

SUSTAINABILITY REPORT

Carrefour's commitments for a **responsible trade**



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Message from Daniel Bernard



Throughout the world, more and more people are demanding sustainable development solutions.

"Every era dreams of the next one," Michelet said during his time. Today's generations cannot, solely in the name of economic progress, strip the planet they must leave to future generations. I am firmly convinced that economics must be both profitable and fair.

The barriers that limit exchanges of goods, services and information are disappearing one after the other. In the future, this irreversible trend will be one of the main drivers of economic growth. If badly managed, globalization could exacerbate the imbalances among countries, regions and people. As a business enterprise, Carrefour wants to bring consumption to the greatest number of people possible, while at the same time contributing to the economic, social, cultural and environmental development of the countries in which the group does business. Carrefour's policies are the natural consequence of this philosophy.

"Sustainable development is a development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs"

Brundtland Commission
"Our Common Future"
1987.

This year, we formalized our sustainable development policies to apply them gradually in the field in all the countries in which we now operate. This required a study conducted through dialogue and cooperation with everyone involved—our customers, our employees, our suppliers, local authorities, associations and governments. The challenge is to make sustainable development a true lever to create value for the group, with several objectives:

To meet the needs of our customers, our shareholders and our partners, who are becoming more and more sensitive to corporate social and environmental responsibility.

To mobilize all our employees around a corporate plan and reaffirm the values that guide our group.

To use more efficiently our resources and energy in order to cut operating costs and reduce the impact of our activities.

To make innovations, to design new products and find new ways to manufacture, transport and sell them.

To anticipate health and environmental risks in order to rationalize debate on sensitive points and help define future standards in the industry.

To participate in the economic and social life of the communities where we work and become a full member of those communities.

Since the beginning, Carrefour's sustainable development policy has been based on actions, not words. We want to demonstrate our social, economic and environmental commitment in our daily practices. Many initiatives in this first Carrefour report concern the hypermarket business in France, where our group's adventure began. One of the most important challenges of our policy is to report to a broad public, both for our internal and external stakeholders, on the gradual implementation of our commitments worldwide.

If our commitments are to become a reality, our actions must take place within the context of an approach for progress that is adapted to the cultural, economic and social context of each individual country where we operate.

Daniel Bernard,
Carrefour Chairman and Chief Executive Officer

> 1

Our commitment to sustainable development

The Carrefour values

- > **FREEDOM:** Make consumption more democratic by giving customers the freedom to purchase products at prices that correspond to their buying power;
- > **RESPONSIBILITY:** Give all employees the right to take the initiative and assume responsibility for our actions;
- > **SHARING:** Distribute the wealth created among our customers, our employees, our shareholders and our suppliers in an equitable manner;
- > **RESPECT:** Listen to, understand and respect individual cultures, differences and interests worldwide;
- > **INTEGRITY:** Act with transparency and respect our commitments;
- > **Solidarity:** Foster solidarity among the women and men of the group and contribute to the development of the local economy while preserving social equity;
- > **PROGRESS:** Encourage innovation and make a commitment to a process of continual improvement.

From "The Policies of Carrefour"



1. Local banners worldwide

Carrefour is active on three continents and is the top retailer in Europe and the second largest retailer worldwide. The Carrefour-Promodes merger in 2000 strengthened this leadership position.



Carrefour is active in 30 countries with more than 9,200 stores under local banners.

1. Making globalization a force for progress

Carrefour wants to contribute to responsible globalization.

How? By focusing on raising quality and service standards in all its locations, and by improving working conditions in its stores and among its suppliers.

If badly managed, globalization would exacerbate the imbalances among regions and peoples. We are aware of this.

As a major international economic player, Carrefour has a responsibility to make globalization a factor in economic, social and environmental progress.

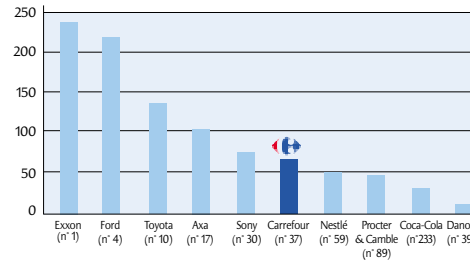


Carrefour has been present in Taiwan since 1989 >



As partners with Carrefour, independent merchants run franchises under the Carrefour banner and endorse our values and our commitments. Today, 5,233 stores are managed by Carrefour, and 3,992 are franchises. This formula is especially suitable for convenience store formats. This first report does not focus on the franchise business except in special cases. Indicators in this area will gradually be introduced.

CARREFOUR RANKS AMONG THE WORLD'S MAJOR GROUP



This chart shows our sales compared with those of other enterprises
Source: Global Fortune 500, 2000 sales in € billions

2. Our primary mission: quality products at the best price

As we grow economically, our buying power increases so we can better fulfill our mission to democratize consumption by offering quality products at the best price.

Today, Carrefour sells food and non-food products and fuel in most countries. In some major countries, we also offer services, such as vacation packages, optical services, insurance, banking, entertainment, telecommunications and automotive services.

This wide range of products gives Carrefour a special place and a special responsibility in the daily life of consumers.

3. From hypermarket to convenience store, meeting all needs

Under its numerous banners, Carrefour has incorporated complementary store formats that meet all needs, as illustrated below:

- > 731 Hypermarkets (58.4% of retail network sales)
- > 2,301 Supermarkets (27.1% of retail network sales)
- > 3,759 Hard Discount stores (6.6% of retail network sales)
- > 2,236 Convenience stores
- > 198 Cash & Carry stores catering to professionals.



Some of the Carrefour banners

4. A highly decentralized management

By tradition, our organizational structure gives great autonomy to the Management in each country and their teams. Policies are defined by the Carrefour Executive Committee and then adapted to each country, based on customer needs and the local context.

Key dates in Carrefour's commitment

- 1959 > Carrefour is formed
- 1963 > 1st Carrefour hypermarket
- 1969 > Employee profit-sharing
- 1976 > Generic products (Produits Libres), the 1st house brand introduced in partnership with small and mid-sized businesses

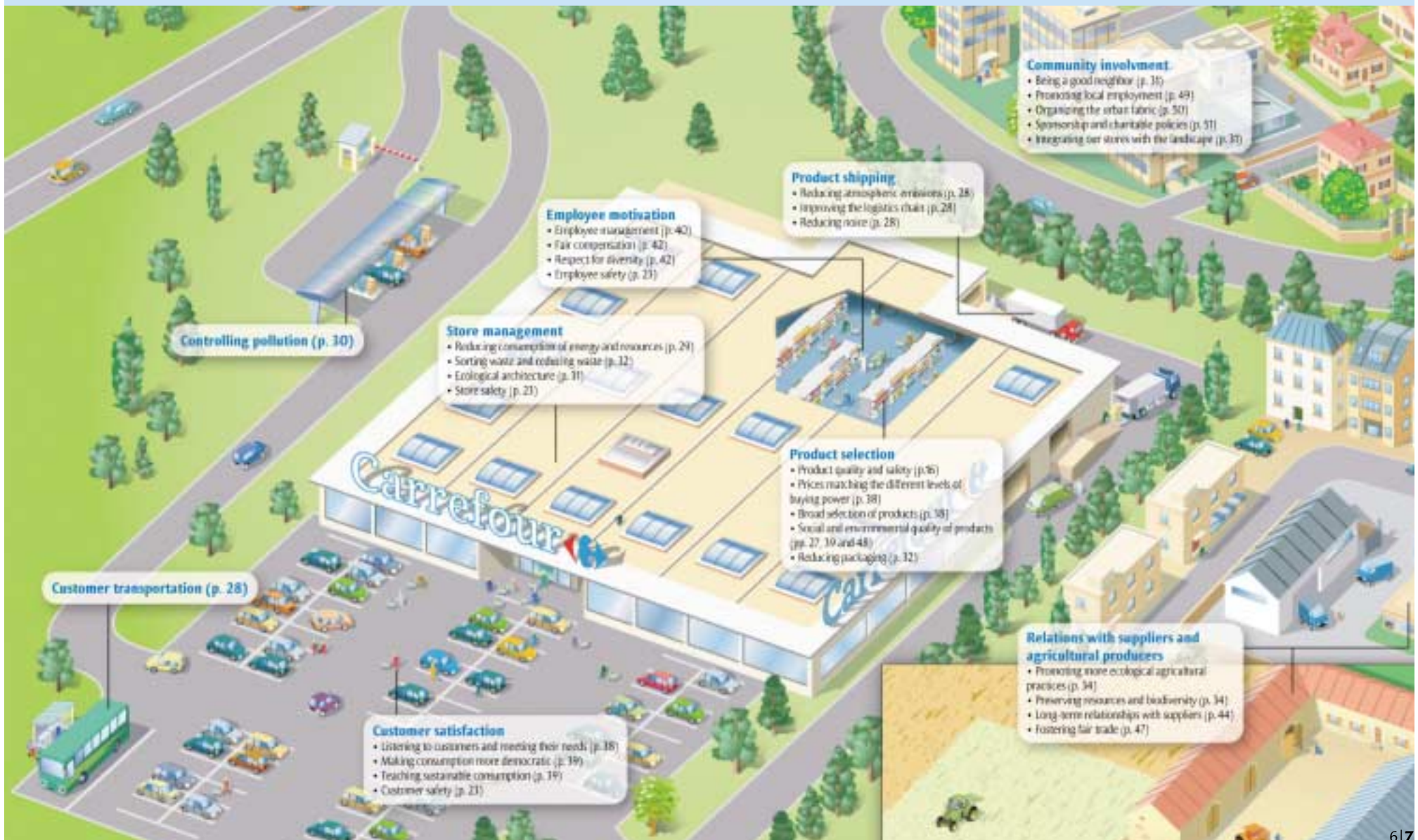
- 1980 > Journal de Carrefour
- 1982 > 35-hr/75 week for all French employees of Carrefour
- 1985 > Carrefour products
- 1987 > The Marcel Fournier Institute, a management training center
- 1989 > Carrefour employee savings plan > Employee feedback
- 1992 > Carrefour Quality Line

- 1994 > First "Carrefour in France" Report (until 1999) > "Reflet de France" brand introduced > "Carrefour and the Environment" Charter in France
- 1996 > Carrefour Solidarity
- 1997 > First Carrefour "Winning Partners" agreement with 500 small and mid-sized businesses > Introduction of the "Carrefour bio" organic foods line > A "Suppliers' Charter" drafted in partnership with the FIDH

- 2000 > Worldwide employee shareholding plan > The Carrefour International Foundation
- 2001 > Department of Health, Safety and Environmental Protection > Environmental management system introduced in the Bègles hypermarket > Global Compact signed
- 2002 > First sustainable development report

2. The challenge of our sustainable development policy: to control our social and environmental impact

As part of its commitment to sustainable development, Carrefour attempts to take into account in its policies and practices the impact of its operations on people and on nature. First, this means identifying and understanding our impact. The illustration below gives an overall view of the major challenges discussed in this report.



3. Sustainable development, an approach for progress

Our leadership position gives us responsibilities: Carrefour must set an example in terms of safety, the environment, ethics and economic and social responsibility. This desire is part of **an ongoing approach to achieve progress.** This initial report does not claim an exemplary performance, nor does it cover all our spheres of activity. It is an official notice, effective today, of our strong commitments to improve our social and environmental performance every year.



Carrefour's commitment

We want to demonstrate that our commitment to the economy, to society and to the environment is inherent in our daily work and business practices.

We have identified three priorities:

1. Quality and safety

- Product quality and safety
- Customer and employee safety at our facilities

2. Respect for the environment

- Reduction of the greenhouse effect
- Protection of natural resources
- Waste reduction and management
- Preservation of water quality and availability
- Preservation of biodiversity

3. Our social responsibility

- Customer satisfaction
- Employee motivation
- Respect for suppliers
- Involvement in the local economy

Encouraging new initiatives in the field

In 2001, Carrefour joined the United Nations Global Compact

Carrefour made a public commitment to nine principles set forth in the Universal Declaration of Human Rights and in the fundamental criteria of the ILO and Agenda 21 (i.e., to eliminate the exploitation of workers and invest in environmental technologies). Carrefour has also agreed to defend the principles of the Global Compact in its publications, to report annually on its progress and on any problems encountered, and to participate in the UN projects in these areas.

1. A Department of Prevention, Health, Safety and the Environment

This Department was created in 2000 and is under the direct authority of the Chairman. It recommends priorities and commitments in these areas to the Carrefour Management. They are then adopted by each country and translated into concrete actions. This team, which is deliberately a small one, is supported by a **broad network of in-house contacts** from all departments, such as marketing, supplies, logistics, operations.

2. Information and awareness tools

In 1999, Carrefour ordered an **international benchmarking study** on the best sustainable development practices in consumer retailing.

A **Health, Safety and Environmental watch** is distributed on the Carrefour Intranet. For the past three years, a **committee of scientific experts** has been appointed to alert Carrefour to incipient health or environmental risks.



"The success of this policy depends on the motivation of the men and women of Carrefour. First and foremost, our role is to foster enthusiasm among our employees who are responsible for building on these commitments day after day. My first year in this position was devoted primarily to presenting this project to a broad in-house audience, throughout the world and in all the stores, so that everyone understands and adopts these commitments. We are also responsible for creating a bridge between Carrefour and its various partners. We have increased our contacts with the representatives of social and environmental NGOs and with governmental authorities...so that we can better understand their needs, devise constructive partnerships, or strengthen those that already exist (e.g., with the WWF and the IFHR)."
Chantal Jaquet, Director of Prevention, Health, Safety and the Environment, Carrefour

3. Environmental task forces

Task forces have been established to work with our partners to come up with solutions for the future that are more respectful of the environment (see page 28). **Other committees** will gradually be created.

4. Reporting tools

To prepare this report, a **questionnaire** was developed and sent to every country so that we could draft a status report on good practices and assess Carrefour's social and environmental performance.

This report will enable every country to set precise, realistic **objectives for progress.**



A very detailed questionnaire of about fifty pages was sent to all the group's countries and businesses in order to prepare this report



Our goals

- > To increase employee awareness and train all employees in sustainable development
- > To develop indicators
- > To supplement and expand our reporting system
- > To publish regular, transparent and objective reports on each of our commitments
- > To make Carrefour an industry leader in social and environmental responsibility

4. Sustainable **development** at the heart of the **economic** debate



Creating wealth to compensate the company's employees and shareholders. From "The Policies of Carrefour"



In addition to our moral responsibility as a major player in world trade, we are convinced that our sustainable development policy is also a **tremendous lever for creating economic value in several ways:**

- > **We reduce our operating costs by limiting our consumption of resources and energy**, using them more efficiently, limiting our waste production, and streamlining the product shipping process. For example, the Management of the Ed chain estimates it saves € 1.37 million a year in energy costs. *See also our work on packaging, page 28.*
- > **Our policy of listening to our different audiences enables us to anticipate needs and meet those needs better**, to prevent any health, environmental or social risks, to add to and share our knowledge of sustainable development and the stakes involved, and to rationalize the debate on complex and sensitive issues. Our on-going dialog with governmental authorities also allows us to anticipate regulations, contribute to the creation of tomorrow's standards, and prevent the implementation of inappropriate legal constraints.
- > **The sustainable development policy is an excellent means of mobilizing employees.** It provides an opportunity to reaffirm our group's underlying values. In a difficult economic context, and at a time of intense international expansion, it is vital for all employees to be on board in any shared corporate project.

"More than ever, Carrefour needs a clear plan affecting everyone. It has always been a social and economic leader in the industry. Now it must reaffirm its long-term commitments."

Michel Enguelz, Carrefour representative of the FO trade union

- > **Our social and environmental responsibility is forcing us to look at our business in a new way**, to come up with new products, as well as new ways to manufacture and ship, and sell those products.
- > **Improving our reputation among our various audiences, especially local authorities and elected officials** depends directly on our ability to reduce our impact on the environment and make local communities partners in our economic success. This helps us to become part of those communities and makes it easier to establish new stores.
- > **A sustainable economic and financial performance results from the above factors.** It meets the needs of shareholders, who are more and more sensitive to corporate social and economic performance, as illustrated by the development of "ethical" investment funds and stock market indices, in which Carrefour hopes to be included more often in the future.



The financial press is becoming increasingly aware of the social and environmental performance of businesses.

OVERVIEW OF OUR CONTRIBUTION TO SOCIETY IN 2001

Carrefour's economic and social contribution to its stakeholders is an integral part of our sustainable development strategy. Like our social and environmental responsibilities, our contribution is vital for building lasting "win-win" relationships with each of them.

Our economic contribution	> Our stakeholders	> Our responsibilities
Sales excluding tax: € 69.5 billion <small>(€ 87 billion, including taxes, with our franchise stores)</small>	Our customers: 2.5 billion cash register transactions in our stores (including franchises)	Accurate information Service
Cost of goods sold: € 53.9 billion	Our suppliers	Responsible trade Commitment charter
Third party consumption: € 4,5 billion	Our service providers	Revitalize the local economy
Income tax: € 585 million	30 governments Local authorities Local communities	Employment assistance Community social role
Payroll costs: € 6.6 billion	Our work force: 382,800 employees Franchises in 3,992 stores	Social responsibility Development Safety Career mobility
Net income from recurring operations: € 1.2 billion <small>(Group share after amortization of goodwill)</small>	Shareholders Banks Financial sector	Growth and development Return on investments
Dividends paid: € 424.6 million		



5. Social and environmental ratings agencies judge our performance

Social and environmental ratings agencies are now the only agencies providing an objective assessment of corporate performance based on the three components of sustainable development. For that reason, we have decided to reproduce here the scores given by these agencies as a way of reporting on our economic, social and environmental performance.

Evaluation methods still differ a great deal, and, in some cases, our score was affected adversely owing to the lack of available information on our practices and our performance. Carrefour is a highly decentralized group of companies, which has always been more conducive to a "language of action", making its stores its primary vehicles for communication.

> **CARREFOUR IS INCLUDED IN THE EUROZONE ASPI**, the first European stock market index on sustainable development, launched in June 2001 by ARESE.

ARESE is the top corporate ratings agency in France and a founding member of the SIRI group. The table below shows the ratings received by Carrefour in 2001:

Criteria	Rating
Human resources	+
Environment	+
Customers & suppliers	=
Shareholders	=
Civil Society	++

Rating is on a scale of -- to ++

ARESE ranked Carrefour among the top twenty French companies in terms of social and environmental responsibility in a special feature article for the daily paper Le Monde.

www.aresse-spi.com

> **THE ETHICAL GUIDE FOR CONSUMERS**, designed for the general public, was published in 2001 by the Observatoire de l'Ethique. It analyzes 700 brands and trade names. The table below summarizes our performance as assessed in 2001:

Strategy	***
Employees	**
Environment	**
Customers-suppliers	***
Transparency	***
Emerging countries	***
Philanthropy/citizenship	***



Rating is on a scale of **** to ☺

www.ode-asso.com

THE CLEAN CLOTHES FRENCH CAMPAIGN COALITION includes 53 associations and trade unions. Its role is to make consumers aware of the social quality of products. In the past two years, it has evaluated 18 French trade names based on this criterion.

The table below lists the scores received by Carrefour in 2001:

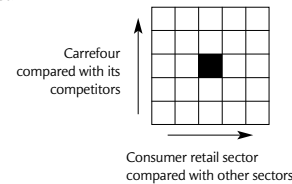
Rank	: 1 st
Commitments	: Good
Implementation	: Good
Transparency	: Encouraging
Overall score	: Good student, hard worker

www.ethique-sur-etiquette.org



> **SWITZERLAND'S SARASIN BANK** assesses corporate social performance and develops profiles for investors like the Ethos Foundation.

Overall, Carrefour earned better score on social rather than environmental criteria from the Sarasin analysts, who regretted the fact that little data was provided by the Group in this area.



Carrefour is average in the consumer retail sector, which in turn posted an average performance compared to the other sectors.

www.sarasin.ch

> **CARREFOUR WAS NOT INCLUDED IN THE 2001 EDITIONS OF SEVERAL OTHER RESPONSIBLE INDICES OR FUNDS:**

- The World and European indices of the **Dow Jones Sustainability Index**. The World Index was created in 1999 as the first global index of sustainable development.

www.sam-group.com

- **The FTSE4Good Indices**, launched in July 2001 by the Financial Times and the London Stock Exchange.

www.ftse4good.com

- Storebrand's "Principles Funds".

www.storebrand.com

The corporate rating agencies are critical of our failure to disclose data on our performance, so we have agreed to provide greater cooperation in this area.

This report, which will be issued in three languages, will serve as an initial source of information on our policies, practices and goals.

"In my opinion, the fact that Carrefour is producing a sustainable development report is a highly positive move. Until now, it has been difficult to obtain this kind of information from Carrefour, which is one of the reasons why the group has not yet been included in our responsible funds, the Storebrand Principles Funds."

Hege Haugen, Analyst, Socially Responsible Investing, Storebrand



Our goals

> **To develop communications systems with social analysis agencies. For further information, please contact: developpement_durable@carrefour.com**

> **To be included in the following indices:**

- FTSE4Good
- Dow Jones Sustainability Index

> **To improve external communication about our commitments.**



> 2 Quality and safety: our daily priorities

Carrefour's commitment

> Product quality and safety

- To ensure product traceability
- To respect the cold chain and guarantee food hygiene
- To guarantee the safety of food and non-food products

> Customer and employee safety at our facilities

- To guarantee safe working conditions and a safe workplace
- To prevent violence



GENEVIÈVE FERONE,
President and Founder, ARESE

"For a retailer, the challenge of food safety is to guarantee product traceability and provide information in response to current problems (origin of beef, GMO products, etc.) while at the same time raising awareness in the long run in these areas."

1. Good, healthy and safe food products

In the eyes of its customers, Carrefour is the guarantor of the quality and safety of the products sold in its stores. **This is a responsibility that Carrefour fully accepts.**



Key factors in food safety:

- Traceability
- Respect for the cold chain
- In-store hygiene
- Safety of the manufacturing processes
- Elimination of pathogens
- Elimination of chemical contaminants

The quality of a product is indispensable if it is to be carried by Carrefour. It meets customer needs – both explicit and implicit. Quality must be clearly perceived by customers.
From "The Policies of Carrefour"

1. Traceability: at the core of our process

In 1991, Carrefour introduced a traceability system in France in order to monitor the products under its brand names throughout the manufacturing and marketing process. This policy has been particularly successful, and will gradually be introduced in all countries.



"Our product recall system has proven to be highly effective. For example, during the mad cow crisis in France, we were able to recall high-risk products in an hour and a half."

Joël Duc, Quality Manager, Processed Fresh Products, Carrefour

> **An average of one product recall a day (France)**

> **It takes an average of an hour and a half to recall a product from all 3,355 stores in France.**



"Retailers have a responsibility to the consumer, both before and after the purchase.. Carrefour has a preventive approach when it comes to product safety and traceability, and has demonstrated its ability to handle crises like mad cow disease."

Noëlle Lenoir, Attorney with the firm of Herbert Smith, former member of the Constitutional Council

2. Heavy involvement in the manufacture of our house brand products

Carrefour is responsible for the quality of all its own brand products and is involved at the very beginning of the process when specifications are defined.

> **AUDITED PRODUCTION SITES** (before the supplier is listed, then annually).

> **A FULL SERIES OF APPROPRIATE BACTERIOLOGICAL, MICROBIOLOGICAL AND TASTE TESTS** is performed on products (before they enter our product listing, then annually).

> **APPLYING THE PRINCIPLE OF CAUTION.** Carrefour makes every effort to exclude substances not approved by scientific consensus. The group took a position in 1997 to eliminate GMOs in its own brands and antibiotics as a growth factor in animal feed and manure in the Carrefour Quality Lines. (see pages 19, 20 and 35).



In France, the 285 Reflets de France products, which are sold in the hypermarkets, supermarkets and convenience stores, are primarily local specialty products, and have been subject to strict quality standards since the line was introduced in 1996.

PRODUCTS REFLECTING THE CARREFOUR VALUES



Our brands, which reflect the Carrefour values and are backed by the requirements of each banner, must be exemplary in terms of quality and safety as compared with the leading companies in the market. These products are manufactured primarily by small and medium-sized businesses in the countries where Carrefour does business.

The Carrefour France teams carried out or ordered the following quality and safety tests and audits in 2001:

> **13,850 physical, chemical or microbiological tests on our own brands**

> **920 supplier audits**

> **2,080 panels, including 1,500 by independent laboratories**



Examples of good practices

> **On-site assistance to stores:**

In France, the Consumer Quality Division has designed for each store format a set of requirements to be used daily by the department heads.

On-site technical assistance visits are made on a regular basis by an independent laboratory to work with supervisory staff to define any changes or adjustments to be made and to set objectives for improvement.

> In some hypermarkets, in Chile for example, there is one person who works exclusively on product **quality control and maintaining the cold chain.**

> **Quality control certification in Spain :**

- The meat-cutting and preparation procedures in the meat departments of our stores are certified ISO 9002;

- Carrefour's auditing procedures for its own brands (not including fresh products) are certified ISO 9003.



Temperatures to be maintained throughout the chain

Fish 2-4° C
Meat 0-2° C
Dairy products and cold cuts 0-4° C
Fruits and vegetables 8-12° C

In the French supermarkets and hypermarkets, over 9.8 million in-store temperature audits and 156,000 audits by independent laboratories are conducted every year.

3. Maintaining the cold chain - a vital necessity at all times

After the Carrefour-Promodès merger, one of the primary objectives was to **harmonize practices** for respecting the cold chain and to enforce the strictest requirements in the warehouses, during shipping and in the stores.

- > Employees are **trained regularly** in the basic procedures required to **maintain the cold chain**.
- > **Guidelines have been established and regular audits are conducted**, both internally and by outside agencies, on product temperatures at delivery, truck temperatures before loading, etc.

FRESHNESS CONTRACTS

These contracts provide additional assurance for our customers in keeping their food purchases fresh. The French hypermarkets and supermarkets recall all ultra-fresh products from their shelves five days on the average before the sell-by date. This policy is being progressively expanded to all store formats and countries, with variable sell-by dates, i.e., Spain, Greece, Belgium, Dia Turkey, Mexico, Italy, Taiwan and Chile.



Our goals

- > **To make quality criteria a more regular component of employee performance evaluation systems**
- > **To provide more information to our customers on food quality and safety**
- > **To gradually expand certification and internal warehouse audits to all countries**
- > **To use the most stringent benchmarks to raise quality standards in the countries**

Focus on.. GMOs: Carrefour's five-year commitment

EUROPEAN CONSUMERS WANT TO HAVE A CHOICE

Please indicate whether you agree or disagree with the following statements concerning genetically modified foods (in %)	Agree	Disagree	Don't know
I want the right to have a choice	94.6	2.5	2.8
I want to know more about the type of food before eating it	85.6	9.3	4.8
They should only be introduced if proven scientifically to be harmless	85.8	8.0	6.1
I don't want this type of food	70.9	16.9	12.2
It could have a negative effect on the environment	59.4	11.9	28.7
The dangers have been exaggerated by the media	33.1	44.3	22.6
This kind of food is not particularly harmful	14.6	54.8	30.6

Source: Eurobaromètre, European Commission, December 2001

To meet our customers' expectations, Carrefour was the first retailer, in 1996, to implement an original policy to offer products which we want to be free of GMOs.

1. A firm position: to offer credible alternatives to Genetically Modified Organisms

In 1996, the arrival of GMOs was an unprecedented event in the agri-business sector. This phenomenon was sufficiently important that Carrefour questioned the merits of GMOs in food. **We interviewed everyone involved in the chain**, from planters to growers to biologists and, of course, our customers.

Given the lack of perspective and history, and the potential health and environmental risks, we decided in 1997 to adopt a **precautionary policy** regarding GMOs and to offer our customers a credible alternative while doing our best to eliminate GMOs from all our Carrefour brand products. This was our response to 63% of Europeans, who, at the time, did not want to consume any GMOs. This policy of avoiding GMOs proved a restrictive one at the time, but eventually it became a model for the industry.



< In our Carrefour brand products, we replaced any ingredients likely to contain GMOs with others for which genetic manipulation is prohibited, and we have introduced lines guaranteeing the traceability of those ingredients.



Carrefour has played a vital role with respect to GMOs. It was the first company to refuse GMOs and to offer consumers an alternative.

Corinne Lepage, Attorney, President of CRH-GEN, former Minister of the Environment

2. A Policy applied progressively to animal feed

In 1998, Carrefour began applying this policy to animal feed by calling on its partners in Brazil, where growing GMOs is prohibited. This is one of the advantages of a global network. Since April 2001, with the creation of a **soy line**, we have imported 180,000 of soybean cake - enough to feed all the poultry and hogs produced in France. This was a **groundbreaking move among French retailers** (see the 2002 edition of the "Guide to Products with or without GMOs" from Greenpeace, devoted to GMOs in animal feed). Similar work has begun on beef, milk and dairy products.

3. Controlling risks to the extent possible

Given all our efforts in this area, we wish we could indicate on our products that they contain no GMOs.

There is no such thing as zero risk. It is practically impossible to guarantee the total absence of GMOs given the risk that some GMOs could be mixed in with our products by accident or by chance at some point during the production process (in the field, silo, truck, storage tank, production line, etc.). European law does not recognize this risk, so we are not allowed to label our products "GMO-free".

WHAT CARREFOUR IS ASKING FROM LAWMAKERS AND ITS PARTNERS

- > Traceability for GMOs, especially transparency regarding their components
- > Rapid approval of measurement methods
- > Measurements of pesticide residue in imported GMOs
- > Long-term research on the effect of GMOs in animal feed
- > Laws stipulating a tolerance threshold for contamination risks

> **France, Spain, Belgium, Chile and China has implemented at least one line to avoid GMOs.**



Our goal

- > **To expand this policy progressively to all the countries where Carrefour is active, and gradually eliminate GMOs from animal feed in our Lines**



A Carrefour Quality Line beef was introduced in Brazil

History of the Carrefour Quality Line

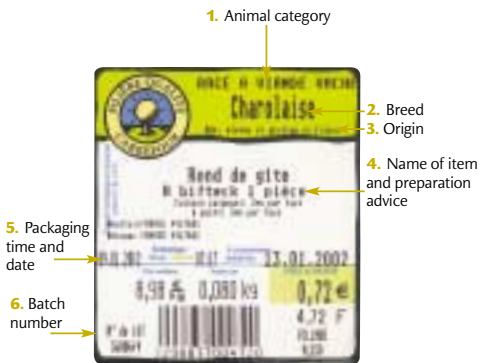
- 1976 Generic product ("Produits Libres") technical sheets
- 1985 Quality labeling and specifications for "Carrefour" products
- 1991 First organic line, "La boule bio"
- 1992 First CQL for beef
- 1995 First CQL for fruits and vegetables / a rational agricultural policy
- 1998 First CQL outside France (apples from Cracow)
- 1999 Introduction of the first animal feed traceability procedure: bonemeal and antibiotics prohibited as growth factors
- 2000 A soybean line is developed to avoid GMOs in Brazil

4. Carrefour Quality Lines over the past ten years

The Carrefour Quality Lines are the **natural outgrowth of the Carrefour policy** to ensure quality, traceability and transparency. The Quality Lines now are at the heart of the selection of products offered in our supermarkets.

The Quality Lines involve all the players in the food chain (producers, manufacturers and stores) in a approach intended to meet growing legitimate consumer expectations. This system is based on lasting partnerships between Carrefour and its suppliers.

None of the 110 Quality Line contracts signed since 1992 has been terminated.



> The Carrefour guarantees are displayed on the label

The Carrefour Quality Line Commitments

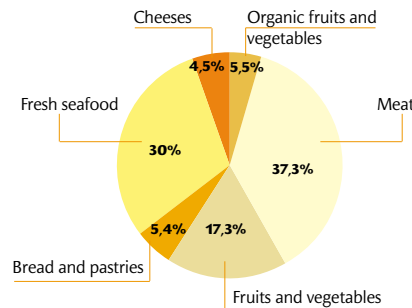
- > **Value:** a high level of quality combined with a price accessible to everyone, and fair compensation for producers who strive to meet quality standards.
- > **Taste:** a taste that exceeds the standard and is considered by customers to be superior in quality.
- > **Authenticity:** preserving and promoting our heritage and improving our knowledge of traditional products.
- > **Food safety:** application of the principle of caution and prevention.
- > **Sustainability:** a pledge to preserve the environment from an economic, ecological and social standpoint, and a long-term commitment to producers and consumers.
- > **Partnership:** working with the different partners in designing specifications.

IN DECEMBER 2001, 221 QUALITY LINE AGREEMENTS SIGNED, VERSUS 120 AT YEAR-END 2000. AN ADDITIONAL 130 LINES NOW BEING DEVELOPED



Source: Carrefour consolidated sales - December 2001

Breakdown of Carrefour Quality Lines by Product in France (December 2001)



"The success of a line depends first and foremost on the choice of partners. Quality is the result of 18 months of collaboration during which each player contributes his expertise: the farmer who is producer or grower, the processor or packager who ensures a safe process and good logistics, and the Carrefour Quality Teams, which identify the best production sources. Together, they develop the specifications that best meet customer needs, and agree to reward fairly the quality control efforts made by our various partners."

Gilles Desbrosses, Director of Traditional Fresh Food Purchasing, Carrefour France



"We've been working with Carrefour since 1987 and have established a Carrefour quality line for oysters from Brittany that is being expanded this year to Italy, Mexico and soon to Switzerland. I think Carrefour has truly played a role in improving the quality of the products in our industry. Carrefour now has mandatory quality standards for oyster beds and has built up a strict, but consistent quality network. It is also the first company to have audits conducted by independent organizations."

Jean-Jacques Cadoret, President of the Cadoret company, a small business, and Carrefour's principal supplier of oysters from Brittany



Our goals

- > **To develop convenience Quality Lines in all countries where Carrefour is active**
- > **To strengthen environmental requirements in the Quality Line specifications.**

2. Safety, the major challenge for non-food products



"Safety in use" for non-food products is a fundamental working principle for Carrefour.

Key points in non-food product safety

- > traceability
- > safety when used
- > safety of the manufacturing processes
- > elimination of contaminants

1. Respecting and defining standards

In addition to complying with European safety standards, Carrefour imposes additional standards for its own brands, and provides input from the initial design phase. For some products, like ironing boards, for example, the European Authorities have not yet defined any safety standards. For these products (10 to 15% "general merchandise" products), Carrefour systematically defines a standard and works with a laboratory to introduce a specific inspection protocol.

> Carrefour has developed over 7,800 products under its own brand names.

2. Special vigilance for toys

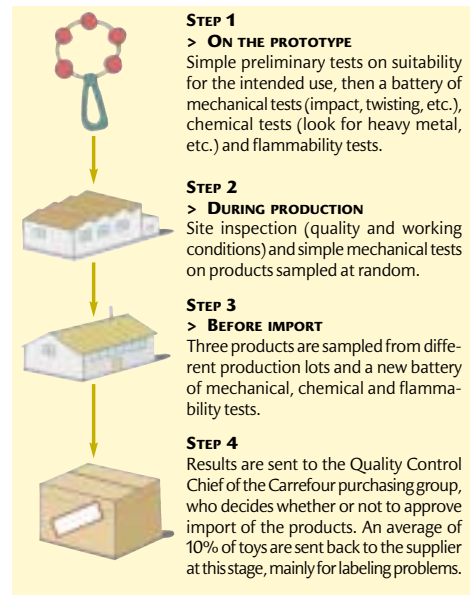


Carrefour's purchasing group tested a total of 505 toys for Christmas 2001 (70% of which came from Asia) for a budget of € 533,00 million.

Carrefour introduced a new line of toys for babies. The 45 toys in the ABCD

line were manufactured primarily in Southern China, and were subjected to an extensive Quality control process and numerous tests, conducted systematically by approved European laboratories. For these products designed for infants (age 0 to 18 months), chemical tests were essential because a small baby is easily tempted to put the toy in her mouth.

CARREFOUR IS INCREASING THE NUMBER OF STEPS IN PRODUCT SAFETY INSPECTIONS



Our goals

- > To provide better information to customers regarding the quality and use of our products
- > To make customers more aware of the inherent risks posed by some product families or categories
- > To continue an active "health" watch in order to anticipate any problems associated with new materials and products as they arise

3. Guaranteeing the safety of our customers and our employees

With over 2.5 billion cash register transactions a year worldwide, Carrefour has an obligation to provide a safe, comfortable atmosphere in all its store formats. We also have a commitment to guarantee safe working conditions to our 382,800 employees.

1. Spaces that comply with the strictest standards

The safety standards applied in all the hypermarkets and supermarkets worldwide are based on French safety standards, which are unusually strict. As a pioneer in countries where regulations are less demanding or non-existent, in some cases, Carrefour is helping to raise the national standards. This is particularly true of evacuation plans. In Taiwan, Italy and Greece, for example, the hypermarkets have introduced special equipment and fire drills for all employees.

2. Employee training in safety regulations

In all our countries, a Health, Safety and Working Conditions policy has been introduced. All the hypermarkets have a safety manager, who is responsible for seeing to it that standards are met and that all employees receive training in basic safety procedures.



For reasons of safety, our butchers wear metal gloves to cut meat.

Examples of good practices

- > **BELGIUM:** Production of a video cassette for all employees and fire training on real fires for all in-store supervisory staff in 2001.
- > **GREECE:** Health and Safety audit every quarter with the results announced to employees.
- > **TAIWAN:** Emergency first aid training
- > **GROUP:** Crisis unit established and a crisis management training module for unusual problems in the various countries (e.g., fire, hostage-taking, product accidents, natural disasters, etc.).
- > **MEXICO:** Since 2000, a part-time physician employed by Carrefour has been assigned to each hypermarket (for free consultations, free medicine, family planning, etc.), who also conducts training in workplace health and safety.

3. Prevent violence in order to guarantee the safety of our customers

Because of the fact that our stores are sometimes located in problem areas, preventing violence and vandalism is a priority for Carrefour. Our policy is to defuse conflict through dialog. There are security guards on duty in all our hypermarkets and supermarkets, and we emphasize the "public relations" component of their duties, i.e., welcoming customers and providing them with information.

In addition, many stores are developing violence prevention policies, i.e., financing mediators, sponsoring local sports clubs, etc.

Examples of good practices

- > **FRANCE:** The "Global Cash" project in 80 hypermarkets, to prevent employees from having access to cash, thereby avoiding assaults.
- > **BELGIUM:** Introducing the "smart" suitcase in the stores, designed to destroy money in the event of a robbery.
- > **BELGIUM AND HARD DISCOUNT STORES IN FRANCE:** Psychological support for victims of assaults; regular meetings with mayors, police departments, private associations and some religious leaders.
- > **GREECE:** In-store Safety Departments with first aid training.

Our goals

- > To establish key indicators in the following areas: thefts, number of work-related accidents, safety training budget and safety expenditures
- > To promote the creation of health and safety committees in the countries in which Carrefour is present.

>3

Respect for the environment

Carrefour's commitment

> To reduce the greenhouse effect

- Reduce the impact of the logistics network
- Reduce the impact of our facilities
- Reduce atmospheric emissions

> To protect natural resources

- Promote sustainable forest management
- Reduce consumption by our stores
- Integrate our stores more fully into the landscape

> To reduce and manage waste

- Reduce the impact of packaging
- Improve waste sorting

> To preserve water quality and availability

> To preserve bio-diversity

- Promote sustainable agriculture practices
- Give priority to raw materials and products that respect the environment



DOMINIQUE DRON,

Chairperson of the Inter-Ministry Mission on the Greenhouse Effect (MIES)

"Consumer retailing impacts the environment in four major ways in the following order of importance: transportation, agricultural products, waste production and management and, finally, store management. The first two factors, which account for the heaviest impact, are also the ones that required the greatest organizational adjustments."

JEAN PIERRE BARRANGER,

Manager of the Production Department, Eco-emballages



"I am struck by the environmental commitment expressed by retailers in recent months. However, retailers in general, and Carrefour in particular, still have work to do when it comes to translating their strategic aims into concrete action in the field."

1. Integrate the environment more completely into our practices



As a major economic player, the Group has a significant impact on the environment.

The challenge for Carrefour is to promote and harmonize the initiatives taken by the countries by designing a truly global policy.

1. A commitment historically carried by the countries

In terms of organization, Carrefour has always emphasized autonomy and local initiatives in the countries in which it does business.

Several countries, like France, Belgium and Mexico, have now drafted a formal environmental policy that includes performance indicators, objectives and in-house training.

In the other countries, a variety of initiatives have been introduced and are gradually being organized and completed.

In the Department of Prevention, Safety, Health and Environment, there is one person in charge of Carrefour's environmental policy in order to encourage actions in the field and to support the countries as they implement their policies.

"Carrefour is lacking an integrated environmental management system, which includes data collection in the different countries, data consolidation and monitoring indicators."
Hege Haugen, Analyst, Social Responsibility, Storebrand

2. A pilot hypermarket for the environmental approach

In 2001, Carrefour initiated a plan to introduce an **Environmental Management System** in the Bègles hypermarket (France-Gironde).

The plan calls for gradual deployment of the EMS to all hypermarkets and will include a substantial **employee training and information** component designed to make employees more aware of environmental issues, both in their work with Carrefour and in their daily lives.



The Bègles hypermarket in France is testing Carrefour's first environmental management system.

3. Hard Discount stores popularize environmental issues

In France in 2001, the Management of the Ed chain of Hard Discount stores (458 stores) hired an Environmental Officer to define and implement an environmental policy.

The policy will focus on the key areas listed below:

- > **Waste sorting** is the top priority: A guide to procedures was published, and over 900 employees divided into task forces received training in sorting in 2001 (a total of 60 hours of training); an in-house task force was established to deal with this issue. Results: 26,100 tons of waste sorted and recycled in 2001.
- > A food bank **donation project** was initiated.
- > 40% of the vehicle fleet runs on LPG, a fossil fuel that generates less pollution.
- > **Water and energy use** in the stores is monitored and various steps are being taken to reduce it.
- > **Noise** is gradually being reduced with the introduction of quieter equipment (reductions on the order of 25 decibels).

The total cost of this environmental policy is € 287,000. Management estimates the amount saved on energy at € 1.37 million a year.

4. Assist our suppliers to reduce the impact of their production sites

Environmental policy must take into account the **product life cycle** from manufacturing to the end of the product life.

We are working with our suppliers to guarantee product quality, and we also want to **assist them in their efforts to improve the environmental quality of their production**.

The Carrefour purchasing group is currently developing **three tools for evaluating and improving** our own non-food brands with suppliers;

-A **preliminary environmental diagnostic** questionnaire, tested by 90 French suppliers, will be sent to all suppliers around the world when requests for bids are issued;

-The first **environmental audits of sites** are conducted in France;

-A **pilot consulting project for small and medium-sized business partners** in environmental protection was designed and will be introduced in France in 2002.

"The purchasing policy of retailers is an essential component of our evaluation. It counts twice as much as the direct impact of store management (40% in our environmental score, or 20% in our final sustainability score.) In fact, we charge to consumer retailing some of the environmental effects of upstream sectors (agri-business, textiles and transportation, etc.) that correspond to its purchases."
Michaela Collins, Sustainability Analyst, Sarasin Sustainable Investment

Our goals

- > To identify a relay in each country to implement the Group's environmental policy
- > To establish indicators and a system to track environmental policy as it is implemented in the Group's different countries and banners
- > To promote and harmonize the numerous initiatives taken by the countries
- > To make respect for the environment a priority criterion, alongside quality, in the selection of the suppliers of our own brands.

2. Controlling the greenhouse effect

Carrefour is aware of the need to fight global warming. Transporting goods and merchandise is a major area of work for the group.

1. Reduce the impact of shipping goods and merchandise

Carrefour uses **local product lines** as much as possible to adapt to the unique needs of each country, thus limiting transport needs.

Every two weeks (from January to March 2002), suppliers and manufacturers met in "Logistical and Environmental" **task forces** to devise solutions for improving loading and delivery rounds, and for developing a combination of rail and highway transport as well as using more ecological trucks.



In all the countries, almost all merchandise is delivered by road, as freight is possible only for non-perishable products and is not yet flexible enough to be used on a widespread basis. Every day in France, 5,000 trucks are on the road serving Carrefour (accounting for 1.155% of the sales for the trucking sector) and the railways account for only 8%.

"Eventually, transportation systems and just-in-time distribution will be affected by the need to reduce CO2 emissions."

Dominique Dron, Chairperson of the Inter-Ministry Mission on the Greenhouse Effect (MIES)

2. Propose alternatives to the automobile



Because of the average weight of the purchases made in a hypermarket (15 to 20 kg) mass transit is not suitable.

95% of the hypermarket customers in Europe shop by car. In order to give customers a choice, Carrefour has been instrumental in having bus lines extended, and there is a mass transit system that accommodates most of the hypermarkets worldwide. Customers who shop at convenience stores or who use home deliveries (e.g., through ooshop.com) do not need a car.

In China, like Mexico, Italy and Belgium, Carrefour has installed bicycle racks to accommodate its customers.

"Based on the theory 'No parking, no business,' hypermarkets create substantial automobile traffic. Consumer retailing should encourage the development of more intelligent transportation alternatives for customers."

Corinne Lepage, Attorney, Chairperson of the CRIL-GEN, Former Minister of the Environment in France

In several countries, Carrefour is promoting **alternative methods of transportation for employees**. In Belgium, for example, an internal survey was conducted on employee transportation and commuting time, and the company joined a car-pooling agency; Greece is offering its employees a shuttle service (between the head office and the Spata warehouse); Carrefour Chile has LPG-powered vehicles.



In Chile, 44,000 customers use the Velasquez store's free shuttle bus.

3. Reduce atmospheric emissions from our cold storage units

The cold storage units in the stores use liquid cooling agents that have an adverse effect on the ozone layer and the climate, especially CFCs or freon. Since January 1, 2002, 95% of the cold storage units in Carrefour stores **have stopped using CFCs** (the approved replacement: R22-R404-FX10), and the remaining 5% will be corrected during 2002.

Our goal

> **To continue our research in this area and develop partnerships with suppliers to reduce the transportation impact**

3. Reduce the impact of our activities on natural resources

Carrefour wants to contribute to sustainable management of resources, which means management that respects the environment and is both socially beneficial and economically viable.

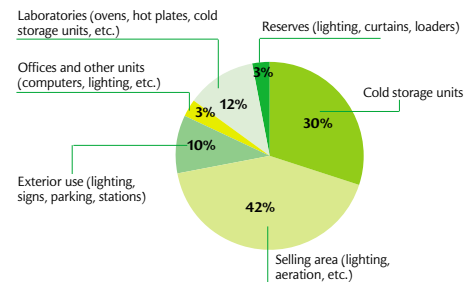


Cold storage units account for over 30% of the total electricity consumed by a hypermarket

1. Reduce consumption by our stores

ENERGY

Carrefour has made a commitment in most countries to **reduce both energy consumption and operating costs**.



Breakdown of electricity use for a 10,000 m2 store

Examples of good practices

> **Cold storage units:** reduction of energy losses; hot water production from food cold storage units (Spain).

> **Lighting:** more economical equipment (France, Mexico, Greece and Spain); improved centralized management (France); turning off illuminated exterior signs (Turkey).

> **Training employees** in "in-store energy management" (500 hours in French hypermarkets in 1998).

Exemplary efforts to combat the energy crisis in Brazil



In order to meet the government's demand in 2001, Carrefour Brazil, which is a very heavy energy user, spearheaded a number of initiatives, i.e.:

- > Recaulking cold storage units
- > Replacing incandescent lights with energy-efficient lights
- > Replacing electro-magnetic reactors with electronic reactors
- > Using curtains in display cases and covers on frozen food bins at night
- > Reducing ice production to supply only the necessary quantities

By taking these steps, Brazil **reduced** its energy consumption in 2001 **by over 20%**.



Preserving ecosystems and water is a major concern for the Brazilian company Camanor, the Carrefour Quality Line shrimp supplier in Brazil located at this Barra de Cunhau site in the State of Rio Grande do Norte.

WATER

The Carrefour facilities (stores and warehouses) have a relatively low impact on water resources, but water conservation is a major social and environmental challenge around the world. In 2002, Carrefour plans to develop an official global policy to reduce its own water use, and make a special effort to help its suppliers to conserve this resource.

MORE AND MORE COUNTRIES ARE TRACKING THEIR WATER AND ENERGY CONSUMPTIONS:

COUNTRY	Water consumption in m ³		Electricity consumption in MWH	
	Per Hyper 1999	Per Hyper 2000	Per Hyper 1999	Per Hyper 2000
France	N/A	N/A	5,939	6,190
Spain	13,438	13,491	5,411	5,431
Brazil	34,383	40,135	7,452	7,551
Taiwan	46,000	45,042	7,400	7,621

Water and energy consumption by the hypermarkets in the major countries of each continent



Example of good practice

> In Mexico, the Carrefour stores are using biodegradable cleaning agents

2. Control pollution by our service stations

In some countries, the hypermarkets have service stations that may have a significant impact on the environment, especially if fuel leaks into the soil.

For our own branded stations in a number of countries (Spain, Brazil, France, Greece and Italy), this aspect is heavily checked in order to comply with increasingly stringent regulations.

3. Integrate our stores more fully in the landscape

Like all hypermarkets, the Carrefour stores have been criticized for their impact on the landscape (size, poor architectural design, garish billboards, etc.)

A number of initiatives have been introduced to better integrate the stores in their natural and social environment (green spaces, traditional building materials, etc.). Starting in 2002, a European partnership will harmonize the number of billboards in the hypermarket and supermarket parking lots of 12 European countries. After that, the same process will be applied to our stores in Latin America and Asia.



"Criteria such as the integration of buildings within the landscape, the choice of building materials and the most efficient use of selling space in terms of zoning regulations will become more important in the social responsibility score given to companies by ratings agencies."

Geneviève Ferone, Founding President, ARESE



A growing number of stores are equipped with windows. Natural light is both more pleasant and more economical in stores that receive a reasonable amount of sunlight.

Carrefour is studying environmentally friendly architecture: choosing more environmentally friendly building materials, designing more agreeable and energy efficient buildings (i.e., in terms of noise absorption, better thermal insulation, etc.).



Examples of good practices

> **Spain:** research is now being conducted on an environmentally friendly hypermarket concept.

> **Brazil:** a research task force has been created to work on environmentally friendly architecture with an architectural firm, a project manager and a local expert.



Reflecting a practice that is becoming more and more commonplace, the St. Jean de Védas hypermarket created in 1986 on the outskirts of the city of Montpellier in France, has a parking lot with shade trees.

IN MANY COUNTRIES, THE CARREFOUR STORES HAVE DEVELOPPED PROJECTS TO REDUCE ADVERSE EFFECTS ON SURROUNDING AREAS:

Country	Input from local citizens' groups	Noise reduction system introduced	Delivery schedules adjusted
France	Yes	Yes	Yes
Spain	Yes	Yes	Yes
Belgium	No	No	Yes
Greece	Yes	Yes	Yes
Italy	Yes	Yes	No
Dia Turkey	No	Yes	No
Brazil	Yes	Yes	Yes
Mexico	Yes	Yes	Yes
Chile	Yes	Yes	Yes
Taiwan	Yes	No	Yes



Our goals

> To reduce the environmental impact of our brands
 > To increase environmental considerations in employee training

> To introduce tools to monitor environmental impacts

> To better integrate our stores in the landscape & to consider a shift to sustainable architecture

> To use eco-friendly cleaning products in our stores

4. Reducing and recycling waste and unsold items

Carrefour is working to reduce its production of waste progressively in product packaging and packing for shipment, catalogs, etc. Employees in stores and warehouses are being trained to sort waste.

1. Cutting down on waste

REDUCING THE IMPACT OF PACKAGING

In Europe, packaging accounts for 50% of the volume in individual garbage cans. A growing number of consumers are protesting this waste of resources. Over the last several years, Carrefour has been working to cut down on the amount and impact of the packaging used on its own brands. In Europe, there is a special department that provides support to purchasing employees to improve the packaging retailer's brand products (reducing the weight and quantity materials used, choosing more environmentally friendly materials, etc.)

An "Environment & Packaging" task force includes the Packaging Departments of the major countries (France, Spain, Italy, Greece and Belgium).

Belgium does an exemplary job

In 1999, Carrefour Belgium adopted an ambitious packaging policy that saved 8.3 tons of plastic in 1999 and 15 tons of glass in 2000 in food product packaging. We participate in the task force established by the Belgian Retailers' Federation on this issue, and Carrefour is a member of the Executive Committee of Fost Plus, the Belgian agency in charge of collecting and recycling packaging. We are also working on grocery bags, and have reduced the weight per bag from 6.60 grams to 5.60 grams. Customers using reusable bags sold for € 0.07 in all stores and folding "eco-boxes" in supermarkets receive 3 "Happy Days" loyalty points. In the Brussels area, some stores are offering cotton bags and are urging shoppers to use alternatives such as baskets, personal shopping carts, cardboard boxes provided by the stores, etc.).



REDUCING THE NUMBER OF CATALOGS AND GROCERY BAGS

Every year, Carrefour publishes over two billion catalogs in the five major European countries, and distributes two billion grocery bags in France alone (almost 60% of which are reused as garbage bags). Both of these products are considered useful by the public. However, in the eyes of the public, both products have come to symbolize the waste related to consumption. Carrefour is looking at alternatives to disposable grocery bags and is attempting to reduce the environmental impact of its catalogs (particularly by using recycled paper, which accounts for 14.1% of the catalogs published by Carrefour France in 2002).



> The glass bottles in the Carrefour fruit juice line are one of eight Carrefour packaging designs recognized by the French National Packaging Board. Since 1999, Carrefour France has developed 13 new packaging designs that have saved 487 tons of materials (plastic, glass and cardboard) and € 163,000 a year.



In the warehouses, packaging used in shipping is returned to suppliers to be reused whenever possible.

PRODUCTS DONATIONS

In all countries, our stores are establishing partnerships with associations to redistribute unsold products that can still be safely consumed.

- > **FRANCE:** 20 million meals distributed in 2001 to Restos du Cœur and Food Banks, and 153 tons of non-food items donated.
- > **SPAIN:** 245 tons of food donated to Food Banks in 2000.
- > **ITALY:** Food items donated to orphanages, church-sponsored agencies and nursing homes.
- > **TAIWAN:** Donations equal to € 123,588 in 2000.
- > **BRAZIL:** 92,000 clothing items donated, for a total value of € 525,000.

 "Thanks to partnerships with 27 stores, Carrefour has allowed us to collect 4,160 tons of foodstuffs in 2000 to provide 8.3 million meals. These are perfectly healthy and edible fresh food and deli items removed from the shelves before the sell-by date. In the stores, the Carrefour employee volunteers ensure compliance with strict food safety standards."

Bernard Dandrel, Chairman of the French Food Bank Federation

2. Sorting waste

- > **Cardboard boxes** are now sorted and measured regularly in the hypermarkets of almost all countries.
- > **Plastics sorting** is gradually being developed.
- > **Sorting practices** are being introduced in all store formats.
- > In France, a national master agreement has been signed to manage the special waste products in automotive centers.

Country	1999	2000
France	625	657
Spain	397	401
Brazil	624	582
Taiwan	522	650

Average cardboard tonnage sorted by hypermarket

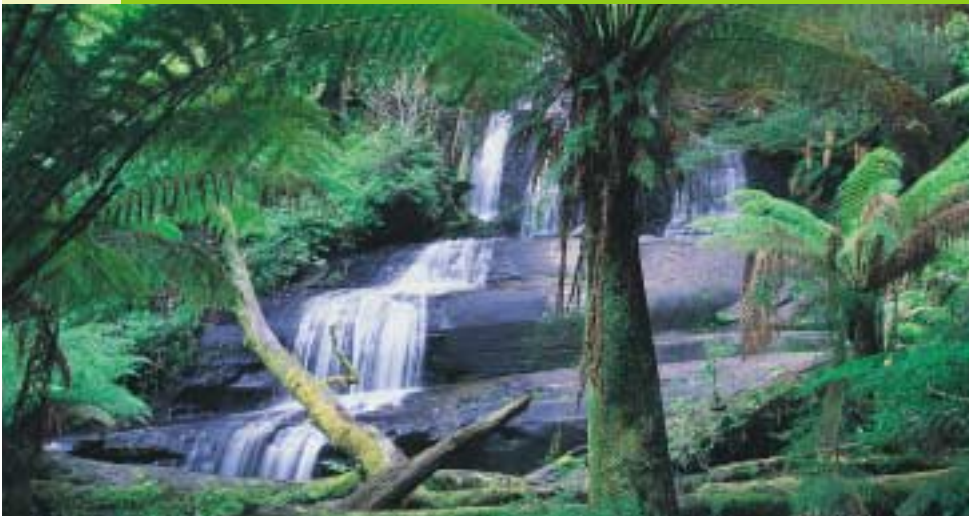
> On the average, one hypermarket produces 1,400 tons of waste every year, slightly less than four tons a day.

> In France, the stores recycled almost 45% of their waste in 2000 (cardboard, plastic, wood), which is a 25% improvement over the past two years.

Our goals

- > To draft an official Packaging policy for Carrefour
- > To implement waste sorting systems in the countries when recycling segments exist and contribute to creating these facilities when they don't exist
- > To develop alternatives to grocery bags and make customers aware of these issues
- > To optimize the distribution of our catalogues in our marketing areas to reduce the number.
- > To increase continually the proportion of catalogs printed on environmentally responsible paper

5. Conserve water and preserve bio-diversity



1. Promoting sustainable agricultural practices

ORGANIC AGRICULTURE

Since 1992, Carrefour has supported organic agriculture, starting with the creation of "Boule bio" in France, the first line of Carrefour organic products in 1997, followed by other lines of organic products in Europe and Asia (Belgium, Greece, Italy, Spain, China, etc.).

These products are certified by independent agencies and respect the key principles of organic agriculture: the absence of synthetic chemical fertilizers, pesticides and herbicides; choice of varieties and breeds suited to local conditions to preserve bio-diversity; maintaining soil fertility through crop rotation; composting, etc.

"One of Carrefour's assets in terms of the environment is its positive attitude towards organic products."
Hege Haugen, Analyst, Social Responsibility, Storebrand



After just four months in China, organic fruits and vegetables already account for 6% of sales in this department.

- > In the Czech Republic, 18% of the beef sold in our stores is organic.
- > In 2002, Carrefour's organic line in France included over 150 products.

INCORPORATING ENVIRONMENTAL CONCERNS INTO OUR CARREFOUR QUALITY LINES

Respect for the environment is one of the core values of the Carrefour Quality Lines. From the beginning, environmental criteria have been incorporated into specifications and are strengthened on a regular basis.

To preserve water and soil quality, Carrefour favors rational, sustainable agriculture, i.e., limited use of pesticides, no soil disinfectants or treatment after harvesting, and crop rotation to regenerate the soil naturally. In keeping with the principle of caution that guides its choices, Carrefour prohibits the spreading of waste from treatment plants on fields. Growers are urged to compost their agricultural waste and develop collection and treatment of bio-degradable packaging. The fish lines also include environmental criteria governing site selection, limited density, water replacement, tests on parameters and discharge, and wastewater projects.

To enhance bio-diversity, Carrefour favors mixed farming and refuses GMO seeds (see page 17). It selects the animal breeds best suited to the region.



In Europe, the Group used 200,000 tons of paper in 2001, accounting for approximately 1,400 hectares of forest.

Examples of good practices

- > **In France**, Carrefour joined the Club Proforêts in 1999 and teamed up with the WWF, through which it has made a commitment to gradually introduce a policy of using only **FSC (Forest Stewardship Council)** paper for its publications.
- > **In France and Belgium**, recycled paper is used in advertising catalogs (50% of the brochures in Belgium and 14.1% in France).
- > **In Turkey**, the paper used by the Dia head office is recycled by the city of Istanbul, which has agreed to plant one tree for every 100 kg of paper turned in.

2. Promote purchases of paper supplies and products that preserve bio-diversity

With its various publications, Carrefour is one of the leading paper purchasers worldwide. As such, it has the means to affect trends and to promote the development of more environmentally friendly products.

For its own brands, the central purchasing group is preparing a report on sources of paper and wood supplies and has set a goal of using only wood from forests under sustainable management by the year 2008.



FSC - Forest Stewardship Council AC, 1996
 FSC-Ser-0080
 With the kind permission of WWF France

> Carrefour supports the international FSC (Forest Stewardship Council) label, the first label guaranteeing sustainable forest management, which respects bio-diversity as well as workers' rights.

Our goals

- > To promote sustainable forest management through our purchasing policies
- > To develop product lines more respectful of resources and bio-diversity

>4 Our economic and social responsibility

Carrefour's commitment

> To satisfy our customers

- Democratize consumption
- Be attentive to our customers
- Provide information for our customers to make them better consumers

> To motivate our teams


- Manage our employees well
- Provide just compensation for the contribution of each person
- Encourage the professional development of each employee

> To respect our suppliers

- Guarantee respect for ethics in each relationship
- Building lasting relations with local suppliers
- Guarantee respect for the basic rights of the employees of our suppliers

> To be involved in the local economy

- Participate in the economic development of each region
- Involve our stores in the local community
- Encourage national and international solidarity

ALAIN CHOSSON, 
Deputy Secretary General of the CLCV (Group for Consumption, Housing, and Environment)

"Consumer demand continues to grow for healthy, useful and good products that respect both human life and natural resources, from manufacturing until the end of the life cycle. This is true both in France and in the emerging countries where consumer groups with which we are in contact have similar concerns."



Coffee bean harvesting in Mexico, in the village of Padre Francisco Vanderhoff, which provides the organic coffee for the Carrefour Quality Line

1. To satisfy our customers and anticipate their needs



“The goal of Carrefour’s policies is to implement the greatest efficiency in the service of our customers in all countries where the Group is present.”

From “The Policies of Carrefour”



To meet the needs of our customers, our stores have been laid out in **product areas**. Our new concepts adapt the layout of the stores to the traffic in the stores (heavy products at the entrance to the store, frozen foods near the check-out lanes, etc.) For normal products, the shelves are organized to allow a rapid selection and for products that require **some time for thought**, special spaces have been arranged (computer equipment, disks, books, etc.)

“Retailers, which are sometimes perceived as encouraging over-consumption, are also in the best position to reverse this trend, by teaching more sustainable consumer practices and by offering responsible products. The issue is not to consume less, but to consume better.”

Anne Solgaard, Associate Expert, Sustainable Consumption Program, UN Program for the Environment

3. Assist our customers to become better consumers

In Europe, our customers come to our hypermarkets an average of 31 times a year, and stay in our stores about 55 minutes.

Thanks to this special relationship with our customers, **our stores are strong vectors for consumer awareness and education.**

Today, we want to use these assets to **promote more responsible consumer practices.**

We want to generalize access to products with high added social or environmental value which have been reserved until now to affluent customers who are already environmentally sensitive.

Carrefour is referencing and developing products in several countries that come from fair trade or that are more ecological. Carrefour Taiwan has developed the “**Green Genie**” line with 16 green cleaning products all bearing the official Taiwan “Green Mark” ecological label.

ENCOURAGE MORE EDUCATIONAL COMMUNICATION

Retail advertising practices are often criticized. This is a complex question for Carrefour, because advertising is vital for our business. It lets us inform our customers of our offer and handle the traffic in the store. It is an essential lever for growing our sales.



“To clarify the offer and facilitate purchases, our priority is to provide information to our customers and clearly identify products on the shelves.”
Alain Thieffry, Director of Marketing, Carrefour



In 2001, 2.5 billion people passed through our check-out lanes.

We are developing other communication resources, including **some that are exclusively educational**, like our buying guides.

Our “consumer magazines” provide information to consumers to assist them to make more informed choices and use products more wisely. (**Journal de Carrefour** in France with 1,380,000 subscribers, **Imagine** in Spain, with 250,000 copies published every month, or **Vivons Mieux** in Belgium)



Our buying guides offer consumers information about issues dealing with products, health, and daily living. Some of our guides: “Storing food”, “How to read a food label”, “Preventing accidents in the home”, “Health and safety”, “The environment and positive actions”, “The world of organic”, etc.

1. Democratize consumption

> In all countries, we offer a **broad selection of products, at prices accessible to the largest number**. A hypermarket offers an average of 15,000 to 20,000 different food products, 30,000 to 55,000 non-food items and, more and more often, vacation, optical, insurance, banking, entertainment, telecommunications and auto services.

> We encourage **access to innovation**, particularly to new technologies. In 2001, French hypermarkets sold more than one million cell phones, nearly 250,000 computers, 200,000 TVs and 200,000 DVDs.

> We are very strict about **professionalism** in our store service: open laboratories (meats, bakery, etc.), the possibility of in-store product testing, advice, and other services.

> In France, Spain and Belgium, Carrefour has cut its prices so that it is never more expensive than its major competitors in all market leader products.

> We have developed a leadership strategy in the two large countries in crisis, Argentina and Turkey, to defend consumer buying power against significant inflation.

> For the transition to the euro, Carrefour froze prices in the six countries concerned. Between November 2001 and January 2002, the price cuts were between -0.1 and -0.6.

2. Be attentive to the needs of our customers

Our country directors have made **commitments** to meet the expectations of their customers.

Customer satisfaction systems have been established (panels and surveys, toll-free numbers, booths in stores, etc.)

Complaints are handled to provide the best response. **Response time** varies from 24 hours to 7 days depending on the country.

In recent years, all the countries have conducted **customer satisfaction studies**, with the following principal results:

☺ Our strong points	☹ Points improved
1. Service and welcome	1. Wait time to check out
2. Choice of products	2. Out-of-stock items
3. Product quality and freshness	3. Price



Example of good practice

> **The best customer service in Belgium:** GB customer service earned the Grand Prix Customer Service Awards for the excellent phone service provided to its customers in 1999 (friendly greeting, attentiveness, general efficiency, etc.)



Our goals

- > To enhance Carrefour’s relationship with its customers
- > To provide our customers with better information about all our processes
- > To develop our projects to teach our customers and increase their sensitivity
- > To encourage offering products with added social and environmental value

2. Motivate our teams



The Institute Marcel Fournier, located in Sophia-Antipolis in the south of France, trains Carrefour managers.

With 382,800 employees, Carrefour today is one of the top ten private employers in the world.

Every year, with the opening of 40 new hypermarkets, 70 supermarkets and 300 hard discount stores, nearly 15,000 jobs are created.

“Our driving force is the motivation of the women and men of Carrefour.”

From “The Policies of Carrefour”

1. Manage our employees well

“Delegation, supervision and solidarity are the guiding principles of a management system that counts on the involvement and motivation of the women and men of Carrefour. Decision-marking at two-levels is the rule”. From “The Policies of Carrefour”

> OFFER EACH EMPLOYEE THE POSSIBILITY FOR PROFESSIONAL DEVELOPMENT

Carrefour is a company open to everyone, whatever their level of education, a company that offers real opportunities for professional development through **internal promotion**.

Because of the group’s strong growth and development into a multi-format organization, the group’s Department of Human Resources in 2001 implemented a **succession plan** for the 400 key positions. Each country gradually initiates career management.



Examples of good practices

> In 1987, Carrefour founded the **Institut Marcel Fournier** in France to train Sector Heads and Store Managers. This successful experiment was expanded to other countries by providing opportunities to share experiences and strengthen the Carrefour culture: Spain in 1999, Brazil, China and Korea in 2000, Belgium in 2001, Italy in 2002.

> Carrefour invested more than 20 million euros and mobilized more than 2,000 in-house trainers to prepare for the **changeover to the euro** in the six countries concerned.

> More than one-third of the 9200 positions created in Europe in 2001 were filled through internal promotion.

“To be trained and train others, to exchange experience and skills, to integrate and share the values of the company, to carry and enrich the culture of Carrefour is vital to the strength of our professionalism in our businesses and positions.” From “The Policies of Carrefour”



In Thailand, the Carrefour stores are recognized as a true bakery school and are authorized to issue a diploma.

> TRAINING TO DEVELOPP SKILLS

Carrefour gives priority to **internal training**: training courses are provided for employees and supervisors. The managers define the training needs and are involved in directing the programs (500 training programs are available for hypermarket employees in France) and in passing on their “field” expertise.

- > 340,000 employees trained, which is 89% of the group’s work force in 2001.
- > 3 million hours of training, which equals 1.5 days per employee per year.
- > 300 hours of training to acquire the basics to become Business Managers, prior to accepting a position in a hyper market in France.

> MANAGE THE WORK SCHEDULE TO MEETS THE NEEDS OF BOTH CUSTOMERS AND EMPLOYEES

In each country, the work schedule is defined, subject to local regulations, to offer our customers the best services possible. This organization must continually be optimized to control our costs while ensuring quality of life for our employees.

> BE ATTENTIVE TO THE SATISFACTION OF OUR TEAMS

Participatory management is the rule, reflected in briefings, most often daily, team meetings, work groups.

> Carrefour signed the 35.75 hour work week for all its employees in France in 1982

Since 1989, Carrefour has implemented a tool to measure social climate, the “**Employee Feedback**”, in the hypermarkets in France. In-house facilitators collect the opinion of approximately 25% of the employees in a store, anonymously and interactively, in small groups.

The image of the company and the store, training, the work, compensation, management, social atmosphere, and internal communication are discussed. The **results are returned by management to all the employees** in the store.

Listening to the employees is first and foremost a management tool for store managers. It helps them develop action plans to meet the expectations of their teams and correct any malfunctions.

This process is **being deployed to several countries in Europe**. The group’s goal is to gradually implement this approach in all countries.

> INTERNAL COMMUNICATION: GLOBAL AND LOCAL

“Internal communication is an essential factor for well-run operations. It is intended to provide all employees with broad and transparent information.” From “The Policies of Carrefour”

In-house newsletters are published in several countries: France, Spain, Italy, Greece, Belgium, Brazil, Argentina, Colombia, Korea. These monthly or bimonthly newsletters inform all our employees about life in the country, the store format and the enterprise.

An in-house **Intranet portal**, to which a network of local correspondents in our countries and formats contribute news, was implemented in 2001. It is designed to be accessible to all group employees.

AN INNOVATIVE PLAN FOR CASHIERS-BLOCK SCHEDULING

Opening check-out lanes depends on store traffic during the day. The use of part-time, which is absolutely necessary, is often seen as a source of constraints by the employees concerned. Carrefour decided to innovate in organizing cashiers’ schedules by using block scheduling over the last two years. This type of scheduling allows the cashiers to organize their work hours independently. Groups of 20 to 30 people with different life styles and different concerns meet to define their weekly work schedule to avoid, as much as possible, breaks during the day and increased travel. In the hypermarkets in France, 10,000 cashiers already enjoy the benefits of this type of scheduling. This experiment is being studied in other countries.





SHARED VALUE
In 2000, Carrefour completed its first global shareholding plan.

> 200,000 employees in 24 countries (60% of the group's work force) subscribed to this plan and held 12.3 million shares (2.79% of the capital) as of December 31, 2000.

2. Guarantee a just **balance** between **contribution** and **compensation**

"The compensation offered by each banner in each country is attractive in relation to the market. It is fair, and proportional to the level of expertise, training, responsibility and performance of each employee."
 From "The Policies of Carrefour"

Carrefour is committed to offering a just balance between the contribution of each employee and his or her compensation, which takes into account, not only the responsibilities of the employee's position, but his or **availability, flexibility and mobility**.

In all countries, formats and businesses, Carrefour positions its compensation system above the market average. Compensation always includes **social benefits** which vary according to local legislation, current practices, and employee expectations.

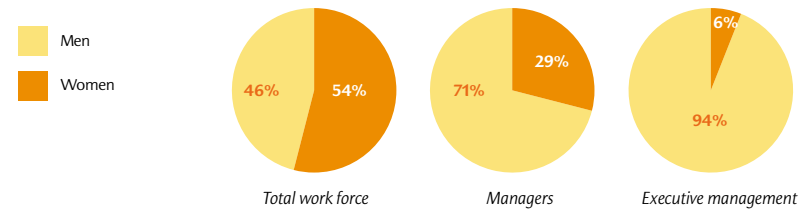
Because of the strength of its economic growth, Carrefour has been able to offer its employees **advanced social benefits**. In 1969, the group was one of the first in France to sign an agreement providing for employee profit-sharing.

3. Respect for **union rights**

Respect for union rights and recognition of basic rights are part of the culture of the Carrefour companies. At the meeting of the European Committee on Information and Cooperation in November 2000, Carrefour made a commitment to monitor jointly with the UNI (Union Network International) the correct applications of the conventions of the ILO that define:

- > the right of employees to join the union of their choice;
- > the right to collective bargaining;
- > the protection of employees and their representatives from any act of discrimination that would hurt union freedom.

BREAKDOWN OF MALE/FEMALE EMPLOYEES AT DIFFERENT MANAGEMENT LEVELS



4. Encourage the **diversity** of **talents**

MOVE TOWARDS A BETTER RATION BETWEEN MEN/WOMEN

The image of retail is of a primarily masculine world. However, women represent 54% of the group's employees, and the cashiers alone represent 26% of this total. Women are particularly well represented in management positions in Thailand (50% female store managers) and in Taiwan (30%).

ENCOURAGE LOCAL MANAGEMENT

"Carrefour cannot just use up the resources of the countries in which it is present; it must contribute a business, training, and access to international mobility for everyone if it is to become a multi-cultural enterprise."
Geneviève Ferone, Chairman-Founder, ARESE



"Each country must have, at the end of development, a majority of executives, managers and specialists from the country to ensure the integration of our commercial formula in the local culture, economy and consumer practices."
Jacques Beauchet, Carrefour DRH

Since 2000, the number of Carrefour expatriates is falling as some countries reach maturity (540 expatriates projected at the end of 2002 versus 640 at the end of 2000). They represent fewer than 2% of managers in mature countries such as Spain, Italy, Belgium, Brazil, Argentina and Taiwan. In countries where we have just established a presence, like Japan, the proportion of expatriates may be as high as 17%.

FACILITATE THE EMPLOYMENT OF YOUNG WORKERS

70% of the group's employees are under 35 and young people under 25 represent 27% of the total work force.

In all countries, Carrefour is developing ties with schools, universities, employment agencies and, sometimes, the army, in order to recruit young workers.

> **In France**, Carrefour has signed a partnership with HEC to introduce a retail chair.

> **In Mexico**, a training program was implemented in association with Mexico City, at the end of which 70% of the young people trained join our teams.



In Brazil, Carrefour, the leading private employer, has initiated a program to train and hire young workers: Projeto Jovem Cidadão.

ENCOURAGE THE HIRING OF HANDICAPPED WORKERS

With the implementation of "Mission Handicap", Carrefour in France has made a commitment to its social partners to employ and recognized handicapped workers.

> **In France**, at the end of September 2001, 2,325 handicapped employees, representing 3.18% of the work force, were working in our hypermarkets.

> **In Spain**, a similar project has been initiated by the hypermarkets in cooperation with the Ministry of Labor.



Example of **good practice**

> **The Carrefour school: give young recruits an understanding of the business**

In France, Carrefour operates its own school: 3,000 young people, working under qualification contracts, will receive 280 hours of in-store training for 7 months. These young people without job skills will be trained in our culture and businesses by "mentors", experienced Carrefour employees, who have been trained specifically for this type of assistance.

3. Fair and long-term relations with our suppliers

Carrefour maintains a **balance** among its various suppliers: international groups, national companies and small regional businesses.



“Carrefour develops special relationships with its various suppliers within the framework of a long-term, ethical policy.”

From “The Policies of Carrefour”

> Negotiations between consumer retail and its suppliers traditionally cover the quantities purchased, the purchase price, along with delivery terms and the promotion of the products in the context of sales operations (catalogues, endcaps, etc.).

1. Our relations with international suppliers

Carrefour maintains **group-to-group relationships** with its major international suppliers, with which it signs master agreements. These agreements define the principal terms and conditions for collaboration, and the details are then negotiated in each country (sales conditions, selections, promotions) to achieve better **adaptation to local consumer habits**. One of the objectives of these agreements is to contribute to the joint international growth of both Carrefour and its international suppliers.

2. Develop information sharing with our suppliers

EXCHANGE

In addition to the commercial relationship, which remains fundamental, we must encourage the exchange of information and expertise with our suppliers. We are working closely with priority partners to develop a better understanding of our customers’ buying habits and achieve better organization in our stores. More than 6600 suppliers participated in the Information Data Exchange programs in the five major European countries (France, Spain, Italy, Belgium and Greece) in 2001.

COMMUNICATE

Carrefour works to make its organization as clear as possible for its suppliers, even though this task has become increasingly complex with the group’s rapid growth in recent years.

REACT

Innovation has always been an element of differentiation for Carrefour. Thus, it is vital for the group to remain extremely reactive to supplier proposals.

A FEW WORDS OF OUR SUPPLIERS

“Relations between consumer retail and manufacturers have never been simple, particularly during difficult economic periods. Our contacts at Carrefour are professionals and we work together honestly to anticipate market trends and develop innovative solutions.”
Alain Niccolai, Director of Sales for Henkel France

“The desire of the Carrefour Group Management is clear—to build an intelligent customer/supplier relationship that creates value for everyone, based on openness and the quality of the service. However, this strategic vision is not always conveyed well to the stores or warehouses, where a short-term economic logic prevails.”
Xavier Urbain, Chairman-CEO of Hays Logistique France, a Carrefour logistics and information system service provider in four European countries

“Carrefour communicates its code of ethics well, and has clear policy and procedures concerning.”
EIRIS, a social and environmental ratings organization that provides research for the FTSE4Good index

“Carrefour seems to have tough, but relatively fair, practices insofar as we are not aware of any litigation. Recently, producers have begun to complain about the purchasing methods of consumer retail which imposes its price and delivery conditions (zero inventory at Carrefour).”
Ethos Profile – Sarasin Bank

3. Build ethical relationships with all our suppliers

Our shared responsibility is to find a **fair balance** between satisfying our customers who want to buy the products at the best price and the long-term economic health of our suppliers.

OUR CODES OF CONDUCT

The fierce negotiations between retail and suppliers are well known. Certainly, negotiations are frequently demanding, but we are working to **build long-term relations**, based on transparency, trust, personal respect and reciprocal commitments. Our **internal codes of conduct** governing relations with our suppliers are strict. For our own brands, the systematic use of a bidding process ensures objective price negotiations based on the level of quality desired.

“The relation with the supplier is a win-win contract”.

From “The Policies of Carrefour”



Our goal

> **To implement a system to monitor the duration of the commercial relationship with suppliers in our countries**



The perspective of... > Frank Riboud,
 Chairman and Chief Executive Officer of the Danone Group

> On negotiations between retail and the brands

“The accepted idea that there is tension between manufacturers and retailers is unbelievably simplistic. Certainly, there is a commercial negotiation. But this is based on a balance, which depends on our ability to generate profitable growth together. Carrefour and Danone are world leaders, with different core businesses, but one common objective—to satisfy the consumer. Therefore, our relations extend far beyond simple negotiations. We have many common projects with retailers, to exchange expertise and continue to improve the offer to the consumer.”

> On the possibility of “responsible” partnerships between Carrefour and Danone

“At a time when there is a great deal of concern, a loss of signposts, “responsible” commerce is really vital for our future. This concern has always been part of our company culture. Today, it is a requirement for all of society, and it is essential to do more work upstream in agriculture, raw materials, traceability and consumer information... This work has to be done together with retail in many areas.”

> On the role of groups like Carrefour and Danone in responsible globalization

“It would be pretentious and incorrect to think that we alone can be the drivers of responsible globalization. However, it is true that, as local players, we can be a source of progress, because we are developing the expertise, practices and values. This is possible only if we ourselves make the effort to adapt to local cultures and customs. It is not enough to impose organizations that work at home. The crux of successful globalization is to combine the ability to reach the entire planet with the ability of each person to preserve his identity.”

> On Danone’s expectations for Carrefour in terms of social and environmental responsibility

“My expectations are high for Carrefour, but also for all retailers and manufacturers. We have been building our quality, safety and environmental processes for many years, and we will continue to work to improve. Together, we must open dialogue with consumers, try to distinguish real risks from simply perceived risks, work upstream, as Carrefour and Danone have begun to do, with young farmers within Attitude Earth to promote reasonable agricultural practices. We must be concerned with the quality of our materials, with reducing wastes... Only true collaboration will enable us to continue to improve the food chain.”

4. Small and medium businesses and the agricultural world—key partners



Adapting our product offer to the regional practices is based on **close and long-term partnerships** with small and medium-sized businesses and local agricultural operations, which have been involved in our success for a long time. Today, these small and medium businesses contribute approximately 35% to the sales of a French hypermarket (excluding Carrefour Quality Lines).

Small and medium businesses are strategic allies for Carrefour. Their products allow us to offer our customers a large selection of original items on our shelves to complement the products from multinational companies. A privileged partner of French small businesses since the introduction of the generic Produits Libres in 1976, Carrefour has invested with them to improve their manufacturing capacity. **Their performance, their capacity for innovation, and their dynamic operations are all assets** for the group. Carrefour's percentage of food purchases in France gives us a special responsibility to small businesses.

Carrefour's policy in this area was formalized in 1997 with the publication of a **White Paper on Small and Medium Businesses** and the first **"Partners to Win" Agreement**. This Agreement, which was signed with 261 small and medium businesses and manufacturers, strengthens commercial cooperation between the group and these businesses through reciprocal commitments (transparency, honesty, continual improvement).

> With 18% of fresh product purchases in France, Carrefour is one of the top customers of agricultural operators.

1. Small businesses—the core of our house brands

Approximately **80% of our products under our own brands are developed with small and medium businesses**. From the moment we launched the generic products in 1976, we have used small innovative businesses that can react quickly. **Of our 28 small-business partners in 1976, 23 continue to work with us today.**

The durability of our relations with small businesses is based on a **reciprocal commitment**: Carrefour invests in developing product specifications and the businesses make the long-term expenditures to adapt their equipment.

2. Promoting land and expertise

> By developing our own brands to create value for rural land with the support of local family businesses.

> By participating in **"Heritage Days"** in several countries to highlight the work of producers.

> By creating **Supplier Clubs** (like the Reflets de France club) to assist our partners (quality procedures, communication, consumer studies, export development).



"We have a two-fold relationship with Carrefour: one the one hand, the development of Carrefour's house brands is done with trust and transparency, with a constant search for quality and innovation; on the other hand, listing our brands involves the traditional purchasing policy, which has changed very little in recent years."

Jean-Pierre Blanc, President of MALONGO coffees



"Since 1999, I have been the primary Group contact for small businesses. The recent creation of this position, which is independent of purchasing and marketing, has reaffirmed our desire to support local small and medium businesses."

Bertrand Lecocq, Vice-President for Partnerships and Small Businesses, Carrefour France



"In establishing a presence abroad, Carrefour is also an ambassador for the French way of life; it is an opportunity for the products of our small business partners. We will go farther in the future by highlighting 'Maison Europe'."

Philippe Rabit, Adviser to the Chairman-CEO & President of Partenariat France (a public export support organization)

*Small and medium businesses = a family business enterprise with fewer than 500 employees

3. Export assistance

Carrefour's policy to support small businesses internationally is implemented in several forms:

> **MARKETING OPERATIONS.** Carrefour highlights French products in its international stores ("French Weeks"). These operations involved 85 French businesses in Brazil and Argentina in 1996, twenty from the Midi-Pyrénées region in China in 2000 and 2001,...

> **PROMOTIONAL OPERATIONS AND TRADE SHOWS.** Carrefour promotes the products of French small businesses at professional trade shows (120 businesses at the SIAL in Beijing in 2000; 50 small and medium businesses at the Salon Alimentaria in Lisbon in 2001). Carrefour also welcomes dozens of small businesses to share its booths during major French Exhibitions abroad (Beijing, Istanbul, ...).

These marketing and promotional operations are an opportunity for Carrefour to assist small business owners and help them learn about the market, make contacts and meet local buyers.

> **SAFCA.** The Carrefour Suppliers Support Structure in Asia (SAFCA) has been assisting small businesses to export to Asia since 1995 and, more recently to Europe and Latin America, providing them with market analyses, needs and target identification, presentation of their offer, contacts within or outside the Carrefour network. More than 200 small businesses benefited from these services in 2001. Exports by small businesses, thanks to SAFCA assistance, quadrupled between 2000 and 2001, and Carrefour wants to continue this growth

> **SUPPORT FOR SMALL BUSINESSES ABROAD.** Interns are welcomed in Carrefour's offices abroad.

CARREFOUR'S POLICY IN THIS AREA IS PART OF THE ASSISTANCE PROVIDED BY PARTENARIAT FRANCE, A PUBLIC EXPORT SUPPORT ORGANIZATION.

The Italian company La Felinese Salumi exports its Parma ham Quality Line to Europe, including France.



What does this company think of our partnership?

"In 1999, we created with Carrefour the first Parma Ham Quality Line, which guarantees complete traceability of the product, starting with the pork feed. Our sales have grown significantly in Italy and in Europe, where consumers are highly sensitive to the quality and safety of food products. We are now finalizing other Carrefour Quality Lines"

M. Baratta, Felinese



Our goals

- > **To strengthen our partnerships with local businesses in all our countries**
- > **To offer the benefits of our export assistance programs to a larger number of small businesses, in partnership with local support organizations**
- > **To provide regular training for buyers in the specific features of small businesses**

Focus on... fairtrade

Carrefour wants to achieve trade that is satisfactory for all parties, from the producer to the consumer. **An equitable trade that respects human rights and the environment.**

Thus, we are particularly interested in "fairtrade", which is based on a few accepted principles:

> Encourage the organization of small producers so that they control their development, guarantee stable prices whatever the market fluctuations, and long-term commercial relationships.

> Protect the environment to guarantee the health of producers and the sustainable development of their operations: reduce or eliminate chemicals, fight erosion, protect water resources, and support organic production everywhere possible.

> Respect basic human rights, refuse slavery, child labor and any form of discrimination. Ensure social protection.

> Ensure product quality and traceability and communicate the virtues of equitable trade to consumers, so that they can contribute through their purchases to the growth of this movement.

Beyond the North-South countries element that is the focus of fairtrade, **we are working to expand these principles in our procedures to all emerging countries and small and medium businesses.**

Some of our relations with our suppliers are evolving into what we are calling **"responsible"** trade. This is true for the **Carrefour organic** Thai rice and quinoa, and the **Carrefour Quality Line shrimp** in Brazil and Madagascar.

Carrefour is convinced that this approach will work only if it is based on quality products, sold at prices acceptable to the public. We are careful not to place the producers in a position where they are only subsidized. Above all, the goal is to provide them with a stable income so that they can finance their own development.

In addition to its house brand products, Carrefour brings equitable trade products to its stores (notably in France and Belgium) as they become available.

Carrefour is participating in the current debates on fairtrade, for example, within the work group organized in France by the Ministry of Social Economy and AFNOR on the "standardization of fairtrade".



"In 2001, 54 tons of 'Carrefour organic' coffee were sold in France. Since 1997, this coffee has been bought in Mexico under fairtrade terms. The price is 30% higher than the market price. The 3000 small producers hold multi-year contracts, are eligible for credit facilities and various assistance programs (health, shipping, hygiene training, buying cooperative, and others)."

Focus on... social audits of our suppliers

In 1995, Carrefour initiated audits of the working conditions in effect at our suppliers. The group has called on the **International Federation for Human Rights (IFHR)** to assist us in this process. The Infans association, composed primarily of members of the this Federation, was formed for this purpose in 2000.



1. A Commitment Charter

Daniel Bernard, Chairman and CEO of Carrefour, signed the Commitment Charter developed by Infans. Carrefour has made a commitment to respect, and ensure respect by its suppliers, of the **fundamental rights of workers set forth by the ILO:**

- > Refusal of slavery and forced labor
- > Refusal of child labor
- > Freedom to join unions and collective bargaining
- > Compensation
- > Work hours and conditions
- > Non-discrimination and equality of opportunities

"This partnership is one of the most successful in the sector. However, while more and more banners have developed codes of conduct, very few of them have implemented a real system of independent audits. The major challenges for the future will be to develop greater employee involvement in this process and, in the longer term, to adapt prices and delivery schedules to avoid strong seasonal pressures which are the primary sources of abuse by suppliers." Pascal Erard, Coordinator of the Ethics in Labeling Association

> In 2001, 146 suppliers were audited.

A progressive process

- 1995** > Initiation of the process
- 1997** > Development of the Carrefour "Commitment Charter"
- > Signatures by the first two suppliers in Bangladesh
- 1999** > Initiation of the partnership with IFHR
- > 5 audits in Asia to test the methodology

2. Independent audits

Infans developed a **double system to monitor** respect for the Charter. Audits are conducted by outside firms trained by Infans and random visits are conducted by Infans.

This project is part of our improvement process. Rather than sanction the suppliers without appeal, the auditors recommend corrective measures and monitor application. Gradually, the local NGOs will become partners in monitoring and assisting suppliers.

Audits have been started in the high-risk countries and sectors (identified by Infans). **All suppliers will be progressively audited.** This process, which was initiated by the group purchasing pool, will gradually be expanded to the purchasing divisions in all our countries.

"This cooperative effort, which is a new program for the IFHR, is the result of intense discussions between two very different organizations, but it has been constructive and we have succeeded in developing an original monitoring system together. This tool is intended to contribute to greater respect by the businesses concerned, including Carrefour, for international standards for human rights. However, governments remain fully responsible for guaranteeing the implementation of these rights."
Antoine Bernard, Executive Director, IFHR

Our goals

- > **To create Infans offices at the national level, with the involvement of the local teams**
- > **To have the Commitment Charter progressively signed by all suppliers concerned**
- > **To increase awareness of the social audits with all employees concerned**
- > **To be an engine in the creation of a European reference, based on the standard established in France within the Federation of Commerce and Retail**

- 2000** > Signature of the Partnership Agreement with the IFHR
- > Formation of the audit offices
- > 24 audits in Pakistan, India, Vietnam, and Bangladesh
- 2001** > 117 audits in Vietnam, Laos, Cambodia and Northern China
- > 5 random audits conducted by Infans in Bangladesh

Projections

- 2002** > 3 audit phases for 60 house-brand suppliers in Asia

5. To be a responsible actor in local life



"Our goal is to become the benchmark for modern retail in each of our businesses, bringing to local and national communities a concrete commitment to be a responsible economic player and citizen in the life of the community."

From "The Policies of Carrefour"

> Depending on the country, a hypermarket employs between 350 and 450 people, and a supermarket between 40 and 120 men and women.

1. Participate in the economic development of the regions

PROMOTE LOCAL EMPLOYMENT

In all its countries, Carrefour gives priority to local recruitment and uses local service providers and suppliers.

CONTRIBUTE TO COMMUNITY PROSPERITY

By paying local and national **taxes**, Carrefour contributes to the prosperity and development of the communities that welcome us. The opening of a store is generally accompanied by an improvement in the surrounding local **infrastructures** (traffic circles, cycle paths, trees, etc.). These contributions are regulated. In France, they totaled 24 million euros in 2001 (0.13% of hypermarket sales).

ARGENTINA

To meet the economic crisis buffeting Argentina, Carrefour's policy is clear. We will remain in the country to help **rebuild the local economy** with the authorities. We have frozen prices in our stores to battle inflation and protect consumer purchasing power. Established in Argentina since 1982, Carrefour is the country's largest retailer with 30% of the market (400 stores) and the second-largest employer with 25,000 employees. Therefore, our economic role is vital. We are working with local manufacturers and are actively supporting agriculture.

> In France, one hypermarket pays an average of 720,000 € in local taxes.

> In 2001, Carrefour paid nearly 586 million € in income tax.

PARTICIPATE IN URBAN PLANNING

The opening of hypermarkets and retail centers modifies purchasing habits and the commercial structure. Hypermarkets generate a number of social and economic impacts, particularly for small tradesmen in town centers, and are the subject of lengthy and fierce debates.

To achieve a better understanding of complex questions, Carrefour ordered two studies from the CNRS, the French scientific research center, in 1998. For Professor Alain Metton, Director of the commerce research group at the CNRS and Chairman of the Trade Geography Commission of the International Geographic Union, who completed this study, **"the hypermarkets and retail centers in France had a significant restructuring effect in urban planning. In the 1960's, in order to organize urban zones, the Public Authorities favored siting these major commercial structures in the center of the new cities and the bedroom suburbs, which were poorly organized with few commercial resources. The retail centers help turn these areas into viable neighborhoods, because they attract most of the middle and lower classes living in the suburbs for their general purchases (good value, diversity of choices, time savings, and safety of purchases)."**

Our banners Dia, 8 à Huit, Proxi, Shopi, Champion, ... actively participate in the **revitalization of downtown urban areas**. They have allowed small businesses to reconvert their activity, to benefit from the name recognition of our banners and competitive purchasing conditions, while maintaining their independence.



"We are, certainly, one of the symbols of globalization. But if we are succeeding in establishing the hypermarket concept in Europe, South America or Asia, it is because we make profound adjustments in this concept to adapt it to local practices worldwide. In Malaysia, we attract Chinese, Hindu and Muslim customers to the same stores. This presupposes serious study and preliminary work, not simply using one model in different ways."

Daniel Bernard, Chairman-CEO of Carrefour

OUR LOCATIONS IN EMERGING COUNTRIES

Carrefour's international development means that it locates its stores in countries where the standard of living and consumption are rapidly improving. We participate in the economic development of these countries by:

- > organizing the commercial fabric;
- > reducing the food chain risks because of our strict requirements, our short distribution circuits, and our modern equipment;
- > improving product quality and prices because of the economies of scale achieved.



"Retailers' choices of suppliers have an enormous impact in the economies of countries like Colombia or Brazil. By giving priority to small local suppliers, who are often members of the working poor, the banners contribute to the redistribution of wealth from their affluent customers to these disadvantaged groups."

Jan Vandemoortele, Principal Adviser for Social and Economic Development, Director for the reduction of poverty, UN Development Program



Our priority: to respect local cultures in our product and service offer.

2. Social Projects at Carrefour

IN THE STORES

Everywhere in the world, the stores spontaneously initiate **local assistance projects**: support for local associations, redistribution of unsold food products, logistics for donations (see page 30).

For example, Carrefour Brazil offers a **national volunteer program to its employees** who want to be involved in local community life.

IN THE COUNTRIES

Each country Management organizes and coordinates social assistance projects. These projects are being organized more and more, as in France and Spain, through a **special organization known as "Carrefour Solidarity"**.



Food assistance is an important segment of the projects that are implemented by the national assistance organizations with the logistical support of the stores.

In addition to our **support for major national projects** like food assistance, our countries and teams mobilize to deal with **emergencies**. Taiwan contributed 70,000 € in assistance to typhoon victims in the summer of 2001. In France, the strong emotions generated by the explosion of the AZF plant in Toulouse was reflected in an enormous movement of generosity from the group, with strong assistance from the local stores, the establishment of local assistance programs in collaboration with the players on the site, and a fund collection organized with Secours Populaire.

THE EMPLOYEE PACT AGAINST EXCLUSION

In France, the association "Pour Agir Contre Toute Exclusion" (Action against Exclusion), organized by employees, assists more than 1200 families every year. Thanks to donations from the warehouse, three stores offer basic necessities at 80% below the hypermarket prices. The association also offers activities for children and creates service jobs (pressing, alterations, etc.)

"SOS TURKEY" - AN EXCEPTIONAL RESPONSE



Photo: Mikael Oestergaard, Croix Rouge Internationale

After the tragic earthquake that hit Turkey in August 1999, Carrefour rapidly chartered 3 cargo plans and 6 trucks to transport equipment and basic necessities to Izmit (6000 m2 of group tents, more than 1,000 individual tents, blankets, generators, mattresses, freezers, compresses, etc.). The group also offered its parking lots for emergency housing of victims.

International solidarity was the driving force and the Carrefour teams mobilized spontaneously. The organization deployed by volunteers in France and Turkey provided temporary shelters for 4500 people and the operation of a hospital and a school. In its stores in France and Istanbul, Carrefour also launched an appeal for donations that allowed Secours Populaire to collect additional assistance of 118,000 €.



Non-governmental groups (including the NGOs above) are the priority partners of Carrefour Solidarité France. In 2001, 166 projects in education, health, anti-poverty and human rights were supported with a total of 1,372,000 euros.



Our goals

- > **To promote local solidarity and charitable initiatives**
- > **To coordinate and share our experiences in local integration and solidarity throughout the world**



In Argentina, the Foundation supports the Adolfo Pérez Esquivel project, winner of the Nobel Peace Prize in 1980, by financing the construction of shelters and training centers for the street children in Buenos Aires. This shelter welcomes 220 young people, from the ages of 11 to 24, and provides training in a business through fifteen workshops.

**IN THE GROUP:
THE CARREFOUR INTERNATIONAL FOUNDATION**

Created on December 16, 2000, the Foundation promotes major projects worldwide, including countries where the group is not present.

"The Carrefour Group made a choice to establish a Foundation and entrusted its management to a team in the field, whose mission is to conduct its projects with professionalism, transparency and humanism. This commitment has been kept, with true ethical determination, through operations in times of disaster and through the projects to fight international poverty."

Jean-Marie Fonrouge, Director of the Carrefour International Foundation

JEAN-MARIE FONROUGE, AN EMERGENCY CARE SPECIALIST DIRECTING THE FOUNDATION



A physician specializing in anesthesia-resuscitation and disaster medicine, Dr. Fonrouge served as hospital anesthesiologist and assisted in the formation of several SAMU (emergency medical teams) in France and Colombia. He holds a doctorate in law and is a government expert with the European Council. He is a faculty member with several universities throughout the world. A passionate teacher, he is also an author and has scripted and produced 69 medical teaching films distributed in 47 countries.

THE FOUNDATION'S 3 AREAS OF ACTION:

> **Emergency operations:** clothing donations to victims of the earthquake in India (115,000 €), 75 tons of food donated to the victims of the El Salvador earthquake in January 2001, and other projects.

> **Anti-poverty programs through literacy campaigns and cultural projects:** financing for projects for the street children in Buenos Aires and Mexico City, support for international SAMUs, construction of 9 schools for the children of the Omkoi hills in Thailand with UNESCO (492,000 € over 4 years) and others.

> **Assistance for medical and scientific research:** financial support for the FAO to prepare a guide to good slaughtering practices to deal with the risk of mad cow disease.

The Foundation has a 5-year budget of nearly 22 million €, only 8% of which is used for internal operating costs. This is a strict rule that is also applied when selecting projects to support.



Our goal

> **To organize a volunteer exchange on the Internet to create a link between local associations and our employees**

Conclusion and Working Methodology

EXHAUSTIVE COVERAGE OF THE IMPACTS OF THE COMPANY'S BUSINESS is one of the key principles set forth in the international standards for this type of report, such as the Global Reporting Initiative. Thus, we began the process with a broad consultation of all the parties of the group involved in order to identify the principal social and environmental challenges that Carrefour must, in the opinion of its various publics, take into consideration in its approach to sustainable development. The spectrum of the challenges considered in this report is deliberately broad, and some of these issues are relatively new for the group. Issues such as the influence of advertising practices on consumer practices or the means of transportation used by customers have a number of indirect and varied effects on the businesses of a retail brand and dealing with these effects is a complex process. All the issues have been discussed, openly and honestly, by the internal Steering Committee responsible for the report, but all issues could not be treated with the same level of detail in this first edition of our sustainable development report. Some should be developed in greater depth by Carrefour in subsequent editions as the group continues to make progress in its consideration of these issues and the concrete responses it provides in practice.

THIS FIRST REPORT CONTAINS VERY LITTLE QUANTITATIVE OR CONSOLIDATED DATA. The consolidated reporting system for these issues is currently being developed within the group. This decentralized system is inherent in French companies, which promote departmental autonomy in the field, while corporate executives define general policies. This type of flexible organization fosters the development of initiatives that are well adapted to local economic, cultural and environmental conditions, but makes it difficult to collect and consolidate data. This is particularly true for Carrefour, whose growth through mergers-acquisitions has been extremely strong in recent years, and which is now present in 30 countries with 382,800 employees. This absence of reporting explains why many of the initiatives described in this report involve the Hypermarket business in France, the historic origin of the group. In order to learn about practices and evaluate overall performance, we conducted many interviews and sent out a detailed questionnaire to all the group's banners and countries.

IMPROVING THIS DATA FEEDBACK from the various entities will be a key element in Carrefour's success in the coming years. This assumes that a real internal reporting system is implemented, with specific performance indicators that are measured and monitored every year by the countries. This is an absolutely necessary first step that will enable the group to develop quantitative objectives in the future. It will also assist us to identify the initiatives implemented in the different countries, and to strengthen the exchange of good practices initiated through this report.

THIS PROCESS WILL ALSO ALLOW THE GROUP TO SYSTEMATIZE COMMUNICATION AND DIALOGUE IN ALL ITS RELATIONSHIPS. Like many major French companies, Carrefour has not often believed it was necessary to provide information about its social and environmental initiatives, which it believes lie at the core of its business. The Group prefers to express its commitment through a "language of actions". But communication is the core of the policies of responsible companies. Moreover, it is no longer a question of providing information about our good practices, but of communicating with our various audiences so that we can improve together in understanding and implementing sustainable development. The commitment of a large retail banner requires, in return, a commitment from consumers. Thus, it is the responsibility of companies like Carrefour to assist in changing the expectations of their customers through education and awareness programs.

IT WAS IN THIS SPIRIT THAT THIS REPORT WAS WRITTEN. While Carrefour is reporting here on its commitment and its practices, we are also helping, through this publication, to raise the expectations of our publics. This method is, over time, the best way to drive ourselves to meet those expectations.

CARREFOUR WAS ASSISTED BY THE CONSULTING FIRM UTOPIES, a specialist in corporate social and environmental responsibility, in this process and in the completion of this first sustainable development report. www.utopies.com

Validation of the internal audit



"The Department of Prevention, Health, Safety and the Environment defines the areas in which the group must measure its performance, and the progress it has made, using specific indicators. The internal audit then verifies the relevance and reliability of these indicators. In accordance with the standards of the profession, our teams verified the figures contained in this first report.

We are already integrating the sustainable development approach, since our audit programs allows us to assess the internal audit established in the areas of safety and the environment and with respect to our economic and social responsibility.

Gauthier Durand Delbecq, Audit Director, Carrefour

We particularly want to thank all the employees of Carrefour who contributed their time and energy to the preparation of this first report.

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- > **Xavier Urbain**, Chairman-Chief Executive Officer, Hays Logistique France
- > **Jan Vandemoortele**, Principal advisor for social and economic development, Director for the question of reduction of poverty, UN Development Program

To learn more

> About Carrefour and its commitments

www.carrefour.com

> About corporate social responsibility

Global Compact: www.unglobalcompact.org

Comité 21: www.comite21.org

Utopies: www.utopies.com

Novethic: www.novethic.fr

ARESE Agency and its ASPI index: www.arese-sa.com & www.arese-sa.com/Indice/

Dow Jones Sustainability Indexes: www.sustainability-index.com

Global Reporting Initiative: www.globalreporting.org

> About the environnement

Eco-emballages: www.ecoemballages.fr

PNUE, Sustainable Consumption Program: www.uneptie.org/pc/sustain/home.htm

Label Forest Stewardship Council : www.fscsoax.org

Information site on organic agriculture: www.agriculturebio.com

French Institute of the Environment (IFEN): www.ifen.fr

> About GMOs

Geenpeace: www.greenpeace.fr

CRII-GEN: www.crii-gen.org

Union des Industries de la Protection des Plantes: www.uipp.org

> About social issues

UN Development Program: www.undp.org

International Federation for Human Rights: www.fidh.org

Ethics in Label Association: www.crc-conso.com/etic/

Producers, retailers or consumers—sustainable development is everyone's business

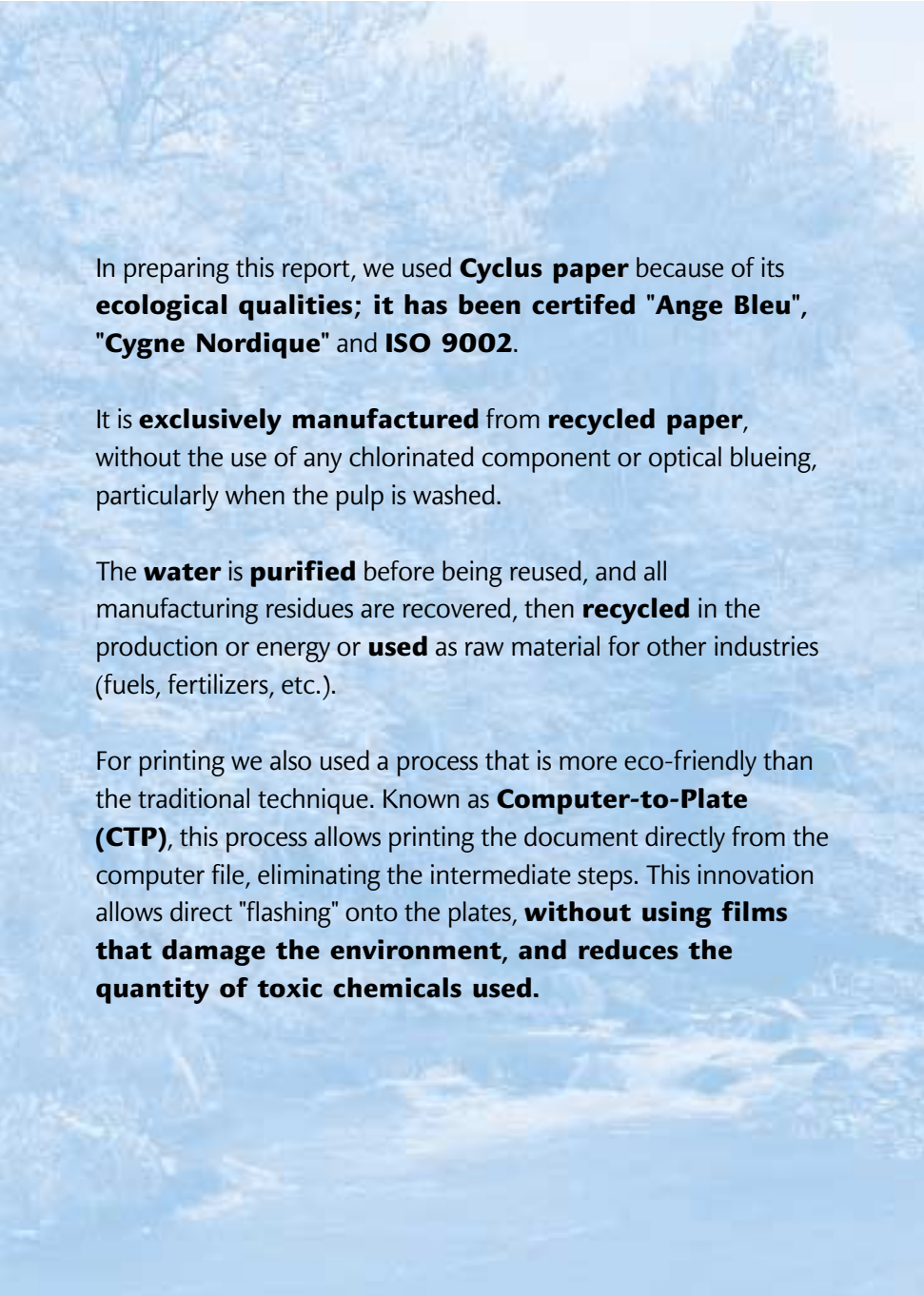
Dialogue with our teams, customers, suppliers... is important to our efforts to make progress.

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In preparing this report, we used **Cyclus paper** because of its **ecological qualities; it has been certified "Ange Bleu", "Cygne Nordique" and ISO 9002.**

It is **exclusively manufactured** from **recycled paper**, without the use of any chlorinated component or optical blueing, particularly when the pulp is washed.

The **water** is **purified** before being reused, and all manufacturing residues are recovered, then **recycled** in the production or energy or **used** as raw material for other industries (fuels, fertilizers, etc.).

For printing we also used a process that is more eco-friendly than the traditional technique. Known as **Computer-to-Plate (CTP)**, this process allows printing the document directly from the computer file, eliminating the intermediate steps. This innovation allows direct "flashing" onto the plates, **without using films that damage the environment, and reduces the quantity of toxic chemicals used.**

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