



ACTION

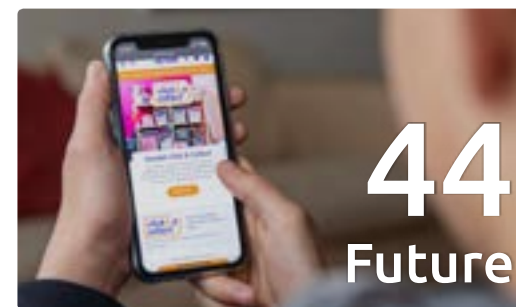
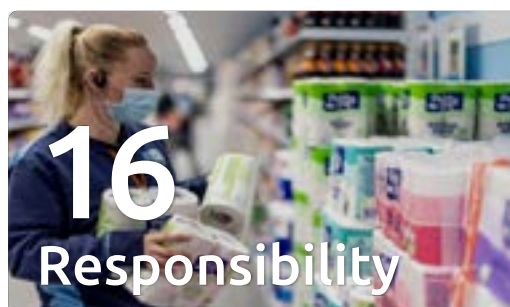
*More
action for
everyone*

Update2020

ACTION

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More action for everyone

2020 was an intense and challenging year for society at large. In this annual Update, we are happy to share our overview of this exceptional year with you. Yes, COVID-19 and its impact on our customers, employees and business partners obviously plays an important role. At the same time, this update also shows how we remain focused on our long-term growth strategy and stay true to our company values. It explains how our Action formula and stores prove to be essential to our customers, and how, even in these difficult times, we continue to deliver our brand promise: small prices and big smiles.



I am even prouder and more grateful than ever to our employees, who demonstrated their passion for Action. They are the key to our success, and keeping them and our customers safe, healthy and engaged has been our priority. In our stores, our employees continue to serve our customers. In our distribution centres, the teams are doing an outstanding job responding and adjusting quickly to the circumstances. And our office teams work remotely and continue to focus on supporting our store and DC teams.

Our flexibility as an organisation was really put to the test. Launching our Click & Collect service is just one example of the resilience and agility that is so distinctive of Action. Even in this memorable year, 2020, we managed to open 164 new stores and to enter country number eight, the Czech Republic. We opened a new distribution centre in Verrières, France and a new logistical hub in Wrocław, Poland to strengthen our supply network and to support our store expansion plan. In doing this, we created 5,000 new jobs.

Our suppliers and other business partners showed their partnership by helping us to respond quickly to changing customer demand. COVID-19 has also allowed us to expand our assortment of hygiene and protective products to serve our customers.

In 2020, we made significant progress in the development of our sustainability strategy. This has become an increasingly key business priority, especially when it comes to our products. Sustainability will become an integral part of our overall business strategy. I am especially proud to report that today, 76% of our cotton products are BCI certified and 60% of our paper and wooden products come from sustainable timber. In 2025 this will be 100%.

Our Board of Directors changed in 2020. After seven years of service, Adrian Bellamy stepped down as our board chair. We want to thank him for his wisdom and support. He has been succeeded by Simon Borrows, the CEO of 3i.

I invite you to learn all about Action, our achievements and our ambitions in this *Update2020*.

Sander van der Laan
CEO



Action in times of COVID-19

2020 required us to be more agile than ever as a business. It also required perseverance and flexibility from our customers, employees and partners. And of course, caring for each other became a larger priority than ever before.

Safe shopping

As the COVID-19 pandemic spread across Europe and individual countries took measures to slow down the spread, over half of our stores were closed within a matter of weeks. For the open stores, we took the measures necessary to offer our customers and staff a safe shopping and working environment.

To continue serving our customers where stores were closed, we developed our Click & Collect solution. Customers can select articles online and pick them up at a participating store at a specified time the next day. This was developed in just six weeks by a cross-functional team during the first spring lockdown in Belgium and France. It was subsequently rolled out to Germany and Austria during the fall and to the Netherlands early 2021. This solution is greatly appreciated by our customers, as shown in the sales of our cleaning, do-it-yourself and decoration categories - and on social media. We are continuing to develop this solution to expand the number of products and countries covered.

Upon the re-opening of all our stores in the spring, our customers expressed how much they had missed us. In France, Belgium, Germany, the Czech Republic and Austria, our stores offered an assortment of essential products during the second wave of the pandemic. Towards the end of 2020, all stores in the Netherlands and some stores in Germany had to stay closed.

Keeping employees safe and engaged

As always, we provide a safe working environment for the employees who continue to work in our stores, distribution centres and offices, while enabling other employees who could work from home. Keeping all employees engaged required new ways of working and communicating for everyone, including our leaders. In our newsletters, webinars and meetings, we also paid attention to our employees' mental health. We were glad that we did not need to let go of any of our employees due to the pandemic.

And our people delivered, as a team: they dealt with constantly changing shifts and last-minute in-store adjustments, and it was continuous high-tide for our customer service department and offices. It took round-the-clock work to crack mind-bending logistics puzzles. We owe our staff tremendous gratitude. We rewarded our store employees with a special bonus for their efforts and dedication throughout 2020.

Impacting logistics and supply chain

When COVID-19 hit China in December 2019, we initially focused on our Far East supply chain. Between March and May 2020, as the virus spread across Europe, we had to close over half of our stores. Our distribution centres were filled to maximum capacity and could not accept new stock since the deliveries to the stores had stopped in many countries. Our cash position was also impacted significantly. We had to make bold choices and act quickly. This included postponing orders and that had an impact on our suppliers. We greatly appreciate that many of

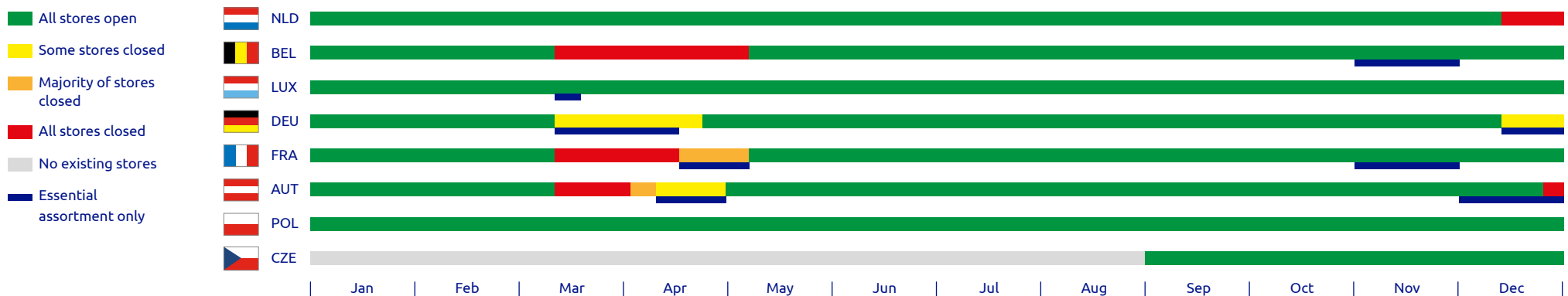
them understood and accepted the situation. We scaled down the activities in our distribution centres and some were closed temporarily. When we reopened over 750 stores within two weeks in May, we were faced with very high customer demand. This challenged our logistics team and we needed time to restock the stores sufficiently.

For the second wave of lockdowns, we were able to use the learnings from the first wave, in close partnership with our suppliers. We monitored stock levels to prevent excess stock build-up, whilst preparing the stores for reopening.

Continuing international expansion

The pandemic impacted our business growth, yet we continued our international expansion. We opened 164 new stores, including the first five in the Czech Republic. Our roll-out into Italy has been replanned for the spring of 2021.

Closing and reopening our stores in 2020



About Action

Action is the fastest-growing non-food discounter in Europe. The combination of low prices and surprising products attracts customers and employees across our eight markets.

In August, we opened our first store in the Czech Republic.

More action for everyone



About Action

Strategic framework



Our unique customer value proposition

Action is the fastest-growing non-food discounter in Europe. Since our first store opened in the Netherlands in 1993, we have grown into an international retailer with more than 1,700 stores in eight countries. Our unique customer proposition attracts over 9 million customers into our stores and more than 5 million visits to our website every week. The combination of low prices and surprise is a key element of the attractiveness of our formula. We offer 6,000 different products across 14 categories. Only one-third of these products are part of our standard range, while the other two-thirds change constantly. Every week, we introduce more than 150 new articles. Action offers a growing number of private labels as well as well-known brands. We always offer 1,500 products below €1. The average sales price of our products is below €2.

Despite our low prices, we make no concessions on the quality, safety or social standards under which our products are made. At the very least, the standards for our products comply with the relevant legal requirements in each of our markets. We also ensure that our suppliers produce their products in line with our Action 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 do not buy that product for our stores.

We offer an assortment of 14 categories and are known for a broad range of products at surprisingly low prices: well-known brand products, Action private labels and supplier-branded items.

Brand promise - More than you expect for less than you imagine



Non-food discounter | Simple - Efficient - Cost conscious

14 Categories



Decoration



Do It Yourself



Toys & Entertainment



Stationery & Hobby



Multimedia



Household Goods



Garden & Outdoor



Laundry & Cleaning



Food & Drink



Personal Care



Pet



Fashion



Linen



Sports

Our range of private label products continues to expand. In 2020, we launched three new private labels, taking our total number of private labels to 73. In addition to our private-label brands, we offered products from over 380 well-known brands, including Philips, Panasonic, Coca-Cola, Pampers, Nivea, Dove, Rexona, Axe, Vileda, Swiffer, Ariel, Mars, Senseo, Lipton, Vanish and Cillit Bang.

International expansion

Action stores are located in the Netherlands, Belgium, Germany, France, Austria, Luxembourg, Poland and the Czech Republic. Our growth strategy is to expand our store network in both existing and new markets. We use one format across all countries. Our name – Action – resonates in all languages, which results in seamless international expansion. In 2020 we opened our first five stores in the Czech Republic. In the first half of 2021 we will open stores in Italy and we aim to enter the Spanish market in 2022. The next chapter contains more detail about our international expansion.

Our efficient, responsible and scalable operating model

Our business model is simple, repeatable and scalable. All our stores are designed in the same way, and at least 90% of our product range is the same in all stores and markets. Our focus on simplicity enables us to open new stores rapidly. We apply one operating model for all stores – the same policies, ordering systems, processes, employee training and management structure.

Why our prices are so low



A full shopping basket for under €15.00

Our customers love to shop at Action for everyday products as well as products to make their lives more convenient, more colourful or more exciting – all for surprisingly low prices. 2020 has proven once more that Action has become an essential retailer for millions: the demand for daily essential products – such as face masks, disinfectants, laundry and cleaning products and personal care items – was high.

During lockdowns, customers missed their Action stores and our products. It's no wonder, when you see how many great products you can buy for a small amount of money. Action is where you experience 'small prices, big smiles'.



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Pedigree dry adult mini chicken	€ 1.19
Garnier Fructis shampoo coco	€ 1.99
Bar-le-duc mineral watermelon	€ 0.39
Dreet dishwashing liquid	€ 1.13
Play-Doh clay set	€ 1.49
Grundig stereo earplugs	€ 2.49
Libresse panty liners dailyfresh	€ 0.99
Curver stock cube	€ 2.49
Airwick scented candle apple	€ 1.72

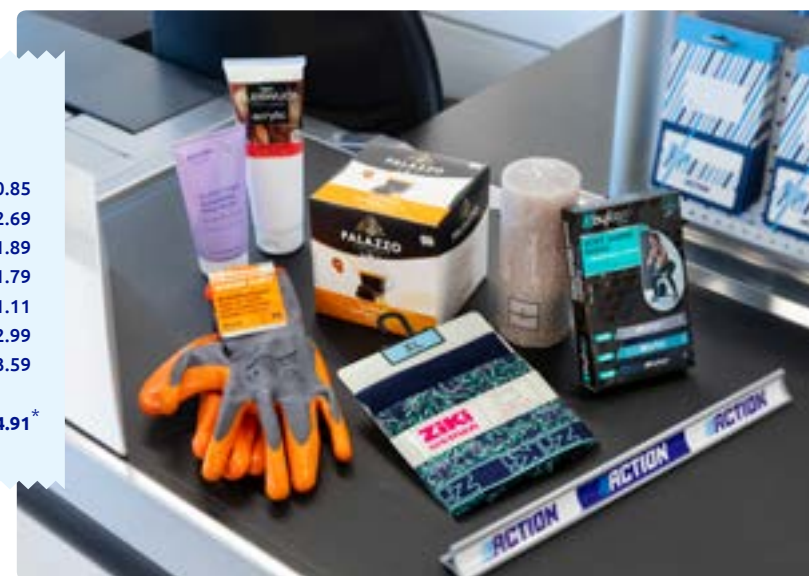
Total: € 13.88*

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Werckmann working gloves	€ 0.85
Caffe Palazzo capsules	€ 2.69
Candra rustic candle	€ 1.89
Van Bleiswyck acrylic paint	€ 1.79
Alvira face cleansing gel	€ 1.11
Kaytan sports resistance bands	€ 2.99
Boxershort Ziki women	€ 3.59

Total: € 14.91*

* The stated prices are for the Dutch market



Our people and values

The Action formula is powerful, but our success as a business depends entirely on the enthusiasm and commitment of our people; they are in charge of our stores and help our customers navigate them every single day. Irrespective of our different backgrounds or position within the company, we have one thing in common: we all live the Action values. These are the core of our success, as they provide the basis for our interaction with each other, our customers and our business partners. Living our values starts with leadership. You can read more in the People chapter about how we engaged our employees with our values in 2020.



Customer focus

The customer comes first in everything we do. We offer a surprising assortment of good quality products at the lowest possible prices. With our customers' interests in mind, we keep costs as low as possible. Customer focus guides everyone at Action, not just our staff working in the stores.



Discipline

Discipline encompasses all of Action's values. When we are disciplined, we are on time and prepared for meetings, which is respectful to others and also enhances teamwork. Being disciplined and sticking to the rules means we are cost conscious and keep things simple. Most importantly, we are disciplined in always keeping the customers' interests at the forefront of our minds.



Teamwork

We believe that teamwork gets the best results. We offer to help each other, because we know that together we can achieve more. As a team, we share ownership, we have common goals, and our deliverables are clear. We share successes and disappointments, and we address issues within the team immediately – transparently and respectfully.



Cost conscious

This is the cornerstone of our business model. Cost consciousness is not about not spending money; it is about spending money efficiently and keeping costs low, all in the interest of our value proposition to customers. We want to use simplicity and scale to save money and offer the lowest prices. This is a key value that guides us in staying humble.



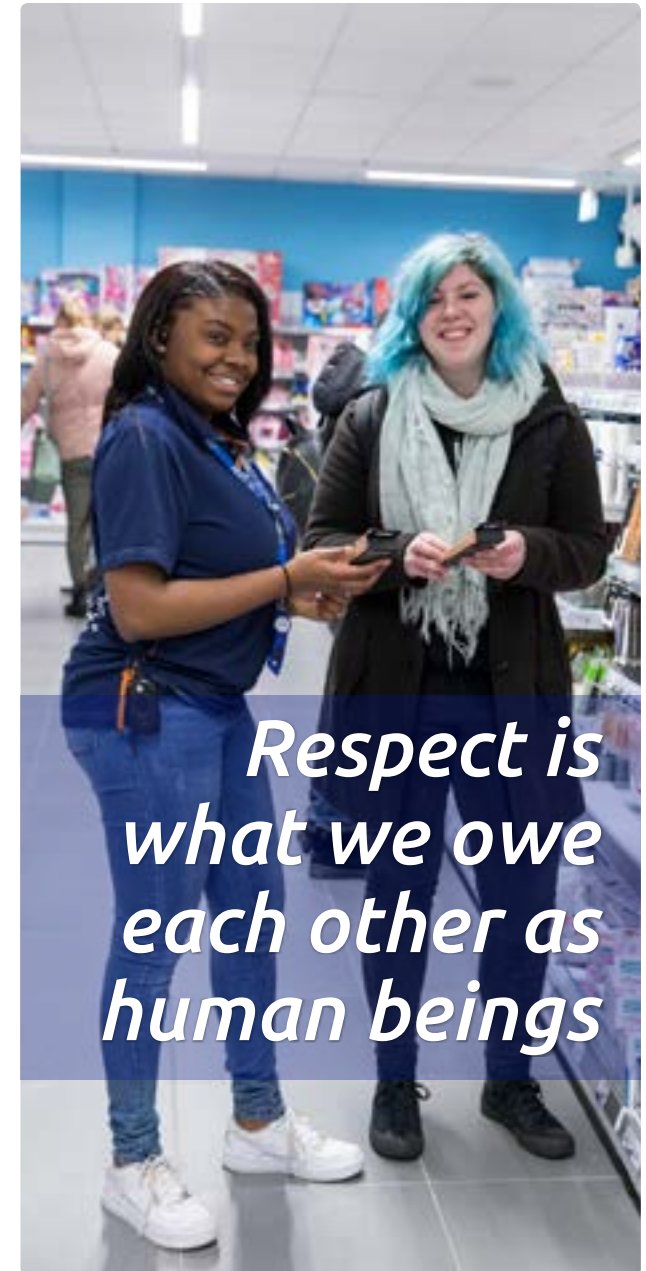
Simplicity

In a rapidly growing organisation, losing simplicity – one of our original strengths – is a big risk. Many larger organisations become political, complex and bureaucratic and lose their edge. Maintaining simplicity does not mean idealising a lack of structure. Quite the contrary: making and keeping things simple requires structured, controlled ways of working across large parts of our business.



Respect

Respect is what we owe each other as human beings. This value is important when it comes to customers, colleagues and business partners. Respect combines sympathy and kindness with direction and clarity to create a sense of belonging and safety. We maintain a culture in which giving and receiving constructive feedback is always considered a sign of respect.



Respect is what we owe each other as human beings

Action in 2020

In 2020, we delivered value to more customers than ever before, through the expansion of our store network and our surprising product range.

Our first XL store in Paris Sainte-Geneviève-des-Bois offers our customers and our products lots of space.

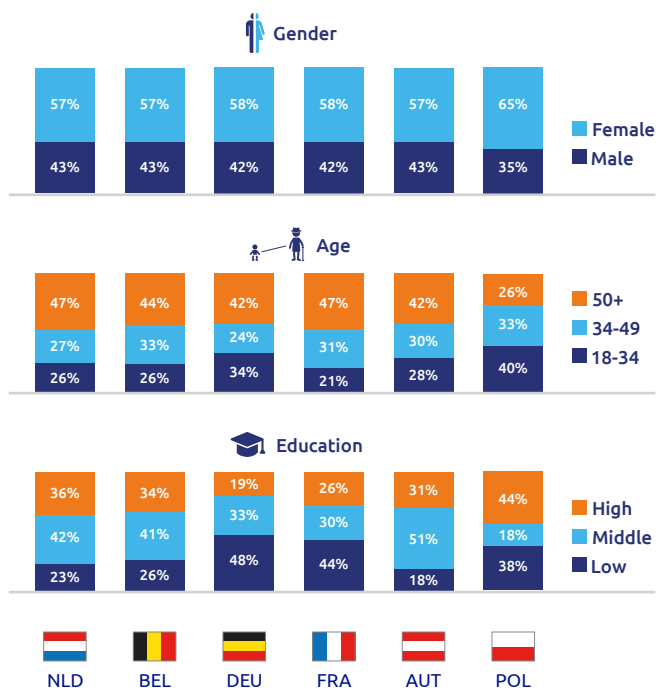
More action for everyone

Action in 2020

Delivering value to our customers

Everything we do is designed to deliver more value to our customers. During the weeks when all our stores were open, we welcomed an average of 9 million customers per week. Our customers have different backgrounds, mindsets and reasons to shop at Action – some are looking for bargains, while others enjoy treasure hunting. Yet they all like our surprising products and incredibly low prices.

Customer profile



Due to COVID-19-related restrictions in 2020, our customers shopped at Action more than ever for essential products, like cleaning and hygiene products, pet food, personal care items, food and drinks. Products from other categories, including decoration, DIY, home textiles, household goods, garden and outdoor and sports, also experienced a boom in sales. In these categories, sales increased by up to 37%, showing that people appreciated being able to shop at Action again – especially to improve their homes and outdoor spaces.

More connected than ever

Our websites, social media and newsletters kept us connected with our customers throughout the year. We provided clear and functional communication about store opening hours and safety measures. And, as in previous years, we shared inspiring content, including DIY tutorials, decoration ideas and product recommendations. In 2020, we added inspiration on relevant themes, like keeping the kids busy, working from home, relaxing, staying healthy and finding new hobbies. Through independent Facebook fan groups, hundreds of thousands of customers connected to share inspiring ideas and experiences.

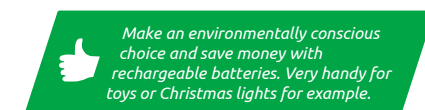
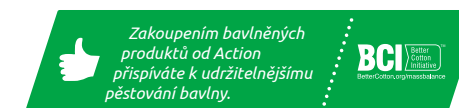
Our green thumbs highlight our sustainable products and provide information about respective certification labels or other sustainability information. Our customers reacted positively to the introduction of the green thumbs.

We celebrated the milestone of 1,500 stores with our customers and employees with a scratch-and-win campaign, which ran throughout the year. The summer campaign revolved around celebrating and enjoying the summer wherever you are. The fall campaign

Online reach

	2020	Change	2019
Website visits per week	5.2 million	21% ↑	4 million
Email newsletter subscriptions	5 million	19% ↑	4.2 million
Facebook	2.3 million	21% ↑	1.9 million
Instagram	1.8 million	50% ↑	1.2 million
Instagram beauty	44,000	—	—
Pinterest	10,000	—	—

included themes like hygiene, fitness and cocooning at home. Our Christmas campaign showcased Action as the one-stop-shop to buy presents for everyone, bringing a cheerful holiday feeling. Customer research shows that these campaigns improved our brand image in areas such as good value for money, offering a wide range of products, reliability, sustainability and making our customers happy.



Strengthening our private label offer

We launched three new private labels during the year. AX Power is our new battery platform to power a wide selection of electric DIY products. Pro-max offers a wide range of power sockets and extension cords. And in our French and German stores, we now offer a selection of cleaning products for swimming pools under the Pool Champion label.

We also updated and improved the look and feel of seven existing private labels. Our skincare and cosmetics private labels Alvira and Max&More became vegan through a reformulation, and the packaging was restyled. We improved the packaging design of the Home Essentials electrical appliances, our Caffe Palazzo coffee range and our Pairz socks. The new design for our Spectrum paint and paint accessories highlights the product quality and helps customers navigate the assortment more easily. We also updated the design and size range of our underwear and t-shirt label Dolce Bella to better meet the needs of a wider target group.



Award-winning products

As in other years, in 2020, customers awarded us with top ratings in the “Retailer of the Year” competition.

In many countries, our customers also awarded us prizes for our private labels.

- **LSC Smart Connect lights** were recognised by the Dutch national newspaper *Algemeen Dagblad* as one of the Top 3 smart lighting products in the country.
- **Zenova Suncare** received the Best Buy Award from the Dutch consumer organisation Consumentenbond – an award for reasonably priced products that meet strict quality standards. It was also awarded “Best choice” by the Belgium independent consumer organisation Test Aankoop/Achats.
- **Teddycare Sensitive Wipes** were awarded Product of the Year in Belgium, Germany and Austria.
- **Hotel Royal fitted sheets** received a Salute to Excellence Award, which recognises quality and innovation in private label products.

..... Retailer of the Year Award



- **Big Jeff sauces** won the Silver Vertex Award 2020, for best design.
- **Freija Catfood, Caffe Palazzo coffee pads and Spectrum 2-in-1 paints** won Product of the Year awards in Belgium.
- **Superfinn degreaser** won the Product of the Year award in Germany.
- **Spargo moist household wipes** received the Product of the Year award in the Netherlands.



Several of our private label products were reformulated and restyled.

Continued growth

Despite the COVID-19 pandemic, 2020 was another successful year for Action. We continued to create value for our customers, our employees and the economy by offering low prices and surprising products. Throughout the year, we added 164 stores, which brought the year-end total to 1,716 stores in eight countries. France is the leading market for Action, with 559 stores at the end of the year. During 2020, we opened over 40 new stores in Poland; this took us across the 100th store mark in the country, within just three years of launching.

We had planned to open our first stores in the Czech Republic in the second quarter of 2020, but the COVID-19 pandemic delayed our plans. In August and September 2020, we opened five pilot stores there, bringing the total number of markets in which we operate to eight. The stores in the Czech Republic had a successful start and the roll-out of more stores will continue in 2021.

In October, we opened our first XL store in Paris Sainte-Geneviève-des-Bois. At 1,600 m², it is nearly twice the size of our average store. The XL store sells the same range of products, yet with a larger quantity of products available in the store. The shopping experience in the XL store is enhanced by messaging around our products, with extra emphasis on our sustainable product range. The store offers charging stations for electric cars and a recycling area at the entrance of the store. It is also the first store in France where we are piloting self-scan checkouts.

In addition to new store openings, we also invested in the development of our existing store base through the refurbishment, enlargement or relocation of 54 (of our older) stores, mainly in the Netherlands and Belgium.

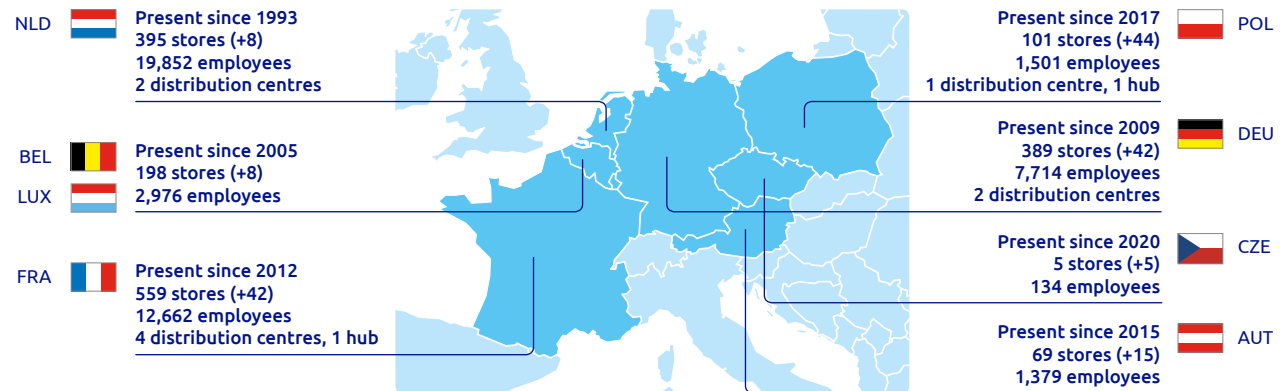
To support our store growth, we expanded our distribution network. In 2020, we opened our ninth distribution centre (DC) in Verrières (France), which can serve 120 of our stores. To optimise our logistics, we added a second hub in Wrocław (Poland), where goods arriving in containers from Asia are stocked and transferred on pallets for transportation to Central and Eastern Europe. In 2021, we will open a new distribution centre in Bratislava (Slovakia).

With the growth in stores, our number of employees also increased. By the end of the year, 46,245 people were directly employed by Action; in 2020, we created over 5,000 new jobs. You can read more about our employees in the chapter 'Our People'.



Our new distribution centre in Verrières (France)

Our international footprint in 2020



Strong financial results

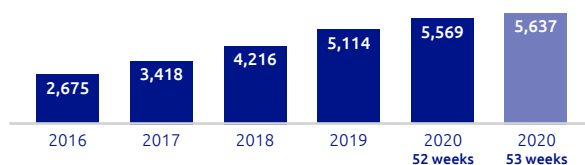
In the financial year ending 3 January 2021, which was a 53-week year, net sales in 2020 amounted to € 5,637 million. On a 52-week basis, net sales grew to € 5,569 million, compared to € 5,114 million in 2019. Despite the periods of major disruption due to country lockdowns in March, April, May and again in November and December, like-for-like (LFL) performance came in at -1.4%, with the Netherlands, Germany, Poland and Luxembourg all trading well ahead of their budgets in both LFL, overall

sales and EBITDA for the year (operating earnings before interest, tax, depreciation, amortisation and adjusting items – and on a pre-IFRS 16 basis).

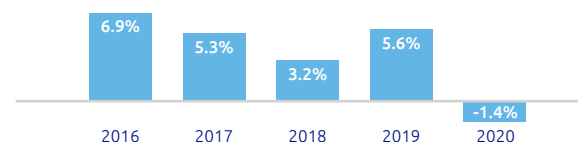
The operating EBITDA increased from € 541 million in 2019 to € 609 million (on a 52-week basis) in 2020. The 53rd week was a short trading week, with a significant number of Action stores closed or restricted to selling essential items. This extra week contributed approximately € 7 million of EBITDA.

During 2020, Action invested in the organisational and logistics infrastructure to support the strong growth of its customer proposition, store network and expansion into new countries. We also continued our investment in digital, which increased our online reach and fanbase and enabled us to engage with our customers, even when our stores were (partially) closed due to COVID-19 restrictions. We also invested in our Click & Collect solution, to continue serving our customers where stores were closed.

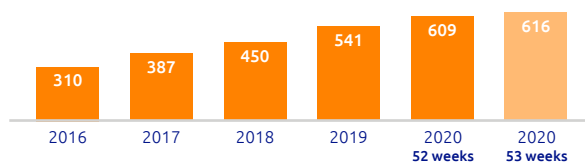
..... Net sales – in € million



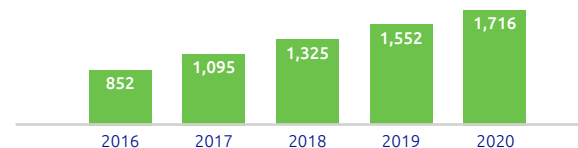
..... Like-for-like sales growth



..... Operating EBITDA¹ – in € million



..... Number of stores



¹ Excludes impact of IFRS16



Making sustainable products accessible to everyone

We serve millions of customers every week and are well aware of our impact on society and the environment. As a rapidly expanding business with a global supply chain, our responsibility to our customers, employees, business partners and society continues to increase.

Our Action Social Responsibility Strategy inspires everyone in our business.

More action for everyone

Making sustainable products accessible to everyone

ASR strategy and the Sustainable Development Goals

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 local communities



Action Social Responsibility Strategy

Our ambition is to make sustainable products accessible to everyone. We want to source and sell products that are safe, of good quality and in compliance with our ethical and environmental principles. And we run a sustainable operating model, minimising our direct impacts.

We see a continued interest for sustainability from consumers, as well as regulation driving change.

This, coupled with our own ambition and pride in our brand, motivates us to continue to increase our commitment and effort in the coming years.

For this purpose, we have developed our Action Social Responsibility (ASR) strategy. It serves as our roadmap to doing business while respecting human rights, trading ethically, protecting the environment, and offering good quality products, both in our own operations and in our supply chain.

The ASR strategy inspires everyone in our business – as well as our supply chain and other partners – to take (more) action. It has four pillars: ‘Product’, ‘People’, ‘Environment’ and ‘Good Citizenship’. To expand and strengthen our ASR strategy, we established a dedicated committee in the first half of 2020, comprised of our CEO Sander van der Laan, our Commercial Director Hajir Hajji and our Supply Chain Director Joost Bous. Rob Wesseling, our General Counsel, coordinates the implementation of the ASR strategy.

In 2020, we started a process to make our ASR strategy even more concrete and coherent. For each of the four pillars and their related topics, we are defining clear targets, enabling our employees and stakeholders to clearly recognise the focus and ambitions. This process will be finalised and rolled out in 2021. The next four chapters in this *Update2020* cover the four pillars in more detail. Each chapter starts with our ambition and explains our general approach to the topic. We then go into detail about the specific pillar activities and the results achieved in 2020.

Our products

Ensuring that our products are safe and responsibly sourced is a key priority.

This includes the social conditions under which the products are manufactured and the responsible use of raw materials, as well as their quality and safety.

These sheets are packaged in pouches made of the same fabric as the sheet. Customers can see the product quality and it saves plastic packaging.

More action for everyone

Our products are made responsibly

The 'Product' pillar of our Action Social Responsibility strategy includes safety, social compliance, product and manufacturing and packaging. This chapter also provides insight into our supply chain.

Product pillar of our ASR strategy

SAFETY

We ensure all our products are safe and responsibly sourced

SOCIAL COMPLIANCE

We strive for 100% supply chain transparency

PRODUCT & MANUFACTURING

We strive to minimise our impact through manufacturing and raw material use

PACKAGING

We aim to optimise our approach to packaging waste reduction

Sustainable Development Goal



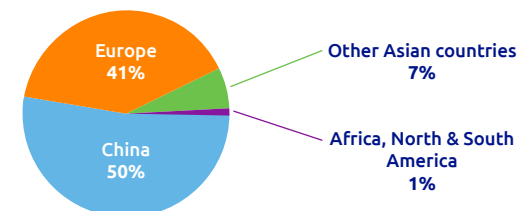
Our international supply chain

Action's supplier network consists of over 650 suppliers, of which 165 supply us directly. These 165 suppliers source from 490 factories. The other nearly 500 suppliers are wholesalers and traders as well as manufacturers of well-known brands. Our team of buyers plays a key role in enabling us to offer a broad, surprising range of products. Growing numbers of suppliers and products lead to higher demand for quality standards, processes and testing requirements. That is why we have a quality team, which consists of product technologists, quality control employees and technical managers. In 2020, the team grew from eight to twelve people.

Our products come from all over the world, with just over half coming from China and more than 40% from Europe. For direct imports, nearly all of our products come from China; for these imports, we partner with the internationally renowned sourcing company Li & Fung. In addition to our own team on the ground, we work with a Li & Fung team of 85 people dedicated to Action. They help us find suppliers and ensure that the factories meet our requirements and policies, including by introducing them to our Ethical Sourcing Policy and implementing social compliance audits. If a factory does not comply with our guidelines, we do not work with that supplier.

The pandemic has made us even more aware of where we source our products from. Through our sourcing strategy, we will continue to evaluate the most optimal sourcing routes.

Country of production based on share of sales



Ensuring safety and quality

The first priority of our quality and ASR strategy is to ensure our products are safe and that they comply with all safety regulations and norms. But this priority goes far beyond product compliance. Good quality products contribute to safety, and as they last longer, they also cause less waste. To improve safety and quality, we have established different processes, from the beginning to the end of the buying process.

The processes vary depending on the source of the product and the category it belongs to.

To support these category quality processes, we also have detailed Product Specification Sheets to clarify our standards with our manufacturers and importers. Our product technologists work in close collaboration with our buying colleagues to get a better understanding of product performance and to improve products where necessary. The collaboration between our buyers and product technologists is based on distinct guidelines that clearly define when product technologists need to be involved in the order process. We have ranked all product groups as high, medium or low risk, and we place priority on our high-risk items.

We have developed an extensive quality testing process for direct import products, with several preventive quality checks along the way. This provides an increasing level of quality control. Since 2019, we have involved the international institutes TÜV Rheinland and TÜV Süd as strategic testing partners. For products supplied by wholesalers, traders or brand manufacturers, we have defined two quality testing processes: a more intensive process for higher risk items and a random product check-based process for low-risk items. In addition to the testing processes, we also share learnings with our supply base to drive improvement. In 2020, the first-time pass rate (articles that pass the first time they are tested) improved by 4% compared to 2019.



'Good quality products contribute to product safety, and as they last longer, they also cause less waste'

Karl Knight, Head of Product Quality and Sustainability (on the right)

..... Product quality performance

↗ 9%

IMPROVEMENT
in damaged goods
performance
through enhanced
approach to quality
and packaging

↘ 17%

REDUCTION
in customer
complaints
for defective
articles



↗ 4.5%

IMPROVEMENT
in fail rate
(from 8.4% to 3.9%)
and 5,806 quality
checks carried out
in the year

↘ 16%

REDUCTION
in product quality
withdrawals

Despite our efforts to prevent quality and safety issues, every year we have to withdraw products. We do this either because the quality of a product falls short of standards agreed with the manufacturer, or due to regulatory or intellectual property considerations. We distinguish between “public safety withdrawals” and “silent withdrawals”. A public safety withdrawal usually involves a potential risk to the health and safety of our customers, which leads us to ask our customers to return the products to the stores. Silent withdrawals have different – often technical or organisational – causes, including the clearance of unsold products at the end of a season, products with a labelling deficiency or products that do not meet our quality standards.

In 2020, we withdrew 142 products from our stores, down from 240 in 2019. Thirteen of these were public safety withdrawals, executed in close collaboration with the relevant authorities. The others were silent withdrawals. We are committed to lowering these withdrawals year on year – for example, by improving our product labelling, leading to fewer associated withdrawals. Categories in which we withdrew products include personal care, household, toys, laundry & cleaning and garden & outdoor.

..... Products withdrawn

	2017	2018	2019	2020
<i>Public safety withdrawals</i>	11	5	12	13
<i>Silent withdrawals</i>	318	191	228	129
Total	329	196	240	142

..... 2020 in detail

	Public withdrawals	Silent withdrawals
<i>Chemical safety</i> ¹	5	21
<i>Product safety</i> ²	3	6
<i>Quality</i> ³	3	34
<i>Trademarks and competition</i> ⁴		6
<i>Non-compliance with legislation</i> ⁵	2	31
<i>Commercial decision</i> ⁶		15
<i>Labelling non-compliance</i>		7
<i>Packaging</i> ⁷		4
<i>Other</i>		5
Total	13	129

¹ Decisions based on test results or authority instructions.

² Decisions mainly based on customer complaints and product tests.

³ Issues that arise by customer complaints, user trialling, too many returns / damaged goods, results from internal tests or based on reports from independent laboratories.

⁴ Issues that arise within trademark management.

⁵ Product did not fully meet legal directives for product type. This does not include labelling non-compliance.

⁶ Internal decision based on evolving trends, customer feedback or other external factors.

⁷ Packaging quality did not fulfill expectations and / or had a negative impact on the safe transport of goods.

Chemicals

Chemicals are critical product components. They involve a potential risk to individuals in the production process, to the product safety for our customers and to the environment. This is why Action has developed a comprehensive Responsible Chemicals Policy, which applies to our full supplier base (except the manufacturers of well-known brands). The policy defines minimum legal compliance standards, pays special attention to workers' rights and environmental matters and provides an action plan that also includes testing programmes and partnerships.

In 2020, we made progress towards our commitments in the Responsible Chemicals Policy. However, we did not accomplish as much as we wanted to, so we will prioritise this area in 2021.

- For Direct Import, we have put in place stricter controls on our testing for the **European regulation on chemicals**, which calls for the registration, evaluation, authorisation and restriction of chemicals (REACH).
- To help our direct import and wholesale suppliers better understand the requirements of chemical compliance, we have developed **Product Specification Sheets**, which we will publish in 2021.
- With eleven direct supplier factories across our categories, we trialled a chemical self-assessment based on the **HIGG principles**. This self-assessment questionnaire helps factories increase their awareness of their environmental impact. From this pilot, we are developing plans and priorities for 2021 that will be communicated to a wider group of suppliers.

Building on a basis for sustainable sourcing

Action wants to offer products that go beyond compliance with safety and quality standards. Our ambition is to offer products that were sourced responsibly – and can still be bought at a low price. In order to live up to Action's environmental and social ambitions, we have been refining our approach to resource use, continuously increasing the transparency of our supply chain and using more sustainable sources. To achieve this, we enter into strategic partnerships, develop procedures or set up monitoring and reporting systems. In addition, Action has formulated five sustainability policies that define our general approach to ethical and environmentally friendly sourcing processes, which cover the sourcing of timber and cotton and our commitment to changing to more sustainable packaging.

..... Our five Sustainability Policies

- Ethical Sourcing Policy
- Responsible Timber Products Sourcing Policy
- Responsible Cotton Sourcing Policy
- Responsible Chemicals Policy
- Responsible Packaging Policy



*Cotton farm workers during sowing season, Punjab, Pakistan, 2018.
BCI/Khaula Jamil*

Driving social compliance

Our Ethical Sourcing Policy

All our suppliers are required to accept and commit to our Ethical Sourcing Policy. It lays the foundation for the responsible sourcing of products, both for direct and indirect imports. The key elements of our Ethical Sourcing Policy are drawn from the International Labour Organisation conventions, the UN Guiding Principles on Business and Human Rights, and the Business Social Compliance Initiative (BSCI) Code of Conduct.

Our Critical Escalation Policy outlines the procedure to be followed in cases of severe social non-compliance in factories producing for Action. Supplier relations may be terminated in cases of bribery, unauthorised sub-contracting, child labour, bonded labour and human trafficking. For severe health and safety breaches (such as electrical safety concerns, non-functioning fire extinguishers, hazardous chemical malpractice and blocked fire doors), we decide on a course of action on a case-by-case basis. Orders are suspended until a corrective action plan has been successfully implemented.

Action's Ethical Sourcing Policy includes the following requirements:

- No child labour
- Young workers under 18 years of age will not be employed at night or be exposed to any risks
- Employment is freely chosen
- Freedom of association and collective bargaining
- Safe and hygienic working conditions
- Fair wages
- Working hours are not excessive
- No discrimination
- The privacy of workers will be respected
- Employment practices will 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)



Human rights

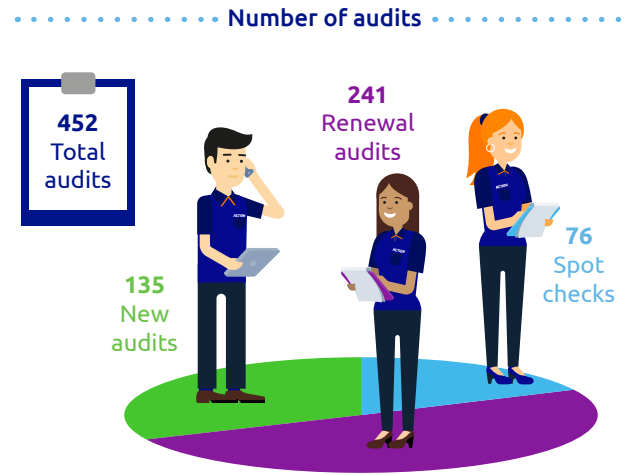
Human rights are central to our Ethical Sourcing Policy. In 2020, we conducted seven training sessions for our suppliers on our approach, focusing on and reminding them of our commitments. A total of 1,226 people attended these (mostly) web-based sessions. Two of the sessions were vendor summits, focusing on a broad range of topics related to social compliance and our sustainability policies.

One session was fully dedicated to the prevention of child labour. Child labour can be a potential issue in China in the summer months, when children may seek summer work, especially in packing. Our audits and spot checks pay special attention to this issue. We had planned to launch a new education programme around the school holiday period to safeguard against the risk of child labour. As this was not possible due to COVID-19, we held an online training session and shared written details to inform all of our suppliers about the diligence needed and the approach we would take.

Of the 452 audits conducted in 2020, there was no evidence that raised any concerns about child labour. On this topic, nearly all audit ratings were A, which is the highest possible in the BSCI scheme (a scale of A to E). Only one supplier was rated B. Furthermore, no child labour cases were found in the spot checks. The audits and spot checks also pay attention to forced or bonded labour. In 2020, there was no evidence to suggest bonded or forced labour.

Auditing our direct suppliers

To ensure our factories comply with our Ethical Sourcing Policy, every year, independent parties audit the factories that work for Action. In 2020, there were 135 factory audits of new suppliers and 241 renewal audits of existing suppliers. Every direct import partner needs to have a valid independent social compliance audit.



Action's preferred alignment is towards the BSCI code of conduct, but in order to avoid auditing fatigue, we do accept a further five internationally recognised social and ethical compliance bodies. In 2020, the rating of our supplier base improved overall, as well as on critical escalation topics.

In 2020, we onboarded 10 new suppliers, representing 135 new factories. Action only starts a cooperation with a factory if an audit has been done. In addition, only factories with ratings of C and above are accepted. Depending on the audit results, the renewal audits take place on an annual or biennial basis. For part of the year, COVID-19 travel restrictions in China, India and Bangladesh prevented audits and spot checks, yet we still completed all the audits we had committed to do, through virtual tours.





“As a buyer, I constantly work on improving our assortment for our customers. Sustainability is an increasingly important factor in that improvement. The launch of the ECO cleaner range was a personal highlight for 2020, as it shows that sustainable doesn’t always mean more expensive. In the future, I’d really like to use the recycled plastic packaging from these cleaners for other products as well.”

- Hans van den Nouwland,
Laundry & Cleaning Buyer at Action

As stores were forced to close around the world, many companies cancelled orders. Work-in progress built up in many factories as a result, leading to safety issues such as blocked fire escapes. In the event of such findings, we worked collaboratively with factories to remedy the situation.

We also subjected 76 of our suppliers to unannounced spot checks to assess ongoing compliance. The spot checks are shorter than complete audits and focus on key aspects, such as safety or employment practices. Based on these unannounced audits, we discovered ten factories with negative social impacts. Improvement plans were developed with eight suppliers. Of the other two suppliers, one was blacklisted and one was suspended for a six-month period.

Product and manufacturing

Our products are made of many different materials. In our ambition to minimise the impact of the raw materials we use, we prioritise our efforts on timber, cotton and plastics. For cotton and timber, we prefer sustainably sourced raw materials certified by third parties. For plastics, we focus on reduction and recycling. In addition, we offer our customers products made with verified sustainable ingredients, such as coffee and chocolate. Our raw material policies apply across our entire business, with the exception of well-known brands. The category buying teams have built our responsible sourcing policies into their annual category buying plans.



Exceeding our timber goal...

Timber is a critical resource that affects the environment and communities. In 2018, we developed a Responsible Timber Products Sourcing Policy that aims to achieve a higher level of transparency, sets goals and defines procedures to ensure that products imported directly or via importers fulfil or exceed the requirements of the EU timber regulations. The Forest Stewardship Council (FSC) is our strategic partner for the implementation of this policy.

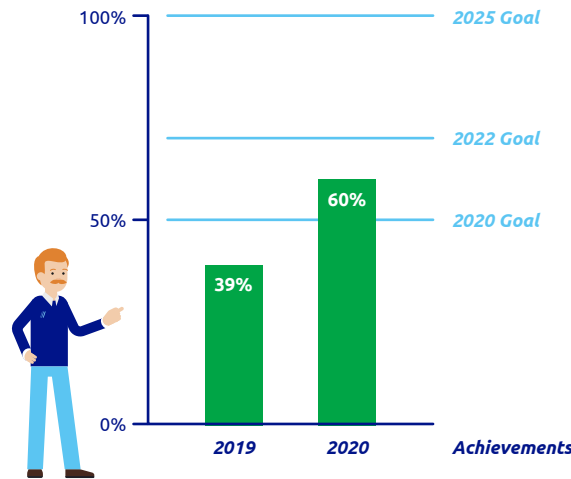
By the end of 2020, 60% of Action's timber-based products was sourced more sustainably – a big jump from 39% in 2019, exceeding the 50% goal we had set ourselves by 10%. In the next five years, we want to progress to 100% sustainably sourced timber, with 70% as the intermediate target at the end of 2022.

... and far exceeding our cotton goal

We aspire to increase our sourcing of more sustainable cotton for our textiles and clothes. That is why we developed our Responsible Cotton Sourcing Policy in 2018 and launched it in 2019. The Policy includes commitments to critical matters, such as human rights, transparency, water management, and pesticides and herbicides. In 2018, we became a member of the Better Cotton Initiative (BCI) to strengthen our ambitions and develop our purchasing of more cotton from sustainable sources. BCI is the largest cotton sustainability programme in the world, providing training and support for farmers worldwide to develop environmentally friendlier and socially and economically more sustainable farming methods.

Sustainable timber

% of our timber products that are FSC or PEFC certified

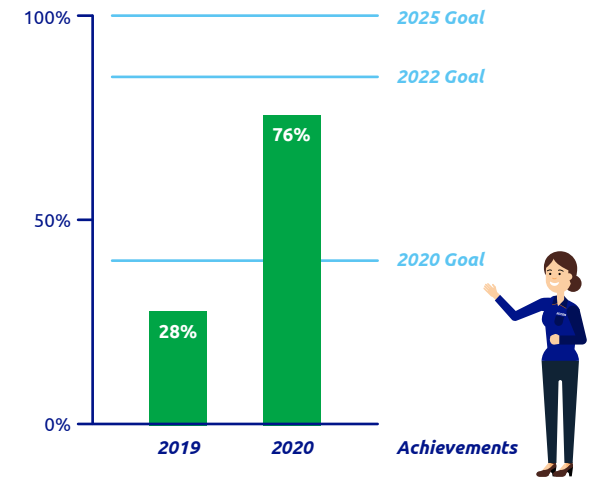


By the end of 2020, 60% of Action's timber-based products was sourced more sustainably, far ahead of the 50% target we had set ourselves in 2019. In the next five years, we want to progress to 100% sustainably sourced timber, with 70% as the intermediate target at the end of 2022.

Thanks to our sourcing of Better Cotton, an estimated 3,400 kilos of pesticides were avoided, and an estimated 5.2 billion litres of water were saved. Our investment

Sustainable cotton

% of cotton sourced more sustainably, following standards like BCI, recycled, organic and Fairtrade



in Better Cotton enabled BCI to reach and train over 13,323 farmers on more sustainable practices, and for Better Cotton to be produced on over 25,660 hectares of land. This also generated an estimated €2.4 million of additional farmer profitability.

Sustainable labels to guide customers


As a retailer with more than 9 million customers every week, we have an impact on our customers' product choices and on informing them about sustainable alternatives. We are increasingly able to offer our customers more certified sustainable products. Customers can find more and more products with sustainability labels on our shelves: FSC and PEFC for timber products, UTZ and Fairtrade for chocolate or OEKO-TEX for textiles.

Our 2019 stakeholder analysis, in which we reached out to customers and employees, showed that many of our customers buy sustainably certified products. That is one of the reasons we have developed our "green thumb" logo, to highlight more sustainably sourced products and to provide relevant background information. We use the green thumb in many types of communication, such as leaflets and newsletters.

Through our marketing channels, we highlight certified products and inform our customers about the sustainability certificates they can find on the products in our stores. This way, we give guidance and enable our customers to consciously select more sustainable options.

Our new ECO cleaning products from the Clean Greener range keep homes spotless, with less impact on the environment. The products contain 98% natural active ingredients, the packaging is made of recycled plastic, and they are EU Ecolabel and Nordic Ecolabel certified. We are currently adding more of these items to our range.

Sustainability certification marks

Label	Explanation	Product examples of brands exclusively produced for Action
	FSC and PEFC Wood that is cultivated and cut down in a responsible manner in regard to people and the environment.	Pure Soft toilet paper Part of our Office Essentials packaging MiniMatters Canvases by van Bleiswijk TeddyCare baby wipes
	Better Cotton Initiative Cotton produced in a way that cares for the environment and supports workers' safety and well-being.	Jack Parker Ziki Cozzi Hotel Royal Dolce Bella
	OEKO-TEX Standard 100 Safe and sustainable textiles made according to strict regulations for harmful substances, fragments left behind and pesticides.	Ziki and Cozzi underwear and Dolce Bella basics
	Fair Trade and UTZ Guarantee a fair price to farmers and contribute to the local development of environmental management, health, education and business operations.	Café Palazzo Choc'o Fair Smikkelhuys chocolate Easter Moments
	GS International standard of high quality and safety requirements, mainly for technical equipment.	A-Force batteries Mini Matters Home Essentials Kitchen & Homeware
	EKO and EU Organic Hallmark for agricultural products and food that comply with statutory organic requirements.	BioWise products
	Blaue Engel The ecolabel for environmentally friendly product design of the German government.	Pure Soft toilet paper



"We have a long-lasting cooperation with Action, in which we work closely on innovation, smart packing solutions and sustainability. Good(s)Factory designs, produces and sells plastic pottery made of 100% recycled material. In 2020, we redesigned our grow tables to make the packaging smaller and stronger. As a result, transportation became more efficient, less plastic and cardboard packaging was used, and we reduced waste by reducing breakage. This also saves on costs, so we can keep the prices low."

- René van Beekum, Good(s)Factory



Reducing plastics

Plastic is a material that has various different functions and many benefits. However, it also has significant negative impacts on the environment. We are aware of these, and therefore we support the reduction of plastic use and encourage its recycling as much as we can.

In 2020, we stopped selling single-use plastics, a year earlier than legally required by the EU ban. Through proactivity and collaboration with our suppliers, we were able to replace these products with sustainable alternatives.

We know there is a long way to go in reducing and reusing other plastics, and we consider this a journey we are on together with our suppliers and partners. Our goal is to use recycled plastic wherever possible, except where the risk of contamination is too high, such as with toys and food packaging. On a category level, we continue to investigate opportunities to use more recycled plastic in

our products. The key highlight for 2020 was successfully converting more gardening products to recycled plastic, saving 1.89 million kilos of virgin plastic.

Reducing packaging while increasing recyclability

The production and disposal of packaging material presents an enormous challenge to the environment. We developed a policy that aims to reduce the overall number of packaging elements and increase the share of recyclable packaging – both for transit and for product packaging. This policy focuses on compliance with legal requirements such as the EU Packaging & Packaging Waste directive, the EU Plastics Strategy and the EU Single-Use Plastic Directive. The aim of the policy is to reduce the negative social and environmental impacts of packaging used within our supply chain by reducing the amount of packaging waste and establishing circularity in all packaging.

Key packaging goals:

- Deliver 100% recyclable packaging for our private labels by the end of 2022
- Deliver 100% recyclable packaging for all business (except well-known brands) by the end of 2025

This Packaging Policy was launched in January 2021. To support the launch, we have developed a Supplier Packaging Best Practice Guideline, which strives to minimise product and transit packaging. Additionally, we are developing internal reporting capability to allow us to be more transparent on the progress. In 2020, we started several packaging reduction initiatives and have converted many lines to recyclable packaging.

Some key successes:

- Our new Laundry & Cleaning refill solutions (launched in August 2020) saved over 100,000 kilos of plastic bottles in just five months.
- Our Pure Soft toilet roll bags are now made of 30% recycled plastic, saving 100,000 kilos of virgin plastic per year.
- Our Hotel Royal fitted sheets are packaged in a sleeve made of the same fabric as the sheet. Consumers can feel and see the product quality – and it saves plastic packaging.

MORE ACTION FOR THE FUTURE

In 2020, we fundamentally altered the product pillar of our ASR strategy. Instead of working across a wide range of (smaller) initiatives, we have brought more focus to the real priorities: product circularity, social compliance, packaging and product safety. For each of the key topics, we defined a roadmap with clear phases and concrete, time-bound targets. With this altered strategy, we are creating more positive change by focusing on fewer, more important priorities.

The overall goal for our product pillar is to achieve 100% supply chain transparency for our tier 1 suppliers and manufacturers by 2030. **The sub-pillars are:**

- **Product circularity:** We minimise our impact through manufacturing and raw material use and - more particularly – in 2021, we will conduct detailed

analyses across seven high impact product categories to establish category performance on circularity.

- **Social compliance:** We have 100% visibility on social compliance by 2025.
- **Packaging:** We optimise our approach to packaging waste reduction.
- **Safety:** All our products are safe and responsibly sourced.

As before, this will continue to be our priority pillar in our ASR strategy. In 2021, we will increase the supply transparency on our Private Label products, similar to what we have done for our Direct Import operations. To support and deliver these new and exciting commitments we added two people to the team in January 2021: a Sustainability Manager and an EU Compliance Manager.



“We supply sustainable hygiene paper products to Action and its customers. Our collaboration is very good, and we much appreciate the openness to new ideas and the ability to take decisions quickly. Just like Action, WEPA operates throughout Europe. We produce where Action sells, to keep the distances to warehouses as short as possible – for economic and environmental reasons.”

- Sander Mink, Key Account Manager
WEPA

Our people

Our people are at the heart of our success. They bring Action to life, every day, in every community in which we operate.

Marek started his career at Action as the store manager of our first store in Poland. In 2020, he became Regional Manager. He really likes how Action enables people to develop, so he is very happy that 80% of the store managers in his region were promoted internally.

More action for everyone



Our people build our company

The key priorities of the 'People' pillar of the ASR strategy aim at establishing a diverse, inclusive and engaged workforce, providing opportunities for growth and ensuring care for well-being.

..... People pillar of our ASR strategy

HEALTH & SAFETY

We prioritise the safety and well-being of our employees

DIVERSITY

We embrace diversity and we make sure everyone is included

CULTURE

We protect and embed our business culture whilst embracing cultural expansion

DEVELOPMENT

We encourage and support development opportunities throughout the business

..... Sustainable Development Goal



People in Action

Both during the (partial) lockdowns and when the stores were open, we worked very hard to create a safe working and shopping environment for our employees and customers. To stay in touch while some of our stores and DCs were closed and almost all office employees were working from home, we used various communication channels to keep our employees safe, informed, motivated and engaged. These included an employee app, videos, interactive webinars and email updates.

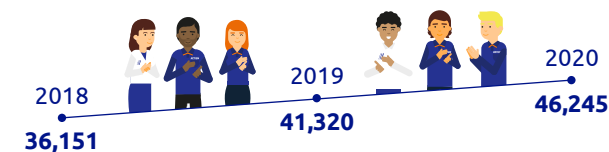
With over 46,000 employees, Action plays an important role in society. In addition to these employees, over 17,000 contractors work for Action. In 2020, our employee numbers continued to grow, despite the impact of COVID-19.

In 2020, we recruited over 30,000 new employees in total. As is typical for retail, a large proportion of those employees join Action for a short period of time and certain number of hours per week, as a first job alongside school, to combine their job with studying or taking care of their family. For retailers, this automatically leads to a higher turnover rate. Our recruitment website *action.jobs* helps us share vacancies with a wide audience. Over a million people visited our recruitment website in 2020. The site won a prize for the most popular recruitment website in the Netherlands.

Prioritising health and safety

Since our people are essential to our success, health and safety management and employee well-being are key priorities at Action. This proved to be especially important in 2020. COVID-19 required a tailored response to continue ensuring a healthy and safe working environment for all our employees.

..... Number of employees



With a new Health and Safety manager and strong, company-wide governance structures in place, we were able to rapidly implement the required COVID-19 safety measures in our stores, distribution centres and offices. This helped create a safe working environment for our employees while the virus spread throughout Europe. Research among office staff showed that our employees felt our offices were well-adjusted for social distancing and that they felt safe travelling to work.

We supported our store managers to lead in these new circumstances, helping both our employees and our customers to continue feeling safe. We provided managers of teams working remotely with tools to effectively lead their teams while working from home and to keep an eye on the team members' well-being. For (assistant) store managers, we provided weekly leadership tips on leading in times of change and COVID-19. We held webinars on remote working, shared tips in newsletters and offered books on virtual leadership, well-being and working from home.

In 2020, 1,379 of our employees contracted COVID-19. The source of infection varied. We closely monitored (and continue to monitor) all relevant details and were able to minimise infections. No major outbreaks took place in the work environment.

In each of our markets, we have an independent Health and Safety management system in place. This is driven by applicable regulatory requirements, where workplace hazard identification and risk assessment, relevant health and safety training, and a preventive health and safety mindset drive performance towards a safe working environment. Within Action, there are 16 people fully dedicated to Health and Safety, and it is part of the responsibilities of many others. Where relevant, partnerships with external medical services and health and safety technical service providers have been established. Our Health and Safety system covers all people working for Action – both our direct employees and the people working for us through temp agencies.

All of our offices, stores and distribution centres conduct hazard identification and risk assessment studies in order to determine root causes of workplace injuries, illnesses and incidents. Catalysed by applicable legal requirements in every country, we proactively identify and periodically assess our workplaces for existing and potential hazards. Consequently, we are able to adopt effective controls to protect our employees from workplace hazards; help avoid injuries, illnesses and incidents; minimise or eliminate safety and health risks; and provide employees with safe and healthy working conditions. In 2020, there were no fatalities resulting from work-related activities.

Health and safety training

Throughout the year, we provided our employees with health and safety training. This includes broader safety training, as well as training on specific work-related hazards and situations. The training is held during paid working hours. We use multiple formats, such as e-learning, in person training and blended formats.

Training continued in 2020, taking COVID restrictions into account. Like other years, in 2020 we held our annual safety week. During each day of this week, all stores boosted awareness of a different health and safety topic. A toolbox was shared to discuss key hazards and risks, as well as suggesting suitable behaviours, processes and measures to adopt and improve.

In 2020, we also established a reporting framework and country level KPIs on safety training, which will be monitored from 2021. In 2021, the Health and Safety team will continue to develop and implement company-wide policies, processes and procedures regarding health and safety. The new health and safety management system approach will add a centralised pillar to support our operations teams throughout Europe, raise the internal health and safety standards and become more data driven. We want to further boost our continuous improvement mindset regarding health and safety, and ensure people are proud of our health and safety performance. In 2021, we will also start the development of general health training formats to support our employees to stay fit and healthy. To boost our safety culture, further health and safety training will be developed in 2021, including e-learning modules for office staff.

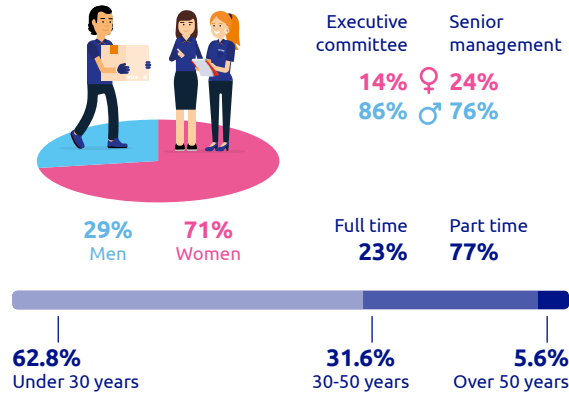
Every country engages employees in health and safety topics, in full alignment with applicable (European, national, regional and local) regulatory requirements, supported by external parties where relevant. Employee representatives participate, discuss and provide input on health and safety developments.



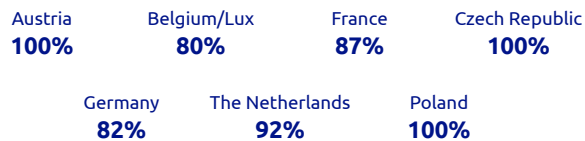
“Despite COVID-19 and the delay in the opening of our Czech stores, opening new stores together was a very positive experience for the team! We were well-prepared with training on Action's operations.”

- Martina Bohdalová, Regional Manager
(Czech Republic)

..... All 46,245 employees



..... Local country management staff



Fostering diversity

We provide a work environment in which people feel welcome and can be themselves, irrespective of their background, gender, age or religion. We take responsibility by investing in a good working environment and in our employees. At Action, we give people the chance to start their career, make a change or reintegrate into working life. No matter what their age, educational level or background is, Action offers a job for everyone, with flexible working options ranging from full-time to individual part-time solutions.

Our workforce reflects the diversity of our customers in terms of cultural background, gender and age. We are proud to have an international workforce. Every year, more people from all over the world join our thriving business. More than 125 nationalities work at Action – in our stores, our distribution centres and our offices. In all of our markets, we aim to hire local country management staff. In doing so, we not only secure relevant market knowledge and cultural insights, but also benefit as an organisation from their input.

A place to work for everyone

In 2020, we contracted 140 employees in the Netherlands via WerkSaam, an inter-municipal initiative focused on reintegrating people who have become distanced from the labour market. Most of these colleagues work at DC Zwaagdijk, mainly on warehouse processes and cleaning. Via Westrom, a company focused on reintegration into the labour market, we recruited 78 people to work at DC Echt.

In other countries, we have similar long-term partnerships and projects with organisations that connect us with people with a distance to the labour market to offer them

work or training. For example, in France, we hired 734 new store employees through MRS, Alixio and POEC/POEI in 2020. In Austria, we hired three people via BBRZ. And in Poland we employed 21 people in this category.

Our culture reflects our values

To emphasise the importance of our values in our organisation, we developed an internal campaign. Our Executive Committee kicked the campaign off in 2020 with a team feedback session. Managers reflected on how they live our values. Throughout the organisation, input was gathered to share best practice and improve workstreams. Sessions in which teams make their own action plans were started in the fall.

Our values reflect the Action way of working, and they are the foundation of our Code of Conduct. They are integrated into all our HR instruments and internal communications. Each value contributes equally to Action’s culture and helps us:

- make decisions and drive our priorities;
- decide how to direct our time, money and focus;
- respond to unexpected situations;
- behave respectfully towards internal and external stakeholders;
- consistently provide our customers with a unique and modern discount format.

The pandemic underlined that we have a strong culture across our company. With a hands-on and can-do mentality, people supported each other to get through challenging times. Our values are the backbone of our organisation and have brought Action to where it is today. Our people and values are fundamental to our success, now and in the future.

Training and development for continuous growth

We believe in the power of education and personal development, in giving people the opportunity to grow both professionally and as human beings. With this in mind, Action devotes a great deal of time and effort to internal training and development. We provide chances for everybody not just to work, but also to develop their skills and expertise and to enhance their career opportunities.

Investing in our staff

At the Action Academy, we offer our employees the opportunity to participate in training courses in different fields and for different purposes, from work safety and system training to leadership training.

43% of these courses are dedicated to developing our employees' soft skills. These include online leadership and communication seminars and workshops.

Safety courses accounted for 53% of all training in 2020. On average, each of our employees received 0.9 hours of training in 2020.

During the first months of the year, we ran training sessions as usual. Throughout the year, we adjusted the training setup to create a safe learning environment and accommodate COVID-19 measures. Our introduction program for office staff changed from two days in the office to a half-day online session followed by an individual onboarding journey with videos and e-learning materials. Although the personal contact was greatly missed, this way of working provided more flexibility. The rollout of our new leadership programme started in June. The first 450 participants very much appreciated the training, and 360° feedback showed that they improved both their skills and behaviour. Ahead of the second group of participants in September, we engaged their managers through a webinar. During the second lockdown period in the fall, we added a fully virtual version of the leadership program, making it possible to continue training despite travel restrictions and remote working conditions.

In 2020, we added a new feature to the Action Academy: a temporarily available online pop-up training. All employees with an Action e-mail account could join an online English course, polish their Excel skills and develop new skills through our online library. 140 employees downloaded the Excel toolbar, 283 colleagues took English lessons, and 7,485 books were read. The online library was introduced as pop-up training; because it was very successful, we decided to prolong access and make it part of the Action Academy for 2021 and 2022. For 2021, our ambition is to train 25,000 employees on technical and leadership capabilities, taking into account the expected COVID-19 measures for group size.



Our priority is to fulfil all training requirements (for example on health and safety), to train our store managers on leadership skills and to roll-out a leadership programme for higher management. We will continue to expand our online individual learning offer, providing all employees with access to personal development tools.

Investing in future generations

In addition to supporting the development of our employees, we consider it just as important to invest in future generations of retail talent. This is why we offer students the opportunity to learn about the nuts and bolts of an international organisation via internships. In Germany and the Netherlands, we offer educational programmes in vocational schooling, and we have strong partnerships to provide the best foundation for future career development.

..... Training



41

Training types



27,498

Participants

Internal promotions:

1,485

In Germany, we offer a vocational educational programme that gives young people the opportunity to earn qualifications as a retail sales professional or a Bachelor professional in retail focused on POS/ stores. In 2020, around 122 young people participated. In the Netherlands, we partner with SBB (Stichting Samenwerking Beroepsonderwijs Bedrijfsleven), an official consulting institution for vocational education. We now offer employees the opportunity to obtain a diploma as first sales manager or retail manager. 114 participants joined the programme in 2020. In France, we offer students an opportunity to join the company as an apprentice, dividing their time between learning at school and experience as an Assistant Store Manager. In 2020, 40 people joined this apprentice programme.

Action also provides a scholarship fund for our employees' children. The Action Scholarship Fund was founded in 2017 and aims to help our employees pay for their children's education if they cannot afford to finance it themselves.

Satisfied employees

To measure employee satisfaction and evaluate the level of engagement across the organisation, we survey our employees: the Voice of Action. We follow up on the survey results in each part of the business and draw up action plans for continuous improvement of employee engagement and satisfaction levels.

The next Voice of Action will be conducted in 2021. In 2020, we conducted surveys to assess employees' satisfaction levels with the health and safety measures implemented as a result of COVID-19. The results of these surveys were used to shape our communication with our employees, showing appreciation and helping people cope with difficult circumstances.



MORE ACTION FOR THE FUTURE

Looking back on 2020, we are particularly happy with the continued high level of employee engagement during the COVID-19 pandemic, our new recruitment website, the developments with respect to health and safety, and our values and leadership training programme.

We will continue looking for scalable solutions to keep our people engaged, and to recruit and foster talent.

For the years ahead, we created a plan to achieve our People ambitions. *The pillars of the new plan are:*

- Diverse, inclusive and engaged workforce: "We preserve and strengthen our Action DNA."
- Opportunities for growth: "We offer many and equal opportunities to develop our employees."
- Care for well-being: "Our employees' health, safety and well-being are our priorities."

Minimising our environmental impact

As a growing retailer with intensive transport between stores and distribution centres, which all require energy, we are aware that we not only consume natural resources, but also produce waste and emissions that impact the environment, people and future generations.

Smart meters help us to make our stores and distribution centres more sustainable and energy efficient.

More action for everyone



Minimising our environmental impact

We take responsibility for, and wish to minimise, the environmental impact of our offices, distribution centres and stores, and of our inbound and outbound logistics.

..... Environment pillar of our ASR strategy

WASTE MANAGEMENT

We commit to mitigating our waste to minimise our footprint

ENVIRONMENTAL FOOTPRINT

We commit to reducing our environmental footprint throughout our operations

ENERGY & EMISSIONS

We commit to reducing our energy usage and emissions

..... Sustainable Development Goal



This pillar of our ASR strategy focuses on reducing our energy consumption, emissions and the waste we produce.

Despite COVID-19, we continued our efforts to reduce our environmental impact. We developed a system to establish an emissions baseline and to monitor future developments. We also started the further development of our environmental strategy, including the establishment of specific targets.

Managing our waste streams

Action has an extensive recycling process: sending returned or broken products back to suppliers, providing our customers with an organised way to dispose of batteries, light bulbs and small electrical appliances, and recycling as much product and transit packaging material as possible. We also participate in local initiatives to reduce waste and recycle, such as Intesia in Austria, Rema in the Czech Republic, Corepile in France, GRS in Germany, and Wecycle and Nederland Schoon in the Netherlands.

..... Recycling

	Cardboard	Plastic
2019	61,412 tonnes	1,446 tonnes
2020	77,091 tonnes	815 tonnes



Recycling

Our key waste streams are cardboard and plastics. Fortunately, we are able to recycle the vast majority of these materials. All cardboard and plastic from packaging materials and transit processes is collected in the stores and distribution centres and recycled. At our distribution centres, we compress the volume of cardboard and plastic before it is passed on to recycling facilities.

By reducing the volume, we can transport these materials more efficiently, which helps minimise CO₂ emissions. The compressed bales also comply with the standard way of working of recycling facilities, so no extra handling is required before the materials are fully recycled.



Reducing our environmental footprint

Reusing store interiors and refrigerants

In 2020, we renewed 54 of our stores. When stores are refurbished, enlarged or relocated, racking is demounted, collected, sorted and stored for reuse. Reusable racking is used in existing stores to serve as spare parts for maintenance. All racking materials that cannot be reused are recycled. Store checkouts are refit, restyled to comply with current format standards and reused after a store refurbishment. Additionally, in collaboration with our suppliers, we also collect and reuse cleaning machines, our safes and individual components of IT systems still fit for purpose.

We have partnered with Daikin to develop an innovative solution to reclaim refrigerant from our refurbished stores and reuse it at other locations. Refrigerants are extremely potent greenhouse gases, and if not treated properly, they contribute to our emissions. After a successful reclaim pilot in 2020, refrigerant gas was collected from 27 refurbished Action stores for reuse in 15 stores.

Acting to avoid plastic waste

In 2019, we piloted a new way of reducing the amount of plastic stretch wrap we use to seal each roll container. We can save a lot of plastic by only sealing parts of the roll container. The pilot showed that we not only saved plastic, but also costs, as the approach makes distribution centres and stores more efficient. In the course of 2020, we deployed this new way of sealing to almost all our distribution centres across Europe. We estimate that this has led to a 30% reduction of stretch wrap.

Reducing energy and emissions

Energy use in our stores, distribution centres and transportation are our key sources of greenhouse gas emissions. Our electricity and gas consumption was lower in 2020, mostly caused by COVID-19-related store closures. Measures to reduce energy and emissions need to be taken on an extensive set of underlying data. In 2020, we continued developing and piloting a system to establish our emission baseline and to monitor developments in the future. This will be rolled out in 2021.

Stores

Our stores are one of the major contributors to our energy consumption. That is why we are continuously looking into new solutions to save energy and make our stores more sustainable and energy-efficient, from alternative energy sources to LED lights, and from the installation of smart meters to the use of energy-efficient all-electric air-conditioning and heating systems.

In 2020, we piloted various energy portals and an active energy management approach. Based on the insights from these pilots, we selected an energy management portal that will be rolled out in 2021. Digital meters will connect the complete store portfolio to this portal, allowing real-time tracking. This will contribute to energy savings by enabling us to act through benchmarking of stores, identification and investigation of outliers and irregular consumption patterns.

In all 54 refurbished stores, we switched from gas to electric heat pump solutions, replaced tube lighting with LEDs and installed energy-efficient heating, ventilation and air-conditioning systems (HVAC). Furthermore, the LED lighting and HVAC systems are automatically

Energy management approach

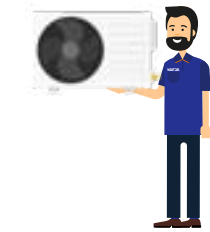


Since 2018
624
stores have been newly built and refurbished completely to the new format. In 2018, the new format was introduced in a phased approach.



Lighting:

624
stores with LED
218 in 2020
281 in 2019
125 in 2018



HVAC systems from Daikin:

Since 2016
987
stores fitted with Daikin HVAC

switched off after opening hours by linking them to the alarm. The results: in these stores, the average energy reduction was about 15%, with some stores even achieving energy reductions of over 20%.

A relamping pilot showed a reduction of 50% in energy used for lighting. In existing stores, we replaced the old fluorescent tubes with LED tubes, while maintaining the existing light fixtures. A full rollout of this relamping project is planned for all existing stores in the coming years.

..... **Energy for Action in 2020**

	Electricity kWh	Gas m ³
Stores ¹	93,855,344	2,084,829
Distribution centres ²	17,952,528	2,032,888
Total ³	111,807,872	4,463,242
Per m ² store 2020 ⁴	49.19	2.62
Per m ² store 2019 ⁴	86.07	3.40

¹ Figures based on actual consumption data between January and December 2020 in stores with smart meters; for other stores this is based on estimates by our energy brokers.

² Figures based on estimates for the full year, except for newly opened distribution centres.

³ Energy consumption of stores and the distribution centre in Poland and the Czech Republic are not yet integrated into the measurement system.

⁴ Corrected for missing electricity and gas data for Poland and the Czech Republic by deducting Polish and Czech store m².

At the end of 2020, 27 of our stores had solar panels installed. In 2019, we developed our store in Graz (Austria) with a focus on energy neutrality. In 2020, we invested in solar panels on the store in Stockstadt (Germany). Any energy we do not use is supplied to the local power network. Working with sustainable energy consultant Encon, we conducted a renewable energy scan. We aim to use as much renewable energy as possible. The implementation of our renewable energy strategy will vary per country, depending on the local regulatory situation and practical possibilities.

Distribution centres

Our distribution centres in Echt (the Netherlands) and Belleville (France) have solar panels installed. The distribution centre in Zwaagdijk uses thermal sources as an additional energy supply for the floor heating. In 2021, we will also equip our distribution centres in Verrières (France) and Zwaagdijk (the Netherlands) with solar panels. For other existing warehouses and future warehouses, Action is actively creating and pursuing opportunities to install solar panels as standard.

We run our distribution centres in an efficient and energy saving manner: we use electric transport to limit CO₂ emissions and reduce noise and exhaust levels on site. Our distribution centres are also fitted with LED lights and light sensors, which reduces energy consumption. To identify further energy saving opportunities, we conduct energy audits and we regularly evaluate the energy efficiency of our distribution centres within the construction team. Furthermore, we frequently update functional specifications to transfer all learnings to new distribution centres.

We build our distribution centres based on the latest technological construction requirements for ecological and environmentally friendly operations, in alignment with BREEAM standards, an international rating system for sustainable building constructions (or comparable certification standards). Our new distribution centre in Verrieres (France) is rated BREEAM Very Good. For future distribution centres, BREEAM Very Good is our minimum standard. The distribution centres under construction in 2021 will have a Very Good (Bratislava, Slovakia) and an Excellent (Bierun, Poland) BREEAM rating.



"We are committed to offering environmental and sustainable supply chain solutions and we are putting this into practice in how we manage Action's new DC at Verrières. Action's know-how and professionalism make for a great collaboration."

- Olivier Franquet, Senior Project Manager Kuehne + Nagel

Transportation

Every day, hundreds of trucks keep our stores stocked. We use an innovative and fuel-efficient fleet to transport products from our distribution centres to our stores. The vast majority of our store deliveries (over 90%) are done with double-decker trailers that can carry 60% more freight than conventional trailers. In itself, this results in a significant reduction in emissions for each roll container delivered to the store. But we want to do even better.

About 60% of movements are carried out by external transport service providers, mainly outside of the Netherlands. We cooperate closely with them and align our own ambitions with theirs. This means, for example, that they use Action's double-decker trucks, implement our standard procedures or use Action's standard equipment within the distribution centre (DC). One-third of the transportation fleet is owned by Action and consists fully of Euro 6 trucks, which is the highest emissions standard available. We continue to upgrade this fleet with the newest generation of Euro 6 trucks,

..... Transportation for Action in 2020

outbound transportation*	2020
<i>Kilometres for distribution to stores</i>	63,325,689
<i>Fuel consumption – in litres</i>	18,344,729
<i>CO₂ emissions – in kg</i>	59,253,474
<i>CO₂ emissions per collo – in kg</i>	0.22

*estimated, including both own and external transportation

with even more fuel-efficient engines. The vast majority of the fleet of our transport partners also consists of Euro 6 trucks. In 2020, we added two LNG trucks to our fleet. We will use the learnings from this in the development of our emissions reduction strategy. In 2021, we will investigate the use of alternative fuels – such as electricity – to better understand their use and potential to further reduce our emissions. In addition, we train our drivers to drive responsibly, taking appropriate care of safety, fuel usage and the trucks.

To reduce our carbon footprint and save money, Action is continuously working to reduce the average distance driven from the distribution centre to the store. In 2020, the average distance between a store and distribution centre was 197.5 km, 4% lower than in 2019. By the end of 2023, we will accomplish a shorter average distance by further expanding our logistics network with new distribution centres or hubs every year.

In 2019, we started the implementation of our multi-layer logistics strategy, opening the first hub and expanding our cross-dock facilities. By creating new cross-dock centres, Action combines the freight from our European suppliers in different locations across Europe. From here, goods are transported to the different distribution centres in a smart way. With this new concept, transport is very efficient and capacity is fully utilised, which reduces emissions per product shipped. The first hub opened in the second half of 2019 in France; in 2020, we added a second hub near Wrocław (Poland).




— MORE ACTION FOR THE FUTURE —

In 2021, we will continue to develop our strategy for this pillar and add clear targets. We will continue to work on reducing waste and recycling as much as possible. Energy reduction will remain a key topic, building on the energy monitoring system for our stores, in which we invested to better measure energy consumption and drive reduction initiatives. We will also continue to improve the energy efficiency of existing stores through refurbishments and relamping. We will invest in an energy management system for our distribution centres, and we will strive to source energy from renewable sources as much as possible.

Good citizenship

As a rapidly growing retailer, Action plays an important role in society. As good citizens, we actively contribute to society and serve our local communities.



In 2020, we offered COVID-19 support in all countries where we operate, donating medical gloves, facemasks, safety goggles, and foods to the Red Cross, care providers and foodbanks.

More action for everyone

Good citizenship connects us

The 'Good citizenship' pillar of our Action Social Responsibility strategy includes our international charity partnership as well as the country specific initiatives and efforts of our offices, stores and distribution centres.

•••• Good citizenship pillar of our ASR strategy ••••

CHARITY

We support charitable organisations financially and through strategic partnerships

COUNTRY SPECIFIC INITIATIVES

We empower our country offices to support local priority causes

STORES

Our stores consider and improve their surrounding areas

DISTRIBUTION CENTRES

Our distribution centres consider and improve their surrounding areas

••••• Sustainable Development Goal •••••



Extending the SOS Children's Villages partnership

In 2020, we extended our partnership with SOS Children's Villages. Since 2018, we have been supporting their efforts both in the countries where we operate our stores, and in the countries where we source our products.

"We are delighted with our partnership with Action. Children all over the world are growing up without the care, protection and guidance they need. SOS Children's Villages works with children, young people and families to tackle this global issue on a local level. Action's contribution allows us to provide what children need to grow up in a safe and loving environment. It also contributes to the support of vulnerable families in the communities surrounding the SOS Children's Village. With this partnership we are able to help even more children and to ensure a lasting positive impact in their lives," Arian Buurman, director of SOS Children's Villages in the Netherlands.

Just like Action, SOS Children's Villages is an international organisation – it works in 136 countries and territories and helps vulnerable children by providing them with a loving home. After three fruitful years (2018-2020), we committed to partner with them for a further three years.



This partnership gives us an opportunity to engage our employees to be more closely involved in our ASR strategy. Every store and our Dutch distribution centres sponsor one SOS child or village in Asia. As our store network grows, so does the number of villages we support. To increase local involvement, every Action office sponsors a local programme. New stores and distribution centres are included in the programme, growing the partnership as Action grows. To engage our employees with the partnership, we use internal communication channels like the *Action Magazine*, narrowcasting, posters, store days and onboarding programmes. All stores and distribution centres also receive the SOS Children's Villages newsletters and magazines.

In the past three years, we supported several European projects, such as:

- **Kiss & Hug zones**, research about the exclusion of vulnerable children and support to the Dutch Simba Family Care project;
- **Renovation of the rooftops** of houses in the Belgian SOS Children's Village Chantevent and support for the life group "Le Hêtre" within that village;
- **Support for the Life, Happiness, Aid programme** for Austrian children, contribution to the construction of a new youth facility in Salzburg and support for refugee families in Innsbruck through the SOS Kinder Welt programme;
- **Support for a programme for children with special therapeutic needs** in Germany, as well as an educational programme for women refugees and their children and holiday camps for children from the SOS Children's Village Lausitz;
- **Contribution to the construction of three new SOS Children's Villages** in France;
- **Support for medical expenses, therapy and courses** for the children in the Polish SOS Children's Villages Krasnik and Bilgoraj.

In 2020, we sponsored 1,560 SOS children for €25 per child per month. This contributed to the daily needs of the sponsored children and to their villages, including food, education, medical care, as well as sports and play. In short, everything a child needs to grow up. This brings our total donation to SOS Children's Villages to €538,000.

Further initiatives in times of COVID-19

As the COVID-19 pandemic spread across Europe, we offered our support in all markets. In the first wave, we donated over 15 million medical gloves to the Red Cross and other organisations distributing medical supplies in the Netherlands, France, Belgium, Germany, Poland and Austria. In all countries, we donated our Easter food assortment to hospitals, care providers, the Red Cross and food banks. During the second wave, we donated our Christmas food assortment to food banks and other organisations.

Beyond these donations in all markets, some special initiatives included:

- **In the Netherlands**, we donated €150,000 for face masks and 12,000 safety goggles to medical institutions and care providers, and made a truck available for their delivery;
- **In Poland**, we partnered with a technical school to deliver over 16,000 safety shields and goggles that they printed;
- **In the Czech Republic**, our employees sewed and delivered face masks to nursing homes and local organisations. Other employees cleaned the store surrounding, planted trees and donated blood.

Relief supplies to Lesbos

Two double-decker trucks delivered relief supplies to the burnt-down refugee camp on Lesbos (Greece). After a five-day journey, four volunteer drivers donated the goods to the aid organisation Because We Carry.



Action for the future

We will continue to invest in digital tools to serve and interact with our customers.

More action for everyone



Action for the future

In 2020, the impact of COVID-19 highlighted our ability to adjust our plans and respond quickly through joint efforts across all of our teams. It also showed that our formula is more relevant than ever for our customers. Many things changed, but our commitment to our customers and employees did not. And nor did our focus on the strategy: to bring more Action to everyone and to make sustainable products accessible to everyone.

Opening more stores

In the year ahead, we will continue to grow by opening more stores in our current markets and by entering new markets. In 2021, we plan to open pilot stores in Italy. Our ambition is to continue our international expansion to more countries, such as Spain, within the next five years. To support this growth, we will also prepare our store operations to become even more efficient and scalable. We will also keep expanding our distribution network throughout Europe and develop our logistics to become more scalable. This will enable us to further increase our service level.

Investing in our digital interface

While we continue to add to our physical store network, we are also investing in the digital interface with and for

our customers. While the pandemic continues, we will continue to expand our Click & Collect offer with more products and introduce it in more countries. In 2021, our Dutch customers will be the first to enjoy the Action app. The app supports the instore experience with a product catalogue and a shopping list. During the year, we will add loyalty features to the app, such as saving bonus points for seasonal rewards and getting early updates on new products. And we will pilot self-checkouts in several countries, building on the learnings and success of the 133 Dutch and Belgian stores in which this has been implemented already.

Intensifying our sustainability strategy

In 2021, Action will further intensify its sustainability efforts by launching and implementing the Action Sustainability Program (ASP). The ASP builds on the current Action Social Responsibility (ASR) strategy and elevates it by explicitly adding sustainability as one of Action's five strategic priorities.

In addition, clear ambitions have been developed, forming the basis of our sustainability reporting going forward. From now on, we will be able to not only make but also demonstrate tangible progress with respect to this integral and vital part of our business.



Leadership, governance and risk

At Action, we are committed to leading our business with integrity. We firmly believe that good governance and transparency contribute to our success.

In 2020, we connected with our employees in new and digital ways, including an online year-end event.

More action for everyone



Leadership, governance and risk

Leadership built on values

Across our operations, we have a clear leadership style. It starts from one of our core values: respect. There is no room for big egos at Action. Together, these elements of Action's leadership style ensure we bring out the best in our people.

Teamwork, another one of our values, brings our style of leadership to life. Within our varied teams, there is plenty of opportunity to learn. Learning by doing in team settings is all about content, trust, and granting each other space and credit. We truly believe that teamwork makes the dream work, leaving little room for internal politics and turf wars. For our people there are always opportunities to grow along with Action's growth, develop new skills and step up into a leadership role.

As a discount retailer, it's simply not our nature to boast. In the end, it is all about how we work together effectively to develop talent across the organisation to keep serving and surprising our customers.



..... Customer focus

"Customer focus is at the heart of our business. With our broad range of products, we cater to the needs of people from all walks of life. Their satisfaction and loyalty are the fruit of our work."

- Apollonia Zasadzinski, Store Manager
France



..... Teamwork

"Teamwork leads to satisfied customers. Good communications and helping each other keep our employees engaged so they can best serve our customers."

- Rianto Rakimin, Warehouse Team Leader
the Netherlands



..... Simplicity

"Simplicity is a key strength that we really need to maintain. Always looking for the simplest way of doing things is productive and efficient, especially in a growing company like ours."

- Robin Roy, Store Operations Manager
France



..... Discipline

"Discipline is a key part in our daily work. Every employee has to show up on time to handle their tasks in a organized and structured way."

- Vanessa Giesen, Store Manager
Germany



..... Cost conscious

"Cost consciousness goes beyond policies and sourcing at a low price. It is a mentality to always consider how a product helps our customers"

- Joris Grijseels, Finance Manager
Belgium/Luxembourg



..... Respect

"Respect is the basis of everything. Through respect you always bring out the best for everyone involved."

- Daniel Neuhold, Area Manager
Austria

Simple and straightforward management

The way we manage our business is in line with our formula: simple and straightforward, with clear demarcations on what is done centrally and what is done within the country offices. At our international headquarters in Zwaagdijk (the Netherlands), a team of professionals works to support the six country offices and on the execution of our expansion strategy.

Our teams at the international headquarters develop and share expertise across different fields, including HR, IT, Legal, Finance and Marketing. Our buying team is active around the globe. Our country offices are primarily focused on store operations and support the stores with the acquisition and construction of new locations, and HR services.

Action's executive leadership is organised in our Executive Committee, which includes our CEO and CFO, our Commercial Director and the directors of Supply Chain, Store Operations, Human Resources and Technology & IT. Our Executive Committee is responsible for the day-to-day operations in all countries in which we operate. Together they are responsible for implementing Action's strategy to offer small prices and big smiles to our customers through our surprising assortment.

Our Executive Committee leads by example with respect to managing risk and ensuring compliance with laws, regulations and our internal policies. They are responsible for ensuring that effective internal control and risk management systems are in place. The Executive Committee has established a Risk and Compliance Committee to oversee and monitor Action's risk profile and associated risk management and compliance policies and processes.

Governance

Over 80% of Action's shares are owned by 3i Group plc and funds advised by 3i, a FTSE 100 firm with operations across Europe and North America. Action has a one-tier governance structure with a Board of Directors, consisting of our CEO and CFO as executive directors and six non-executive directors. Our current non-executive directors are: Simon Borrows (board chair as of October 2020), Marc van Gelder, Robert van Goethem, Menno Antal, Sameer Narang and Boris Kawohl. Adrian Bellamy retired as board chair in October 2020. Our Executive Committee is in charge of the day-to-day management of

Action. The Audit Committee assists the board in the supervision of financial reporting, internal controls and risk management. The Selection, Nomination and Remuneration Committee assists the board in ensuring an appropriate reward policy is set, which attracts and motivates our senior management to achieve the long-term interests of our stakeholders.

"With his great retail experience and his warm personality, Adrian Bellamy has led us through years of tremendous growth, development and success.

I would like to thank Adrian on behalf of everyone at Action for his leadership, wisdom and support during the past seven years."

- Simon Borrows, board chair

Action Executive Committee



Sander van der Laan
CEO



Joost Sliepenbeek
CFO



Hajir Hajji
Commercial Director



Joost Bous
Director Supply Chain



Luc de Baets
Director Human Resources



Jens Burgers
Director Technology & IT



Florian Knauer
Director Store Operations

Risk management

Our approach to risk management

We strongly believe that managing risks in a professional manner is essential to achieving our strategic and operational objectives, while ensuring compliance with internal and external requirements. Our proactive approach to risk management, embedded in our processes, policies, and procedures, intends to protect and preserve long-term value.

We have implemented formal risk management and internal control systems, based on the COSO Internal Control Framework, to ensure that we meet our business objectives, report financial performance reliably and comply with laws and regulations.

Behaviour in line with our Action values is at the heart of our system. Our management across the organisation articulates and demonstrates the importance of integrity and ethical values.

We monitor our internal control performance by means of risk and control self-assessments, risk management reviews and internal audit activities. Dashboards are available for our business teams to allow for online real-time insight into control performance, for example with respect to control self-assessment outcomes or quality of our inventory of data processing activities. Taking ownership of internal control and financial performance is formalised by means of our quarterly certification process, in which a Letter of Representation is signed by management of selected Action entities.



Quarterly Risk Assurance reports are submitted to and discussed with our business teams, Executive Committee, Risk and Compliance Committee and Audit Committee. These reports provide a comprehensive overview of internal control performance and help identify our improvement potential.

Our risk management process

Action applies the 'three lines of defence' model to manage risk. The first line of defence, operational management, is responsible for identifying, assessing and managing risks and is supported by subject matter experts (second line of defence) originating from Business Control, Risk Assurance or other functions, to facilitate and monitor the implementation of effective risk management practices. Our internal audit function is the third line of defence, providing independent and objective assurance.

Based on a robust review of the risks we face in achieving our business objectives, risks reported by business areas are aggregated at company level and serve as a basis to determine risk management priorities and coordinated risk responses. The implementation of adequate risk responses is monitored by our Risk and Compliance Committee.

Our risk appetite

To achieve our international expansion objectives, Action is strategically prepared to take risks in a responsible way, considering the interests of all our key stakeholders. From an operational perspective, Action takes a cautious approach to risk; everything we do is designed to deliver value to our customers, by offering quality products at low prices. This requires dedication to safety and transparency regarding our customers and delivering responsibly produced articles. Providing customer value takes priority over any other objective. As Action sells its products in an increasing number of European markets and sources these products from various countries around the globe, we need to comply with and take into consideration a growing number of laws, rules and regulations. Action is committed to compliance with these laws, rules and regulations and strives to prevent significant incidents of non-compliance everywhere we do business. Action will not take any risks that could impact the integrity of its reporting.

Our risk profile

We have reviewed the risks we believe could adversely impact the achievement of our strategic and operational objectives, reputation or performance. Risks are owned and managed by operational management and discussed and monitored throughout the year to identify changes in the risk landscape. Each risk is assessed on likelihood and impact, considering current and expected internal control performance, and assigned to a principal risk category. An overview of the principal risk categories and where they impact us most is included in the table below.

Compared to 2019, the principal risk categories and where we are impacted did not change, with the exception of the COVID-19 disruption. However, the relative importance of individual risks did change. As a result, we see an increasing risk profile with respect to our brand and customer proposition, end-to-end supply chain and our ability to attract, motivate and retain people, and a decreasing risk profile with respect to third-party management. In all other areas where we are impacted, the risk profile remained comparable as our risk mitigation activities are balanced with the growth and increasing complexity of our company.

In 2020, the COVID-19 pandemic impacted the global economy including Action, in all our countries of operation. During 2020, our first focus has been on creating a safe working environment for our employees, a safe shopping environment – including digital shopping opportunities – for our customers, and delivering a fair share in helping society. We expect the overall risk factor to decrease as a result of global vaccine programmes and the implementation of lessons learned from COVID-19 in our daily operations.

Principal risk categories

	People & values	Distinctiveness of the formula	Scalability & rapid growth	Business operations	Product standards
<i>Principal risks –where we are impacted</i>	<ul style="list-style-type: none"> • Attraction, motivation and retention of people • Embedded values 	<ul style="list-style-type: none"> • Brand & customer proposition • Competition & markets 	<ul style="list-style-type: none"> • Entrance to new markets • End-to-end supply chain 	<ul style="list-style-type: none"> • COVID-19 disruption • Business transformation • Third-party management • Information security & data privacy • Laws & regulation 	<ul style="list-style-type: none"> • Product safety & integrity

Appendices

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1. About this Action Update2020

Like in 2019, our *Update2020* places a strong focus on our Action Social Responsibility strategy, activities and performance. As our business increases in size and impact, we feel we need to be more transparent about this important part of our company.

Within our ASR strategy, we have established KPIs to measure our progress. We have comparative data for earlier years for some of these measures, but not for all. For some topics, we cannot yet measure our performance. In the years to come, we will continue to expand our management information system on our ASR topics. As a result, every year, we will be able to report in more detail.

This report has been prepared in accordance with the GRI Standards core option. The sustainability measures in this report have not been externally assured.

2. Engaging our stakeholders

Action recognises many different stakeholders, all key to our growth and success. In 2019, we consulted them to update our Action Social Responsibility strategy. The table below highlights how we engaged each of our key stakeholder groups and what topics they found most

important for us to include in our strategy. We will repeat this stakeholder engagement process in 2021.

If you have any comments or questions about this year's Update or our Action Social Responsibility strategy, please contact us at press@action.nl.

Stakeholders

Stakeholder	Method of contact	Main topics
Customers	Survey	Responsible sourcing, sustainability communications.
Employees	Survey	Responsible sourcing, country of origin, reputation, environment, recycling, energy consumption, responsible employer.
(Local) government	Interviews	Compliance with relevant laws, product safety and quality, environmental and social performance in the supply chain, transparency, health and safety of employees.
Civil society	Interviews	Compliance with relevant laws, product safety, human rights, social performance in the supply chain, transparency, diversity and equal opportunity for employees, financial performance, sponsoring.
Certification partners	Interviews	Product safety, health and safety of employees, environmental and social performance in the supply chain, circular economy, plastics.
Commercial partners	Interviews	Compliance with relevant laws, product safety, human rights, social and environmental performance in the supply chain, transparency, supplier relations.

3. Our key topics

We used the valuable insights from our internal and external stakeholders to determine our focus areas for the Action Social Responsibility strategy and this *Update2020*. Based on the 2019 stakeholder engagement process, we plotted the stakeholders' and our own interests to highlight our most important – or so-called material – topics. The selection of topics was approved by the Executive Committee.

The table on the right provides an overview of our material topics, as well as the scope and boundary for each of the pillars.

Our material topics

	Product	People	Environment	Good citizenship
<i>Material topics</i>	<ul style="list-style-type: none"> • Chemicals & toxins • Circular economy • Country of origin • Human rights • Packaging • Plastics • Product quality • Product safety • Responsible sourcing • Social performance in the supply chain • Transparency 	<ul style="list-style-type: none"> • Diversity & equal opportunity • Good employment conditions • Health & safety • Opportunities for people at a distance from the labour market • Stakeholder management • Training & education 	<ul style="list-style-type: none"> • Environmental performance in stores, the supply chain and logistics 	<ul style="list-style-type: none"> • Sponsoring/ donations • Local engagement
<i>Scope & boundary</i>	Direct import only, unless stated otherwise	People employed directly by Action, unless stated otherwise	Our own operations: stores, DCs, offices, transportation from DCs to stores	All of Action

4. GRI Content Index

GENERAL DISCLOSURES

<i>GRI Standard</i>	<i>Information</i>	<i>Description</i>	<i>Page/information</i>
	Organizational profile		
GRI 102: General Disclosures 2016	102-1	Name of the organization	7
	102-2	Activities, brands, products, and services	7-8
	102-3	Location of headquarters	48
	102-4	Location of operations	14
	102-5	Ownership and legal form	48
	102-6	Markets served	14
	102-7	Scale of the organizations	14,15
	102-8	Information on employees and other workers	14
		a. Total number of employees by employment contract (permanent and temporary), by gender.	25,931 people with a permanent contract (18,836 women, 7,095 men), 20,302 people with a temporary contract (14,044 women, 6,258 men).
		b. Total number of employees by employment contract (permanent and temporary), by region.	Split permanent/temporary contract by country: Austria 94%/6%, Belgium 77%/23%, Czech Republic 13%/83%, France 96%/4%, Germany 37%/63%, Italy 96%/4%, Luxembourg 71%/29%, Netherlands 37%/63%, Poland 6%/94%, Slovakia 33%/67%.
		c. Total number of employees by employment type (full-time and part-time), by gender.	10,607 people with a full time contract (6,610 women, 3,997 men), 35,638 people with a part time contract (26,277 women, 9,361 men).
		d. Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees.	31
		e. Any significant variations in these numbers reported (such as seasonal variations).	31
	f. An explanation of how the data have been compiled, including any assumptions made.	The information on employees and other workers has been compiled with the use of our SuccessFactors HR system. The definition of fulltime varies per country: Poland 40 hrs per week, Germany 40 hrs, Belgium and Luxembourg 35 hrs, Netherlands 38 hrs, France 35 hrs for stores, 35 or 38 in logistics, Austria 38.5 hrs.	
102-9	Supply chain	19	
102-10	Significant changes to the organization and its supply chain	23	
102-11	Precautionary Principle or approach	17	
102-12	External initiatives	27	
102-13	Membership of associations	Raad Nederlandse Detailhandel, VNCI werkgeversorganisatie, Comeos.	

4. GRI Content Index - *continued*

GENERAL DISCLOSURES

<i>GRI Standard</i>	<i>Information</i>	<i>Description</i>	<i>Page/information</i>
	Strategy		
102-14	Statement from senior decision maker		3
	Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior		10
	Governance		
102-18	Governance structure		48
	Stakeholder engagement		
102-40	List of stakeholder groups		52
102-41	Collective bargaining agreements		Collective labour agreements or other collective (company) agreements are in place in the Netherlands, Belgium, France, and Austria. For Poland, Germany, Czech Republic, and Luxembourg no collective agreements are in place.
102-42	Identifying and selecting stakeholders		52
102-43	Approach to stakeholder engagement		52
102-44	Key topics and concerns raised		52
	Reporting practice		
102-45	Entities included in the consolidated financial statements		15
102-46	Defining report content and topic Boundaries		53
102-47	List of materials topics		53
102-48	Restatement of information		There have been no restatements of information.
102-49	Changes in reporting		There have been no changes in reporting.
102-50	Reporting period		1 January - 31 December 2020.
102-51	Date of most recent report		The 2019 Annual Update was published on June 29, 2020.
102-52	Reporting cycle		The Updates are published annually and cover calendar years from January up to and including December.
102-53	Contact point for questions regarding the report		52
102-54	Claims of reporting in accordance with the GRI Standards		52
102-55	GRI content index		54-57
102-56	External assurance		52

4. GRI Content Index - *continued*

MATERIAL TOPICS

<i>GRI Standard</i>	Information	Description	<i>Page/information</i>
Social topics			
<i>Customer health and safety</i>			
GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	53
	103-2	The management approach and its components	20-22
	103-3	Evaluation of the management approach	29
GRI 416: customer health & safety 2-16	416-1	Assessment of the health and safety impact of product and service categories	20
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	21
<i>Ethical sourcing</i>			
GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	53
	103-2	The management approach and its components	22-25
	103-3	Evaluation of the management approach	29
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	23
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	23
GRI412: Human Rights 2016	412-1	Operations that have been subject to HR reviews or impact assessments	23
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	23
	414-2	Negative social impacts in the supply chain and actions taken	22
<i>Our people</i>			
GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	53
	103-2	The management approach and its components	31-35
	103-3	Evaluation of the management approach	35
GRI401: Employment 2016	401-1	New employee hires and employee turnover	31

4. GRI Content Index - *continued*

MATERIAL TOPICS

<i>GRI Standard</i>	Information	Description	<i>Page/information</i>
GRI403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	32
	403-2	Hazard identification, risk assessment and incident investigation	31-32
	403-3	Occupational health services	31-32
	403-4	Worker participation, consultation and communication on occupational health and safety	31-32
	403-5	Worker training on occupational health and safety	31-32
	403-6	Promotion of worker health	31-32
	403-7	Prevention and mitigation of occupational health and safety impacts linked by business relationships	31-32
	403-8	Workers covered by an occupational health and safety management system	31-32
	403-9	Work related injuries	31-32
GRI405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	33
GRI404: Training and education	404-1	Average hours of training per year per employee	34
	404-2	Programs for upgrading employee skills and transition assistance programs	34
Environmental Topics			
<i>Waste</i>			
GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	53
	103-2	The management approach and its components	37-38
GRI306: Effluents and Waste 2016	103-3	Evaluation of the management approach	40
	306-2	Waste by type and disposal method	37
<i>Energy and emissions</i>			
GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	53
	103-2	The management approach and its components	38-40
	103-3	Evaluation of the management approach	40
GRI302: Energy 2016	301-1	Energy consumption within the organization	38
	302-3	Energy intensity	38
	302-4	Reduction of energy consumption	38

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