



Managing our supply chain

Context

A company's performance depends, among other things, on its ability to manage the risks associated with its network of trading partners. The collapse of the Rana Plaza made that clear. In an environment now largely globalised by the search for cost reduction, the corporate supply chain has become particularly complex. In most cases, many subcontractors and suppliers are involved, and they come from multiple business sectors and various geographical areas.

Under pressure from various stakeholders (investors, consumers, NGOs, etc.), large ordering groups are increasingly aware of the magnitude of the challenges linked to their indirect activities, via their supply chain. The risks of negative impact from business activities throughout the value chain are significant the regulation of these issues is increasing. Companies may have a negative impact resulting from their own activities (direct operations) or from their business relationships with third parties (indirect operations, including with suppliers and other supply chain stakeholders).

In recent years, companies have made progress in taking the social and environmental impact of their procurement processes into account. They have invested in setting targets and monitoring indicators to ensure that their suppliers' adopt good practices and, if necessary, make changes to their operations. The Carrefour group, which works with thousands of suppliers around the world, is thus committed to assessing the risks present in its supply chains, evaluating the social and environmental compliance of its suppliers and promoting better CSR practices throughout its value chain.

It extends from raw materials to the finished product and encompasses the whole product life cycle. Upstream, the various links in the value chain concern the supply of raw materials (supply), the subcontracting of semi-finished or finished products, and logistics (transport). Downstream, the operations making up the value chain are distribution, consumption and, in some cases, recycling.

In particular, Carrefour is subject to the law on parent companies and ordering companies' duty of care with regard to their subsidiaries and subcontractors. Under this law, Carrefour is implementing a "care plan", which involves identifying risks and preventing serious harm to the environment, preventing violations of human rights, and safeguarding the health and safety of all of its partners with whom it has an established business relationship.

During the Covid-19 crisis in 2020, the checks carried out on the supply chain were adapted: digital audits were conducted remotely when the health situation made inspecting them physically impossible. Some were even postponed until 2021.

Our aim

Carrefour is committed to improving working conditions and protecting human rights and the environment among its suppliers. Carrefour is putting tools and procedures in place to monitor and support its suppliers.

The duty of care creates a direct responsibility to our Tier 1 suppliers. As a leader in the food transition, and in keeping with the ethos behind the Quality Lines, the Group believes it is necessary to take steps to manage social and environmental risks across all of our supply chains. The holistic approach must be combined with a more specific approach on commodity chains for which a significant risk has been identified. The vision is to eventually achieve sustainable and equitable supply chains for all market and non-market purchases.

In accordance with Carrefour's procurement rules, all supply plants located in high-risk or at-risk countries must undergo a social audit. The audits are conducted under Initiative for Compliance and Sustainability (ICS) and Business Social Compliance Programme (BSCI) standards. The audit is not an end in itself but rather, a tool that paves the way for dialogue and the implementation of a compliance plan to bring the supplier's working conditions in line with requirements.

To support its suppliers and promote CSR across its supply chains, Carrefour implements training programmes and regional projects; it also supports fair trade. Carrefour trains its suppliers in partnership with consultants or local NGOs. Carrefour Sourcing teams roll out specific training programmes every year. The Group has also drawn up the Good Factory Standard, a practical training document featuring a breakdown by sector and/or by type of product (bazaar, clothing, wood, leather, etc.).

In 2007 Carrefour started providing all of its suppliers with an online sustainable development self-assessment test, based on the ISO 26000 social responsibility standard.

Our objectives and performance

SUMMARY OF OUR OBJECTIVES:

- perform compliance audits on all supplier factories located in high-risk or risk countries.
- increase fair trade sales;
- All of our natural raw materials used in our TEX products must be sustainable and traceable by 2030.

Social compliance of suppliers: in 2020, 1418 social audits were conducted of the Group's potential production sites, namely 27% fewer than in 2019. This decrease is due to several factors: a consequence of Covid-19 has been a strategy that involves maintaining business with existing suppliers, thus slowing down procurement activities and so reducing the number of pre-listing audits. In addition, given mobility problems, a number of audits were delayed by several months.

An alert is a critical point of non-compliance identified during an audit. In 2020, 17% of potential production site audits generated one or more alerts. In the case of a listed supplier, immediate action is required. This action is confirmed within three months by a second audit in order for trade relations with Carrefour to be maintained. The main non-compliance issues discovered across the Carrefour supplier network were to do with working hours, pay levels and workers' health and safety. The results are as follows:

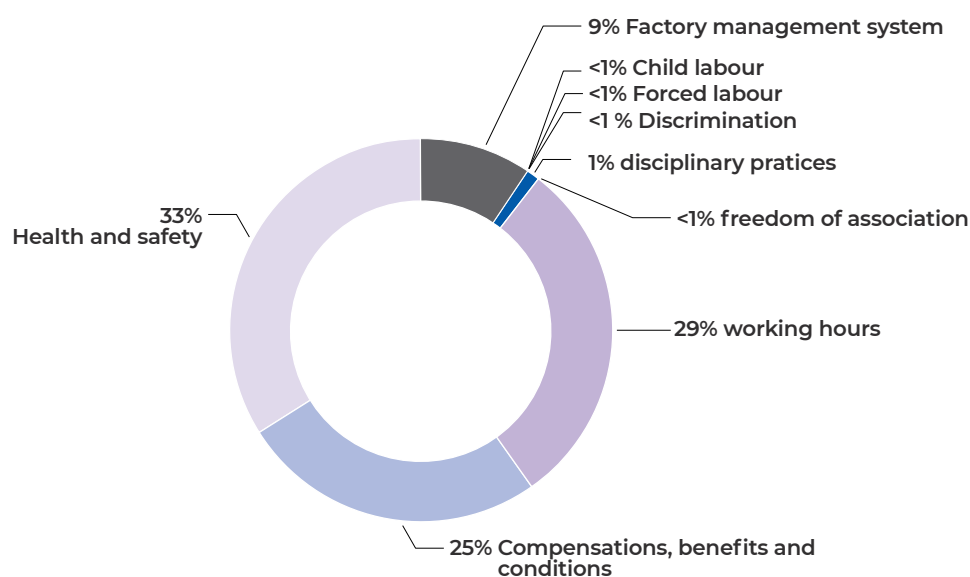
| KPI | 2018 | 2019 | 2020 | Variation |
|--|-------|-------|--------|-----------|
| Number of social audits carried out (potential production sites) ⁽¹⁾ | 1,353 | 1,941 | 11,418 | |
| Percentage of audits with alerts (potential production sites) ⁽²⁾ | 18 | 19 | 117 | 2% |
| Of which work-time alerts (as a percentage) | 31 | 32 | 29 | 3% |
| Of which alerts to do with compensation, working conditions and benefits (as a percentage) | 28 | 25 | 25 | |
| Of which alerts to do with worker health and safety (as a percentage) | 24 | 26 | 33 | +6% |

(1) Audits carried out in accordance with ICS standards (number of audits carried out at Carrefour's request) and BSCI standards (number of audits carried out across Carrefour plants).

(2) Audits performed in accordance with the ICS standard only

BREAKDOWN OF ALERTS BY CATEGORY IN 2020

(potential production plants expressed as a percentage of alerts issued)



Develop fair trade: to support its suppliers, promote CSR across its supply chains and encourage the development of the countries and regions from which the Group sources its supplies, Carrefour implements regional projects and supports fair trade.

| KPI | 2018 | 2019 | 2019 | Change (2018/2019) |
|---|--------|---------|---------|--------------------|
| Sales of fair trade products (incl. VAT) - MDC and MN (in thousands of euros) | 90,537 | 102,404 | 111,198 | +8.6% |

Our action plans

The plans of action for achieving our goals and objectives are as follows:

1. DEVELOP A GENERAL FRAMEWORK AND CONTROL PROCEDURES TO ENSURE SUPPLIERS' SOCIAL AND ENVIRONMENTAL COMPLIANCE

- 1.1. Purchasing Rules
- 1.2. Country risk map
- 1.3. Supplier Commitment Charter
- 1.4. Technical, social and environmental audits
- 1.5. Supplier monitoring and evaluation plans

2. PROMOTING CSR IN SUPPLY CHAINS

- 2.1. Suppliers' environmental performance
- 2.2. Supplier social performance
- 2.3. Sectoral approaches and sensitive materials: focus on clothing sectors

3. SUPPORTING AND TRAINING EMPLOYEES AND SUPPLIERS

- 3.1. Training and involvement of employees
- 3.2. Local supplier support and training projects

1. DEVELOP A GENERAL FRAMEWORK AND CONTROL PROCEDURES TO ENSURE SUPPLIERS' SOCIAL AND ENVIRONMENTAL COMPLIANCE

Carrefour is committed to continuously improving working conditions and protecting human rights among its suppliers. For this purpose, Carrefour has put in place procurement rules, a set of tools and procedures for monitoring its suppliers and helping them achieve compliance.

1.1. Purchasing Rules

Purchasing rules govern the social and environmental compliance of purchases of controlled products. These products meet specifications defined by Carrefour and are subject to specific quality control. The purchasing rules for the social and environmental compliance of retail or non-retail certified product purchases were updated in 2018, particularly as regards their scope, country risk, accepted audit standards and the supply chain. They apply to all Group entities and all production countries based on their determined level of risk. These rules have been distributed to all Group countries.

These rules stipulate:

- That all suppliers must sign a Commitment Charter (described below);
- The process and compliance rules for social audits (described below);
- That all the Group's purchasing entities must appoint a person in charge of social and environmental compliance;
- A plan of action to bring sensitive production phases and raw materials into compliance with specific purchasing rules

1.2. Country risk map

To identify the countries most likely not to comply with the charter, Carrefour established a country-by-country risk map, which was revised in 2018, in line with the Duty of Care Plan. The list of countries at social risk is based on the country risk analysis produced by amfori-BSCI and the ITUC Global Right Index. The country classification also takes into account recommendations from the International Federation for Human Rights and from Carrefour's local teams.

Procurement potential and purchasing rules depend on the risk rating assigned to each country:

- Severe risk: production and supply are suspended in these countries;
- High risk: authorisation at Group level is required for any production in these countries. Once the country is approved, Carrefour teams working in the country approve and monitor plants;
- Risk: the plant is selected in strict application of the Group's Purchasing Rules;
- Low risk: Purchasing Rules apply, but an audit is not mandatory.

1.3. Supplier Commitment Charter

The commitment of suppliers of Carrefour-brand products to human rights is reflected first and foremost through their signing of a Supplier Commitment Charter, which forms an integral part of all purchasing contracts in all countries. Initially drawn up in 2000, in partnership with the International Federation for Human Rights, it was first called the Charter of Social and Ethical Standards. Renamed and updated in 2018, under the Duty of Care Plan (details in Section 2.1.3 of the 2019 Universal Registration Document), the Charter now includes an ethics hotline, available online or by telephone 24 hours a day, 7 days a week in all Group languages via Internet or telephone.

The Charter is designed to ensure that Carrefour continues to uphold and remains compliant with:

- The Universal Declaration of Human Rights;
- The eight core conventions of the International Labour
- OECD Guidelines for Multinational Enterprises;
- The ten principles of the United Nations Global Compact;
- The United Nations Guiding Principles on Business and Human Rights;
- The international agreement signed with the UNI Global Union.

It reaffirms Carrefour's Ethical Principles, which establish the reference framework for fair and transparent commercial practices, and thus shares these principles of action with suppliers.

Lastly, the Charter stipulates that suppliers must comply with the Group's human rights, ethics and environmental requirements, which are set out in nine sections:

- ➊ Prohibition of forced or compulsory labour, in the form of servitude, debt bondage or prison labour;
- ➋ Prohibition of child labour;
- ➌ Respect for freedom of association and the right to collective bargaining;
- ➍ Prohibition of all forms of discrimination, harassment and violence;
- ➎ Health and safety;
- ➏ Decent wages, benefits and working conditions;
- ➐ Working hours;
- ➑ Business ethics;
- ➒ Environmental protection (natural environment and resources).

The charter prohibits any concealed or unreported subcontracting, and demands, as a knock-on effect, that suppliers have the same social compliance requirements for their own suppliers. Based on reciprocity, the charter states that Carrefour may not impose any conditions on suppliers that would prevent them from complying with the charter.

Moreover, Carrefour undertakes to support its suppliers as much as possible in implementing these social principles, specifically by deploying corrective measures in the event of non-compliance.

1.4 Technical, social and environmental audits

A number of checks are carried out before a supplier is listed:

- ❶ **Mandatory pre-audit** carried out by Carrefour's Sourcing teams in the field on the basis of an internal grid. If this pre-audit is not good (C or D for bazaar and EPCS; average or poor for clothing), then there is no listing. If the factory obtains an A, B or a "Good" rating: a technical audit is then triggered, and a social audit for countries classified as being at risk (on the basis of the risk map produced by Carrefour).
- ❷ **Technical audit:** carried out by Carrefour's quality teams or by an external service provider on the basis of an internal Carrefour standard. The criteria assessed are the ability to meet product specifications (level of expertise per product) and compliance with an appropriate level of quality control for the products. All production plants go through this audit and must obtain A or B grades before they can be listed (C or D are not compliant).
- ❸ **Social audit:** mandatory for suppliers located in «at risk» countries, all plants that manufacture Carrefour-branded products. In 2018, the Group reviewed the accepted audit standards and incorporated the BSCI system, which includes a specific section on the environment. The audit must be carried out by an external service provider on the basis of one of the ICS or BSCI standards. A or B is required (C, D or E not compliant). For suppliers located in low-risk countries, the inspection system is adapted to take the business, local problems and on-site practices into account, as external audits are not performed systematically.
- ❹ **Environmental audit:** For sites or activities presenting specific environmental risks (water, waste, gas emissions, chemical risk, biodiversity, etc.), set up an environmental assessment or audit to support the supplier.

Special case in Bangladesh: the supplier must be part of the Agreement grouping in order to be listed. This grouping brings together brands and organizes additional mandatory safety inspections before any listing is possible. In 2020, the remit of ACCORD will be transferred to the RMG Sustainability Council (RSC), a national private organisation governed by brands, BGMEA – Bangladesh Knitwear Manufacturers and Exporters Association – and workers' representatives to ensure the continuity of improvements in the sector.

In the case of social audits, the control process is as follows:

- ❶ Preliminary review when the pre-audit is conducted: the sourcing teams perform on-site checks to determine whether the plant meets basic social, environmental and quality requirements. This is the first key stage in the process;
- ❷ Initial audit : an independent firm performs an unannounced social audit. If the plant complies sufficiently with the standards defined by the Initiative for Compliance and Sustainability (ICS) or the Business Social Compliance Initiative (BSCI), it may be added to the list of suppliers. A report and accompanying action plan are systematically issued to correct any instances of non-compliance or to make improvements to any identified areas of weakness. If the audit findings contain an alert, i.e., a critical point of non-compliance, the supplier will not be added to the list in these circumstances. The alerts, defined using the ICS method, reflect cases including child labour, forced labour, disciplinary measures, attempted corruption, document falsification and safety conditions threatening the lives of workers

- ③ Follow-up audit: once the plant is added to the list of suppliers, unannounced follow-up audits are carried out periodically by independent firms. These audits shall be carried out at least every two years and may be closer together depending on the criticality of any issues of non-compliance flagged up in previous audits. Carrefour carries out second-opinion audits on a regular basis to ensure its requirements are being correctly complied with by the independent firms employed.
- ④ Specific audits: Carrefour may hire an external firm to check one-off or specific items, as with the Bangladesh Accord signed in 2013, by a coalition of international brands and the biggest trade unions to promote fire safety and the safety of buildings in the country.

If the follow-up audit findings contain an alert, the supplier must take immediate corrective action. An inspection is then carried out within a reasonable timeframe to ensure the corrective action has been taken; Action plans are systematically drawn up following an audit, adapted according to the issues of non-compliance encountered.

1.5. Supplier monitoring and evaluation plans

In addition to technical, social and environmental audits, inspections by quality teams (Global Sourcing) are organized on the basis of a monitoring plan defined by Carrefour to check product quality compliance and ensure a presence during production. For clothing, inspections are systematically conducted for all plants no more than once a year to ensure that quality procedures and plant standards are well maintained using the «Carrefour Good Factory Standard». This standard developed by Carrefour comprises a set of basic requirements that must be met to maintain plant standards. The document has been adapted for different sectors and products. It sets forth good and bad practices in a simple, illustrated is easy to understand and enables more effective training of our suppliers.

Since 2019, clothing supplier assessments have incorporated a CSR rating, in addition to the usual commercial, quality, and delivery (supply chain) ratings. This CSR assessment includes the results of social audits, environmental assessments/alerts, supplier management assessments (tier 2 for Carrefour), traceability of ingredients, supplier certifications and good social practices (beyond regulatory compliance). Carrefour's sourcing teams meet with the evaluated suppliers to share best practice and areas for improvement, and they take this rating into account when selecting suppliers.

2. PROMOTING CSR IN SUPPLY CHAINS

2.1. Suppliers' environmental performance

Carrefour includes environmental requirements in its tools and standards outlined above (Purchasing Rules, Good Factory Standard). Carrefour also develops local projects to meet its suppliers' specific needs.

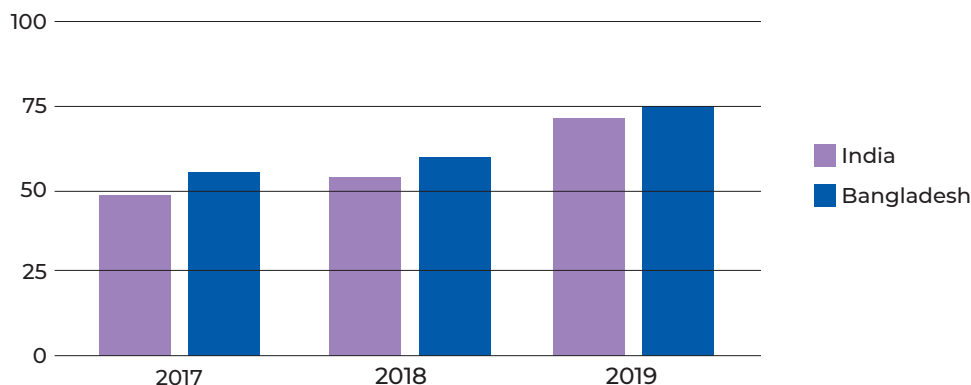
Since 2016, a comprehensive programme has been in place to reduce the environmental impact of Carrefour supplier factories. This «Clean Water project» is primarily aimed at water-consuming clothing industries that use water and chemicals in their production process. It is designed by Carrefour Global Sourcing's sustainable development teams and aims to raise awareness, train and monitor suppliers on the management and efficiency of water and chemical consuming processes (e.g. dyeing and finishing). In particular, the «Clean Water Project» includes a training and audit programme on chemical management, an environmental programme in China in collaboration with the Institute of Public & Environmental Affairs (IPE) and a tannery certification programme. The goal is to reduce their impact on water and on the environment, and to have all the production sites of key textile suppliers integrated, trained and working on corrective plans. This has already been achieved in India and Bangladesh, with the support of chemical audits, and in China with the support of IPE.

- Carrefour chemical guidebook: in Bangladesh and India, Carrefour Global Sourcing has issued guidelines for handling chemicals in plants: purchasing, inventory, use and discharge. These guidelines, set out in the Carrefour Chemical Guidebook, involve training and annual unannounced inspections to check water quality at treatment plants, the management of chemicals and the correct application of the Business for Social Responsibility (BSR) standard.

Suppliers are monitored on the basis of a chemical audit carried out by a third party company to check five areas: chemical management, chemical handling, wastewater treatment, sediment management and efficient water consumption management.

The suppliers monitored are the integrated suppliers involved in dyeing and washing operations (19 audited suppliers in Bangladesh, 8 audited suppliers in India). Suppliers are trained at least once a year. In 2020, 18 suppliers received training in this area.

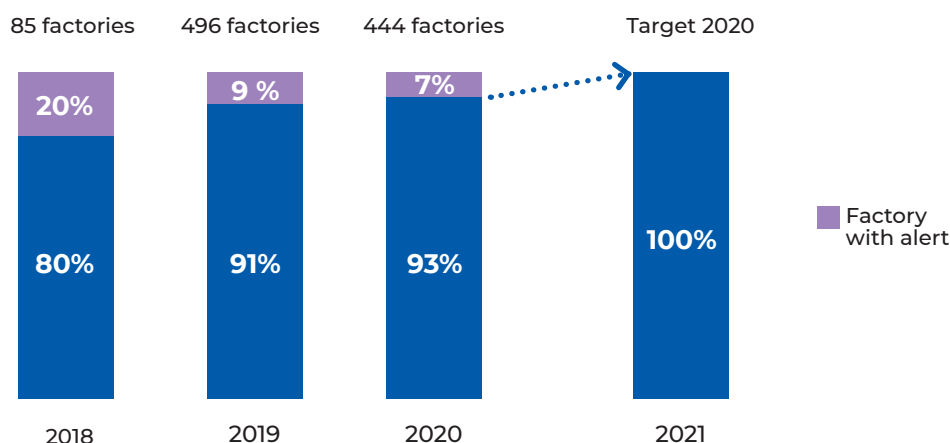
CHEMICAL AUDIT SCORE EVOLUTION - INDIA AND BANGLADESH



→ Institute of Public & Environmental Affairs (IPE): in China, Carrefour has been working jointly with the IPE since 2015, a non-profit environmental and research organisation that collects data from more than 5000 factories. This project aims to address issues of non-compliance with Chinese environmental legal requirements by supply chains. Every year, Carrefour publishes the list of clothing suppliers on the IPE platform and collects the environmental data from its subcontractors to identify potential issues of environmental non-compliance. These are followed by corrective action plans. China's largest clothing suppliers (34 «Very Important Suppliers») were all trained at an environmental conference with the Institute of Public and Environmental Affairs of China (IPE) organized by Carrefour Global Sourcing in December 2019.

In 2020, 444 Carrefour supplier plants were verified in the IPE database for various sectors (clothing, bazaar and home appliances), including 339 tier 1 suppliers and 105 tier 2 suppliers. There is a clear improvement in results compared with 2019, with no alerts issued in 93% of the plants. Carrefour is aiming to achieve 100% compliance in 2021, and has moved up in the IPE's brand ranking from 33rd to 17th position (all sectors combined). In particular, the publication of the production sites of key tier 1 and tier 2 textile suppliers, the PRTR (Pollutant Release and Transfer Register) environmental impact reports for 20 suppliers, shared with the IPE, and the preliminary assessments of tier 3 suppliers have enabled this improvement in the IPE ranking and resulted in an improvement in the ranking of brands produced by the IPE, from 31st to 18th position.

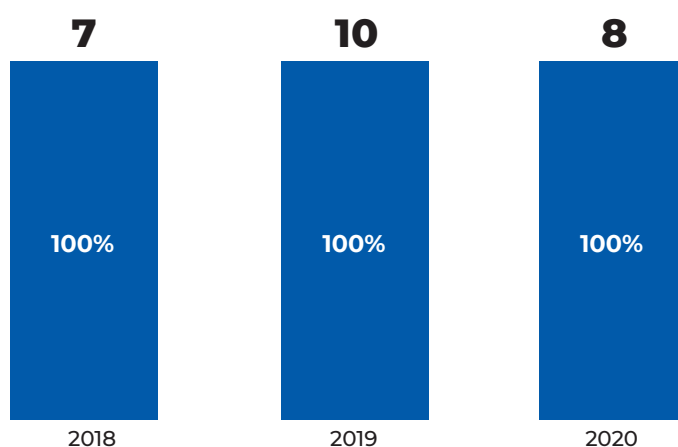
NUMBER OF IPE VERIFIED FACTORIES AND ALERTS



→ **Leather working group (LWG):** the Leather Working Group has been working since 2005 on developing common standards for all stakeholders in the leather industry value chain. The LWG has developed a protocol that assesses the compliance and environmental performance of leather manufacturers in order to promote sustainable business practices within the leather industry. All of Carrefour's supplier tanneries are "Leather Working Group" certified in Asia (Tier 2 suppliers).

In 2020, all Global Sourcing offices continued to select only audited and certified LWG tanneries. We have maintained a small number of tanneries: this rationalisation enables us to simplify our monitoring procedures, thereby securing the quality of the leather. All of our leather products' eight tanneries are LWG certified, which guarantees good plant standards and environmental compliance.

PART OF THE FACTORIES THAT ARE LWG CERTIFIED



2.2. Supplier social performance

In order to comply with the duty of care and support our suppliers in improving their social performance, Carrefour mainly works in three key areas:

→ Mapping tier 2 suppliers in at-risk countries

As part of the 2030 target of '100% natural traceable and sustainable materials for the Tex brand', Carrefour wants to be able to track its products, as well as its suppliers. For example, work on mapping tier 2 suppliers got under way in 2020. The objective is to have an overview of the various third parties involved in the production and supply chain. For example, for the textile industry, it would be a matter of identifying the suppliers of the suppliers involved in the following steps: manufacture of the material (spinning, knitting, dyeing), assembly of the product, etc. We have produced this map "manually" for Bangladesh and India, and an IT solution is being looked into so we can systematise the process across all of the Group's at-risk countries.

→ Tracking our supply lines and sharing information transparently about them

By 2030, Carrefour wants all of the natural raw materials used with its TEX brand to be sustainable and traceable.

Since 2019, Carrefour has been working with more than 4500 small cotton farmers in Madhya Pradesh on a project that involves producing high-quality organic cotton, paying producers fairly and ensuring that the product can be traced – right from the seed.

The Carrefour Foundation has supported the installation of two biopesticide production units, enabling 2000 local producers to obtain better yields and so increase their income. It has enabled 100 wells to be drilled, guaranteeing regular irrigation of the cotton fields. 1000 farmers in 18 villages have also received training in organic agriculture methods.

Finally, Carrefour ensures that producers operating on its Indian organic cotton supply line receive an increase in pay compared with those involved in conventional cotton supply lines

via its Cotton Connect partner. The first 100% “sustainable cotton” collection resulting from this initiative includes household linen, underwear and clothing for babies and children sold under the TEX BIO brand. These products have been on sale since spring-summer 2019 in all Carrefour hypermarkets in France and Spain. All of the various stages between sowing and the finished product are traced and recorded, ensuring complete traceability from the seed right up to the organic Tex product. Blockchain technology, which was introduced for clothing in 2020, now offers consumers the opportunity to see the whole route that the cotton has taken, from the field to the store – simply by scanning a QR Code on the label of their product.

→ Ensuring fairer pay for workers

Carrefour uses three levers to improve living wages: fair trade products, social audits and the introduction of services in addition to remuneration.

Support for fair trade:

In France, Carrefour group was the first major retailer to sell a fair trade product back in 1998, with Malongo brand coffee produced by small growers. Many Max Havelaar® certified products have since been added to store shelves through brands such as Alter Eco, Ethiquable, Lobodis, etc. Twenty years on, Carrefour and MaxHavelaar® have signed a number of international agreements.

In 2020, more than €110 million in sales of fair trade products were generated by Carrefour stores worldwide (an 8.6% increase compared with 2019). This offering generated nearly €1.5 million in development bonuses for cooperatives, on top of the fairer retail price paid to producers, which have financed study grants, water purifiers, schools, a maternity unit, and more.

Carrefour’s own-brand range, launched in partnership with MaxHavelaar® now includes numerous products, which are also organic, in five product categories: bananas, coffee, chocolate, honey and tea. In 2020, 928 fair trade products were sold in Carrefour stores around the world.

CASE STUDY:

The organic and fair-trade banana: organic bananas were the first product to be included in Carrefour’s fruit and vegetable section. Carrefour sells 140,000 tonnes of bananas per year in France, Spain, Belgium, Italy, Romania and Poland. This trade represents an essential source of employment and income for 4 million families in the countries of the South (Dominican Republic, Peru, etc.). But small producers and plantation workers are not always guaranteed a fair price that allows them to develop and enjoy decent working conditions. Finally, banana production has a particularly large environmental footprint (soil pollution, etc.).

To meet these challenges, Carrefour has been offering fair trade, organic bananas in its stores since 2014. These bananas are made using organic farming methods that are more environmentally friendly and guarantee a fair price for small producers. Each banana purchased thus guarantees a minimum purchase price and the payment of a development premium (€0.05 per kilo) to finance local projects for the producers and their families.

In March 2020, Carrefour launched a new Caribbean banana line, in partnership with the UGPBAN (union of banana producers groups of Guadeloupe and Martinique) and the CIRAD (the French agricultural research and international cooperation organisation). In addition, Carrefour has launched a new Carrefour Quality Line to support an agroecologically grown banana in the West Indies. The CQL banana is grown without using insecticides, and herbicides will be phased out between now and 2022. This new line uses blockchain technology, so consumers can scan a QR on the fruit label to access comprehensive information about its agroecological production. The West Indian CQL banana is currently on sale at hypermarkets and convenience stores in France, and will eventually be rolled out to all Carrefour sales outlets as production increases.

Social audits of our suppliers:

Carrefour's purchasing rules on the implementation of a decent wage provide for audits on compliance with the minimum wage, payment of overtime as provided for by law and freedom of association. Specific roadmaps relating to these three areas have been defined locally.

Suppliers' social performance is monitored and controlled on a regular basis by means of social audits. Corrective action plans are put in place systematically and monitored over time. In addition to social audits, Carrefour develops local projects to meet its suppliers' specific challenges. More than 80% of the non-compliance issues observed each year concern the following three areas in plants in countries where risk exists: «Compensation, Benefits and Conditions», «Health and Safety» and «Hours of Work».

To provide a solution for these issues, plant capacity and production schedules for Carrefour's orders from its largest clothing suppliers (by volume) are analysed and adjusted at a very early stage, to limit problems with "working hours".

Carrefour pays particular attention to the payment of a decent wage in the value chain. Carrefour's 2018 commitment charter includes compliance with payment of a decent wage (point 6). In particular, it states (Section 6.3) that "wages and other remuneration for regular working hours must be sufficient to cover the basic needs of workers and their families with some income left over for them to use at their discretion."

Local projects to provide workers with a certain standard of living:

Carrefour prefers an approach based on increasing benefits in kind. This is why the Group has tested a number of models to improve workers' quality of life directly in the field. In this way, Carrefour ensures that the funds allocated to improving the sector benefit workers.

In partnership with the SNV association, two insurance companies and four local medical centres, the Carrefour Foundation funded (for three years until 2019), a health insurance programme for textile workers in five factories in Bangladesh. This coverage has provided workers with free access to medical consultations, diagnostic services, family planning and maternity services. Its annual cost was an estimated €6 per worker, €4 of which the Carrefour Foundation covered in 2017, followed by €3 in 2018 and then €2 in 2019. Deployed first in five and then eight factories in Bangladesh, the programme has helped more than 14,000 workers, reducing work absences, increasing productivity and keeping personnel turnover to a minimum. Carrefour has learned a lot from this experience and is now looking for the best way to leverage it for the benefit of its living-wage project.

Eager to incorporate these achievements as part of a sustainable approach, Carrefour has been promoting a Fair Price Shops model integrated into some of these partner suppliers' plants since 2019. These shops specifically for workers not only allow them to benefit from a discount on daily groceries but also provide the same health insurance for workers, as of four consecutive months of purchases. In 2020, a store was opened, and 2478 workers were able to take advantage of discounts on food. 96 were able to sign up to a health insurance scheme. We are working to have additional stores opened in 2021 based on the same principle.

2.3. Sectoral approaches and sensitive materials

Carrefour has drawn up a list of "sensitive" production phases that may present human rights and environmental risks. These phases may either take place during the manufacturing processes of Carrefour suppliers or further upstream in the value chain. Carrefour raises the awareness of its suppliers to these issues and asks them to implement inspection procedures if necessary.

Carrefour also identified 22 key raw materials associated with social and environmental risks throughout their value chain. These raw materials have been prioritised based on their risk level and materiality for Carrefour. This will enable the Group to define official policies, action plans and specific purchasing rules for all of these raw materials by 2022.

The Supplier Commitment Charter and Purchasing Rules specific to sensitive production phases and raw materials are appended to the Purchasing Rules that provide the framework for the social and environmental compliance of all certified products.

For further details: see Carrefour.com and CSR Report: Sourcing raw materials at risk”.

Focus Textiles: in 2018, Carrefour set out minimum purchasing rules for cotton. These rules prohibit the purchase of cotton from Uzbekistan, Turkmenistan and Syria. Rules have also been put in place for leather, with the obligation to source only from LWG (Leather Working Group) certified tanneries, to ensure a good level of environmental respect.

The development of products made from organic cotton, “sustainable” viscose (fibres manufactured from FSC-certified wood), “waterless” jeans (the manufacture of which require less water, chemicals and energy), and recycled synthetic fibres has been significant: more than 5 million products were delivered in 2019.

In 2019, Carrefour signed the Fashion Pact. Launched as a mission given by President Macron to the CEO of Kering, it was presented to the Heads of State at the G7 Summit in Biarritz. This global coalition brings together 56 fashion and clothing companies (ready-to-wear, sport, lifestyle and luxury goods) representing around 250 brands and more than 20% of the world’s clothing and fashion sector in terms of production volume.

The objectives of the Fashion Pact are based on scientific criteria (Science Based Targets) and focus on three areas of action:

- 1 Stopping global warming (reducing CO₂ emissions),
- 2 Restoring ecosystems and preserving key species (promoting responsible supply lines: organic cotton, sustainable cellulose fibre, animal fibres ensuring respect for animal welfare and land conservation),
- 3 Protecting the oceans (phasing out single-use plastics, reducing pollution from microplastics).

An initial working meeting was held at the end of 2019, during which all the signatory companies met to act on governance and action plans to be undertaken jointly. The signatories agreed to report on their progress in September 2020. Carrefour is building on this Pact to announce its commitments on textiles in 2020.

BUYING RULES CLOTHING (new 2020):

Objective: All of our natural raw materials used in our TEX products must be sustainable and traceable by 2030. This objective can be broken down into the following sub-objectives:

Guaranteeing the durability of the materials used in our TEX products:

- 50% TEX cotton products will be organic and their producers fairly paid by 2025.
- All Kashmir guaranteeing the animal welfare of goats and from soils preventing desertification in our TEX products by 2022.
- All wool in our TEX products guaranteeing the animal welfare of sheep and ensuring the protection of soils and ecosystems by 2023.
- All wood fibres (viscose, lyocell, modal type) produced without deforestation in our TEX products by 2022.
- Promote the use of recycled plastic for our synthetic products (target to be confirmed).

Ensuring transparency in our supply chain:

- Testing a traceability system from raw materials to finished products accessible to our customers by 2021.
- Develop a traceability/mapping system for tier 2 suppliers by 2021 (a Global sourcing pilot for 5 suppliers is in progress).

Reducing the environmental impact of our supply chain:

- All of our denims will be washed in a sustainable way by 2025.
- All of the plants we work with will be assessed on the improvement of their environmental and social performance by 2025.
- All of our key suppliers will participate in a questionnaire to evolve our purchasing practices by 2021.
- All of the people involved in product development will be trained in responsible purchasing practices and eco-design by 2021.

Reducing the use of plastic in our packaging:

- total elimination of non-recyclable plastic packaging in all our product packaging by 2025.
- transition to 100% recycled and recyclable hangers since 2019.
- all TEX brand labels and packaging cartons are FSC-certified;
- reduction in the use of paper/cardboard and plastic materials: elimination of certain labels, reduction of formats, weights, polythene bags etc.

Promotion of responsible use and actions at the end of the product's life cycle.

- informing customers and raising their awareness of more responsible uses (washing conditions, etc.).
- encouraging the collection of used clothing via specialised points.
- promotion of collection points in our stores on a permanent basis.
- promotion of second-hand clothing reuse projects.

3. SUPPORTING AND TRAINING EMPLOYEES AND SUPPLIERS

3.1. Training and involvement of employees

Training is provided on targeted social and environmental topics for both Carrefour teams and suppliers. Some training programmes have been delivered to the teams in France and Spain on procurement rules and the BSCI standard. Some 80 purchasing and quality staff members were trained, along with over 250 people from Global Sourcing teams during 2019 (Shanghai, Hong Kong, Bangladesh, India, Turkey, Cambodia and Vietnam).

CASE STUDIES:

BUILD A CSR AMBASSADOR CULTURE: the Global Sourcing's local offices are committed to reducing their environmental impact by tackling energy, water and waste reduction. Working together for the environment is also an effective way of strengthening employee commitment. In 2019, to strengthen collaboration between departments, the "GS Superhero Contest!" was launched to stimulate team creativity, and 63 projects were submitted. All Global Sourcing teams have therefore been working on solutions to stop the use of single-use plastic in the Group's products and sourcing operations. The Global Sourcing department's contribution continued in 2020: the entity made a significant contribution to achieving the 2,000 food transition superhero target at Group level.

3.2. Local supplier support and training projects

Carrefour trains its suppliers in partnership with consultants or local NGOs. Carrefour's sourcing teams deploy specific training programmes every year. Carrefour has also created the "Good Factory Standard" manual for training purposes. Broken down by industry and/or type of product (household goods, textiles, wood, leather, etc.), it contains photographs to ensure that all factory workers can understand it, regardless of their geographic location or level of education.

Carrefour also supports its suppliers to improve CSR performance within the supply chain outside its direct scope. All suppliers must evaluate their Tier 1 suppliers identified as being at risk (Tier 2 for Carrefour) on social and environmental criteria using a grid/tool provided by Carrefour. Carrefour has in fact developed a simplified audit standard to ensure the absence of social and environmental risks for all Tier 2 suppliers.

In 2019, Carrefour worked with its Tier 1 suppliers in Bangladesh, Pakistan and India to provide plants with training and other tools to deal with identified risks. Tier 1 suppliers have all been trained (31 suppliers in India, 56 in Bangladesh and 15 in Pakistan) to ensure the requisite compliance of their own suppliers (in 2019: 192 in India, 191 in Bangladesh and 33 in Pakistan). The project, which began in 2019 with a preliminary census of Tier 2 suppliers, was deployed in 2020 in the following countries: India (242 tier 2), Bangladesh (309 tier 2), Pakistan (57 tier 2), Cambodia (8 tier 2), Vietnam (4 tier 2), Burma (3 tier 2), and Sri Lanka (15 tier 2).

Our organisation



GOVERNANCE AND SCOPE

Carrefour's approach to identifying risks related to its supply chains and implementing the necessary mitigation actions is deployed on several levels:

- a **Risk and Procurement Committee** is set up, which reports to the General Secretariat and the CSR Committee. It analyses the risks arising from Carrefour's sourcing practices and devises strategies for dealing with them. It draws up and circulates the Group's purchasing rules. Its members are drawn from the Group's Audit & Risk, CSR, Own-brand, Fresh Produce, Legal Affairs, Quality and Merchandise departments.
- the Group's **merchandise and quality teams** are in charge of applying purchasing rules and implementing Carrefour's policies. Group and local **CSR teams** support their implementation.
- **local sourcing teams** are in charge of carrying out controls and supporting suppliers in the field. In particular, Carrefour has local offices (Carrefour Global Sourcing) in charge of supplying non-food products (clothing, bazaar, EPCS) in at-risk countries.

CARREFOUR GLOBAL SOURCING IN 2019



28
country origins



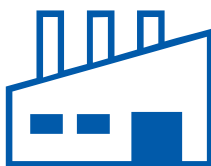
11
offices



21,116
references



797
suppliers



1 133
factories



292,292 K
shipped pieces



JOINT INITIATIVES AND PARTNERSHIPS

- Carrefour is also committed to harmonising the various social verification systems in place and developing shared instruments and standards for implementing international labour standards. This is one of the reasons why Carrefour uses the Initiative for Compliance and Sustainability (ICS) standard, shared by nearly 50 French brands, and the Business Social Compliance Programme (BSCI) standard, shared by more than 2,000 brands worldwide. With the UN, the Group is also lending its support to the drafting of legally binding universal corporate and human rights standards, as well as more demanding European standards.
- Carrefour remains committed to the Bangladesh Transition Accord (in transition with the RSC-RMG Sustainability Council), which sets out to improve safety conditions in textile factories in Bangladesh. Valid initially for three years and renewable for one, this accord should make it possible to finalise the compliance programme that was started under the previous accord and ensure that a locally managed organisation in Bangladesh will take the reins once the accord expires. Carrefour hopes to achieve close to 100% implementation of remediation plans following inspections and to create an efficient Health and Safety Committee at each plant. As of 1 January 2020, 96.5% of the remediation plans have been implemented by Carrefour's suppliers, compared with 93% on average for all the Bangladeshi plants subject to these obligations. Furthermore, all plants in Bangladesh are involved in at least one CSR project (installation of solar panels, mobile app training for employees, introduction of health insurance, etc.), while over 80% have rolled out two or more.
- **Fashion pact:** launched as a mission given by President Macron to the CEO of Kering, it was presented to the Heads of State at the G7 Summit in Biarritz. This global coalition brings together 56 fashion and clothing companies (ready-to-wear, sport, lifestyle and luxury goods) representing around 250 brands and more than 20% of the world's clothing and fashion sector in terms of production volume.
- **Institute of Public & Environmental Affairs (IPE):** in China, Carrefour has been working jointly with the IPE since 2015, a non-profit environmental and research organisation that collects data from more than 5000 factories.



FOR FURTHER INFORMATION

- Supplier Charter
- Ethical Principles : <https://secure.ethicspoint.eu/domain/media/en/gui/102586/code.pdf>
- Food Transition Pact
- Duty of care: <https://www.carrefour.com/fr/rse/conduite-responsable>
- Fashion pact: <https://thefashionpact.org/?lang=en>
- Leather working group: <https://www.leatherworkinggroup.com/>