

SOCIAL RESPONSIBILITY

Relations with suppliers and subcontractors

The Carrefour Group is committed to developing long-term relationships with its suppliers and subcontractors. To ensure that its suppliers respect basic rights, the Carrefour group decided back in 1997, at a time when NGO/corporate partnerships were relatively uncommon, to rely on the expertise of the FIDH. This international non-governmental organization currently includes 141 organizations defending Human rights around the world. In 2000, this cooperation gave rise to the adoption of a Social Charter and the creation of the Infans association (governed by the Law of 1901), which provides a framework for joint work. This Charter and its set of criteria were updated in 2005. After an initial period focused on social audits, the mandate of Infans changed, and its priority is now strengthening a regulatory approach with respect to corporate responsibility and the development of international labour standards and other Human rights.

1. Incentives to promote social standards among suppliers:

The Carrefour Group is very active in promoting the ILO principles among its suppliers. Since 2006, all suppliers (food and non-food) are contractually engaged to the Group Social Charter.

2. Social audits:

When Infans was formed (2000), the FIDH took part in training purchasers and Carrefour's Quality teams, as well as external auditors, in the audit criteria. The audit system provides for different phases of control: an internal control conducted by the Carrefour Quality Department and integrated into the commercial process, and an external control conducted by professional audit agencies. In addition, even though the FIDH has not taken part in the audits since 2005, it does have the right to conduct random spot checks at Group suppliers. These audits are based on a grading system, from A (compliance with Charter and best practices implementation) to D (critical situation requiring major corrective actions). In the event of non-conformity, a corrective action plan is put in place.

To supplement the control tools, in Bangladesh the Carrefour group and the FIDH, with the help of a local NGO, Karmojibi Nari, set up a training program for supplier employees and managers in order to inform them about basic labour rights. **2, 067** social audits were performed in 7 years.

In 2007, 609 social audits were performed. 492 of these were initial audits and 117 were re-audits.

3. Sanctions in case of non-respect of the social standards:

Re-audits are performed enabling Carrefour to track suppliers and make sure they put the principles of the Social Charter into action.

The Group monitors the continuing improvement of its suppliers. To complete this control, the Carrefour Group has set up training programs for the employees and the managers of its suppliers to inform them about fundamental human rights. It was implemented in Bangladesh for example.

The Group gives priority to assisting its suppliers, only removing them from supplier lists if they are in serious breach of the charter or refuse to apply corrective measure.

4. Measures implemented to promote long term relations with suppliers and subcontractors:

The Carrefour Group aims at developing long-lasting relationships with its suppliers and associates them in the development of the Group. Transparency and dialogue are key to keeping Group stakeholders aware and involved in the Group's actions.

For example, in France, the 218 Carrefour hypermarkets sell more than 470,000 tons of fruit and vegetables every year. Based on this success, Carrefour has worked with our Carrefour Quality Commitment agricultural partners to develop a new type of partnership since July 2006, which promotes commitments on purchase volumes upstream of production. This cooperative effort has given birth to the "Carrefour partnership guarantee", which involves four points: contracting production with the supplier for projected volumes before the season; defining a promotional plan; responding to opportunities and to immediate repercussions on consumer selling prices; and exporting French products. In 2007, this initiative involved 224 suppliers of 220,000 tonnes of produce.

This commitment will help Carrefour to strengthen its policy of promoting French and regional production and to ensure our partners stable commercial outlets. This will give them ease of mind as they manage their production.

Moreover, in several countries, the Group has developed suppliers Clubs and / or organizes regular meetings with its suppliers of own brand products during which Carrefour staff and suppliers can easily exchange.

5. Prevention of bribery:

The Global Compact, which Carrefour signed in 2001, promotes the fight against bribery. Fighting against bribery and corruption is also one of the principles included of the Code of Conduct of the Group (updated in 2007), which is provided to all employee. It is also mentioned in the Group Supplier Social Charter signed by all suppliers. To fight corruption and sexual harassment, some particularly sensitive countries like Argentina, Brazil, China, Colombia, Indonesia and Turkey have set up ethics hotlines. These anonymous telephone lines allow employee and suppliers to report any behaviour that conflicts with the Group's ethics.

6. Promotion of local sourcing

To contribute to the economic development of the countries and regions where it operates, the Carrefour group works not only with the multinationals, but above all with SMEs and local agricultural producers. This emphasis on local sourcing is expressed in particular in the development of own-brand and retail brand products such as Reflets de France (France), De Nuestra Tierra (Spain), Terra d'Italia (Italy), Souvenirs du Terroir (Belgium) and Tierra de Colombia (Colombia). Local sourcing is also expressed through its 398 Carrefour Quality Lines which involved 28,459 producers worldwide in 2007.

7. Measures to support our suppliers

The Carrefour group uses its expertise to support its suppliers through its audit policy (hygiene and quality/environment/ social). It encourages the share of know-how by organizing forums and conventions and even supplier clubs. It promotes their

products in the store through informational campaigns and by organizing “best supplier” awards in many countries. Finally, it opens international doors for the SMEs by helping them with market prospecting and by facilitating contacts with other Carrefour.

Transmitting know-how to its suppliers is also part of the Group’s policy.

For example, in China, Carrefour created the Carrefour China Foundation for Food Safety. The Food Safety Foundation is a non-profit organization financed by the Carrefour group to train and inform players in the Chinese food sector. Its activities include organizing international seminars, training trips to Europe, training, research prizes, as well as awareness raising activities in stores and on TV programs. In 2007, the Foundation organized seven training seminars with 325 producers and government officials covering the distribution, safety and quality of agricultural products in the central-western region.

Another example is the support provided by the Carrefour group to its suppliers in implementing REACH law. In effect since June 2007, with requirements phasing in until 2018, the REACH law has direct impact on Carrefour, which must identify chemical substances of concern within its products, including their packaging.

Parallel with actions taken by the Group to respond to this law (adding a REACH clause in its business contracts, creating a dedicated team, training internal teams, developing tools, technical documents etc.), Carrefour has set up specific support for its own-brand suppliers (often SMEs). It first identified their obligations, which vary in each case, and since November 2007 has carried out audits. Each supplier is informed about REACH and his obligations under it, and then is evaluated for his ability to conform. The results are translated into a reliability index, which, below a certain level, triggers a corrective action plan, followed by another audit. Carrefour helps the supplier implement the action plan. For his part, the supplier is committed to improving his index.

8. Measures to support the Sustainable Development approach of our suppliers

In 2006, the Group’s banners in France made a computerized self-diagnostic tool available to over 70 suppliers of own-brand products to help them set up their Sustainable Development policy and share best practices.

The self assessment is performed on a grid of 49 criteria drafted by the WWF. To back up this approach, in 2007 the Group launched the first campaign of consultation visits for controlling the suppliers' information and to help them implement their action plans, which Carrefour will follow up. In 2007, 212 suppliers self assessed. A positive outcome: the suppliers are very motivated and appreciate Carrefour's support. The objective is to extend the approach to other countries.