



Managing our supply chain

Background

A company's performance depends, among other things, on its ability to control the risks associated with its network of business partners. The collapse of the Rana Plaza helped to bring this about. 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 purchasing processes into account. They have worked to define objectives and monitor indicators to impose good practices on their suppliers and, where necessary, to alter their practices. 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.

The value chain extends from raw materials to the finished product and encompasses the 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. Within the framework of this law, Carrefour is implementing a "care plan", which consists of identifying risks and preventing serious harm to the environment, human rights, and health and safety for all of its partners with whom it has an established business relationship.

Core Values

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 following the spirit that inspired the Quality Lines, it is necessary to take steps to control risks on all our supply chains, in social and environmental terms. 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.

Carrefour performs compliance audits on all supplier factories located in high-risk or risk countries. 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.

Carrefour provides training, implements regional projects and supports fair trade to partner 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.).

Since 2007, Carrefour has provided 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;
- **100 %** of Carrefour controlled products suppliers requested to do so will have implemented a CSR self-diagnosis by 2025;
- **100 %** of our natural raw materials will be sustainable and traceable in our TEX products by 2030.

Supplier Social Compliance: In 2019, 1,941 social audits covered potential Group production sites, 43% more than in 2018. BSCI standards were incorporated in 2018 and now account for 50% of all social audits performed throughout the world in Carrefour's supply chain.

An alert is a critical point of non-compliance identified during an audit. In 2019, 19% 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 occurrences of non-compliance discovered in the Carrefour supplier network related to working hours, compensation levels and workers' health and safety. The results are as follows (for further detail, see "Additional Indicators"):

KPI	2017	2018	2019	Variation
Number of social audits carried out (potential production sites)	1,452	1,353	1,941	
Percentage of audits with alerts (potential production sites) ⁽¹⁾	19	18	19	+1%
Of which alerts related to working hours	33	31	32	+1%
Of which alerts related to compensation, working conditions and benefits	27	28	25	-3%
Of which alerts related to health and safety	26	24	26	+2%

Scope: Comparable BUs (100% of 2018 consolidated sales excl. VAT).
(1) ICS audits only.

Developing fair trade: Carrefour implements regional projects and supports fair trade to support its suppliers, promote CSR within its supply chains and foster the development of the regions in which the Group sources its supplies.

KPI	2017	2018	2019	Change (2018/2019)
Sales of fair trade products (incl. VAT) - MDC and MN (in thousands of euros)	93,648	90,537	102,248	+13%

Our plans of action

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
 - 3.3. CSR self-diagnosis

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

Carrefour is committed to improving working conditions and protecting human rights among its suppliers. For this purpose, Carrefour has put in place a set of purchasing rules, 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 those countries where risk of non-compliance with the charter is highest, Carrefour has 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 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:

- 1 Prohibition of forced or compulsory labour, in the form of servitude, debt bondage or prison labour;
- 2 Prohibition of child labour;
- 3 Respect for freedom of association and the right to collective bargaining;
- 4 Prohibition of all forms of discrimination, harassment and violence;
- 5 Health and safety;
- 6 Decent wages, benefits and working conditions;
- 7 Working hours;
- 8 Business ethics;
- 9 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:

- 1 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 Good rating: a technical audit is then triggered, and a social audit in the case of countries classified as being at risk (on the basis of the risk mapping established by Carrefour).
- 2 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).
- 3 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. 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.
- 4 Environmental audit Carrefour's purchasing rules are being updated in 2020, to make environmental audits mandatory for suppliers whose activity is sensitive in environmental terms. To this end, a mapping of industrial processes with a degree of risk will be finalised in 2020, in order to specify the assessment methods.

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 scope of ACCORD will be transferred to the RMG Sustainability Council (RSC), a national private branded organization, 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:

- 1 Preliminary review at the time of the pre-audit: the sourcing teams perform on-site checks to determine whether the plant complies with basic social, environmental and quality requirements. This is the first key stage in the process;
- 2 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 issued systematically 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. The frequency of these audits depends on how critical the non-compliance points recorded were during previous audits, within a maximum of two years. 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. Plans of action are systematically drawn up following an audit, adapted according to the non-compliances 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. In the case of clothing, inspections are systematically organized for all plants with a maximum frequency of one 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.

In 2019, clothing supplier assessments began incorporating a CSR rating, in addition to the usual commercial, quality, and delivery (supply chain) ratings. This CSR rating includes the results of social audits, environmental assessments and alerts, Tier 2 management, component traceability, supplier certifications and good CSR practices (aside from mandatory 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. A CSR rating will also be developed and applied to suppliers from other sectors in 2020.

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.

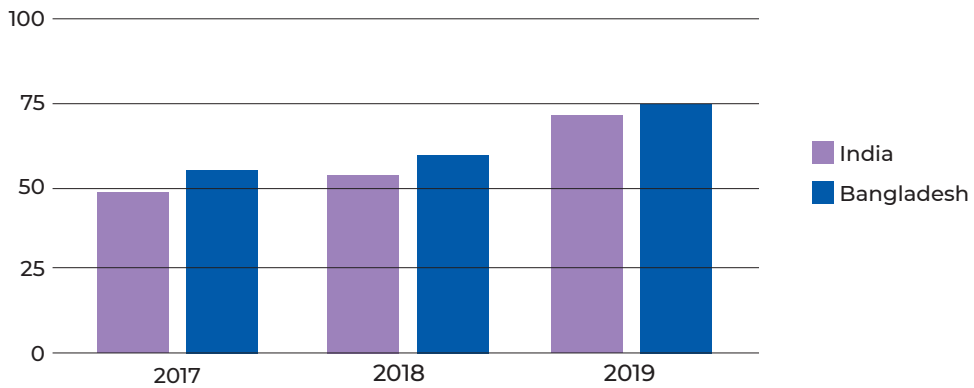
Since 2016, a comprehensive programme has been in place to reduce the environmental impact of Carrefour supplier factories. This programme called “Clean Water project” is primarily aimed at water-consuming clothing industries that use water and chemicals in their production process. It is designed by 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 aim is to effectively reduce the impact of these plants on water and the environment, and to have all clothing supplier production sites trained and compliant in 2020.

- 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 chemical products 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). The extension of this monitoring is planned in 2020, for the integrated clothing suppliers in China (6 integrated suppliers in dyeing), Turkey (5 integrated suppliers) and Egypt (1 integrated supplier). Suppliers are trained at least once a year. An annual event is held to share best practice and reward the most committed plants.

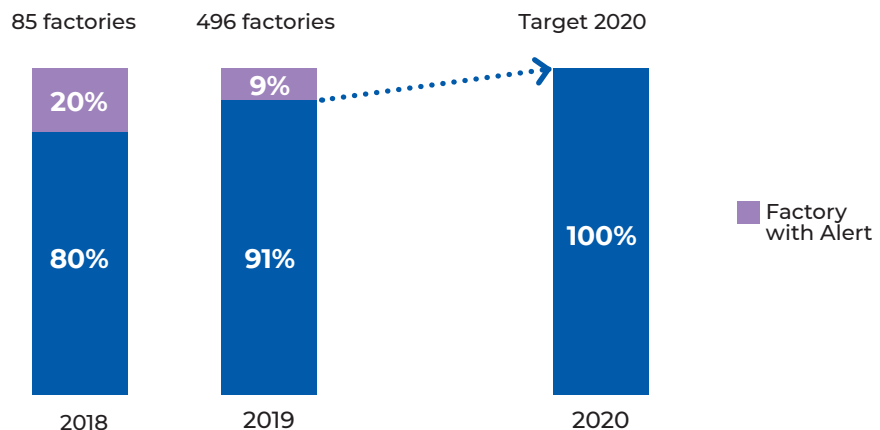
CHEMICAL AUDIT SCORE EVOLUTION - INDIA AND BANGLADESH



→ Institute of Public & Environmental Affairs (IPE) In China, Carrefour has been working jointly with the IPE since 2015, a non-profit environmental and research organization that collects data from more than 5,000 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 environmental non-compliance issues. 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 2019, 496 Carrefour supplier plants were verified in the IPE database for the various sectors (clothing, bazaar and EPCS), including 315 Tier 1 suppliers and 181 Tier 2 suppliers. There is a clear improvement in results compared to 2018, with no alerts occurring in 91% of the plants. Carrefour aims to achieve 100% compliance by 2020.

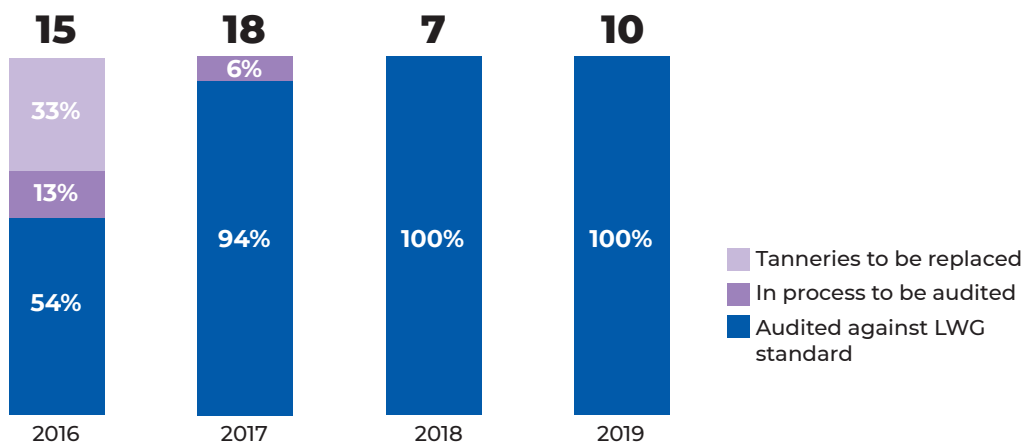
NUMBER OF IPE VERIFIED FACTORIES AND ALERTS



→ Leather working group (LWG) The Leather Working Group has been working since 2005 to develop 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 2019, all GS offices selected only audited and certified LWG tanneries. We have maintained a small number of tanneries: this rationalization enables us to simplify our follow-up and to secure the quality of the leather. All of our leather products' ten 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

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 response to 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 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."

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.

In order to go further, Carrefour is also testing new solutions, such as fair trade or the implementation of local projects that provide benefits in kind:

→ Improving workers' quality of life

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.

With the support of the Carrefour Foundation, Carrefour has worked on setting up a health insurance system in Bangladesh with plans to promote it nationwide. The system was offered to 10,000 workers at five test facilities, including two of Carrefour's suppliers. To develop these health insurance plans and help workers understand how they work and their benefits, the Carrefour Foundation makes contributions for the first few years to supplement employee and factory payments into the scheme. From 2019, and for the last year of the project, the system covers eight plants, including five Carrefour suppliers, and the support of the Carrefour Foundation helps fund this health insurance plan for approximately 14,500 workers.

Eager to incorporate these achievements in 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. Two shops will open in the first months of 2020.

→ Develop traceable product lines facilitating better remuneration of workers

In order to guarantee the quality of the organic cotton used in its own-brand collections and to ensure the traceability of raw materials, Carrefour has set up its own supply chain for Indian organic cotton. Carrefour has partnered with Cotton Connect. Cotton Connect allows Carrefour to ensure that the farmer receives a higher remuneration than conventional cotton. India's organic cotton sector is based on the payment of a premium directly to the farmers' groups to ensure their development and additional remuneration for organic cotton producers. At the same time, the Organic Cotton Accelerator (OCA) organisation audits in situ compliance with Carrefour's commitments and works to increase the number of farmers transitioning to organic farming. The first "sustainable cotton" collection appeared in spring-summer 2019.

→ Supporting 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 MaxHavelaar certified products have since been added to store shelves with brands such as Alter Eco, Ethiquable, Lobodis, etc. Twenty years on, Carrefour and MaxHavelaar® have signed a number of international agreements.

In 2019, more than €100 million in sales of fair trade products were made in Carrefour stores worldwide (+13% compared with 2018). 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 has numerous product listings, which are also organic, in five product categories: bananas, coffee, chocolate, honey and tea.

CASE STUDY:

Organic and Fairtrade Bananas: Bananas are the biggest selling item on Carrefour's fruit and vegetable stands. The Group sells 140,000 tonnes of bananas a year in France, Spain, Belgium, Italy, Romania and Poland. The banana trade is a vital source of employment and revenue for some 4 million families and farmers, mainly in South American countries (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, the environmental footprint of banana production is particularly large (soil pollution, etc.).

To meet these challenges, Carrefour has been offering fair trade, organic bananas in its stores since 2014. These bananas thus guarantee more environmentally friendly production from organic farming and 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.

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 on the clothing sector In 2018, Carrefour set out minimum purchasing rules for cotton. These rules ban 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 (reduction of water, chemicals and energy), and recycled synthetic fibres has been significant, with a total of more than 5 million products delivered in 2019.

In 2019, Carrefour joined the signing of the Fashion Pact. Initiated by a mission entrusted by the President of the Republic to the Chairman and CEO of Kering, it was presented to the Heads of State meeting 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 Halting global warming (reduction of CO2 emissions),
- 2 Restoring ecosystems and preserving key species (promotion of responsible supply chains: 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).

A first working meeting took place at the end of 2019, at 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.

BUYING RULES CLOTHING (new 2020):

Objective: All of our natural raw materials will be sustainable and traceable in our TEX products by 2030. This objective can be broken down into sub-objectives as set out below:

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

- Half of TEX cotton products will be organic and their producers will be fairly paid by 2025.
- All Kashmir guaranteeing the animal welfare of goats and from soils preventing desertification in our TEX products by 2021.
- All wool in our TEX products guaranteeing the animal welfare of sheep and ensuring the protection of soils and ecosystems by 2022.
- All wood fibres (viscose, lyocell, modal type) produced without deforestation in our TEX products by 2022.
- Promoting 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.
- Developing a Tier 2 traceability and/or mapping system by 2021
- Publication of our practices with our partner plants by 2021.
- All plants incorporating water (dyes) into production will be consolidated and nominated by 2025.

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, 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. COACHING AND TRAINING OF 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. Training on purchasing rules and the BSCI programme was provided for staff in France and Spain. 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:

BUILDING A CULTURE OF CSR AMBASSADOR: Local Global Sourcing offices are committed to reducing environmental impact by working on energy, water and waste reduction. Working together for the environmental cause is also an effective way of strengthening employee commitment. In 2019, to strengthen collaboration between departments, the “GS Super Hero Contest!” was launched to stimulate team creativity. All of the Global Sourcing teams worked to propose solutions to stop using single used plastic in the products and for Carrefour’ sourcing operations.

3.2. Local supplier support and training projects

Carrefour trains its suppliers in partnership with consultants or local NGOs. Carrefour’s Sourcing teams provide 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 level of compliance of their own suppliers (192 in India, 191 in Bangladesh, 33 in Pakistan). The project was also initiated in 2019 in Cambodia, Burma and Vietnam with a first census of Tier 2 suppliers in these countries. The training of Tier 1 suppliers in Cambodia, Vietnam and Burma - 17 suppliers - is scheduled for early 2020.

3.3. Supplier self-assessment

Since 2007, Carrefour has provided all of its suppliers with an online sustainable development self-assessment test, based on the ISO 26000 social responsibility standard. Carrefour requests suppliers of products that are certified annually to complete a CSR self-diagnosis. The purpose of this is to promote CSR among its suppliers, by helping them identify the CSR issues related to their activity, by disseminating best practice and by providing them with an evaluation and monitoring tool. The results of these evaluations are made available to suppliers and allow them to compare their average with that of other suppliers in their sector of activity. In 2020, the provision of a supplier self-diagnosis tool and the coordination of the approach with Carrefour’s SME suppliers were included in the Group’s purchasing rules on food transition.

CASE STUDIES:

■ ■ In **France**, at the request of suppliers and in collaboration with four supplier associations, Carrefour has shared with its suppliers the know-how it has acquired over the last ten years in conducting self-assessment tests and has helped to roll out a test for the entire sector, supported by the same standard: Valorise. The first shared self-assessment campaign was conducted in 2017 in French and English. The test was translated into German and Spanish in 2018, and is used by nine retailers.

Our organization



GOVERNANCE

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 related to Carrefour's sourcing practices and devises strategies for dealing with them. It draws up and circulates the Group's purchasing rules. The committee 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



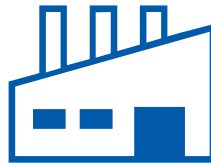
11
offices



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 is continuing its involvement in the **Bangladesh Transition Accord** 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 2019, 97.5% of the remediation plans have been implemented by Carrefour's suppliers, compared with 89% 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 85% have rolled out two or more.
- **Fashion pact:** 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 organization that collects data from more than 5,000 factories.



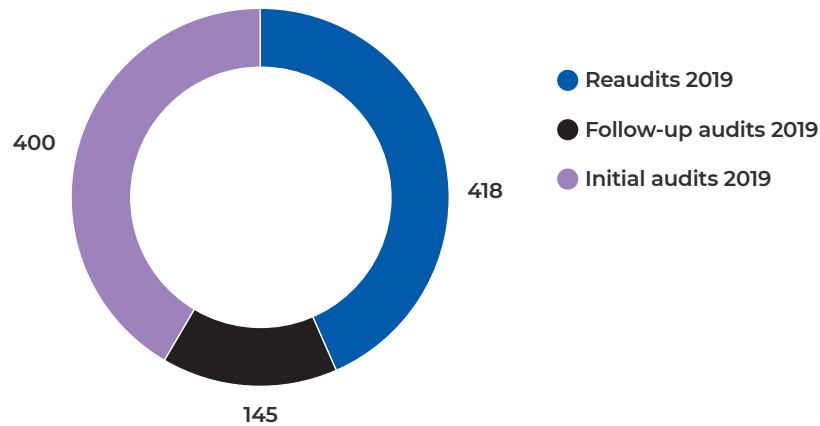
ADDITIONAL INDICATORS

ICS Audits: The Group seeks to stabilise its supplier network with over 56% of audits conducted to follow up on the implementation of action plans or as part of regular repeat audits of existing suppliers (every two years at most). The initial audits correspond to audits prior to the listing of a new supplier.

NUMBER OF TOTAL ICS AUDITS (INITIAL, RE-AUDITS AND FOLLOW-UP AUDITS)

Country	2017	2018	2019
Bangladesh	80	94	116
China	521	828	948
India	79	104	103
Turkey	60	64	53
Other countries	223	263	232
TOTAL	963	1,353	1,452

NUMBER OF TOTAL ICS AUDITS (INITIAL, RE-AUDITS AND FOLLOW-UP AUDITS) IN 2019



To reduce the number of supplier social audits conducted, Carrefour benefited from audits conducted by other members of the ICS initiative in 2018, corresponding to 44% of total audits. Conversely, the audits commissioned by Carrefour were shared with the other members.

The main occurrences of non-compliance identified in the Carrefour supplier network related to working hours, compensation levels and workers' health and safety. In 2018, the audit on working hours had been revised to include more demanding criteria in ICS.

BSCI AUDITS

Pays	Full Audits		Follow-up audits		TOTAL
	Audits commissioned by Carrefour	Potential production sites	Audits commissioned by Carrefour	Potential production sites	
Bangladesh	7	43	5	26	69
China	11	369	4	357	726
India	5	32	5	11	43
Turkey	2	23		10	33
Other	1	73	1	34	107
TOTAL	26	540	15	438	978



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/>