

# ///ACTION | Update 2017





# Contents

<b>3</b> Who We Are	<b>18</b> A Cost-effective, Simple & Scalable Business Model
<b>4</b> Results 2017	<b>20</b> People, Culture & Values
<b>5</b> A Strong Year 2017	<b>22</b> Action Takes Responsibility
<b>6</b> Highlights 2017	<b>32</b> Management Structure
<b>8</b> Strengthening Our Customer Value Proposition	
<b>16</b> International Geographic Expansion	

## Why Our Prices Are So Low



Simple business model



Low overhead costs



Low marketing expenditures



Standardised store processes

Every purchase and cost benefit for our customers



We buy big volumes



No fixed assortment



Efficient supply chain



No highstreet locations

## Action's Surprise Factor



6,000 products



14 categories



New articles every week



Weekly specials



Seasonal offers



2/3 of the assortment changes constantly

## Who We Are

Action is the fastest growing non-food discounter in Europe. More than 1,100 stores in seven countries inspire over six million customers every week with our simple, surprising formula. In 1993, two ambitious entrepreneurs opened a single store in Enkhuizen in the Netherlands with the idea of surprising people with a wide range of products at the lowest possible prices. That is what still thrills us today: making a difference by offering a surprising, ever-changing range of products at incredibly low prices.

Everything we do is designed to deliver more value to our customers. They come from every part of society – they have different backgrounds, mindsets and reasons to visit our stores. Some are looking for bargains, while others just enjoy treasure hunting. But one thing they all like is the element of surprise thanks to unexpected products and incredibly low prices.

Our employees' enthusiasm and commitment are crucial to the success of our company. The Action formula is powerful, but it only works thanks to the fact that we can rely on the dedication and hard work of the people who work for Action. They are the ones who help our customers to navigate our stores every single day and who help add to our customers' shopping experience.

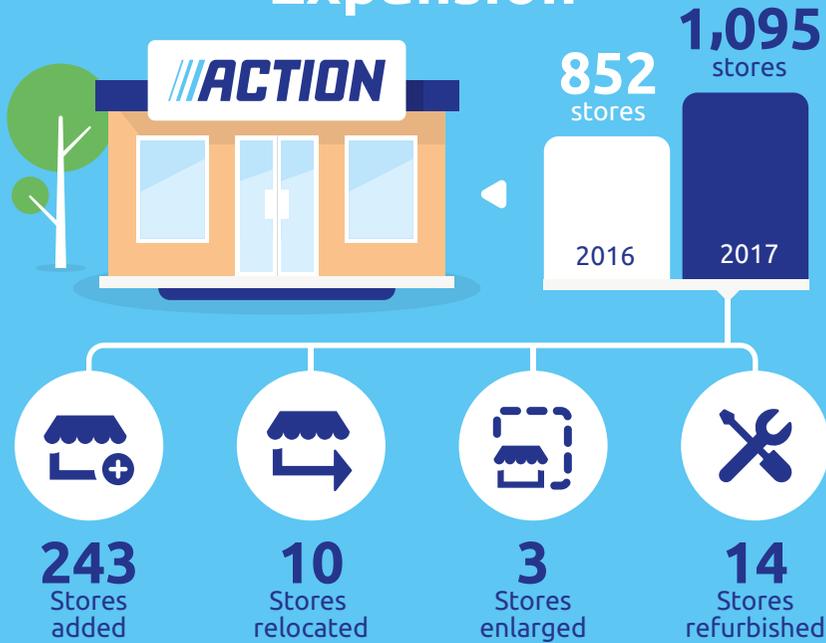
Our stores are simple in design. However, the atmosphere is inviting, and friendly. Wide aisles, oversight and a bright environment set the ambience for a fun and convenient shopping experience.

In each store, we offer more than 6,000 different products in 14 categories at the lowest possible prices. Only one-third of these products are part of our standard range, while the other two thirds change constantly. Every week, Action introduces more than 150 new articles. On top of this, Action offers numerous private labels and well known brands.

Despite our low prices, we make no concessions on the quality, safety or production conditions of our products. Our products meet the relevant requirements in each of the countries where we operate. They are also produced in line with our Ethical Sourcing Policy, which ensures a responsible social and environmental approach to manufacturing. If a particular product does not combine low price, quality and proper production conditions, we choose not to sell that product in our stores.

# Results 2017

## Expansion



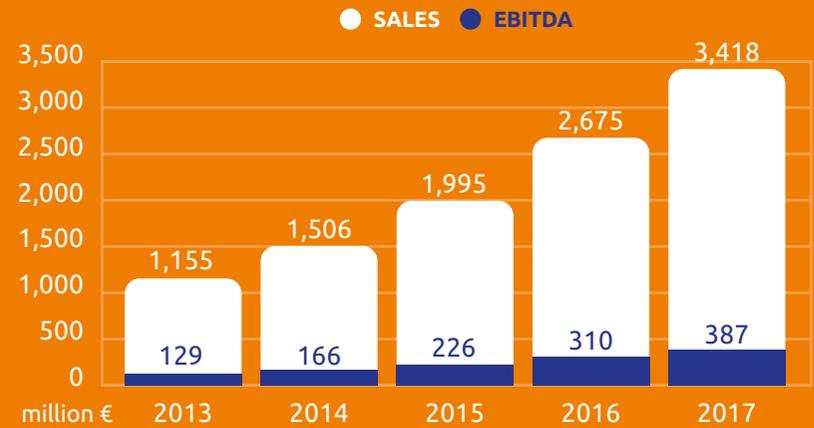
Geographical spread of stores in 2017



## People



## Key Financial Figures





## A Strong Year 2017

With pride we present this UPDATE 2017. It reflects a lot of energy, dedication and enthusiasm. And that is exactly what Action stands for.

Our continued strong growth in 2017 demonstrates that the Action formula of a broad, surprising and ever-changing product range at the lowest prices is appreciated with a lot of enthusiasm by millions of customers across Europe every day. 'Price, surprise and convenience' is what Action is known for.

Last year, we added 243 new stores in seven countries, celebrated the milestone of the 1,000th Action store and opened two distribution centres in France and Germany. We have entered the Polish market as another important step in our geographic expansion. With over 700 of our 1,100 stores located outside The Netherlands, the company that started in 1993 with one small store in Enkhuizen, the Netherlands, is now a truly European retailer.

2017 brought more highlights for Action. Sales growth was strong across all countries in 2017, resulting in total sales of EUR 3,418 million, up 28% compared to 2016. As part of our strategy to strengthen our digital customer interface we launched our new website [action.com](http://action.com) and increased our digital marketing activities. We broadened our range of private label products that offer good quality at the lowest prices. We continued to make further steps in the implementation of our Action Social Responsibility strategy. We are a 'one



brand, one format' company. We invested significantly in the further development of a solid foundation for continued growth. To achieve our ambitions, we are constantly improving our scalable business model. Our focus will remain on simplicity and cost consciousness. We continue to invest in our employees, new stores, supply chain and systems.

I especially want to express my appreciation for our 41,000 employees. Thanks to their energy and dedication, 2017 again was a great year for Action. They are key in surprising our customers every day.

Sander van der Laan  
CEO

# Highlights 2017



**July 2017**  
 Action launched its new website [action.com](http://action.com), with inspiring and attractive information appealing to our customers.



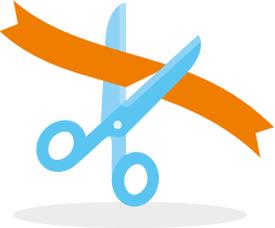
**October 2017**  
 In October 2017, the 1,000th European store opened in the Netherlands in Gorinchem. The Mayor cut the ribbon together with Hajir Hajji, at this time Director Store Operations.



**June 2017**  
 The first distribution centre (DC) in Germany opens in Biblis. This is the fourth DC in total and the second DC outside of the Netherlands.

**July 2017**  
 The second distribution centre in France, located in Labastide, brings the total number of Action DCs to five.

**October 2017**  
 In October, Action enters new country number 7 with opening the first of six pilot stores in Poland.



### November 2017

In November, the 200th German store opened in Forchheim, Bavaria.



### November 2017

Action organises its first international vendor summit in China, attended by over 300 suppliers from Asia, with a focus on product development, quality and sustainability.



### November 2017

Action launches a new store design: a pilot store opens in Haarlem, the Netherlands.



### December 2017

Action announces the Action Study Fund, enabling children of Action employees to apply for an education which they would otherwise not be able to do.

### December 2017

SOS Children's Villages and Action sign a cooperation agreement. Thanks to this cooperation, more than 1,100 children benefit from sponsorship.





## Strengthening Our Customer Value Proposition

In a world with rapidly changing regulatory, demographic and environmental conditions, Action has always remained true to its customer value proposition: offering our customers a wide and surprising range of products at the lowest prices possible.

Everything Action does is designed to make our customers happy. That is what drives us and excites us every single day. Our employees in the store, who welcome our customers with a smile. Our buyers, who are constantly searching for new, surprising and trendy products of the right quality and at the lowest price. Our store operations and marketing team, who continuously explore solutions to make our customers' shopping experience even more convenient and exciting. Everybody at Action is on a mission to make our customers happy as part of our daily work!

In 2017, we made a number of significant steps in the enhancement of the customer experience at Action, impacting our stores, our products and the online experience.



**In 2017, Action launched its new website with the new URL [action.com](https://www.action.com):** a dynamic, mobile-optimised user-friendly website. We have extended the key experience in our stores - inspiration and treasure hunting - to our website. Separate sections highlight new arrivals, weekly specials or recommended products for upcoming occasions or events, such as holidays or seasons. And thanks to a new and improved store locator, customers can now find their local store more easily using geo-location. A comprehensive section about Action as a company gives customers, stakeholders and media representatives easy access to information about Action, its background, its strategy and its responsible approach to people, the environment and the communities we are a part of.

The new website forms the basis of other communication channels. Last year, increasing numbers of customers signed up for our newsletters to receive product recommendations in their inbox every week. On the social media front, we stimulated more interaction by engaging our customers, promoting user-generated content and by providing appealing visual content, such as mood photography that shows products in everyday environments. Over the course of 2017, our social media base increased by almost 400% to approx. 1.2 million followers.

Our customers like to talk about Action, exchange experiences and share ideas on how to use or enhance our products. For years now, customers have been setting up independent Facebook fan-groups in all seven countries in which Action is active. The largest independent fan groups in France and the Netherlands each have more than 350,000 members since 2017.

The launch of the website coincided with an **update of the company's brand and logo**, as well as the launch of a new slogan that reflects our unique customer proposition, strengthens Action's brand recognition and clarifies our vision. "Small prices, big smiles" describes the essence of what we - at Action - work for every day: making our customers smile with our surprising assortment, the lowest prices possible, attentive employees and a friendly shopping atmosphere in our stores. It was with this in mind that we also explored ways to take our customer's shopping experience to the next level by developing our stores further.

**In November 2017, we opened a pilot store in the Netherlands to test out a refreshed version of our store design and layout** that remains true to our fundamental concept of simplicity. We applied a new colour concept and invested in new signage to help our customers navigate our 14 different product categories. We also tested different shelf variations and an optimised lighting concept, which could cut our energy consumption by as much as 40%, while at the same time enhancing the friendly atmosphere in our stores. In addition, we tested a recycling station, a place for customers to return paper, plastic and specialised waste, such as batteries, as part of our Action Social Responsibility strategy. In early 2018 we are planning to open two additional pilot stores in Belgium and Germany.

## Products & Assortment

 **400**  
A-brands

 **53**  
Private Labels



 **13,000**  
Different products  
throughout 2017

 **1,500**  
products for less  
than €1.00

## More Than You Expect for Less Than You Imagine

Everything we do is aimed at exceeding our customers' expectations. Our buyers know exactly what our customers like and how to make them smile. Every single day, they search for new, trendy and surprising, but also everyday products. They negotiate well and order large volumes to supply our more than 1,100 stores in seven countries. Our assortment comprises more than 6,000 products in 14 different categories.

Decoration	Household goods	Pet
Do It Yourself	Garden & Outdoor	Fashion
Toys & Entertainment	Laundry & Cleaning	Linens
Stationery & Hobby	Food & Drink	Sports
Multimedia	Personal Care	

**Customers love brands.** Be it Coca Cola, Mars, Dove or Tefal, customers grow up with leading brands and these become a significant part of their lives. This is why Action also offers its customers A-brands. Thanks to Action's significant volumes and scale, we can negotiate low prices and pass this advantage on to our customers. In 2017, Action offered over 400 different A-brands, including Philips, Panasonic, Coca Cola, Pampers, Vanish and Cillit BANG.

**We aim to constantly increase transparency in our supply chain and to continuously improve the quality levels of the products we offer in our stores.** This is why we are steadily extending our range of private labels, many of which are produced directly for Action. This gives us more influence on the production standards, the materials used and, of course, prices. In 2017, we offered a total of 53 private labels, 17 more than in the previous year and representing about 13 percent of our total sales. Our private labels usually cover good quality products at the lowest possible prices. They are usually available all-year around: from household and cleaning items to office essentials, DIY tools and textiles or sweets. We also offer exciting seasonal private labels, such as for Easter treats or Christmas chocolates.

# Our Customers' Favourites in 2017

Action picks up trends and surprises its customers with various products. Last year, we offered our customers trendy products, which became really popular. Many customers shared their discoveries and favourite products on social media.

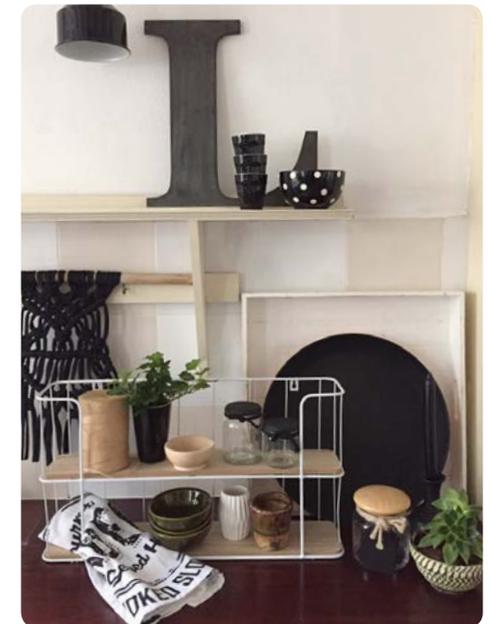


## ◀ Inari Tableware

Japanese-style tableware has reached the European market and customers love it. Action offered different styles and designs. Many people shared these in inspirational posts on Instagram.

## Industrial Wall Rack ▶

Industrial design reached its peak in 2017. Action offered different styles of industrial racks. They were so popular that customers who missed them even tried to buy them second-hand through the internet.



## Korona Seed Bars

These tasty bars come in four different flavours for a price below 40 cents. They are gluten-free, preservative-free, cholesterol-free, and contain no artificial colours or flavours.



## Paddle Board

The most expensive product at Action in 2017, yet, still at a very favourable price below € 200: a real bargain for Action customers.



## Handspinners

One of the top trends amongst kids in 2017 were hand spinners. Action sold more than 1 million hand spinners with different colours and styles.

# A Selection of Our Private Labels in 2017

For the real handyman, Action offers the **Werckmann** brand. This includes 100 different high-quality tools and appliances to help DIY enthusiasts complete their projects: from screwdrivers and hammers to various kinds of screws, toolboxes or work gloves.

Our **Spectrum** brand offers different types of paints and supplies, such as brushes or paint rollers. This range offers more than 100 products, including basic articles, as well as trendy items, such as chalk paint.

Paper, envelopes, pencils, college notepads, and memo pads - anything that a well-equipped office should have can be found in our **Office Essentials** assortment.

**Teddycare** is our range of baby care products, primarily developed and trusted by new parents. They will find best quality for their baby at an affordable price. The product range includes shampoo, oil and baby wipes.

Cat owners can buy meals for their little darlings at Action. Action's cat food label **Freija** offers quality food for feline gourmets in different flavours and in different types: cat chunks, sticks or pâté.

**Candra** creates cosiness: Customers can choose between 35 different candles of all kinds, colours and scents.





**Skyler** offers tasty snacks and meals for dogs, enriched with vitamins and minerals that are beneficial to the dog's health. This product range includes chunks, sticks and pastes in different flavours.



**Subliem** wash detergents and fabric softeners will get clothes clean again – whether they are colours, black or white.



**A-Force** stands for our range of powerful, TUV-certified alkaline batteries in a pack of ten. These long-lasting batteries are available in sizes AA and AAA and provide anti-leak protection.



With our **LSC** lights, customers can save energy and create an atmosphere that caters to their needs: cosy for home or bright for the office. Customers can choose between 70 different articles, including halogen and led lights.

**Home Essentials** offers lots of items for those everyday kitchen tasks: for small prices, customers can upgrade their kitchen by adding a hand mixer, water boiler, blender and more.

**Ziki** is the trendy Action brand offering a colourful range of underwear and socks made from stretch cotton to provide a perfect fit. Various designs and styles are available.

With **Spilbergen** customers are ready for their next trip: travel-related products are sold throughout the year. From bags and suitcases to travel cases, baggage labels or neck pillows. Suitcases of different sizes and with different themes are on offer.







## No Concessions on Product Quality or Safety

Action is not just about surprise and price. It is important to us that our products do what they promise. We want to ensure that our customers can shop at Action with complete peace of mind and the certainty that they are buying a reliable product. Despite the low prices of our articles, we make no concessions when it comes to quality, safety and social and environmental responsibility.

Action has built up an extensive network of suppliers, so we can offer a wide and flexible range of products. In 2017, this network consisted of almost 1,000 suppliers, with more than 400 of those being direct. To ensure that all of them meet Action's requirements for quality, safety and sourcing, our expanded Quality Management team implements standard procedures and coordinates regular checks. The importance of quality management and a responsible approach to production is increasing as we open more stores in different countries, sell a greater variety of products and serve more customers. As a result, the team almost doubled last year, increasing its focus on quality control and sustainable sourcing.

In 2017, Action focused on the growth of our direct imports. We made significant steps towards a more transparent supply chain, closer relationships with our suppliers and building on the existing procedures and policies to ensure that all requirements are met. A significant portion of our products were imported directly in 2017 – to a large extent from Asia. With direct imports, Action is directly involved in production processes. Dedicated buyers from Action live and work on-site in Asia to be closer to our suppliers and ensure compliance with our requirements. We also intensified our cooperation with the internationally-renowned, family controlled, listed sourcing company Li & Fung (you will find additional details about the collaboration on pages 24 & 25). Over 70 Li & Fung employees work dedicated for Action, helping our buyers and our Quality team to ensure the implementation of our product quality and safety requirements, as well as ensuring responsible production processes that respect people, the environment and local communities. This is how we source most of our private label products.



## International Geographic Expansion

Action – our name reflects our approach: we are ambitious, we make things happen. In 2017, we increased our network to 1,095 stores from 852.

We opened our first stores in Poland and expanded our network of distribution centres in Germany and France. With over 700 stores outside the Netherlands, Action has proven it can be successful right across Europe.

Today, Action is operating in seven countries: the Netherlands, Belgium, Luxembourg, France, Germany, Austria and Poland. In 2017, Action added a record number of 243 new stores. In October, we celebrated the milestone of the 1,000th Action store, which opened in the Dutch town of Gorinchem.

### New market entry in Poland

An important step in our geographical expansion was the opening of our first stores in Poland. We opened stores in the south-western part of the country. The Action formula appeals to our new Polish customers and we are planning to open more stores in Poland in the course of 2018.

◀ 200th German store in Forchheim

Although Action opened new stores in all its existing countries, the majority of the new stores were opened in France (+115) and Germany (+80). In France, we passed the 300th store mark within five years after opening the first French Action store in 2012. At year end, Action operated 335 stores throughout France. In Germany, we opened our 200th store in Forchheim at the end of November.

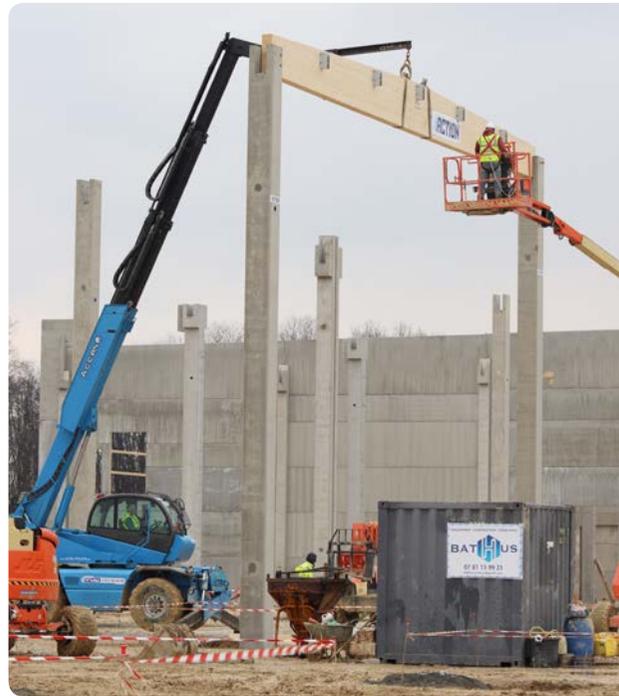
In addition to opening new stores, we invested in the relocation, enlargement and refurbishment of 27 of our existing stores in the Netherlands and Belgium.

### Distribution centres

To support our store growth, we opened our fourth distribution centre in Biblis (near Mannheim) and our fifth in Labastide (near Toulouse). The construction of the sixth DC in Belleville (near Lyon) and the seventh in Peine (near Hannover) has also started in 2017.

### EXPO Real

With the aim of opening more new stores in Germany, Austria and Poland, Action had a booth at EXPO Real in Munich, Europe's biggest real estate fair.



Distribution centre Belleville, France, under construction



Action booth at EXPO Real 2017, Munich, Germany





## A Cost-Effective, Simple and Scalable Business Model

Action has grown into a truly European and multi-billion euro company. To make sure we can continue on our successful and ambitious growth path, we continuously invest in and enhance the foundation of our organisation.

Rapid growth as a company does carry the risk of becoming more and more complex as an organisation. However, the people at Action have a profound belief in simplicity. We are constantly on the look-out for new and efficient solutions that make the maximum use of synergies and are scalable and simple in their approach.

Last year, we made significant investments in our supply chain infrastructure, our store equipment and IT systems. In addition, we bolstered our Human Resources organisation in preparation for continued growth.

# Distribution Centres

1999 | Zwaagdijk-Oost, the Netherlands

2014 | Echt, the Netherlands

2016 | Moissy-Cramayel, France

2017 | Biblis, Germany

2017 | Labastide, France

2019 | Belleville, France

2019 | Peine, Germany

## Building on our Human Resources organisation

Competent employees who identify with our values and our goals are as important as state-of-the-art, technological solutions. This is why in 2017 we hired more than 6,000 new employees across all seven countries we operate in - from store employees to specialists in various business disciplines. As a result, Action is becoming more and more international at every level of the organisation, making it necessary to continue to develop our HR organisation. In 2017, we took significant steps to build on the existing structure of our HR organisation, in preparation for further growth: we standardised processes and initiated a cloud-based system for all countries, which will reduce manual work steps and centralise all information in one system following its full implementation in the years ahead.

## Efficient store investments

Last year saw numerous improvements in our stores. We replaced our payment systems with one international PIN system, modernised our POS software and provided headsets for our employees in the stores. Not only did these new technologies help us to save costs and to increase the efficiency and speed of our store processes; they also provided an enhanced working environment for our employees and an even better shopping experience for our customers. The waiting time at the check-out is shorter, communication between store employees is faster, and administration has been simplified. What this means is that our employees now have more time to focus on the most important element of their job: our customers and their needs.

In 2017, we also made a start on the replacement of the POS hardware in our stores. This includes new screens, scanners, computers and printers. We will continue with the replacements in the coming years. By 2020 all our stores will work with the same hardware.

## Enhancing our Supply Chain

Our distribution centres (DC) are the foundation for our growth. The more efficient and reliable our distribution centres work, the more we can satisfy our customers in the stores.

In 2017, we opened two new distribution centres in our biggest growth markets, Germany and France. We also started construction on two more, which will open in the near future. To boost our expansion and make our supply chain even more efficient, we hired new employees with a lot of supply chain expertise. We also implemented a new warehouse system in our new DCs, with the aim of enhancing the efficiency of our warehouse operations. This will enable a faster roll-out to new warehouses and lays the foundation for future expansion.



## People, Culture and Values

Action's people make the difference: our employees in the stores, in the distribution centres, country offices and our headquarters. Everybody contributes to the company and its developments with his or her own experiences. Despite our different backgrounds or our position within the company, we all have one thing in common: we identify ourselves with and live by the values of Action. It is the core of our success as it sets the basis for how we interact with each other, with our customers and our business partners.



In 2017, Action hired more than 6,000 new employees, taking the total number of employees to 41,000 by the end of the year. The origins of our employees are a good reflection of Action's international expansion and its success well beyond its Dutch roots: more than 111 different nationalities come together at Action. As an international employer, our values are now more important than ever. They give us common ground, shared values and a language we all agree on:

/// **We are customer-focused**

Everything we do is designed to increase the value our customers find at Action, both in the products themselves and the shopping experience.

/// **We are cost-conscious**

We work hard every day to lower costs to the minimum, so we can deliver the best value for money.

/// **We believe in teamwork**

We have a strong team spirit, collective goals and the will to support each other across disciplines. We take action together.

/// **We approach our goals with discipline**

We do what we promise and we do it on time. Each and every one of our 41,000 employees takes his or her responsibility.

/// **We keep it simple, wherever we can**

We focus on one single formula and one format across all our stores, distribution centres and offices right across Europe. Simple solutions and structures result in faster decisions and execution. This enables us to grow quickly, keep costs low and focus on our customers.

/// **We respect each other**

We put enormous effort into creating a polite, honest and trustworthy atmosphere - with customers and colleagues alike.

# Values

<b>Customer-focused</b> 	<b>Cost-conscious</b> 
<b>Teamwork</b> 	<b>Discipline</b> 
<b>Respect</b> 	<b>Simplicity</b> 



## Action Takes Responsibility

Serving millions of customers in more than 1,100 stores across seven countries, we are well aware of our impact on society and the environment. Governments, agencies and regulators set the regulatory framework in which we operate, providing rules and regulations affecting all aspects of our business, from plastic bags to logistics and energy audits. However, we believe that our responsibility extends beyond compliance with these rules and regulations.



As a rapidly expanding business with a global supply chain, our responsibility towards our customers, employees and business partners increases. We want to source and offer products that are safe, of good quality and in compliance with our ethical and environmental goals. In 2017, we invested in our team and international partnerships. We continued to develop our sustainability policies and supported local communities.

# Action Social Responsibility Strategy



## Product

Our products are safe and responsibly sourced



## People

We are a responsible employer



## Environment

We minimise our environmental impact across the supply chain



## Good citizenship

We contribute to society and serve local communities

**In today's world, a responsible approach to doing business is more important than ever. Not just because resources are dwindling, and global population increases, but also because customers' expectations are changing. They expect companies to take responsibility and to act in a way that respects the environment, people and communities.**

Over the past 24 years, Action has always put its customers and employees first, tried to minimise its impact on the environment and supported communities. Given that cost-consciousness is one of our key values, Action has never wanted to waste money or resources. We also look to cut energy use whenever possible. Not only does this create cost advantages we can pass on to our customers, it also contributes to a sustainable use of resources.

Action has made environmental and social sustainability a major priority in its business strategy. Our Action Social Responsibility strategy is our roadmap to doing business while respecting human rights, trading ethically and protecting the environment. Both in our own operations and in our supply chain. In 2017, we implemented several initiatives as part of our Action Social Responsibility strategy. These cover four areas as indicated in the infographic above.

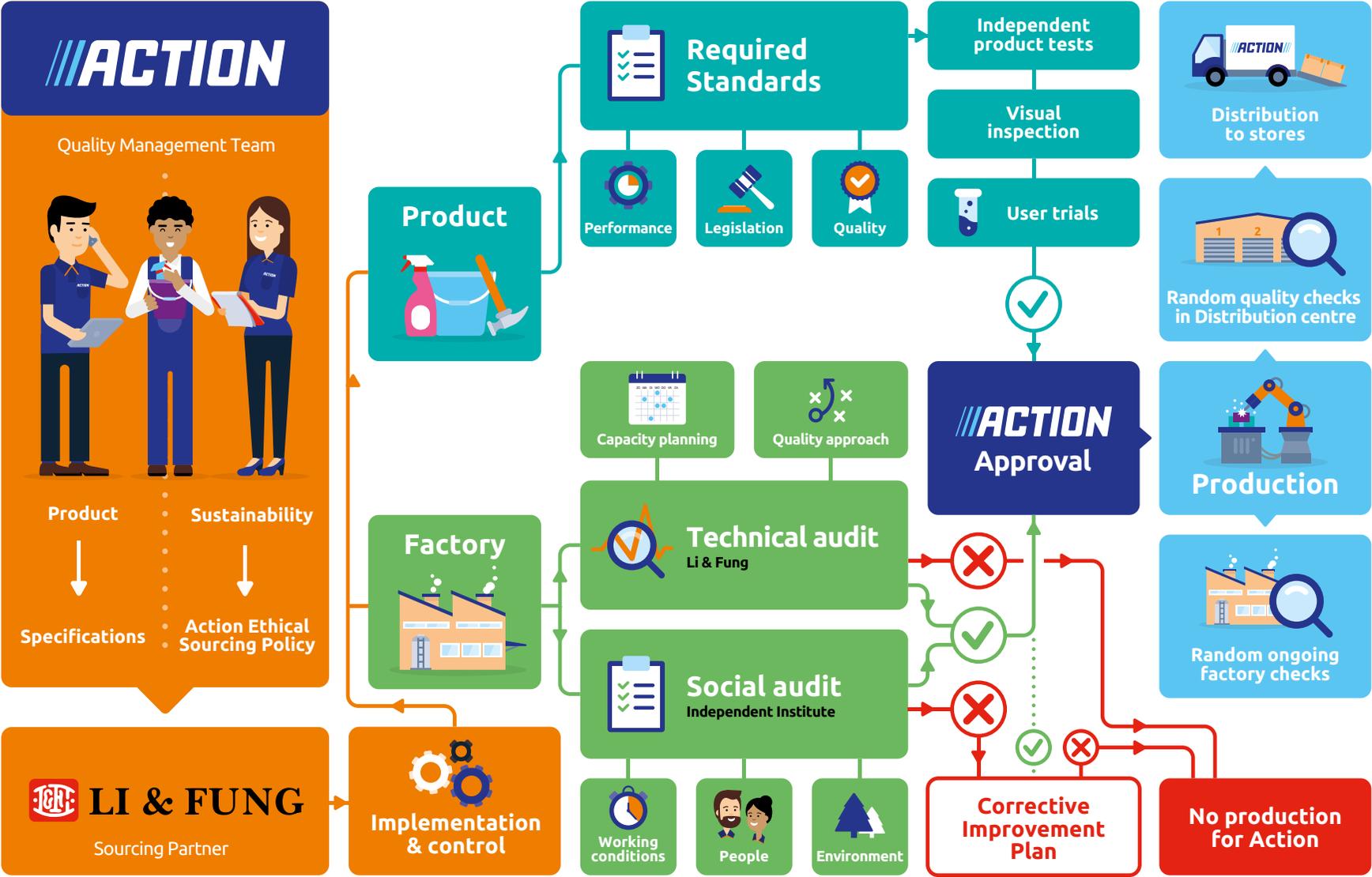
Action sees its ASR policy as a continuous improvement plan and we appreciate feedback from our key stakeholders. This is why we conducted a stakeholder consultation to learn more about the expectations, reactions and wishes of our external stakeholders. In May and June of 2017 an independent party interviewed twenty of Action's external stakeholders. They were asked about their opinion and expectations regarding Action's sustainability performance, which themes they found most relevant, and which challenges

and opportunities they see for Action. These topics were then discussed at a well-attended stakeholder meeting with Action's management at our headquarters in June of last year.

In addition to the stakeholder consultation, Action conducted a survey among its customers and employees to discover how important a sustainable approach to business is to them. We also wanted to find out what they see as the most important conditions a company needs to meet to be truly sustainable. The feedback from this survey confirmed that we are on the right track and helped us to define our priorities for 2017 and the years ahead.

# Direct Import at Action

How we ensure a responsible production of safe products



# Responsible Sourcing

One of the priorities stated in our ASR strategy is to ensure that the products we offer in our stores are sourced responsibly. This includes the social conditions under which the products are produced, but also their quality and safety.

All suppliers are required to commit to our Ethical Sourcing Policy. The key elements of our Ethical Sourcing Policy relate to the International Labour Organisation conventions, the UN Guiding Principles on Business and Human Rights and the Business Social Compliance Initiative Code of Conduct.

Action's Ethical Sourcing Policy includes the following requirements:

- No child labour is used
- Young workers under 18 years shall not be employed by night or be exposed to any risk
- Employment is freely chosen
- Freedom of association and collective bargaining
- Safe and hygienic working conditions are provided
- Fair wages are paid
- Working hours are not excessive
- No discrimination is practiced
- The privacy of workers shall be respected
- Employment practices shall be in line with national law and shall not exploit workers
- No harsh or inhumane treatment
- Protection of the environment
- Ethical business behaviour (no corruption, no bribery, no blackmailing)

With the clear goal of gaining deeper insights into production processes, in 2014 we partnered with the internationally renowned sourcing company, Li & Fung. Since then, we have increased our direct imports and therefore also the number of factories we are working with. In 2017, a total of 436 factories in Asia produced directly for Action. All of these factories carry a valid social audit, whereof 410 had been audited the first time or re-audited in 2017.

Last year, we took the cooperation with Li & Fung and our direct import initiatives to a new level. Action now employs people in Asia to support the processes on-site. We also organised our first vendor summit in Asia, which was attended by around 300 direct suppliers and the Action management team. The summit was a significant step in intensifying our relationships with direct suppliers, informing them about Action and the company's approach.

2017 was also marked by our efforts to achieve our ambition to increase the amount of sustainable raw materials we used in the products we sell. We developed our Action cotton policy, which will be published in 2018. We are also looking at identifying strategic expert partners with a view to collaborating on a long-term vision for more sustainable cotton. In 2017, we started to use more sustainably sourced cotton for our Private Label t-shirts and underwear. Action signed an agreement with the Forest Stewardship Council (FSC), that provides a clear roadmap for increasing FSC-certified timber and timber products in our assortment. The FSC certificate assures that timber products with the FSC logo meet the highest standards for socially, ecologically and economically sound forest management. Action has agreed that it will not support unsustainable or unacceptable activities in timber cutting. Both agreements add to our Action Ethical Sourcing Policy, which we updated in 2017. This has helped us lay the foundations for the responsible sourcing of products, both for direct and indirect imports.

## Number of factories directly producing for Action



436

## Number of Audits (26 Audited before 2017)

167  
New audits

243  
Re-audits

410  
Total audits



**Sustainable Quality Labels at Action**

The more we develop our own policies and invest into co-operative efforts with renowned institutions, such as FSC or the Better Cotton Initiative, the more we will be able to offer our customers products that are sustainable and certified as such. Customers can already find more and more products with sustainability labels on our shelves: FSC and PEFC for timber products, UTZ for chocolate or Öko-Tex for textiles.

**The FSC and PEFC logos** stand for wood that is cultivated and cut down in a responsible manner in regards to people and the environment. For example, trees are not cut down faster than new ones can grow.

Logo can be found on: various wooden articles and products which are processed from wood, such as paper: our Pure Soft toilet paper, part of our Office Essentials office supplies and on various kinds of packaging.

**Oeko-Tex STANDARD 100:** for safe and sustainable textiles. These products are made according to the strict regulation for the use of harmful (colour) substances and tested for fragments left behind, or for pesticide.

Logo can be found on: various types of clothing, bedding and other textiles. Among other things, on our Ziki and Cozzi underwear lines, and Jack Parker and Dolce Bella basics.

**Fair Trade and UTZ** Two brands that guarantee a fair price to farmers and contribute to the local development of environmental management, health, education and business operations. Logo can be found on: various types of food items, such as Caffe Palazzo, Choc-o-Fair, Smikkelhuys chocolate products, Easter Moments and Christmas Moments.

**GS** is a German hallmark with an international standard of high quality and safety requirements, mainly for technical equipment. Found on: our A-force batteries and some Werckmann tools.

**The EKO and EU Organic hallmark for organic agricultural products and food.** Meaning that the product complies with the statutory organic requirements, for the Netherlands and the EU respectively. The labels can be found on various food items, such as BioWise products.

# Action Is a Responsible Employer

Our people bring Action to life, every day, in every community in which we operate. As Action continues to grow, we continue to offer jobs to people of every age, educational level and background.

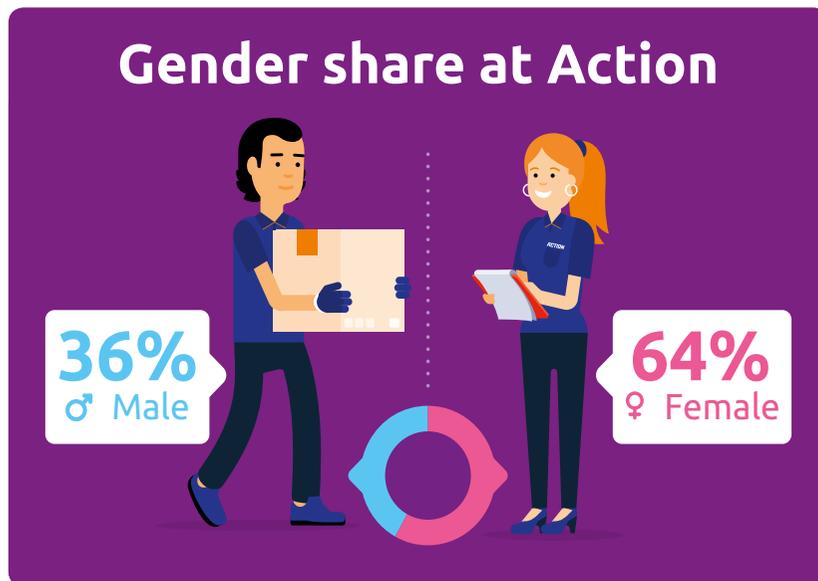
In 2017, women accounted for 64% of our total workforce and men for the remaining 36%. At Action, we care about our employees and we promote diversity. Our workforce represents the diversity of our customers in terms of cultural background, gender and age. No less than 111 nationalities work at Action – in our stores, our distribution centres and our country offices in all seven countries we are active in.

At Action, we believe in the power of education and personal development, in giving people the opportunity to grow both professionally and as a human being. This is why at Action we devote so much time to internal training and development. We provide chances for everybody to not only work, but also to develop their skills and expertise and to enhance their career opportunities. At our Action Academy, we offer our employees the opportunity to take training courses in different fields and for different purposes. From work safety and systems trainings, to leadership training or soft skills training. In 2017, we recorded 15,000 training days and more than 36,000 participants in our various courses.

In 2017, we founded a scholarship fund for the children of our employees. Through this Action Scholarship Fund, we will help pay for the education of our employees' children if they are unable to afford it. Employees have been able to apply for these scholarships since January 2018. Every year,

we will make funds available to finance the further education of our employees' children. This is a completely new benefit for our employees, but one that is perfectly in line with Action's philosophy: making personal development possible for everyone.

To measure our employee satisfaction and evaluate the levels of engagement across the organisation, we conduct a biennial survey among our employees: the "Voice of Action". We follow up on the results in each part of the business, drawing up action plans to focus on continuous improvement of engagement levels. In 2017, 92% of our employees participated in the survey. The overall satisfaction score was well above European retail average.





# Minimising Our Environmental Impact

We take responsibility for the environmental impact our operations have across our supply chain – from distribution centre and our double-decker trucks right through to our stores. And we continuously explore new ways to reduce our impact.

## Distribution centres

As the number of our stores continues to grow, we are investing in additional distribution centres in central locations. We run our distribution centres in an efficient and energy-saving manner: we use electric transport to limit CO<sub>2</sub> emissions and to reduce noise and exhaust levels on site. All new distribution centres are fitted with LED lights in the warehouse, offices and outside areas. We always check whether it is possible to use renewable energy sources to operate our distribution centres. For instance, the logistics centre in Echt, the Netherlands, is equipped with more than 6,500 solar panels, which provide 50% of the centre's total energy consumption. The distribution centre in Belleville, which is scheduled to open in late 2018, will be fitted with solar panels that will supply the local energy network with 4000 MWh of electricity. This is equivalent to the annual electricity consumption of more than 1,600 people. In addition, the building will be BREEAM Gold certified, one of the highest ratings for sustainable building construction. Our distribution centre in Zwaagdijk, the Netherlands, uses two thermal sources as additional energy supply, which reduces the amount of ordinary energy resources the centre uses.

## Stores

All Action stores are equipped with energy-saving lights. In 2017, we executed multiple pilot stores with LED lighting solutions. These showed that it is possible to cut energy costs by as much as 40%. We have therefore decided to fit all new stores with LED lights.

In another pilot project in the Netherlands, we are testing a new recycling station in our stores. This gives customers the opportunity to return light bulbs, batteries, paper/cardboard, plastic and electronic equipment for recycling. So we encourage our customers to dispose of materials properly and we extend the reach of our recycling within Action.

## Recycling at Action

Action has developed an extensive recycling process. Our trucks never leave a store empty: plastic, cardboard and batteries or light bulbs, broken products and returned items are all returned to our distribution centres for further processing. We dispose of batteries and light bulbs properly. In the distribution centres, we reduce the volume of cardboard and plastic with sophisticated machines and procedures in every warehouse before it is given to respective factories for recycling. Through reducing the volume, we can transport more materials at once and thus minimise the amount of CO<sub>2</sub> emissions. Returned or broken products are returned to suppliers for proper disposal or repair.

## Product transportation

We use an innovative and fuel-efficient fleet to transport products from our distribution centres to our stores. We are upgrading our fleet by adding trucks with more fuel-efficient engines. Our innovative double-decker trucks can carry 60% more freight than conventional trucks. In addition, we train our drivers to drive responsibly – taking appropriate care of safety, fuel usage and the trucks. Many deliveries arrive in our distribution centres in containers, which again reduces CO<sub>2</sub> emissions.





## Contributing to Local Communities

With more than six million customers every week, Action plays a significant role in society. Thanks to our low prices, we provide access to products for every budget. We also offer support to people in need in our communities. Teamwork and respectful interaction with our customers and local communities are deeply ingrained in our company's DNA. We have a responsibility to contribute to the local communities we operate in. We invest in long-term relationships with our stakeholders and for this purpose join programmes and initiatives on a long-term basis or develop regular local activities. Most of the initiatives we support are related to the educational or personal development of people. We firmly believe that everyone should have the same opportunities and put a good deal of effort into providing the basis for this in our local communities.



Based on the cooperation with the Dutch National Children's Aid Fund (Nationaal Fonds Kinderhulp) over the previous two years, Action supported young people under 17 years of age by providing them with starter packages for the move into their first own room or apartment. The boxes contained useful items, such as a water boiler, cups, glasses, tea towels and decorative cushions. In March 2017, one thousand of these starter packages were given to young people right across the Netherlands.

In October, we received the sad news of a devastating fire in a primary school in the city of Enkhuizen, the Netherlands, where Action has its roots. As we have a special relationship with this city and to alleviate the children's sadness, we decided to support the school. We collected as much equipment as we could that would help each child to start over again. This included items like pens, colouring pencils, scissors, paper, pencil cases, folders, all of which was delivered to the school in person by our Dutch General Manager.

In Germany, Action joined an integration initiative for refugees launched by the Federal Agency for Migration and Refugees. Within the scope of this programme, the federal agency, a company and the local job centre work together to offer refugees the opportunity to learn the language and gain work experience, as well as make contacts during a traineeship at a company. In 2017, Action offered the chance of an internship to ten refugees and employed six of them. Action will continue its participation in this initiative in 2018.

# In Action for SOS Children's Villages

At the end of 2017, SOS Children's Villages and Action joined hands to help children in Asia. Starting from 2018, every Action store and every team in the distribution centres will now sponsor a child in Asia. For every office in the Netherlands, Belgium, Germany, Austria and France, Action will make a donation to the SOS organisation in that particular country.

Just like Action, SOS Children's Villages is an international organisation. They are active in all the countries where Action stores, distribution centres and offices are located, but also in countries where a large part of our products are made.

There are children all over the world who have to grow up without the care of their parents or are in danger of losing that care. The power of normal family life is the foundation of SOS Children's Villages and they try to make sure that these children can grow up with a loving family. Our cooperation with SOS Children's Villages means they can do even more for these children.

Thanks to this cooperation, over 1,100 SOS children can now enjoy the benefits of sponsorship every month. Action supports and contributes to the daily expenses of the SOS child and the SOS village where that child lives.

The contribution includes:

- Structural support for the daily needs of the SOS child. Good food, schooling, healthcare and sports and games. In short, everything a child needs to grow.
- The overall care of the specific SOS child that each Action store supports.
- Maintenance costs of the SOS Children's Village and its facilities, such as schools, medical and social centres.
- Family-strengthening programmes for the local residents living near the children's village.

100% of the sponsorship donation from each Action team goes to the child and his/her immediate living environment.

In addition to the 1,100 sponsorships, every Action office donates money to the SOS office in their country. The amount is spent on specific needs of the respective countries' office:

**Austria** The donations will enable around ten children to receive necessary therapeutic treatments in 2018.

**Belgium** As this village was founded in 1974, it is in need of renovation. With the support of Action Belgium, five of the seven roofs will be replaced and modernised and new bathrooms will be installed in 2018.

**France** Within the next three years, two houses in a new SOS Children's village in Beauvais will be fully furnished.

**Germany** In 2018, Action Germany will fund animal-assisted therapy for around 40 children with special therapeutic needs in SOS Children's Village Sauerland.

**The Netherlands** SOS Children's Village is building a new children's village in Damascus with the support of the Dutch country office.

**International Headquarters** The contribution from the international headquarters will help research activities by the University of Amsterdam into the effect on children who grow up in foster care.



# Executive Management Team



**Sander van der Laan**  
CEO



**Frederik Lotz**  
CFO



**Hajir Hajji**  
Commercial Director



**Joost Bous**  
Director Supply Chain



## Management Structure

Action is committed to a sound governance structure and running its business with integrity. We firmly believe that transparency contributes to Action's success. Our governance structure reflects how the company is managed and controlled, taking into account the interests of all relevant stakeholders.

Action's one-tier Board of Directors consists of both executive and non-executive directors. The Executive Management Team, comprising Action's key operational functions, is responsible for the effective implementation of Action's strategy, achieving its business objectives and ensuring compliance with relevant rules and regulations. Action is majority owned by funds advised by 3i, a renowned private equity firm that provides Action with comprehensive knowledge, retail expertise and access to its international business network.

Although Action is not required to be compliant with the Dutch Corporate Governance Code, the company embraces a number of its key principles. The Board has established an Audit Committee and a Selection, Nomination and Remuneration Committee. Both committees help the Board to discharge its responsibilities. In addition to this, Action has established a dedicated risk management and internal audit function, centrally organised within Risk Assurance and supervised by a Risk Committee.

# Risk Management

A strategy based on rapid international expansion comes with risk. We established risk management as the process of understanding and managing the risks that Action inevitably faces in achieving its growth ambitions.

Managing risks in a professional manner increases the likelihood that we will achieve our strategic, financial and/or operational objectives, while ensuring compliance with internal and external requirements. Our proactive approach to risk management, embedded in our processes, benefits our decision-making and is essential to preserve long-term value.

## Risk Appetite

We set risk boundaries through our strategy, business plans, Action Values, Code of Conduct and other policies. On a strategic level, to achieve our international expansion objectives, Action is prepared to take a responsible level of risk, taking into account the interests of our key stakeholders. At an operational level, Action is cautious in its risk taking; everything we do is designed to deliver added value to our customers by offering quality products at low prices. This requires dedication to safety and transparency with regard to our customers and delivering responsibly sourced and produced products. Providing customer value takes priority above any other objective. As Action sells its products in an increasing number of European countries and sources these products from various countries across the globe, we need to comply with and take into consideration a number of laws, rules and regulations. Action wants to be compliant with these rules and regulations and, more specifically, wishes to prevent any significant incidents of non-compliance every where we do business. With respect to financial risks, Action is averse to any risks that could impact the integrity of its reporting.



## Risk and Control System

We apply the 'three lines of defence' model to identify and mitigate risks. The first line of defence, operational management, is responsible for identifying, assessing and managing risks. The second line of defence facilitates and monitors the implementation of effective risk management by operational management. The internal audit function acts as the third line of defence, providing independent and objective assurance to the Board of Directors. Facilitated by our risk management team, we have established a risk management and control system to embed effective risk management in our daily operations. Behaviour in line with our Action Values is at the heart of this system.

Our management across the organisation articulate and demonstrate the importance of integrity and ethical values across the organisation. In 2017, we implemented our Code of Conduct and Alertline. By performing risk and control assessments, management identifies the principal risks to the achievement of our objectives and the actions needed to mitigate these risks.

## Principal Risk Categories



Culture & values



Distinctiveness of the formula



Scalability & rapid growth



Business Operations



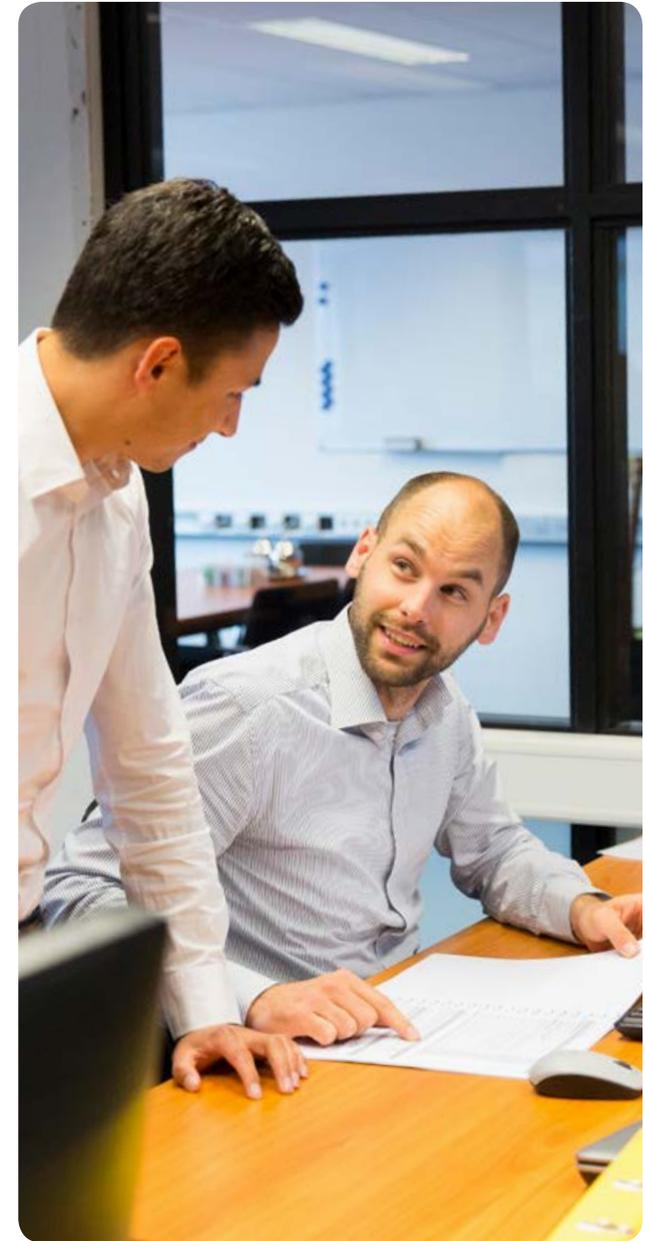
Transparency on production conditions

Risks reported by business areas are aggregated at group level and serve as a basis to determine risk management priorities and coordinated risk responses. The implementation of adequate risk responses is discussed in our Risk Committee.

Action has clearly defined requirements, formats and dates for our planning and control cycle, to facilitate setting company and departmental objectives, budgets, forecasts and reports, including financial and operational information. In 2018, we will synchronise our reporting on the outcome of our

risk management and internal control systems, to bring it more into line with our regular planning and control cycle. This approach will enable us to provide management with an actionable and integrated view on financial and operational performance, including risk and control. We apply a uniform set of operational and financial procedures, including those related to our financial reporting and closing process. Our main accounting policies have been incorporated in an accounting manual. We will continue to integrate additional policies and procedures in 2018.

Action is strongly committed to the protection of our information assets for our employees, customers and other stakeholders. We have initiated multiple information security and privacy initiatives to provide a structured approach to the protection of business critical information to meet customer, supplier and employee expectations and legal obligations, in such a way that it supports Action's strategic objectives and takes into account the emerging threats and opportunities of technical developments.



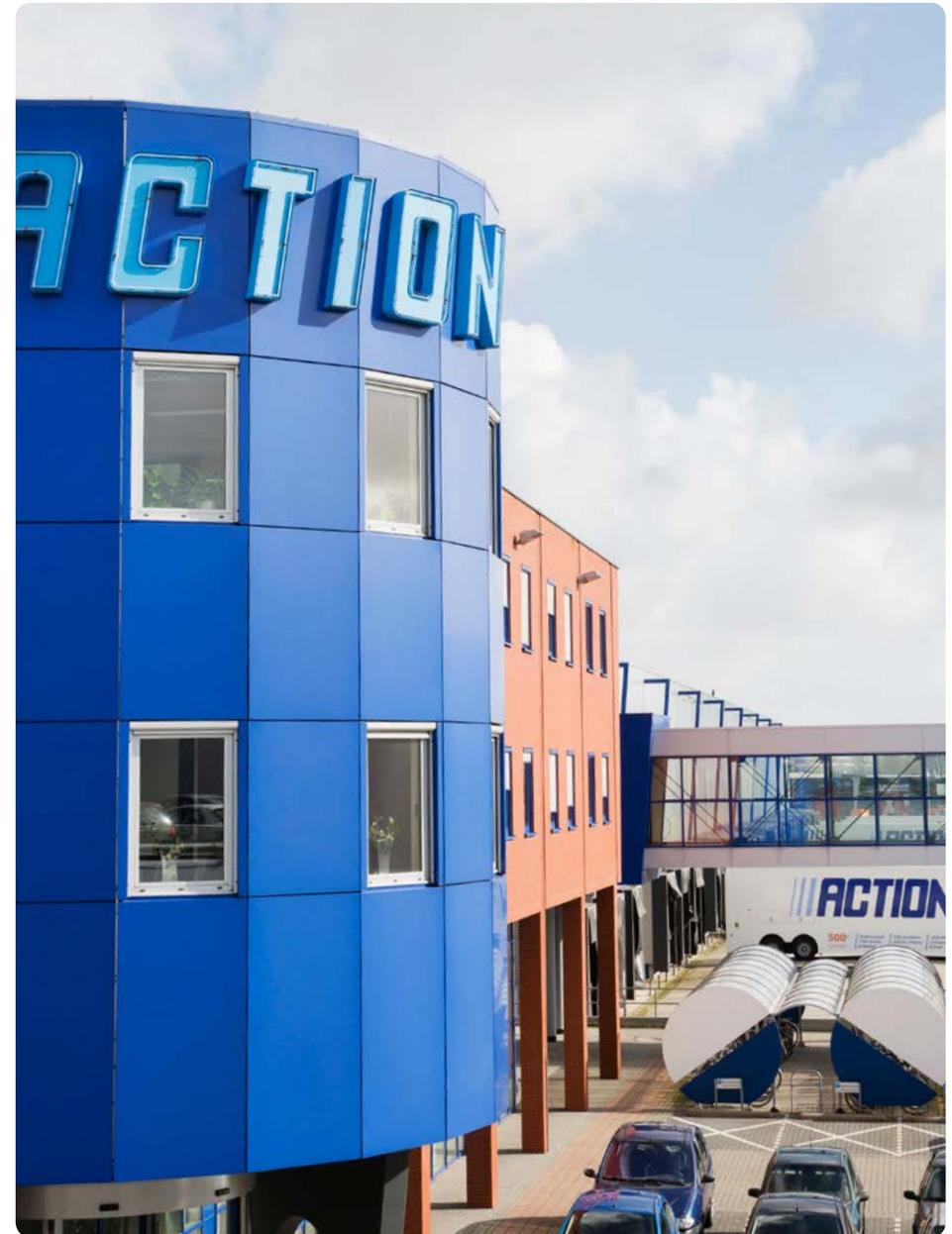
# Principles relating to Tax

Action is a responsible retailer in everything it does and stands for, also when it comes to payment of taxes arising from its business activities, i.e. direct and indirect tax charges, including import duties, corporate income tax, VAT, payroll and other taxes applied by any relevant tax authority.

It considers its tax paying behaviour an integral part of its social responsibility in running a sustainable and responsible business.

Action maintains the following principles when it comes to taxation:

- /// **We act** responsibly in relation to our tax affairs and aim to achieve this by complying with applicable tax laws and regulations as appropriate.
- /// **We are** transparent about our profits and make our tax payments in a timely manner.
- /// **We aim** to develop strong and constructive relationships with national authorities where we operate, based on mutual transparency and trust.
- /// **We maintain** the appropriate mechanisms and controls to apply these principles across the business.



# Where to find us

## The Netherlands

### International HQ

### Distribution Centre Zwaagdijk

Perenmarkt 15  
1681 PG Zwaagdijk-Oost

### Country Office

Antareslaan 65  
2132 JE Hoofddorp

### Distribution Centre Echt

Fahrenheitweg 1  
6101 WR Echt

## Belgium

### Country Office

Gentsesteenweg 120  
1730 Asse

## Germany

### Country Office

Schirmerstrasse 76  
40211 Düsseldorf

### Distribution Centre Biblis

Beim Kreuz 2  
68647 Biblis

## France

### Country Office

18-26 rue Goubet  
75019 Paris

### Distribution Centre Moissy-Cramayel

Prologis Park Moissy 2  
1754 Avenue Paul Delouvrier  
77550 Moissy-Cramayel

### Distribution Centre Labastide

Z.A.C. Grand Sud Logistique  
730 route les Graves  
82 370 Labastide-Saint-Pierre

## Austria

### Country Office

Modecenterstrasse 17  
1110 Wien