

ANNUAL REPORT 2019



in'li 

Groupe ActionLogement

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ANNUAL REPORT

2019



RE-INVENTING INTERMEDIATE HOUSING

Leader in intermediate housing in the Île-de-France region, in'li is developing a housing offer which makes life easier for young working people and employees with average incomes. >>

80, avenue Jean Jaurès,
Bois d'Arcy (78)



80,000 new
intermediate housing
units in 10 years



€18 billion invested
in 10 years



750 employees



Almost **100,000**
tenants



A WORD FROM THE SHAREHOLDER

ACTION LOGEMENT IMMOBILIER



▲ 3, place Lydie Auberon, Louveciennes (78)



▲ 85, avenue du Président Wilson, Puteaux (92)

We will be able to fulfil our social utility mission.

Along with its 51 Social Housing Company (SHC) subsidiaries and 5 intermediate housing subsidiaries, Action Logement Immobilier endeavours to offer even more housing solutions in the regions, with a focus on benefiting workers. Each subsidiary is committed in the willingness to increase the construction effort and renovation to provide workers with affordable housing better suited to their needs, respectful of the environment and near job pools.

As this annual report demonstrates, at the end of 2019, the subsidiaries of Action Logement Immobilier had the appropriate resources and tools to accomplish this task, which is our core business. With more than 45,000 new housing solutions created through approvals obtained in 2019 for both social and intermediate housing, and through reservations in affordable purchase schemes, we are proving our ability to contribute to the diversity of offers in different regions, major cities and town centers.

◀ 180, rue Julian Grimau, Vitry-sur-Seine (94)

Our fundamental core and commitment:
being able to offer local actors solutions
that really meet their needs.

Since the reform started in 2016 and throughout our history dating back more than 60 years, the Regions have been our unequivocal point of reference and our gateway. This encompasses all the French regions, and by extension all residents, no matter what their features or specific characteristics. As such, all the Social Housing Companies and intermediate housing subsidiaries need to take on a greater role as the preferred partner of communities.

This is where our fundamental core and commitment lie: being able to offer local actors solutions that really meet their needs, and constantly devising operational processes to enhance or strengthen, as appropriate, the appeal of these regions, which form the backbone of our country.

To implement this local strategy, the Social Housing Companies and intermediate housing subsidiaries can depend on the financial and strategic support of their shareholder, Action Logement Immobilier, and thus add real momentum to the strategy driven by the Group. Thanks to each subsidiary, we can thus meet all our commitments and will be able to fulfil our social utility mission.



Pierre ESPARBÈS

*Chairman of the Board of Directors
of Action Logement Immobilier*

A handwritten signature in blue ink, appearing to read 'P. Esparbès'.

A WORD FROM THE SUPERVISORY BOARD AND MANAGEMENT BOARD

Pierre BRAJEUX
Chairman
of the Supervisory Board



Jean-Jacques DENIZARD
Vice-Chairman
of the Supervisory Board



Benoist APPARU
Chairman
of the Management Board



Antoine PINEL
Member
of the Management Board
CEO



For the last two years, in'li has been committed to reach its goal of producing 80,000 new intermediate housing units within 10 years. Our objective is to house young working people and middle-class workers who are finding it increasingly difficult to access decent housing in the areas most under pressure in the Île-de-France region, where continuous rent inflation is impairing their purchasing power.

We have now laid the foundations needed to quickly accelerate our future growth, thanks to the unflinching commitment of all of in'li's employees and our partners.

To this end, in 2019 our network of partners expanded and now consists of more than 300 property development players. A commitment has been made on 5,043 housing units, surpassing the target of 4,500 set for this year.

In'li also successfully enacted its policy of diversifying its funding sources by capitalising on its first rating by S&P Global Ratings, which was BBB+ with a positive outlook. This rating allowed us to enter the bond market, as we raised €500 M over 10 years in our inaugural issue. We also signed a €250 M loan with the European Investment Bank.

Property development companies, open to institutional investors and in which in'li will retain a 25% stake, will be created in 2020 with more than 6,000 existing housing units and over 4,000 new housing units.

The sales department was organised to facilitate the sale of housing units to sitting tenants with a programme to sell 8,000 units over 10 years.

An intrapreneurship programme for employees was launched to foster innovation within the Company. This programme joins the start-up incubation programme within the in'li Lab, which signed an agreement with the POLD (Paris Ouest La Défense) region to promote synergies between local start-ups and the needs of local actors.

When it comes to its people, in'li knows it can count on its employees' support for the Company's strategic plan. Employees are fully engaged in creating new jobs and improving internal operations to help achieve in'li's objectives.

The results of this second year were very positive. At the same time, the sector's response has been encouraging. The abundance of potential customers confirms our decision to ramp up our development to meet a glaring social need and help improve the daily lives of numerous employees in the Paris region.

By developing a new offering of intermediate housing, in'li is wholeheartedly fulfilling its objective of social utility, which is manifested in the three priorities of the Action Logement Group: promoting the employment-housing link, facilitating professional mobility and thus playing a role in increasing regional appeal.



42,749
housing units
managed



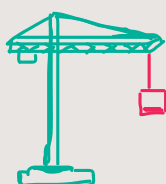
€384 M rental
revenue and provisions
o/w net rental income:
€297 M



€46 M
investments
in work



750
employees



€400 M
investments in
new construction



5,043
housing unit
signed



3,515
housing
units under
construction

**2019
KEY
FIGURES**



696
housing units
delivered



653
housing
units sold



99.20%
recovery
rate



7.18%
turnover
rate



3.06%
marketable
vacancy rate



4,093
incoming
tenants

IN'LI, INTERMEDIATE HOUSING TO SERVE THE PUBLIC INTEREST

OUR RESOURCES



FINANCIAL RESOURCES

- ◆ Rental income: **€297 M**
- ◆ Debt: LTV of **18.5%**
- ◆ Financial rating by S&P Global Ratings: **"A-" with stable outlook**



INTERNAL SKILLS

- ◆ Number of employees: **750** of whom **350** are building caretakers
- ◆ Training budget: **3.90%** of total payroll

EXTERNAL

- ◆ Property developers: **300** partner developers



NATURAL AND EQUIPMENT RESOURCES

- ◆ **Land**
- ◆ **Earth**: testing use of raw earth in our new direct project management programmes
- ◆ Construction materials and equipment

OUR MISSION

TO DEVELOP THE SUPPLY OF INTERMEDIATE HOUSING TO BRING MIDDLE-CLASS EMPLOYEES AND YOUNG WORKING PEOPLE CLOSER TO THEIR PLACE OF WORK, IMPROVE THE EMPLOYMENT-HOUSING LINK AND CONTRIBUTE TO THE ATTRACTIVENESS OF THE TERRITORIES

OUR AMBITION

+80,000
new intermediate housing units in the Île-de-France region, in 10 years

OUR STRATEGY



Develop
our portfolio
of housing units



Sell
to finance



Develop
non-portfolio
housing units



Manage
and market
our housing units

OUR ACTIVITIES

1 Lease management
42,749
units managed

2 Development and contracting
c. 10,000
housing units signed over two years

3 Maintenance works
€46 M

4 Sale
653
units sold *en bloc* and as single units

VALUE CREATION

Societal

- ◆ Meet the need for intermediate housing units in the Île-de-France region
- ◆ Improve the quality of buildings and the quality of life
- ◆ Promote our tenants' residential experience
- ◆ Boost the local economy
- ◆ Encourage technical and social innovation
- ◆ Contribute to urban renewal

Environmental

- ◆ Target: RT 2012 -10%
- ◆ Energy consumption: 186 kWhPE/m²
- ◆ Carbon footprint: 35.4 kg eq. CO₂/m²

OUR RESULTS



PRODUCTION OF RENTAL INTERMEDIATE HOUSING UNITS

- ◆ New housing units delivered: **696**
 - Contracting: **43**
 - Off-plan agreement: **653**
- ◆ Housing units under construction: **3,515**



HOUSING STOCK TENANTS

- ◆ Number of persons housed: **nearly 100,000 tenants**
- ◆ Housing units' occupancy rate: **96.94%**
- ◆ New entrants: **55% managers** and **47% under 30 years old**



PURCHASERS

- ◆ Sales: **90** individual housing units sold
- ◆ Average sale price: **€267,300**
- ◆ Sales *en bloc*: **563**



PROPERTY MAINTENANCE

- ◆ Number of housing units renovated (plumbing): **724**
- ◆ Improvement and renovation work: **€31.8 M**
- ◆ Housing stock maintenance and renovation: **€14.2 M**

2019 REVENUE: €384 M

SHAREHOLDERS

The majority shareholder is Action Logement Immobilier (ALI), which holds 361,506,661 shares (or 88.41% of in'li's capital). In addition, Astria Développement, a company wholly owned by Action Logement Immobilier, holds 44,320,922 shares (or 10.84% of in'li's capital). ALI therefore directly and indirectly holds a total of 99.25% of in'li's capital.

An additional 2,279 shareholders own the remaining 0.75% of in'li's capital. This is a diffuse set of shareholders who come mainly from various previous restructuring operations. In accordance with the governance rules of the Action Logement Group, the Chairman and Vice-Chairman of the Supervisory Board are each loaned one share.



▲ 15, rue Chapon, Paris (75)



99.25%
of in'li's capital held
by Action Logement
Immobilier

The Company offers its shareholders access to an external securities service that directly manages their registered securities accounts for free, and allows them to benefit from a dedicated internal team of experts who can assist them with understanding the securities and organise any requests related to the securities.

In 2019, 10 separate share disposal procedures were initiated, giving precedence to Action Logement Immobilier, which put itself forward as the buyer, subject to the prior authorisation of its Board of Directors, and subject to the authorisation of the Supervisory Board, which is required, in accordance with the Company's Articles of Association, for any shareholder's request to dispose of shares.

◀ 60, rue de Turbigo, Paris (75)

SHARE CAPITAL

CAPITAL INCREASES

The Extraordinary General Meeting of 12 December 2019 decided to carry out a capital increase in the maximum amount of €76,666,377 by issuing 51,110,918 new shares of €1.50 each, with preferential subscription rights, to be paid up in cash or by incorporation of receivables.

As the Management Board had received authorisation to set the terms of the capital increase over a period of 12 months, this capital increase has not yet been recognised.



185, rue Julian Grimau, Vitry-sur-Seine (94) ▲



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1.1 WHAT IS INTERMEDIATE HOUSING?

The concept of intermediate housing was officially created in 2014.

Intermediate housing is a specific segment of rental housing offerings geared towards the middle classes and young working people in areas under pressure. These populations, which are ineligible for social housing because their income is too high, encounter difficulties finding decent housing in the private housing stock due to rising rents, or they live in

housing that does not meet their needs because it is too small or too far from their workplace, for example.

With capped rents an average of 15% lower than those on the private market, intermediate housing offers the middle classes and young working people decent housing, improves their purchasing power, strengthens the employment-housing link and facilitates professional mobility, thus helping to enhance the attractiveness of the territories.

Access to intermediate housing is subject to caps on income. The annual caps on tenants' income for new or renewed leases are as follows:

(in euros)	2019		2020	
	Zone Abis ⁽¹⁾	Zone A	Zone Abis	Zone A
Single person	37,508	37,508	38,465	38,465
Couple	56,058	56,058	57,489	57,489
Single person or couple with one dependent	73,486	67,386	75,361	69,105
Single person or couple with two dependents	87,737	80,716	89,976	82,776
Single person or couple with three dependents	104,390	95,553	107,053	97,991
Single person or couple with four dependents	117,466	107,527	120,463	110,271
Increase per dependent starting from the fifth dependent	+13,087	+11,981	+13,421	+12,286

(1) Zone A: most of the Île-de-France region outer ring, where rents and housing prices are very high.
Zone Abis: Paris and 76 municipalities in les Yvelines, Hauts-de-Seine, Seine-St-Denis, Val-de-Marne and Val-d'Oise.

The rent caps by sq.m. (excluding expenses) at 1 January 2019 were as follows:

In euros/sq.m ²	2019		2020	
	Zone Abis	Zone A	Zone Abis	Zone A
	17.17	12.59	17.43	12.95

To promote its growth, intermediate housing receives tax breaks:

- ◆ VAT of 10% on purchases;
- ◆ property tax exemption for 20 years.

In return, there are commitments that must be satisfied:

- ◆ enforcement of caps on rent and income;
- ◆ construction in the areas most under pressure (A/Abis/B);
- ◆ resale is prohibited for 10 years for 50% of the housing units in a building and for 15 years for the remaining 50%.

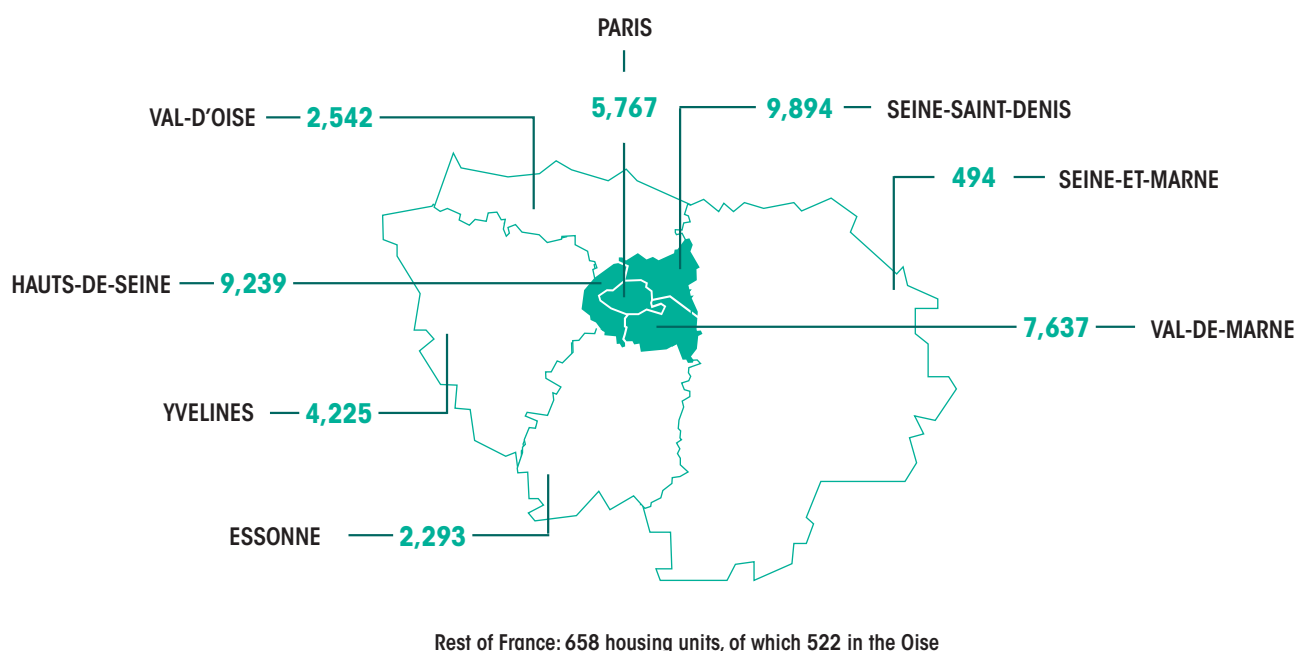
1.2 ACTIVITIES

1.2.1 BREAKDOWN OF HOUSING UNITS

In'li's portfolio comprises 42,749 housing units and collective accommodation located almost exclusively in the Île-de-France region.

76% in number (83% in value) are located in Paris and its inner suburbs, and the rest are in the outer suburbs; this provides the Company with a first-rate portfolio that delivers a stable, resilient operating performance.

OUR ASSETS IN THE ÎLE-DE-FRANCE REGION



At 31 December 2019, in'li's portfolio was appraised at €8.3 billion by Crédit Foncier Expertise (value *en bloc* excluding transfer taxes) and €10.7 billion in appraised value excluding transfer taxes (single unit sale rented at market rental value). The portfolio's valuation (value *en bloc*) rose by 5.4% and 4.4% like-for-like.

The increase in value on a like-for-like basis may be attributed mainly to:

- ♦ favourable structural market trends related to a deficit between supply and demand in the areas where the Company operates;

- ♦ a tightening of the yield rate on residential assets in the Île-de-France region and an increase in the values per square meter seen in 2019 (confirmed by the figures published by the elected boards of the notary profession).

The vast majority of in'li's portfolio consists of assets located in the Île-de-France region, with these assets representing 99% of the value of in'li's portfolio. The other assets are located outside of Paris, mainly in the Oise department.

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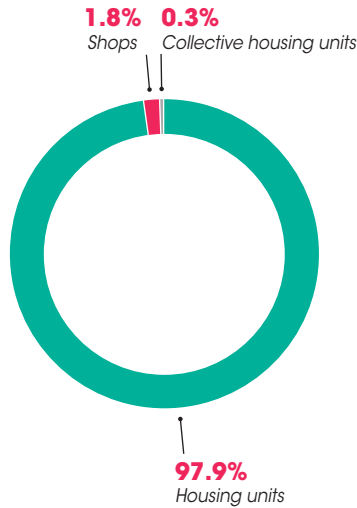
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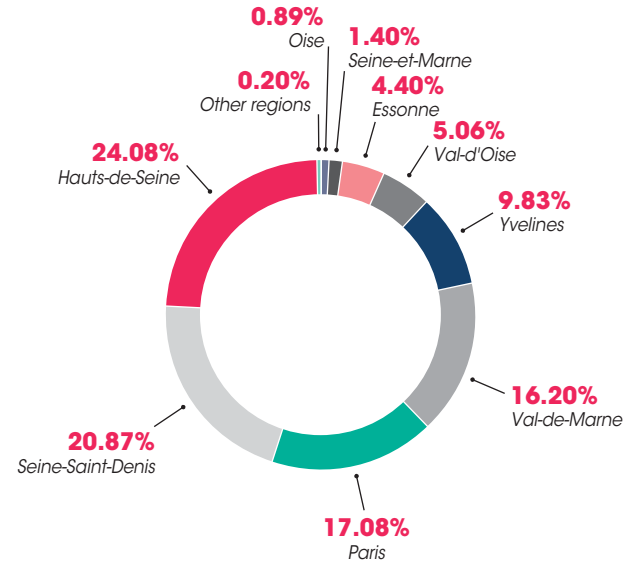
1.2.2 BREAKDOWN OF REVENUE

Revenue is generated almost exclusively by the rental of housing units, the vast majority of which are in Paris and its inner suburbs.

BREAKDOWN OF REVENUE PER ACTIVITY



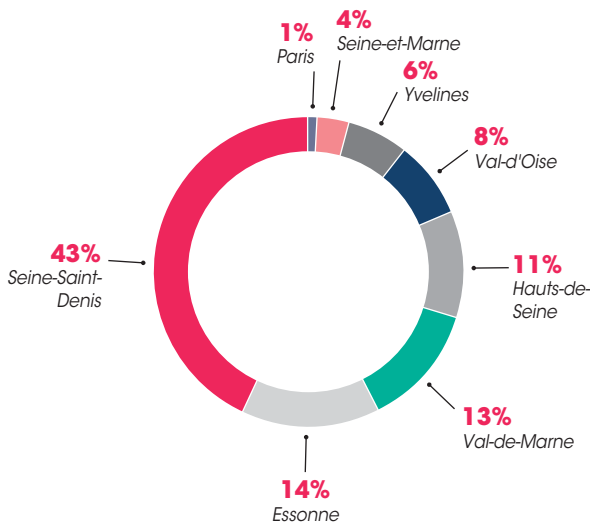
BREAKDOWN OF REVENUE PER DEPARTMENT



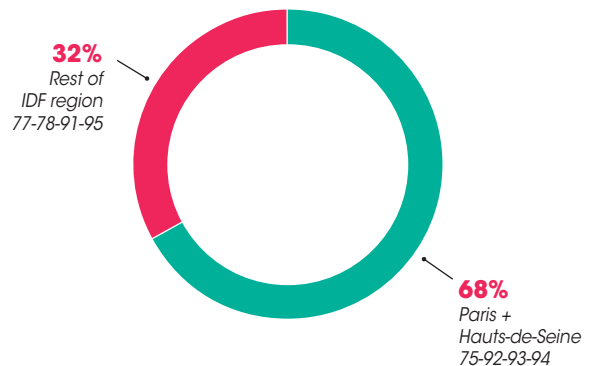
1.2.3 CONTINUED STRONG GROWTH IN THE AREAS MOST UNDER PRESSURE

The 5,043 housing units signed in 2019 (target of 4,500) are distributed geographically as follows:

BREAKDOWN OF NUMBER OF HOUSING UNITS PER DEPARTMENT



BREAKDOWN OF NUMBER OF HOUSING UNITS IN ÎLE-DE-FRANCE REGION



1.3 DEVELOPMENT STRATEGY

In'li, the leader in intermediate housing in the Île-de-France region, has set **an ambitious target of producing 80,000 new intermediate housing units in areas under pressure (A and Abis) within the next 10 years**. The Company is targeting only municipalities where there is a substantial gap between open market rents and social housing rents because this is where in'li has the greatest social utility.

This new production should meet around 50% of the unsatisfied need, which is estimated to be between 150,000 and 200,000 housing units⁽¹⁾.

Nearly 10,000 housing units have been signed in the two and a half years since in'li was established in October 2017. The Company has a profitable development strategy based simultaneously on acquisition through off-plan agreement (approximately 80%) and on land development (consolidation of plots, densification of existing portfolio, response to calls for tender, conversion of

offices into housing units, etc.). In 2019, in'li was named the winner of the Inventing the Greater Paris Metropolis 2 call for tenders in Chelles, where it acquired an office building that it will convert into an intermediate co-living residence.

In addition, in 2019, in'li acquired a stake in Terrae Optimae, a land development fund, which enables it to diversify its sources of growth.

In'li's target involves growth at a slower rate for 2020, due to the municipal elections, and a ramp-up expected from 2021, with 7,000 new housing units per year.

This goal entails the creation of new products focused on intermediate purchase (lease-to-buy, undivided property condition (*indivision*), long-term intermediate housing leases (*bail réel*), etc.) as well as managed residences with services targeting young working people and the middle classes in the form of co-living.

1.4 FUNDING OF DEVELOPMENT

As part of the implementation of its strategic plan, in'li can rely on a strong balance sheet, and the Company will retain a prudent financial policy.

The Company's debt ratios are manageable, with an LTV ratio of 18.5%. In'li had high liquidity at end-2019, with more than €1.5 billion guaranteed by €475 M cash and cash equivalents and €1.1 billion in undrawn bank loans at 31 December 2019.

In addition, in'li will use a wide variety of instruments to maintain its robust financial balance:

- ◆ capital strengthening:
 - **support from Action Logement Immobilier** through annual capital increases,
 - **equity generated by an arbitrage policy for existing assets** for which the income from disposal will be used to finance the production of new housing units;
- ◆ **raising of equity outside Action Logement through the creation of property development companies.** The goal of these property development companies is to have institutional investors finance a portion of new production

while retaining powers and lease management (6,000 housing units in old buildings + 4,300 newly built housing units in the launch year + 2,000 – 2,500 new housing units/year);

◆ diversification of funding sources:

- **use of debt finance markets:** capitalising on a high financial rating (A with stable outlook by S&P Global Ratings since January 2020), in'li will be a recurring issuer. The use of financial markets enables in'li to expand its base of lenders and access an international investor base. The success of the first public bond issue of €500 M in 2019 illustrates the value of this strategy,
- establishment of new banking partnerships:
 - signature of an €800 M syndicated credit facility with a banking syndicate comprised of major French and international banks,
 - signature of €250 M in funding in late 2019 with the European Investment Bank (EIB).

(1) Institut d'Aménagement et d'Urbanisme Île-de-France report on intermediate housing, March 2019.

Territoires stratégiques pour le développement du segment intermédiaire en Île-de-France (Strategic regions for developing the intermediate segment in Île-de-France region) – Observatoire Régional de l'Habitat et de l'Hébergement – Working group (October 2019).

OVERVIEW OF THE COMPANY AND ITS ACTIVITIES

FUNDING OF DEVELOPMENT

Finally, in'li has established a strict financial policy making it possible to confidently execute the Company's development plan:

- ◆ **property development risk will be limited:** 80% of development will be purchased from property developers through off-plan agreements. Off-plan agreements are a legal framework that protect buyers in the sense that they receive a financial guarantee of completion issued by the banks, thus limiting property development risks;
- ◆ **development will take into account the absorption capacities of the market and the pace of asset disposal,** with the caveat that maintaining a stable financial structure will be the Company's priority.

A MODERATE PACE OF ACQUISITION

The pace of acquisition takes into account the absorption capacity of the market and the pace of asset disposal.



LIMITED PROMOTION RISK

In'li does not carry any property development risk on 80% of its production and is supplied through the main property developers under agreements framework.



A WAY OF DEVELOPING NEW PRODUCTION

Part of the new production will be carried by institutional investors.



A BALANCED FUNDING MODE

CAPITAL INCREASE

Action Logement will provide support by equity injection to in'li.
Part of in'li's portfolio will be gradually sold.



ENLARGEMENT OF DEBT FINANCING

External financing extended to new banking partners and bond financing.

1.5 ORGANISATION

1.5.1 COMMITTED AND EXPERIENCED GOVERNANCE

A committed Supervisory Board

The list of offices and duties fulfilled during the 2019 financial year in all companies by the corporate officers, members of the Supervisory Board and their representatives is provided in the Supervisory Board report on corporate governance.

The members of the governance bodies are:

◆ Supervisory Board:

- Pierre BRAJEUX, Chairman of the Board, Chairman of MEDEF 92,
- Jean-Jacques DENIZARD, Vice-Chairman of the Board, CFDT,
- Jean-François GABILLA, Company Director,
- Sandra BUES-PIQUET, Senior Executive with Veolia,
- Philippe THEL, Senior Advisor BNP Paribas Real Estate,
- Marie-Pierre HURE (as from 20 June 2019), General Secretary of MEDEF 92,
- Patricia GOMEZ, Company Director,
- Bruno CANEPARO, Senior Executive with Aliasol,
- Xavier HESSE, CPME Île-de-France,
- Jackie Xiaohua TROY, CPME Île-de-France,
- Hervé MOREL, CFTC,
- Action Logement Immobilier, represented by Pascal LANDRIN;

◆ Audit and Accounts Committee:

- Sandra BUES-PIQUET, Chairwoman of the committee,
- Xavier HESSE, Member of the committee,
- Action Logement Immobilier, represented by Pascal LANDRIN, Member of the committee;

◆ Appointments and Compensation Committee:

- Pierre BRAJEUX, Chairman of the committee,
- Jean-Jacques DENIZARD, Member of the committee,
- Patricia GOMEZ, Member of the committee,
- Bruno CANEPARO, Member of the committee;

◆ Investment Committee:

- Jean-Jacques DENIZARD, Chairman of the committee,
- Jean-François GABILLA, Member of the committee,
- Philippe THEL, Member of the committee,
- Jackie Xiaohua TROY, Member of the committee;

◆ Management Board:

- Benoist APPARU, Chairman of the Management Board,
- Antoine PINEL, Member of the Management Board, CEO.

Organisation and operation of the Supervisory Board

- ◆ **Composition:** in'li's Supervisory Board has 12 members, 4 of whom are women.
- ◆ **Experience:** among the members of the Supervisory Board are 9 representatives of employers' professional organisations, including the Chairman, and 3 representatives of employees' trade unions, including the Vice-Chairman, all of whom have been appointed by the social partners.

Regarding their occupations:

- 5 members of the Supervisory Board are Company Directors or managers;
- 3 members of the Supervisory Board perform consulting duties;
- 2 members of the Supervisory Board perform operational or executive duties in trade union organisations;

- 2 members of the Supervisory Board perform operational or executive duties in private companies related to the property sector.

- ◆ **Term of office:** the term of office of the members of the Supervisory Board is 3 years. The terms of office of the members of the Supervisory Board are renewed in blocks of one-third, in accordance with the Articles of Association.
- ◆ **Average age:** the average age of the members of the Supervisory Board is 59.
- ◆ **Attendance:** 10 out of 12 members have been on the Supervisory Board since in'li was created. The attendance rate at Supervisory Board meetings was 73% for 2019.
- ◆ **Frequency:** the Supervisory Board met four times during 2019 as convened by its Chairman.

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Organisation and operation of the specialised committees

Three specialised committees, the Audit and Accounts Committee, the Appointments and Compensation Committee and the Investment Committee, are set up within the Supervisory Board. These committees have an advisory role and report regularly on their activity to the Supervisory Board. Their composition and operation are defined by the Supervisory Board's rules of procedure.

Audit and Accounts Committee	Investments Committee	Appointments and Compensation Committee
<ul style="list-style-type: none"> ◆ Sandra BUES-PIQUET, Chairwoman of the committee ◆ Elsa BAGARRY, as a member of the committee until June 2019, replaced by Action Logement Immobilier of which the permanent representative is Pascal LANDRIN ◆ Xavier HESSE 	<ul style="list-style-type: none"> ◆ Jean-Jacques DENIZARD, Chairman of the committee ◆ Jean-François GABILLA ◆ Philippe THEL ◆ Jackie Xiaohua TROY 	<ul style="list-style-type: none"> ◆ Pierre BRAJEUX, Chairman of the committee ◆ Jean-Jacques DENIZARD ◆ Patricia GOMEZ ◆ Bruno CANEPARO
4 meetings in 2019	8 meetings in 2019	2 meetings in 2019
Examines the suitability of the methods adopted to prepare the parent company financial statements. Verifies the proper application of internal procedures for the collection and control of information, in particular by examining: the financial information documents distributed at the time of the closing of the annual financial statements, the draft parent company financial statements, the relevance and consistency of the accounting methods used, the external audit process and the assessment of its effectiveness, and the Company's internal control and risk management systems, the internal audit work.	Reviews certain plans to invest in new transactions and the development strategy presented by the Management Board, and duly notes the results. Reports at least once a year to the Supervisory Board on the management of the implementation of this policy. Gives a prior recommendation to the Management Board on "specific" investments to be undertaken by in'li. Gives a prior recommendation to the Supervisory Board with regard to the decision to sell the Company's assets when these represent a significant amount and in particular, sale <i>en bloc</i> and creation of property development companies. Gives a prior recommendation to the Supervisory Board on partnership projects, equity investments, innovative arrangements.	Makes recommendations with a view to appointing new members of the Supervisory and Management Boards and on their compensation.

Organisation and operation of the Management Board

The Supervisory Board sets the composition of the members of the Management Board for the statutory three-year term, expiring at the Shareholders' Meeting called to approve the financial statements for the 2019 financial year:

- ◆ Benoist APPARU, appointed as Chairman of the Management Board for the duration of his term of office as member of the Management Board;
- ◆ Antoine PINEL, appointed as CEO for the duration of his term as member of the Management Board.

The Management Board is responsible for the collegial management of the Company. It is vested with the broadest powers to act in all circumstances in the name of the Company, within the limits of the Company's corporate purpose and subject to those expressly attributed by law.

Agreements relating to articles of the French Commercial Code

The list of agreements made relating to articles L.225-86 and L.225-88-1 of the French Commercial Code is given in the Supervisory Board report on corporate governance.

An expanded Management Board comprised of real estate professionals



Benoist APPARU

Chairman of the Management Board

Benoist APPARU joined the government in 2009 as **Secretary of State for Housing and Urban Planning**, and then became **Minister Delegate for Housing** in 2012. He joined Action Logement Group in May 2017 to head the **intermediate housing project** in Île-de-France region and became **Chairman of the Management Board** in October 2017.



Antoine PINEL

Member of the Management Board, Chief Executive Officer

Former Managing Director of OGIF, Antoine PINEL **joined Action Logement Group in 2002** and began his career as an auditor and has held several positions in Financial Departments of major international groups.



Stéphanie CAULET

Deputy CEO
Clients & Assets



Romain CREPEL

Deputy CEO
Investments
and Construction



Emmanuelle ROBIN-TEINTURIER

Deputy CEO
Resources



Stephan REIZER

Deputy CEO
Digital
Transformation and
Data Management



Barbara GRIZELJ

Deputy CEO
Job Transformation/
Human Resources



Olivier DEBOST

Chief
Financial
Officer



Marie LEFEBVRE-SOUCÉ

Director
of in'li Property
Management



Éric LASCROMPRES

Development
Department
Director



◆ Executive Committee

- Benoist APPARU, Chairman of the Management Board
- Antoine PINEL, Member of the Management Board, CEO
- Corinne PIRLOT-FAGES, Advisor to the Management Board
- Stéphanie CAULET, Deputy CEO – Clients & Assets Division
- Emmanuelle ROBIN-TEINTURIER, Deputy CEO – Resources Division
- Barbara GRIZELJ, Deputy CEO – Job Transformation / Human Resources
- Romain CREPEL, Deputy CEO – Investments and Construction Division
- Stephan REIZER, Deputy CEO – Digital Transformation and Data Management Division
- Bénédicte LÉBOUCHER, Director of Marketing and Customer Relations (Clients and Assets Division)
- Stéphane MENARD, Technical Director – Property Portfolio Construction Work (Clients and Assets Division)
- Jérôme HERVIER, Property Director 92 95 (Clients and Assets Division)
- Patrick CEBULSKI, Property Director 75 78 (Clients and Assets Division)
- Johann SAUVAGE, Property Director 93 60 (Clients and Assets Division)
- Franck TABOURET, Property Director 77 91 94 (Clients and Assets Division)
- Éric LASCROMPRES, Development Department Director (Investments and Construction Division)
- Laurent PALU, Investment Director (Investments and Construction Division)
- Olivier DEBOST, Chief Financial Officer (Resources Division)
- Razek LOUKKAF, Funding Department Director (Resources Division)
- Nadège de BECQUEVORT, Audit and Risk Management Director (Resources Division)
- Marie LEFEBVRE-SOUCÉ, Director of in'li Property Management

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1.5.2 WORKFORCE

Between 2017 and 2019, the Company grew and took on a new structure with the aim of achieving our strategic objectives, and as a result, the workforce was redistributed between administrative and building staff, specifically, by expanding the following teams: Development and Direct Contracting; Marketing; Support Departments (Legal, Procurement, etc.).

At end-December 2019, in'li's workforce was 752 employees, of whom 709 were on permanent employment contracts, with the following administrative/building staff breakdown:

- ◆ **59% administrative staff** (11% administrative staff; 18% supervisors; 30% executives);
- ◆ **41% building staff** (7% building administrative staff; 34% building caretakers).

WORKFORCE AT 31 DECEMBER 2019

2019	Workforce on contracts			Full-time equivalent staff		
	Permanent employment contract	Fixed-term employment contract	Total	Permanent employment contract	Fixed-term employment contract	Total
Status						
Apprentices		4	4		4	4
Administrative staff	52	28	80	50.8	28	78.8
Supervisors	133	3	136	130.5	3	133.5
Executives	221	2	223	219.3	1.8	221.1
Subtotal	406	37	443	400.6	36.8	437.4
Building administrative staff	52		52	46.1		46.12
Building caretakers	251	6	257	248.4	5.4	253.83
Subtotal	303	6	309	294.5	5.4	300
GRAND TOTAL	709	43	752	695	42	737

In'li's workforce includes 95 managers, 54% of whom are women.

Promoting everyone's commitment and helping the teams and business lines in the Company's transformation

Our 752 employees demonstrate a high level of support for in'li's strategic plan, with **92% of them stating that they are willing to commit to contributing to in'li's success**, 80% of them rating their relationships with their managers good or very good and 78% saying that they would recommend in'li as a place to work.

To guide them and support this commitment:

- ◆ **our employees are invested in helping to build our new business lines, improving our operations and continually working better together.**

The following are among the main projects that have been launched and conducted collaboratively by relying on inter-departmental teams:

- working groups and mirror task forces to develop the features of our inli.fr platform,
- definition of property management business lines for the in'li PM entity,
- optimisation of the cross-cutting "occupancy" process;
- boosting the activity of the technical sector,
- improvement of the onboarding process,
- launch of discussions about a new office layout,
- digitisation of local jobs;



- ◆ **developing skills and careers is a priority** that in 2019 was reflected in:

- an average of 18 hours of training per permanent employee,
- **73%** of employees followed at least one training session,
- a budget of almost 4% of the payroll dedicated to skills development,
- in 2019, 26 employees took advantage of functional mobility and eight, of geographic mobility,
- dedicated training courses with more than 30 hours of training on average to assist with job changes.

And since 2018: 95 employees who have taken advantage of functional or geographic mobility or mobility within the Action Logement Group – that is, **nearly one in four administrative employees who were at in'li when it was founded have moved into a new job.**

- ◆ **enhancing our expertise is a major focus, with 107 hires on permanent employment contracts in 2019.**

107 new permanent employees joined our teams in all areas of the Company, particularly in our areas of expertise and expanding opportunities in development and sales.

In addition, eight trainee caretakers and 22 work-study employees were brought in and mentored by in'li teams.

Telework continues to grow:

- ◆ **157 employees now use telework (87 in 2018);**
- ◆ **100% of administrative staff are able to telework during the COVID-19 crisis.**

- ◆ **an intrapreneurship programme is open to all employees.**

It encourages innovative projects within the Company, driven by employees, and supports those who have a business creation plan.

Three projects are currently being supported within the Company: two in the innovative project category and one in the business creation category.

- ◆ **in keeping with its gender equality agreement, in'li is continuing its commitment to:**

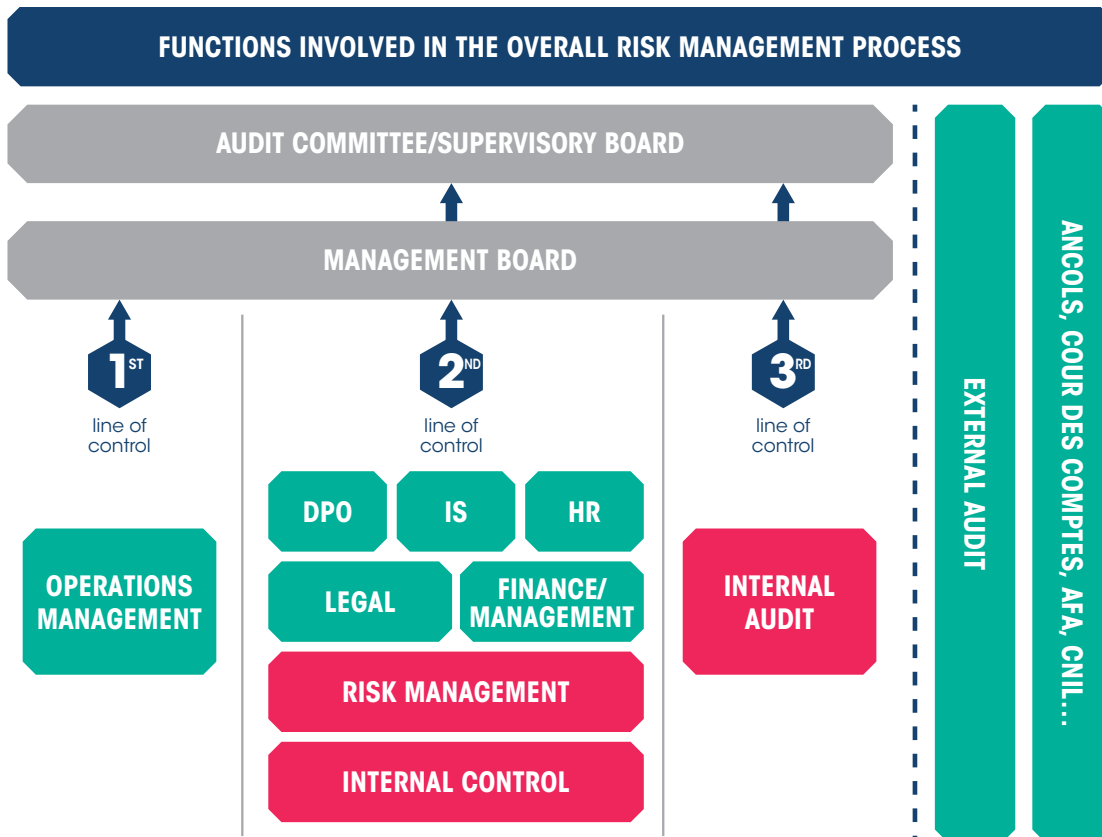
- equal access to the management function, with more than **half of all in'li managers being women;**
- wage equality;
- increased female participation in technical positions (operations managers, IT experts, building caretakers, etc.).

The gender equality index was 94% in 2019.

1.6 RISK MANAGEMENT

1.6.1 STRUCTURE OF THE PROCESS

Overview of the process



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The established process is based on the reference model recommended by IFACI and AMRAE and is structured around three lines of control:

1. the control activities are outlined and implemented by the operational staff:
 - the first line of control of activities consists of the operations managers, who are responsible for assessing and mitigating risks, specifically by implementing an appropriate control process applying to the processes for which they are responsible;
2. the process is organised and coordinated by the second line of control:
 - the second line of control consists of the functional departments responsible for the areas of expertise and the functions focused on leading the overall risk management process. The purpose of this line is to organise and maintain the process for controlling the organisation's activities by, in particular:
 - assisting the operational staff in identifying and assessing the main risks that arise from their area of expertise,
 - recommending policies and procedures,
 - working with the operational staff to design the most suitable controls;
3. the overall, independent assessment of the process is performed by the third line of control:
 - as the third line of control of activities, the internal audit function draws on a risk-based approach to provide independent assurance to the supervisory bodies and

General Management. This overall assurance covers the effectiveness of the first two lines of control and the organisation's governance.

The internal risk management process is based on:

- ◆ an approach by process;
- ◆ the implementation of a foundation of ethics rules;
- ◆ a delegation of powers system;
- ◆ a secure information system;
- ◆ a risk map and control activities.

In'li has established a dynamic process aiming to track, list and rank its risks. These ever-changing risks, which are related to exogenous and endogenous factors, are reassessed and regularly monitored. They are listed in a risk map and grouped into three categories: strategic risks, operational risks and risks related to the support departments.

Once the risks are identified, in'li determines the level of control and the control procedures that will make it possible to implement its strategy and conduct business under secure conditions. These controls are adjusted regularly to keep up with the changes in the risks.

1.6.2 COMBATTING FRAUD

The Audit and Risk Management Department also deals with issues related to ethics and fraud, focusing on three aspects: prevention, detection and treatment. In particular, a corruption prevention procedure has been implemented in accordance with the requirements of the Sapin 2 law of 9 December 2016 (see developments p. 50, 3. Non-financial performance, paragraph 3.2.6 Commitments to promote compliance). This procedure is based on an assessment and analysis of fraud and corruption risks that is carried

out through mapping. These assessments help shape the preventive measures, which are based on the Action Logement Group's Ethics Charter, the Code of Conduct and training and awareness-raising actions aimed at employees. In'li also endeavours to incorporate the principles of separation of duties and dual control into its internal processes in order to minimise the possibility of occurrence of fraudulent acts.

1.6.3 INFORMATION SYSTEM SECURITY AND PERSONAL DATA PROTECTION

In a world in which data volume is increasing and tools are being digitised, information system security and personal data protection are major priorities for in'li:

- ◆ a Personal Data Protection representative is tasked with bringing in'li into compliance with the GDPR and maintaining this compliance (see developments p. 50, 3. Non-financial performance, paragraph 3.2.6 Commitments to promote compliance);

- ◆ in addition to personal data protection, information system security as a whole, and specifically cybersecurity, is a central priority. This issue is steered by the Digital Transformation and Data Management Division, which provides regular updates to the Audit and Accounts Committee on the risks identified and actions taken. In 2019, in'li launched an audit of the security of its information systems and performed security breach tests. This initiative helped to pinpoint the most important actions to implement. In'li has set an objective of meeting the main requirements of ISO 27001 by March 2021.

1.7 SHAREHOLDERS

SHARE CAPITAL

At 31 December 2019, the capital was :

- ◆ €613,331,008.50, comprised of 408,887,339 shares with a par value of €1.50 each.

The capital is divided between 2,281 shareholders, of which the 10 main ones are:

Name of shareholder	Number of shares	Ownership of capital (in %)	Number of single votes
ACTION LOGEMENT IMMOBILIER	361,506,661	88.4135%	361,506,661
ASTRIA DÉVELOPPEMENT*	44,320,922	10.8394%	44,320,922
AZUR	14,193	0.0035%	14,193
FINANCIÈRE HONEYWELL	144,784	0.0354%	144,784
CILGERE SERVICES*	120,744	0.0295%	120,744
ARANDA JIMENEZ	114,625	0.0280%	114,625
MECI	114,625	0.0280%	114,625
MODERNE DE MAÇONNERIE	98,250	0.0240%	98,250
HI FI DELVALLÉE	81,875	0.0200%	81,875
NATIONALE DE RADIODIFFUSION RADIO FRANCE	66,285	0.0162%	66,285

* Entities held directly or indirectly by ALL.

The General Meeting of 12 December 2019 decided to grant all powers to the Management Board, with the right to sub-delegate, to implement a capital increase in a maximum amount of €76,666,377, and delegated to the Management

Board all powers to increase the share capital, on one or more occasions, by issuing new shares reserved for members of a company savings plan. This delegation has not yet been implemented.

1.8 OUTLOOK

1.8.1 CREATION OF PROPERTY DEVELOPMENT COMPANIES

As part of its strategic plan which aims to produce 80,000 new intermediate housing units in the next 10 years, for an overall investment of €18 billion, in'li will organise new financing tools and call on new financial backers through the creation of two property development companies in which in'li will hold a 25% stake and institutional investors will hold a 75% stake.

To spread the financial burden related to developing the 80,000 new intermediate rental housing units provided for in its strategic plan, in'li decided to create property development companies. The objective is to fund approximately 50% of these new housing units from in'li's balance sheet and to arrange financing for the remaining 50%.

Around 6,000 existing units are thus being selected, along with around 4,300 under off-plan agreements, to be included under property development companies. In'li will retain 25% of the capital of these companies, along with a mandate to develop the entity's new assets. Its wholly owned subsidiary, in'li PM, will be responsible for marketing and managing the housing units. In'li will thus benefit from leverage four times greater to create new intermediate housing units while these housing units appear mainly on the balance sheets of institutional investors. These investors will be selected through a competitive process in summer 2020 based on their ability to provide in'li with stable assistance in its future development. Between 2,000 and 2,500 new housing units are expected to be directed every year towards these property development companies.

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1.8.2 INTERMEDIATE LEASE-TO-BUY

In 2019, in'li signed its first two intermediate lease-to-buy transactions, in the form of lease-to-buy. Aimed at the middle classes, this offering allows people to "try out" their housing unit before buying it at a preferential price. Over five to 10 years, the tenants pay an intermediate rent, and a rent deposit enables them to create savings and the personal contribution that will be required for the purchase. At the end of this period, tenants may decide to exercise their option to buy the housing unit; in'li then agrees to sell it to the tenant without any inflation and at the preferential price in'li received initially through a "en bloc" purchase mechanism.

In the coming months, in'li will be developing other intermediate home buying products such as a gradual purchase scheme.



▲
1, rue Carnot, Bois-Colombes (92)

1.8.3 SALES TO TENANTS



▲
8, rue du Pont des Maures, Chilly-Mazarin (91)

The per unit sale of nearly 8,000 housing units, with priority being given to sitting tenants, is currently being prepared (conversion into commonhold, enactment of the so-called collective agreement procedure, etc.), while in 2019 a European call for tenders was previously held to select four consortia known as "coordinators" and comprised of a salesperson, notary, consultant, land surveyor, building standards office and property management company. The first sales campaign will start in the first half of 2021 after the phase of preparing the buildings for sale.

1.8.4 IN'LI PM

On 30 January 2020, SOGUIM, a subsidiary of in'li that managed APEC RESIDENCE, a civil property company, changed its company type and corporate name, becoming in'li Property Management (in'li PM), a simplified joint stock company with in'li as its sole shareholder.

In'li Property Management will focus on property management and management on behalf of third parties; this is a new activity that is emerging as part of the creation of the property development companies.

It is therefore crucial for in'li to have a dedicated subsidiary that carries out management on behalf of third parties, in order to pursue its essential missions within the scope of the property development companies (allocation of housing units to employees of companies contributing to the *Participation des Employeurs à l'Effort de Construction* [PEEC] and rental management).

In'li PM, a wholly owned subsidiary of in'li that holds a property management and transaction licence in accordance with the Hoguet law, will perform these tasks. To do this, the subsidiary and the property development companies will sign management authorisations through which the marketing, administrative, rental and technical management of the housing units and customer relations will be delegated to the subsidiary.

1.8.5 PURSUIT OF THE COMPANY'S DIGITAL TRANSFORMATION

Finally, as part of its business strategy, in'li has chosen to adopt a vigorous approach to innovation and digital transformation.

In'li's digital transformation policy allows it to optimise its processes and strengthen its relationship with its customers. On a concrete level, it entails:

- ◆ continued digitisation: widely implementing an Electronic Document Management (EDM) system, setting up datarooms, providing tenants with the Docapost service, Automatic Document Reading/Automatic Document Recognition of invoices, using electronic initialling and signature;
- ◆ improving the user experience: using a digital lease in all cases, standardising the user experience on our different sites (marketing platform, overhaul of the corporate website, etc.), developing different communication channels (mobile app, extranet, chatbot, etc.);

- ◆ developing new tools: providing our building caretakers with hardware and mobile apps (electronic apartment inspection, streamlined access to CRM, etc.), implementing technical asset management tools to more closely monitor operations by our technical service providers;
- ◆ improving our internal operations: automating processes, managing authorisations, supervision tools.

The information system security project involves the implementation of an information system security policy to meet the requirements of ISO 27001, appointment of a Chief Information Security Officer, and the regular monitoring of compliance indicators.

Finally, the Information Security Department is pursuing its continuous improvement plan regarding the choice of tools, process optimisation, selection of suppliers, and service quality and continuity.



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COMMENTS ON THE FINANCIAL YEAR

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2.1 HIGHLIGHTS

2.1.1 IN'LI, THE LEADING OWNER AND MANAGER OF INTERMEDIATE HOUSING UNITS IN THE ÎLE-DE-FRANCE REGION

In'li owns and manages a portfolio of 42,749 intermediate housing units, including:

- ◆ 42,305 family housing units;
- ◆ 444 collective housing units.

In'li also owns and manages 284 shops and business premises.

These are divided amongst 867 property groups in 201 municipalities.

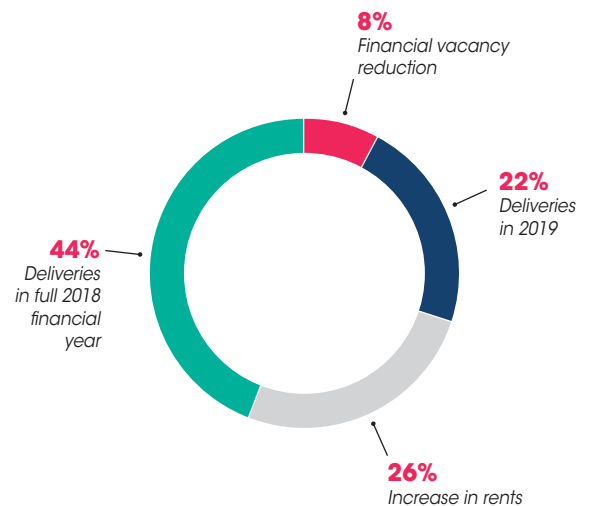
2.1.2 STRONG GROWTH IN RENTAL REVENUE

Between 2018 and 2019, rents increased by €14 M.

This increase is chiefly due to:

- ◆ a €13.2 M increase in rental income due to the application of the 1.25% rent review index, rental income from 696 new housing units delivered in 2019, and the impact of rental income from new housing units delivered in 2018 and for which marketing was completed in 2019;
- ◆ a 0.66-point reduction in financial vacancy compared to 2018;

CHANGE IN RENTAL REVENUE 2018-2019



(in millions of euros)	2019	2018	Variance
Rental revenue	297.6	283.3	14.2
Housing rents	278.8	266.1	12.8
Car park rents	13.2	12.4	0.8
Commercial and office rents	5.5	4.9	0.7

2.1.3 A REDUCED MARKETABLE VACANCY RATE

The digitalisation of the customer experience that began in 2018 continued during 2019, which saw the first anniversary of the inli.fr marketing platform. This marketing platform makes it possible to have an average of some 5,000 intermediate housing units always available on the market while offering some of the housing units directly to certain categories of people. It has also helped put customers in charge of their accommodation requests, from filing their requests digitally through to making an appointment on in'li Lib to visit their accommodation once their application file has been approved. The digital

experience has shortened marketing times and increased the number of allocations by 17% compared to 2018.

Nearly 100,000 accounts were created on the platform by the end of 2019, of which over 17,000 are active at any one time. Some 4,100 initial apartment inspections were completed in 2019 after new tenants were selected.

These new marketing methods reduced the marketable vacancy to 3.06% (*versus* 3.93% in 2018) while in'li delivered some 700 additional new housing units in 2019.

2.1.4 CHANGES IN TENANT TURNOVER

- ◆ The overall turnover rate fell to 7.18% (compared with 7.74% in 2018) following a drop across all departments.

2.1.5 RECOVERY

- ◆ The recovery rate stands at 99.2%.

2.1.6 DYNAMIC MARKETING OF HOUSING

The marketing platform inli.fr came into operation on 18 June 2018. It enables us to publish intermediate rental housing vacancies online and interested clients can also apply online.

In 2019, over 100,000 accounts were created on the platform and 17,000 housing applications were active at any one time on the platform.

In 2019, 7,945 applications were approved at application reviews, allowing 4,093 families to move in.

- ◆ Number of tenants and composition by age bracket:
 - 7,724 new tenants including 1,693 children:
 - 50% are couples,
 - 43% are single,
 - 5% are single-parent families,
 - 2% are flat-shares,
 - 55% of tenants are employed as managers,
 - 41% of tenants are employed as worker grade employees,
 - 85% of applicants are employees of PEEC-contributing companies,
 - 47% of tenants are under 30 years of age.

2019 saw some changes in the marketing process, including:

- ◆ reduction in the time taken to select applicants;
- ◆ implementation of an appointment scheduling tool (in'li Lib) for housing unit visits by customers, as from March 2019;
- ◆ the development of automatic notifications directed to customers during their online experience to support each stage.

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2.1.7 A SHARP INCREASE IN THE SALE OF REAL ESTATE ASSETS

- ◆ In 2019, in'li continued its arbitration policy. In'li prioritises selling to tenants without using the notification of intent to sell provision (*congé pour vente*). In 2019, two property complexes were sold to companies in the Action Logement Group;
 - ◆ 653 housing units were sold (compared with 261 housing units sold in 2018), including:
 - 563 *en bloc*;
 - 90 as separate units.
 - ◆ These sales generated income of €78.9 M.

2.1.8 A TARGETED ASSET MAINTENANCE POLICY

€46 M in works devoted to improving, renovating and maintaining the housing stock

Thanks to the regular maintenance conducted on in'li's portfolio, the buildings and equipment are of excellent quality. A multi-year schedule of targeted improvement and renovation work was established in late 2019 to supplement this regular maintenance.

In 2019, work focused mainly on improving the private areas. Substantial resources have been devoted to supporting tenants, which is key to the success of transactions and tenant satisfaction.

With regulations covering the control and operating-maintenance of technical equipment being increasingly restrictive, the value of contracts is set to increase. Moreover, the integration of new groups will lead to more equipment to be serviced and maintained, thus also contributing to a rise in expenses in this area.

2.1.9 2019, A RECORD YEAR FOR THE DEVELOPMENT OF INTERMEDIATE HOUSING IN THE ÎLE-DE-FRANCE REGION

With 5,043 housing units signed in 2019, the target of 4,500 reservations and sale agreements has been far exceeded. This represents an investment of more than €1 billion.

This sharp growth is based on solid partnerships with major national players, as well as myriad local partners who believe in in'li's project and provide staunch support. In 2019, in'li signed reservation contracts with 58 different property developers!

There is still room for improvement, with framework agreements for some property developers not having achieved their full development potential yet.

In total, off-plan agreements had been signed for 4,187 housing units, 769 agreements involve direct contracting on new sites, 66 densification projects and 21

direct purchases of houses requiring work to turn them into co-living residences.

The aim is to allow Company employees to find accommodation in order to promote the link between employment and housing, facilitate professional mobility and help to make the regions more attractive. So, the priority is to respond to the situation in areas of housing shortage where the level of open market rents makes it impossible for a large number of middle-class employees and young professionals to access private rented housing. To this end, 66% of these housing units are in zone A and 34% in zone Abis.

It should be noted that Paris and the three departments of the inner suburbs (Hauts-de-Seine, Seine Saint Denis, and Val-de-Marne) still represent 68% of development, in line with employees' needs.

NUMBER OF HOUSING UNITS PRODUCED (SIGNED)

Type	2017	2018	2019	Distribution
Land	286	366	769	15%
Off-plan agreement	1,391	3,559	4,187	83%
Densification	50	144	66	1%
Acquisition and Improvement	229	22	21	1%
TOTALS	1,956	4,091	5,043	100%

2.1.10 FINANCIAL STRUCTURE AND FUNDING

In 2019, in'li continued its policy to diversify funding through the following actions:

- ◆ May 2019: inaugural financial rating, BBB+ with a positive outlook, by S&P Global Ratings;
- ◆ July 2019: inaugural public bond issue of €500 M at 10 years, offering a fixed-rate coupon of 1.125%. This very successful inaugural issue allowed in'li to diversify its sources of funding, and the proceeds of this bond issue will be used chiefly to finance the production of new intermediary housing in the Île-de-France region. This operation also allows in'li to secure funding at favourable market conditions;
- ◆ November 2019: the in'li rating was upgraded by S&P Global Ratings following the greater financial transparency in recent months of Action Logement (ALG) and Action Logement Immobilier (ALI), controlling shareholder of in'li. The rating agency upgraded in'li from BBB+ to A-; outlook stable. It should be noted that the in'li rating was again reviewed by S&P Global Ratings, going from A- to A with a stable outlook in January 2020. This new rating made in'li the best-rated European property company by S&P Global Ratings;

- ◆ December 2019: in'li signed a funding agreement with the European Investment Bank (EIB) in the amount of €250 M. This loan is part of the European Fund for Strategic Investments (EFSI), also known as the Juncker Plan. This funding further strengthens in'li's funding diversification policy.

At 31 December 2019, in'li had a very robust financial structure:

- ◆ stable LTV ratio of 18.5% in line with the Company's prudent financial policy;
- ◆ cash position of €475 M;
- ◆ signed undrawn financing: €1.1 billion, of which €800 M in syndicated financing signed in 2018 (undrawn as of 31 December 2019) and €250 M in EIB financing (undrawn as of 31 December 2019);
- ◆ no significant repayment deadlines over the next five years, with 18% of the Company's financial debt to be repaid in the course of the next five years.

2.1.11 INNOVATION

Since the beginning of July 2018, our incubator has been home to the six start-ups selected during a call for projects launched in March 2018.

During the year, the start-ups have been able to work on a shared roadmap with in'li in order to launch "life-size" test operations allowing us to move forward together in the different innovative fields proposed by these "young shoots":

- ◆ co-living with MyRedBlanket;
- ◆ a housing exchange forum for tenants with Lokalok;
- ◆ an apartment security system with Keepen;
- ◆ a blockchain solution to speed up contract signing and make it more secure with ContractChain;
- ◆ a communications hub for tenants with Syment;
- ◆ energy optimisation with Kocliko.

In addition in'li strives to reduce its carbon footprint by requesting its suppliers to implement material reuse practices in order to prolong the lifespan of such materials.

In 2019, in'li signed an agreement as part of the Cycle Terre programme backed by the City of Sevran and Grand Paris Aménagement, and has undertaken to use natural and unpolluted earth excavated from the Grand Paris construction sites in its new programmes with direct project management.

The "Cycle Terre" project aims to transform excavated soil into natural, healthy construction materials. Cycle Terre will thus help limit the ecological impact and footprint of this major project for the region, while ensuring the availability of building materials against a backdrop of increasingly scarce resources.

In'li wanted to conduct a small-scale experiment of this process as from 2019.

By way of example, in Alfortville, in'li obtained a construction permit that will allow the first use of this process *via* three innovative methods, both in common areas and inside the housing units:

- ◆ compressed earth bricks (CEB);
- ◆ extruded clay panels (ECPC);
- ◆ rendering.

The agreement signed with the City of Sevran and the Amàco Workshop, which studies the processing of raw material into building materials, provides for a training and testing component aimed especially at architects working with in'li, and an R&D component to improve building systems.

For all these initiatives, we received funding from ALI (personalised housing support) as part of the ALINOV call for projects.

Finally, we are developing new intermediate home ownership products to facilitate the residential process, such as lease-to-buy.

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2.2 KEY ACHIEVEMENTS

In 2019, in'li started new project work on 3,515 housing units.

Type	2017	2018	2019	Distribution
Land	25	89	66	2%
Off-plan agreement	1,470	1,383	3,449	98%
Densification	28	90		0%
TOTALS	1,523	1,562	3,515	100%

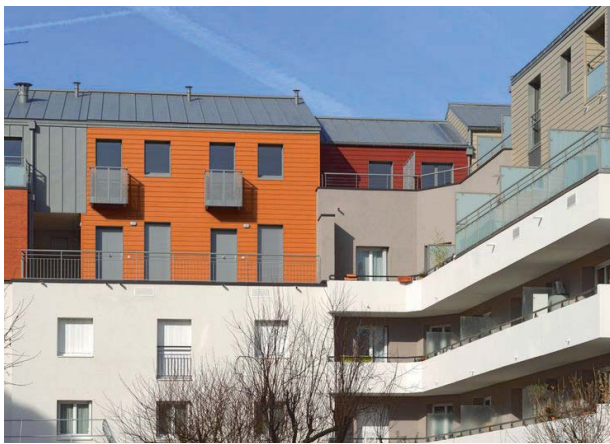
In 2019, in'li delivered 696 housing units.

Type	2017	2018	2019	Distribution
As contractor	123	92	43	6%
Off-plan agreement	377	972	653	94%
TOTALS	500	1,064	696	100%

A selection of iconic developments:

February 2019 – Issy-les-Moulineaux, rue des Peupliers

In'li built its first housing units on top of an existing building. These 18 new housing units, with a wooden structure, were erected as the top two levels of an existing building in Issy-les-Moulineaux.



Contracting authority: in'li
Construction company: GTM
Architect: Cuadra

April 2019 – Montreuil – rue Edouard Vaillant

Close to the market and the underground station, in an area that is changing for the better every day, in'li completed a new development in project management mode. These 25 housing units all have balconies, terraces or gardens and a bespoke design.



Contracting authority: in'li
Construction company: Angevin Île-de-France
Architect: Petitdidier Prioux Architectes

October 2019 – Villejuif – Avenue de Paris

Near underground line 7, in'li started work on 161 housing units acquired from property developer Sogeprom. The symbol of a fruitful partnership allowing in'li to develop more than 396 housing units over the past two years.



December 2019 – Paris 15th arrondissement – Bains Douches Castagnary

This project, part of the "Reinventing Paris" call for projects launched by Paris City Hall in November 2014, consists of an 8-storey building intended for co-living, comprising 56 rooms. This building required the partial demolition of the former bathing rooms site dating from the 1930s, part of which was preserved and now houses a co-working space.

In'li, the long-term leaseholder over a period of 20 years, offers 17 rooms in co-living format.

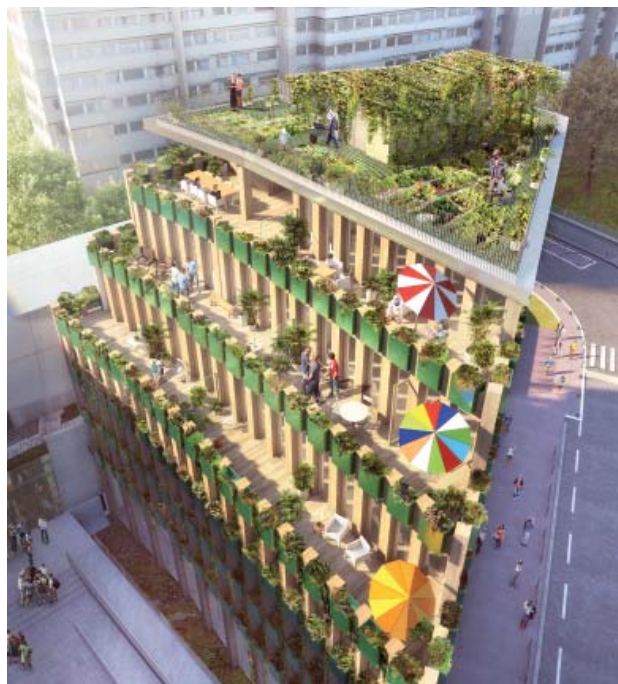


Developer: Axitis
Architect: RED Architectes

December 2019 – Paris 13th arrondissement – Avenue Edison

This programme was developed as part of the "Reinventing Paris" call for innovative projects won by property developer Loffissime. This innovative project includes a total of 26 housing units, including 8 for in'li, 1 nursery and shared spaces (vegetable patch, meeting room, etc.).

Construction was undertaken by GTM for delivery in December 2019.



Developer: Loffissime and Nouvelles Fonctions Urbaines
Architect: Manuelle Gautrand

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2.3 ANALYSIS OF THE FINANCIAL YEAR

2.3.1 FINANCIAL RESULTS AND ANALYSIS OF THE POSITION

The various events that occurred during the financial year were shown on the Company's balance sheet and profit and loss statement as follows:

ASSETS

<i>(in euros)</i>	31/12/2019	Change
Non-current assets	3,307,016,935	+364,897,567
Intangible fixed assets	7,909,892	+11,409
Tangible fixed assets	3,299,107,043	+364,886,158

This increase, details of which are given in Chapter 4 Financial statements as at 31 December 2019, can be explained by the increase in rental constructions and land in the amount of €495,592,963 with units made available

for occupancy and improvement works, the book values of disposals and reversals (-€41,392,668) and depreciation and amortisation for the financial year (-€85,067,923).

<i>(in euros)</i>	31/12/2019	Change
Non-current financial assets	153,788,698	+2,885,411

The change comes mainly from the subscription to the Terrae Optimae investment fund.

<i>(in euros)</i>	31/12/2019	Change
Current assets	583,770,225	+92,902,046
Inventories and work in progress	17,653,128	+4,966,990
Advances and prepayments	754,896	-1,987,468
Trade receivables	70,962,510	+9,431,911
Other receivables	16,114,764	14,576,995
Cash and cash equivalents	475,302,532	+95,164,152
Prepayments	3,026,222	-52,718
Loan issue premiums	1,472,500	+1,472,500

Change in current assets is linked chiefly to the increase in cash and cash equivalents, in particular with the inaugural bond issue of €500 M carried out during the year.

LIABILITIES

<i>(in euros)</i>	31/12/2019	Change
Equity	1,796,756,082	+51,456,842

The change corresponds to the distribution of dividends on the 2018 result (-€8,177,747), the change in premiums linked to capital (-€87,900), the amortisation of investment grants (-€3,618,048) and the net income for the financial year (€63,340,536).

<i>(in euros)</i>	31/12/2019	Change
Provisions for liabilities and charges	32,848,821	-1,211,349

The decrease in provisions is explained by the amortisation of provisions for tax related to mergers (-€806,853) and the discounting of provisions for retirement indemnities.

<i>(in euros)</i>	31/12/2019	Change
Liabilities	2,216,443,467	+411,912,345
Financial debt	2,016,034,076	+349,888,634
Short-term debt	200,409,391	+62,023,711

The change in financial debt is chiefly explained by the subscription of new loans for €620,734,070 and loan repayments (-€255,467,183).

Results

In 2019, in'li recorded net income of €63,340,536, an increase of €17,964,409 (+40%) on the previous year, reflecting the following elements:

- ◆ A fall in operating profit of €6,037,372 to €50,349,222 with the following main changes:
 - an increase in revenue of €35,161,165 to reach €387,177,249. This increase is due to:
 - rents and charges of €14,030,710,
 - absence of invoicing of off-plan agreements, contrary to the previous financial year (-€8,903,519),
 - an increase in income from rental charges of €30,033,973 due to the change of method for the quarterly payment of water consumption and recoverable property management company fees to be adjusted in respect of previous years,
 - an increase in capitalised production of €7,790,555 linked chiefly to the progress of the Rue Jean Leclaire project in Paris, due to be delivered during 2020,
 - an increase in other income of €4,162,055 mainly related to expense adjustments on previous financial years,
 - reversals of provisions up by €1,323,458 with reversals of provisions for tax on mergers and on provisions for retirement indemnities,
 - a €54,500,777 increase in operating expenses to €352,882,333, chiefly explained by the increase in recoverable water expenses linked to the impact of the change in method for quarterly billing of water consumption to tenants (+€5,968,695), recoverable property management company charges (+€21,857,834), increased fees (+€2,514,849), increased staff costs (+€4,510,646), and duties and taxes (+€2,399,598).

Furthermore, depreciation and amortisation increased by €6,680,335 in 2019.

Other expenses up by €4,091,384 were chiefly related to bad debts written off as losses for the financial year, up by €1,837,663, and IT expenses up by €823,105.

- ◆ Financial income down €20,410,102 taking into account the increase in interest expense over the financial year by €4,519,789 and the merger bonuses recorded as financial income in 2018 as part of the absorption of the Puits Mi-Ville and Ruisseau des Gains civil property companies (€14,921,124). No merger gains were recorded in the 2019 financial year.
- ◆ Current income which fell by €26,447,474.
- ◆ Extraordinary profit up from €53,284,837 to €77,816,344 taking into account the capital gains realised on the disposal of 653 housing units and offices at the former registered office during 2019.

At 31 December 2019, in'li had a very robust financial structure:

- ◆ stable LTV ratio of 18.5% in line with the Company's prudent financial policy;
- ◆ cash position of €475 M;
- ◆ signed undrawn financing: €1.1 billion, of which €800 M in syndicated financing signed in 2018 (undrawn as of 31 December 2019) and €250 M in EIB financing (undrawn as of 31 December 2019);
- ◆ no significant repayment deadlines over the next five years, with 18% of the Company's financial debt to be repaid in the course of the next five years.

2.3.2 PROPOSAL FOR APPROPRIATION OF EARNINGS AND DISTRIBUTABLE DIVIDENDS

The result for the financial year ended on 31 December 2019 was a profit of €63,340,536, of which we propose to allocate €12,266,620.17 to distribution of dividends, i.e. €0.03 per share, with the balance of €51,073,916 to be allocated to retained earnings.

2.3.3 AMOUNT OF DIVIDENDS PAID OVER THE LAST THREE FINANCIAL YEARS (ARTICLE 243 BIS OF THE FRENCH GENERAL TAX CODE)

The distributed dividends totalled:

- ◆ 2019 = €8,177,747;
- ◆ 2018 = €12,783,285;
- ◆ 2017 = 0.

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2.4 ACTIVITY OF SUBSIDIARIES AND CONTROLLED COMPANIES

2.4.1 SOGUIM, NOW IN'LI PROPERTY MANAGEMENT

At 31 December 2019, this EURL (Single shareholder limited liability company), which was changed into a SASU (Simplified single member limited company), with capital of €225,000 held by in'li, managed:

- ◆ in the capacity of manager of APEC Résidence: 330 housing units and one commercial premises;
- ◆ in the capacity of property manager: four housing units.

It ended the financial year on 31 December 2018 with a profit of €37,237.

The result for the financial year ended on 31 December 2019 was a profit of €12,122.

2.4.2 APEC RESIDENCE

Following the contribution by Astria to in'li of company shares held in the company Apec Residence, in'li holds 179,782 shares, making 99.87% of the share capital which stands at €2,740,655. The remainder are owned by in'li Property Management.

This Company owns 330 housing units in 9 property complexes.

As at 31 December 2018 it recorded a profit of €1,108,392.

The result for the 2019 financial year was a profit of €1,116,266.

2.4.3 SAMCEH

In'li holds 466 company shares in this company, representing 100% of the capital which stands at €6,990.

This company is no longer active nor has any property assets.

On 31 December 2018 it recorded a loss of €3,628.

The result for the 2019 financial year was a loss of €5,086.

2.5 ASSET POSITIONS

2.5.1 VALUATION OF ALL ASSETS BY CFE

The property portfolio held by in'li is valued annually at 31 December by an independent appraiser, Crédit Foncier Expertise (CFE).

Each year, CFE discloses three different appraisal values to the Company:

- ◆ value 1 = "sale *en bloc*", with continued use taking account of occupation status;

- ◆ value 2 = "sale by lot", with continued use taking account of occupation status;

- ◆ value 3 = "sale by lot", assuming leased at market rental value.

At 31 December 2019, the appraisal values were as follows:

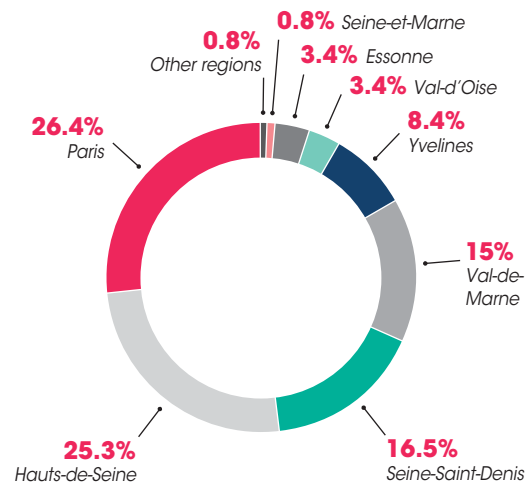
Appraisal value excluding transfer taxes	31/12/2019	31/12/2018	Change	Change on a like-for-like basis
Value 1 = "sale <i>en bloc</i> ", with continued use taking account of occupation status	€8.334m	€7.909m	+5.4%	+4.4%
Value 2 = "sale by lot", with continued use taking account of occupation status	€9.273m	€8.751m	+6.0%	+4.9%
Value 3 = "sale by lot", assuming leased at market rental value	€10.740m	€10.116m	+6.2%	+5.0%

Turning specifically to the value *en bloc* of real estate assets (Value 1), it should be noted that:

- ◆ more than 99% of the assets are located in the Île-de-France region;
- ◆ Paris and the Hauts-de-Seine department represent 52% of the total value of the property portfolio.

The geographic distribution of the property portfolio is as follows:

BREAKDOWN OF VALUE PER DEPARTMENT*



* Source: CFE appraisal value at 31 December 2019.

The positive change in the valuation of property assets (+5.4% in value *en bloc*) reflects the following phenomena:

- ◆ positive change in valuation on a like-for-like basis (+4.4% in value *en bloc*) relates specifically to:
 - an increase in value per sq.m. noted in 2019 in the Île-de-France region, linked in particular to a very dynamic market for existing housing units in major French cities, such as the Paris region. For example, prices for existing housing units increased by more than 6% in Paris,
 - a slight fall in the capitalisation rates on residential assets which is explained by growing interest on the part of institutional investors;
- ◆ an increase in rents on in'li's property portfolio.

2.6 SUBSEQUENT EVENTS

- ◆ **Rating review:** on 30 January 2020, in'li's rating was again reviewed by S&P Global Ratings, changing from A- to A with a stable outlook. This new upward revaluation is based on the robust financial outlook of Action Logement Immobilier in the medium term, specifically linked to the increased visibility of its financial strategy for the coming years. By way of this rating, the S&P Global Ratings agency also underlined "the relevance of in'li's development model, which offers housing units at intermediate rents in a very-high-demand location which guarantees it at least stable income for the next 24 months." The agency again underlined its strategic role for ALL.
- ◆ **Creation of in'li PM:** on 30 January 2020, SOGUIM, a subsidiary of in'li that managed Apec, a civil property company, changed its company type and corporate name, becoming in'li Property Management (in'li PM), a simplified joint stock company with in'li as its sole shareholder. In'li Property Management will focus on property management and management on behalf of third parties; this is a new activity that is emerging as part of the creation of the property development companies.
- ◆ **Influence of the Covid-19 crisis:** the health crisis of the Covid-19 epidemic has no impact on the Company's financial statements closed as at 31 December 2019. It does not call into question the valuation of the assets and liabilities featured in the financial statements, nor its revenue. Nonetheless, the development of the Covid-19 virus into a pandemic in the first quarter of 2020 and its fallout could impact the Company's performance, valuation and liquidity of its assets. At present, these risks are not quantifiable and it is difficult to predict the medium- and long-term impacts of this health crisis.

The Company has not identified any business continuity risk to date.
- ◆ **Recovery plan:** to prove its deep commitment to reviving the economy, on 27 March 2020 in'li announced its intention to speed up the implementation of its strategic plan and to acquire 10,000 housing units by the end of 2020 from property developers, financed through equity and debt that has already been secured.

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NON-FINANCIAL PERFORMANCE

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3.1 PROCESSES AND PROCEDURES FOR IDENTIFYING NON-FINANCIAL RISKS

Risk Management is coordinated by the Internal Audit and Risk Management Department.

When in'li was founded, risk mapping and scoring work was performed and ultimately led to the creation of a risk mapping system at the end of 2018. In 2019, the analysis of the Company's risks – including non-financial risks – was

revised through the creation of a working group bringing together in-house employees and external service providers as part of the inaugural bond issue.

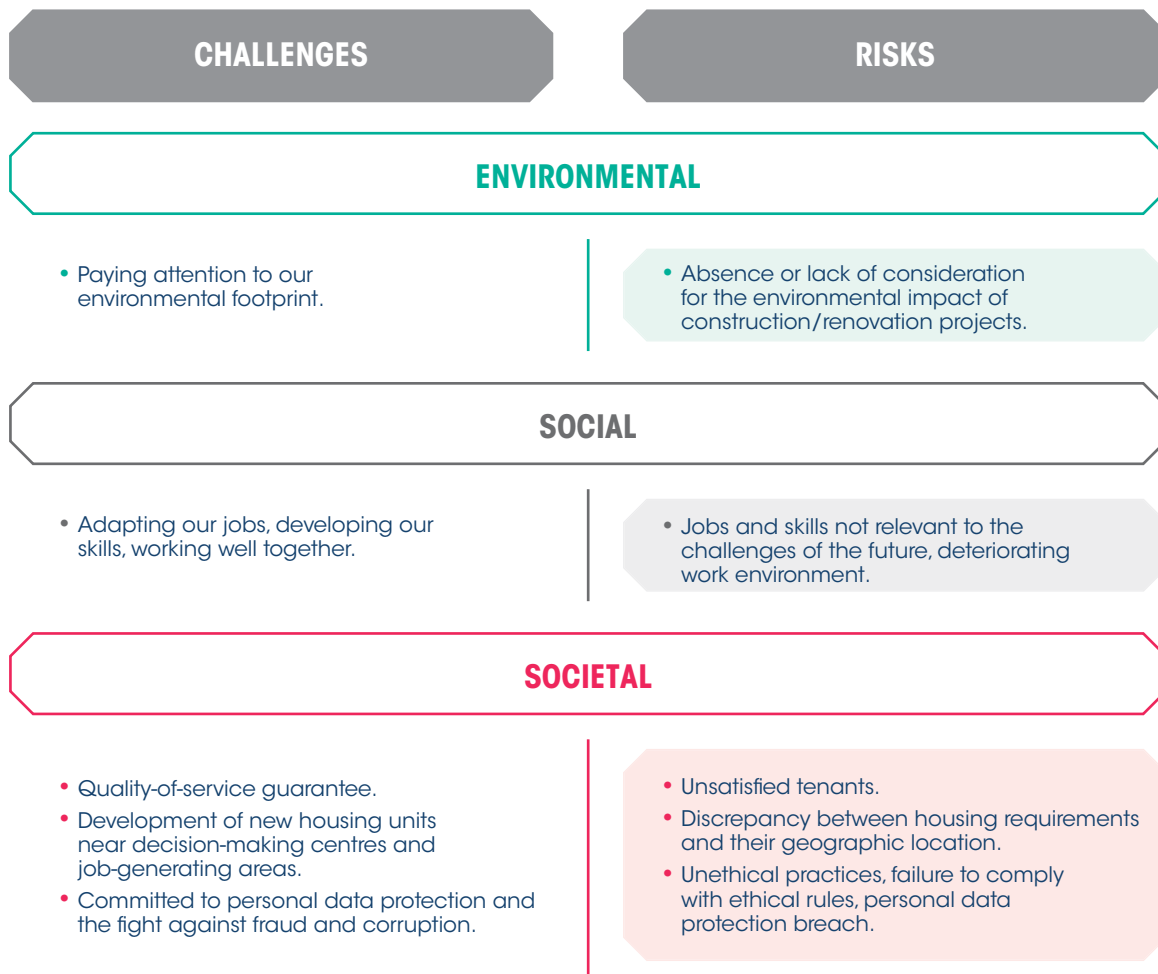
The main non-financial risks were identified by taking into account the challenges facing the various players.



The challenges and related risks, considered to be major, have been divided into three categories: environmental, social and societal. They have been monitored based on pre-defined performance indicators.

The reporting procedures for these indicators have been verified externally by Mazars, an independent third party.

3.2 MAIN NON-FINANCIAL RISKS



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3.2.1 BEING MINDFUL OF OUR ENVIRONMENTAL FOOTPRINT

The challenges and our policy

As housing is one of the major emitters of greenhouse gases, the development of an energy-efficient housing stock is a major environmental challenge. It is also a key issue for residents, in terms of thermal comfort and the sustainability of heating expenses.

Aware of this challenge, in'li has committed to a carbon footprint management approach for its existing assets and new buildings.

In'li has set a target of reducing its greenhouse gas emissions by around 10% on its new production compared to current technical regulations. Within this framework, it has been implementing a policy to encourage the technical out-performance of its new projects for several years now. Its specifications for most constructions provide for thermal performance that exceeds the regulations by 10 to 20% (RT2012 -10% or -20%).

As part of its bank financing, it has also undertaken to provide the European Investment Bank with an annual report on the energy savings achieved in the projects financed in this respect.

Performance indicators

- ◆ Average energy consumption/m² per year: 187 kWhPE/m² per year.
- ◆ Average number of kilos CO₂ eq. released/m² per year: 36.

Our actions

Actions carried out in the existing assets

In 2019, in'li continued its investment programme to improve the environmental performance of its existing assets. To date, 100% of our housing complexes are heated with gas, electricity or by urban heating networks.

In'li's efforts to control the carbon footprint also include exterior thermal insulation work. Overall, 365 households benefited from this insulation work in 2019 enabling savings of:

- ◆ discounted cumulative total (Mwh): 50,635 Mwh;
- ◆ total CO₂ avoided (t): 11,848.59 t.

This ambitious project also involves redefining relations with in'li suppliers and establishing a "win-win" partnership:

- ◆ incentive contract with collective gas heating operators: incentive clauses in in'li contracts aim to incentivise collective heating service providers in the event of lower consumption. The principle is to define a "target consumption" and to determine the distribution of savings;
- ◆ equipping property complexes with instruments to identify malfunctioning equipment: in'li has extended the approach to urban heating networks. This approach relies on the eco-citizen principle aiming to bill tenants for the actual heating price.

Actions performed for new constructions

Most in'li specifications determine the energy performance requirements in addition to current regulatory requirements, targeting performance that exceeds thermal regulations by 10 to 20%. Moreover, half of the new programmes have NF Habitat or NF Habitat HQE or BEE+ certification.

On top of their energy performance, new in'li buildings are designed to be sustainable: high-performance materials, collective heating system, and installation of individual meters for better resource management.

The development of in'li's production activity in eco-districts is in keeping with its sustainable development targets. These districts have economic development potential and meet strict environmental performance requirements (public transport, waste recycling, bio-construction, etc.), while also ensuring social and functional diversity (housing, shops, public facilities, etc.).

In 2019, in'li signed housing reservation contracts in the following eco-districts:

- ◆ Aubervilliers – Fort d'Aubervilliers (93): 38 housing units;
- ◆ Bussy-Saint-Georges – Sycomore (77): 79 housing units;
- ◆ Cergy – Puiseux (95): 72 housing units;
- ◆ Clamart – Grand Canal (92): 13 housing units;
- ◆ Ivry-sur-Seine – Confluence (94): 45 housing units;
- ◆ Massy – Vilgenis (91): 80 housing units;
- ◆ Neuilly-sur-Marne – Maison Blanche (93): 108 housing units;
- ◆ Rueil-Malmaison – Arsenal (92): 33 housing units.

In addition, in'li has delivered housing units in the following eco-districts:

- ◆ Paris 17th *arrondissement* – Clichy Batignolles (75): 88 housing units;
- ◆ Paris 13th *arrondissement* – Bruneseau (75): 86 housing units;
- ◆ Gif-sur-Yvette – Moulon (91): 65 housing units;
- ◆ Nanterre – Cœur Université (92): 25 housing units.

A pilot test is due to be carried out on the billing of heating charges on an individual basis: studies have been launched to test this method, with smart devices being installed in each housing unit. Consumption will then be monitored in the two years following delivery of this building with 50 housing units (delivery scheduled for end-2020) to identify the benefits.

Reuse of building materials

In'li strives to reduce its carbon footprint by requesting its suppliers to implement material reuse practices in order to prolong the lifespan of such materials.

The *Grand Paris Express* construction site alone accounts for some 400 million tonnes of excavated material and represents a major economic challenge. In 2019, in'li signed an agreement as part of the *Cycle Terre* programme backed by the City of Sevran and *Grand Paris Aménagement*, and has undertaken to use natural and unpolluted earth excavated from the Grand Paris construction sites in its new programmes carried out with direct project management.

The *Cycle Terre* project involves transforming excavated land into natural and healthy building materials. *Cycle Terre* will thus help limit the ecological impact and footprint of this major project for the region, while ensuring the availability of building materials against a backdrop of increasingly scarce resources.

One-third of the world's population lives in buildings made of baked earth. However, this raw material is little used by construction professionals in France and Europe. This material has well-known qualities: it provides remarkable thermal inertia and humidity control; it is a healthy product, free of pollutants, biodegradable and recyclable; and it has a carbon footprint close to zero. In'li wanted to conduct a small-scale experiment of this process as from 2019.

By way of example, in Alfortville, in'li obtained a construction permit that will allow the first use of this process via three innovative methods, both in common areas and inside the housing units:

- ◆ compressed earth bricks (CEB);
- ◆ extruded clay panels (ECPC);
- ◆ cladding.

The agreement signed with the City of Sevran and the Amàco Workshop, which studies the processing of raw material into building materials, provides for a training and testing component aimed especially at architects working with in'li, and an R&D component to improve building systems.



3.2.2 DEVELOPMENT OF NEW HOUSING UNITS NEAR DECISION-MAKING CENTRES AND JOB-GENERATING AREAS

The challenges and our policy

Intermediate housing meets the high expectations of companies, employees and young working people eager to live in affordable housing near decision-making centres and job-generating areas.

The production of intermediate housing units ranks second among the Action Logement Group's ten commitments: "Doubling the production of intermediate housing in areas where there is a wide gap between rents in the social and private housing sectors". In'li's main ambition from a societal perspective is to produce 80,000 intermediate housing units, in accordance with the Group's strategy.

With this in mind, and due to the scarcity of land in areas under pressure, in'li relies on its current locations and favours density over sprawl to better integrate its buildings into the city. Our approach of reclassifying our assets allows us to sustainably develop our property complexes while helping to create new housing units. These projects aim to improve residents' living conditions, while also creating a new offering.

Our actions

By way of example, in 2019, two building permits were requested for land already belonging to in'li:

- ◆ in the 12th *arrondissement* of Paris, creation of 42 intermediate housing units through the demolition and rebuilding of a building that has been subject to a dangerous building ordinance;
- ◆ in Châtillon, a disused parking area will soon make way for a building with 30 housing units and a nursery for children from the neighbourhood.

To create ambitious volume while supporting the development of areas near stations, especially in the Grand Paris region, in'li has set itself the target of dividing its production into 50% zone Abis and 50% zone A housing units. Furthermore, only municipalities with a wide gap between open market rents and social housing rents are targeted.

Performance indicator

Geographic distribution of housing units signed in 2019: 34% in zone Abis (i.e. 1,727 housing units), of which 68% in Paris and the three departments in the inner suburbs (Hauts-de-Seine, Val-de-Marne, Seine-Saint-Denis), and 66% in zone A (i.e. 3,316), compared with 37% in zone Abis and 63% in zone A in 2018.



3.2.3 OFFERING APPLICANTS AND TENANTS FIRST-RATE SERVICES

3.2.3.1 Digitalisation of the customer journey

The challenges and our policy

Since its creation, in'li has strived to offer potential tenants a digital journey. In 2018, this commitment was reflected in the creation of a platform grouping together a large part of in'li's housing vacancies in a dedicated website accessible to all. With this platform, customers have become active players in their rental journey by applying online. This direct access to housing vacancies also promotes equal treatment for employees of small and large companies. To date, more than 100,000 applicants have registered on the platform, and 7,500 of them have been selected.

In 2019, in'li took another important step towards a "100% digital" journey by providing an in'li LIB digital calendar, enabling selected applicants to book a viewing directly on a shared digital calendar and to digitally confirm their interest after viewing the housing unit. In'li has also introduced the electronic signature of leases on a secure online space. This progress means that future tenants do not have to travel to sign the lease and that the contracting process can be completed faster before moving in.

In addition, in July 2019 in'li began marketing vacant housing units selected to be sold as single units on its inli.fr platform. These housing units are located in property complexes that are already jointly owned.

Tenants have also benefitted from digital innovations, receiving electronic payment notices delivered through a digital safe.

3.2.3.2 Renovation works

The challenges and our policy

Every year, in'li invests regularly in works to modernise and renovate its existing assets to enhance the comfort of tenants.

Our actions

These works consist in particular of replacing plumbing and sanitary equipment, and renovating wet rooms. 724 housing units benefited from these renovation and modernisation works in 2019.

In'li is also attentive to the quality of ventilation in the housing units and has continued to roll out mechanical air extraction systems; 484 housing units were equipped in 2019.

Among all the home improvement works, 150 housing units benefited from electrical installation renewal and 59 from the modernisation of their individual heating systems.

11 lifts were fully replaced and 4 collective boiler rooms were completely renovated in 2019.

In addition, in'li invests in the maintenance of common areas, in particular the renovation of halls and entries to the residences in order to protect the image of the residences and the peace and quiet of tenants:

- ◆ residentialisation* of 188 housing units at the "ÉPINAY 05 Ter" Residence;
- ◆ residentialisation* and renovation of the entrance halls of 33 housing units at the "LILAS 22" Residence;
- ◆ residentialisation* of 80 housing units at the "ROMAINVILLE 01" Residence.

A large-scale technical and energy assessment campaign was launched in the last quarter of 2019 to gain a more precise understanding of the scope of work and of the improvements needed to enhance tenants' comfort and reduce rental charges.

3.2.3.3 Customer satisfaction performance indicator

To monitor and improve quality of service, tenant satisfaction is measured on an *ad hoc* or recurring basis via surveys conducted by external service providers. In 2019, in'li launched a satisfaction survey of a sample of 1,000 tenants. The tenants listed the housing unit, quality of repairs and functioning of the building's equipment as their greatest points of satisfaction. The items regarding communication and discussions with in'li were rated less favourably.

Specific actions plans have been implemented for the items with the lowest ratings. A customer relations assessment tool and action plans were implemented in 2019 to strengthen the effective processing of customer requests.

Overall customer satisfaction rate according to the 2019 survey: 71.1%, stable compared with 2018.

This score, which is expected to improve in 2020, should be correlated with the Company's transformation, which has substantially changed the organisation of customer relations.

* Residentialisation involves erecting a boundary between the private space belonging to a building or housing complex and the public space of the city, and frequently includes related landscaping work.

3.2.4 ADAPTING OUR JOBS TO TOMORROW'S CHALLENGES AND DEVELOPING OUR SKILLS

3.2.4.1 Developing skills and careers

Our challenges and our policy

The continuous development and adaptation of our jobs are key to addressing the Company's changes and the challenges of its strategic plan. Developing our employees' skills and supporting them in their careers are priorities set out in in'li's Human Resources policy.

Our actions

Offering our employees diversified career paths

In 2019, 26 employees took advantage of functional mobility and eight of geographic mobility opportunities. To support them in the journey of discovering and mastering their new jobs, the employees opting for functional mobility followed dedicated training courses with nearly 32 hours of training on average.

Since in'li was founded at the end of 2017, 95 employees have benefited from functional or geographic mobility, or mobility within the Action Logement Group; in the two years since then, nearly one in four administrative employees working here when in'li was created had moved on to a new job.

Lending practical support to job changes with the right training programmes

In 2019, in'li coordinated a strategic workforce planning programme based on the transformation projects under way. This programme led to an event gathering staff representative bodies, managers and employees to anticipate how the various projects known to them would affect existing jobs. This monthly event has made it possible to put into perspective the foreseeable impacts on jobs, to create a common vision and language surrounding imminent developments, and to anticipate the support to be provided (training, etc.).

To foster skills development in the workplace, in'li encourages internal transmission through our experts who lead workshops on the fundamentals of our professions, the sharing of workplace practices, and support for new employees.

The projects are carried out by mobilising designated employees and mirror groups to test and improve tools, and develop appropriate training.

Helping to develop employability at the local level

Of the Company's 752 employees, 257 work as building caretakers.

This is a fast-changing profession. As such, in'li has decided to join forces with other Action Logement subsidiaries and APES in backing the *École de gardien* (Caretaker School) project. This project aims to meet building caretaker recruitment needs while allowing recruitment close to areas under pressure. The *École de gardien* approach forms part of an overall strategy to improve living conditions for neighbourhoods and residents by providing training that contributes to local and sustainable employment.

At the same time, in'li is continuing its long-term partnerships with non-profit associations Franchir and Égérie to train people undergoing professional integration or retraining as building caretakers.

In 2019, 8 intern caretakers were welcomed and supported within the in'li teams. Overall at the Company level, we are continuing to implement a proactive work-study policy with 22 employees on work-study programmes.

Performance indicator

In 2019, nearly 73% of employees followed at least one training course, representing 12,500 hours of training overall, and an average of 23 hours of training per employee.

3.2.4.2 Working well together

2019 was an opportunity to consolidate our common working practices (remote working, internal innovation approach, etc.) and to jointly build an action plan with our employees in line with their perceptions of the Company's development.

Our actions

Measuring the expectations/perceptions of all employees and building an action plan together

In June 2019, 18 months after in'li was founded, Management wanted to measure employee perception of in'li's corporate project, identify the topics considered a priority for employees, and maintain communication about the project among all employees. To this end, a survey was carried out among all in'li employees, to which 80% of them responded.

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In continuation of this survey, a seminar bringing together all managers has been set up to develop and coordinate an action plan together. Several projects and actions have thus been implemented, and others are under way:

- ◆ development of a cross-business approach: new organisation of the HR Department with the creation of local HR points of contact, organisation of meetings and discussions between the various functions (call centres, sales teams and building caretakers, etc.), optimisation of the cross-business process related to occupancy, strengthened coordination of the technical sector, etc.;
- ◆ improvement of the onboarding process (change in onboarding times, welcome booklet, etc.);
- ◆ strengthening of communication on company-wide projects (information meetings, etc.);
- ◆ set-up of social events including all departments (Christmas Party, "Office neighbour day", etc.);
- ◆ discussions around a new office layout;
- ◆ launch of an intranet overhaul project.

Dedicated working groups looked at these different focus areas.

Performance indicators

The survey revealed:

- ◆ positive results:
 - 92% of employees willing to make a commitment to contribute to in'li's success; 80% of employees consider their relationship with their managers to be good or very good; 78% of employees would recommend working at in'li;
- ◆ less favourable results, in response to which in'li is taking action:
 - 45% of employees believe that inter-departmental relations need to be improved; 62% of the employees who joined us in the last year identify with in'li; 41% of employees have reservations about an open-space office layout.

Continuation and development of teleworking

In 2019, 157 employees took one teleworking day per week (compared with 87 in 2018). Moreover, all employees are equipped with remote connection technology, which enables employees in positions compatible with remote working to do so in the event of special circumstances.

This possibility allows employees to enjoy a better work-life balance. Amid the Covid-19 health crisis, this equipment has allowed us to move all our employees to teleworking while organising the continuity of our business.

Intrapreneurship programme

As part of its innovation strategy, in'li launched an intrapreneurship programme aimed at all employees in 2019.

This programme aims to support innovating projects within the Company, promote personal initiatives and help employees who have a business creation plan.

Three projects were chosen following an initial selection and a presentation:

- ◆ Two in the innovative projects category:
 - one project concerning intermediate housing and the densification of upper floors of buildings,
 - "in'li go", a car rental sharing project for in'li tenants;
- ◆ one in the business creation category,
 - art and knowledge, a project to create a cultural and artistic space

Development of management

Supporting the Company's managers and developing managerial skills are a key priority of the Human Resources policy.

After two events at the end of 2018 (a Manager's Club on the topic of managerial best practices and a Seminar aimed at sharing the details of the 2019 roadmap), the managerial community benefited from the following initiatives in 2019:

- ◆ a "summer" managerial seminar: presenting the employee survey and conducting a collective analysis of the results;
- ◆ "Spring/Winter" Manager's Clubs: a club on the topic of overall remuneration (with the launch of our first Individualised Employment Booklet) and on the manager's employment rights; another club on "Recruiting well together" and sharing the efforts carried out in 2019 (further to the employee survey, etc.).

An approach focused on the role of the in'li manager and support to develop managerial skills will be implemented in 2020.

3.2.5 SPECIFIC INFORMATION THAT MUST APPEAR IN THE STATEMENT OF NON-FINANCIAL PERFORMANCE

Social dialogue: collective agreements entered into within the Company

Following 2018, in which we were able to build a new foundation for the in'li social benefit system foundation with the signature of 11 agreements, 2019 focused on monitoring these new agreements, working in collaboration with the staff representative bodies. No new agreements have been signed this year, other than an amendment to the incentive agreement.

Furthermore, in accordance with our social dialogue agreement and in line with our social roadmap, we have carried out the mandatory consultations on the strategic guidelines, economic and financial situation, and on social policy. Favourable opinions were issued on each of these consultations. In total, 52 meetings with staff representatives and trade union delegates (Social and Economic Committee, Health, Safety and Working Conditions Committee, Commissions, etc.) were held in 2019.

Diversity and discrimination

In'li continued to take action in 2019 regarding diversity and the fight against discrimination in the workplace.

3.2.5.1 Anti-discrimination policy

The foundation of the Company's anti-discrimination policy is the acceptance of diversity in all its forms (racial origin, disability, gender, age, etc.). In 2019, in'li integrated one employee with a recognised disability into its workforce. As in 2018, in'li has met its obligations regarding the employment of workers with disabilities. This is the result of extensive support provided by the Human Resources Department alongside each manager, in partnership with the occupational physician, to employees suffering from physical restrictions for medical reasons, in order to find a solution to keep such persons in work.

3.2.5.2 Combating harassment

In'li is committed to identifying all forms of discrimination and harassment. In 2019, a whistleblowing mechanism was set up at Action Logement Group level, enabling employees to report any instances of discrimination and harassment of which they may be aware or which they have themselves experienced. This mechanism thus offers employees an alternative to going through the chain of command or contacting in'li's Human Resources Department to report an incident.

In order to combat harassment in all its forms, in particular sexual harassment within the Company, Social and Economic Committee and Company representatives have been trained to guide, inform and support employees in the fight against sexual harassment and sexist behaviour.

3.2.5.3 Gender equality

In keeping with its gender equality agreement, in'li is continuing its commitment to:

- ◆ equal access to the managerial function, with more than half of all in'li managers being women;
- ◆ equality with specific actions during the 2019 and 2020 salary raise campaigns to ensure this equality;
- ◆ increased female participation in technical positions (operations manager, IT expert, building caretaker, etc.).

The gender equality index was 94% in 2019.

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3.2.6 COMMITMENTS TO PROMOTE COMPLIANCE

3.2.6.1 Ethical business conduct

The challenges and our policy

In'li operates in an industry that is sensitive to the risk of corruption. Certain activities are particularly exposed: the purchase and sale of housing, the acquisition of land and the allocation of housing units.

In'li is extremely vigilant with respect to combating fraud, and corruption in particular, and is committed to building a prevention system structured around the eight pillars set out in the law of 9 December 2016, known as Sapin 2:



Our actions

In 2019, in'li adopted or updated several structuring documents on ethics and compliance:

- ◆ the Action Logement Group shared its new Ethics Charter with all the Group's subsidiaries. This charter is based on values that are broken down into expected behaviours;
- ◆ in'li's rules of procedure have been supplemented, in particular with the introduction of the notion of conflict of interest;
- ◆ the Code of Conduct was approved by employee representative bodies at the end of 2019 and became applicable at the beginning of 2020;
- ◆ two procedures, one relating to the rules on gifts and invitations and the other to the handling of conflicts of interest, were also drawn up to clarify the Code of Conduct and provide employees with practical guidance on these subjects.

In'li wanted to integrate this documentation into a "compliance course" that would enable the practical implementation of compliance within in'li. This course

formalises and brings together a set of rules, values and benchmarks, and integrates an awareness of ethics and the fight against corruption *via* e-learning. All employees who join in'li or who already work at in'li will have to complete this course in financial year 2020.

Employees identified as being most exposed to the risk of corruption (Investments and Construction Department, Sales Department) have received a one-day classroom training session provided by an external service provider.

A whistleblowing mechanism designed to receive reports of behaviour or situations that contravene the anti-corruption Code of Conduct was established at Group level at the end of 2019. Reports are received and processed through a platform available *via* a web link that has been distributed to employees. This mechanism makes it possible to submit, confidentially, a report that will be received, processed and analysed impartially.

Performance indicator

Number of employees having received training on corruption prevention: 61.

3.2.6.2 Personal data protection

The challenges and our policy

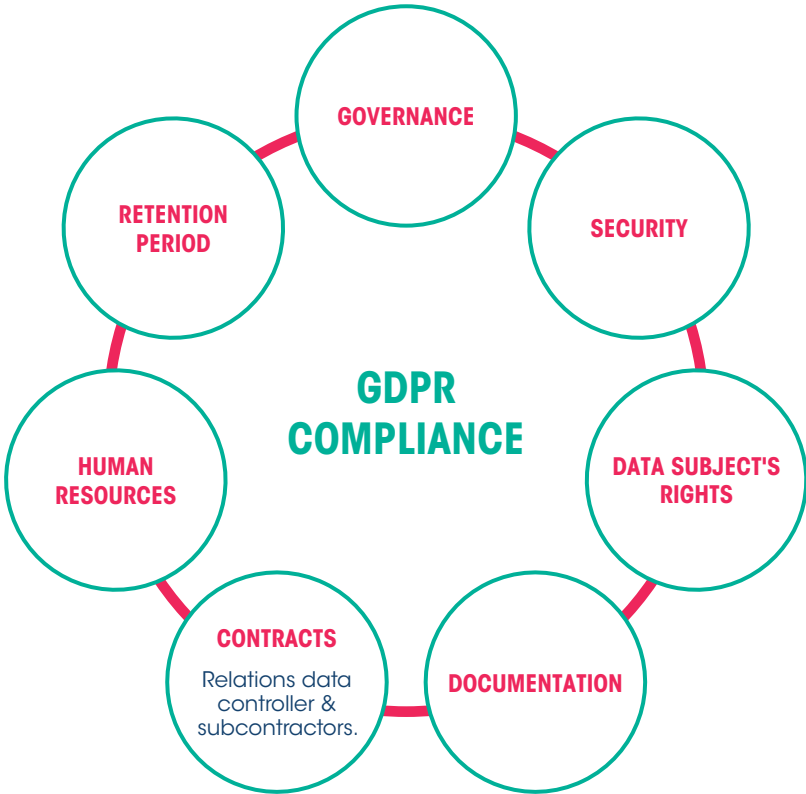
Protecting the data of our prospects, customers and employees is an indicator of the trust and transparency we owe them. In an environment of increasing data flows and the development of digital tools and technology, personal data protection is a major consideration for in'li.

In'li has appointed a Personal Data Protection Officer fully dedicated to ensuring that in'li complies with the General Data Protection Regulation and to maintaining this compliance.

Backed by the DPO and the collaboration of all employees, in'li is committed to:

- ◆ spreading a compliance culture among all employees, in particular through regular awareness-raising memos and classroom training sessions;
- ◆ respecting the fundamental principles underpinning personal data protection;
- ◆ taking into account personal data protection concerns from the project design stage;
- ◆ informing data subjects in a transparent manner about the collection and processing of their personal data;
- ◆ replying as soon as possible, and within one month at the latest, to any request for the exercise of rights relating to personal data.

GDPR compliance projects



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The Personal Data Protection Officer implements compliance through seven projects defined in a roadmap approved by the Audit and Accounts Committee in June 2019. The Management Board monitors the implementation of this roadmap annually. In 2019, in'li designed its processing register. This register, which lists 88 personal data processing operations, meets the requirements of the GDPR.

In'li has also drafted the Data Protection Policy for prospects and tenants. Available on the inli.fr platform, this policy is appended to each lease contract.

Performance indicator

In 2019, 82 employees from the 5 departments (Social Department, Vincennes Real Estate business unit, Customer Relations Department, Sales Department and Commercial Rental Department) were invited to attend a training session given by the Personal Data Protection Officer.

3.3 METHODOLOGY NOTE

PERIOD COVERED

The information disclosed in the Statement of Non-Financial Performance relates to the 2019 financial year. The reporting period used is the calendar year running from 01/01/2019 to 31/12/2019.

SCOPE

The data disclosed concern the company in'li.

METHODS OF COLLECTION OF INDICATORS

The management indicators are produced by the various departments in question, along with the management control department, using the data available in the information systems.

The data disclosed on average energy consumption and the average number of kg of CO₂ eq. emitted are consolidated across 430 property groups (88 groups with joint ownership) covered by the implementation of an energy performance diagnostic, across the in'li property portfolio composed of a total of 32,756 housing units. The database used corresponds to the version dated 25/03/2020.

Within these 430 property groups, we scored an average of:

- ◆ Climate score in kWh/m²: 187
- ◆ Climate label: D
 - 2 sites ranked A (75 housing units)
 - 51 sites ranked B (1,457 housing units)
 - 88 sites ranked C (8,531 housing units)
 - 150 sites ranked D (14,655 housing units)
 - 103 sites ranked E (7,193 housing units)
 - 32 sites ranked F (765 housing units)
 - 4 sites ranked G (80 housing units)
- ◆ GHG rating in kg eqCO₂/m²: 36
- ◆ GHG label: E

To date, the energy performance diagnostics of 226 property groups have expired since the end of 2019, representing 27,139 housing units (these will be carried out during 2020).

- ◆ The geographical distribution of investment was conducted on the basis of the number of housing units signed in 2019.
- ◆ Social indicators are monitored by the Human Resources Division and calculated on the basis of the Company's total workforce.
- ◆ Tenant satisfaction was measured on the basis of a survey conducted in late June on a sample of 1,001 tenants.
- ◆ Calculation of the GDPR indicator is tracked by the Personal Data Protection Officer, who manages awareness-raising initiatives.

3.4 CROSS-REFERENCE TABLE

Topics	Chapter	Pages
ELEMENTS COMPRISING THE STATEMENT OF NON-FINANCIAL PERFORMANCE		
Business model		6
Main non-financial risks	3.2	43
COMPULSORY TOPICS OUTLINED IN ARTICLE L.225-102-1		
Social consequences of activity	3.2	43
Environmental consequences of activity	3.2	47
Combating corruption	3.2.6	50
Consequences for climate change of the Company's activity and the use of the goods and services it produces	3.2.1	43
Societal commitments to promote the circular economy	3.2.1	44
Collective agreements entered into within the Company, and their impact on the Company's economic performance and on employee working conditions	3.2.5	49
Actions to combat discrimination and promote diversity	3.2.5	49
Societal commitments to promote the fight against food waste	N/A: in'li is not concerned by this topic	
Measures taken in favour of people with disabilities	3.2.5.1	49
Societal commitments to promote the fight against food insecurity	N/A: in'li is not concerned by this topic	
Societal commitments to promote the respect of animal welfare	N/A: in'li is not concerned by this topic	
Societal commitments to promote responsible, equitable and sustainable food	N/A: in'li is not concerned by this topic	
Societal commitments to promote sustainable development	3.2.2	46

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3.5 INDEPENDENT THIRD PARTY REPORT ON THE STATEMENT OF NON-FINANCIAL PERFORMANCE INCLUDED IN THE ANNUAL REPORT

To the Shareholders,

In our capacity as an independent third party, member of the Mazars network, Statutory Auditors of the company in'li, accredited by COFRAC Inspection under number 3-1058 (scope of accreditation available on the website www.cofrac.fr), we hereby present our report on the statement of non-financial performance relating to the financial year ended 31 December 2019 (hereafter the "Statement"), presented in the management report, in accordance with the legal and regulatory provisions of Articles L.225-102-1, R-225-105 and R.225-105-1 of the French Commercial Code.

CORPORATE RESPONSIBILITY

It is the responsibility of the Supervisory Board to prepare a Statement in compliance with legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied with regard to these risks and the results of these policies, including key performance indicators.

The Statement was drawn up by applying the Company's procedures (hereinafter the "Reporting Criteria"), the significant elements of which are presented in the Statement and are available on request at the Company's head office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the provisions of Article L.822-11-3 of the French Commercial Code and the professional Code of ethics. Furthermore, we have set up a quality control system that includes documented policies and procedures aimed at ensuring compliance with applicable legal and regulatory texts, ethical rules and professional doctrine.

RESPONSIBILITY OF THE INDEPENDENT THIRD-PARTY

It is our responsibility, on the basis of our work, to issue a reasoned opinion expressing a conclusion of moderate assurance on:

- ◆ the Statement's compliance with the provisions of Article R.225-105 of the French Commercial Code;
- ◆ the true and fair nature of the information provided pursuant to 3° of I and II of Article R.225-105 of the French Commercial Code, namely the results of policies, including key performance indicators, and actions, relating to the main risks, hereinafter the "Information".

However, it is not our responsibility to express an opinion on the Company's compliance with other applicable legal and regulatory provisions, in particular with regard to the duty of care plan and the fight against corruption and tax evasion, or on the compliance of products and services with applicable regulations.

NATURE AND SCOPE OF THE WORK

Our work as described hereafter was carried out in compliance with the provisions of Articles A.225 1 et seq. of the French Commercial Code, the professional doctrine of the Compagnie nationale des commissaires aux comptes relating to this assignment and the international standard ISAE 3000 ⁽¹⁾:

- ◆ we have taken note of the entity's activity and the presentation of the main risks;
- ◆ we assessed the appropriateness of the Reporting Criteria with respect to its relevance, comprehensiveness, reliability, neutrality and understandability, taking into account, where appropriate, industry best practices;
- ◆ we verified that the Statement covers every category of information provided for in III of Article L.225 102 1 on social and environmental matters;
- ◆ we verified that the Statement presents the information required under II of Article R.225-105 when it is relevant with regard to the main risks and includes, where applicable, an explanation of the reasons justifying the absence of the information required under the second paragraph of III of Article L.225-102-1 of the French Commercial Code;
- ◆ we verified that the Statement presents the business model and a description of the principal risks of the entity's activity, including, where relevant and proportionate, the risks created by its business relationships, products or services, and the policies, actions and results including key performance indicators related to the principal risks;
- ◆ We consulted documentary sources and conducted interviews to:
 - assess the process for selecting and validating the main risks as well as the consistency of the results, including the key performance indicators selected, with respect to the main risks and policies presented, and
 - corroborate the qualitative information (actions and results) that we considered the most important presented in Appendix 1. For all of the non-financial risks presented, our work was carried out centrally;
- ◆ we reviewed the internal control and risk management procedures implemented by the entity and assessed the collection process aimed at ensuring the comprehensiveness and true and fair nature of the information provided;
- ◆ for the key performance indicators and other quantitative results that we considered the most important presented in Appendix 1, we carried out:
 - analytical procedures consisting in verifying the proper consolidation of the data collected as well as the consistency of their changes,
 - detailed tests on a sample basis to verify the proper application of definitions and procedures and to reconcile data with supporting documents. This work was carried out centrally and covers 100% of the consolidated data selected for these tests;
- ◆ we assessed the overall consistency of the Statement with our knowledge of the Company.

In our opinion, the work we conducted using our professional judgement enables us to express a conclusion of moderate assurance; a higher level of assurance would have required more extensive audit work.

MEANS AND RESOURCES

Our work mobilised the skills of four people and took place between December 2019 and April 2020 over a total working period of four weeks.

We conducted around 10 interviews with the people responsible for preparing the Statement, representing in particular the Job Transformation Department, Audit and Risk Department, Property Assets Technical Department, Investment and Construction Department and the Customer Relations Commercial Department.

(1) ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information.

CONCLUSION

On the basis of our work, we did not find any significant anomaly likely to call into question the fact that the statement of non-financial performance complies with the applicable regulatory provisions and that the Information, taken as a whole, is presented fairly, in accordance with the Reporting Criteria.

COMMENTS

Without calling into question the conclusion expressed above and in accordance with the provisions of Article A.225-3 of the French Commercial Code, we make the following comment:

- ◆ the policy on the impact of construction/renovation sites on the environment applies to a scope that is limited to a portion of the new operations.

Signed in Paris La Défense, on 28 April 2020

The independent third-party organisation

Mazars SAS

Said BENVAYOUNE
Partner

Edwige REY
CSR & Sustainable Development Partner

SAID BENVAYOUNE
Signé numériquement par SAID BENVAYOUNE
DN : cn=SAID BENVAYOUNE, c=FR, o=MAZARS, ou=0002 784824153, email=said.benhayoune@mazars.fr
Date : 2020.04.28 12:36:50 +02'00'

Signature numérique
de Edwige REY
Date : 2020.04.28
09:45:44 +02'00'

APPENDIX 1: INFORMATION CONSIDERED TO BE THE MOST IMPORTANT

Qualitative information (actions and results) relating to the main risks

- ◆ Impact of construction/renovation sites on the environment.
- ◆ Housing needs and their geographical location.
- ◆ Satisfaction of tenants.
- ◆ Adequacy of jobs and skills to meet the challenges of tomorrow.
- ◆ Working climate.
- ◆ Ethics of practices, rules of ethics, protection of personal data.

Quantitative indicators including key performance indicators

- ◆ Average energy consumption/m² per year.
- ◆ Average number of kilos CO₂ eq. released/m² per year.
- ◆ Geographic distribution of the signed housing units.
- ◆ Overall customer satisfaction rate.
- ◆ Number of employees who received training in corruption prevention.
- ◆ Percentage of employees who took at least one training course.
- ◆ Results of the internal survey.
- ◆ Average number of hours' training per employee.
- ◆ Number of employees made aware of personal data protection issues.

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4.1 FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

4.1.1 BALANCE SHEET AS AT 31 DECEMBER 2019

ASSETS

Sections	Notes	Gross amount	Depreciation and amortisation	31/12/2019	31/12/2018
INTANGIBLE FIXED ASSETS					
Start-up costs	4.4.1	255,546	255,546		
Research and Development costs					
Concessions, patents and similar rights	4.4.1	2,153,084	1,543,787	609,297	1,066,103
Business goodwill	4.4.1	1		1	283,331
Other	4.4.1	9,448,213	3,594,721	5,853,492	6,528,121
Intangible fixed assets under construction	4.4.1	1,447,102		1,447,102	20,932
Advances and prepayments					
TANGIBLE FIXED ASSETS					
Land	4.4.1	773,312,172	2,649,932	770,662,240	710,591,672
Constructions	4.4.1	2,935,551,239	1,058,598,927	1,876,952,311	1,795,244,791
Technical installations, industrial plant & equipment	4.4.1	26,385,248	26,303,894	81,355	90,837
Other	4.4.1	15,747,725	6,157,778	9,589,947	10,093,156
Tangible fixed assets under construction	4.4.1	641,821,201		641,821,201	418,079,280
Advances and prepayments					121,145
FINANCIAL FIXED ASSETS					
Investments in associates					
Other investments	4.4.2	145,525,137		145,525,137	145,525,137
Receivables from equity investments	4.4.2	81,933		81,933	1,097,283
Long-term shareholdings in trading portfolio					
Other long-term shareholdings	4.4.2	4,151,940		4,151,940	26,940
Loans	4.4.2	15		15	15
Other financial fixed assets	4.4.2	4,029,673		4,029,673	4,253,912
Non-current asset		4,559,910,229	1,099,104,586	3,460,805,643	3,093,022,654
INVENTORIES AND WORK IN PROGRESS					
Raw materials, supplies	4.4.3	12,814,770	7,108,268	5,706,502	5,705,633
Goods – work in progress	4.4.3	11,946,626		11,946,626	6,980,505
Services – work in progress					
Advances and prepayments on orders		754,896		754,896	2,742,364
RECEIVABLES					
Trade receivables	4.4.4	93,356,807	22,394,298	70,962,510	61,530,599
Other	4.4.5	16,239,902	125,138	16,114,764	30,691,759
INVESTMENT SECURITIES					
Treasury shares					
Other securities	4.4.6	96,893,317	43,826	96,849,491	58,623,834
Cash instruments					
Cash and cash equivalents	4.4.6	378,409,215		378,409,215	321,514,546
Prepayments	4.4.7	3,026,222		3,026,222	3,078,940
Current asset		613,441,754	29,671,529	583,770,225	490,868,179
Expenses divided over several years					
Loan repayment premiums	4.4.8	1,472,500		1,472,500	
Unrealised foreign exchange losses					
GRAND TOTAL		5,174,824,484	1,128,776,115	4,046,048,369	3,583,890,833

EQUITY AND LIABILITIES

Sections	Notes	31/12/2019	31/12/2018
Capital	4.4.9	613,331,009	613,331,009
Issue, merger, contribution premiums	4.4.9	573,103,808	573,191,708
Revaluation reserves			
Legal reserve	4.4.9	61,333,100	33,007,689
Statutory or contractual reservations			
Regulated reserves	4.4.9	4,582,904	4,582,904
Other reserves	4.4.9	422,248,939	422,248,939
Retained earnings	4.4.9	15,872,970	7,000,000
Profit (loss) for the financial year	4.4.9	63,340,536	45,376,127
Investment grants		42,850,061	46,468,109
Regulated provisions		92,755	92,755
Equity		1,796,756,082	1,745,299,240
Provisions for liabilities	4.4.10	2,864,701	1,393,277
Provisions for charges	4.4.10	29,984,120	32,667,193
Provisions for liabilities and charges		32,848,821	34,060,470
FINANCIAL DEBTS			
Other bonds	4.4.11	500,000,000	
Loans and debts from credit institutions	4.4.11	1,482,273,578	1,632,115,745
Miscellaneous borrowings and financial debt	4.4.11	33,760,498	34,029,697
Advances and prepayments received on orders in progress	4.4.12	28,562,318	35,551,373
OPERATING DEBTS/LIABILITIES			
Trade payables	4.4.12	24,826,025	25,996,092
Outstanding taxes and employer contributions	4.4.12	32,672,677	25,087,433
MISCELLANEOUS LIABILITIES/DEBTS			
Payables on fixed assets	4.4.12	21,687,291	25,252,916
Other debts	4.4.12	74,178,598	7,964,279
Prepaid income	4.4.13	18,482,482	18,533,586
Liabilities		2,216,443,467	1,804,531,122
Unrealised foreign exchange gains			
GRAND TOTAL		4,046,048,369	3,583,890,833
Profit (loss) for the financial year <i>(in euro cents)</i>		63,340,536.32	
Balance sheet total <i>(in euro cents)</i>		4,046,048,368.94	

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4.1.2 PROFIT AND LOSS STATEMENT

Sections	Notes	31/12/2019	31/12/2018
Sale of goods			
Sale of finished goods			
Sale of finished services		387,177,249	352,016,084
♦ o/w prepayments on rental charges: 2018 = €57,201,165/2019 = €87,235,138			
Net revenue	4.5.2	387,177,249	352,016,084
Capitalised assets produced		4,966,989	-2,823,566
Operating grants		38,521	12,349
Reversals of depreciation, amortisation and provisions, transfers of expenses	4.5.4	2,815,486	1,492,028
Other income		8,233,310	4,071,255
Operating income		403,231,555	354,768,150
Purchases of raw materials, other supplies			
Change in stock of raw materials			
Other purchases and external expenses		155,301,272	119,380,522
Taxes, duties and similar payments		54,087,204	51,687,606
Wages and salaries		29,922,111	27,585,464
Social contributions		16,331,692	14,157,693
ALLOCATION TO PROVISIONS			
On fixed assets: depreciation, amortisation and impairment	4.5.3	85,067,923	78,387,588
On fixed assets: provisions			
On current asset: provisions	4.5.3	2,737,349	1,509,981
Provisions for liabilities and charges	4.5.3	1,547,123	1,876,428
Other charges		7,887,659	3,796,274
Operating expenses		352,882,333	298,381,556
Operating profit/(loss)		50,349,222	56,386,594
Financial income from investments			
Income from other marketable securities and receivables from non-current asset		62,308	1,072,237
Other interest and related income		875,232	15,787,999
Reversals of provisions and transfers of expenses			
Exchange-rate gains			
Net income on disposals of marketable securities		69,365	35,246
Financial income		1,006,905	16,895,482
Financial allocations to depreciation, amortisation and provisions		121,326	
Interest and related expenses		31,731,636	27,211,847
Exchange-rate losses		75,524	195,113
Expense on disposals of marketable securities			
Financial expenses		31,928,485	27,406,960
Net financial income	4.5.5	-30,921,580	-10,511,478
Current net income before tax		19,427,642	45,875,116
Extraordinary income from management transactions		1,931,848	976,193
Extraordinary income from capital transactions		123,579,898	72,279,830
Reversals of provisions and transfers of expenses		3,405	183,519
Extraordinary income		125,515,151	73,439,542
Extraordinary expenses on management transactions		6,246,139	2,771,185
Extraordinary expenses on capital transactions		41,392,669	46,046,650
Extraordinary depreciation, amortisation and provisions		60,000	90,200
Extraordinary expenses		47,698,807	48,908,035
Extraordinary profit/(loss)	4.5.6	77,816,344	24,531,507
Employee profit-sharing			
Income taxes	4.5.7	33,903,451	25,030,496
Total income		529,753,612	445,103,174
Total expenses		466,413,076	399,727,047
Net income		63,340,536	45,376,127

4.1.3 STATEMENT OF CASH FLOWS

Items <i>(in thousands of euros)</i>	31/12/2019	31/12/2018
Net income	63,341	45,376
Depreciation, amortisation and impairment - assets	85,147	78,387
Provisions for liabilities and charges and regulated provisions	-1,211	289
Reversals of subsidies	-3,660	-3,912
Gains or losses on disposals of non-current assets net of income tax	-51,592	-12,996
Gains or losses on disposals of long-term shareholdings		-2,557
Elimination of merger bonuses		-14,921
Gross self-financing margin	92,025	89,665
Inventories and work in progress	-4,969	7,833
Receivables and accrued financial statements	5,195	-28,299
Liabilities and accrued financial statements	61	41,512
Net cash flow generated by operating activities	92,312	110,711
INVESTMENT TRANSACTIONS		
Acquisition of intangible fixed assets	-1,429	-7,385
Acquisition of tangible fixed assets	-492,842	-335,806
Acquisition of securities	-4,125	-7
Loan payments	-286	-306
Total fixed asset acquisitions	-498,682	-343,504
Disposals of tangible and intangible fixed assets	94,385	24,023
Disposals of securities		37,559
Loan reimbursements	1,525	200
Total fixed asset disposals	95,910	61,782
Impact of merger transactions		16,431
Net cash flow relating to investment activities	-402,772	-265,293
FINANCING TRANSACTIONS		
Distributed dividends	-8,133	-12,722
Capital increases and issue premiums		74,509
Issuance of loans	634,470	446,725
Loan repayments	-268,382	-116,036
Investment grants received	379	932
Advances received/reimbursed	65,000	
Net cash flow relating to financing activities	423,334	393,408
<i>Net change in cash</i>	<i>112,874</i>	<i>238,826</i>
Opening cash position	362,385	123,559
Closing cash position	475,259	362,385

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4.2 GENERAL PRINCIPLES

The financial statements have been prepared in accordance with Regulations No 2016-7 *et seq.* of the French Accounting Standards Authority (*Autorité des normes comptables*).

General accounting policies were applied in accordance with the General Accounting Plan, in line with the principle of prudence, and according to the following base assumptions:

- ◆ business continuity;
- ◆ independence of financial years;
- ◆ consistency of accounting methods from one financial year to the next;

and in line with the general rules governing the drafting and presentation of annual financial statements.

Only material information is presented.

The base method used to assess items appearing in the financial statements is the historical cost method, with the exception of contributions recorded during the merger-absorption by OGIF of 34 limited property companies between 1973 and 1975, of the contributions in kind made by SIF DU LOGIS MODERNE to OGIF in 1998 and 1999, contributions recorded during the merger-absorption of SICB in 2007 and five civil property companies located in the Oise region in 2010, contributions recorded during the merger-absorption of SLP in 2016 and contributions recorded during the merger-absorption of the Ruisseau des Gains civil property company in 2018.

4.3 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS

4.3.1 APPROPRIATION OF 2018 EARNINGS AND DIVIDEND DISTRIBUTION

In accordance with the decision of the General Meeting of 20 June 2019, the profit for the financial year ended 31 December 2018 was €45,376,127, of which €28,325,411

is to be allocated to the legal reserve, while €8,177,747 is to be distributed as a dividend, giving a rate of €0.02 per share.

4.3.2 DISPOSALS OF FIXED ASSETS

During the 2019 financial year, the disposal of fixed assets concerned 653 housing units:

- ◆ 2 transactions *en bloc* accounted for 563 housing units:
 - PONTAULT-COMBAULT – 414 housing units sold to SEQENS in the amount of €38,000 K,
 - ROISSY EN BRIE – 149 housing units sold to I3F Seine et Marne in the amount of €17,000 K;
- ◆ 90 single housing units in the amount of €23,834 K.

They also concern:

- ◆ 2 office buildings in Levallois-Perret (former in'li registered office) for €37,457 K;
- ◆ Miscellaneous land and car parks in the amount of €3,629 K.

These disposals generated pre-tax capital gains of €81,283 K.

4.3.3 DELIVERIES AND ACQUISITIONS OF FIXED ASSETS

20 new transactions for a total of 679 housing units were completed in 2019. The capitalised construction costs for these transactions and land stood at €201,365 K. 18 projects were acquired *via* off-plan agreement and 2 projects as contractor. They are located in:

- ◆ ISSY-LES-MOULINEAUX: 18 housing units;
- ◆ MONTREUIL – rue E. Vaillant: 25 housing units;
- ◆ IVRY-SUR-SEINE – rue JJ. Rousseau: 25 housing units under off-plan agreement;
- ◆ PARIS 13th *arrondissement* – Edison: 8 housing units under off-plan agreement;
- ◆ PARIS 13th *arrondissement* – quai d'Ivry: 86 housing units under off-plan agreement;
- ◆ COURBEVOIE – mission Marchand: 85 housing units under off-plan agreement;
- ◆ SURESNES – rue de la République: 61 housing units under off-plan agreement;
- ◆ DEUIL-LA-BARRE – rue G. Desailly: 7 housing units under off-plan agreement;
- ◆ VIROFLAY – rue A. Petit: 14 housing units under off-plan agreement;
- ◆ CLAMART – Pavé Blanc: 36 housing units under off-plan agreement;
- ◆ GIF-SUR-YVETTE – ZAC du Moulon: 65 housing units under off-plan agreement;
- ◆ PARIS 17th *arrondissement* – ZAC des Batignolles: 88 housing units under off-plan agreement;
- ◆ CORBEIL-ESSONNES – rue Saint-Spire: 46 housing units under off-plan agreement;
- ◆ ANTONY – av A. Pujaud: 36 housing units under off-plan agreement;
- ◆ ROSNY-SOUS-BOIS – rue Jean-Jaurès: 10 housing units under off-plan agreement;
- ◆ CLICHY – rue G. Boiseau: 5 housing units under off-plan agreement;
- ◆ NANTERRE: 25 housing units under off-plan agreement;
- ◆ COLOMBES – rue de l'Europe: 7 housing units under off-plan agreement;
- ◆ SAINT-MICHEL-SUR-ORGE – rue Gambetta: 25 housing units under off-plan agreement;
- ◆ COLOMBES – av. de l'Agent-Sarre: 7 housing units under off-plan agreement.

In addition, 17 housing units located in Paris were brought to market under long-term lease, for a total of 696 housing units.

4.3.4 FINANCIAL RATING

As part of its development project for intermediate housing in areas under pressure in the Île-de-France region which aims to produce 80,000 housing units within 10 years, in'li underwent a financial rating process.

On 22 May 2019, Standard & Poor's Global Ratings assigned the rating "BBB+" with a positive outlook. In November 2019, the in'li rating was upgraded by S&P Global Ratings following the greater financial transparency in recent months of Action Logement (ALG) and Action Logement Immobilier (ALI),

controlling shareholder of in'li. The rating agency upgraded in'li from BBB+ positive outlook to A- outlook stable.

It should be noted that the in'li rating was again reviewed by S&P Global Ratings, going from A- to A: outlook stable in January 2020. This new rating made in'li the best-rated European property company by S&P Global Ratings.

4.3.5 FUNDING

Following its initial "BBB+" financial rating, in'li launched its first public bond issue for €500 M. A bond with a nominal value of €500 M was issued for a period of 10 years and at a rate of 1.125%.

The transaction was arranged by Crédit Agricole Corporate and Investment Bank, and Société Générale as Global Coordinators and Lead Managers, along with HSBC and Natixis as Lead Managers.

The settlement/delivery and admission to trading of the bonds on Euronext Paris took place on 2 July 2019.

Furthermore, in late 2019, in'li signed a funding agreement with the European Investment Bank (EIB) in the amount of €250 M.

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4.3.6 ANRU (FRENCH URBAN RENEWAL AGENCY) TRANSACTIONS

Two urban renewal transactions are still underway at the Épinay 04 and Saint Denis 01 sites.

In 2019, a plot of land in Épinay was sold to Minerve. The associated demolition costs recorded as expenses stood at €292 K. This sale generated a capital gain of €1,109 K.

The demolition and development costs of land sold are calculated on the basis of the ANRU budget.

Provisions for ANRU expenses

Provisions for ANRU expenses were calculated on the basis of the demolition statements appended to the

ANRU agreements in force at the end of the financial year.

These provisions correspond to the portion of expected expenses that are not financed by ANRU.

4.3.7 COVID-19

The health crisis brought about by the Covid-19 epidemic has no impact on the 2019 financial statements. It does not call into question the valuation of the assets and liabilities featured in the financial statements, nor its revenue.

The Company has not identified any business continuity risk to date.

4.4 NOTES ON THE BALANCE SHEET

4.4.1 NON-CURRENT ASSETS

Non-current intangible assets

An intangible asset is a non-monetary item that has no physical substance, which must be both identifiable and controlled by the Company in view of past events, and with a view to future economic benefits. It is identifiable if it can be separated from the purchased entity or if it arises as a result of legal or contractual rights.

Intangible fixed assets are valued at their acquisition cost, inclusive of expenses. They are amortised on a straight-line basis over periods that correspond to their expected useful life.

As of 31 December 2019, intangible fixed assets chiefly comprised:

Intangible fixed assets	Gross value	Net value	Term of amort.
Start-up costs	255,546		1 year
Software, licenses and IT development	3,479,585	1,343,496	3 to 5 years
Usufructs ⁽¹⁾	5,558,719	5,119,294	length of usufruct
Other intangible fixed assets	2,562,994		3 to 5 years
Intangible fixed assets under construction	1,447,102	1,447,102	
TOTAL	13,303,946	7,909,892	

(1) Corresponds to:

- usufruct on a transaction for 35 houses located in Saint Cyr, delivered in 2018;
- usufruct on 6 housing units in a transaction comprising 12 units located in Rueil-Malmaison, delivered in 2015;

Non-current assets – Construction leases and long-term leases

A construction lease is a contract in which the owner sells the use of the land to a lessee who, in return, undertakes to construct buildings on the lessor's land and to keep them in good condition for the entire term of the lease.

During the term of the lease, in'li has a real, freely transferable property right. Upon expiry of the lease, ownership of the buildings reverts to the lessor.

Capitalised leases are as follows:

Municipalities	No. Of Housing Units	Start Date	End Date	Term	Residual Term
Pantin	68	01/09/1988	31/08/2058	70 years	39 years
Boulogne-Billancourt	38	29/06/1987	28/06/2039	52 years	20 years
Égly	178	08/07/1966	01/07/2036	70 years	17 years
Saint-Denis	100	28/10/1959	27/10/2057	99 years	38 years
Sceaux	33	25/01/1984	24/01/2049	65 years	29 years
Ablon-sur-Seine	18	12/11/1987	11/11/2057	70 years	38 years
Neuilly-sur-Seine	35	26/04/2013	25/04/2048	35 years	29 years
Levallois-Perret	24	13/12/1985	12/12/2025	40 years	6 years
Sceaux	offices	25/01/1984	24/01/2049	65 years	29 years

Non-current assets – investment properties

Investment properties are defined as real estate assets held for rental income.

Land is valued at its purchase cost plus acquisition costs. For off-plan agreements, the value of the land is determined on the basis of a price scale depending on the municipality.

Buildings are valued at their cost price plus notarial and registration fees, or at their transfer value. They are allocated by component. The allocation used corresponds to the recommendations and work conducted by the French Building Scientific and Technical Centre (CSTB) on social housing companies.

Buildings on other people's land are allocated by component according to the same rules as freehold buildings, with the exception of the structure, which is depreciated over the term of the construction lease.

The renovation and renewal work on components entails the accounting outflow of initially capitalised components.

Depreciation of buildings

For new buildings, expenses are allocated according to actual costs, when these can be determined. If this is not possible, in particular for off-plan agreements and the acquisition of non-new assets, expenses are allocated on the basis of the CSTB table below.

Components	Depreciation term	Allocation keys for collective housing	Allocation keys for individual housing
Lift	15 years	2.80%	
Communal heating	25 years	3.20%	
Individual heating	15 years	3.20%	3.20%
External joinery	25 years	3.30%	5.40%
Waterproofing	15 years	1.10%	
Restoration of facades	15 years	2.10%	2.70%
Electricity	25 years	5.20%	4.20%
Plumbing	25 years	4.60%	3.70%
Structure	50 years	balance	balance

Reconstruction and improvement works in respect of roads, infrastructure and utilities (VRD), works to increase residential areas and outdoor spaces are capitalised under the item "outdoor spaces". The amortisation term is 20 years.

Depreciation plans for buildings arising as a result of mergers during previous financial years were not adjusted. Consequently, the amortisation term of the structural component is between 40-60 years. For new fixed assets, this term is set at 50 years.

Valuation of investment properties

The real estate portfolio of in'li is valued once a year by independent real estate experts.

Real estate appraisals are performed by Crédit Foncier Expertise.

With this in mind, the expert seeks the market value of each asset at a given date. The market value is the most likely price that may be obtained on the valuation date on the market, under reasonable conditions.

The portfolio was valued on 31 December 2019 based on three scenarios. According to the scenarios, the valuation excluding duties is:

- ◆ scenario 1 = "sale en bloc", with continued use taking account of occupation status: €8,334 M;

- ◆ scenario 2 = "sale by single unit", with continued use taking account of occupation status: €9,273 M;
- ◆ scenario 3 = "sale by single unit", assuming a lease at market rental value: €10,740 M.

Provision for impairment of investment property

In'li performs impairment tests by comparing the net book value of the buildings in each transaction with the appraisal valuations conducted by Crédit Foncier Expertise.

When, for a given transaction, a negative difference exists between the appraisal value (excluding duties) and the net book value (after taking investment grants into account), which is both material and sustained, impairment is recorded for the difference between the appraisal value and the net book value, net of investment grants.

Other tangible fixed assets

Other tangible fixed assets are depreciated on a straight-line basis. They include:

Other tangible fixed assets	Term of amort.
Technical installations	10 and 20 years
Industrial plant & equipment	5 years
Facilities, fixtures and fittings	10 years
Transportation equipment	5 years
Office and IT equipment	5 years
Office furniture	5 years

Since the depreciation plans of merged companies are maintained, these terms may differ in some cases.

Variation table for intangible and tangible fixed assets

(in euros)	12/2018	Acquisitions and allocations	Disposals and reversals	Reclassifications	12/2019
Gross intangible fixed assets	12,131,069	4,583		-278,808	11,856,844
Land	713,219,704		-14,324,601	74,417,070	773,312,172
Rental constructions	2,636,007,478	1,228,840	-51,592,115	189,471,978	2,775,116,181
Improvement work	129,803,392		-557,456		129,245,936
Construction leases	30,884,016			305,107	31,189,123
Miscellaneous tangible fixed assets ⁽¹⁾	41,802,494	879,124	-831,975	283,330	42,132,973
Intangible fixed assets under construction	20,932	1,426,169			1,447,102
Tangible fixed assets under construction	418,079,279	493,484,999		-269,743,078	641,821,200
Advances and prepayments on fixed assets	121,145			-121,145	
TOTAL GROSS REAL ESTATE VALUES	3,982,069,510	497,023,715	-67,306,147	-5,665,546	4,406,121,531
Amort./Prov. on intangible fixed assets	-4,253,518	-1,140,539			-5,394,054
Deprec./prov. on rental constructions	-870,225,405	-81,264,892	24,805,566		-926,684,733
Deprec./prov. on improvement work	-123,876,636	-356,606	542,182		-123,691,060
Deprec./prov. on construction leases	-9,976,082	-896,984			-10,873,066
Deprec./prov. on misc. tangible fixed assets	-31,618,501	-1,408,902	565,731		-32,461,672
Deprec./prov. on tangible fixed assets under construction					
TOTAL DEPRECIATION, AMORTISATION AND PROVISIONS	-1,039,950,142	-85,067,923	25,913,479		-1,099,104,585
NET FIXED ASSETS	2,942,119,368	411,955,792	-41,392,668	-5,665,546	3,307,016,946

(1) Includes merger losses of €5,807,000.

The change in gross fixed assets stands at €424,052 K. This results chiefly from the increase in rental constructions (€139,109 K) and land (€60,092 K) following acquisitions made during the financial year. Tangible fixed assets under construction increased by €223,742 K in line with our development policy.

Outflows of fixed assets correspond to the disposal of housing units outlined in point 4.3.2 of the financial statements and to the replacement of components.

4.4.2 FINANCIAL ASSETS

Financial assets are valued at their acquisition cost, or at their transfer value. If necessary, a provision is recorded for impairment.

During the year, in'li acquired a 37.99% stake in the Terrae Optimae investment fund, representing an amount of €4,125 K.

Financial assets are chiefly composed of equity securities, receivables from equity investments, and guarantee deposits.

(in euros)	12/2018	Increase	Decrease	Reclassification	12/2019
NET FINANCIAL ASSETS	150,903,287	4,411,400	-1,525,988		153,788,698
Equity securities	145,525,137				145,525,137
Other receivables and loans on equity investments ⁽¹⁾	1,097,283		-1,015,349		81,933
Other long-term shareholdings ⁽²⁾	26,940	4,125,000			4,151,940
Other gross financial assets ⁽³⁾	4,253,927	286,400	-510,639		4,029,688
Impairment					
– on equity securities					
– on other gross non-current financial assets					

(1) This item records the balance of working capital paid to GIE ASTRIMMO.

(2) The increase in this item corresponds to the subscription to the Terrae Optimae investment fund.

(3) This item specifically records the working capital paid to property management companies (€2,556 K) and a security deposit for the Tour Ariane premises (€838 K).

4.4.3 INVENTORIES AND WORK IN PROGRESS

Buildings relating to property development projects and land are recorded in inventory at their acquisition cost. If evidence of an impairment loss appears in relation to the future resale value, impairment is recorded, based on the difference between the two amounts.

Land inventories comprise:

- several plots in Chatou for a total of 13,750 sq.m valued at €701,209 and a plot in Cannes valued at €300;

- several plots in Domont for a total of 868,720 sq.m valued at €11,730,605 and plots in Moisselles for 27,241 sq.m valued at €381,787. Provisions were recorded in the amount of €6,751,996 and €355,969 respectively.

Property development inventories correspond mainly to an ongoing property development project in the 17th *arrondissement* of Paris in the amount of €10,261,124. Delivery of this operation, which began in 2017, is scheduled for 2020. Eight other property development projects are underway for a total of €1,685,501.

(in euros)	12/2018	Increase	Decrease	Reclassifications	12/2019
INVENTORIES	12,686,138	4,966,989			17,653,128
Land inventories	12,813,901	869			12,814,770
Impairment of land inventories	-7,108,268				-7,108,268
Property development inventories	6,980,505	4,966,120			11,946,625
Impairment of other inventories					

4.4.4 RECEIVABLES FROM TENANTS AND OTHER

Receivables are recorded at their nominal value.

Tenant receivables comprise:

- ♦ rents and service and maintenance charges not paid as of 31/12/2019 (€57,031 K);
- ♦ service and maintenance charge adjustments not yet invoiced correspond to the difference between prepayments of charges invoiced and final actual expenditure (€19,607 K).

Other trade receivables chiefly comprise:

- ♦ the balance due on the sale *via* off-plan agreement of the property development project in Saint Cyr (€294 K) concluded in 2016 and the Paris 17th *arrondissement* – Jean Leclair project (€16,103 K).

(in euros)	12/2019	12/2018	Change
NET TRADE RECEIVABLES	70,962,510	61,530,599	9,431,910
Tenant receivables: occupied	30,143,442	31,316,478	-1,173,036
Tenant receivables: vacated	26,861,790	25,851,527	1,010,263
Tenant receivables: delegated management	26,071	47,876	-21,805
Service and maintenance charges to be settled	19,606,977	6,039,766	13,567,211
Gross tenant receivables	76,638,280	63,255,647	13,382,633
Impairment of tenant receivables: occupied	-3,956,512	-3,314,361	-642,151
Impairment of tenant receivables: vacated	-18,410,916	-16,415,720	-1,995,196
Provision on tenant receivables	-22,367,428	-19,730,081	-2,637,347
TENANT RECEIVABLES NET OF PROVISIONS	54,270,853	43,525,566	10,745,286
Gross receivables from other customers	16,718,527	18,032,023	-1,313,496
Impairment of receivables from other customers	-26,870	-26,990	120
OTHER TENANT RECEIVABLES NET OF PROVISIONS	16,691,657	18,005,033	-1,313,376

All receivables from tenants and others are due in less than one year.

Provision for impairment of tenant receivables

The provision for impairment of tenant receivables is calculated in accordance with a statistical method. It is based on the non-recovery rate for receivables held on tenants in debt who have vacated their accommodation on the one hand, and those still occupying their accommodation on the other.

For tenants having vacated their accommodation, the non-recovery rate was analysed over a six-year period following the departure of the tenants in question. As of 31 December 2019, the average non-recovery rate was 67.50% (63.50% as of 31 December 2018). It was calculated from the arrears noted at the end of 2008, 2009, 2010, 2011, 2012 and 2013.

The percentage of sitting tenants for whom arrears were noted and who vacated the accommodation without paying off the arrears was calculated. This percentage

corresponds to the ratio of the total amount of arrears on the tenants' departure date and the average amount of arrears of tenants present. It is calculated over a six-year period from 2014 to 2019.

The rate obtained was multiplied by the non-recovery rate for receivables due from vacated tenants to determine the coverage rate on the arrears of tenants present. This rate stood at 25.92% as of 31 December 2019 (23.11% as of 31 December 2018).

The amount of the provision for impairment of receivables from individual tenants is €21,066,607.

Receivables from legal entity tenants are subject to a specific provision calculated according to their individual situation. The provision for this stood at €1,300,821 at 31 December 2019. This brings the total provision on tenant receivables to €22,367,428.

4.4.5 OTHER RECEIVABLES

(in euros)	12/2019	12/2018	Change
NET OTHER RECEIVABLES	16,114,764	30,691,759	-14,576,995
Subsidies to be received ⁽¹⁾	671,250	1,008,249	-336,999
Receivables on asset disposals	121,000	12,812	108,188
Calls for funds from property management companies & managed jointly owned properties	5,233,912	14,667,191	-9,433,279
Group and Partners ⁽²⁾	1,666,028	1,794,773	-128,745
Tax Credit for Competitiveness and Employment (CICE) Receivable		1,028,324	-1,028,324
Social and tax receivables	437,689	1,626,964	-1,189,275
Gross other receivables ⁽³⁾	8,110,023	10,578,583	-2,468,560
Provisions for impairment	-125,138	-25,138	-100,000

(1) Subsidies to be received pursuant to the financing of new projects.

(2) Receivables on partners and group companies primarily comprise an advance to Apec Residence for €1,200 K and receivables on regional in'li branches in for €483 K.

(3) Gross other receivables primarily comprise miscellaneous income to be received, re-invoicing pursuant to the in'li supports SEP (joint-stock partnership), and miscellaneous accounts receivable.

All these receivables are due in less than one year.

4.4.6 CASH AND CASH EQUIVALENTS (INCLUDING MARKETABLE SECURITIES)

Investment securities appear on the balance sheet at their acquisition price. They are impaired when their net realisable value is lower than their net book value.

Bank overdrafts are classified as liabilities on the balance sheet under the item "Loans and debts from credit institutions".

(in euros)	12/2019	12/2018	Change
CASH AND CASH EQUIVALENTS	475,302,532	380,138,380	95,164,152
Investments	96,893,317	58,623,834	38,269,483
Balance of bank and cash accounts	378,409,215	321,514,546	56,894,669
Bank overdrafts (under liabilities on the balance sheet)	17	17,753,181	-17,753,164
Net cash from bank overdrafts	475,302,515	362,385,199	112,917,316
Provision for impairment of investments	-43,826		-43,826

4.4.7 PREPAYMENTS

(in euros)	12/2019	12/2018	Change
PREPAYMENTS	3,026,222	3,078,940	-52,718

Prepayments mainly include rent paid in advance in respect of the construction lease for the Neuilly-sur-Seine project ending in 2048 (€2,196 K) and the first-quarter 2020 rent on Tour Ariane (€828 K).

4.4.8 LOAN ISSUE PREMIUM

(in euros)	12/2019	12/2018	Change
LOAN ISSUE PREMIUM	1,472,500		1,472,500

This is the issue premium for a total amount of €1,550 K on the bond loan of €500,000 K. This premium is amortised over the term of the loan, i.e. 10 years (from 2/7/2019 to 2/7/2029). The allocation recorded in 2019 for six months amounts to €77,500.

4.4.9 EQUITY CAPITAL

As at 31 December 2019, the share capital comprised 408,887,339 shares each with a par value of €1.50.

(in euros)	12/2018	Capital Increases	Appropriation of earnings for financial year N-1	Profit/(loss) for financial year N	Other transactions	12/2019
EQUITY	1,745,299,240			63,340,536	-3,705,948	1,796,756,082
Capital	613,331,009					613,331,009
Capital-related premiums	573,191,708				-87,900	573,103,808
Reserves	459,839,532		28,325,411			488,164,943
Retained earnings	7,000,000		8,872,969			15,872,970
Profit (loss) for the period	45,376,127		-45,376,127	63,340,536		63,340,536
Investment subsidies	46,468,109				-3,618,048	42,850,061
Regulated provisions	92,755					92,755
Distribution of dividends			8,177,747			

Subsidies

Subsidies used to finance depreciable fixed assets are reversed in the profit and loss statement. This reversal is calculated on a straight-line basis over the lifespan of the depreciable fixed asset to which it pertains.

4.4.10 PROVISIONS FOR LIABILITIES AND CHARGES

Pension commitments

Pension commitments to employees are mainly covered by a pension fund under an externally managed defined-benefit scheme. Any amounts not covered are subject to a provision for charges.

The amount of pension commitments is calculated taking into account various criteria that are reviewed annually, including the turnover rate (admin = 2.13%, PIME⁽¹⁾ = 1.54%, PIMG⁽²⁾ = 0.80%), the employee progression rate (admin = 2.49%, PIME⁽¹⁾ = 0.92%, PIMG⁽²⁾ = 1.33%), the discount rate (0.56%), the rate of social security charges (admin = 62.89%, PIME⁽¹⁾ = 53.46%, PIMG⁽²⁾ = 55.54%).

The average retirement age selected is 62.

As of 31/12/2019, pension commitments to employees stood at €12,015,595 compared to €12,808,034 at 31 December 2018. A provision reversal for €930,016 was recorded, bringing the provision to €5,334,676, corresponding to the amount not covered by the retirement indemnity contract.

A new collective agreement covering employee status was signed in October 2018. This agreement amended the calculation of the retirement indemnity. As a result, "a closed group" was formed for employees who meet certain age and seniority criteria.

(1) Building staff - employees.

(2) Building staff - caretakers.

Long-service awards

As at 31/12/2019, provisions for the payment of long-service awards stood at €1,064,445.

(in euros)	12/2018	Allocations for the financial year	Reversals for the financial year	12/2019	Of which reversals used
PROVISIONS FOR LIABILITIES AND CHARGES	34,060,470	1,607,123	-2,818,772	32,848,821	-2,537,047
Provisions for retirement indemnities, pensions and long-service awards	7,305,609	23,528	-930,016	6,399,121	-660,462
Provisions for property taxes (mergers)	23,317,825		-806,853	22,510,972	-806,853
Provisions for ANRU (National Urban Development Agency) expenses	575,000			575,000	
Other provisions for liabilities & charges ⁽¹⁾	2,862,036	1,583,595	-1,081,903	3,363,728	-1,069,732

(1) Other provisions for liabilities and charges chiefly concerned miscellaneous disputes.

4.4.11 FINANCIAL DEBT

The cost of loans directly attributable to purchasing or building eligible assets is included in the cost of the corresponding assets.

(in euros)	12/2018	Subscriptions	Repayments	Reclassification	12/2019
FINANCIAL DEBTS	1,666,145,442	636,022,564	-286,133,927		2,016,034,076
Bond issuance		500,000,000			500,000,000
PEEC (employers' contribution to building and construction work) loans	300,681,962	19,690,000	-23,011,410		297,360,553
CFF loans	122,327,617		-10,145,107		112,182,511
CDC loans	44,070,500	11,544,073	-1,070,293		54,544,280
Crédit Agricole loans	344,071,101	12,636,307	-26,928,486		329,778,922
Caisse d'Épargne loans	300,214,930	9,916,255	-13,665,208		296,465,977
Société Générale loans	39,540,599	12,766,732	-2,753,954		49,553,377
Pre-financing	30,725,246		-30,725,246		
Revolving credit	125,000,000		-125,000,000		
Other loans	298,257,425	54,180,701	-22,167,481		330,270,645
Accrued interest not yet due	9,473,182	12,117,296	-9,473,182		12,117,296
Bank borrowings	17,753,181		-17,753,164		17
Loans and debts from credit institutions	1,632,115,745	632,851,366	-282,693,529		1,982,273,580
Guarantee deposits	26,656,026	3,171,198	-2,681,118		27,146,106
Other financial debt	7,373,671		-759,280		6,614,391
Miscellaneous financial debt	34,029,697	3,171,198	-3,440,398		33,760,498

New loans stood at €620,734 K to finance new projects. They include the bond issue for €500,000 K received on 2 July 2019.

Repayments of loans and other debts stood at €256,226 K.

The €125 M outstanding under the €800 M syndicated credit facility (signed in 2018 with a pool of French and

international banks) was repaid in 2019. At 31 December 2019, the available amount under the syndicated credit facility was therefore €800 M.

A financing contract was signed on 23 December 2019 with the European Investment Bank in the amount of €250,000 K. This loan was not used in 2019.

Financial debts by maturity (in euros)	End-2019	Less than 1 year	Between 1 and 5 years	More than 5 years
TOTAL FINANCIAL DEBT	2,016,034,078	108,078,941	282,936,915	1,625,018,222
PEEC (employers' contribution to building and construction work) loans	297,360,553	17,701,730	73,429,020	206,229,802
CFF loans	112,182,511	7,339,473	23,402,254	81,440,783
CDC loans	54,544,280	1,277,910	4,327,684	48,938,688
Crédit Agricole loans	329,778,922	12,704,387	52,150,786	264,923,750
Caisse d'Épargne loans	296,465,977	14,318,308	58,510,717	223,636,951
Société Générale loans	49,553,377	2,915,417	12,769,676	33,868,284
Bond issuance	500,000,000			500,000,000
Other loans	330,270,645	12,129,756	56,604,573	261,536,316
Accrued interest on LT debt & loans	12,117,296	12,117,296		
Bank accounts in credit	17	17		
Loans and debts from credit institutions	1,982,273,580	80,504,294	281,194,710	1,620,574,576
Guarantee deposits	27,146,106	27,146,106		
Other financial debt	6,614,391	428,541	1,742,205	4,443,646
Miscellaneous financial debt	33,760,498	27,574,647	1,742,205	4,443,646

Rate type	Outstanding	%
Fixed	1,213,384,791	61.4%
Variable	118,140,222	6.0%
Indexed	645,245,644	32.6%

4.4.12 SHORT-TERM DEBT

(in euros)	12/2019	12/2018	Change
TRADE PAYABLES	46,513,316	51,249,008	-4,735,692
Trade payables	24,826,025	25,996,092	-1,170,067
Fixed asset payables	21,687,291	25,252,916	-3,565,625
OTHER SHORT-TERM DEBT	135,413,593	68,603,086	66,810,508
Tenants and settlement of credit charges⁽¹⁾	28,562,318	35,551,373	-6,989,055
Tenants in credit	1,554,217	2,167,105	
Tenant charges to be settled	27,008,101	33,209,544	
Other creditors		174,724	
Outstanding employer social contributions⁽²⁾	11,635,151	10,289,659	1,345,492
Provision for paid leave and time savings	6,429,066	5,936,208	
Provisions for incentive schemes	2,083,186	1,091,879	
Other employer social contributions	3,122,899	3,261,572	
Tax payables	16,497,185	10,275,360	6,221,825
Income tax	8,872,955	5,623,620	
Value-Added Tax	2,950,566	2,765,948	
Other tax payables	4,673,664	1,885,791	
Subsidies on ANRU projects⁽³⁾	4,540,342	4,522,415	17,927
Miscellaneous creditors⁽⁴⁾	74,178,598	7,964,279	66,214,319

(1) The amount of credit charges to be settled stands at €27,008 K. This amount is partially offset by the debit charges to be settled of €19,607 K (point 4.4.4).

(2) Employer contributions include the provision for paid leave and time savings (€6,429,000) and the provision for incentive schemes, including contributions and taxation (€2,083 K).

(3) Chiefly covers prepayments received from ANRU for the Épinay and Saint-Denis projects.

(4) Action Logement Immobilier paid a current account advance of €65,000 K in late December 2019. This sum may be used to participate in the in'li capital increase scheduled for 2020. The advance bears interest at the 12-month EURIBOR rate plus 0.05 points with a minimum floor set at 0.25 basis points.

4.4.13 PREPAID INCOME

<i>(in euros)</i>	12/2019	12/2018	Change
PREPAID INCOME	18,482,482	18,533,586	-51,104
Rent from construction lease 2011 to 2064 – SEQENS (FH)	2,299,680	2,350,784	
Off-plan agreement in Paris – Jean Leclaire	16,102,592	16,102,592	
Other	80,210	80,210	

Concerns:

- ♦ Rents paid in advance by SEQENS (formerly SA d’HLM France Habitation) (€2,300 K) following the extension in 2010 of a long-term lease on land located in the 20th *arrondissement* of Paris.
- ♦ The balance of the sale *via* off-plan agreement of the property development project in Paris 17th *arrondissement* – Jean Leclaire – not yet delivered (€16,103 K).

4.4.14 OFF-BALANCE SHEET COMMITMENTS

Off-balance sheet commitments at 31 December 2019 were as follows:

<i>(in thousands of euros)</i>	12/2019	12/2018
COMMITMENTS GIVEN		
Mortgages and liens	937,507	972,298
Deposits		
Signed sale agreements to be settled	41,532	10,125
Off-plan agreements to be settled	745,113	
Subscription of securities ⁽¹⁾	30,875	
Loan payments ⁽¹⁾	15,000	
TOTAL COMMITMENTS MADE	1,770,027	982,423
COMMITMENTS RECEIVED		
Bank guarantees and financial guarantees ⁽²⁾	19,015	26,008
Debts guaranteed by local authorities	80,934	77,333
Other loan guarantees	36,278	
Supplier guarantees	18,122	16,608
Off-plan construction commitments	745,113	
Loans to be received	1,114,168	793,823
Subsidies to be received (ANRU)	7,947	7,947
Signed sale agreements to be settled	6,723	3,797
TOTAL COMMITMENTS RECEIVED	2,028,300	925,516

(1) Commitment made as part of the subscription to the *Terrae Optimae* investment fund (see Note 4.4.2).

(2) Bank guarantees on reservation contracts for property complexes.

4.4.15 ITEMISED EXPENSES TO PAY AND INCOME TO RECEIVE

<i>(in thousands of euros)</i>	12/2019	12/2018
EXPENSES TO PAY		
Borrowings and financial debt	12,117	9,473
Advances and prepayments	27,008	33,209
Payables on fixed assets	9,469	5,808
Trade payables	13,034	13,845
Tax and social charge payables	12,370	7,568
Other debts	5,898	6,176
TOTAL EXPENSES TO PAY	79,896	76,079
INCOME TO BE RECEIVED		
Trade receivables	18,446	5,600
Other receivables	3,202	2,750
Subsidies to be received	671	1,008
Marketable securities	449	322
TOTAL INCOME TO BE RECEIVED	22,768	9,680

4.5 NOTES ON THE PROFIT AND LOSS STATEMENT

4.5.1 CALCULATION OF THE PROFIT/(LOSS)

<i>(in euros)</i>	12/2019	12/2018	Change
Operating profit	50,349,222	56,386,594	-6,037,372
Financial income	-30,921,580	-10,511,478	-20,410,102
Extraordinary profit and loss	77,816,344	24,531,507	53,284,837
Income taxes	-33,903,451	-25,030,496	-8,872,955
NET INCOME	63,340,536	45,376,127	17,964,409

4.5.2 REVENUE

<i>(in euros)</i>	12/2019	12/2018	Change
REVENUE & RECOVERY OF CHARGES	387,177,249	352,016,084	35,161,165
Housing rents	278,816,731	266,052,996	12,763,735
Car park rents	13,208,932	12,391,061	817,871
Commercial and office rents	5,537,028	4,879,001	658,027
Household charges	792,275	784,990	7,285
Property development projects ⁽¹⁾		8,903,519	-8,903,519
Other	1,587,145	1,803,353	-216,208
Recovery of rental charges	87,235,138	57,201,165	30,033,973

(1) Delivery of the Saint-Cyr project in 2018.

4.5.3 OPERATING DEPRECIATION, AMORTISATION & PROVISIONS

(in euros)	12/2019	12/2018	Change
DEPR., AMORT. & PROVISIONS	89,352,395	81,773,997	7,578,398
Depreciation and amortisation on fixed assets	85,067,923	78,387,588	6,680,335
Impairment of fixed assets			
Impairment of tenant receivables	2,637,349	1,509,981	1,127,368
Provisions/current assets	100,000		100,000
Other provisions ⁽¹⁾	1,547,123	1,876,428	-329,305

(1) This chiefly pertains to the following allocations:
 – provisions for long-service awards: €23 K;
 – provisions for miscellaneous disputes: €1,514 K.

4.5.4 REVERSAL OF OPERATING DEPRECIATION, AMORTISATION & PROVISIONS

(in euros)	12/2019	12/2018	Change
REVERSALS ON DEPR., AMORT. & PROVISIONS	2,815,486	1,492,028	1,323,458
Reversal of prov. for impairment of tenant receivables			
Reversal of provisions on retirement indemnities	930,016	973,435	-43,419
Reversals of provisions for impairment of fixed assets			
Reversals of provisions for ANRU projects			
Reversals of other provisions ⁽¹⁾	1,885,470	518,593	1,366,877
TRANSFER OF EXPENSES			

(1) This chiefly comprises:
 – reversal of provisions for tax following mergers (€807,000);
 – reversal of the provision covering construction lease rent (€458,000);
 – miscellaneous provisions for disputes.

4.5.5 FINANCIAL RESULT

(in euros)	12/2019	12/2018	Change
FINANCIAL RESULT	-30,921,580	-10,511,478	-20,410,102
Interest charges on rental operations	-31,059,432	-25,887,993	-5,171,439
Losses on equity investments		-3,889	3,889
Other financial expenses	-672,204	-1,319,966	647,762
Expenses on disposal of marketable securities	-75,524	-195,113	119,589
Allocations/reversals of provisions	-121,326		-121,326
Revenue from securities and share of profit (loss) ⁽¹⁾	62,307	1,072,237	-1,009,930
Other cash investment income	875,232	866,875	8,357
Income on disposal of marketable securities	69,365	35,246	34,119
Merger bonus (SCI Puits Mi-ville and Ruisseau des Gains in 2018)		14,921,124	-14,921,124

(1) Chiefly relates to the dividend from in'li GE.

4.5.6 EXTRAORDINARY PROFIT (LOSS)

(in euros)	12/2019	12/2018	Change
EXTRAORDINARY PROFIT AND LOSS	77,816,344	24,531,507	53,284,837
Income on withdrawal from property assets ⁽¹⁾	78,527,601	19,763,573	58,764,028
Income on withdrawal from securities ⁽²⁾		2,557,609	-2,557,609
Claim expenses	-988,350	-689,326	-299,024
Allocations/reversals of provisions	-56,595	93,319	-149,914
Other extraordinary expenses ⁽³⁾	-5,257,789	-2,093,093	-3,164,696
Exceptional claim income	1,046,549	829,527	217,022
Reversals of subsidies	3,659,628	3,911,998	-252,370
Other extraordinary income ⁽⁴⁾	885,298	157,900	727,398

(1) Pertains to capital gains realised on the asset transfers outlined in point 4.3.2 of the Notes to the financial statements and to the capital losses recorded upon renewal of components.

(2) In 2018, this pertains chiefly to the disposal of France Habitation securities.

(3) Comprises:

- demolition and development expenses on the sale of a plot in Épinay sur Seine (ANRU) for €292 K;
- compensation for early loan repayments (€4,263 K), including the registered office in Levallois (€2,716 K).

(4) Includes compensation received as a result of expropriations and easements (€823 K).

4.5.7 INCOME TAX

(in euros)	12/2019	12/2018	Change
TOTAL INCOME TAX	33,903,451	25,030,496	8,872,955

Income tax for 2019 allocated to extraordinary items stood at €7,149 K while the portion allocated to other items stood at €26,754 K.

The amount of tax on provisions reinstated for tax purposes in 2019 but deductible in 2020 stood at €154,654.

4.6 OTHER INFORMATION

4.6.1 NON-DEDUCTIBLE EXPENSES

Non-tax deductible expenses amounted to €21,188.

4.6.2 SUPPLIER AND CUSTOMER PAYMENT SCHEDULE

With regard to payment periods, article L.446-6-1 of the French Commercial Code only covers relationships between professionals, consequently excluding relationships between professionals and private individuals. Hence, information on civil debts of private individuals has been excluded from the tables presented below, while awaiting the decision of the Legal Studies Commission of the CNCC (national auditing body) to whom this subject has been referred.

	Article D.441. L. -1 Invoices received but unpaid at the end of the financial year and which are overdue					Total 1 day or more	Article D.441. L. -2 Invoices issued but unpaid at the end of the financial year and which are overdue					Total 1 day or more
	0 days (information)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more		0 days (information)	1 to 30 days	31 to 60 days	51 to 90 days	91 days or more	
(A) Overdue payment categories												
Number of invoices concerned	9,849	289	232	288	318		100				63	
Total amount of the invoices concerned (in €K) (after tax)	22,223	381	223	25	289		770				615	
Percentage of total purchases' amount (before tax)	3,4						0.12				0.09	
Percentage of turnover (before tax) of the financial year	5.4	0.1					0.20				0.16	
(B) Invoices not included in (A) relating to disputed or unaccounted for debts and receivables												
Number of invoices not included				None								
Total amount of invoices not included (in €K)				None								
(C) Reference payment terms used (contractual or legal terms – article L.441-5 or article L.443-1 of the French Commercial Code)												
Payment terms used to calculate overdue payments				Legal								

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4.6.3 EMPLOYEE PROFIT-SHARING AND INCENTIVE SCHEMES

(in euros)	12/2019	12/2018	Change
TOTAL	2,083,186	1,091,879	991,307
Profit-sharing			
Incentive schemes	2,083,186	1,091,879	991,307

The incentive payment of €2,083,186 includes social payments (*forfait social*) of 20% and payroll tax of 13%.

4.6.4 TAX CREDIT FOR COMPETITIVENESS AND EMPLOYMENT (CICE)

On 1 January 2019, the tax credit for competitiveness and employment (CICE) was converted into a reduction in long-term social security contributions, with immediate effect.

4.6.5 WORKFORCE* AS OF 31 DECEMBER 2019

(in FTEs)	12/2019	12/2018	Change
TOTAL WORKFORCE	737.3	738.1	-0.8
Permanent employment contracts – Administrative	400.6	369.1	31.5
Permanent employment contracts – caretakers and building staff	294.5	327.0	-32.5
Fixed-term employment contracts – Administrative	32.8	34.0	-1.2
Fixed-term employment contracts – caretakers and building staff	5.4	4.0	1.4
Apprentices	4.0	4.0	0.0

* Full-Time Equivalent (FTE) workforce.

4.6.6 TRANSACTIONS WITH RELATED PARTIES

Transactions with related entities take place under arm's length conditions.

4.6.7 JOINT-STOCK PARTNERSHIP (SEP) – IN'LI SUPPORTS

A joint-stock partnership is governed by articles 1871 to 1872-2 of the French Civil Code. It is notable for the absence of legal personality.

The members of the in'li supports joint-stock partnership are in'li PM (formerly SOGUIM), in'li AURA, in'li Grand-Est, in'li Sud-Ouest, in'li PACA.

The purpose of this Company is to manage the support functions, mainly human resources, accounting, financial services, legal services, administrative services, general resources, IT services, communication, support services for rental management and strategic consulting.

Internal expenses are allocated between the partners according to several criteria: the number of housing units managed for the financial year in consideration, time spent, workforce, and revenue.

The joint-stock partnership is managed by in'li.

Re-invoicing carried out in connection with the joint-stock partnership by in'li in 2019 stood at €1,478,139.

4.6.8 STATUTORY AUDITORS' FEES

The total Statutory Auditors' fees appearing in the profit and loss statement is €182 K. These fees break down as follows:

- ♦ audit fees, Statutory Auditors: €97 K;
- ♦ fees for services other than the certification of the financial statements: €85 K.

4.6.9 CONSOLIDATION

In'li's financial statements are consolidated at the level of Action Logement Immobilier.

In'li does not prepare consolidated financial statements with the subsidiaries it controls (in'li PM (formerly SOGUM), SAMCEH and Apec Residence) due to the non-material interest these subsidiaries represent, both individually and collectively.

The lack of integration of subsidiary data has no material impact on that of in'li. As such, in 2019, the three subsidiaries together accounted for less than 1% of the total balance sheet, indebtedness and net tangible fixed assets, 1.7% of net income, and 1% of revenue.

4.6.10 EXECUTIVE COMPENSATION

To the extent that this information would enable the direct or indirect identification of the individual situation of members of the Company's management bodies, this information

is not disclosed, in compliance with article 833-17 of the General Accounting Plan.

4.6.11 FINANCIAL INCOME OF THE COMPANY DURING THE LAST FIVE FINANCIAL YEARS (ARTICLES 133, 135 AND 148 OF THE DECREE ON COMMERCIAL COMPANIES)

Type of indications (in euros)	2015	2016	2017	2018	2019
I – Financial position at year-end					
a) Share capital	87,953,268	123,146,996	479,373,551	613,331,009	613,331,009
b) Number of shares issued	58,635,512	82,097,997	319,582,367	408,887,339	408,887,339
II – Overall profit/(loss) of effective projects					
a) Revenue excluding tax	211,859,908	212,358,165	340,387,347	352,016,084	387,177,249
b) Profit before tax, profit-sharing, incentive schemes, depreciation, amortisation and provisions	67,424,213	70,272,204	117,708,597	151,687,151	186,042,003
b) Profit after tax, profit-sharing, incentive schemes, depreciation, amortisation and provisions	20,908,882	20,125,616	33,476,284	45,376,127	63,340,536
d) Employee profit-sharing and incentive schemes for the financial year	1,576,959	1,472,289	2,084,730	1,091,879	2,083,186
III – Earnings per share					
b) Earnings after tax, profit-sharing, and incentive schemes, but before depreciation, amortisation and provisions	+0.91	+0.68	+0.30	+0.31	+0.37
b) Earnings after tax, profit-sharing, incentive schemes, depreciation, amortisation and provisions	+0.36	+0.25	+0.10	+0.11	+0.15
IV – Staff					
a) Number of employees (FTE)	473	476	646	738	737
b) Amount of payroll	16,391,757	16,466,491	24,264,980	27,585,464	29,922,111
c) Amounts paid in respect of welfare benefits	8,280,972	9,393,788	13,766,487	14,157,693	16,331,692

4.6.12 LIST OF SUBSIDIARIES AND HOLDINGS

(in euros)	Capital	Equity (excluding capital)	Share of capital held as a%	Book value of securities held		Loans and advances granted by the Company not yet repaid	Amount of deposits and guarantees given	Revenue excl. Tax for the last financial year	Profit/(loss) for the last financial year	Dividends received	Data for the financial year ended
				Gross	Net						
SUBSIDIARIES											
In'li PM (formerly SOGUIM)	225,000	1,097,991	100.00%	24,621	24,621			275,868	12,122		31/12/2019
SAMCEH	6,990	-5,062	100.00%	7,014	7,014				-5,086		31/12/2019
in'li AURA	160,110,920	169,647,424	27.43%	48,759,459	48,759,459			57,084,892	5,424,654		31/12/2019
in'li Grand Est	24,814,083	44,494,963	36.94%	34,401,695	34,401,695			14,398,758	4,814,160		31/12/2019
Apec Residence	2,740,655	16,789,908	99.97%	57,335,418	57,335,418			3,811,814	1,116,266		31/12/2019
Erigère	108,816,240	311,035,700	1.84%	4,673,482	4,673,482			108,080,243	18,391,335		31/12/2019
in'li – treasury shares				2	2						
SA d'HLM IRA	48,156,667	442,334,508	0.00%	14	14			109,478,349	19,061,595		31/12/2018
SA d'HLM 3F Grand Est	151,469,000	57,103,000	0.00%	152	152			53,063,000	6,760,000		31/12/2018
PROCIVIS				19	19						
SEMCODA	46,256,100	438,291,571		152	152			322,105,531	-13,139,522		31/12/2018
Civil property company (SCI) – full ownership				230,350	230,350						
SCI – joint ownership				92,755	92,755						
INVESTMENTS											
TERRAE OPTIMAE		10,857,000	37.99%	4,125,000	4,125,000						
SEMARELP	19,823,475	22,010,565	0.14%	15,275	15,275			17,626,345	3,462,089		31/12/2018
SAMIRAM				1,524	1,524						
SA VILLE DE ROMBAS				9,818	9,818						
SCI ST CHARLES	260,392	110,881		15	15			273,722	-51,857		31/12/2018
SACI Est				19	19						
EIG Alliade Organisation				288	288						
TOTAL				149,677,073	149,677,073						

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REPORT ON CORPORATE GOVERNANCE

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5.1 GOVERNANCE

This report has been prepared in accordance with the provisions of article L.225-68 of the French Commercial Code. Each year, the Board draws up a report for the purpose of presenting to the shareholders, at the General Meeting called to deliberate and rule on all matters relating to the financial statements for the previous year, information relating to corporate governance, in particular its composition and the organisation of the work of the Company's Supervisory Board.

5.1.1 THE SUPERVISORY BOARD

Duties

The Supervisory Board's organisation and operating procedures are governed by the Company's Articles of Association and by the Supervisory Board's rules of procedure. At its meeting of 14 November 2017, the Supervisory Board unanimously adopted a set of rules of procedure aimed at determining the details of the composition, organisation and operation of the Board, as well as its relations with the Management Board. The Supervisory Board's internal rules of procedure are reviewed on a regular basis and have been amended as often as necessary to adapt them to the Company's organisational context or, more broadly, to the regulatory environment.

The purpose of the Company's Supervisory Board is to exercise permanent control over the management of in'li by the Management Board. Accordingly, it exercises, within the framework of its powers, all the controls, checks and opinions that it considers appropriate:

- ◆ on the documents and information provided by the Management Board, for which it assesses the regularity, relevance and reliability;
- ◆ on the regularity of the financial statements, the reliability and consistency of the accounting principles and methods in force in the Company, relating to the parent company financial statements and results presented by the Management Board, as well as on the resources put in place to this end by the Statutory Auditors;
- ◆ on the relevance of the strategic choices determined by the Management Board and the appropriateness of the latter's management actions;
- ◆ on the monitoring of the implementation of the decisions adopted.

The Supervisory Board also exercises the specific powers conferred on it by law, which are detailed in the Articles of Association. In addition, it grants the Management Board authorisations prior to the conclusion of transactions that the Management Board cannot carry out without its authorisation.

Lastly, the Supervisory Board monitors the implementation of the decisions adopted.

Three Board committees, the Audit and Accounts Committee, the Appointments and Compensation Committee and the Investment Committee are set up within the Supervisory Board. These committees have a consultative role and, at regular intervals, report on their activity to the Supervisory Board. Their composition and operation are defined by the Supervisory Board's rules of procedure.

Composition and operation

The members of the Supervisory Board are appointed or reappointed by the General Shareholders' Meeting, on the proposal of the Supervisory Board. In the event of a vacancy, due to death or resignation, of one or more seats on the Supervisory Board, the Supervisory Board may, between two General Meetings, co-opt members. These provisional appointments are then submitted for ratification at the following General Meeting.

5.1.1.1 Composition

The Supervisory Board of in'li is composed of 12 members, including 9 representatives of employers' professional organisations, including the Chairman, and 3 representatives of employees' trade unions, including the Vice Chairman, all of whom have been appointed by the social partners.

The term of office of the members of the Supervisory Board is 3 years. The terms of office of the members of the Supervisory Board are renewed in blocks of one-third, in accordance with the Articles of Association.

At 31 December 2019, the Supervisory Board was composed of:

- ◆ Pierre BRAJEUX, Chairman;
- ◆ Jean-Jacques DENIZARD, Vice Chairman;
- ◆ Action Logement Immobilier, represented by Pascal LANDRIN, Member of the Board;
- ◆ Sandra BUES-PIQUET, Member of the Board;
- ◆ Bruno CANEPARO, Member of the Board;
- ◆ Jean-François GABILLA, Member of the Board;
- ◆ Patricia GOMEZ, Member of the Board;
- ◆ Xavier HESSE, Member of the Board;
- ◆ Marie-Pierre HURE (since 20/06/2019), Member of the Board;
- ◆ Hervé MOREL, Member of the Board;
- ◆ Philippe THEL, Member of the Board;
- ◆ Jackie Xiaohua TROY, Member of the Board.

The members of the Supervisory Board perform their duties free of charge. The General Meeting of 29 September 2017 having decided that the members of the Supervisory Board would not be remunerated for their duties, this principle was applied for the 2019 financial year.

It will be proposed to the General Meeting to be held on 11 June 2020, noting that the terms of office as members of the Supervisory Board of Sandra BUES-PIQUET, Bruno CANEPARO, Jean-François GABILLA, and Xavier HESSE are due to expire, to renew their terms of office for a period of three years expiring at the close of the General Meeting to be held in 2023 to approve the financial statements for the financial year ending 31 December 2022, with the exception of the term of office of Jean-François GABILLA, whose term of office may not be renewed in view of the rules in the Articles of Association relating to the age limit.

During financial year 2019, the composition of the Supervisory Board was modified, with the departure of Elsa BAGARRY, member of the Supervisory Board until 20 June 2019, and the appointment of Marie-Pierre HURE, member of the Supervisory Board as of the same date.

5.1.1.2 Operation

The Supervisory Board met four times during 2019 when convened by its Chairman.

The Board gave its opinion on the implementation of the Company's strategic plan, took decisions on asset arbitrage, approved capital transactions and, more generally, restructuring operations (mergers, absorptions and contribution transactions), validated the closing of the annual financial statements and the appropriation of earnings, and reviewed the financial statements and the quarterly activity report. It also approved the budget, the audit plan and the 2020 risk coverage.

The Supervisory Board approved the implementation of an inaugural €500 M bond issue, as well as the creation of property development companies in order to contribute to the production target of 80,000 housing units.

It authorised various regulated agreements required for the pursuit of the Company's activity.

Diversity policy applied to the members of the Supervisory Board

The Supervisory Board is composed of 4 women out of 12 members of the Board, 3 of whom also sit on one of the three specialised committees. The Audit and Accounts Committee is chaired by a woman.

The search for a balanced representation of women and men also continues in positions of high responsibility, since three of the five Deputy CEOs are women.

The search for gender balance also continues within the Management Committee, which is made up of nearly 30% women.

All members of the Supervisory Board are chosen for their skills, their diversity of experience, their willingness to be involved in defining and implementing the strategy of the Company and its subsidiaries, and the contribution they can make to the work of the Supervisory Board.

The Company's Articles of Association set out the legal age limit, and stipulate that the number of directors over 70 years of age may not exceed one-third of the directors in office. Furthermore, the number of Supervisory Board members over the age of 70 may not exceed 30% of the members of the Supervisory Board in office. When this proportion is exceeded, the oldest member of the Supervisory Board, with the exception of the Chairman, ceases to hold office at the end of the next Ordinary General Meeting.

The composition of the Supervisory Board also takes into account the rules of governance in force within the Company and the Group, and in particular the rules of procedure relating to the proportion of members representing employers' organisations and members representing employees' organisations. The Chairman is selected from among the natural person members representing the employers' organisations and the Vice Chairman is selected from among the natural person members representing the employees' organisations.

Ethics – Absence of conflict of interest

Each member of the Supervisory Board must carry out his or her duties in good faith, in the manner he or she considers best for the promotion of the Company and with the care expected of a normally prudent person in the exercise of such a mission.

Each member of the Supervisory Board undertakes, in all circumstances, to maintain his or her freedom of analysis, judgement, decision and action and to reject any direct or indirect pressure that may be exerted on him or her:

- ◆ included in the Supervisory Board's rules of procedure is an internal Code of Ethics, which stipulates that each member of the Supervisory Board must act in all circumstances in the Company's corporate interest. Accordingly, each member of the Supervisory Board will inform the Supervisory Board of any actual or potential conflict of interest in which he or she may be directly or indirectly involved;
- ◆ a second Code of Ethics established at the level of the Action Logement Group is sent to the Group's managers and employees. It sets out the commitments for professional ethics and guides behaviours and best practices. A Group Ethics Committee has been set up to deal with issues relating to ethics in the Group and to examine situations submitted to it in relation to the Group's charter;
- ◆ a stock market ethics charter applicable to all the Company's managers and employees was also put in place following the inaugural bond issue. Its purpose is to make all employees aware of the legal framework in force relating to the holding, communication and use of certain information about the Company known as insider information, the rules applicable to the holding of certain sensitive information, the rules for trading in the Company's securities and the preventive measures put in place and the administrative and/or penal sanctions incurred in the event of violation of these rules.



5.1.2 MANAGEMENT BOARD

Composition

The composition and operation of the Management Board are defined by the rules of procedure.

The composition of the Management Board was approved by a new decision by the Supervisory Board at its meeting on 20 June 2018.

The Supervisory Board therefore approved the change in the composition of the members of the Management Board for the statutory three-year term, expiring at the General Meeting called to approve the financial statements for financial year 2019;

- ◆ Benoist APPARU, appointed as Chairman of the Management Board for the duration of his term of office as member of the Management Board;
- ◆ Antoine PINEL, appointed as CEO for the duration of his term as member of the Management Board.

Operation

The Management Board is responsible for the collegial management of the Company. It is vested with the broadest powers to act in all circumstances in the name of the Company, within the limits of the Company's corporate purpose and subject to those expressly attributed by law.

The Management Board acts as a collegial body with no further division of management tasks among its members.

Thus, the Management Board sets the general guidelines and remains the sponsor of strategic projects for the Company's various activities, determines the organisation and management of the Company and defines the objectives and resources needed to conduct operations and, more generally, deliberates on the most important issues concerning the management of the Company.

The Management Board met as often as necessary to validate all global policies and adopt the Company's major projects. It reports to the Supervisory Board. To this end, the Management Board presents a report to the Supervisory Board once every quarter outlining the main actions or facts of the Company's management, focusing in particular on the progress of the strategic project, the key indicators related to the business, internal audit and risk management and the new organisation of in'li for new tools and business lines.

5.1.3 SPECIALISED COMMITTEES

It is recalled that the Supervisory Board, by decision of 14 November 2017, established three standing committees with the following essential duties:

- ◆ **the Audit and Accounts Committee** which examines the relevance of the methods adopted for the preparation of the parent company financial statements and verifies the proper application of internal procedures for the collection and control of information, in particular by examining: the financial information documents distributed at the time of the closing of the annual financial statements, the draft parent company financial statements, the relevance and consistency of the accounting methods used, the external audit process, and the Company's internal control systems;
- ◆ **the Investment Committee** which examines certain investment projects on new development operations presented by the Management Board; By a decision of the Supervisory Board on 20 June 2018, the duties of the Investment Committee were amended. Hence, it was decided that the duties of the Investment Committee would be to:
 - be informed by the Management Board of the implementation of in'li's investment policy in accordance with its strategic plan and, in particular, of the characteristics of these investments. Report at least once a year to the Supervisory Board on the conduct of the implementation of this policy,

- provide a prior opinion to the Management Board on "specific" investments to be undertaken by in'li,
- provide a prior opinion to the Supervisory Board with regard to the decision to sell assets of the Company that represent a significant amount,
- provide a prior opinion to the Supervisory Board on partnership projects, equity investments, arrangements, innovative or otherwise, that are directly related to the corporate purpose of in'li, and, more generally, to examine and give an opinion on any project for which the Supervisory Board so requests;
- ◆ **the Appointments and Compensation Committee** makes recommendations with a view to appointing new members of the Supervisory and Management Boards and on their compensation.

Each committee comprises a maximum 4 members, appointed from among the members of the Board. These members are appointed for the duration of their term of office on the Supervisory Board. Designation rules follow the guidelines of Action Logement Immobilier for subsidiaries excluding social housing companies.

The Audit and Accounts Committee

The Supervisory Board has decided to appoint the following members to the Audit and Accounts Committee:

- ◆ Sandra BUES-PIQUET, as Chairwoman of the committee;
- ◆ Elsa BAGARRY, as a member of the committee until June 2019, replaced by Action Logement Immobilier of which the permanent representative is Pascal LANDRIN;
- ◆ Xavier HESSE, as a member of the committee.

Since its creation on 14 November 2017, the Audit and Accounts Committee met on 1 April, 3 June, 7 October and 2 December 2019 in order to examine the annual financial statements and the management planning documents, the Company's financing policy and, in particular, the launch of the inaugural bond issue, the structuring of property development companies, to validate the audit work (the 2019 audit assignments) and risk management work (the risk mapping and the action plan to be followed in 2019 and the 2020 presentation), to validate the Company's 2020 budget, the work plan and the fees of the Statutory Auditors with a view to their assignment to certify the 2019 financial statements.

The Appointments and Compensation Committee

The Supervisory Board has decided to appoint the following members to the Appointments and Compensation Committee:

- ◆ Pierre BRAJEUX, as Chairman of the committee;
- ◆ Jean-Jacques DENIZARD, as a member of the committee;
- ◆ Patricia GOMEZ, as a member of the committee;
- ◆ Bruno CANEPARO, as a member of the committee.

Following its creation on 14 November 2017, the committee met twice on 4 April 2019 and 12 December 2019.

For 2019, on the advice of the Appointments and Compensation Committee of Action Logement Group and Action Logement Immobilier, in'li's Appointments and Compensation Committee issued recommendations on the compensation of the members of the Management Board (in terms of method and amount), then, in accordance with the provisions of article 16 of the Company's Articles of Association, the Supervisory Board meeting of 11 April 2019 approved the committee's proposals. It should be noted that this system has also been approved by the Board of Directors of Action Logement Immobilier, which approves any appointment of officers within its subsidiaries in accordance with its Articles of Association and which also decides on their compensation.

The Appointments and Compensation Committee also met in particular to validate the Company's overall salary policy for 2019, following the mandatory annual negotiations on salaries, the implementation of a variable compensation system for the Deputy Chief Executive Officers, and the compensation system for employees in the Contracting and Development Departments.

The Investment Committee

The Supervisory Board has decided to appoint the following members to the Investment Committee:

- ◆ Jean-Jacques DENIZARD, as a member of the committee;
- ◆ Jean-François GABILLA, as a member of the committee;
- ◆ Philippe THEL, as a member of the committee;
- ◆ Jackie Xiaohua TROY, as a member of the committee.

Since its creation on 14 November 2017, the committee met regularly during the past financial year, on 15 February, 29 April, 27 May, 19 July, 9 September, 30 October, 14 November and 12 December 2019 in order to analyse the business reporting elements related to contracting, land commitment committees, arbitrate development operations and property disposal decisions (sales *en bloc* and lot sales plan).

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5.1.4 LIST OF CORPORATE OFFICES HELD IN ANY COMPANY DURING THE PAST FINANCIAL YEAR BY EACH CORPORATE OFFICER

Pursuant to article L.225-37-4 of the French Commercial Code, the following is a list of all the offices and positions held by each corporate officer in any company during the 2019 financial year.

Corporate officer	Name	Office/Position
BOARD OF DIRECTORS		
Benoist APPARU	SA in'li	Chairman
	Municipality of Châlons-en-Champagne	Mayor
Antoine PINEL	SA in'li	Chief Executive Officer, member of the Management Board
	SARL SOGUIM	Manager
	SCI APEC RESIDENCE	Manager, permanent representative of SOGUIM
	SNC SAMCEH	Manager, permanent representative of SOGUIM
	Association UDLI (formerly APLI)	Chairman, permanent representative of in'li
SUPERVISORY BOARD		
Pierre BRAJEUX	SA in'li	Chairman of the Supervisory Board
	SAS BRENNCORP	Chairman
	SAS TORANN-FRANCE	Chairman
	SARL ASGARTH CONSULTANTS	Manager
	SARL TELEVEILLE	Manager
	SARL FERGUS AUTORITÉ	Manager
	SCI VOLFONI	Manager
	SCI BERETTO	Manager
	SCI WILLSDORF	Manager
	Assoc. Horizon Santé Travail	Director
Jean-Jacques DENIZARD	MEDEF 92	Chairman
	SA in'li	Vice Chairman of the Supervisory Board
	CFDT	Housing officer
Jean-François GABILLA	Assoc. pour le Logement des Jeunes Travailleurs (ALJT)	Director, representing the CFDT
	SA in'li	Member of the Supervisory Board
	SA D'HLM IMMOBILIÈRE 3F	Director
	SA D'HLM 3F SUD	Director
	SAS JFG CONSEIL ET DÉVELOPPEMENT	Chairman
Sandra BUES-PIQUET	SASU LIGHTHOUSE REAL ESTATE ADVISORS	Chairman
	SA in'li	Member of the Supervisory Board
	SA D'HLM IMMOBILIÈRE 3F	Director
	SA D'HLM SEQENS	Director
Philippe THEL	SA VEOLIA ENVIRONNEMENT	Corporate Property Director
	SA in'li	Member of the Supervisory Board
	SA D'HLM ERIGERE	Director, permanent representative of Action Logement Immobilier
	SA D'HLM SEQENS	Director
	SA CILGERE SERVICES	Director
	SAS PHT CONSEIL	Chairman
	SA BNP PARIBAS REIM FRANCE	Chairman of the Investment Committee (until September 2019)
Assoc. Institut du Financement des Professionnels de l'Immobilier (IFPImm)	Chairman	

Corporate officer	Name	Office/Position
Marie-Pierre HURE	SA in'li	Member of the Supervisory Committee (since 20 June 2019)
	Observatory for analysis and support for social dialogue – DIRECCTE	Statutory employer's representative
	Pôle Emploi	IPT (substitute employer's representative)
Patricia GOMEZ	MEDEF 92	General Secretary
	SA in'li	Member of the Supervisory Board
	SCP PDGB	Associate lawyer
	Industrial Tribunal	Assessor judge
	Social Security Tribunal	Assessor judge
	Centre technique des institutions de prévoyance (CTIP)	Director
	ESAIIP Angers	Member of the Supervisory Board
Bruno CANEPARO	SA in'li	Member of the Supervisory Board
	SARL ALIASOL	Manager
Xavier HESSE	SA in'li	Member of the Supervisory Board
	EIRL PARISSPEED	Individual entrepreneur
	RIVALIS network	Independent advisor
Jackie Xiaohua TROY	SA in'li	Member of the Supervisory Board
	SARL société générale pour l'impression et la papeterie (SOGIP)	Manager
	SCI BAMBOO	Manager
	SCI LISA	Manager
	SCI TROY-YAN	Manager
	École LA FABRIQUE	Director
	CCI Paris Île-de-France	Elected member
Pascal LANDRIN	CPME Paris Île-de-France	Director
	SA in'li	Member of the Supervisory Board, permanent representative of Action Logement Immobilier
Hervé MOREL	SA KONE	Regional Service Director
	SA in'li	Member of the Supervisory Board
	SA D'HLM 1001 VIES HABITAT	Head of group insurance and public procurement
	SA D'HLM 1001 VIES HABITAT	Representative of the CSE
	SA D'HLM LOGIS ATLANTIQUE	Representative of the CSE
	SA D'HLM LOGIS FAMILIAL	Representative of the CSE
	SA D'HLM LOGIS FAMILIAL VAROIS	Representative of the CSE
	SA D'HLM LOGIS MÉDITERRANÉE	Representative of the CSE
	SA D'HLM SOLLAR	Representative of the CSE
	Mutuelle MUTLOG	Director
Mutuelle MUTLOG GARANTIES	Director	
Elsa BAGARRY	SA in'li	Member of the Supervisory Board (until 20 June 2019)

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5.2 AGREEMENTS PERTAINING TO ARTICLE L.225-88-1 OF THE FRENCH COMMERCIAL CODE

The Statutory Auditor's special report on the agreements covered by Article L.225-86 of the French Commercial Code relates to the agreements entered into during the financial year. The Supervisory Board approves the transactions described in this report, which will be presented for the approval of the General Meeting.

No agreements were entered into, either directly or through an intermediary, between, on the one hand, one of the corporate officers or a shareholder holding more than 10% of the voting rights in the entity and, on the other hand, another company in which the entity owns, directly or indirectly, more than half of the capital (Article L.225-37-4, 2° of the French Commercial Code).

5.2.1 DELEGATION OF AUTHORITY AND POWERS REGARDING CAPITAL INCREASES

In 2019, the General Meeting decided to grant all powers to the Management Board, with the right to sub-delegate, to implement a capital increase in a maximum amount of €76,666,377, and delegated to the Management Board

all powers to increase the share capital, on one or more occasions, by issuing new shares reserved for members of a company savings plan. This delegation has not yet been implemented.

5.2.2 OBSERVATIONS OF THE SUPERVISORY BOARD ON THE MANAGEMENT REPORT PREPARED BY THE MANAGEMENT BOARD AND ON THE FINANCIAL STATEMENTS FOR THE PAST FINANCIAL YEAR

The Supervisory Board does not comment on the fairness and consistency with the annual financial statements of the information given in the Management Board's

management report and in the other documents sent to shareholders on the financial position and the annual financial statements.

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