it is rather timely as well, because it meets the expectations of our customers everywhere in the world. It is a sustainable, value-generating ambition which will allow Carrefour to attract new customers and consolidate its ambition in the long term.

This is our objective, Ladies and Gentlemen.

### **(c) Carrefour 2022: A Four-Pillar Plan**

To meet this target, we need to overhaul our model. All the different actions that I am now going to present are part of our strategic plan. This strategic plan is divided into four main pillars:

- We first need to simplify our organisation and make it more open.
- Second pillar: we need to be more productive and more competitive.
- Third pillar: we need to create reference on the channel universe and ecosystem.
- And fourth pillar, we need to centre our offering on food quality.

#### *(i) A simplified and open organisation*

The first pillar is of course the one of our organisation. We need to change our organisation. Carrefour has swayed between periods of centralisation, de-centralisation, yet without actually making the most of any model. The Group is working as through there were no similarities, no synergies between the different departments. We are suffering from the drawbacks of a cloud, without actually benefiting from risk spreading. I want to put an end to this way of doing things. We have already broken certain silos and we will continue doing so. I am absolutely determined to break down silos.

In order to be more efficient, we need to tackle company dispersion as well. When I was appointed CEO, Carrefour was buried under tons of different projects: too many



of them, most of them did not have appropriate funding, and in fact they did not allow us to meet our customers' expectations. So, we have decided to give up 500 of these different projects. If you take Nolim, for example, a project on the Video on Demand and E-Book markets, is one of these projects that we are going to abandon. We are putting an end to it.

We also need to tackle the fact that the Company is top-heavy. Do you know how many steps it requires to actually validate a catalogue for Carrefour? 27 steps altogether. There are too many hierarchical levels, the functions are dispersed, each format has its own support functions, and the size of our Head Offices is also disproportionate when you compare them with our competitors, for example. In a highly competitive environment, where we need to react quite swiftly, we have a certain number of hindrances that prevent us from moving forward, so we need to simplify and streamline our organisation, which unfortunately leads us to make some difficult decisions, even these are absolutely necessary.

In France, our Head Offices are rather scattered. We have 12 Head Office sites in the Ile de France region and we need to pool these different sites. Massy will become the site for the France and the Group. The corporate head office in Boulogne will transfer to Massy as early as 1 January 2018. Our plan to build a new site in the Essonne region is abandoned because it is not economically sustainable. Regarding our staff members working in our head offices, we have 10 500 working in our Head Offices. There will be 2,400 redundancies, but they will be offered on a voluntarily basis only; no one will be forced to go. We are going to set the timeline, and the different measures that we are going to implement to support this initiative with our trade union representatives. I want to make sure that we have a quality dialogue with them, but it should take place between this summer and the beginning of next year.

Our organisation must also look outwards; it must look toward our customers, first of all. All the measures I am going to introduce regarding the omni-channel model, the new services, and our new offerings are actually made to make our customers happier and to meet their expectations. In order to succeed tomorrow we need to have new allies, this is exactly what we did with FNAC-Darty on 5<sup>th</sup> December, and with Showroomprive.com on 11 January, and I am extremely happy to announce that we have signed a strategic partnership with Tencent in China.

Tencent is a fantastic technology leader, Chinese leader in social networks, media, online payment, digital leader as well; they are well known for WeChat, the leading social network in China, with nearly 1 billion users per month. This partnership shows Tencent's trust in Carrefour China's assets. Tencent will allow us to play a major role in China, in the e-commerce food sector, we will better use our data, we will better tailor our offering, we will increase traffic to our applications, and we will also organise a transition toward mobile use. Thanks to WeBank, we will also develop an online system and an innovative credit system as well. Together we will be working on the store of the future as well. Beyond this agreement, I am very happy to announce that we have decided to join the capital of Tencent and Yonghui. Yonghui is a reference retailer in China, on fresh produce and convenience stores. Thanks to this agreement, we will benefit from Tencent's experience on the digital market and on Yonghui's know-how on fresh produce and convenience stores. These two agreements are truly promising for Carrefour in China. I think this will allow us to lead to a highly innovative model, both offline and online.



So, having allies, being consistent throughout the Group, focusing on what is elemental, being more reactive, having an innovative ecosystem that generates value, listening to our customers, all of this will lead to cultural changes – unprecedented cultural changes at the level of the Group.

### *(ii) Improved productivity and competitiveness*

Armed with this new organisation, we need to focus on competitiveness and productivity. This leads me back to two simple ideas:

- We need to have strict discipline when it comes to cost management.
- We need to better allocate our resources in order to invest in growth.

It's not just a matter of cutting costs on a huge scale, but of course, our cost structure is unsustainable in the long term. In the short term, we can adjust, but what I really want is a deep change in method and auditing. We need to arrive at two billion euros revenue by 2020 – we want to save 2 billion euros by 2020 with three main items on top of structural costs.

- First, direct purchases. We have to take advantage of our international footprint to have wholesale purchasing and reduce by 10% the size of our mixes, which has grown tremendously over the past two years.
- Then for indirect purchasing, then we will have widespread use of contracts throughout the Group. We will re-negotiate our prices systematically, and drastically introduce control on expenses.
- Then the supply chain, the Caravelle system should upgrade our supply chain system in France. I have found this project, which has necessitated huge investments, offers huge operational and financial operational capacities.

On top of these 2 billion in vain, we have to do away with loss centres. This is true in part for the network of DIA stores in France. The Group bought and invested massively on DIA stores, and for many of them we were not able to find the right model to meet the needs of the catchment area. The result is right there: we lost as much as 150 million euros in operating result, and unless we do something about this, it will be the same. So, we have no other choice but to remove from our assets the DIA stores, which are in real trouble. We are talking about 273 stores, including 180 Contact Marché stores – that brand will disappear. For both these brands, we are looking for investors, but if we do not find investors, we will have no choice but to close them down. Now, we will have to look for individual solutions for each and every employee concerned by lay-offs or terminations, so we will find new jobs for the company as much as possible.

Now, these massive efforts on costs must be passed on to our customers. We have every intention to invest in prices, but also in our commercial momentum. It is our obligation to gain in overall competitiveness, but we have to find a new balance between prices, discounts but also loyalty building, and offer a more attractive offer to our customers, across the market.

Now, our resource allocation strategy must be more effective. It is for us to bring out an ambitious investment plan, here: we are talking about 2 billion euros a year. That is the right level of capital expenditure. It is in fact the average level both of the past 15 years. However, what is going to change is CAPEX allocation and prioritisation.





First of all, investment has got to become more selective. We will put an end to major remodelling and disproportionate investment projects at Villiers-en-Bière, for instance. Carrefour invested as much as 15 million euros, but revenue grew only by 5%. This will not happen again. Budgets will have to be adjusted to the growth potential of individual stores.

Of course, investment must be more productive. Running for market share through non-profitable stores will not happen anymore. In mature countries, we have to be much more rigorous in purchasing practices, but also in standardising our assets.

The last item to improve productivity is real estate strategy. We have invested a lot over the last two year. We were able to pool some of our investing using a special instrument such as Carmila. It is not now for us to make the most of our network management, and we are going to dispose of 500 million euros worth of non-strategic assets over the next three years, so these massive efforts to reduce costs and be more rigorous in capital expenditure, and again, stock management, is tomorrow's model. Let us take a look at this.

### *(iii) Setting the standard in omni-channel*

The third pillar of our strategic plan is to create an omni-channel universe for our customers. This will be the reference channel for our customers. Indeed, it is the indispensable condition for success. This ambition is a huge engine of growth for our Group. Our customers must find themselves in the same universe, whether they are purchasing online or in stores; this is how you build customer loyalty. For this to happen, we have to strengthen each single format, but most importantly, include them in an omni-channel strategy.

Hypermarket – and I am convinced of this – the hypermarket format is still a huge source of growth and value. It is the window of food delivery on all our markets. It is also the melting pot for all the different parts of the Group, which then can take advantage of the momentum generated by hypermarkets. Hypermarkets are part of the local ecosystem, with shopping malls and the services provided by Carrefour, the Bank, in particular banking, which is essential for the Group, with 8 million people, people using the Pass Cards where we have the most loyal customers, and C-Zam, which has acquired as many as 100 000 customers in eight months: the younger one, the more digital one, the more digital literate.

But the performance of hypermarkets was affected by four major taboos that we have to stress.

- First of all, we have to reduce the size of our hypermarkets, when it is disproportionate with the size of the catchment area. In France, this will mean that we will be doing away with 100 000 square meters by 2020. So we will do four different things with that: sell them off to the shopping malls, create outlets or dark stores to get the orders ready for e-commerce, and also allocate these services to promo-cash.
- The second taboo is Non-Food. Non-Food is a significant source of value. It is significant, but it is heterogeneous. On many permanent categories, Carrefour remains perfectly legitimate: cooking at home, children upbringing... Hypermarket is also extremely effective seasonally, for instance Holidays, or



Back to School time. So, these areas will in fact be strengthened. But in some categories, we are no longer competitive, and that is where we have to find partners, both in purchasing with FNAC Darty, for instance, or in selling – using brands that will operate in our own stores.

- The third taboo is own operational effectiveness in stores. We have to get better practices in terms of clothes, stock management and discounts.
- And then the fourth taboo, in specific situations, is that for the Hypermarket to be sustainable, we have to change the management system. We have decided to have five stores in lease management contracts. However, we have no plan to close own any hypermarket, but of course, our hypermarkets will become more dynamic if they improve their price competitiveness, if they reinforce our offer in private labels and of course, if we give pride of place to food quality.

Let us look at our supermarkets and our convenience stores. This is a growth format for the Group. This is why I am saying that we will be opening as many as 2 000 convenience stores in the next five years, especially in big cities. We will step up the remodelling of urban markets, capitalising on the experience in Spain and Italy. We will step up innovation in new store concepts: ready to eat, the BonApp concept is simply not good enough – we will have to revisit it entirely.

Two word about our B2B formats: Cash & Carry and Hybrid. These are extremely profitable for Carrefour, especially in Brazil. So, we will double the number of new openings at *Atacadão*, with as many as 20 new stores, including five converting to hypermarkets in Argentina. I have asked the new Head of Region (the former boss of Taiwan), to develop around the maxi concept, and as many as 16 hypermarkets will be converted to the maxi format in France. We will step up the expansion of Promo-Cash with as many as 30 new openings in the next three years.

When we have reinforced all our physical contact points, our 12 000 stores will become an incontrovertible point of our omni-channel model. Today in France, a customer can find a Carrefour store less than 8 minutes away from home. These stores serve our digital strategy. There will be places where orders will be prepared and delivered, but there will also be pick-up services, places where items can be returned and refunded.

But in order to be omni-channel, our e-commerce offer must be powerful everywhere; Carrefour cannot be successful in years to come unless it has a powerful omni-channel strategy. This is our priority and we will put all of our efforts into this. We will invest massively in digital commerce, we will be spending 2.8 billion euros by 2022: 560 million euros a year – that is 6 times as much as we are doing today.

Such capital expenditure will enable us to gear up our efforts to go into a new dimension and offer our customers an unprecedented experience. Right now, the digital offer is neither homogeneous nor satisfactory. It is quite understandable: we have as many as eight e-commerce sites that are not connected and 14 applications. Our customers can't find their way through this.

So, we are going to revamp the entire set of Internet sites, so we have a single merchant website in each country. In France, Carrefour.fr will be offering, as early as this year, a simplified, single access to all our offer, both in stores and online. Carrefour will have a single general-purpose brand that will be readily identifiable: Carrefour. The ooshop brand will disappear altogether. For this to be successful, I





am proud to announce that we have signed a partnership with Sapient, the technological partner of Publicis. Sapient will provide its expertise to enable us to develop our e-commerce business. This is a new expression of our new approach: we want to find the right partners for the right issues.

Also, we will offer customer services that we will be the only ones offering them. To make deliveries reliable and widespread throughout France, by 2018, we will have to extend a one-hour delivery in ten new cities – fifteen in all – and have home delivery in 26 cities upon appointment. We have a major agreement with the Post Office and its branch Steward, which specialises in urgent urban deliveries. This partnership will considerably improve the last-mile delivery service and indeed the quality of service offered to our customers.

Then, Carrefour Drive. I said this before: this service is incontrovertible. This is why we will be opening as many as 170 new drives in France in 2018. We are now building an automated system for the preparation of orders, and that will enable us to improve our productivity and the quality of services, and then as early as 2019, more than half of our stores will be Click and Collect points.

So, home delivery, Drive, Click and Collect, connected to our entire network, will provide us with unique capacity to serve our customers, especially in large cities. These services will enable us to reach an ambitious objective, which is to become the leader on food e-commerce markets by 2022. Regarding food e-commerce, we are looking at 5 billion euros in market share, and market share greater than 20% in France.

Carrefour is perfectly legitimate on non-food online commerce: with our partnership with Showroomprive.com, we are building up our offer on a perfectly relevant sector, such as home decoration and fashion. We are part of a highly-potential e-commerce business, which is private sales. This is emblematic of what I am trying to promote: pragmatic partnerships, pragmatic and indeed strategic partnerships, opening up to new opportunities.

Customer commitment: Carrefour is an essential condition of success for our omni-channel universe. Our brand must find its consistency around the world. This is why we must put an end to disorganised use of the brand. Locally, we have to have an international brand platform. And in all our territories, we will have to have a campaign for our values, our commitments. I also propose to redirect our Marketing investment, so that half of it is on digital compared to 8% today.

This is a major turnaround. Instead of having mass communication with catalogues, we have targeted communication looking at customer profiles. That is one thing. But it is also to better know our customers, and build loyalty amongst our customers using data. Carrefour has a customer base, so a unique database in terms of volume, but in order to use that data, we have to harmonise the system, because, knowing our customers, knowing our customers' behaviour, their preferences, that is our Number 1 obligation. It is for us to revisit our loyalty programmes, so that our customers are able to use them on all of our channels, both physical and digital. This means that we have to introduce an attractive subscription offer to our customers.

Mobile applications will be at the heart of the programme, and that will be enriched with Carrefour Pay, a mobile service that includes payment, loyalty and coupons. Carrefour Pay will be available at all of our sales points in France, it will be offered in



Spain, in June, and then in all our territories. We have to interact with customers wherever they are, whenever they may be with us. We have to offer a fluid, acceptable service. We have to build loyalty through a unique service. The omni-channel is a critical part of this strategic plan.

#### *(iv) Serving Food Quality*

Now, the fourth and final pillar of our strategic plan will enable us to provide a very concrete answer to our objectives of Food Transition. We need to be proactive in three areas, starting with Fresh Produce. Fresh Produce is the first item where customers assess our services. Fresh Produce is where you can see quality, health, balanced diet, the pleasure of cooking, the pleasure of food. Fresh Produce for a company has huge growth and value potential.

But 2022, we are looking at growth in produce three times as high as the rest of the average of the food offer. This is an ambitious target, but for this to happen, we have to mobilise our teams both upstream and toward our customers. Carrefour has a history of more than 25 years working with producers, we have as many as 100 Carrefour subsidiaries, and 18 000 producers in France, with whom we work every day, and this is what enables our company to do its job, which is to provide healthy and sustainable food to our customers, and it is for us to renew with that history, renew the link with that history, renew the link with our producers. We have an ambitious objective which is to reach 20% of supply through Carrefour subsidiaries by 2020, in France.

It is for us to be more stringent in sourcing, monitoring and responsibility. By way of illustration, we have an Agro-Ecological Plan that will be rolled out in France, on several categories of food. So, we will be looking at soil conservation, with a significant amount of produce without herbicides and insecticides or pesticides. Carrefour will have the wider offer of sustainable fisheries, in connection upstream.

Bringing more value to local production also offers huge potential in France we want half our production to be produced locally, close to our platforms. In China, we are also promoting local production of produce. But this upstream promotion means working with the agricultural sector in transforming its production through a number of initiatives. I will give you one example: financial support to organic – conversion to organic production – is fundamental.

That is why, in conjunction with WWF, we have what is known as the bio-development contract, that is, we are working with producers that are working with organic production, and committing on volume and price for a duration of three years. Organic products will be identified in partnership with WWF, using specific labelling, visible in the stores. Our short-term objective is to support hundreds of organic producers.

The Carrefour Foundation will also step up its funding of organic production. This is a strong commitment upstream with our suppliers, our producers. It is also at the service of our customers, to guarantee taste and freshness of our products: these are two quality markers on which we have to be ever-more demanding.

But we also have an ambitious plan in terms of training for our staff regarding fresh produce. We have already started this: in France, twice as many employees will be



trained in Fresh Produce in 2018, and in Spain and in China, we will have Fresh Schools, to recruit and build loyalty among our employees. This will be widespread throughout our territories.

Then, we want to provide nutritional support for our customers through dieticians in our stores, and have CSR commitment, as is already the case in Belgium.

After Fresh Produce, the second dimension of this re-vamping is Organic Food. We want Organic Food to be democratised throughout all the countries where it exists. WE have to gear up our efforts: our objective is to reach 5 billion in revenues by 2022 compared to 1 billion today. For this to happen, we have circumvent the impediments to organic and the consumption of Organic Food, we have to address the issue of accessibility and affordability of Organic Food, whereby we can make the offer available to all of our territories, we will also be working with Greenweez, a specialised site for organic and healthy food. Of course, we want Organic Food to be more democratic: this should not be the reserve of well-to-do urban dwellers. We have to be absolutely intransigent about the competitiveness of our organic offer: our price offer, our promotions, our loyalty programmes, will support the democratisation of the organic offer, so that means we have to widespread our offers both in purchases but also private labels.

Speaking of which, this is the third part: revamping our own private labels, that must be the spearhead of quality for all. By 2022, I wish that one-third of our revenues be made up of private labels. For this to happen, we have to insist on three major principles: Quality, Co-Construction and Traceability.

It is for us to double-up initiatives to support original private labels on both ingredients or recipes. It is also for us to improve Quality standards, by tests conducted by independent labs. We have to reduce and do away with controversial substances: pesticides, herbicides, anti-biotics, additives and nitrides. But it is also for us to reduce the sugar and salt content, or taste enhancers, to offer healthier products. But it is also for us to co-construct our offer in private labels working with the customers themselves, and we will have as many as 200 000 tasting events, starting next year.

Then, responsibility for our private labels means to have perfect traceability: Carrefour is the only retail player to use the block chain technology to improve traceability of its products, and being fully operational. We are now testing out an application of this technology on our bird-raising sustainability. Which we means that we can trace the entire journey of a chicken from the hatchery from its inclusion in our stores, going through breeding, feeding, care and indeed slaughtering. By 2018, the BlockChain system should be present in all Carrefour subsidiaries, they should lead by example in terms of traceability.

So there we have: Fresh Produce, Organic Food, Private Labels. Through these three directions, you can get an idea of the extent of our ambition in terms of re-vamping our business and addressing the Food Transition. This ambition is determined, massive and constant. It will cut across the entire strategic plan I have just presented and sets the course for all operational measures: Quality, Health, Resources, Territories, all these dimensions must be addressed in the stores, and this is what you will see in the movie just now.

*A video is shown.*



## (d) Conclusion

The strategic plan I have just introduced will project our company into the future. This is an overall strategic plan that applies to all of our territories. None of our territories will suffer a pull-out; all of them will be involved in our fight for quality for all. Each of our territories has potential; each of our territories will contribute to the overall growth of the Company.

I cannot list all of the countries here, but let me just present a few of my convictions.

- The recovery of our Group will not happen unless France recovers, and this of course is our priority.
- We have huge growth potential, huge value creation potential in Brazil.
- In China, our partnership with Tencent and Yong Hui means that we are gearing up to a new dimension with new opportunities opening up.
- And finally it is for us to reinforce our positions in Europe and more specifically our leadership orientation in Spain.

The transformation plan I have just introduced will be all the more powerful as it is widespread, and integrated throughout our geographic footprint. In this respect, we will be sharing this plan with our international partners, who are operating the Carrefour brand in 23 other territories. Our international franchise activity is part and parcel of our global ambition, and it has huge potential, especially on the African continent.

Ladies and Gentlemen, Carrefour has reached a turning point in its history.

We have a huge ambition: we want to become the world leader of the Food Transition. I am well aware of the magnitude of this challenge, the exceptional objective that we have, the huge transformation that we have to bring about. However, I know Carrefour well, Carrefour has nurtured the destiny of the food industry, Carrefour wrote the book of the retail industry, Carrefour was a ground-breaker, Carrefour is a huge and well-respected French company, respected indeed around the world, and this is why becoming the world leader in the Food Transition objective that we must achieve.

To be up to the expectations of our history, our customers, our employers, with a deep commitment to our brands, I am proud, and indeed determined to lead the fight. We have full mobilisation on the part of our Executive Committee. I was able to see that it is powerfully involved: the talent, expertise and commitment of all of our teams are essential ingredients to this project. I would do like to thank the member of our Board of Directors, for their support, and I would like to thank you for your attention.

Members of the Executive Team are here to take your questions with me:

- Marie Cheval, Executive Director Customers, Services and Digital Transformation,
- Pascal Clouzard, Executive Director France,
- Matthieu Malige, Chief Financial Officer,
- Laurent Vallée, General Secretary.