



Carrefour controversies regarding forced labour May 2023

Allegations of benefitting, through its supply chain, from the state-sponsored forced labour of Uyghur and other Muslim minority groups through programs reported by the Chinese government to combat “terrorism”, “religious extremism” and poverty in the Xinjiang Uyghur Autonomous Region (XUAR), China.

Since 1995, Carrefour has been committed to promoting, respecting, enforcing and protecting human rights in its business sector and within its sphere of influence. Carrefour's policies draw on universally recognised international human rights instruments, the main international standards and benchmarks in the field of human rights, such as the Universal Declaration of Human Rights, the United Nations Global Compact, the OECD guidelines and the ILO conventions.

In 2022, 33% of alerts dealt with by the committee on CSR Purchasing Rules for the Food Transition concerned the human rights protection in our value chain. The main issues concerned cotton production in the Xinjiang region and human rights abuses in production units in Tamil Nadu.

- The Group's commitments and objectives

Carrefour pledges to promote, respect, enforce and protect human rights in its sector of activity and within its sphere of influence. The Group has also made the following commitments :

- compliance audits performed on all supplier factories located in high-risk or risk countries;
- only sustainable and traceable natural raw materials used in the Group's TEX products by 2030.

Teams dedicated to monitoring (quality, CSR) production units are therefore present in various Carrefour Sourcing offices. Over 18,000 non-food items are sourced by Sourcing teams in 32 sourcing countries and 900 factories. In accordance with Carrefour's purchasing rules, all supply plants located in risk countries must undergo a compliance audit. The audits are conducted under Initiative for Compliance and Sustainability (ICS) and Business Social Compliance Initiative (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 identify those countries where risk of non-compliance with the charter is the highest, Carrefour has established a country-by-country risk map, which was revised in 2018. The list of countries at risk from a social perspective is based on the country-by-country risk classification defined by amfori-BSCI and on the ITUC Global Rights 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. In 2021, the sustainable product textile targets were incorporated into the purchasing rules. Certain areas requiring increased



vigilance (i.e., regions where forced labour is practised) are also included in the purchasing rules.

- The Group's action plans

The Group's action plans for textile supply chains

Since 2001, Carrefour has introduced actions to protect its supplier network by conducting social audits at its finished goods production facilities. All facilities have now been audited, with the support of independent auditing firms. The social performance of suppliers is regularly monitored and checked through social audits. Corrective action plans are systematically implemented and progress monitored over time. Each year, more than 80% of cases of non-compliance identified in factories in risk countries fall into one of three categories: "Compensation, benefits and conditions", "health and safety" or "working hours". To respond to these issues, factory capacity and production schedules for Carrefour's orders from its largest textile suppliers (in terms of volume) are analysed and adjusted at a very early stage, to limit problems with "working hours". Carrefour is very attentive to ensuring that at least the legal minimum wage is paid across the value chain. Carrefour's Commitment Charter includes a legal minimum wage commitment. It states that "wages and other compensation for regular working hours should cover the basic needs of workers and their families and leave them with some discretionary income".

Carrefour provides training, implements regional projects and supports fair trade to engage its suppliers and promote CSR within its supply chains. Carrefour trains its suppliers in partnership with consultants or local NGOs. Carrefour's 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.). Carrefour is working to improve the traceability of its supply chains. For example, it has developed a fully traceable, organic Indian cotton supply chain. Blockchain technology introduced for textiles in 2020 now makes it possible to include a QR code on the label that will enable customers to track the cotton from the field to the store shelf. Lastly, since 2021 the Group has published a list of textile suppliers that is available on its website : https://www.carrefour.com/sites/default/files/2023-06/2022_Groupe%20Carrefour_Textiles_Factories.pdf

Action plans for the prevention of forced labour across the supply chain

Carrefour has been working on a set of measures to better identify and prevent any human rights violations in its supply chain, and in particular to prevent any practices that are similar to forced labour by:

- reminding all its suppliers to meet their contractual commitments, in particular the obligation to have their own suppliers and subcontractors respect human rights;
- mapping supply chain for at risk raw materials, with a focus on key suppliers;
- sending our suppliers a list of units identified as being at risk which should be banned in their supply chain;
- developing alert systems through active monitoring of social and environmental violations, implemented in early 2022.



Action plans for alert in the Xingjiang region

The Carrefour group does not source any products directly in the Xinjiang region. Carrefour nevertheless monitors its sourcing to ensure compliant working conditions for all materials that may be produced in this region. In view of the risk of forced labour in the cotton supply chain, Carrefour requires all of its suppliers to be transparent about their supply chain and to be able to trace cotton back to its origin. Any dubious reports are investigated by asking the supplier for:

- supporting documents for the transaction;
- contracts;
- certificates of origine to prove that the origin of the cotton is not prohibited.

Mapping of the Group's supply chain and alerts received from various channels have enabled the identification of eight additional sources with suspicious links to Xinjiang Province. Alternatives have been found to replace them. In November 2021, the Laundering Cotton report issued by Sheffield Hallam University cited four suppliers with which the Group had relationships. In 2022, a third party was hired to carry out "on-site" checks of these suppliers' warehouses and spinning mills. These checks continued until the end of December 2022 to confirm the suppliers' declarations and ensure follow-up. Carrefour has also launched spinning mill inspections with its local teams, starting with key integrated suppliers (18 have been completed with no alerts, 9 are still to be completed).

All the information are mentionned in our duty of care available on our website : https://www.carrefour.com/sites/default/files/2023-04/Carrefour%20Duty%20of%20Care_2022.pdf

Could you share the findings of the on-site inspection done by the company at the controversial facilities? Or do you plan on making the findings publicly available?

For the controversial sites, we already investigated and concluded none of the cotton for Carrefour came from risky areas. We are continuing visiting on site our key integrated suppliers (started in 2022). The desktop verification is not systematic as it is very complicated to implement. We didn't find any critical issues in any integrated key suppliers we visited in 2022, and these visits are done systematically on a yearly base (in progress for 2023).

In addition, we are now working on an alert system to screen in social network the declared units in the full textile supply chain to detect any social alert & controversial sites. Around 80% of the stakeholders within the textile supply chain (tier 1 to 5) are mapped and covered by this alert system. We aim at covering 100% of the supply chain. In case of alert detection, we work with the supplier on corrective actions.

We publish the list of active factories with contractual agreement signed with our company. From 2021, we have published the list of our Tier1 factories in textile. In 2023, we are adding the list of tier1 for the hardline sector. We do not plan to publish the results of the on-site visits or any social/environmental assessment.