

VIGILANCE

PLAN

ON THE FINANCIAL YEAR

2022 - ADEO

TABLE OF CONTENTS

| | |
|---|-----------|
| 1. INTRODUCTION | 3 |
| 1.1. Legal context | 3 |
| 1.2. Scope of the Plan | 3 |
| 1.3. Governance | 4 |
| 1.4. Reference framework | 5 |
| 2. RISK MAPPING OF SERIOUS VIOLATIONS | 5 |
| 2.1. Overall method of risk analysis and prioritisation | 5 |
| 2.2. Mapping of risks related to the duty of vigilance | 5 |
| 3. EXISTING PROCESSES AND MEASURES TO MITIGATE AND PREVENT RISKS IN RELATION TO THE GROUP'S ACTIVITIES | 7 |
| 3.1. Mitigate and prevent risks for the health and safety of individuals | 7 |
| 3.2. Mitigating and preventing environmental risks | 10 |
| 3.3. Mitigation and prevention of risks of violation of human rights and fundamental freedoms | 18 |
| 4. ACTIVITIES OF SUPPLIERS AND SUBCONTRACTORS | 21 |
| 4.1. Definitions | 21 |
| 4.2. Responsible Purchasing Policy | 21 |
| 4.3. Health and Safety at a subcontractor or a supplier | 22 |
| 4.4. Regular assessment procedures for Merchant Purchasing Suppliers | 22 |
| 5. ALERT MECHANISM | 25 |
| 6. A SYSTEM FOR MONITORING THE MEASURES IMPLEMENTED AND ASSESSING THEIR EFFECTIVENESS | 26 |

1. INTRODUCTION

1.1. Legal context

Pursuant to French law no. 2017-399 of 27 March 2017 on the duty of vigilance of parent companies and contracting firms, the ADEO Group is required to publish a vigilance plan (hereinafter “**the Plan**”). This plan contains reasonable measures of due diligence set up in order to prevent and mitigate the risks of any serious violation of human rights and fundamental freedoms, as well as any harm to the environment and the health and safety of individuals.

This plan is made up of the five following pillars:

- A mapping of risks intended to help identify, analyse and prioritise them;
- Procedures for the regular assessment of the situation of subsidiaries, subcontractors or suppliers with whom an established business relationship exists, with regard to the risk mapping;
- Suitable actions for the mitigation of risks or the prevention of serious violations;
- A mechanism for alerting and collecting reports on the existence or occurrence of risks, established in consultation with the representative trade unions in the company;
- A system for monitoring the measures implemented and assessing their effectiveness.

In 2022, ADEO listed the risks identified and the actions taken under its duty of vigilance for fiscal year 2022 and makes them publicly available through this document.

1.2. Scope of the Plan

ADEO is a platform of companies dedicated to home improvement that brings together 7 specialist brands: Leroy Merlin, Weldom, ‘M’ (the Pro brand), Kbane, Zôdio, Bricocenter and Alice Délice. European leader and 3rd actor worldwide in the home improvement and “Do It Yourself” (DIY) market, the Group is present in 20 countries.

Thanks to its network of 865 integrated points of sale, ADEO makes useful and positive solutions for home improvement available in its stores and online. The scope of the plan covers a network of 811 integrated points of sale.

The plan covers the activities of the ADEO Group as well as those of its controlled subsidiaries (hereinafter “**ADEO**” or “**Group**”), within the meaning of II of Article L.233-16 of the French Commercial Code. The plan also covers the activities of suppliers and subcontractors with whom the Group has an “established business relationship”, as defined by French law, where these activities are related to that relationship (hereinafter “Suppliers”).

The list below includes all controlled Group companies covered by the Plan:

| Business Unit name | Number of employees at 31/12/2022 |
|---------------------|-----------------------------------|
| Leroy Merlin Brazil | 10,320 |
| Leroy Merlin Spain | 17,246 |
| Leroy Merlin France | 29,867 |
| Leroy Merlin Italy | 8,392 |
| Leroy Merlin Poland | 13,086 |

| | |
|------------------------------|----------------|
| Leroy Merlin Russia | 45,987 |
| Bricocenter Italy | 1,525 |
| Bricoman France | 2,270 |
| Tecnomat (ex Bricoman Italy) | 4,409 |
| Zôdio France | 996 |
| Obramat (ex Bricomart Spain) | 4,986 |
| Leroy Merlin Portugal | 5,731 |
| Leroy Merlin Romania | 3,072 |
| Weldom Services | 585 |
| Weldom Integrated | 724 |
| Adeo Services | 1,963 |
| Total ADEO | 151,159 |

a.

ADEO offers a wide range of products and therefore works with a large number of suppliers with different profiles as presented below:

- **Suppliers of own brand products** (Marque Des Habitants or MDH), or “inhabitants’ private labels”, i.e. products manufactured and sold under the name and/or brand defined by ADEO. These suppliers work with ADEO on the basis of specifications defined by the Group’s product offer teams. They are prioritised for supplier mitigation and assessment measures and are subject to strict requirements regarding the quality and safety of products and compliance with sustainable policies;
- **Suppliers of nationally branded products**, as opposed to suppliers of “private label” branded products;
- **Non-merchant purchasing suppliers** that provide services necessary for the smooth running of the Group’s activities (transport, cleaning services, waste management, etc.).

1.3. Governance

The development of the Plan is supervised by ADEO’s Positive Impacts Division. We commissioned an external consultancy firm specialising in CSR to assist us in reviewing the Plan.

Since 2019, the Group’s risk mapping has included the legal requirements of the duty of vigilance.

The identification of risks, the implementation and monitoring of the Plan and the associated results are also coordinated within the framework of a Vigilance Committee initiated by the Positive Impacts Division in July 2022, with the involvement of the Market Products Quality Division, the Legal Division and the Risk, Compliance and Insurance Division. This committee has met on a quarterly basis since then and will continue to meet on this basis going forward. It has the following powers:

- Defines the level of ambition and communication; Adopts the orientations of the Plan for the current and the following year;
- Identifies and commissions key contributors;
- Ensures the appropriate level of human and financial resources;

- Sets the schedule for the development of the Plan and ensures that it is followed;
- Ensures the required level of transparency and traceability.

1.4. Reference framework

ADEO's principles of action are in line with the following international reference texts, which we also require all Suppliers to comply with (Responsible Purchasing Code of Conduct):

- ILO Declaration on Fundamental Principles and Rights at Work;
- International human rights principles set out in the Universal Declaration of Human Rights;
- UN Guiding Principles relating to companies and human rights: ADEO is a signatory of the United Nations Global Compact since 2019 through which we are committed to supporting the Ten Principles of the United Nations Global Compact concerning the respect of human rights, international labour standards, environmental protection and the fight against corruption;
- The OECD Guidelines for multinational companies, which provide recommendations on respect for human rights;

In addition, the Group's CSR strategy "We Make It Positive" is aligned with the United Nations Sustainable Development Goals (SDGs) to which we contribute through our offer of sustainable and innovative solutions for home improvement.

2. RISK MAPPING OF SERIOUS VIOLATIONS

2.1. Overall method of risk analysis and prioritisation

The risks identified within the framework of the Vigilance Plan are specific risks of serious violations of human rights and fundamental freedoms, the health and safety of individuals and the environment. As such, not all the risks identified in the mapping will be included in this Plan. The mapping of CSR risks, including risks related to the value chain, was drawn up by the Risk, Compliance and Insurance Division and validated by the Risk Committee, an organ of the Audit Committee dedicated to risk analysis. The risk identification and analysis methodology is based on three main structuring phases during which ADEO's internal stakeholders were involved and consulted through interviews:

1. Definition of a library of risks and scenarios, based on the 17 UN Sustainable Development Goals in relation to ADEO's activity and the Group's challenges resulting from the materiality analysis;
2. Scoring of each risk scenario at the level of the internal departments of ADEO Services and the main subsidiaries of the Group (8 subsidiaries integrated in the year under review) by cross-referencing the immediate impacts with the impacts related to continuity to obtain the gross risk and by taking into account the level of control of the risks for the net risk. The 8 main subsidiaries included in the period are those with a turnover of more than one billion euros and which provide a satisfactory coverage rate for the establishment of a representative Group mapping;
3. Prioritisation of risks by taking the higher average of the scores obtained from each subsidiary in question;

Based on the results obtained, the 45 risk scenarios identified were grouped into risks deemed significant (before taking into account control actions) in line with the "We Make It Positive" strategy.

As part of a continuous improvement process, risk mapping is reviewed annually by the Risk, Compliance and Insurance Division, in conjunction with the various BUs, in order to take into

account action plans and changes in the Group's environment, as well as discussions with stakeholders.

2.2. Mapping of risks related to the duty of vigilance

The following risks have been identified as part of this vigilance process. For each significant risk, a monitoring indicator has been defined. Unless otherwise stated in the table below, all monitoring indicators are audited by an independent third party as part of the verification of the Extra-Financial Performance Statement.

| Theme | Risks identified | Monitoring indicators |
|---|--|---|
| Risks for the health and safety of individuals | Health and Safety of employees and customers | <ul style="list-style-type: none"> • Frequency rate of accidents at work • Severity rate of accidents at work • Rate of absenteeism due to illness • Number of physical accidents of customers in store per million checkout receipts* |
| Environmental risks | Carbon footprint | <ul style="list-style-type: none"> • Carbon footprint scopes 1 and 2 |
| | Manufacturing of products and raw materials (including initiatives in terms of product sustainability) | <ul style="list-style-type: none"> • Percentage of all wood and/or wood-based product references coming from responsible sources: |
| | Waste | <ul style="list-style-type: none"> • Percentage of waste sorted |
| | Operations | <ul style="list-style-type: none"> • Distances covered in relation to goods transportation from the logistics centre to stores • Percentage of renewable energy consumption • Electricity consumption over the period at our sites • Gas consumption over the period at our sites • Water consumption over the period at our sites • Percentage of stores with LED lighting in the sales areas* |
| Human Rights Risks | Risks relating to our activities in Russia | <ul style="list-style-type: none"> • No indicator |
| | Diversity | <ul style="list-style-type: none"> • Break down of employees by gender • Percentage of female directors and site managers |
| | Employee ethics | <ul style="list-style-type: none"> • Percentage of employees trained in the ADEO Ethical Code of Conduct |
| Suppliers | Responsible purchases | <ul style="list-style-type: none"> • Percentage of merchant suppliers under active contract with the company's central procurement office who have signed the Responsible Purchasing Code of Conduct • Percentage of non-merchant suppliers under active contract with the company's central procurement office who have |

| | | |
|--|--|--|
| | | <p><i>signed the Responsible Purchasing Code of Conduct (non-merchant)</i></p> <ul style="list-style-type: none"> • Overall percentage of signatory Suppliers of the Responsible Purchasing Code |
| | Health and Safety at a subcontractor or a supplier | <ul style="list-style-type: none"> • Percentage of listed factories for MDH finished products qualified in social audit |
| | Assessment of Merchant Purchasing Suppliers | <ul style="list-style-type: none"> • Percentage of listed factories for MDH finished products qualified in quality audit • Percentage of listed factories for MDH finished products qualified in environmental audit |

**Not audited*

3. EXISTING PROCESSES AND MEASURES TO MITIGATE AND PREVENT RISKS IN RELATION TO THE GROUP'S ACTIVITIES

3.1. Mitigate and prevent risks for the health and safety of individuals

The health and safety of our employees and customers are at the heart of our concerns at ADEO. This is why procedures have been reinforced through the implementation of the "Safety First" strategy. This strategy, devised with the safety experts from ADEO's various Business Units, mobilises all our employees and stakeholders around 4 axes of action:

- **"Management safety"** to ensure "100% safety first management";
ADEO makes training its managers an essential task in order to involve them over the long-term.
The variable compensation of directors and site managers includes, with rare exceptions, a component related to the reduction of the number of accidents.
- **"Safety Posture"** to ensure the commitment of each of our 150,000 leaders in their safety and that of others;
To do this, ADEO companies set up sessions to train employees in the ADEO Safety Reference Framework and organise rituals such as the *Safety 15'*, the intensification of safety visits and the display at all our sites of the number days without sick leave.
- A **"Safety Organisation"** so that companies have a workforce and local organisation suited to the management of safety and to reaching the goals set by the Group. In addition, every ADEO company now has a Safety Leader. A number of recruitments were made in this area in 2022, at Leroy Merlin France in particular.
- **"Flow of goods safety"** to reduce the risk of accidents between the product's output from its manufacturer and its delivery to customers. To reduce the risk of accidents for the flow of goods, we increase our requirements vis-a-vis our suppliers at the call for tenders stage, in terms of the size and packaging of products, we impose stricter rules for palletisation and implement rules in our warehouses for the circulation of traffic and the cohabitation between people and vehicles.

This strategy is based on a common framework in terms of health and safety applicable to all ADEO companies, known as the **Personal Safety Reference Framework** (hereinafter the "Framework"). This Framework covers both customers and employees as well as any person working at the Group's sites, whether in store, in warehouse, in the offices or during interventions at customer homes. This

Framework constitutes the baseline for the safety initiative and sets out the procedures and minimal requirements aimed at protecting employees and customers, namely:

- An assessment of risks across all the Business Units that ADEO employees are likely to encounter on a daily basis in the context of their mission, supplemented by an assessment at local level within the Group's subsidiaries;
- The provision of personal protective equipment (PPE) suited to performing the tasks that require them;
- Escalation and analysis procedures for occupational accidents and illnesses;
- The monitoring of skills, training, certifications and authorisations;
- Information and awareness campaigns;
- The integration of safety issues for each new project (creation of a product or service, new professional techniques, etc.);
- The securing and marking out of working environments and customer paths;

It is then the responsibility of each ADEO company to integrate this into their local action plans and to adjust it in relation to the identification of dangers and the assessment of risks, which must take place at least once a year taking into account, the analysis of accidents in the company and feedback from the "Safety First" community.

It is the mission of the Group's Risk, Compliance and Insurance Division to update the Safety Framework. Implementation and coordination of the latter are handled by the ADEO "Safety" leader at a global level. In parallel, each of the Group's companies has named a "Safety" leader at local level, in charge of deploying this strategy within their structure, and adjusting it to their size and level of risk. Every quarter, they must provide a progress report of the company's action plan to their Board of Directors and send an annual summary of the major initiatives carried out in relation to this to the ADEO "Safety" leader. Independent of these annual reports, the ADEO "Safety" leader shares information and best practices among the companies and with the ecosystems (suppliers and partners) with a view to continuous improvement.

The implementation of the "Safety First" strategy has thus contributed to significantly reducing both the frequency rate and the severity rate of accidents within ADEO (by 10.40 points and 0.25 points respectively in 5 years).

✓ Monitoring indicators

| Indicators | 2022 | 2021 |
|-------------------------------------|------|-------|
| Employee health and safety | | |
| Frequency rate of accidents at work | 11.3 | 13.03 |
| Severity rate of accidents at work | 0.5 | 0.55 |
| Rate of absenteeism due to illness | 5.6% | 5.2% |

In terms of the safety of customers in the Group's stores, in addition to the markings and display of information, a range of measures has been implemented to ensure their safety:

- An obligation for customers to wear personal protective equipment in the areas where tools are made available for testing;
- The creation of detailed plans in each store to reflect the risks associated with each product, such as its weight, volume, chemical characteristics, bulkiness, etc.
- Store layouts adjusted to each type of product as well as the fire protection of the building with regular inspections. Particular attention is paid to the accessibility of intervention means (extinguishers, fire hose cabinets) and to emergency exits;

- Easier and safer circulation in the aisles for customers, but also for handling equipment or shelf re-installation work.

In addition, our employees who have to visit customers' project sites in order to perform certain services must first have undergone specific safety training in order to prevent the various risks they may face (risks related to construction sites, risk of falling or electrocution, etc.).

In 2022, the two BUs, LM Italy and LM Spain, were granted ISO 45001 certification (certification of reference in health and safety at work). At the initiative and with the support of the ADEO "Safety First" teams, a number of other BUs have adopted the same certification procedure. ADEO's goal is to ensure that all the BUs are certified by 2024.

Finally, we include in all calls for tender (with the various service providers) relating to products sold or services offered to customers, a set of safety rules relating to product size, weight, composition and packaging so that these products do not represent a danger to those who handle and use them.

Concerning the rules relative to the composition of products, those sold by ADEO Group companies (the so-called "IP" offer) comply with the regulations in force. Suppliers must be able to deliver the burden of proof for this compliance. For own brands, the burden of proof is produced by independent laboratories at the request of ADEO Group companies. In addition to current legislation and as part of our voluntary policies, we are progressively eliminating (non-banned) hazardous substances to which our customers and employees could be exposed. We prioritise our risk analysis approach by considering the duration and frequency of exposure in both the installation and use phases and the vulnerability of the exposed populations.

Aware of the impact that certain products and manufacturing processes can have on the health of consumers and employees, ADEO is committed, through its policy on hazardous substances, to going beyond existing regulations, particularly with regard to indoor air pollution, in line with its principal mission of home improvement. ADEO's ambition in this matter is twofold:

- On the one hand, to develop and market products that are as harmless as possible to health and the environment, either by focusing on the composition of the products, by banning or limiting controversial substances, or by disseminating the necessary information on the proper use of the products and the use of appropriate protective equipment;
- On the other hand, to limit the exposure of consumers to the most hazardous substances contained in products, with the aim of improving the quality of indoor air in their homes.

To this end, the first step in the implementation of the substance policy was to establish a "Restricted Substances List" (hereinafter "RSL"). As a result, the following substances will be progressively banned or restricted in the composition of products, in particular CMR substances and volatile organic compounds such as formaldehyde. Certain substances in the RSL that are deemed to be of utmost concern are included in a blacklist and are subject to a corrective action plan that may lead to the withdrawal of certain products from the market.

This hazardous substances policy is integrated into the supplier code of conduct and the ADEO quality system detailed below, which means that all new products must comply with it in order to be listed. This requirement also applies to products already listed.

In the event of non-compliance with this policy, suppliers are able to suggest a compliant alternative within a 3-month period. Failing this, ADEO will stop marketing the product in accordance with the non-compliance process of the quality system.

Actions related to product quality, compliance and safety are presented in the section "Mitigating and preventing environmental risks" of this document.

- ✓ Monitoring indicators

| Indicators | 2022 | 2021 |
|------------|------|------|
|------------|------|------|

| Customer health and safety | | |
|--|------|------|
| Number of physical accidents of customers in store per million checkout receipts (not audited) | 1.27 | 1.17 |

The indicator measures in-store customer injuries reported through the Business Unit's own process, expressed per one million transactions at the checkout.

Customer accidents that generate a claim for a probable amount of more than €15,000 are systematically reported by the BU to ADEO's insurers.

Safety of people in Ukraine: special measures taken by the Group

The protection and safety of our employees has been a key concern for the company and, more broadly, the 700 families of our Ukrainian teams. From the first day of the conflict, the decision was made to close all 6 Leroy Merlin Ukraine stores so that employees could take care of their families while continuing to receive their salaries, in addition to immediate emergency financial relief to help them with food and shelter.

Three trucks of basic foodstuffs financed by the ADEO Solidarity Fund were chartered to Ukraine, as well as 8 trucks of products to meet the needs expressed by NGOs with branches in Ukraine.

ADEO helped to house all the employees and their families, who had no choice but to flee their country, in a European host country. A hotline was opened 7 days a week to facilitate their accommodation by voluntary employees. This first aid consisted in paying for their transport from the border, their food and their health coverage. Almost 400 people (employees and their families) were hosted outside the Ukrainian borders, and 600 host families from among our employees volunteered to provide them with accommodation.

An entire hotel was booked for 9 months in Poland. A dedicated team was set up on location to help refugees with administrative formalities, to check on their health and to help them plan their future in Poland or another country.

ADEO committed to offering each of them work in the countries where the Group is present. Ongoing support has been set up to ensure the integration of these Ukrainian employees.

3.2. Mitigating and preventing environmental risks

Measures to mitigate and prevent environmental risks are based on two major factors in relation to our activity: on the one hand, the control and mitigation of the environmental impact of the products we offer and the search for positive and sustainable solutions for the home, and on the other, the reduction of the carbon footprint of our operations.

A cross-cutting approach: "Positive Products"

The product is at the very core of our mission, of our retail business and our usefulness. It represents more than 80% of our impact on the planet, from its conception through to its end-of-life. This is why making positive, more sustainable, responsible solutions accessible is the whole point of the "Positive Products" approach, initiated in 2019.

Through the "Positive Products" approach, we are committed to reducing our impacts over the entire life cycle of our products, from the extraction of raw materials to their end-of-life. It aims to improve the environmental and social footprint of products and contributes to more responsible consumption.

As part of this approach, we have established a responsibility base, i.e. a set of mandatory and critical requirements reflected in the various thematic policies (wood, hazardous substances, packaging, sustainable raw materials and the social and environmental qualification of suppliers and factories) which apply to all BUs, and which are gradually being integrated into the product conformity management approach.

- Measures to mitigate the carbon footprint of our activities

ADEO’s carbon footprint is made up of the direct emissions emitted by our own activities (scopes 1&2: operation of our sites, etc.) and our indirect emissions emitted by our upstream and downstream activities (scope 3: customer travel, products sold, transport, etc.).

The product represents nearly 80% of ADEO’s carbon footprint from the extraction of raw materials to its end-of-life.

We are currently studying the trajectory to be implemented in order to contribute to carbon neutrality in 2050 with an intermediate step in 2035 of a 50% reduction of our CO2 footprint.

The product is a strong and strategic element of our decarbonisation plan, and makes it necessary for us to have a low carbon strategy covering our entire value chain.

Our objective therefore is to reduce our carbon emissions while ensuring strong value creation for our company (anticipating tomorrow’s models and ensuring ADEO’s sustainability), for our employees (pride in belonging to a company that knows how to reinvent itself), and for our customers (access to solutions that allow them to contribute to the climate-energy transition), and to do this in collaboration with our suppliers, with whom we will be able to develop new partnerships and product types.

Our climate strategy is based on 2 pillars:

- A strategy of low-carbon operational requirements: This is the strategy for reducing emissions for activities outside the product. This is how we will achieve the decarbonisation of our daily activities;
- A low-carbon supply and services strategy: This is the strategy that positions ADEO as a leader in offering low-carbon products and services that enable inhabitants to participate in the climate-energy transition. The product, which is at the heart of our business, is a major priority in all our actions, both in terms of proposing a low-carbon offer and solutions that enable our customers to live in a home with lower emissions.

- ✓ Monitoring indicators

| Indicators | 2022 | 2021 |
|---|---------|-----------|
| Carbon footprint | | |
| Our GHG emissions in t eq CO2 at 31/12 (Location Based ¹) (emissions from scopes 1 & 2) | 372,085 | 413,429* |
| Our GHG emissions in t eq CO2 at 31/12 (Market | 381,723 | 420,658** |

¹ The “location-based” approach is a method of quantifying emissions that requires the use of energy mix emission factors for defined geographical locations.

| | | |
|--|--|--|
| Based ²) (emissions from scopes 1 & 2) | | |
|--|--|--|

* Data published 2021: 513,057 t eq CO₂ (see calculation method below)

** Unaudited data

Calculation method for the carbon footprint

Activity data is collected for stores, internal departments and warehouses operated for our business. In 2022, scopes 1 and 2 emissions include combustion emissions for energy consumption (electricity, natural gas, fuel oil, heating networks, diesel, LPG, etc.) and direct fugitive emissions. The emission factors used are taken from the ADEME database, the IEA, IPCC AR6 (the latest IPCC report) and Cerema (centre for studies and expertise on risks, the environment, mobility and urban planning).

From 2022 onwards, in order to align with the international standards prescribed by the GHG Protocol, only the emissions associated with the combustion component are taken into account in scopes 1 and 2. Upstream emissions previously recognised in scopes 1 and 2 are now recognised in scope 3. The upstream emissions related to energy consumption mentioned here mainly represent the extraction and transport of fossil fuels, the carbon depreciation of electricity production infrastructures, and network losses.

Therefore, from 2022 onwards, scope 2 emissions are calculated according to the market-based method in order to evaluate the efforts made by our companies to consume renewable energy.

b. Manufacturing of products and raw materials

Quality, compliance and safety of products

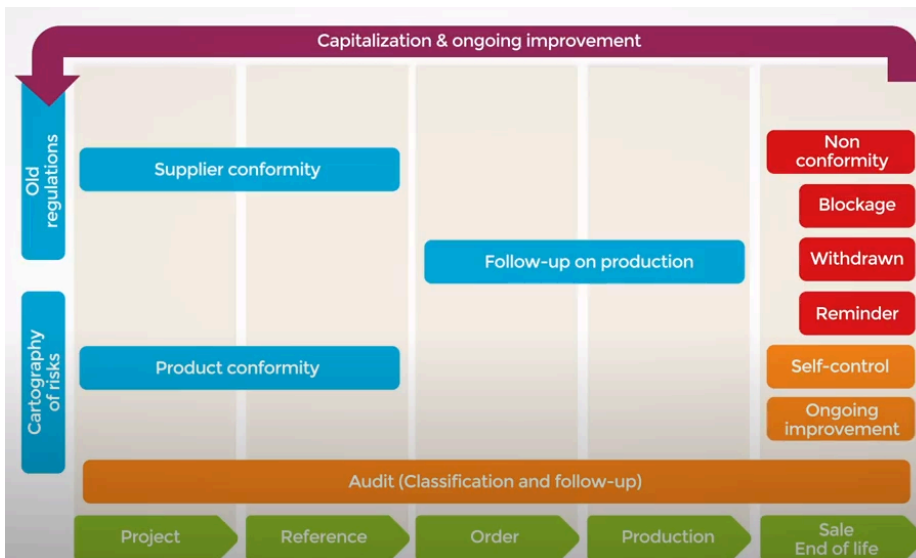
In order to ensure product quality, compliance and safety, ADEO has developed a Quality Manual which is based on a set of procedures to ensure compliance with quality requirements and our sustainable policies across the Group's supply chain.

At the heart of our quality processes, the "Quality Management System" (hereinafter "**QMS**") is a digital solution that ensures the implementation of quality requirements and the respect of CSR policies by Suppliers by structuring and facilitating the exchange of documents and proofs with them prior to the listing and marketing of products.

For every product listed, the QMS automatically assigns a level of risk (minor, major or critical) based on the criteria of regulatory risk, risk to property, risk for people, risk for people in the event of abnormal use and sustainable development risk. The QMS also lists the different documents required to approve its listing in compliance with the applicable regulations and standards. The level of proof of compliance collected varies according to the regulatory status of ADEO and its companies (distributor, importer, manufacturer) and the level of risk associated with the product. These documents are sent to all the stakeholders involved in the quality process, in particular the laboratories that approve and carry out the tests deemed necessary. Products are marketed only after approval of the elements relating to their quality and safety.

Compliance and product life cycle

² The "market-based" approach is a method of quantifying emissions based on the GHG emissions emitted by energy producers from which a consumer buys their energy, via contractual instruments (e.g. source guarantees).



MATRICE DES PRINCIPES D'EXIGENCES QUALITÉ EN FONCTION DU RISQUE PRODUIT ET DU STATUT RÉGLEMENTAIRE

Exemple de traitement de qualité

| Risque lié au produit | Statut réglementaire | | |
|-----------------------|----------------------|-------------|--------------|
| | Fabricant | Importateur | Distributeur |
| Critique | Red | Red | Green |
| Majeur | Red | Yellow | Green |
| Mineur | Red | Yellow | Green |

| | | |
|--------|--|---|
| Red | Certifier le produit (collecter les documents et effectuer les tests), effectuer les autocontrôles, qualifier les usines et contrôler la production... | Se conformer aux politiques de développement responsable d'ADEO (bois, conditions sociales, substances dangereuses) |
| Yellow | Collecter les documents de conformité, effectuer les autocontrôles, qualifier les usines, contrôler la production. | |
| Green | Collecter les documents de conformité (destinés au consommateur final)... | |

Product compliance is a prerequisite for listing and marketing. For this purpose, ADEO requires its Suppliers to control the regulatory requirements applicable to the product in the country in which they are marketed as well as the availability of proof of compliance. As part of the Group's quality process, product compliance covers 3 levels:

- Safety and regulatory compliance;
- Compliance with our specifications (design brief and technical specifications); These specifications include, on the one hand, the regulatory requirements and on the other, the voluntary additional requirements such as the certified origin of wood, which enables mitigation of risks of harm to the environment.
- Compliance with our sustainable development policy (wood, hazardous substances and packaging policies);

These requirements apply to all our listed products. In the event of failure to meet these safety and compliance obligations, the Group applies the procedure for non-compliance.

Initiatives in matters of circularity and the extension of product life

We also implement initiatives to extend the useful life of products, by acting on the various stages of

the product life cycle, from its manufacture (reparability of products, availability of spare parts) as well as its use phase (repair and maintenance service).

For our MDH, we prefer an eco-design or eco-selection approach, which allows us to provide a minimum 5-year guarantee. Data from After-Sales Services is used by our MDH product design teams in the context of our continuous improvement process to improve the reliability and reparability of our offer.

We offer tool rental services in several BUs through external service providers (e.g. Loxam in France and Spain, Boels in Italy).

Sustainable procurement of raw materials

- **Wood policy:**

As part of the Responsible Purchasing Code of Conduct, the ADEO Group's wood policy aims to contribute to the preservation of natural resources, local communities and biodiversity.

It involves ensuring that the wood fibres used in the composition of our merchant product offers are sourced through sustainable channels.

The ADEO Group's wood policy includes the principles of traceability and of "*due diligence*" found in the European Union Timber Regulation (EUTR) to extend its scope of application to all merchant products containing wood fibre that are purchased by the Group. In addition, it encourages the use of certification of timber supply chains with all its suppliers, all brands combined - MDH and National Brands - and all entities combined - ADEO Productions and Business Units.

As such, in order to demonstrate that their timber supply chain is responsible, our Suppliers and their own suppliers must have proof, from the raw material chain to the finished product, namely:

- A certification of the wood supply chain delivered by an independent third party (Forest Stewardship Council, Programme for the Endorsement of Forest Certification);
- Compliance with the six cumulative criteria defined in the wood policy and verified by an independent third party expert in wood traceability recognised by the European authorities (Preferred by Nature);
- In all cases, when the supply chain comes from a geographical area deemed "at risk", additional checks are carried out by an independent third party expert in the wood sector recognised by the European authorities (Preferred by Nature).

The risk is evaluated according to the following 5 points:

- 1/ Rights of local populations;
- 2/ Protection of endangered and protected species;
- 3/ Preservation of ecosystems and biodiversity;
- 4/ Preservation of soil and water integrity;
- 5/ Low GHG emissions.

The Group is responsible for the identification, collection, verification and safekeeping of these elements.

When the quality/compliance activities of a BU are carried out by the ADEO quality platform, this procedure is implemented by the regional quality platforms using the global quality management tool QMS which hosts all the proofs of certifications and checks.

In 2022, ADEO presented 93% compliance on all the BUs' products and 99% compliance on all products from ADEO Productions. ADEO thus determined that, as of 1 January 2023, it would be able

to obtain proof that 100% of the entire offer (own brands + national brands) complies with the wood policy. Since then, wood products that do not comply with the ADEO Policy have been subject to a non-compliance procedure, resulting in their exclusion from the ADEO listing.

- **Policy relating to sustainable raw materials:**

In May 2022, our wood policy was extended to encompass a broader policy on the sustainable sourcing of raw materials in order to further strengthen the “Sustainable Resources” aspect of our Positive Products approach, the Responsible Raw Materials Policy. The aim is to reduce the environmental impact (in particular GHG emissions, especially carbon, as well as soil, air and water pollution caused by the extraction and production of our raw materials) of our products over the entire product life cycle by integrating traced and/or certified raw materials, beyond the sole references of products made of wood.

This policy is based on an eco-design approach aimed at reducing impacts, in particular greenhouse gas (hereinafter “GHG”) emissions, particularly during the extraction and production of raw materials, but also with regard to the end-of-life of products, since recycling generates new raw materials that will be reintegrated into future products. It is based on various courses of action depending on the origin of the raw materials and the stage of the life cycle involved.

| STAGE OF THE LIFE CYCLE | RENEWABLE RAW MATERIALS | NON-RENEWABLE RAW MATERIALS |
|---|---|---|
| EXTRACTION/ PRODUCTION OF RAW MATERIALS | 1. Optimisation of the weight of materials in the composition of the product while respecting the specifications defined and required for the product ⇒ Balance between technical performance and the quantity of materials used in the products | |
| | 2. Selection of materials with a low carbon footprint ⇒ Limiting the extraction of raw materials and promoting the quality and safety of recycled materials | |
| | 3. Selection of materials with guaranteed traceability of origin, including legal and ethical management ⇒ Ensure compliance of materials with environmental, social and health criteria | 3. Selection of bio-sourced materials produced under sustainable conditions ⇒ Favour bio-materials with low carbon profiles. In this case, the materials must be traced as renewable raw materials. |
| END OF PRODUCT LIFE | 4. Prioritisation of materials for which end-of-life solutions exist, and if recycled, subject to high quality and safe recycling processes to ensure the supply of compliant secondary raw materials ⇒ Decrease in products that are not able to be recycled, composted, reused or that are not biodegradable ⇒ Production of high quality and safe secondary raw materials (recycled materials) to be reintegrated into new products | |

This policy, initially deployed for the Group’s MDH products and then for its national brands, was based on so-called “Positive Contribution” actions in 2022, while the internal teams involved in designing private label products were made aware of the environmental, economic and social issues involved in choosing more responsible raw materials.

- ✓ Monitoring indicators

| Indicators | 2022 | 2021 |
|--------------------------------|------|------|
| Responsible procurement | | |

| | | |
|---|-----|------|
| Percentage of <u>all</u> wood and/or wood-based product references coming from responsible sources: | 93% | 75%* |
|---|-----|------|

* this indicator has not been audited by our statutory auditors

c) Managing our waste

● **Impacts related to packaging:**

The environmental impact of our products is also related to their packaging. Our Packaging policy aims to eliminate non-recyclable materials from our packaging by 2028 and to encourage the reduction and optimisation of product packaging. This policy is intended to apply to all our suppliers (MDH and national brands).

The Group undertakes to reach zero packaging containing PVC, EPS or bioplastic by the end of 2025 on its entire offer (MDH and national brands). By December 2022, 94% of packaging audited using our QMS quality tool complied with the Packaging Policy and was thus free of one or the other of these 3 materials.

In addition to these actions, and with a view to achieving the legislative objective (AGEC Law) setting 2040 as the deadline for the end of single-use plastic packaging, we are already working to replace the plastic materials in our packaging, preferably with paper and cardboard, with a twofold commitment to the preferential use of recycled or certified fibres if the fibres are virgin. Reaching this goal is set at 2032.

● **Management and reduction of waste:**

In addition, our stores and warehouses produce waste: cardboard, plastic, wood, rubble, ordinary industrial waste (OIW) and special industrial waste such as paint. We are implementing actions in all our BUs in accordance with national regulations, in order to recycle or recover our inevitable waste in the recycling or treatment channels of the sectors concerned (packaging, chemicals, etc.).

We are also implementing actions to reduce the waste of raw materials upstream. By the end of 2022, 100% of Leroy Merlin France stores had introduced the “Presque Parfaits” (almost perfect) initiative, offering our customers a discount on products with minor defects that do not affect their functionality. As a result, almost 100,000 products (93,677 to be exact) were resold, representing 561 tonnes of waste avoided. A similar initiative (“Casi perfectos”) was launched at the end of 2022 in 2 of our Spanish stores.

Finally, the BUs located in France, in accordance with the AGECE Law, offered furniture recovery solutions to customers in 2022. From 1 January 2023, again by virtue of this law, these same BUs will be obliged to finance and organise the recovery of used products belonging to an Extended Producer Responsibility (EPR) channel.

✓ Monitoring indicators

| Indicators | 2022 | 2021 |
|--|------|------|
| Management and reduction of waste | | |
| Percentage of waste sorted at our sites | 61% | 59% |

d) Operations

Buildings

Our store renovation plan is ambitious. It is conducted in such a way as to reduce our carbon footprint, ensure the comfort of our employees and our customers and is based on the following principles:

- equipping all our sites with a **centralised technical management system** (CTMS) to measure and remotely control energy flows, regulate temperature and the operating hours of technical installations;
- equipping our sites with **LED** lighting;
- supplying our sites with **energy from a renewable source**.

With this in mind, in terms of energy consumption, our Companies are implementing actions that involve both reducing their consumption of fossil fuels and sourcing it in a more sustainable manner.

The operation of our sites accounts for the largest share of our carbon emissions in scopes 1 and 2. Our priority is to reduce their carbon footprint by relying on energy efficiency plans carried out by the Business Units for existing stores, and on renovation or new store development programmes that integrate demanding energy performance standards.

Local initiatives for the sustainable management of our operations are presented in the various communications issued by ADEO and its brands.

In addition, energy-saving measures have been taken in some Business Units in accordance with local regulations, including lowering the heating temperature and switching off the lighting at night.

Transport

Managing our environmental footprint also requires virtuous and optimised logistics, particularly with regard to transport. The Group is committed to using less carbon-intensive modes of transport and optimising logistics and distribution activities to reduce the carbon footprint of goods transportation. This is reflected in the development of cross-docking³, the optimisation of the loading rate of trucks and the development of intermodality.

✓ Monitoring indicators

| Indicators | 2022 | 2021 |
|---|---------------------------------------|---------------------------------------|
| Operations | | |
| Distances covered in relation to goods transportation | 285,278,433 km (177,263,800 miles) | 276,970,312 km (172,101,373 miles) |
| <i>Road</i> | 184,119,146 km (114,406,333 miles) | 182,288,235 km (113,268,658 miles) |
| <i>Rail</i> | 82,284,821 km (51,129,417 miles) | 78,856,632 km (48,999,239 miles) |
| <i>Waterways-maritime</i> | 18,874,467 km (11,728,050 miles) | 15,825,444 km (9,833,475 miles) |

³ Cross-docking is a method of organising logistics flows that makes it possible to articulate and intersect supply flows from suppliers with terminal delivery flows to our points of sale in a place called a platform.

| | | |
|---|--------------------------|--------------------------|
| Percentage of green energy electricity supply at our sites | 42% | 35% |
| Electricity consumption over the period at our sites | 1,138,131,828 KWh | 1,144,668,755 KWh |
| Gas consumption over the period at our sites | 243,152,136 KWh | 262,978,990 KWh |
| Water consumption over the period at our sites | 2,269,599 m ³ | 2,168,730 m ³ |
| Percentage of stores with LED lighting in the sales areas (not audited) | 93% | ND* |

* Data unavailable at consolidated level

3.3. Mitigation and prevention of risks of violation of human rights and fundamental freedoms

a) Risks relating to our activities in Russia

From day one, ADEO has condemned Russia's military aggression against Ukraine with its tragic consequences for the population. This clear position was published on the company's website and communicated to the French and Ukrainian authorities. In the interests of transparency, this position and the way we manage it is shared with the various organisations or stakeholders who approach us, such as the Global Compact, Yale, Stanford, etc.

Leroy Merlin Russia has 45,000 employees who have been working for over 18 years to build a company that shares the values of all ADEO companies, that respects the 10 principles of the Global Compact in terms of human rights, international labour standards, environmental protection and the fight against corruption.

ADEO, in a responsible manner, is working on changes to the situation in order to preserve the jobs of its employees in Russia.

b) Promoting diversity & inclusion and combating discrimination and harassment

According to our internal policy, being "Human First" means acting with kindness, by integrating all those who share our values. With this in mind, ADEO supports and has joined several initiatives in favour of diversity and inclusion:

- The Women's Empowerment Principles (WEPs), which aim to promote equality between women and men;
- The ILO's Global Business and Disability Network, which aims to promote the inclusion of disabled people in the world of work;
- Leroy Merlin France and ADEO Services have signed a national Handicap agreement that includes an action plan structured around 4 major themes: (i) the recruitment and (ii) maintained employment of disabled people, (iii) coordination, communication and awareness/training, (iv) responsible purchasing. Adeo Services is also a signatory of the Diversity Charter.

These commitments are directly reflected in the *Diversity* policy and in the various ADEO codes of conduct, including the Ethical Charter.

From 2021 onwards, ADEO decided to foster and promote the topic of diversity and inclusion at both group and local levels in order to prioritise and structure actions. At this time, a global ADEO

Diversity and Inclusion strategy was co-developed with the BUs. This strategy, shared with all the group's CEOs and HR directors, aims to:

1. increase the diversity of teams at all levels of the company;
2. develop an ever more inclusive culture to enable everyone to reach their full potential.

In terms of increasing the diversity of teams at all levels of the company, two universal topics have been identified as a priority: gender parity and disability.

When preparing the 2022-2024 action plan, the Group set itself ambitious targets in this respect, namely to achieve by 2025:

- 40% of female leaders and site managers;
- 100% of the BUs must achieve the minimum legal rate in their country for the employment of disabled people.

In terms of developing an ever more inclusive culture and because inclusion is a feeling, in December 2022 it was decided that we would measure the sense of inclusion experienced by ADEO employees through the assessment of the three following statements. These questions will be posed to the teams every year in order to measure the evolution of this sense of inclusion:

1. *"I can express my opinions at work, even if they're different from those of my colleagues, because I know this will not lead to negative repercussions for me".*
2. *"I believe that objective criteria are applied when someone is hired or promoted".*
3. *"I feel like I belong when I am with my colleagues".*

For the Group in 2022, the average result of this assessment of the sense of inclusion was 8.3 out of 10.

This strategy, launched in 2021, was led throughout 2022 via the ADEO Diversity & Inclusion Strategic Committee bringing together managers and internal stakeholders or external experts, or during regular meetings of the Diversity & Inclusion Leaders appointed in each BU.

In addition to the initiatives related to our global priorities (gender parity and disability) a number of actions are led in the BUs to address the relevant issues in their countries. The companies' initiatives in matters of diversity & inclusion are presented in the various ADEO communications and in their companies.

✓ Monitoring indicators

| Indicators | 2022 | 2021 |
|---|--------|--------|
| <i>Diversity & inclusion and combating discrimination and harassment</i> | | |
| Break down of employees by gender | | |
| <i>Men</i> | 83,937 | 80,139 |
| <i>Women</i> | 67,222 | 64,182 |
| Percentage of female directors and site managers | 28% | 26% |

c) Employee ethics

The respect due to every employee in their place of work is an ADEO key value. All forms of discrimination are firmly condemned and sanctioned, particularly when founded on origin, gender, disability, family situation, state of health, sexual orientation, age, political or philosophical opinions,

trade union activity, the belonging or not belonging - true or assumed - to an ethnicity, nation or religion. ADEO undertakes to take the appropriate measures in its power in order to prevent or put a stop to a discriminatory situation or harassment. The rules relative to non-discrimination and the fight against harassment are recalled in the Ethical Code of Conduct as well as in all the Group's internal regulations. The latest version of the Ethical Code of Conduct, revised in 2022, clearly reinforces our commitment on this issue. We also specifically and voluntarily state our rejection of sexist behaviour and attitudes, which are incompatible with the development of an inclusive culture.

The ADEO Ethical Code of Conduct ensures an operational transposition of these rules and makes it possible to ensure that the Group's values are respected at every stage and in all the processes of the business. It enables us to comply with the requirements of the French law known as Sapin II, and formalises all the rules aimed at facilitating better dissemination of these requirements among ADEO employees, but also within its ecosystem. In fact, the Code of Conduct is communicated to all employees of the community of ADEO companies worldwide so they may all be made aware of our values and comply with them, regardless of their hierarchical level.

In the event of behaviour or circumstances contrary to the Code, and in order for this to be reported to ADEO, a secure alert channel was set up in 2018. Information relative to this alert mechanism is set out in paragraph 5.

✓ Monitoring indicators

| Indicators | 2022 | 2021 |
|--|-------|------|
| Code of Conduct | | |
| Percentage of employees trained in the ADEO Ethical Code of Conduct* | 88.5% | 87% |

* The percentage above includes employees who completed the e-learning training module, with an active employment contract with an ADEO company over the course of the year and paid during the year regardless of the amount of time worked.

Social dialogue

Ongoing dialogue between management, employees and employee representative bodies is an essential part of improving working conditions and the Group's overall efficiency. The International Information and Dialogue Committee (CIDI) is an ad hoc body representing social dialogue that was set up in 1996. It is an international body that covers all the countries in which the Group operates. The CIDI's role is to address issues of economics, employment and working conditions. It meets at least once a year and more often when exceptional circumstances affect at least two countries within the scope of the agreement (e.g. covid pandemic in 2020). As human issues are at the heart of CIDI's concerns, news on the positive impact policy and the associated monitoring and performance indicators are presented annually. The group companies represented on this committee in 2022 presented their progress in terms of safety, their human and business news and an update on the Group's global indicators as well as on the sharing policy.

In addition to the CIDI, the national bodies also enable staff representatives to play a full role in defending and promoting the interests of employees.

4. ACTIVITIES OF SUPPLIERS AND SUBCONTRACTORS

4.1. Definitions

Merchant purchasing suppliers: any natural or legal entity directly supplying goods to the Group's companies as well as their subcontractors and/or any tier-1 subsidiaries.

Non-merchant purchasing suppliers: encompasses any natural or legal entity, including any agent or intermediary, directly or indirectly supplying services to ADEO companies.

Products: The products ordered by ADEO or its business entities from a supplier.

Factories: Any type of production site, building or group of buildings where products are manufactured and assembled. This may involve a supplier's subsidiary company or a subcontractor.

4.2. Responsible Purchasing Policy

Goods purchases

ADEO makes every effort to select suppliers who best meet its requirements in terms of quality, working practices and environmental protection.

Direct suppliers of goods purchases undertake to comply with the Responsible Purchasing Code of Conduct, which is incorporated into their contracts. It formalises ADEO's commitments within the framework of its business relations as well as the rights and duties with which suppliers must comply, in particular in the following areas:

- Social (ban on child labour, ban on hazardous work, abolition of forced labour and human trafficking, freedom of association and collective negotiation, health and safety of workers, working conditions, non-discrimination and anti-harassment);
- Business ethics (conflicts of interest, gifts, invitations and trips, supplier relations, accounting audits);
- Preservation of the environment (raw materials, product composition and energy, manufacturing processes and packaging, goods transportation, use and reparability);
- Quality, safety and compliance of products throughout their life cycle;
- Protection of personal data.

In 2022, 93% of merchant purchasing suppliers were signatories to the Responsible Purchasing Code of Conduct. Work was carried out to identify the suppliers who had not signed the Code in order to highlight the sticking points and clarify the relationship on a case-by-case basis.

To ensure strict compliance by its Suppliers with the principles and requirements of the Responsible Purchasing Code of Conduct, ADEO reserves the right to commission internal audits or independent external firms to conduct compliance audits. To this end, a CSR clause is included in all contracts that may lead to the application and/or implementation by ADEO of one or more sanctions or contractual remedies to suppliers in the event of proven non-compliance with the Responsible Purchasing Code of Conduct. These sanctions can lead to the termination of the contractual relationship, a sanction that is provided for and has already been applied.

Non-merchant purchases

A Responsible Purchasing Code of Conduct for non-merchant purchases applies since the beginning of 2019 to all Non-merchant Purchasing Suppliers, subject to any specific legal conditions at local level. Signatory suppliers undertake to comply with the Responsible Purchasing Code of Conduct and to cooperate with ADEO Group companies to implement it and, if necessary, to take

any appropriate corrective action as part of a continuous improvement process. This code formalises a set of commitments in terms of business ethics.

Non-compliance with the Code may lead to the implementation of immediate corrective measures, in accordance with the contractual stipulations to this effect, or even, depending on the seriousness of the failures and/or the absence of corrective action plans, to the termination of the contract.

The key monitoring indicator “percentage of signatory suppliers” was extended to non-market suppliers from 2022 to measure our progress towards a target of 100% of active suppliers, both merchant and non-merchant, having signed the Responsible Purchasing Code of Conduct by 2025.

✓ Monitoring indicators

| Indicators | 2022 | 2021 |
|--|------|------|
| Percentage of merchant suppliers under active contract with the company's central procurement office who have signed the Responsible Purchasing Code of Conduct | 93% | 92% |
| Percentage of non-merchant suppliers under active contract with the company's central procurement office who have signed the Responsible Purchasing Code of Conduct (non-merchant) | 35% | NA* |
| Overall percentage of signatory Suppliers of the Responsible Purchasing Code | 77% | NA** |

* Data restated 2021 at: 0% The percentage retained in 2021 has voluntarily been set at 0% due to the lack of a reliable indicator

** Data restated 2021 at: 70%

4.3. Health and Safety at a subcontractor or a supplier

Suppliers of national brand products demonstrate their health and safety risk prevention policy by carrying out a social and environmental self-diagnosis recorded in our quality management tool. This self-diagnosis allows us to measure the degree of voluntary initiatives implemented by our suppliers.

For suppliers of ADEO own-brand products, the health and safety aspects are assessed in the MDH finished product factory via an audit carried out by a third party in accordance with the ICS standard. The result of the audit and the burden of proof are recorded in our quality management tool QMS. Depending on the outcome of the audit, corrective action plans may be required to achieve, at the very least, the level of control required to initiate or continue a business relationship.

In the case of a national brand supplier, or a social audit, the result of the self-diagnosis or audit endorses the continuation or termination of business with the supplier.

The methodology for conducting social audits, the key monitoring indicators for these audits and their results are presented in the following section.

4.4. Regular assessment procedures for Merchant Purchasing Suppliers

A Merchant Purchasing Supplier refers to any natural or legal entity directly supplying goods to the Group's companies.

The quality of the product supplied depends directly on the quality management system implemented in the factory where it is manufactured. Furthermore, ADEO pays particular attention

to the social and environmental conditions under which products are manufactured. This is why the qualification of Suppliers and their factories is a mandatory condition for the establishment and maintenance of the business relationship with the Group. The qualification procedure for Suppliers and/or factories is organised at two levels, depending on the status of the ADEO company:

| Company status | Description of status* | Factory Audits | Self-assessment Suppliers |
|----------------|---|----------------|---------------------------|
| DISTRIBUTOR | An ADEO company holds the status of Distributor for products whose brand belongs to the supplier and when the supplier is located in the distribution market zone. For example: International brand product coming from Italy and distributed in France. | Optional | Mandatory |
| IMPORTER | An ADEO company is an Importer when it procures a supplier brand product and that the supplier is located outside the distribution market zone. For example: International brand product coming from Asia and distributed in Europe. | Mandatory | Mandatory |
| MANUFACTURER | An ADEO company has the status of Manufacturer when it distributes an MDH product. | Mandatory | Mandatory |

* For Russian and Brazilian market, Manufacturer and Importer = same responsibility

Supplier self-assessment:

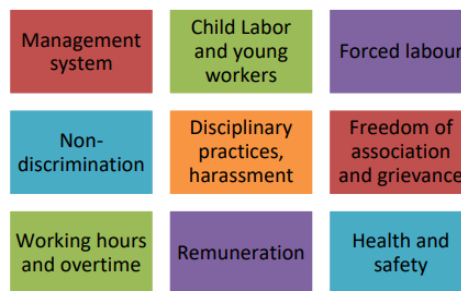
Since 2021, all suppliers of national brands and MDH products are required to fill in a self-assessment questionnaire, available in the QMS system, which covers various independently assessed aspects: quality, social, wood and environment. The aim is to enable the supplier to make its own diagnosis in relation to the Group's requirements. These self-assessments should be updated on an annual basis. Where the results indicate a high risk, they are analysed by the procurement teams and any non-compliance is subject to corrective action by the supplier.

Factory audits:

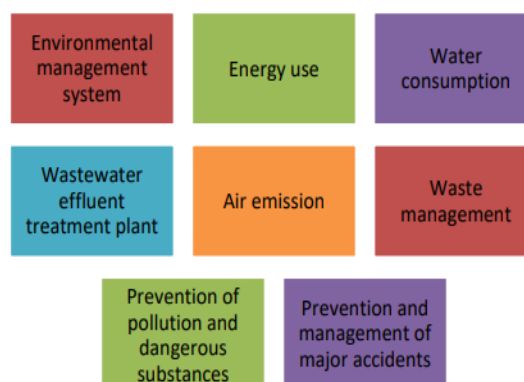
The qualification of factories is contingent on the results of mandatory audits in three areas: quality, social and environmental. These audits allow the listing of suppliers and their products wherever ADEO and/or its companies have the regulatory status of manufacturer or importer, regardless of the results of the self-assessment. In other words, these audits are mandatory for all MDH manufacturing plants and for international branded products if the supplier is located outside the target distribution market.

With regard to social and environmental audits, ADEO has been a part of the Initiative for Compliance and Sustainability (ICS) since 2008, a multi-sector initiative aimed at improving social and environmental working conditions in global supply chains. As such, ADEO conducts social and environmental audits in the MDH finished product factories, based on the demanding ICS standards. This is a key step in ensuring that social and environmental impacts are controlled during the production of products.

Social audits are based on fundamental human rights principles, key ILO conventions and recommendations and national/local laws. They cover the 9 following themes:



Environmental audits are being deployed since 2021 in factories with industrial processes considered “high impact” (on the basis of IFC guidelines) with regard to air, water or soil pollution. Environmental compliance is assessed in light of the following 8 themes:



Quality audits are also carried out in these factories on the basis of ADEO’s internal standards and compliance with existing regulations in this matter. In particular, they make it possible to assess the risks to the health and safety of customers when using the products.

All quality, social and environmental audits are carried out by independent external audit firms. Depending on the results of the audits, a status is assigned to each factory (qualified, qualified under conditions, unqualified) which allows its level of risk to be assessed and, if necessary, corrective action to be taken.

The rules for qualification according to the type of audit and the result obtained are as follows:

To be qualified, the result of all audits carried out in the factory must have achieved “qualified” status. The factory’s overall status is indicated according to the status of the lowest rated audit. This

| | Qualified | | Qualified under condition | Not qualified | |
|---------------|-----------|---|---------------------------|---------------|---|
| Quality | A B | | C | D | |
| Social | A | B | C | D | E |
| Environmental | A B | | C | D | E |

implies that if at least one audit is unqualified, the status of the factory will be unqualified and it will not be possible to list products from this factory.

Duration of validity of audits according to the qualification obtained:

| Status | Status validity | Next action |
|---------------------------|-----------------|----------------------------|
| Qualified | 3 years | Re audit |
| Qualified under condition | Within 1 year | Follow up audit / Re audit |
| Not qualified | Not valid | Follow up audit / Re audit |

In the event of non-compliance detected during a quality, social or environmental audit, the supplier undertakes to send ADEO the corrective and preventive action plan within 14 calendar days. The supplier also undertakes to implement immediate corrective action when a major risk for people, the environmental or the quality of the product has been detected. Follow-up audits are carried out within a year at the most to measure the progress of corrective action plans.

- In the event of audits with a “D” or “E” rating where the expected corrective actions have not led to an improvement within 6 months, an exit plan is established;
- In the event of audits with a “C” rating, follow-up is carried out within one year, but no exit plan is involved if there is no improvement.

in order to facilitate the monitoring of corrective action plans by the quality teams, the QMS automatically stores all the stages of the audit processes.

✓ Monitoring of audits and results:

| | 2022 | 2021 | |
|---|---|--|--|
| | % of listed factories for MDH finished products qualified | % of MDH finished products factories audited | % of compliant factories (score A, B, C) |
| Quality audit | 93% | 94% | 90% |
| Social audit | 87% | 86% | 81% |
| Environmental audit <i>(Only “high impact” factories)</i> | 88% | 67% | 63.5% |

Scope (identical in 2021 and 2022): listed factories for MDH finished products (excluding tier-2 subcontractor) for the following companies: ADEO Services, Leroy Merlin Brazil, Leroy Merlin France, Leroy Merlin Italy, Leroy Merlin Poland, Leroy Merlin Romania, Leroy Merlin Russia, Leroy Merlin Spain, Zodio France (on the basis of 100% of listed factories).

5. **ALERT MECHANISM**

In accordance with the requirements of the law relating to the duty of vigilance, the Sapin II law as well as the obligations arising from the European Directive⁴ and, more generally, as part of the effective application of its Ethical Code of Conduct, since 2018 ADEO has set up an alert system to collect and process reports relating to the existence or occurrence of risks of serious violations. The alert mechanism is presented to the elected representatives of the Business Units in accordance with the legal framework applicable in each country. In France, employee representatives were asked to express an opinion on this mechanism before it could be made available to employees

The alert mechanism is accessible to all employees (including trainees), as well as to suppliers, service providers, commercial and non-commercial partners (associative partners and sponsors). The latter undertake, when signing the contract, to respect the Ethical Code of Conduct specific to ADEO's merchant and non-merchant partners and to partners in the context of donations and sponsorship, and to inform their employees/members of the existence of this alert channel.

Access to the "Whispli" reporting platform is possible internally via a specific link included in the ethical code of conduct and the internal regulations, and externally via a link also communicated in the code of conduct signed by the various stakeholders concerned. The report form is accessible 24 hours a day, 7 days a week and is available in any country where ADEO has a subsidiary and in the local language.

An Ethics Committee has been set up within each BU, which is responsible for qualifying each alert received in order to determine whether it is admissible or not (type of facts reported, sufficient information to enable a qualification, etc.). If the alert is admissible, then a process of qualification of the facts is implemented so that the Ethics Committee can issue an opinion on how to deal with the alert received. This Ethics Committee is made up of permanent members, the anti-corruption referent, the HR referent as well as any experts necessary for the processing of cases such as the Social Affairs Leader, the Internal Audit Leader, etc.

The Group has taken all necessary measures to protect the identity and personal data of the author of an alert and of the persons concerned by the alert. Investigations and reports resulting from a complaint are also treated confidentially. Moreover, information that could identify the sender of the alert may only be disclosed, except to the judicial authority, with the consent of the person.

The author of an alert made in good faith may not be sanctioned, dismissed or subjected to a direct or indirect discriminatory measure in connection with the alert made, even if the facts reported prove not to be justified after investigation.

✓ **Monitoring indicators**

| Indicator | 2022 | 2021 |
|--|------|------|
| Number of alerts collected on the Whispli platform (unaudited) | 629 | 491 |

6. **A SYSTEM FOR MONITORING THE MEASURES IMPLEMENTED AND ASSESSING THEIR EFFECTIVENESS**

In 2022, ADEO continued to implement the requirements of the duty of vigilance in relation to all of its activities and its relationships with Suppliers. Several Group mechanisms are in place to monitor the implementation and effectiveness of the measures presented in this plan. Above all, the Group's reporting systems make it possible to measure the deployment of means implemented and their results at each site. The actions taken and the monitoring indicators are published throughout this

⁴ Directive 2019/1937 of the European Parliament and of the Council of 23 October 2019

vigilance plan. Furthermore, the monitoring of measures and their effectiveness is also reflected in the broader framework of risk management. The annual review of the risk mapping ensures that the identified risks are effectively addressed, in accordance with the applicable laws and due diligence actions required in light of ADEO's activities.