# ESG PROFILE

November 2018

MERCIALYS

# Mercialys at a glance

## Leading listed French real estate company that is a pure player for shopping centers

- Mercialys' portfolio is focused on large and neighborhood shopping centers, as well as high-street retail assets that are leaders in their areas
- Assets are concentrated in the most dynamic French regions

## Portfolio focused on high-potential assets

- **56** shopping centers and city-center sites[(1)]
- Leasable area: **876,000** sq.m
- Appraised asset value (including transfer taxes): **€3,796.6m** at June 30, 2018
- Annualized rental income: **€178m**
- Over **600** retailers and **2,130** leases

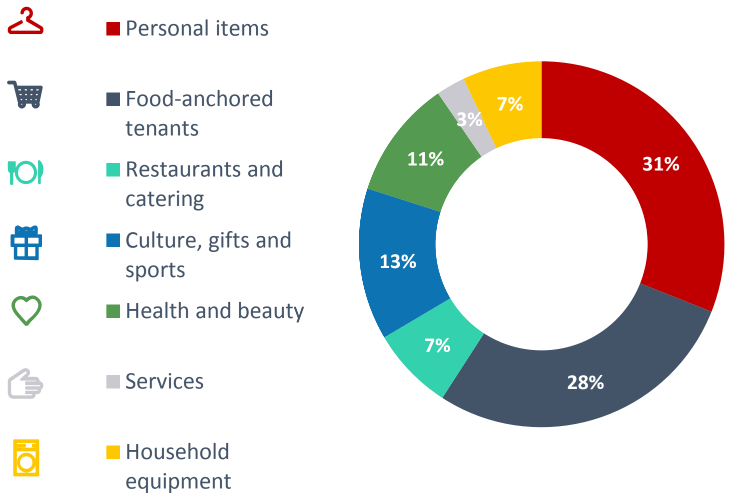
## Mercialys footprint


(1) added to these are six geographically dispersed assets

# Mercialys rental portfolio

## Breakdown of rental income by business sector

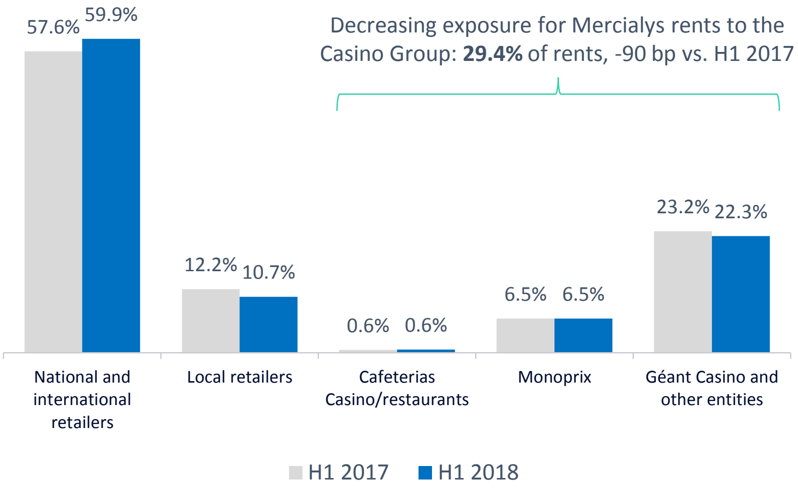
(% of annualized rental income at June 30, 2018 – including exposure to the Casino Group)




**7.7 years weighted average lease term**

## Breakdown of rental income by retailer

(% of annualized rental income at June 30, 2018)




**89% of national and international retailers**

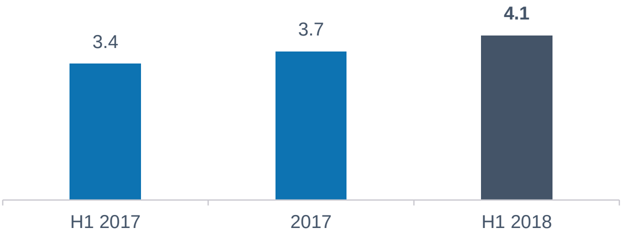
# Financial and shareholding structure

- **Net debt: €1,466m including**
  - €1,679.7m of bond debt
  - €185.0m of commercial paper
- **Undrawn committed credit lines: €410m**

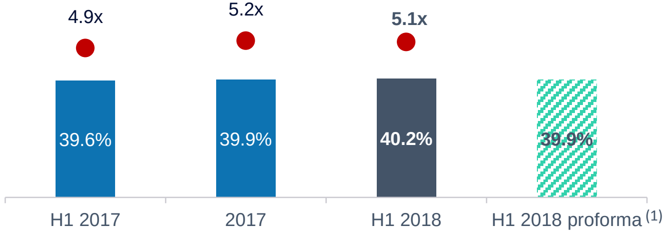
**Standard & Poor's rating**

**BBB / stable outlook**

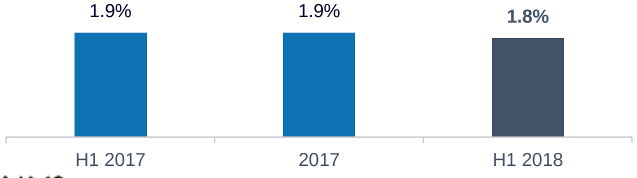
## Change in debt maturity (in years)




## Change in LTV (excluding transfer taxes) and ICR

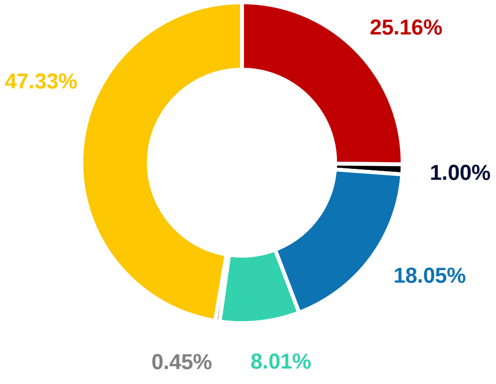



## Change in the cost of drawn debt




## Mercialys shareholders at July 31, 2018

- Casino Group
- Foncière Euris[(2)]
- Crédit Agricole Corporate and Investment Bank[(3)]
- Generali Group
- Employee savings funds & treasury shares
- Public




**92,049,169 outstanding shares and voting rights**

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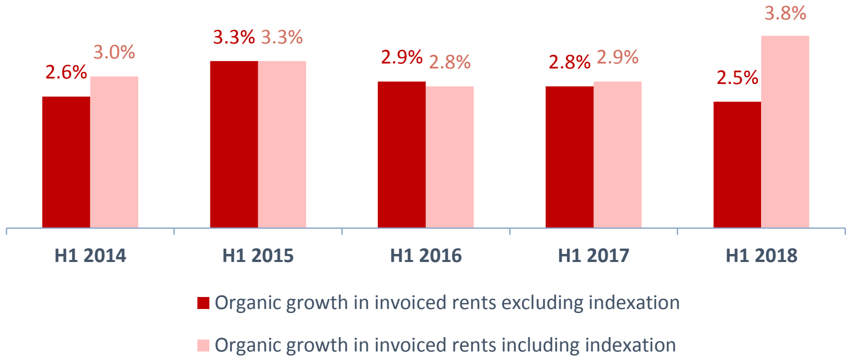
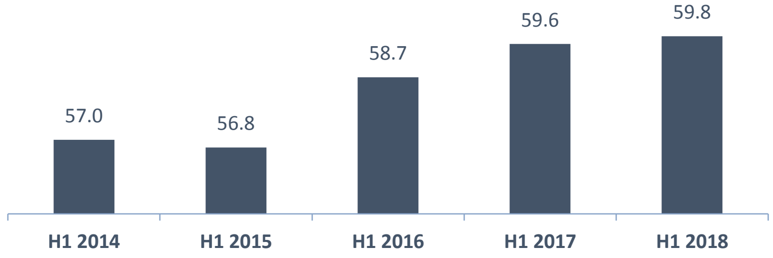
[(1)] *proforma for the preliminary sales agreements signed in July for the Gap and Lannion shopping centers* [(2)] *Foncière Euris also holds a 0.99% option through a derivative instrument with physical settlement. In addition, with Rallye, it is economically exposed for 4.5% on an exclusive cash settlement basis* [(3)] *including the definitive disposal by Casino Group of 15% of Mercialys' capital through a total return swap*

# Sound financial results over the long term

## Organic growth (%)

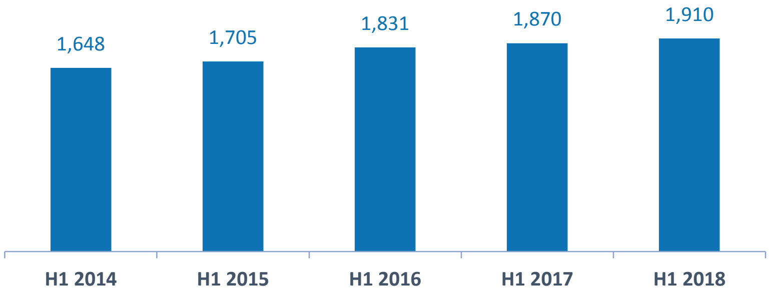



## FFO (€mn)

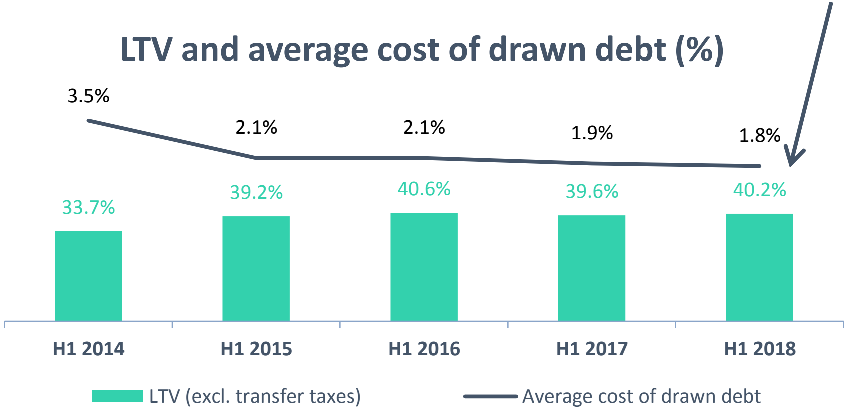



***39.9% proforma for preliminary sales agreements signed for the Gap and Lannion shopping centers***

## EPRA NNNAV (€mn)



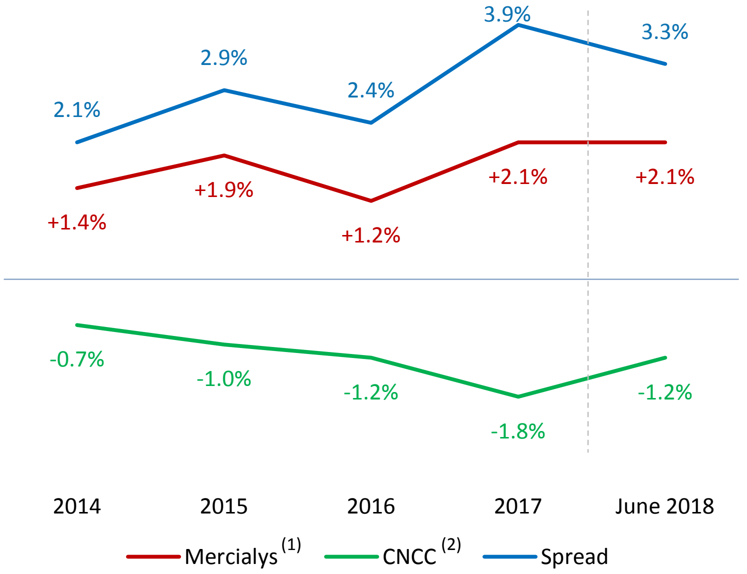

## LTV and average cost of drawn debt (%)



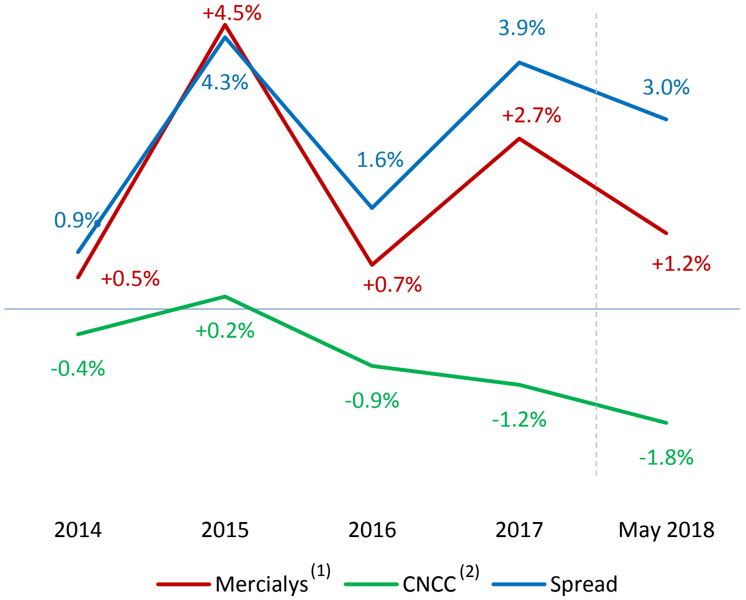
# Another half-year of operational excellence in H1 2018

## Footfall and retailer sales significantly outperforming the national benchmark

### Cumulative change in Footfall at end-June 2018




### Cumulative change in Retailer sales at end-May 2018

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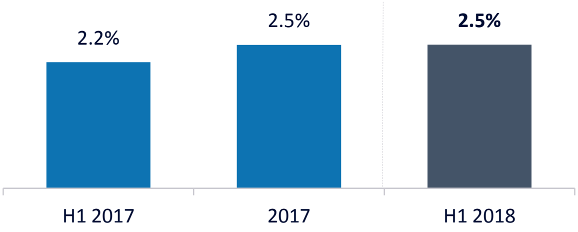
*(1) Mercialys' large centers and main neighborhood shopping centers based on a constant surface area, representing c. 85% of the Company's shopping centers value (scope as reported to the CNCC by Mercialys)*

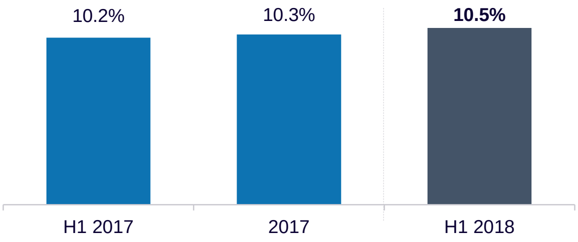
*(2) CNCC index – all centers, comparable scope*

# Sustainable rents and strong confidence

## Change in recurring financial vacancy rate




## Change in occupancy cost ratio




(Rents + charges incl. tax) / tenants' sales incl. tax, excluding large food stores

## 2018 objective confirmed

**Organic growth in invoiced rents:**

**>2% above indexation[1]**

**Change in FFO:**

**At least +2% excluding the full impact of the 2019 bond maturity refinancing**

**Dividend policy:**

**At least +2% within a range of 85% to 95% of 2018 FFO**

**€0.50 per share interim dividend to be paid out on October 23, 2018**



(1) *with the significant upturn in indexation, organic growth in invoiced rents including indexation will come in significantly higher than 3% in 2018*

# Mercialys value proposition

THE SUCCESS OF THE MERCIALYS MODEL IS BASED ON
THREE COMPETITIVE ADVANTAGES:

**REAL ESTATE KNOW-HOW**
A portfolio of prime convenience assets

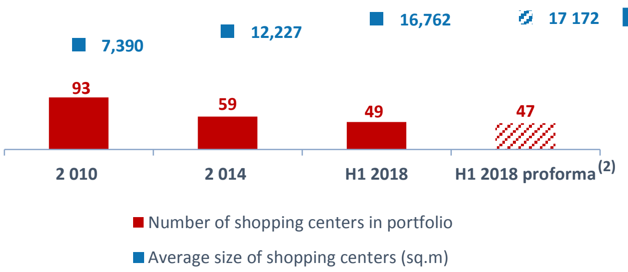
**RETAIL KNOW-HOW**
An adaptative and omni-channel retail concept

**CSR KNOW-HOW**
A powerful territorial presence and development that takes account of all stakeholders' expectations

# A portfolio of prime convenience assets

**Capital recycling leading to a portfolio structured around sites with critical mass and optimized asset management**

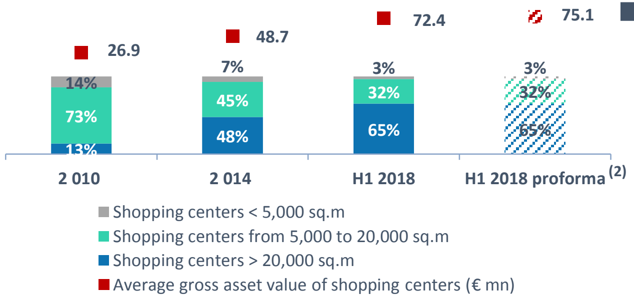
**Number of shopping centers[1] and average size**




**+132% vs 2010**

**Shopping center[1] breakdown by size**

(as % of portfolio gross asset value including rights at June 30, 2018)




**+179% vs 2010**

**15 assets sold since 2016 for €373m[3]**

(including transfer taxes, proforma for the two sales agreements signed for the Gap and Lannion shopping centers in July)

- **Non-leading position on the primary catchment area**
- **Limited development potential**
- **Location outside priority zones**

## Pipeline

| (in millions of euros) | Total investment (€M) | Investment still to be committed (€M) | Net rental income forecast (€M) | Net yield on cost forecast | Completion date |
|---|---|---|---|---|---|
| **COMMITTED PROJECTS** | **79.5** | **25.0** | **4.9** | **6.2%** | **2018** |
| Le Port extension | 73.8 | 21.3 | 4.6 | 6.2% | 2018 |
| Other projects | 5.7 | 3.6 | 0.4 | 6.1% | 2018 |
| Annecy | 0.5 | 0.4 | - | - | - |
| Besançon | 2.1 | 2.0 | - | - | - |
| Brest | 3.1 | 1.2 | - | - | - |
| **CONTROLLED PROJECTS** | **353.0** | **348.2** | **19.8[4]** | **6.6%[4]** | **2019/2022** |
| **IDENTIFIED PROJECTS** | **392.0** | **391.9** | **25.1[4]** | **7.0%[4]** | **2021/2024** |
| **TOTAL PROJECTS** | **824.5** | **765.0** | **49.8[4]** | **6.7%[4]** | **2018/2024** |

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*[1] i.e. excluding City Center and Other assets [2] proforma for the sales agreements signed in July for the Gap and Lannion shopping centers [3] based on a 100% valuation of the assets*
*[4] excluding the impact of mixed-use high-street projects, which may also generate property development margins*

# An adaptable and omni-channel retail concept

## A balanced and evolving retail offer

More than
**120**
international retail chains in portfolio versus 54 in 2009

**54%**
of new retail chains in portfolio compared to 2009

**10%**
of average annual turnover of retailers since 2015, excluding Casual Leasing

**6**
new Casual Leasing retailers on average by day on the entire portfolio, meaning 1,500 per year

**400 K**
qualified consumer contacts in database used to propose targeted offers

**38,470**
retail chain offers transmitted digitally to end consumers in 2017

**1.8 million**
cookies allowing to improve understanding of consumer habits and customers centers of interest

**3.65 million**
digital touchpoints in 2017

## A unique B to B and B to C omni-channel marketing and services ecosystem

G LA GALERIE

- A modern, identifiable architecture that blends into the environment of each center
- National marketing campaigns around a strong brand and local implementation of events and activities
- Services and an integrated B to C digital ecosystem
- Services and an integrated B to B digital ecosystem

# A powerful territorial presence

**Mercialys has forged solid relationships and engages in regular dialog with all its stakeholders**

**RETAILERS**

- Business performance
- Attractiveness/differentiation
- Loyalty
- Environmental collaboration

> Satisfaction surveys
> Meeting with retailers
> La Galerie des Services
> Le Mag (newsletter)
> Salesforce (CRM tool)
> Visits to project sites
> Trade fairs (SIEC, MAPIC)

**EMPLOYEES**

- Involvement
- Recruitment
- Loyalty
- Engagement
- Diversity/discrimination
- Social dialog
- CSR awareness-raising

> Breakfast meetings with Senior Management
> Dialogue, Merynews and Mery & Co (internal communication tools)
> LinkedIn
> Annual plenary meeting
> Financial information reviews
> Induction process/welcome pack
> Employee survey

**PROFESSIONAL ORGANIZATIONS**

- Sharing of best practices
- Promotion of the sector

> Membership of Committees
> Participation in the governance


**NON-PROFIT ORGANIZATIONS**

- Solidarity
- Support

> Website
> Partners

**SERVICE PROVIDERS AND SUPPLIERS**

- Quality of services
- Responsible purchasing

> Tendering
> Monthly/annual meetings

**FINANCIAL COMMUNITY**

- Financial performance
- Business ethics
- Funding

> Roadshows
> Site visits
> Financial information reviews
> Registration Document and half-year financial report
> Press releases
> Annual General Meeting
> Twitter/Linkedin

**LOCAL AUTHORITIES**

- Project environmental performance
- Economic contribution

> Departmental Committee for Commercial Land Development (CDAC)
> Half-year financial report
> Registration Document

**VISITORS**

- Feedback and dialog
- Customer reviews
- Customer satisfaction
- Loyalty
- Comfort and safety

> Websites/mobile app
> Facebook/Google/TripAdvisor
> Email of shopping center's managers
> Loyalty Challenge (*Challenge Fidélité*)
> Feedback surveys

***Legend:***

**STAKEHOLDER**

- Main CSR challenges

> Types of dialog

# MERY'21: a strong commitment to responsible and ethical management

## 15 priorities laying down clear quantitative and qualitative objectives to be achieved by 2020

| ISSUES | 2020 TARGET |
|---|---|
| Centers' certification | Improve the certification level of all centers by one grade |
| Energy | 20% reduction in energy consumption per sq.m compared to 2015 |
| Climate change | 20% reduction in greenhouse gas emissions per visitor compared to 2015 |
| Water | 15% reduction in water consumption compared to 2015 |
| Waste | 55% of waste recovered |
| Biodiversity | Being involved in the protection of ordinary biodiversity |
| Connection and mobility | 15% increase in visitors traveling to centers using a form of transport other than a petrol-engined car (compared to 2015) |
| Employees | No ethical incident |
| | Implement the psychosocial risks prevention policy |
| | Make training a commitment driver for employees |
| | Combat all forms of discrimination |

| ISSUES | 2020 TARGET |
|---|---|
| Health and safety of consumers and retailers | 100% of centers with high-level risk management |
| Responsible purchasing | 80% of contracts for more than Euro 10,000 have responsibility clauses |
| Responsible investment | Become a leading SRI stock |
| Local economic development | Contributing to local economic development |
| Accessibility for all | 80% of visitors have a positive perception of the accessibility of our centers |
| Public life and citizenship | Facilitating social harmony |
| Engaged and alternative consumption | 15% more leases for these new forms of consumption compared to 2015 |

# 2017 achievements

| | 2015 | 2017 | 2020 | |
|---|---|---|---|---|
| **Certification** (BREEAM In-Use certification level) | 28 % | 46 % | 90 % | Action plan implemented on every center in order to improve its certification level by one grade |
| **Energy** (reduction in energy consumption per sq.m vs 2015) | - 4 % | - 8 % | - 20 % | Data calculation at constant climate |
| **Climate change** (reduction in greenhouse gas emissions per visitor vs 2015) | - 3 % | - 22 % | - 20 % | Widening of the perimeter of data collection |
| **Waste** (waste recovered) | 21 % | 24 % | 55 % | Enhancement of the data collected from service providers and collaboration with the retail chains in order to widen the perimeter of data collection |
| **Connection and mobility** (share of visitors traveling to centers using an alternative form of transport) | 14.5 % | 25.4 % | 30 % | Implementation of the mobility plans by site (charging stations, parking spaces reserved for carpooling users, real-time display of bus timetables in the centers, bicycle shelters…) |

# 2017 achievements

**2015** | **2017** | **2020**

**Employees**
(promotion of the CSR policy)

85% of Mercialys' employees received training in ethics

quantitative targets linked to CSR

Inclusion of sustainability objectives in the annual targets, CSR trainings added to the company's training program

**Local economic development**
(number of jobs generated by the « local employment development» initiatives taken on the centers)

174

2 000

Generalization of the local employment development initiatives to all the sites, implementation of partnerships with local authorities

**Accessibility for all**
(share of visitors with a positive perception of the accessibility of the centers)

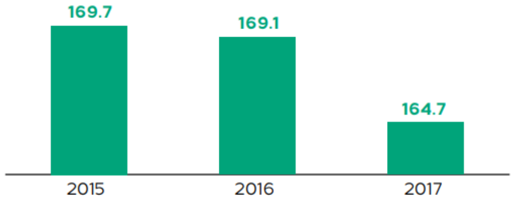
61 %

80 %

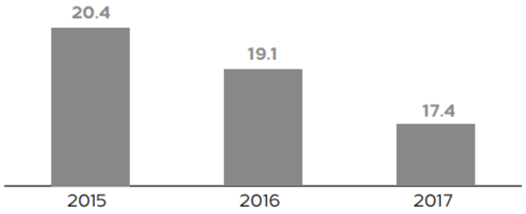
Promotion of the different means of public access to the facilities via the centers communication media, deployment of mobility plans by site enhanced by appropriate on-site signage

# 2017 achievements

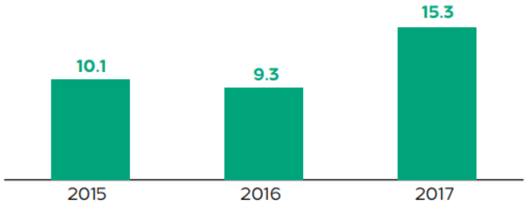
### Change of the energy intensity per sq.m (in kWh/sq.m)



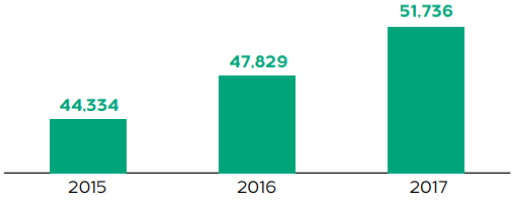

### Change in carbon intensity per sq.m (in $CO_2$/sq.m)



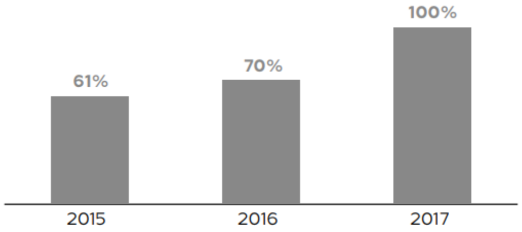

### Change in the average number of training hours per employee



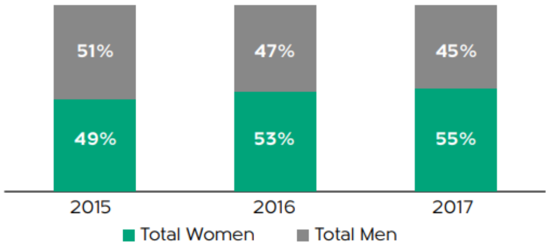

### Change in renewable energy generation (in MWh)




### Change in the percentage of leases signed covered by an environmental clause




### Change in the distribution of workforce by gender



# 2018 roadmap

**Proximity** **Commitment** **Agility** **Innovation**

## ENVIRONMENTAL

### Managing and reducing our environmental impact

- 2018 Certification
- 2018 Energy
- 2018 Climate change
- Water
- 2018 Waste
- Biodiversity
- Connection and mobility

## SOCIAL

### Supporting & empowering our people in a safe and ethical workplace

- 2018 Ethics
- 2018 Health and safety in the workplace and quality of working life
- 2018 Training
- Social dialog
- Diversity

## SOCIETAL

### Engaging with all our stakeholders & supporting the local communities

- 2018 Public life and citizenship
- 2018 Responsible investment
- Local economic development
- Engaged and alternative consumption
- Responsible purchasing
- Health and safety of consumers and retailers
- Accessibility for all

# Governance

## MAIN FIGURES

| AVERAGE AGE AT END 2017 | AVERAGE SENIORITY AT END 2017 | PERFECT PARITY WITHIN THE BOARD | MAJORITY OF INDEPENDENT MEMBERS | NUMBER OF MEETINGS IN 2017 | ATTENDANCE RATE IN 2017 |
|---|---|---|---|---|---|
| 56 years | 6 years | 50/50 | 58% | 9 | 91% |

## COMPOSITION AT DECEMBER 31, 2017

**12 members**

- **ÉRIC LE GENTIL** – Chairman and Chief Executive Officer
- **VICTOIRE BOISSIER**(1) – Independent director
- **ANNE-MARIE DE CHALAMBERT** – Independent director → Dominique Dudan, Independent director
- **ÉLISABETH CUNIN-DIÉTERLÉ** – Independent director
- **JACQUES DUMAS** – Non-independent director
- **ANTOINE GISCARD D'ESTAING** – Permanent representative of Casino, Guichard-Perrachon
- **MARIE-CHRISTINE LEVET** – Independent director → Stéphanie Bensimon, Independent director
- **DAVID LUBEK** – Permanent representative of La Forézienne de Participations(1)
- **INGRID NAPPI-CHOULET** – Independent director
- **PASCALE ROQUE**(2) – Independent director
- **MICHEL SAVART** – Non-independent director
- **BRUNO SERVANT** – Permanent representative of Generali Vie(1)
- **VINCENT RAVAT** – Chief Operating Officer

(1) Renewal of the directorship proposed to the 2018 Annual General Meeting.
(2) Ratification proposed to the 2018 Annual General Meeting.

## Audit, risks and sustainable development committee

- 4 members
  - Mrs Marie-Christine Levet (Chairwoman) → Stéphanie Bensimon, Independent director
  - Mr David Lubek
  - Mrs Ingrid Nappi-Choulet
  - Mrs Pascale Roque
- 75% independent directors
- 4 meetings in 2017
- 75% attendance

## Appointments and compensation committee

- 5 members
  - Mrs Élisabeth Cunin-Dieterlé (Chairwoman)
  - Mrs Victoire Boissier
  - Mrs Anne-Marie de Chalambert → Dominique Dudan, Independent director
  - Mr Jacques Dumas
  - Mr Michel Savart
- 60% independent directors
- 5 meetings in 2017
- 96% attendance

## Investment committee

- 5 members
  - Mrs Anne-Marie de Chalembert (Chairwoman) → Dominique Dudan, Independent director
  - Mr Antoine Giscard d'Estaing
  - Mr Éric Le Gentil
  - Mr Michel Savart
  - Mr Bruno Servant
- 40% independent directors
- 5 meetings in 2017
- 96% attendance

→ *2018 changes*

(gavel) : *Chairman / Chairwoman of the Committee*

# Awards and ratings

## 2017

Score: 79/100
19th out of 230 in the global ranking
Part of the SRI Gaïa Index since 2013

Score: 84/100
Green Star status

A- rating

Score: 51/100
13th out of 225 in the global real estate sector ranking

21 assets certified

3rd out of 120 in the SBF 120 for the quality of the financial and sustainability reporting
“Best Improvement Award”
for gaining 80 places in a year

C- rating
top 15% of the global real estate sector

Score: 67/100

A rating

Best feminization among the top 100 SBF 120 companies

Community Living award at the 2017 SIEC[1] in recognition of the environmental, social and societal approach of La Galerie Cap Costières shopping center

## 2018

Score: 82/100
4th out of 78 in its category
Part of the SRI Gaïa Index since 2013

C rating
Prime status

Score: 87/100
Green Star status

1st out of 120 in the SBF 120 for the quality of the financial and sustainability reporting
“All Categories Award”

*(1) Added to these are six geographically dispersed assets*

# Disclaimer

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