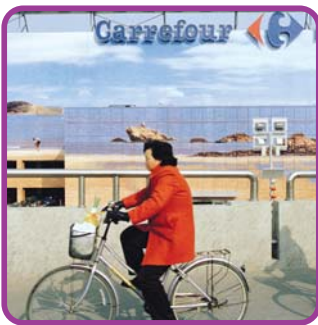


Promoting socially responsible commerce



*Practice and
performance in*

2002



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Report methodology

This report was compiled under the supervision of a cross-functional committee involving Carrefour's main Group departments: Quality and Sustainable Development, Human Resources, Internal Audit, Legal Affairs, Marketing, Assets, Procurement (International Purchase Office), as well as representatives from our different countries and retail banners.

The present publication represents an attempt to follow the guidelines set forth in the «Global Reporting Initiative» (GRI). Established in 1997, the GRI is the result of close collaboration between the United Nations Environment Programme (UNEP), various companies, NGOs and specialised organisations, with a view to establishing an internationally recognized standard for social and environmental reporting.

This second Sustainability Report covers all our activities during fiscal 2002. The majority of the information concerns our hypermarket and supermarket business which accounts for 84% of the Group's retail network sales. Franchise businesses receive only limited coverage: the six countries in which Carrefour does not own company stores are not taken into account in the reporting of our KPIs. Our reporting system is recent and the scope of the indicators, which vary depending on the issues, is mentioned systematically. Going forward our aim is to extend the scope of these indicators. The progress made to our reporting system in 2002, particularly the creation of KPIs, is described on page 12 of this report.

The KPIs have been verified by our internal audit (see page 54 for details of our auditing method). Other quantified data mentioned herein have been approved by our other internal departments and have been checked for consistency. Carrefour opted for in-house auditing because of the scale of the work required and of our keenness to involve local teams, to develop our approach to sustainable development and to include these indicators in subsequent reporting.



This pictogram denotes the existence of key performance indicators (KPIs) which are regrouped at the end of the report (page 54 and subsequent pages).

Message from the CEO



“ Carrefour is firmly committed to constructive globalisation, since we are very involved in the local communities we operate in. It is in these local communities that our performance is made. ”

Interview with Carrefour’s CEO, Daniel Bernard

Sustainable development is today perceived as a true revolution: what is your vision of Carrefour’s role in this context?

Daniel Bernard: “ I believe that sustainable development is not just a political issue. It concerns everyone, every day, and particularly the Carrefour Group. We are at the forefront given our mission to improve the standard of living and our role as a leading global food retailer. ”

What is the key challenge for Carrefour in its approach to sustainability?

“ Our greatest challenge is to make our staff aware that sustainable development must be part and parcel of their daily activities and not just something done as an afterthought. This requires setting aside adequate resources and establishing project groups responsible for deploying our approach in different countries and stores. Staying focused on quality, reducing the amount of packaging and raising awareness of these issues among our customers are daily tasks. For example, staff in our Bègles store have devised their own action plans. ”

How do you manage this progressive approach?

“ Carrefour faces a dual challenge. First, sustainable development requires us to look to the long-term and to demonstrate our commitment through our daily activities. Our business is to manage both the long and short term: as merchants, we must anticipate and promptly respond to the needs of our customers as well as conducting the longer work of building new stores and streamlining our logistics. Second we must also be one “ step ahead of the curve ” in our approach to sustainable development. The idea is that, there is no great risk in progressing faster than our competitors as long as we keep the right balance between idealism and pragmatism: we must neither lag behind our competitors nor must we outdistance them too much. ”

How do you reconcile the goal of defending consumer purchasing power with that of improving product quality, which sometimes drives up costs?

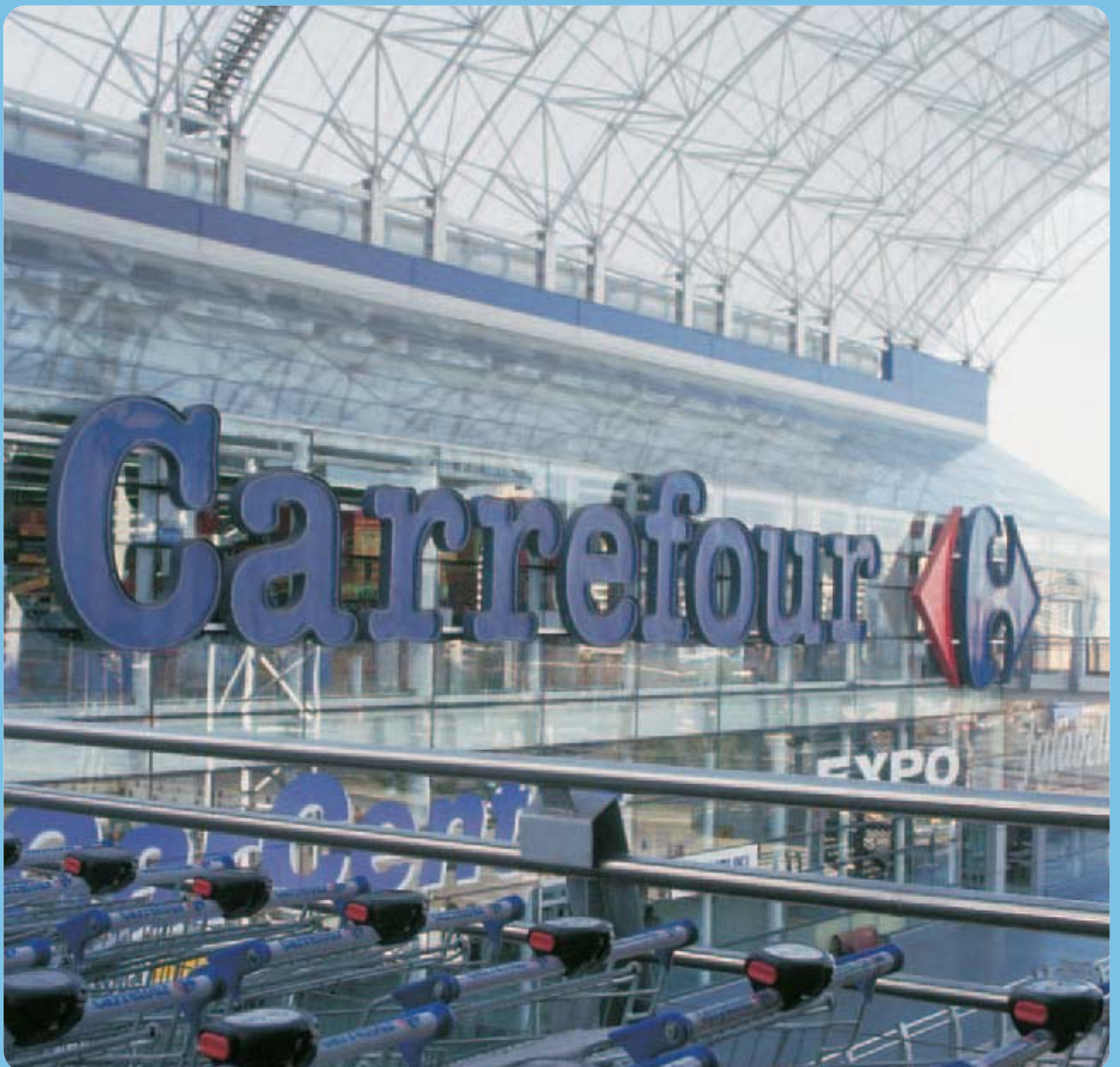
“ We must strike the right balance. I believe our approach to be sound : when we introduced Carrefour’s Quality Lines, this caused a short-term distortion, because they were priced above the value brands sold by our competitors, but we kept our customers informed all along. This strategy has paid off in the long term. Carrefour’s Quality Lines account today in a few countries for up to 80% of the assortment in a given product category, enabling us to slash costs. As market leader, we must also educate consumers and improve general retail trade practices. ”

You mentioned that Carrefour’s role is to make sure that more and more people get easier access to consumer products. However, some observers are worried that retailers are exporting western retailing methods that do not square well with a sustainable development approach ...

“ I believe that the key point, when we enter a new country, is to help raise living standards in terms of quality of life, environmental protection, hygiene and food safety while respecting local culture. Our aim is not to sell the same products everywhere but to foster progress locally by stimulating foreign trade, democracy and commerce as well as economic and cultural freedom. History has shown that whenever foreign trade is developed and when there is greater openness between nations or regions, living standards improve. Carrefour is firmly committed to constructive globalisation, since we are very involved in the local communities we operate in. It is in these local communities that our performance is made. ” ■



Vision and management approach





Joël SAVEUSE
Managing Director
Europe

“ Being the Group’s premier continent in terms of sales, Europe has long been the focus of management decisions in the field of health, safety and the environment. This is why this second environmental report still focuses on the many initiatives undertaken in France and other European countries. Today our goal is to deploy these actions and to ensure more regular best practice sharing between the different countries.

By tracking such best practices through easy-to-understand indicators and pilot projects in key fields such as logistics, by looking for alternative modes of transport other than road haulage, or launching Carrefour’s Quality Lines or our solidarity programmes such as our community grocery project in Belgium, based on the French model, Carrefour can maintain its competitive edge and enable the whole group to share the benefits. ”

“ Latin America and Europe are vastly different in terms of economic and social development. Problems such as malnutrition and illiteracy are still widespread and must be urgently addressed there. In 2003, our Americas Division intends to further strengthen its commitment in two ways:

- First, by meeting more fully the needs of local communities in partnership with NGOs and local public authorities in order to develop appropriate solutions, such as the development of agricultural supply chains, energy-saving measures or vaccination campaigns,
- Second, by deploying the necessary resources and sharing best practices among countries and by facilitating the involvement of store staff in these key issues. ”



Philippe JARRY
Managing Director
Latin America



René BRILLET
Managing Director
Asia

“ Carrefour’s presence in Asia is fairly recent and our social and economic responsibility develops as we expand our banners there. There is a lot to do and our aim is to improve local standards by setting an example in all areas of sustainable development. In 2003 we are committed to:

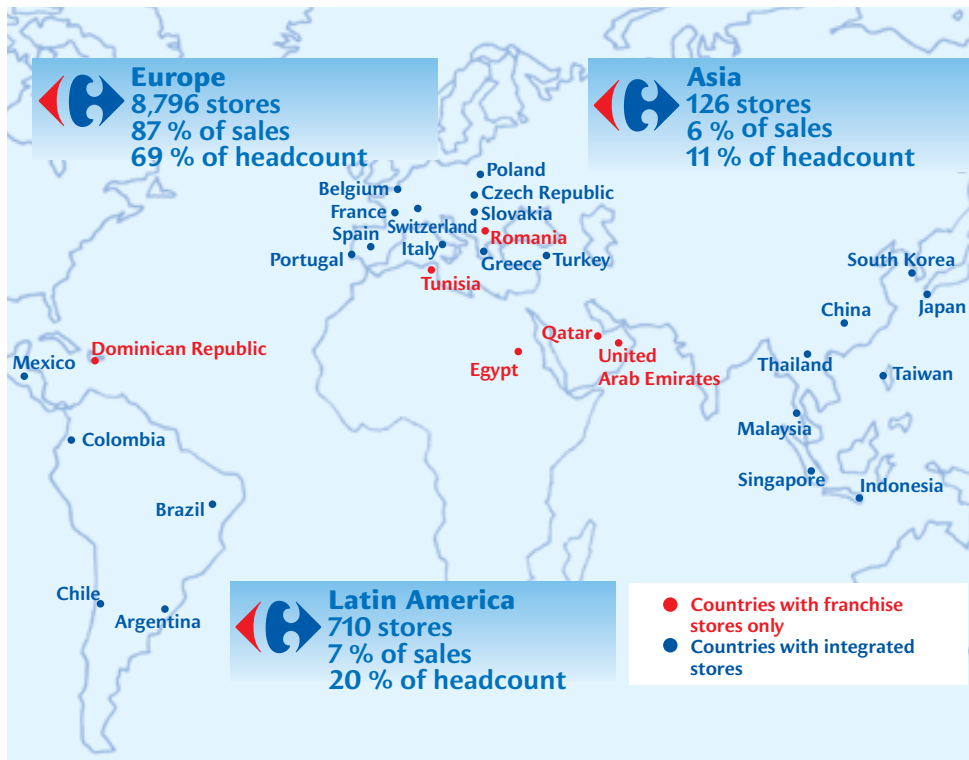
- Developing education and training, especially in safety and hygiene and in Carrefour’s new occupations such as the baker’s trade. This is vital for both customers and employees. This will enable us to make staff more employable and foster their company loyalty.
- Contributing further to improving the living standards of local communities by meeting hygiene and safety standards, supporting local producers, especially farmers, and introducing them to more efficient and environmentally-friendly methods. ”

“ Carrefour Quality Lines have, since 1992, given Carrefour the opportunity to build and nurture close partnerships with its suppliers, mainly SMEs, facilitating the integration of sustainability requirements.

Anticipation and collaborative work with all our different stakeholders in the supply chain enable Carrefour to optimise the costs associated with sustainable development. Our role in the Group Merchandise Division (DMG) is to work closely with suppliers, to reduce the social and environmental costs of our products. In 2003, we are committed to making Carrefour’s Quality Lines the spearhead of our sustainable development approach through their environmental benefits and their contribution to social development. We are also thinking of establishing a monitoring unit to get better acquainted with our small business partners, so that we can encourage win-win relationships with them. ”



Jean-François DOMONT
Managing Director
Merchandise



In 2002, the Carrefour Group employed 396,662 staff in its integrated stores and posted retail network sales of 86 thousand million euros.



The KPI for this section is on page 54

1. Both a local and global retail player

With operations in 30 countries, Carrefour is the world's second largest retail group. It is the number one retailer in Europe. Carrefour has also been present in the Americas since 1975 and in Asia since 1989. This success stems from our ability to adapt our strategy to fit local markets and to make globalisation an opportunity for progress. Wherever we do business, we strive to raise local standards in terms of quality, service, working conditions and preserving the environment. We are also mindful of our contribution to the labour market: in some countries, like Argentina, Carrefour is the largest private sector employer.

2. A diversified range of products and services

Carrefour is a leading global retailer of food products (accounting for some 80% of turnover) as well as non-food products (accounting for some 20% of turnover). Our market share determines our main areas of responsibility. In some countries the Carrefour Group also offers a number of additional services (e.g. holidays, petrol, ticket sales, financial services), bringing with them new challenges.

3. Complementary store formats

With 9,632 stores, of which 57% are integrated, i.e. owned by Carrefour, the Group has a range of retail store formats to help it meet the needs and requirements of its customers.



4. Keeping our shareholders satisfied

Carrefour is a public limited company with a share capital of 1,790,354,427.50 euros divided into 716,141,771 shares and with some 460,000 shareholders. Carrefour's employees own 2.98% of the Group's share capital. Our attention to social and environmental performance preserves our share price and attracts new investors sensitive to social and environmental issues. For the first time, in 2002, the Group was listed on an ethical stock market index, the DJSI World (Dow Jones Sustainability Index) and was chosen by Storebrand, Scandinavia's leading ethical fund manager, to be part of its portfolio of companies (see pages 22-23).

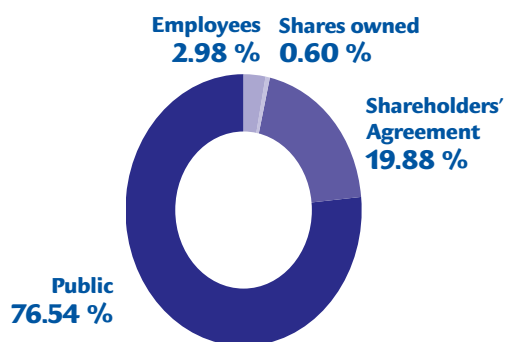
Carrefour strives to guarantee to its shareholders the transparency of its corporate governance. **Ethical, social or environmental issues are dealt with by Carrefour's key decision-making bodies :**

- ➡ **The Board of Directors** is Carrefour's main governing body. It comprises 11 members of whom 3 are independent directors, and is assisted by a Strategic Steering Committee, an Audit Committee and a Wages and Salaries Committee.
- ➡ **The Executive Committee** is the "backbone" of Carrefour's management structure. Under the impetus of its chairman, it recommends strategic directions and guidelines and organises their deployment. Its membership reflects the way the Group is structured per geographic area with cross-sector support functions.

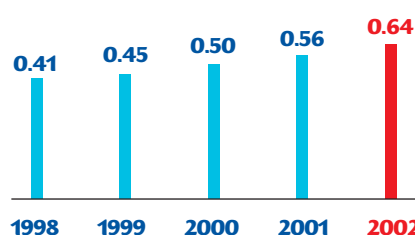
The Quality & Sustainable Development department, which manages the sustainable development programme, reports directly to the CEO and advises the Executive Committee on sustainability issues.

5. A decentralised structure

In line with its strategy, the Carrefour Group is organised to adapt its range of products and services to local communities, encouraging initiatives from individual countries and retail banners, as illustrated below :



Breakdown of shareholders



Carrefour's net dividend (per share in euros) increases each year.

Quote from an ethical shareholder

" We are convinced that properly managed sustainable development creates long-term value for shareholders. We therefore welcome Carrefour's policy of identifying, assessing and managing risks and opportunities in key economic, social and environmental fields. "

Olivia Lankester, ISIS AM, leading manager of ethical funds in Europe, Carrefour shareholder.

For further details about Carrefour's economic performance and governance system, consult our Annual Report on the Carrefour website: www.carrefour.com.

Carrefour is more or less implicated in each of the various stages of product commercialisation: product creation and development, depend on the degree of our involvement. The illustration below clarifies, for each economic, environmental

- 👉 **Carrefour has direct control**
(management systems, audits, etc.)
- 👁️ **Carrefour has indirect control**
(awareness-raising, incentives, monitoring criteria, etc.)



Product manufacturing and supplier relationships (page 24)

- 👉 Manufacturing conditions for controlled products
- 👁️ Manufacturing conditions for branded products



Logistics (p. 34)

- 👉 Traceability of all products
- 👉 Compliance with cold chain parameters for all products
- 👉 Environmental impact of transport along the whole supply chain for controlled products
- 👉 Environmental impact of transport from Carrefour warehouses to Carrefour stores for branded products
- 👁️ Environmental impact of transport from manufacturing sites to Carrefour warehouses for branded products
- 👁️ Safety of personnel working for logistics service providers (on the road and in warehouses)

Carrefour



manufacturing, transport, sales and after sales servicing. Our responsibilities, like our capacity to promote sustainable and social challenge, the capacity Carrefour has to limit the negative and maximise the positive impacts of its activity.

Stores (p. 38)

- 👉 Hygiene and food quality of products in stores
- 👉 Safety of buildings and installations
- 👉 Nuisance control for people in store vicinity (noise, landscaping)
- 👉 Environmental impact from company-owned stores
- 👁️ Environmental impact from franchised stores



Teams (p. 42)

- 👉 Working conditions of Carrefour employees
- 👁️ Internal social policy of affiliated and franchised stores

Customers (p.48)

- 👉 Customer service quality
- 👁️ Product pricing
- 👁️ Volumes sold
- 👁️ Purchasing behaviour and consumption patterns
- 👁️ Means of transport used by customers



Local communities (p. 51)

- 👉 Solidarity and sponsorship
- 👉 Direct local economic impact of stores (jobs and subcontracting)
- 👁️ Indirect local economic impact (indirect jobs created linked to purchasing, taxes as well as business activities generated in the vicinity of stores etc.)
- 👁️ Regulations and standards related to our activities
- 👁️ Quality standards related to products

In its first report published in 2002, Carrefour communicated its commitment to pursue a policy of sustainable development that aims at reconciling profitability, achievement of a more equitable society and programmes to preserve the environment. Officially endorsed in 2001, this policy of sustainable development based on quality, safety, preserving the environment and acting responsibly towards communities is now fully integrated into the company corporate culture.

1. An approach integrated in our corporate culture

► Our view of the world

In an expanding and increasingly complex world, globalisation fosters progress but also creates instability. As a global retailer, Carrefour is committed to enabling as many people as possible to purchase consumer goods, in accordance with the principles of fair trade and sustainable development.

► Our core values

Our core values are the heritage of all the people and companies that have built the Group.

- **Freedom:** Respect the customers' freedom of choice through a variety of store formats and a diversity of products and brands. Develop this freedom by providing thorough, objective information. Give consumers the freedom to buy at prices consistent with their purchasing power. Provide the largest number of people with the opportunity to purchase consumer goods. Empower all staff to take initiative.
- **Responsibility:** Fully assume the consequences of our actions on customers, our company and staff, institutions and the environment.
- **Sharing:** Leverage our expertise and strengths to create value, which is shared among customers, staff, shareholders, partners and suppliers.
- **Respect:** Respect our staff, suppliers and customers. Listen to them and accept their differences. Understand and respect the lifestyles, customs, cultures and individual interests in all countries and regions where we do business.
- **Integrity:** Stand by our commitments and act honestly towards customers, staff and suppliers. Act with integrity, both as individuals and as a group.

- **Solidarity:** Contribute to the development of the local economy, job creation, training and the fight against social exclusion in the communities, countries, towns, cities and neighbourhoods where we operate. Implement a policy of fair trade by developing value sharing. Express professional solidarity within the Group regardless of our personal skills, function or banner.
- **Progress:** Support progress and the development of new technologies to serve the needs of people. Embrace change in a pioneering spirit and encourage innovation.

► Our mission

We are totally focused on meeting the expectations of our customers.

Our mission is to be the benchmark in modern retailing in each of our markets, by offering :

Our customers: the best prices and the best merchandise, in every banner and every country.

Our staff: the possibility of growth and fulfilment in a trusting environment, with interesting jobs and motivational compensation.

Our shareholders: : a sustained return on their investment and the growth prospects of a global, multi-format retailer.

Our partners, franchisees or affiliates: leading banners and brands, marketing and sales expertise, purchasing power and constantly improving techniques.

Our suppliers: markets, customer intelligence, and cooperation to improve products through long-term, mutually beneficial relationships.

Public, local and national authorities: a deep commitment to the community, as a socially responsible economic actor and good corporate citizen.

2. A dedicated team to drive Carrefour's sustainable development programme

The Quality and Sustainable Development department is in charge of overseeing our approach. It reports to the CEO and is responsible for initiating pilot projects in partnership with operational teams, for defining Group standards from best practices and for organising their deployment in the different countries.



THE GLOBAL COMPACT

> In 2001, Carrefour joined the United Nations Global Compact. The present report cites several examples illustrating the way the Group upholds the principles of the Global Compact initiative; principles derived from the Universal Declaration of Human Rights, ILO and the Rio Declaration on Development and the Environment.



Editorial by Roland Vaxelaire, Director of Quality and Sustainable Development

“ Making sure that the greatest number of people have access to consumer products and protecting the purchasing power of our customers are the principles that underpin our business. Provided we offer the same quality as our competitors, offering attractive retail prices is what drives customers into our stores. However, we are faced today with two major developments : the ever greater importance accorded by consumers to quality, a factor which distinguishes one retail banner from the other, and the growing interest in « sustainable development » on the part of the general public, who will use this

yardstick to judge whether we are indeed a responsible company.

Convergence of these two developments have led us to reorganize our Prevention Health Safety Environment Department, now called the Quality and Sustainable Development Department.

Its tasks are as follows:

- make recommendations on sustainable development strategy and action plans to the Executive Committee,
- ensure that the countries include quality and sustainable development as part of their strategies, aims and activities,
- recommend standards of quality for the basis of our commercial proposition and oversee their adaptation in the countries,
- launch pilot projects with the support of the major countries,
- determine and organise structures designed to flesh out the Group's commitments and monitor their implementation (Scientific Committee, database on identified risks, laboratories, expert consultants, steering committee),
- make sure countries have access to Group best practices and to Group guidelines,
- anticipate risks, minimise their effects and lobby key decision-makers,
- establish fruitful relations with national and international stakeholders,
- organise and improve sustainable development reporting,
- develop internal and external communication on sustainable development. “



Our ultimate goal is that each of our actions contribute to create triple added value, economic, social and environmental, for our stakeholders. This pictogram indicates, for each issue treated in the second part of this report, the pillar which is most concerned:



in green the environmental pillar



in red the social pillar



in blue the economic pillar

3. The accomplishments of the Quality and Sustainable Development Department in 2002

The Quality and Sustainable Development Department set three areas of priority in 2002 :

► Communicating our commitments internally and externally

In 2002, our sustainable development approach was presented to country management committees as well as all human resources managers. Carrefour's 2001 Sustainable Development Report has been circulated and made available on the Group's Intranet and Internet websites. During the World Environment Day (see pages 18 and 19), stores in 24 countries presented Carrefour's approach to their staff and rose customer awareness of sustainable development issues.

► Implementing our sustainable development programme

2001 was the year we formalized our sustainable development programme. In 2002 we began rolling it out in all our business areas, stores and countries and setting up cross-functional working groups and launching **pilot projects** to tackle priority topics. A network of « sustainable development » coordinators were identified in Carrefour's four key European markets (France, Spain, Italy and Belgium) and in Brazil: this network is to be completed, to communicate and share best practices within the Group.



*“ One of our priorities in 2002 was to improve **our reporting system**. The development of a company sustainable development reporting system has enabled us to start identifying local coordinators. Going forward my role will be to enlarge and animate this network, so as to be able to communicate the Group's general policies, deliver practical tools and share best environmental practices. In 2003, we will also step up our **consultation with stakeholders**, increase our input to european institutions to play a greater role in environmental decisions making processes, and establish a dialogue with other key people. ”*

Paul Rowsome, Group Environmental Manager

► Improving our reporting system

The questionnaire that Carrefour developed in 2001 to report on sustainable development in different countries was enhanced in 2002 to measure our performance in more quantitative terms. The Sustainability Report Steering Committee entrusted a cross-functional **working group** with the identification of relevant performance indicators.

The working group reviewed:

- ethical rating agency questionnaires,
- the New French Economic Regulations that make it mandatory for listed companies to report on the impact of their business on society and the environment,
- the « Global Reporting Initiative » (GRI) guidelines, the international standard that describes sustainable development reporting,
- the goals set out in our first Sustainability Report,
- the indicators used by other companies in the retail sector to facilitate comparison of our performance with that of our competitors.

Over one hundred quantitative indicators have been included in our internal reporting system; of which a number of **key performance indicators** (KPIs) are presented on page 14 of this report.

We have also enhanced the qualitative part of our data reporting system. A questionnaire was sent, as in 2001, to all country management teams to complete the reporting and to raise awareness of the value in monitoring sustainability criteria. This year 21 countries participated in the Group reporting, having had 11 countries complete the first Group reporting exercise last year.



The KPI for this section is on page 54



1.4

Stakeholder consultation and dialogue

Engaging in a dialogue with stakeholders is part and parcel of our approach. By responding to the expectations of our stakeholders, who interact with Carrefour, we safeguard our 'licence to operate' and we uphold our reputation. We distinguish between «direct» stakeholders who derive profits from the value created by the company and towards whom we are particularly responsible, and «indirect» stakeholders. The table below lists our main stakeholders and describes the different ways in which Carrefour Group interacts with them.

Key direct stakeholders	Carrefour's approach to stakeholder dialogue and consultation
Customers: over 4 billion transactions recorded at store check-outs	Satisfaction studies, panels, world survey on the environment, toll-free numbers, websites
Franchisees: 43% franchised stores	Annual conventions and dedicated meetings
Suppliers	Regular contacts at all levels, appointment of a SME manager in France
396,662 employees	Staff satisfaction surveys, Intranet, world survey on the environment, staff consultation bodies in Europe and other countries
Service providers	Meeting with logistical service providers to identify opportunities for environmental action, creation of a logistics supplier club
National and international public authorities	Meetings with national partners, information sharing to identify opportunities with governments and international authorities
Local government	Consulting with local residents
460,000 shareholders	Shareholder relations department and Shareholder Meeting
Key indirect stakeholders	Carrefour's approach to stakeholder dialogue and consultation
Professional organisations	Participation in national, European and international retailing organisations (Euro Commerce, EFSA, GFSI); sharing of best practices
Media	Press conferences in all countries
Social and environmental groups	Meetings with groups made by the Quality and Sustainable Development Department; many local partnerships with different groups
Financial community	Meetings with ethical rating agencies made by the Quality and Sustainable Development Department

A stakeholder consultation meeting organised to further our approach

On 30 January 2003 Carrefour convened a meeting of 13 stakeholder representatives (ethical rating agencies, environmental and social NGOs, trade unions, consumer groups, government officials) to obtain their feedback. They welcomed Carrefour's commitment and the programme already launched. They also voiced fresh expectations as to this second sustainability report. These expectations have been taken into consideration in the drafting of this report. The meeting ended with a debate with Carrefour's CEO, Daniel Bernard.

"Sustainable development is a perpetual project that requires the reconciliation of daily operational obligations with the ideals presented by our stakeholders. The horizon recedes eternally while we progress. Such tension is both energising and unavoidable. This is why we need dialogue with our stakeholders, even though it may be difficult since they too have a « brand » and project to defend. Our work with the FIDH on the social charter, or with farmers on our Quality Lines clearly demonstrate that we can move beyond initial confrontation and make great strides together."

Daniel Bernard,
CEO of the Carrefour Group

Our approach to sustainable development contributes to the success of the Carrefour Group in two ways:

- it boosts the group's earnings by cutting costs and having a more attractive commercial offering;
- it safeguards and enhances our reputation and goodwill.

This approach has enabled us to identify a number of opportunities for sustainable value creation.

In 2001 we outlined our sustainability commitments and undertook action in a range of areas. In 2002, based on these commitments and actions, we formalised a four year programme (2002 – 2005) with 10 priorities which we will track with key performance indicators.

The following table summarises the opportunities for sustainable value creation associated with each of our priorities.

Opportunities for long-lasting economic value creation	Our 2001 commitments		Our action plan 2002-2005
Our step by step approach to sustainable development			
<ul style="list-style-type: none"> - Guaranteed, consistent and effective approach - Cost reduction through anticipation and early issue management - Anticipation of customer expectations - Risk prevention and conflict resolution 	<ul style="list-style-type: none"> - Management and coordination of our approach to sustainable development - Dialogue with our stakeholders 	1	- Expand and complete our reporting system to ensure regular monitoring through relevant performance indicators and to promote the sharing of best practices among countries and banners
		2	- Gradually ensure regular dialogue with stakeholders and improve our transparency through targeted communication
Quality and safety			
<ul style="list-style-type: none"> - Risk management, attractiveness and customer loyalty, reduction in the costs of absenteeism 	<ul style="list-style-type: none"> - Product safety and quality - Customer and employee safety at store locations 	3	- Ensure product safety and quality, customer and employee safety at our store locations
Environmental protection			
<ul style="list-style-type: none"> - Development of a safe offering meeting local needs and promoting local and regional dynamism - Meeting customer demand through a diversified offer - Cost reduction, new partnerships with suppliers - Anticipating future environmental regulations - Consistency between our daily practices and our approach / communication on sustainable development and promoting cost savings measures 	<ul style="list-style-type: none"> - Limit our impact on the greenhouse effect - Protection of natural resources - Waste reduction and management - Preservation of water quality and availability - Preservation of biodiversity 	4	- Strengthen environmentally conscious product and packaging design and develop a range of products with social and environmental added value
		5	- Foster environmental thinking in our logistical activities
		6	- Limit environmental impacts related to construction and operation of our stores, including the impact related to our brochures and free catalogues
Our social and economic responsibility			
<ul style="list-style-type: none"> - Secure our supplies, through dynamic regional economies - Company attractiveness for employees and tax rebates for hiring handicapped staff - Manage risks to company reputation - Improve professionalism and employee loyalty - Customer attraction and loyalty 	<ul style="list-style-type: none"> - Respect our suppliers - Involvement in the local economy - Staff motivation - Customer satisfaction 	7	- Strengthen our partnerships with local companies in each country and promote equitable and long-term relationships with our suppliers
		8	- Guarantee respect for human rights internally and in the supply chain
		9	- Promote staff training and development and inform about Our View of the World, our Core Values, our Mission, our Policies and approach to sustainable development
		10	- Respect the freedom of choice of customers by offering them a wide range of products and services at attractive prices with factual information to enable informed choices

Examples of cost reduction

- > In France, optimising the use of lighting and cold storage facilities has enabled the Montesson store to save 7% on its annual electricity bill; improved management of waste has enabled a 20% savings on waste disposal costs.
- > In France, more efficient packaging has saved 484 tonnes of materials in 2002.



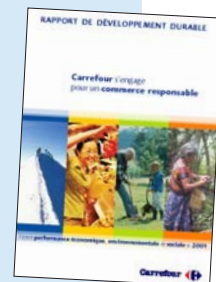
Examples of increased sales

- > In Brazil the creation and launch of a local Quality Line, the Perola pineapple, has helped us triple pineapple sales.
- > In China, organic vegetables account for 9.3% of vegetables sales in 19 stores.



Examples of enhanced goodwill

- > Our first Sustainability Report earned us a listing in the DJSI World Index and an award from the Ordre des Experts Comptables (Association of Chartered Accountants) for the best first publication on sustainable development.



Our Key Performance Indicators	Significant progress made in 2002
<ul style="list-style-type: none"> - Consolidated sales excluding VAT and net income from recurring operations after goodwill - Number of countries completing the Group sustainable development reporting 	<ul style="list-style-type: none"> - Improvement of our reporting system with broader coverage and more quantitative data (see p 12)
<ul style="list-style-type: none"> - Indicator being defined 	<ul style="list-style-type: none"> - Inclusion in the « Dow Jones Sustainability Index » and « Storebrand Principle Funds » (see p 22 and 23)
<ul style="list-style-type: none"> - Number of purchase offices that use the Group's Quality Scorecard - Number of stores audited on the basis of the Group's hygiene and quality standards 	<ul style="list-style-type: none"> - Introduction of a tool for monitoring external health, safety and environmental issues - Deployment of the Group Quality Scorecard in three countries (see p 27)
<ul style="list-style-type: none"> - Number of Carrefour Quality Line products - Number of organic or « ecological » products (controlled products only) 	<ul style="list-style-type: none"> - Savings of 484 tonnes of packaging in France (see p 28) - Development of new ranges of FSC-certified wood products (see p 29) - 29 additional Quality Line products (see p 32 and 33)
<ul style="list-style-type: none"> - Indicator being defined 	<ul style="list-style-type: none"> - Many pilot projects in the process of being launched or continued: alternative transport / fuels and optimising loads and delivery rounds (see p 36)
<ul style="list-style-type: none"> - Energy consumption / sales area - Water consumption / sales area - Waste treatment (% recycled) 	<ul style="list-style-type: none"> - Use of renewable energies in Spain and Italy (see p 40) - Evaluation of greenhouse gas emissions associated with the running of a hypermarket (see p 41) - Environmental review of paper sourcing for brochures and catalogues (see p 50)
<ul style="list-style-type: none"> - Indicator being defined 	<ul style="list-style-type: none"> - Contracts entered into with small businesses and increasingly more regional products developed in partnership with local SMEs
<ul style="list-style-type: none"> - Share of women in management positions - Number of supplier facilities audited on social issues 	<ul style="list-style-type: none"> - Formalisation of Our View of the World, Our Core Values, Our Mission and Our Policies, which include the respect of human rights (see p 10) - Continuation of our policy to audit suppliers on social issues (see p 31)
<ul style="list-style-type: none"> - Number of days of training per employee, per year 	<ul style="list-style-type: none"> - Distance learning through new Intranet tools and devising of tools to train employees on Our Core Values (see p 42)
<ul style="list-style-type: none"> - Indicator being defined 	<ul style="list-style-type: none"> - A first Quality Line product developed in Chile, a new « j'aime » range in France (see p 42) and more information through our catalogues and in-house magazines

CLOSE UP

Examples of how our programme is being deployed in the different countries

CARREFOUR SPAIN: Giving priority to the environment

Carrefour Spain's environmental policy, 4 priorities :

- 1. Waste management**, with selective collection in hypermarkets and logistics centres. In 2002, 45,000 tonnes of paper, cardboard and plastics were sorted for reprocessing.
- 2. Protecting natural resources**, with the development of product ranges with lower impact on the environment such as the Quality Tradition and Organic Product lines.
- 3. Raising awareness among staff of environmental issues** (training time: 76,000 hours).
- 4. Raising awareness among customers of the need to reduce water use and recycle waste.**

All environmental initiatives are coordinated by the National Environment Department and by the environmental ambassadors in the various stores.

Carrefour Spain is also working on its supply chain: all suppliers are conducting environmental impact studies and waste inspections; 25% of them undergo environmental audits. Carrefour's suppliers of electronic goods and textiles have signed a Social Charter whereby they pledge to heed the fundamental rights and principles laid down by the ILO (International Labour Organisation). Training on social issues has been given to textile and electronic goods purchasers. The next step the management wish to take is to work closer with suppliers on these issues.



CARREFOUR BRAZIL: develops a societal policy

A « Social Responsibility » committee comprising the Human Resources Director, the Marketing Director, the Carrefour farms Director, a legal expert and a press relations manager meet every month to drive the strategy and supervise initiatives. A sustainable development manager has been appointed and policy guidelines were formalised in November 2002 in two areas: **child healthcare/education** and the **environment**.

In 2002, employees participated in a sustainable development drive, receiving information through campaigns, company magazines and an environmental handbook. Furthermore 2,500 employees have followed a **training module on sustainable development**, and 3,145 have attended seminars on different environmental issues. This policy has also resulted in new product offerings and in many partnerships with local associations. Carrefour Brazil has invested a total 270,000 euros in this policy. The effect has been to generate growing support among staff and to enhance the company's goodwill.



➔ CARREFOUR FRANCE: the sustainable development programme is spreading to all store formats

➔ Carrefour hypermarkets

After having presented the company's commitments to all departments, French hypermarkets have in 2002 reviewed all sustainable development initiatives. Three working groups were set up, assessing the environmental impacts of store facilities, of product manufacturing (private labels, catalogues, grocery bags) and of staff and customers. Their goal is to identify and initiate pilot projects, test whether they are feasible in a few stores and then replicate them in all our stores.

➔ Champion supermarkets



"Of course, consumers are always clamouring for better quality and better prices, but they also expect a retailer to act as a responsible and accountable corporate citizen. Champion has a key role to play in this regard. That's why the Quality and Sustainable Development Manager reports directly to the business unit Managing Director."

Philippe Pauze,
Group Supermarkets Managing Director



"Our first step was to outline our commitments to the 1,000 Champion stores, both company-owned and franchised, at the first Champion Convention held in March 2002. Today, we need each and every employee to translate these commitments into simple and hands-on actions, day in day out."

Véronique Buhot-Discours,
Quality and Sustainable Development Manager

Significant progress has been made in terms of the quality of both company-owned and affiliated stores. The Quality & Sustainable Development manager is utilizing four coordinators to provide regional support to the stores. Tracking and quality improvement tools were developed such as quality standards, health and safety panels and a CD-ROM, which remind staff of the hygiene procedures to be followed in each fresh foods department.

A one-day training course devoted to quality issues is mandatory for all new store managers and can be followed by all managerial staff. In the southwest, 200 people were trained over the last quarter of 2002. Each store is visited at least **twice by technical assistance staff** from laboratories who check 436 items and conduct some 20,000 analyses a year. All contracts signed with new franchises provide for this follow-up.

Champion has teamed up with the WWF to preserve fresh water supplies

Champion has decided to join forces with WWF to support the Fresh Water Programme, a major environmental challenge in the coming century. A Steering Committee has met each month since April 2002 and three working groups were set up to identify how the banner can make progress in 2003 on its products, stores and communication policy.



➔ Convenience stores

Shopi, 8 à Huit and Marché Plus have appointed a Steering Committee to adapt and deploy the Group's approach to sustainable development to their businesses. The steering committee has set up working groups to identify and test improvement opportunities geared to the needs of their franchise stores.

Conveying our commitment to both our staff and customers and aligning all stakeholders behind our objectives are key to ensuring that our approach to sustainable development is successful. Carrefour chose the World Environment Day, on 5 June 2002, to showcase and communicate its commitment to the environment.

All in all, most store formats in 24 countries rolled out hundreds of actions adapted to local issues, often in tandem with NGOs and local partners.

The following map presents some of the highlights.



Logo designed for Carrefour on the occasion of the World Environment Day and adapted to fit cultural specificities

A large world survey on the environment

Organising the World Environment Day afforded Carrefour the opportunity to survey both our staff and customers to know what they thought about environmental issues. **Using the same questionnaire, 36,000 customers and 21,000 staff in 16 countries** in Europe, Asia and South America were polled on the environment in March and April 2002.

The findings demonstrate overwhelming support: **92% of Carrefour customers state that they are generally concerned about environmental protection** (66% stated they were highly concerned) while **90% are of the opinion that Carrefour should play an important role in this area.** The type of programme that customers want Carrefour to undertake varies from one country to the next and depends on different consumer profiles and retailing contexts. In all, **61% of customers and staff polled stated they are ready to join forces with Carrefour to preserve the environment.**

Main environmental concerns among our customers and employees

	South America	Europe	Asia
1	Preserve the quality of drinking water		
2	Conserve forests		Protect fauna and flora
3	Protect fauna and flora		Recycle waste
4	Recycle waste		Conserve forests
5	Preserve water resources and fish stocks		Global warming

- Mexico**
- Energy savings (new air conditioning equipment installed)
 - Drawing competition organised on the theme of the environment

- Argentina**
- A feasibility study on solar energy was conducted for hypermarkets
 - 10% fewer grocery bags were distributed (savings were donated to charities)

- Colombia**
- Organic coffee grown as a substitute for coca crops was listed by the stores

- Chile**
- Waste was selectively sorted on parking lots
 - Clothes were collected for a charity

- Brazil**
- Over 200,000 children were vaccinated in our stores against polio
 - 2,000 trees were replanted in parks and schools and 17,000 seedlings distributed
 - Stores welcomed 150 schools and 50,000 alphabet books were distributed
 - Partnerships with 45 NGOs (e.g. WWF)



" Apart from trees, I think we have planted seeds in the conscience of children who greatly enjoyed this day, the result was very encouraging. "

Vitor Hugo Fontoura Bortolacci, Hypermarket Director in Brazil.

France

- A network of environmental ambassadors was formed in the 214 supermarkets that participated in the event
- « Sort It » activity game to raise awareness among children as to the need to sort waste, involving environmentally-friendly packaging and a « Living Planet » game organised in conjunction with the WWF
- A campaign to raise awareness among customers on the need to sort used batteries. Result: number of used batteries returned each month doubled.

Spain

- Appointment of « environmental ambassadors »
- Training programme aimed at 45,000 staff
- Raising awareness among customers on water consumption (labelling of domestic appliances)
- « Nature » drawing competition and game on climatic change
- Raising awareness among NGOs and schools

Belgium

- « Green back to school » campaign
- New packaging for fruit and vegetables which can be used as compost
- Juniors' Club special on the environment

Italy

- Commitment to reduce waste and packaging in stores
- In-store indication of environmentally friendly products
- Support for a sanctuary for Mediterranean marine mammals in partnership with the WWF

Portugal

- Development of a Fish Quality Line that respects the marine biotope and a commitment to promote better management of fish stocks
- Raising awareness among producers to improve water management
- Feasibility study on renewable energies for supermarkets
- Reduce the weight of Carrefour packaging, reduce the number of grocery bags with leaflets on the environment handed out at check-outs
- Beach cleaning campaigns and creation of a « Tree Friends Club »

Switzerland

- Cotton grocery bags
- Product catalogue entirely dedicated to the environment

Greece

- New battery recycling program
- Clean-up operations along the Mediterranean coastline and in forests with customers and employees

Poland

- Waste sorting in parking lots

Turkey

- Exhibitions presenting NGO environmental initiatives

Czech Republic and Slovakia

- Commitment to reduce energy consumption by 10%
- Reduction in packaging of own label products and use of paper from certified forests
- Collection of rubbish and plantation of trees in locations chosen with town councils
- Awareness-raising campaigns among children in schools
- Pollution testing of vehicles

Taiwan

- Exhibition of « recycled » art
- Clean-up operation on beaches and in parks (employees, schools)
- « Marathon for the Earth » with the Tapei City Hall

Indonesia

- Distribution of lemon and guava tree seeds to customers

China

- Launch of organic products (in Beijing and Shanghai)
- Help in protecting pandas in bears in partnership with the WWF
- Drawing contest

Malaysia

- Informing schools about pollution and waste
- Financial support for elephant dispensaries

Thailand

- Collection of batteries and raising awareness on waste management (including a teaching manual for schools)
- Pollution control for vehicles
- Donations to protect elephants

Japan

- Tours of organic farms for customers
- Classes on bread baking with organic flour (traditional Tokachi bread)

South Korea

- Distribution of educational leaflets on the environment
- Discount coupons given in exchange for returned used batteries

Singapore

- Introduction of biodegradable bags at store check-outs

Picture made by children during a drawing contest organised by Carrefour China



2

Our economic, social and environmental performance



1. Products and suppliers



2. Logistics



3. Stores



4. Staff management policy



5. Customers



6. Local communities



Introduction

Assessing our overall performance

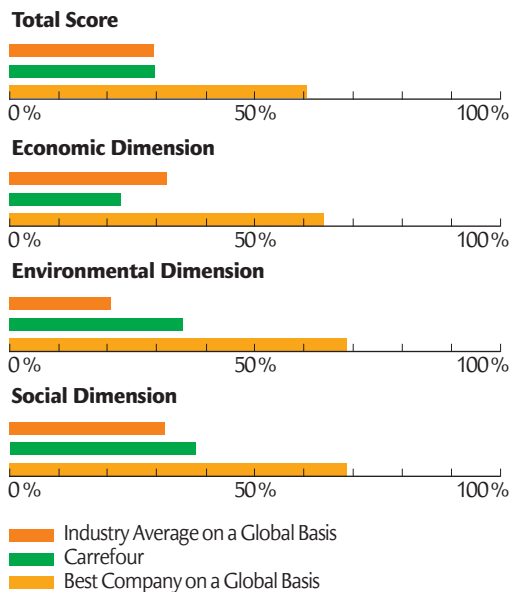
Thanks to its first Sustainability Report and individual interviews, Carrefour in 2002 has improved its communication with independent ethical rating agencies. Each year, these agencies assess performance of corporations on the basis of economic, social and environmental criteria. These ratings are carefully reviewed by investors that are looking for ethical companies to become part of their portfolio of responsible corporations. These assessments report on the progress and the improvements we have brought to our operations and enable us to measure our performance against that of our competitors. Overall in 2002, Carrefour improved its performance, however it must continue to improve, especially in areas such as the transparency of corporate governance and the deployment of its environmental strategy.

► Sustainability Asset Management / DJSI

SAM Research is a Swiss enterprise that screens companies eligible to be listed on the Dow Jones Sustainability Index. In 2002, Carrefour was listed on the DJSI World Index for the first time.



SUSTAINABILITY SCORES



“ Although Carrefour has not actively participated in our assessment, the Group has provided evidence in 2002 of greater transparency, as demonstrated by the publication of its first ever Sustainability Report in a business sector where trading practices commonly lack clarity. Carrefour is still below the sector’s average on economic criteria (corporate governance, code of conduct, risk management and supply chain management), but its environmental and social ratings outperform those for the sector given its concern with how its suppliers impact the environment, its strict requirements on working conditions and the choice given to its customers on GMOs. ”

Gabriela Grab,
retailing analyst with SAM Research

► Ethical Observatory (ODE) / FTSE4Good Index

The ODE assesses French companies for a possible listing on the FTSE4Good Index. Carrefour has not been selected in 2002.



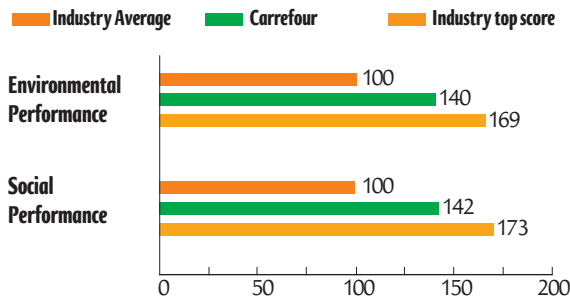
“ Decent working conditions and a ban on child labour have been priorities in recent years. The INFANS Association established in partnership with FIDH aims to assist Carrefour in supervising suppliers. Dissemination of this ethical initiative is expected to ultimately give consumers assurances that Carrefour products are manufactured in accordance with basic human rights and ILO requirements. To strengthen its sustainable development policy Carrefour needs to clarify its environmental strategy, giving a framework, standards and action plan for existing initiatives. ”

Pierre Naudot, ODE analyst

Storebrand Investments



Rated 14th out of the 85 companies in its sector, Carrefour has qualified for the first time to « Storebrand Principle Funds » portfolio of ethical companies by Storebrand, Scandinavia's leading ethical funds manager.



“ Carrefour has gone to great lengths to provide us relevant information. It took a major stride with the publication of its first Sustainability Report. In its second report we are keen to see how Carrefour tracks progress in the accomplishment of its objectives as well as providing more international examples and quantitative data to correlate the company's social and environmental initiatives with its financial performance. We regard priority areas of progress as being store design, deployment of the Environmental Management System, accompanying suppliers with environmental improvement initiatives, as well as informing and raising awareness among consumers.”

Jeanett Bergan, retail analyst with Storebrand Investments

Sarasin Bank

Sarasin and Cie SA Bank publishes evaluation reports on the societal and environmental performance of various corporations and compiles company profiles for its own investment managers and on behalf of other institutional fund managers.

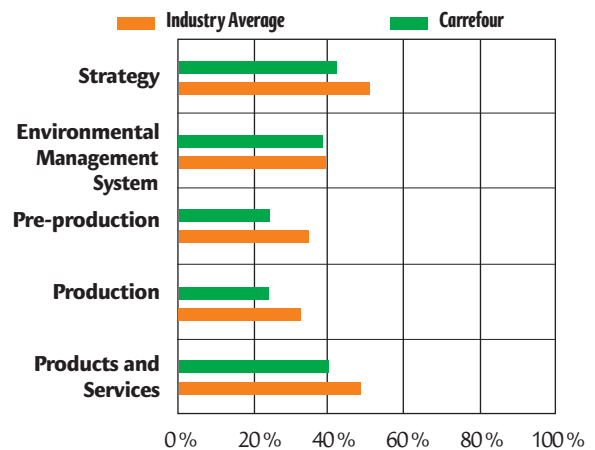


“ Carrefour's 2001 Sustainable Development Report has enabled the Group to identify the areas where its activities have the greatest negative impact on the environment and to set itself a number of environmental management goals. Carrefour has enhanced its environmental profile this year through more environmentally-friendly packaging, better energy and waste management, the introduction of organic products, more efficient product traceability procedures and environmental audits of suppliers. We encourage Carrefour to pursue its efforts in this direction and to introduce a sound and reliable reporting system.

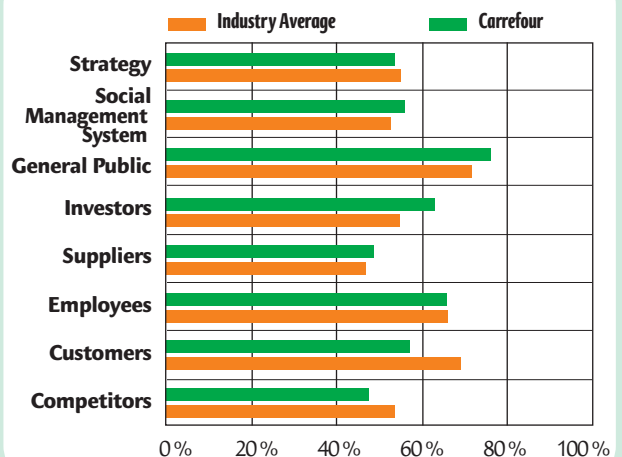
Carrefour scores higher on social criteria. We fully support its initiative in improving its relations with suppliers, etc. Working conditions at Carrefour worldwide are above average for the sector. We welcome Carrefour's partnership with NGOs and local communities as well as its commitment to apply ethical principles in all its business dealings. “

Michaela Collins, retail analyst with Sarasin Bank

ENVIRONMENTAL PROFILE



SOCIAL PROFILE



2.1

Products and suppliers



KEY FACTS AND FIGURES

- > The number of suppliers range between **4,000 and 15,000** in the major countries
- > Depending on the country, food accounts for **55% to 88%** of sales versus **12% to 45%** for non-food items
- > Depending on countries, private label and own brands account for **15 % to 30 %** of sales
- > A French hypermarket carries on average **80,000** listed products
- > Cost of sales : **53,182 billion euros**

MAIN ISSUES

- > **Product traceability**
- > **Relationships with suppliers**
- > **Quality and safety of both food and non-food product lines**
- > **Anticipation and optimisation of economic, social and environmental costs in product design and commercialisation**
- > **The social conditions under which products are manufactured**

1. Building profitable relationships with our suppliers

1. Purchasing organised to account for our local presence within a global Group

Carrefour's purchasing organisation comprises **three levels that complement one another**. This enables us to maintain the proper balance between international, national and regional suppliers:

- ➔ worldwide, an **International Purchase Office** negotiates international cooperation agreements with suppliers ;
- ➔ nationally, **Purchase Offices** offer a common core of products that all stores will carry in a specific country ;
- ➔ regionally, **stores** may supplement the assortment they carry with products sourced from local suppliers. In France, regional products account for an average 3% of the sales posted by a hypermarket.

Carrefour markets **two kinds of products: leading brands and controlled products**. The latter include own brands (such as Carrefour, Champion, Dia), private labels (such as Reflets de France, Souvenirs du Terroir, Terra Nosta) and value brands. **Carrefour takes great care to monitor its controlled products:** teams are involved in product development and packaging, in manufacturer and producer selection, quality control and marketing. Our quality criteria for controlled products are invariably stricter than what the law mandates.



Some of the own-brand and private-labels commercialised by the Carrefour Group



2. Ethical trade

The observance of ethical standards is one of Carrefour's core values. Our Group has defined rules and developed **tools** in numerous countries. In reply to a questionnaire circulated by the Group, 11 out of 21 countries answered that they had a **Code of Conduct** in place while 15 stated that a **Code of Ethics** was written into the employment contract of purchasers. Carrefour Malaysia, for instance, sends a letter to all its suppliers once a year to get their feedback on any difficulties they encounter. A new IT tool, Global Net eXchange, provides greater openness and faster response time for processing bids, while respecting the Group's ethical principles.



The « Reflets de France » product range is an excellent example of how Carrefour provides local products through close long-term partnership with SMEs.

3. Carrefour's success is founded on its partnerships with SMEs

Historical partnerships with small and medium-sized enterprises have enabled Carrefour to supplement its leading brand offerings. Carrefour believes it has an important responsibility to develop long-term and balanced relations with these SMEs. To achieve this, we focus on the following **areas**:

- **Raising awareness among purchasers:** campaigns regularly target purchasers to raise their awareness as to the importance of having good relationships with SMEs.
- **Getting acquainted with our partners:** in 2003, the Carrefour Group will set up a supplier surveillance team, notably to make sure that no one supplier is overly dependent on Carrefour for its revenue stream.

- **Entering into long-term commitments:** in France, the 'commitment contract' strengthens the business cooperation with 255 SME through mutual commitments. Carrefour Spain has committed to buying agrifood products worth 6 thousand million euros from Spanish SMEs between 2000 and 2004: already in 2002, purchases for the first two years exceeded by 50% the objective.
- **Developing regional product ranges:** in countries such as Belgium, France, Italy, Spain or Argentina, Carrefour is developing its own range of regional products together with local SMEs. In 2002, Carrefour France signed partnership agreements on permanent product ranges and contractually agreed special offers (100 to 200 listed products in each region) with regional groups in three agricultural regions (Brittany, the South West and Provence-Côte d'Azur).
- **Helping SMEs export internationally:** Carrefour is actively involved in the « French Partnership programme », a governmental export promotion organisation that offers one-week events to promote French products abroad, hosting of SMEs, trade fairs, placement of VIE volunteers (Volontariat International en Entreprise) and export advisory services. Carrefour actively helped more than 500 SMEs to export their goods. The SAFCA, an organisation dedicated to promoting SME exports within our Group, has identified 300 suppliers and helped 80 of them export their products in 2002. Last November, some 100 French SMEs were invited to Japan for a one-week promotional event showcasing « Reflets de France » home-grown products.

“ We help SMEs export their products by advising them on a suitable strategy, educating them on export constraints and informing them about available export subsidies. We then select and promote the most suitable products by choosing with a supplier those that are the most distinctive. We also make available to the purchase offices in the various countries the products of the SMEs we have selected.

We follow up on supplier-customer relations, but do not get involved in final negotiations. We do all we can to ensure that a contract will be duly signed. We then assemble all the paperwork needed to obtain the relevant import licences and offer to ship the goods via our export department. “

David Dertier,
SACFA manager

2. Ensuring product quality

Carrefour is working in close partnership with suppliers at every stage in the development of its own brand and private label products, to make sure that both food and non-food products are safe and of high quality. Generally, all our suppliers get audited on a yearly basis. Carrefour set up, in 2002, a product safety programme for its controlled products.

1. Quality is at the centre of product development

In the most mature countries, both product manager and quality manager work closely to develop own brand and private label products:

- ➔ **Product managers** are in charge of picking the right market positioning, supervising launch schedules, finalising packaging concepts and product claims and conducting negotiations.
- ➔ **Quality managers** must make sure that the project is technically feasible. They must check that the selected supplier is able to meet Carrefour's quality requirements by conducting regular audits. They must verify that product composition is in compliance with current regulations in the country where the products are sold and that Carrefour's commitments are respected (with regard to GMOs or natural flavours). They must also compile product specifications with suppliers and build the quality monitoring plan which will have to be put into place once the product is on the market.

Developing the most basic private label or own brand product takes 6 months. This may take 18 months for more complicated cosmetics products that require regulatory approval by public authorities.



Carrefour is responsible for the safety and quality of its products.

2. Europe-wide coordination to strengthen our quality programme

In cooperation with Carrefour's five major European countries, our International Purchase Office is developing a whole range of products intended for highly different markets in terms of customer expectations, market regulations and supplier practices. This cooperative approach to quality is particularly advanced. Since 2000, Quality Assurance managers from 5 countries have been meeting 3 to 4 times a year to share their expertise, best practices and key technical data.

Carrefour's quality assurance teams monitor technical specifications and regulations at national and European levels. Our International Purchase Office coordinates best practice sharing and the exchange of technical expertise between countries (e.g. tracing products to make sure they are GMO-free, conducting research into allergens).



Local products are offered for sale, only when Carrefour's stringent requirements as regards product selection have been met.





3. Carrefour's Quality Scorecard, a tool designed to improve and align our standards

Developed by the International Purchase Office, the Quality Scorecard is a software programme designed to **anticipate risks, respond to emergencies** and enable the monitoring of controlled products during their development. This database collates most key information on products:

- ▶ Technical data (acceptance tests, specifications, tolerance, origin of raw materials),
- ▶ Marketing data,
- ▶ Data on quality (inspection programmes, filing and follow-up of complaints and non compliance),
- ▶ Budget and economic data per country.

The Quality Scorecard makes it possible to retrieve data, in order to:

- collate information to compile summaries or indicators,
- immediately assess risks following warnings and changes in regulation.

The Quality Scorecard is **currently being rolled out in France, Italy and Greece.**



At Carrefour's International Purchase Office, Quality Assurance teams enter technical data in our databases.



The KPI for this section is on page 55

Offering our consumers an alternative through our commitment to GMO-free products

In accordance with the **precautionary principle**, Carrefour has decided to step up its efforts to **eliminate Genetically Modified Organisms from its own brand and private label products**. The shift in EU regulation towards full traceability of GMOs and their by-products as well as compulsory labelling of foodstuffs and animal feed is a further step in this direction.

Carrefour's approach, which begun in France in 1996, continues to be rolled out across the world in countries where legislation, product availability and Carrefour's market share vary greatly. For example, 85 % of soybeans and 25 % of maize grown in Argentina are genetically modified. In China, the government estimates that genetically modified soy-based oil enjoys a 50 % market share.

This **approach currently concerns the main European countries** (France, Spain, Italy, Greece, Poland, Turkey, Portugal, Switzerland), **the two main South American countries** (Brazil, Argentina) plus Chile, as well as China, Asia's **major market**, and South Korea.

In the countries where this approach is most advanced actions are progressing towards the **elimination of GMOs from animal feed**. Brazilian and French teams worked together to establish identity preserved (IP) soy cake production in 2000. A second agreement has since been signed in Brazil. These products are now supplied to Brazil, France, Italy and Spain as animal feed for Quality Line products, such as Carrefour eggs in Brazil. Specifications now clearly state that products must be entirely GMO-free. Suppliers are required to produce for each batch a certificate from the food manufacturer. Control programmes have also been put into place.

3. Environmentally conscious product and packaging design

Carrefour is paying more and more attention to the environment when specifying new products and packaging. This degree of attention varies greatly depending on the products and the environmental issues. In this field, Carrefour has developed three complementary lines of action:

1. Developing more environmentally-friendly product lines

➤ **Eco-products:** Some countries are developing more environmentally-friendly products. The International Purchase Office in 2001 developed for Carrefour France an 'NF Environnement' eco-labelled coffee filter. The environmentally conscious design of this coffee filter limited environmental impacts through material choice (no bleaching agents, packaging made of recycled fibres), ISO14001 certified manufacturing (no adhesives), optimised logistics and facilitated end-of-life disposal (compostable filter).

➤ **Organic products:** Carrefour has been an active supporter of organic farming since 1992. In France, the « boule bio » bread loaf, the first organic product to be sold in our stores, is today the second top selling bakery product, right behind French bread « baguette ». We are developing organically certified products in the 4 major European countries (France, Spain, Belgium, Italy), as well as in Thailand, China, Argentina and Brazil. Mexico also offers organic bread for sale.



The KPI for this section is on page 55



The new spanish organic range counts 40 products.

➤ **Carrefour's Quality Line products:** The inclusion of sustainable development criteria in our Quality Lines is detailed on pages 32-33.

2. Packaging design that meets environmental criteria

In 2002, a European working group composed of both «food» and «non-food» packaging specialists operating under the coordination of the International Purchase Office compiled a guide to packaging conception, to disseminate best practices throughout the Group. It defines the essential features of packaging including environmental criteria. These standards will be shared with all countries in 2003.

At the same time, the main European countries (France, Spain, Italy and Belgium) have **reduced the environmental impact of their packaging**. In 2002, Carrefour France saved 484 tonnes of raw materials (a total of 4,500 tonnes since 1996) and launched two pilot projects complementary to existing material reduction initiatives: a GMO-free vegetal ink for use in paper and cardboard packaging and a new ecological limestone-based material to wrap own brand butter.



The packaging for Carrefour's regenerating salt for dishwashers won the "Savings" Packaging award and was selected in 2002 by the French National Packaging Association (Conseil National de l'Emballage) for its environmental qualities. Developed in France, it is now sold in Spain and Belgium and has enabled savings of 70 g per unit (or 66 tonnes of material per year) and a 12% cut on downstream transport.

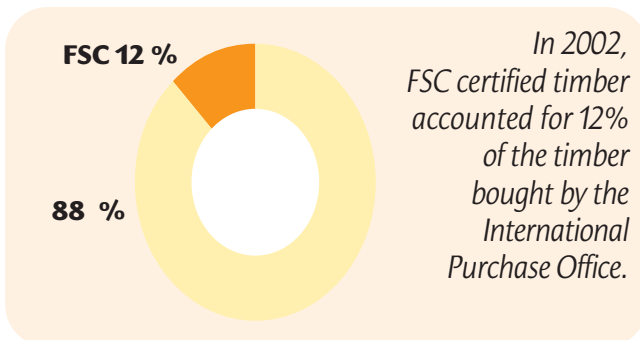


3. Launching pilot projects to promote environmentally conscious product development

➡ Sustainable forest management

Last year, Carrefour committed to promote the preservation of forest resources. Significant progress has been made in 2002 in part following constructive consultation with environmental NGOs:

- **The Sustainable Forest Management Charter**, drawn up by our International Purchase Office, sets out our policy to suppliers to ensure full timber traceability and sustainable forest management;
- The first **range of garden furniture** made of **FSC certified** roble, was developed and is retailed in five countries: France, Turkey, Switzerland, Spain and Mexico. Carrefour also offers a range of garden decoration products and barbecue units with wooden trays, labelled FSC.



The Forest Stewardship Council (FSC) is an international body established in 1993 to promote forest management in accordance with economic, environmental and social requirements. The 10 principles laid down by the FSC include the restoration, replanting and conservation of forests.



Lounge chair from the new FSC labelled Carrefour range

➡ Improving the management of marine resources

Carrefour has developed a five-step approach:

- to encourage fishing in selected areas (low health and pollution risks, sound management of fishing quotas),
- to conduct audits of fishing operators,
- to pool all bulk orders to encourage operators to invest in alternative fishing methods and thus improve health conditions and better management of fish stocks,
- to impose minimum social and environmental criteria in calls for tender,
- to partner with trade organisations and specialised institutes to define new professional standards.

In 2002, this approach was applied to the **cod** Quality Line and **white fish** products (mainly from the North Atlantic). Carrefour has extensively sourced its cod from producing countries (Norway, Iceland, the Faro Islands) to ensure:

- sound management of fish quotas,
- fish processing facilities both on fishing vessels and on land,
- traceability all along the product supply chain (fishing, processing, packaging, logistics).

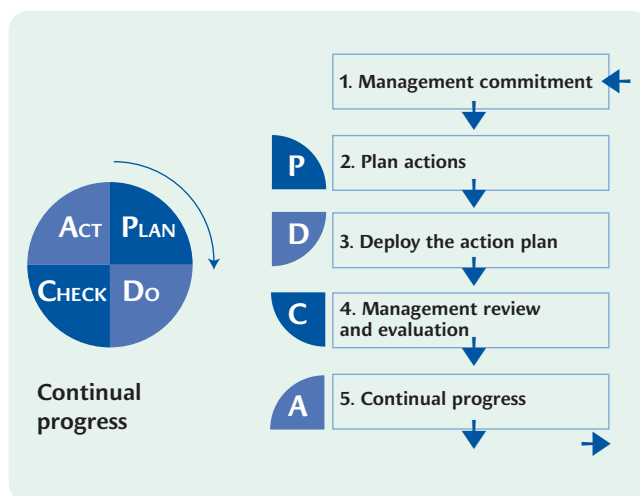
Finally, in 2002, Carrefour undertook an improvement of its line of deep-frozen fish products sold under the **Silver Sea** private label, ensuring a quality product for the end consumer (health safety, food quality, compliance with environmental and social criteria).



➡ Encouraging our suppliers to put in place an Environmental Management System (EMS)

In partnership with the French Chambers of Commerce and Industry, Carrefour initiated a pilot project in France with five industrialists which resulted in :

- the provision of an environmental regulatory service adapted to the concerned activities,
- the training of company managers and environmental coordinators,
- an initial review of environmental practices, followed by personalised support which involved drafting and implementing an action plan based on the findings of this review,
- all inclusive financial and technical assistance package to implement an EMS (with Carrefour providing some financial aid).



Example of a method used by Carrefour to promote a step by step approach to progress

Carrefour China and its local suppliers

With 35 hypermarkets opened in 7 years, China accounts for 1.6 % of Carrefour worldwide sales. Carrefour's domestic purchase office is currently devising action programmes to gradually raise quality, social and environmental standards among its local suppliers. This takes various forms:

- Promoting local sourcing: some 93% of products sold are made in China,
- Avoiding the use of GMOs by developing Quality Lines and organic products,
- Developing local organic farming: in 2002, organic vegetables sold in 19 stores accounted for 9.3% of vegetable sales and up to 33.2% of sales in the 8 stores located in the north,
- Including ethical, social and environmental standards as part of the contracts we signed : in 2002, 666 suppliers of fresh products signed a « pledge to act ethically »,
- Guaranteeing product quality: in 2002, all suppliers of fresh products also signed a « Pledge to supply quality products ». 350 suppliers were trained on hygiene procedures (HACCP, maintenance) and health inspections are performed each year.

These commitments encourage suppliers to continually improve their performance in these new areas. In 2001, contracts were cancelled with eight suppliers who failed to fulfil the pledge to act ethically or supply quality products. In 2002, three contracts were cancelled for the same reasons.

“Cooperation with Carrefour brings mutual benefits. Carrefour helps to create a market for organic farming as well as providing marketing skills and improving quality standards. For our part we contribute our knowledge of the specificities of Chinese farming and our experience of organic farming.”

Mrs Chen,
head of an organic farming cooperative
that employs 47 people





4. Socially responsible manufacturing

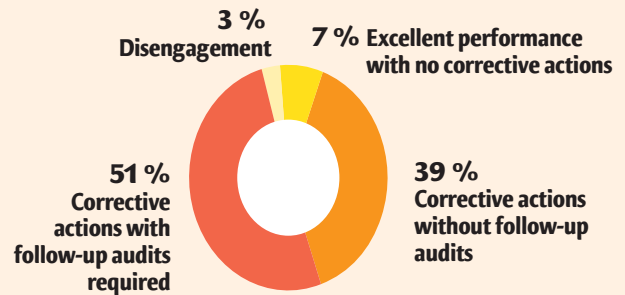
In 1995, Carrefour began conducting **social audits** among its suppliers (DIY products, garments, footwear). This initiative led to the formal signing of a **Social Commitment Charter** and to the creation of the **INFANS association**, in partnership with the International Federation of Human Rights (FIDH).

Carrefour is committed to upholding and enforcing **basic workers' rights** as laid down by the **ILO**, i.e. eradication of slave labour, a ban on employing children under the age of 14, decent wages, trade union freedom, acceptable working conditions, equal opportunities. Outside auditors make sure that companies abide by the terms of the Charter while **random audits** are performed by INFANS. The role of INFANS is threefold: to monitor social risks, carry out spot checks and identify local NGOs able to oversee the roll-out of Carrefour's initiative out in the field.

In 2002, **24 sites** were audited in **China**, **44 in India**, plus all garment suppliers in **Bangladesh**, a total of **49 sites**. Corrective action was taken to improve **working conditions, working hours and wages** in each factory. In Bangladesh, suppliers are improving their practices under the combined pressure of retailers and the government. All in all, 258 site audits have been carried out since the initiative was launched.

Carrefour has been instrumental in creating a forum for exchange of auditing best practices and results within the French Trade & Retail Federation (FCD) and is playing a leading role within the FCD to create European Guidelines.

Results of audits conducted since 2000



➡ **638 Social Charters have been signed since the initiative was launched**

➡ **In 2002, 83,864 workers were concerned by these site audits**



The KPI for this section is on page 57

Year	Key Event
1995	Carrefour launches its initiative
1997	Signing of Carrefour's «Social Commitment Charter»
1999	Partnership with FIDH. 5 sites audited in Asia as a way of testing the methodology
2000	Auditing offices opened and 24 sites audited in Pakistan, Vietnam and Bangladesh
2001	117 sites audited in Vietnam, Laos, Cambodia and northern China. 5 spot checks performed by INFANS
2002	117 sites audited in China, Bangladesh and India. Partnership with the FCD

Domestic purchase offices bring pressure to bear on local suppliers

Some purchase offices also require that **local suppliers who produce Carrefour private labels meet specific social criteria**. Such is the case at Carrefour Spain, Dia Turkey, Dia Greece and Carrefour China. Carrefour Brazil has developed a program to review social practices among its different suppliers: 20% were audited by outside consultants in 2002. In addition, Spain, Japan, South Korea and Mexico have had **their purchasers take a course in social issues**.

CLOSE UP Carrefour's quality lines, an example of the integration of the 3 pillars of sustainable development

Carrefour's fresh food product Quality Lines are the outcome of a close cooperation between growers and processors. This collaborative effort is a guarantee of product quality, safety, traceability, authenticity and taste. The Carrefour's Quality Line approach, which has been celebrating its 10th anniversary in 2002, is developing progressively across the countries, integrating the growing food safety, environmental and social requirements.

In 2002 a review of existing Quality Lines in France was made while growth of Quality Lines in other countries where Carrefour is present continued. As part of their review Carrefour France outlined a series of economic, environmental and social commitments that the different countries will then translate into specific progress programmes.



Economic

- Make quality products available to the greatest number of people
- Guarantee balanced trade
- Pay growers a fair price
- Develop long-term relations with local partners
- Promote international trade



Societal

- Uphold human rights, especially those of children
- Help maintain local jobs
- Ensure consumer health and safety
- Promote the sharing of know-how

> COMBINING THE THREE PILLARS OF SUSTAINABLE DEVELOPMENT:

- **Status review**
- **Define new objectives per quality line**
- **Develop and implement action plan**

Environment

- Preserve the environment by limiting the negative impact of Carrefour's Quality Lines
- Preserve biodiversity
- Conserve natural resources
- Manage waste

The KPI for this section is on page 55



Carrefour's Perola pineapple Quality Line is boosting the economy in Brazil's Tocantins region.



Carrefour's Cantal Entre Deux Quality Line is made with non-pasteurised milk from the Massif Central and helps maintain jobs in this part of France.



The economic contribution of Quality Lines

In 2002, **29 new Quality Lines** were signed thanks to **long-term partnerships** across the world with the local growers and food processors that produce Carrefour **Quality Lines**. Quality Lines account for a growing share of our fresh product sales. They are becoming more popular with our customers and contribute to **developing the local economy**. Offered at **universally affordable prices**, Quality Line products reward growers for observing **strict quality requirements**.

Example: The **Pérola pineapple Quality Line** in Brazil provides a striking example of this policy: the quality of this product has resulted in a threefold increase of pineapple sales since the Quality Line was launched. It has also given a boost to the economy of the Tocantins region which derives 50% of its resources from pineapple production.

The societal contribution of Quality Lines

Developing our Quality Lines provides the opportunity to **promote regional know-how** and **improve local living standards** by establishing demanding social criteria.

Examples

- In France, the **Cantal Entre Deux Quality Line made with non-pasteurised milk** is the result of a partnership with a small cooperative of 23 producers. This makes it possible to preserve trades such as cheese-making and maturing as well as maintaining local traditions and communities. Three people have been recruited since this Quality Line was launched.
- With 1,040 tonnes of shrimp sold in 2002, our **Brazilian Shrimp Quality Line** supports a community of 1,350 people in the Rio Grande region. Social action includes contributing towards the school tuition of 120 children, literacy classes for 80 employees with the help of Aiba, an NGO, medical check-ups by a qualified nurse for employees and their dependants, raising awareness on hygiene standards and vaccination campaigns.

The environmental contribution of Quality Lines

Protecting the environment has historically been one of the key features of our Quality Lines.

In 2002, we formalised our **Quality Line objectives**:

Protecting species, crop varieties and ecosystems, maintaining local identity, managing fertile plots of land, checking production inputs, soil contamination and erosion risks, water use, water quality and pollution, controlling effluents, CO₂ emissions and refrigerant release, sorting, collecting and recycling waste.

These commitments were then translated into **actual action plans** for our fruit and vegetable Quality Lines, such as banning the use of chemical disinfectants on soils, crop rotation, piecemeal utilisation of fertilisers, use of pest control products, retrieval of packaging, maintenance of spraying equipment, scrubbing of storage tanks and banning the chemical treatment of harvested crops.

In 2002, Carrefour France conducted a first review of **fruit and vegetable Quality Lines specifications**: 96% of these now contain provisions on soil impact management, 75% concern biodiversity and 73% deal with water management. Training, which is vital to implementing this programme, is now provided for in 93% of the projects.

The next phase will be to extend this initiative to other Quality Lines, assess what has been accomplished and fine-tune our objectives, where necessary.



KEY FACTS AND FIGURES

- > Over 250 warehouses worldwide, 79% of which are located in Europe, 15% in the Americas and 6% in Asia
- > 59% of warehouses are company-owned, 41% are subcontracted

In the 4 major European countries:

- > 40 million pallets are carried by 1.5 million trucks each year
- > Deliveries are made every day to hypermarkets as against 3 to 6 times a week to supermarkets and once every 1 or 2 weeks to convenience stores
- > In France, an average of 7 trucks a day on the road delivering to each hypermarket and 1.2 per supermarket

MAIN ISSUES

- > Product traceability
- > Seamless cold chain
- > Limitation of CO2 emissions

- > Search for solutions, new technologies and/or alternative sources of energy
- > Safe transport
- > Staff safety in warehouses
- > Noise abatement

1. Ensuring product safety through the supply chain

1. Product traceability

The ability to track a product right along the supply chain is a key goal when it comes to withdrawing it from the shelves quickly when it is considered to be defective.

In 1998, Carrefour was the first retailer to progressively introduce an **automated pallet traceability system** to save time in the event of product withdrawal. A few warehouses are now testing this system in France before it is introduced across the country and in other European countries.

In 2002, improvements were introduced in our **product withdrawal procedure**: in France, all store formats are now using the same procedure. All Carrefour's major European countries (France, Spain, Italy and Belgium) are now cooperating in this project. If a health and safety warning is issued on a specific product, our Quality Department (available 24 hours a day, 7 days a week) will fax the relevant information to all warehouses and store formats concerned so as to immediately withdraw and isolate defective items.

Quality and health audits conducted in French stores also screen how efficiently products are withdrawn (see page 39)

In Europe, average product withdrawal time is between 30 minutes and 2 days.



2. The cold chain must be seamless

In all countries, ensuring that there is no missing link in the cold chain is the main concern of all logistics personnel in charge of shipping and storing fresh food in warehouses.

Standards have been developed (systematic temperature checks when products are received and before they are loaded on to trucks) and independent audit programmes introduced in company-owned as well as sub-contracted warehouses.



A seamless cold chain is a key priority for Carrefour all along the supply chain: from grower to store.



2. Progressively addressing environmental protection in the supply chain

In 2002, Carrefour launched a **partnership initiative** with logistics operators aimed to alleviate the environmental impact from product shipments, in particular CO₂ emissions. In November 2001, Carrefour convened a meeting of 60 suppliers and logistical service providers to identify areas of environmental progress.

Because of the strong involvement of all participants, several topics were targeted for research: alternative methods of shipment, optimising truck loads and routes, product safety warnings and withdrawals, traceability and recycling. Four **working groups composed of different stakeholders**, each comprising 10 to 20 volunteers and jointly run by a logistics service-provider, an industrial supplier and a Carrefour Group manager, met several times in the course of the year. The aim was to identify practical opportunities and launch pilot projects in France, with a view to subsequent implementation and deployment.

The findings of these working groups, presented on the next double page, highlight the important potential reductions of CO₂ emissions.



“A review meeting was held a year later with over 100 people in attendance. The initial private-sector partners accompanied by public-sector partners who joined the initiative (ADEME, Paris City Hall and

academics) participated in this annual report meeting. The working groups will continue their work, while an Environment and Logistics Club has been established to extend the partnership and reflect on new opportunities to limit pollution”, explain Bruno Viallon and Julien Darthout, logistics managers for Europe and France and pioneers of the initiative at Carrefour.



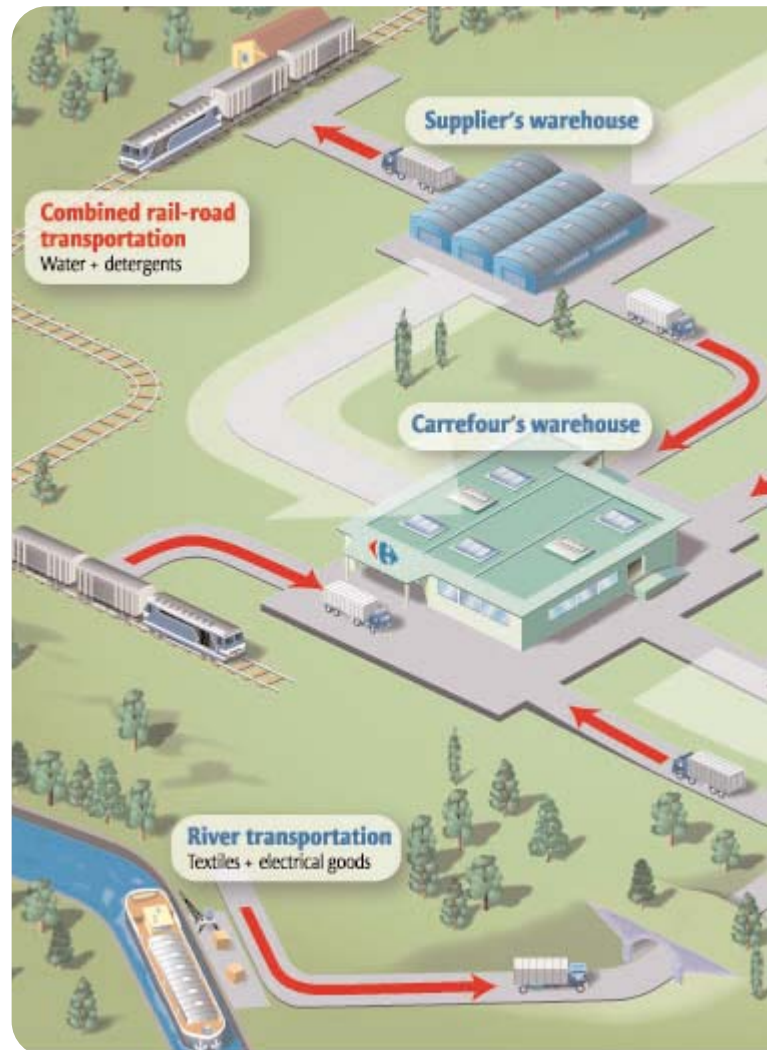
The topics of our research “ Logistics and the environment ”

➡ Rail transport: mixed results

Rail transport no longer meets the requirements of the retail trade due to a lack of availability and flexibility (rail-only transport accounts for a mere 8% of goods transported in France). However, Carrefour and its partners have investigated two solutions to develop rail transport:

- **A fruitful dialogue** has begun with the SNCF, the French railways to improve service quality. SNCF is currently testing a new service at two warehouses that will enable Carrefour to track train movements in real-time. In the meantime, a programme is underway to reduce truck unloading times.

- **A pilot project** is being conducted with **Procter & Gamble** to test the feasibility of combining rail-road transport to carry detergents in France. This approach is bound to offer major potential for reducing CO₂ emissions since 1% of additional freight transported by rail would prevent 3,000 tonnes of CO₂ from being released into the atmosphere.

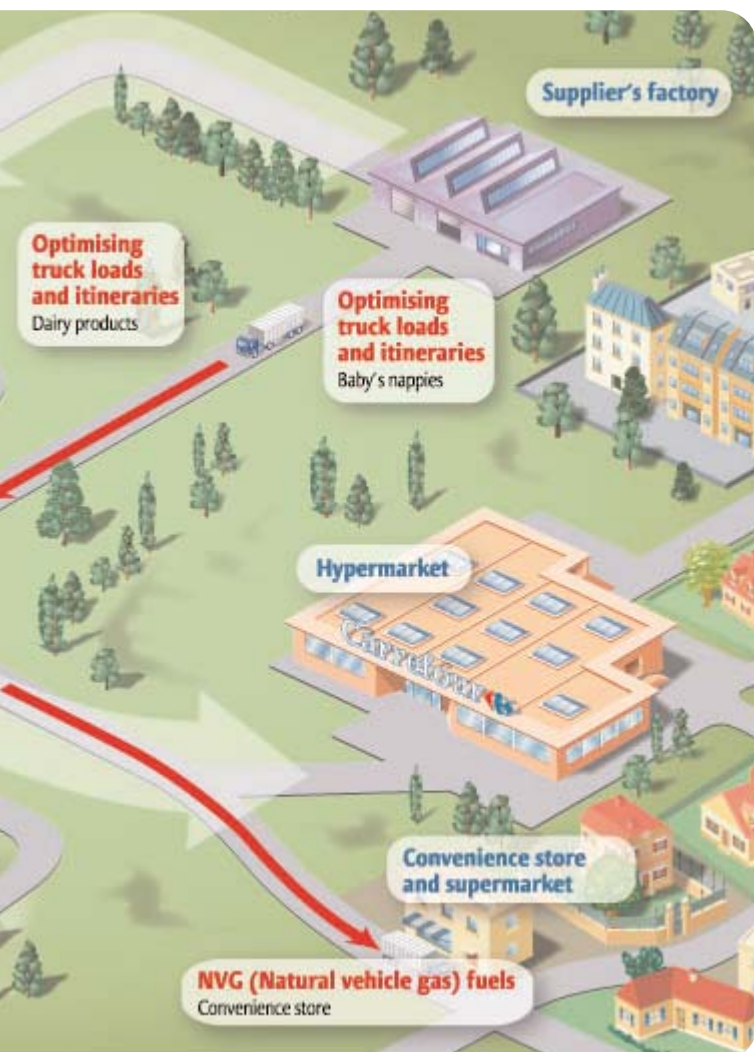


➡ River transport: an attractive solution

A **pilot project** has been conducted whereby 120 containers of textile products were shipped down the river Seine, from Le Havre to the Autonomous Port of Gennevilliers outside Paris. This mode of transport has proven as **reliable** as road transport and **more cost-effective** (see diagram below). The aim is to gradually extend it to all textile products that are forwarded from Le Havre to Paris and from Marseille to Lyon. Some 2,500 containers may be shipped annually using this mode of transport, or 30% of all textiles handled by the warehouse located outside Paris. A feasibility study is also underway to investigate whether the same delivery route can be used to import consumer electronics. This would make it possible to reduce CO₂ emissions by 600 tonnes.

Carrefour Belgium has also started to operate a river route over a distance of 40 kilometres between Antwerp and Brussels to ship 1,500 containers of non-food products a year. This initiative makes it possible to take 1,500 trucks off the road, save 10,000 litres of diesel, and reduce CO₂ emissions by 27 tonnes.





Truck load and delivery round optimisation: positive results

Just-in-time operations which reduce storage costs and guarantee product freshness may be limited by rationalising truck loading procedures (trucks were filled to 75% capacity in 2002) and by rescheduling delivery rounds. A **pilot project** conducted with **Yoplait** made it possible to carry **70% fewer pallets**, reducing by as much the number of trucks on the road (see interview). Other expected benefits include a healthier environment for ultra fresh products, lighter loads carried by staff and increased productivity during unloading at the warehouse. Other manufacturers, who also must ship goods in bulk, are keen to begin a similar initiative.

Stored volumes of dry or non-food products to be shipped may also be reduced:

- A test has been conducted to build up average size orders for shipment to several nearby warehouses. This test has yielded encouraging results and led to extending the project to some 15 suppliers in 2002.
- A project to deliver directly from factories to Carrefour's warehouses is underway with our supplier **Kimberly Clark**, with a view to reducing the number of trucks on the road. Pallet size is also being increased to augment truck filling capacity.

Research into alternative fuels

Carrefour is also investigating alternative fuels that release less CO₂ into the atmosphere.

2 NGVs (natural gas vehicle) are to supply 120 convenience stores and supermarkets in the Paris conurbation. This project is being conducted with several public-sector partners (ADEME, ARENE and the Paris City Hall). If tests results are conclusive, a dedicated gas filling station will be built at the end of 2003 with a view to disseminating the initiative throughout the Paris region and then to the rest of France.

Ooshop, Carrefour's online sales service which delivers goods directly to consumer homes, is testing **two delivery vans that run on natural gas**. If the outcome of the test is positive, the project will be extended to all of the Carrefour fleet as and when new vehicles are ordered.

Carrefour Italy is testing an alternative fuel dubbed '**aquazole**' (**water and diesel mixture**). This releases 40% fewer toxic particles than traditional diesel. This alternative fuel may be used on all types of trucks and requires no special fitting. It is inexpensive and enables trucks to operate during peak pollution periods. For the same cost, Carrefour Italy has halved the number of harmful particles released by its 20 pilot trucks.

"Despite my initial doubts, this partnership approach is a success: this is the first initiative on such a scale in the sector. It enables us to create synergies. It is important to keep the momentum by exploring new options (merging different modes of transport, reviewing different types of packaging). This will be harder since it will require further changes in the way we work."

Gérard Serre,
Logistics manager, Yoplait,
chairman of the Logistics Committee of ILEC
(Institut de liaisons et d'études des industries de consommation).



KEY FACTS AND FIGURES

- > **9,632 banner stores worldwide, including:**
 - 778 hypermarkets
 - 2,320 supermarkets
 - 2,322 convenience stores
 - 4,014 hard discount stores
 - 198 cash and carry stores
- > **657 stores opened in 2002**
- > **57% company-owned stores, 43% affiliated or franchised stores**
- > **Sales area of a hypermarket: 5,000 to 20,000 m²**
- > **Sales area of a supermarket: 1,000 to 2,000 m²**

MAIN ISSUES

- > **User-friendly stores that blend into their surroundings**
- > **Minimal disturbance caused in the immediate vicinity**
- > **Health and safety standards upheld in stores**
- > **Reduced water and energy consumption**
- > **Reduced greenhouse gas emissions**
- > **Waste management**
- > **Promoting alternative modes of transport to replace car use for both staff and customers**

1. Stores that blend into the local environment

When building a new store or refurbishing an existing one, the Group always strives to integrate new buildings into the urban or rural surroundings.

- ▶ The Group promotes the **use of materials** that respect local styles of architecture. Our Montesson store in France takes its inspiration from traditional houses in the region, featuring a freestone facade and an asphalt square.
- ▶ **The store surroundings** are carefully planned so as to offer customers a more congenial setting in public places that are increasingly visited : creating small town squares or planting flower beds and trees contribute to providing some human touch to the surroundings.

Carrefour also collaborates with municipal authorities to build roundabouts, roads and sometimes cycle lanes to **improve the flow of traffic** and increase safety around its stores.



Our Bangbon store in Thailand is a prime example of our efforts at enhancing store architecture with transparent store fronts and park benches in green and leafy areas to welcome customers. In keeping with local tradition, a "house of spirits" has been built at the store entrance.



2. Store safety

Our challenge is to satisfy customers day in day out. To earn the trust of our staff and customers our first obligation is to ensure store safety.

The safety rules applied in our hypermarkets and supermarkets worldwide are based on **French safety standards**, which are particularly stringent. As regulations on the safety of buildings are being toughened regularly, we make sure that the stores are brought into compliance with the latest legislation when they are remodelled. We have taken appropriate measures to make sure that staff and customers can quickly exit the premises in an emergency as well as checking fire prevention measures and training staff.

Each year, insurers, brokers and safety officers carry out some **200 visits worldwide to check safety measures**. Based on their recommendations, action is taken to enforce applicable codes and standards, conduct maintenance programmes, provide training and take fresh measures to increase safety.

In France, a **nationwide programme to prevent Legionnaire's disease** has been launched in all our hypermarkets. This voluntary risk control programme allows stores to identify and inspect facilities at risk.

Service stations also are the focus of close attention: for example Carrefour's service stations in Spain are fitted with double-walled fuel tanks, which are regularly cleaned by a specialist contractor, and with automatic leak detection systems and fuel separators.

Psychological counselling is also available in many countries for staff or customers who are the victims of muggings or theft. In France, a training programme on how to deal with acts of violence at work has been introduced.



Carrefour applies strict quality and safety standards in all countries where it operates.

3. Store hygiene and quality

1. Deploying best practice standards in our stores

Carrefour's Consumer Quality Department in France has prepared a set of best practice standards adapted to each retail banner. In 2002, our convenience store managers were informed about how to use and apply these standards. 400 convenience stores out of 1,500 have asked Carrefour-certified laboratories to conduct in-store audits.

Specific standards for maintaining a seamless cold chain are gradually being introduced in stores in China, Mexico, Brazil, Colombia as well as in the five major European countries



The KPI for this section is on page 57



Using cleaning products more efficiently.

Carrefour France introduced a **colour code and plastic coated cards** to identify more clearly the products in order to promote their rigorous use to ensure better hygiene and greater environmental protection. **Cleaning schedules** specify how, how much and how often a given product should be used. Hypermarket cleaning staff have had specific training on the proper use of these products.

4. Lessening store impact on the environment

The main challenge in deploying our values, and the key to success is in getting our staff to feel and be personally responsible through their daily actions. Taking environmental protection into account in everyday store management will not only result in greater savings but will also provide a way to rally support from within our organisation and to showcase our commitments to our customers and the general public.

1. Environmental management system : rallying staff around our initiative

The manager of our Bègles hypermarket store has got the support of his staff by demonstrating that he was personally committed to improving the **Environmental Management System** being introduced there as a pilot programme. The store has strengthened its « **environment team** » of 20 people headed by the general services manager. The team has created an 'environmental tour' to help show store employees the different environmental actions introduced around the store, especially the waste sorting system (paper and cardboard, neon lights, spray cans, animal fat, scrap metal, ink cartridges).

A set of **environmental management guidelines** were tested in 2002 at three other representative stores with a view to extending the system. The aim is to provide a simple self-explanatory toolkit whereby each hypermarket can review its own environmental impacts and establish appropriate actions to enable progress.



"It is personally very satisfying to be on the store environment team since I am sensitive to environmental issues and want to share my concerns with others. Our work is beginning to bear fruit. In recent months I have seen that our actions are moving in the right direction."

Bluenn, receptionist and member of the environment team at Carrefour's Bègles store

2. Examples of other pilot projects and best practices

- In order to develop the use of **renewable sources of energy**, Carrefour Spain is about to test solar panels on five of its stores.
- Carrefour in Italy is buying electricity from an association that sells hydroelectric power. They are also members of the European Greenlight Programme aimed at reducing the power consumption of lighting fixtures.
- French hypermarkets have started to recycle their **computers**. In 2002 for the first time, **150 supermarkets** in France organised the recovery of their obsolete IT equipment with the IT supplier, Hewlett Packard. Part of the material recovered was re-used to assemble new computers.
- **Staff and customer transport** is also targeted by our sustainable development programme: Carrefour Belgium has teamed up with a car pool scheme, provided a shuttle service to head office staff and also informed employees about alternative modes of transport on its Intranet site. Several countries provide free shuttle bus services: in Colombia the shuttle buses run on natural gas.



The KPIs for this section are on page 56



World Environmental Day at the Le Merlan store in Marseille

"The success of Carrefour's initiative lies in the personal commitment of each staff member; we must get staff buy-in and get them to spread the word around. On World Environment Day, we focused on raising staff awareness on environmental issues. Large panels displaying extracts from Carrefour's first Sustainable Development Report were set up in staff areas."

Jean-Jacques Tallec, store manager, Le Merlan, Marseille, France



3. Assessing the overall greenhouse gas emissions released by a hypermarket

In 2002, Carrefour conducted a **review of the greenhouse gases*** emitted by the Champs-sur-Marne hypermarket in France. This tool was developed by the French environmental agency ADEME to assess **greenhouse gas emissions** in different sectors of activity.

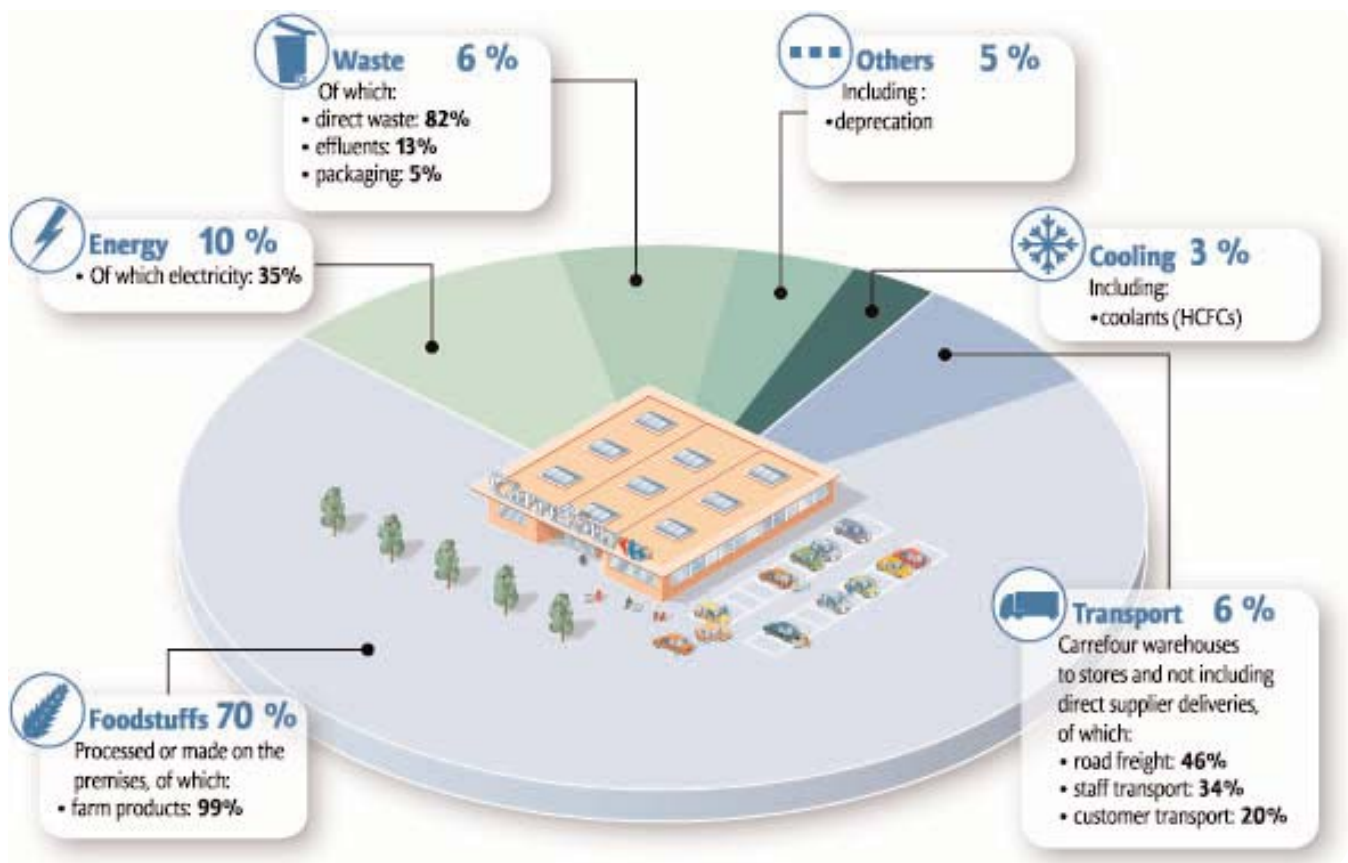
This review investigated the direct and indirect (transport of products to the store, production of foodstuffs processed in the store to make bread, meats, deli products etc.) greenhouse gas emissions associated with the store activity.

This project enabled Carrefour to identify potential ways of reducing greenhouse gas emissions.

The study found direct emissions to be around 340TEC (tonnes of carbon equivalent) per year or 57 kg of carbon equivalent per square metre of sales area.

Since our stores differ widely around the world, we are cautious against any simple extrapolation of these results.

The illustration below gives a breakdown of the **emissions released by the hypermarket**:



Farming, notably cattle breeding, is an important source of methane gas, a highly harmful greenhouse gas.

The modes of transport used are as follows:

- Staff:
 - 70 % by car or motorcycle;
 - 19 % walk or by bicycle;
 - 11 % by public transport.
- Customers:
 - 85 % by car or motorcycle;
 - 13 % walk or by bicycle;
 - 2 % by public transport.

* The review was made using a French developed methodology, similar to the Greenhouse Gas Protocol



KEY FACTS AND FIGURES

- > **396,662 staff in the Group working in 24 countries (excluding partner and franchised stores), of which 69% are in Europe, 20% in Latin America and 11% in Asia**
- > **13,841 jobs created in 2002**
- > **6,330 million euros in payroll and employment related costs**
- > **Share of women in headcount: 54%**
- > **4.2 million hours of training provided in 2002; 43% of our staff took at least one training course in 2002**

MAIN ISSUES

- > **Staff training and skill development**
- > **Staff diversity and hiring more managers locally**
- > **Recruitment, attractiveness, staff retention**
- > **Promoting good labour relations**
- > **Time management: striking a balance between private and professional life**



1. Team management

1. Skills management and internal mobility

To better respond to the specificities of each market, Carrefour has opted for **highly decentralised management practices**. It is the duty of managers to develop the skills of their staff. This requires staff empowerment, supervision and teams working closely with one another.

Internal promotion is encouraged in all banners and in each store, both at a national and an international level. **In 2002 Carrefour hired 70,000 staff and created some 14,000 new jobs**. This offers scope for internal promotion at all levels. While taking account of individual wishes, career development helps meet the multifarious needs of the Group.

Annual appraisal systems help identify staff potential and aspirations: some countries like Poland hold regular meetings between high-potentials and senior managers.

2. Training

Carrefour considers training to be a worthwhile investment: investing in staff training is a means for Carrefour to improve performance, and for staff to get promoted within the Group. In 2002, the Carrefour Group delivered over 4.2 million hours of training or 1.5 days of training per employee, per year.

Training is provided at three levels:

▀ The Group's **Human Resources Department** facilitates the transfer and sharing of Carrefour's know-how and corporate culture. It accompanies the process of change by providing tools to the countries such as a training Intranet site (now available in 14 countries), media tools that inform staff about the Group's Core Values and Mission, employee satisfaction surveys and local action programmes developed with our operational teams. The HR Department offers training to expatriates and top executives.

▀ Each **country** has a **dedicated training team** which offers a range of training programmes geared to the strategic priorities of individual countries and retail banners and to needs identified by managers. Training programmes are also developed and adopted to local needs. Priority is given to in-house training.

▀ Training programmes are devised and run by **each individual store**. Managers are responsible for identifying the training needs of their staff and for ensuring the follow-up.



Carrefour Brazil has been running literacy classes for its staff in seven of its stores since February 2002.

Portuguese, mathematics, history and science classes are provided free of charge during staff working hours.

Training courses cover four years of primary education.

60 employees attended courses in 2002. 40 of them are today studying in state-run schools.

“ Such training programmes are intended to develop the knowledge of employees who did not receive formal schooling , to increase their self-confidence, improve the level of service and improve customer satisfaction. “

**Michela Tomaz Forato,
Training Institute**



*The KPI
for this section
is on page 57*

3. Salaries and Wages

Carrefour’s remuneration policy is to pay salaries commensurate with the skills, qualifications, responsibilities and performance of individual employees in each country. For certain jobs, the employee’s salary includes a variable component whereby the employee is remunerated on the basis of achieving individual targets.

In addition to other components of the remuneration scheme, staff directly benefit from value creation through an employee share-ownership scheme.



Employee profit-sharing, company savings schemes and socially responsible investment in France

In 2002, Carrefour paid out 166 million euros to all its employees in France as part of its employee profit-sharing scheme.

The Group’s Savings Scheme (PEG) signed on 23 December 2002 harmonized all company savings plans for all staff working in integrated companies in France.

In April 2001, the Carrefour Group established an ethical investment fund. The Group considers ethical criteria when making investment decisions. This represents 10% of total fund assets. In 2002, the fund invested some 9.1 million euros in socially responsible projects.

2. Promoting diversity among our staff

Making sure that our staff possess a wide range of skills and talents is a major asset that enables us to better understand customer expectations worldwide.

Carrefour seeks to promote equal opportunities. Several countries have drawn up non-discriminatory policies (equality between men and women at Ed France, same salary for new recruits at Promocash France, non-discriminatory code of ethics at Carrefour Brazil).

1. Male / female staff ratios

In 2002, women accounted for 54% of the Group's total headcount. However, very few women occupy high-ranking management positions. They account for 38% of total staff, excluding check-out operators, but for only 29% of managers. Cultural differences also explain numerical imbalances: women are represented far more in management positions in Asia (40% on average) than in Europe (29% on average).



Carrefour is intent on promoting diversity and equal opportunities among its staff



2. Striking a balance between local and expatriate staff

Carrefour is intent on empowering local management, to fit in with the specificities of each country and promote geographic mobility. When Carrefour sets up shop in a new country, having expatriates in key positions is a necessity at first to be able to transfer know-how and corporate culture. In a second stage, local managers are trained and promoted. In 2002, Carrefour employed 582 expatriates in managerial posts, 14% of whom were not French. 18% of managers and 30% of senior executives are expatriates.



In Indonesia, all staff in our 10 stores are made up of locals.

3. Recruiting young people

Country managers are creating partnerships with schools and training centres with a view to fostering youth employment. In 2002, **Indonesia** launched a «trainee-manager» programme for 117 trainees, 31 of whom were subsequently offered managerial posts.

To attract, train and retain young employees, the Carrefour training school in France set up a tailor-made training programme recognised by retailers for its quality. Since its inception at the end of 2001, the school has taken on 2,500 young people on employment and training contracts and delivered 1,400 diplomas after 7 months of training. Courses are delivered by in-house trainers in training rooms at Carrefour stores. The tutors, who have themselves had 40 hours of training, assist trainees on the job. 700 young people were recruited by Carrefour at the end of their employment and training contracts.



4. Insertion of disabled people in the workforce

In France, Brazil, South Korea and Thailand, Carrefour is committed to employing disabled workers and to keep staff who have become disabled following an accident, above and beyond the legal requirements.

The 1999-2001 « **Handicap Mission** » national agreement signed in France with social partners led to recruiting 593 disabled people, 399 of whom were hired on permanent contracts. Under this agreement, disabled people made up 6.07% of the total workforce in Carrefour's hypermarkets at the end of 2001. This agreement was rolled over for the 2002-2004 period, so as to get all Carrefour stores to take part in this job insertion scheme.



To attract, train and retain young talents, Carrefour offers training and employment contracts as well as various training courses and programmes.

3. Staff safety

Our primary duty is to provide a safe working environment for our staff.

All countries have put in place a **Health, Safety and Working Conditions (HSCT) policy** and our staff are trained in basic safety procedures.

The highest rate of accidents occurs among check-out operators, delivery zone workers and staff processing foods such as meat and deli products.

In 2002, an **occupational risk self-evaluation tool** was introduced into French hypermarkets to enable them to assess risk factors related to individual jobs (muscular and skeletal disorders, skin cuts).

A national consultation body has been set up in France to oversee Carrefour's **accident prevention initiative** (introduction of safety equipment, review of ways to deal with rude behaviour and attacks on check-out operators, adequate training and psychological counselling).



Carrefour provides safety guidelines to staff to guarantee optimal working conditions.

4. Raising staff motivation

1. Listening to staff

Carrefour's staff satisfaction and management tool first developed in France in 1989 is being gradually rolled out: satisfaction surveys collect the views and opinions of staff both interactively and anonymously. This enables management to develop action plans. In 2002, some 8,000 employees were polled in 4 European countries: France, Spain, Italy and Belgium. The initiative is presently being tested in Brazil and scheduled for implementation in 2003.

►► Points with which staff were satisfied:

1. Job mobility and promotion within the company
2. Benefits granted by the company
3. Carrefour is synonymous for strength and safety

►► Points to be improved:

1. Communication and relations between managers and staff
2. Wages
3. Working conditions

Carrefour France has set up a consultation body to identify and investigate working conditions in its French hypermarkets and to improve **relations** between employees and managers and among employees. All issues related to management style will be addressed, including levels of stress or working hours.



2. Scheduling working hours

Management in seven countries, covering three continents, have undertaken initiatives to help staff achieve a better balance between their private and professional life. These include measures such as granting time-off rights, introduction of flexitime and independent time management.

An original system was introduced into French hypermarkets in 1998 whereby check-out staff, regrouped in pools of 20 to 30 cashiers, schedule their own working hours. Each check-out operator suggests her preferred work times taking into account peak attendance in the store. A coordinator adjusts the operator's schedule accordingly (up to one hour per operator). This system is currently running in 135 stores and concerns 12,160 operators.

A satisfaction survey conducted in 2002 reveals that 90.75 % of Carrefour's check-out operators like the new system and, in particular:

- the opportunity to work only four days a week,
- the ability to manage their own work schedule by communicating their preferred work times one month in advance,
- the opportunity to spend more time with their family,
- greater independence,
- closer ties with colleagues due to more evenly balanced working hours.



Check-out staff working in pools can plan their work schedule to suit them.



5. Dialogue with the social partners

In 2000, the Carrefour Group pledged to enact ILO agreements and uphold trade union rights by signing a partnership with Union Network International.

We strive to develop constructive dialogue with labour representatives in all countries where we operate.

The example described below illustrates the constructive dialogue we have with labour representatives.

Our agreement with trade unions following the Carrefour-Promodès merger

The merger between Carrefour and Promodès in 1999 required the restructuring of key departments (IT, staff administration, purchasing).

In an effort to reduce the number of redundancies, all trade unions signed an agreement in 2000 and a consultation body entitled the « Liaison Committee » was specially set up to manage employment and qualifications and so facilitate job mobility.

In 2002, all trade unions concerned agreed to sign an amendment to extend the terms of this agreement until 20 April 2003.

This has resulted in:

- **submitting restructuring projects** to the Liaison Committee as early as possible,
- **creating outplacement centres** staffed with outside consultants to help staff find work that matches their skills and aspirations,
- **assistance with job mobility.**





KEY FACTS AND FIGURES

- > **62 million households shop at Carrefour stores (this includes all countries and all store formats)**
- > **4 billion transactions recorded at check-outs in 2002**
- > **31 visits a year on average to the european hypermarkets, with 55 minutes on average for each visit**
- > **48% of households who live within Carrefour's trading areas shop at our stores (all store formats)**
- > **The vast majority of our customers are women: 70% in hypermarkets**

MAIN ISSUES

- > **Defend the purchasing power of our customers**
- > **Make consumer products available to the greatest majority**

- > **Product and service quality**
- > **Listen to customers and satisfy their needs**
- > **Ensure the in-store safety of our customers**
- > **Raise people's awareness of responsible consumption**

1. Customer satisfaction

Offering quality products to the largest number of consumers

Protecting the purchasing power of our customers is one of our top priorities. We strive to offer our customers **best value for money**, along with the best offer.

The product range « N°1 » which includes over 300 listed products, offers the lowest prices on the Spanish market.

Wherever we operate, we strive to improve quality standards.

“Retailers have a duty to maintain purchasing power by offering lowest priced products. In the 15 EU member states, 35 million people live below the poverty line, including, 4.5 million in France.”

**G rard Benoist du Sablon,
Eco-consumer manager for ORGECO,
the French Consumer Association,
speaking at the stakeholder consultation
meeting**

Serving our consumers

Carrefour knows that a satisfied customer will remain loyal and will convey a positive image of the company. 13 countries have set up **customer care departments** to centralise and handle complaints swiftly (handling complaints took an average 3.5 days in 2001 and 2.5 days in 2002) and take the necessary corrective action. In 2002, Carrefour's Consumer Quality Department in France upgraded its IT system to deal with consumer complaints more effectively.

We can keep in touch with our customers via many different channels: information desks, information panels in stores, toll-free numbers, Internet sites, outdoor panels, flyers, catalogues, retail magazines in the main European countries and buyers' guides.



Carrefour is China's third largest retailer with 4.6 million customers.



2. Continually improving our commercial proposition

Developing additional services and new product ranges

Carrefour is constantly expanding its range of services targeted to a wide array of consumers: financial services, insurance and holiday packages, optical products, telecommunications, fuel, home deliveries, ticket sales for shows. In 2002, seven countries offered such services. Some countries have launched social initiatives such as Carrefour Holidays in France which has teamed with ECPAT to combat the sexual exploitation of children or Carrefour Spain's optical service which gave away free glasses to underprivileged children in 2002.



A new line of foods has been introduced to meet the growing demand of customers for healthy, tasty products. Launched in 2002 in French hypermarkets, the "J'aime" range is based on five health themes inspired by the Nutrition and Health Programme of the French Health Ministry.



In Colombia Carrefour offers Internet access to its customers.

Promoting responsible trade

To meet consumer demand for products which offer added social value, Carrefour continues to develop products that are sold as part of responsible trade initiatives such as in France, the Madagascan shrimp, Carrefour organic quinoa and Carrefour organic coffee. Carrefour also lists products from fair trade programmes in a number of countries.

3. Promoting responsible consumption

Protecting the environment is a concern for 92% of our customers, as revealed in the world survey conducted by Carrefour in March and April 2002 (see pages 18-19). As a leading retailer in direct contact with the final consumer, Carrefour wishes to contribute to raising public awareness on sustainable consumption.

- World Environment Day was the opportunity to launch local campaigns to raise public awareness of issues such as sorting waste with the WWF or addressing the question of GMOs with Greenpeace in China. In 2002, Carrefour Brazil ran a project in three pilot stores in the State of Sao Paulo that paid customers 2 Real cents for returning each aluminium can and 1 cent for each returned plastic bottle. One month after the campaign was launched some 16,000 bottles and 22,000 cans had been collected: recycling these cans enabled savings of 178,200 KW, or the equivalent of the monthly electricity bill of 594 households of four people. Customers were also invited to donate the money received to a charity chosen by the stores.



Our free magazines such as our Carrefour newsletter are also a way to educate our customers about environmental protection.

- In 2002, we ramped up our media campaigns on Carrefour Quality Lines to inform our customers on food safety and the environment. We also distributed buying guides in a number of European countries and staged promotional events in stores. In 2002, Carrefour Belgium launched a « Green Back to School » campaign to promote customer purchases of recycled paper.

“Retailers are a driving force in promoting responsible consumer behaviour.”

Cédric Du Monceau,
Managing Director of WWF France,
during the stakeholders consultation.

4. Addressing the issues concerning our customers

The widespread distribution of sales catalogues and grocery bags are two of the key environmental concerns voiced by our customers.

➡ Sales catalogues and consumer magazines

In 2002, the sales and marketing campaigns conducted in 11 European countries (by all retailer banners except Hard Discount) used up 215,000 tonnes of paper or some 80% of the total needs of the Group worldwide. Sales catalogues and free consumer magazines are a way to meet the real consumer **demand for information** and they help boost our sales substantially. The **effectiveness of our publications is regularly** measured by our marketing departments.

Carrefour is, however, also aware of the need to carefully manage the associated environmental impacts. In 2002, we began **monitoring paper consumption in each of our businesses**. When buying paper, we differentiate **between recycled fibres and natural fibres from forests managed sustainably**. This new monitoring system enables us to implement a sourcing policy that preferences recycled paper and paper from sustainably managed forests.

Moreover, we have been proactive in discussing these issues with the key actors concerned (suppliers, environmental NGOs, national and international trade organisations) in order to share information, demonstrate our will to make progress and take appropriate action.

➡ Grocery bags

Carrefour has undertaken many local initiatives to offer alternatives to free plastic bags.

- Singapore and Italy are experimenting with grocery bags made of **biodegradable materials**, as did Taiwan, which has had biodegradable bags since 1999.

- In June 2002, Carrefour Taiwan designed **reusable bags** to pre-empt a new ban on free bags which is to become effective in January 2003. In Japan, Carrefour offers **free cardboard boxes** and sells «bags for life» (a 80% discount is granted at the opening of any new store) that get refunded when customers return them to the store. For its part, Carrefour Belgium is selling folding, reusable plastic «eco-boxes».



Some of the sales catalogues and consumer magazines published by the Carrefour Group

2.6

Local communities



KEY FACTS AND FIGURES

- > 9,632 banner stores in 30 countries
- > Often among one of the top three private employers in towns where there is a hypermarket
- > 379 million euros in taxes paid in 2002 in 13 countries

MAIN ISSUES

- > Contribution to the local economy and labour market
- > Relations with public authorities
- > Impact on local living standards
- > Solidarity with local communities

1. Contributing to the local economy

Carrefour's success is rooted in the very heart of local communities. Our ability to stimulate the local economy is key to our win-win relationships with the local communities where we operate. By recruiting **local teams** who are familiar with local work practices and customs, the Carrefour Group is a major provider of direct jobs: in 2002, we were among the top top three leading private employers in Brazil and Argentina. By developing **regional products** with local suppliers, Carrefour helps create indirect jobs and a buoyant local economy. By paying local **taxes**, Carrefour also spurs local economic growth.

As we expand globally, we must rise to the challenges of sustainable development:

- How can we successfully implement our sales and marketing strategy in economically less mature countries ? In those countries where large retailers have only recently become established, Carrefour brings a different approach to retailing that is based on stringent quality and safety standards.
- How can we help traditional trade to adjust to a new market environment and operate alongside large retailers ? In China, traditional trade is still growing strong despite the sharp rise in the number of hypermarkets. This is due in part to the fact that the country's hypermarkets are located outside towns and cities. Moreover, food courts act as a magnet for small businesses who set up shop in shopping malls.

- How can we devise a modern hypermarket concept that abides by western standards of quality and hygiene while respecting local cultures and customs. Consumer expectation concerning product and packaging presentation differ widely between countries: Chinese consumers, for example, like to touch meat before buying it.



Carrefour has been present in China since 1995 and now has 35 stores in the country.

2. Acting as a responsible neighbour

Maintaining good relations with local residents and businesses is vital to preserving **our reputation and goodwill among local communities**. The **development of green areas** around stores and the **prevention of noise** (planning delivery times, soundproofing of cold storage facilities in Greece, double glazing in the homes of residents living next to our stores in South Korea), help maintain our « licence to operate ».

Consulting local residents and businesses is a key way for Carrefour to stay in close touch with local communities. For instance, Carrefour Colombia holds monthly meetings with local residents and authorities while a store is under construction, then organizes follow-up meetings every two months after it has opened.



3. Assuming our stewardship role vis-à-vis the authorities

Carrefour maintains regular contact with government authorities at all levels: with local government through its stores, regionally and nationally through its Business Units (retail banners or country management) and internationally through the Group's head office.

Dialogue with regulatory authorities

The Carrefour Group is aware that it can positively influence key decisions. Since 1996, we have been engaged in an ongoing dialogue with the European Union to **change GMO legislation** by asking for more traceability of GMOs, greater openness as to the composition of products, fast-track certification of dosing methods, measurement of pesticide residue in imported GMOs and research into the long-term effects of GMOs on animal feed. Furthermore we participate actively in the European Multi-Stakeholder Forum on corporate social responsibility established by the European Commission.

Sharing best practices

Carrefour fully assumes its leadership role by helping draft future standards and encouraging the entire retailing sector to trade more responsibly.

In 2002, we took part in several initiatives, including a seminar on retailing best practices with other retailers as part of sectorial studies conducted by the United Nations Environment Programme.

Carrefour China, in partnership with health bureaus in large cities, assists in drafting codes and standards on food quality and safety.



4. Working closely with local communities

Our solidarity programmes are conducted in close partnership with NGOs and with the voluntary help of our teams. Carrefour acts globally through its International Foundation as well as nationally and locally through its stores.

1. The Carrefour International Foundation

Endowed with an annual budget of 4.6 million euros, the Carrefour International Foundation has been pursuing **actions in some 40 countries** over the last two years:

- During natural disasters (in India, El Salvador, Toulouse, Algiers, Prague, flooding in the Gard, etc.), Carrefour gave preference to providing rapid intervention, **human resources and specialist rescue teams**.
- **Fighting exclusion and promoting solidarity**, are the **main thrust** of Carrefour's actions. The Group supports literacy, vocational training programmes as well as initiatives intended to develop individual businesses such as the micro-credit scheme. To achieve this, it brings together three key partners: the local NGO responsible for the project, an inter-governmental organisation and Carrefour's local management team where the program is being rolled out in order to support the **project and enlist the help of volunteers from our staff**.
- Carrefour also supports scientific and medical research programmes that aim to prevent and cure certain diseases.

Each of the Foundation's projects are evaluated using performance indicators and impact measurements.



In Thailand, the Foundation allocates 490,000 euros to an educational programme directed at Thai tribes in the hills of Omkoi district. This involves training teachers, building schools and associated facilities such as school cafeterias, water pipelines etc.



Photo credit: « El-Caracol »

In Mexico, the Foundation has teamed up with a Mexican NGO « El-Caracol » and Carrefour stores to develop a scheme to help street children integrate back into society. Carrefour staff have volunteered to supervise the street children during the six-month paid courses on bakery, deli, meat and fish products.

For more information visit the Foundation website at www.fondation-internationale-carrefour.org

2. National and local initiatives

Here are a few examples of actions conducted in 2002:

- In **Brazil**, 750 staff volunteers worked with local associations through the **Employee Volunteer Programme**. This initiative was awarded the «Top Social » prize by the Association of Brazilian Executives. Carrefour has helped the NGO, Ibama, which tries to curb the **illegal smuggling of animals**, by providing its farms for the release back into nature of 3,500 animals. It has also financed 200 training programmes, taught by SOS Mata Atlantica, an association specialised in **reforestation projects**. Carrefour developed a «product-sponsorship » partnership for its garments with NGO **Casa Hope** which helps care for underprivileged children suffering from cancer.



- **Carrefour Thailand** has provided material assistance during the heavy **floods** that hit Thailand. In partnership with the Carrefour International Foundation and the Red Cross, thousands of bottles of water, bags of rice and pasta, tins of food as well as cleaning products and basic necessities were distributed. Carrefour's staff played an active role in this solidarity initiative.

Key Performance Indicators

In 2002, Carrefour devised key performance indicators (KPIs) to measure the progress of its priorities set as part of our approach to sustainable development (see pages 14 and 15). These KPIs are designed to be monitored by all of the businesses within the Carrefour Group.

Method used to validate key performance indicators

Carrefour's **internal audit department**, which is represented on the Sustainability Report Steering Committee, played an active role in compiling the KPIs. It prepared and circulated a **validation methodology** to local auditing teams, who collected the necessary data to validate the indicators. The local auditors conducted the audits in keeping with professional procedures and standards, giving a confidence level for each indicator audited. The confidence level expresses how certain the audit team is of the accuracy of the results. The criteria used to judge the confidence level are: exhaustiveness, relevance, reliability, impartiality and intelligibility. Three confidence levels were used:

High level of confidence: Conclusive data are obtained and an internal control system is in place, which relates to the consolidation process and makes it possible to guarantee the accuracy of the information reported.

Average level of confidence: No conclusive evidence is available but documents can be obtained through a reporting system. Based on the scope of the internal audit, it is safe to assume that the information obtained is reliable.

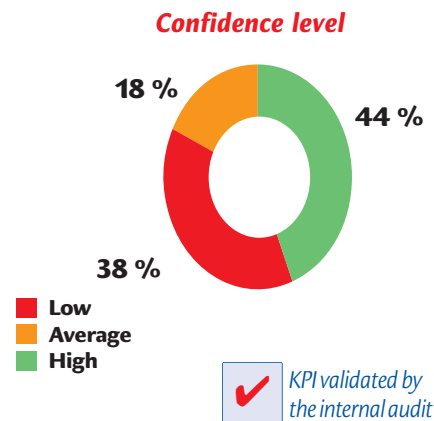
Low level of confidence: No data and no reporting system available.

This auditing process involved the equivalent of **352 days** work.

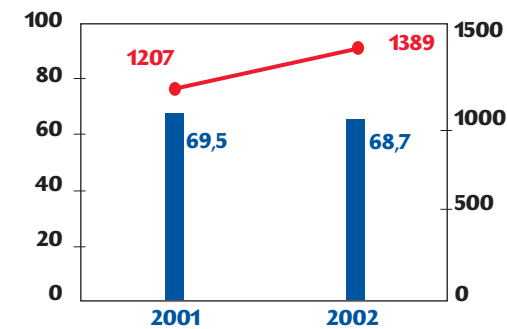
Based on our work and in the light of the above, our internal audit department believes that the **KPIs published in the present report genuinely reflect the commitment made by the Group to sustainable development.**

Additionally the sustainable development approach is now part of Carrefour's internal audits conducted in the field of safety and security of goods and people, food hygiene and for economic and social responsibilities.

In 2002, the number of days spent auditing the above issues accounted for 18% of the total number of days set aside for audits.



CONSOLIDATED SALES EXCLUDING VAT AND GROUP SHARE NET INCOME FROM RECURRING OPERATIONS AFTER GOODWILL



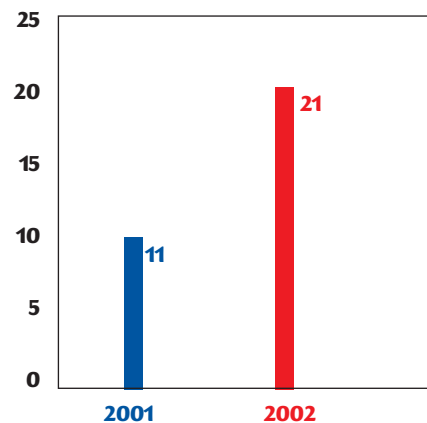
■ Sales excl. VAT (in thousand millions of euros)

— Net income from recurring operations after goodwill (in millions of euros)

Scope 2002: Carrefour Group
Source: Group Reporting (Financial Reporting Department)

See page 6

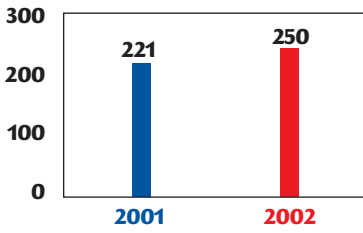
NUMBER OF REPORTING COUNTRIES



Scope 2002: the 24 consolidated countries in the Carrefour Group
Source: Group Reporting (Quality and Sustainable Development Department)

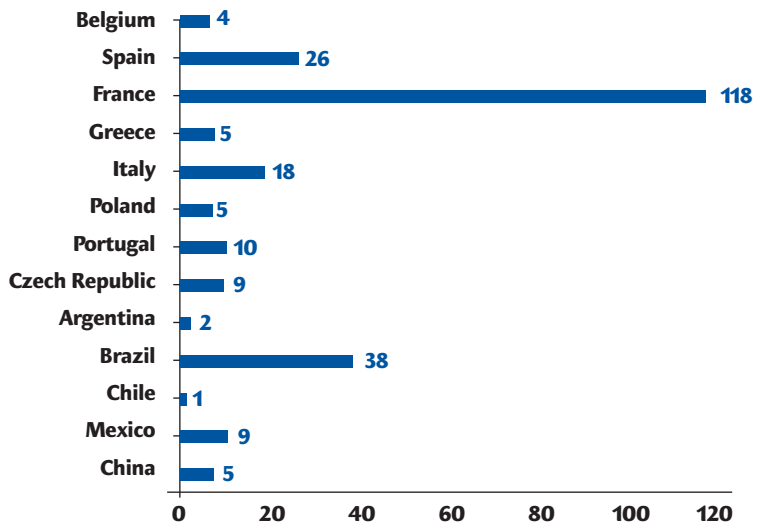
See page 12

NUMBER OF SIGNED CARREFOUR QUALITY LINE (FQC) PRODUCTS



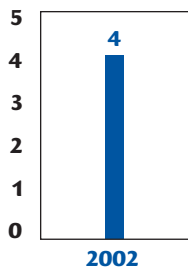
Scope:
Belgium, Spain, France, Greece, Italy, Poland,
Portugal, Czech Republic, Argentina, Brazil,
Chile, Mexico, China

Source: Group Reporting
(Group Merchandise Division)



Breakdown per country of signed quality line products in 2002 *See page 32*

NUMBER OF PURCHASE OFFICES THAT USE THE GROUP'S QUALITY SCORECARD

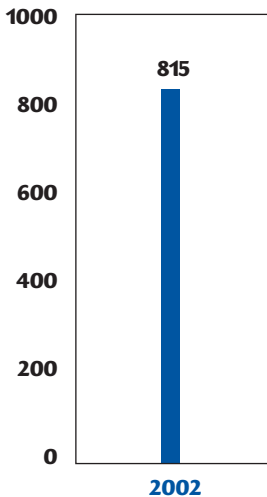


Scope:
Purchase Offices
(food products)

Source: Group Reporting
(Group Merchandise Division)

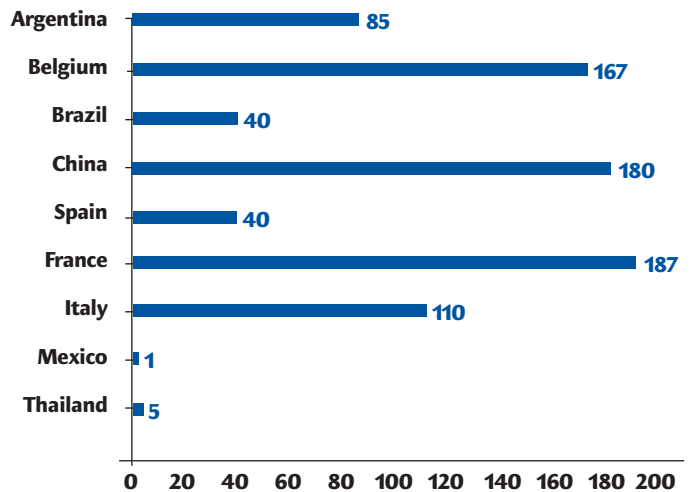
See page 27

NUMBER OF LISTED ORGANIC OR ECOLOGICAL CONTROLLED PRODUCTS



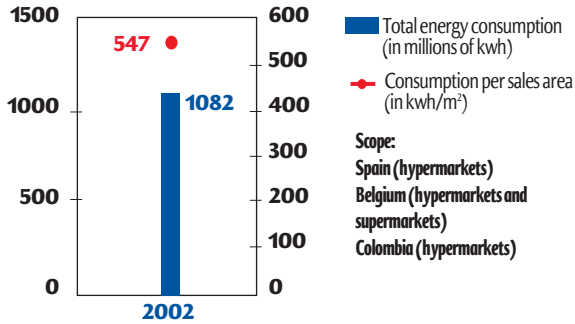
Scope:
Argentina, Belgium,
Brazil, China, Spain,
France, Italy, Mexico,
Thailand

Source: 2002 Sustainable
Development Reporting
System

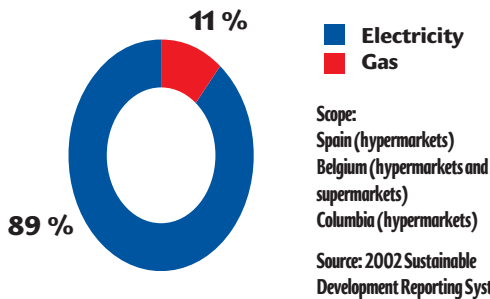


Breakdown of the number of listed products per country in 2002 *See page 28*

ENERGY CONSUMPTION

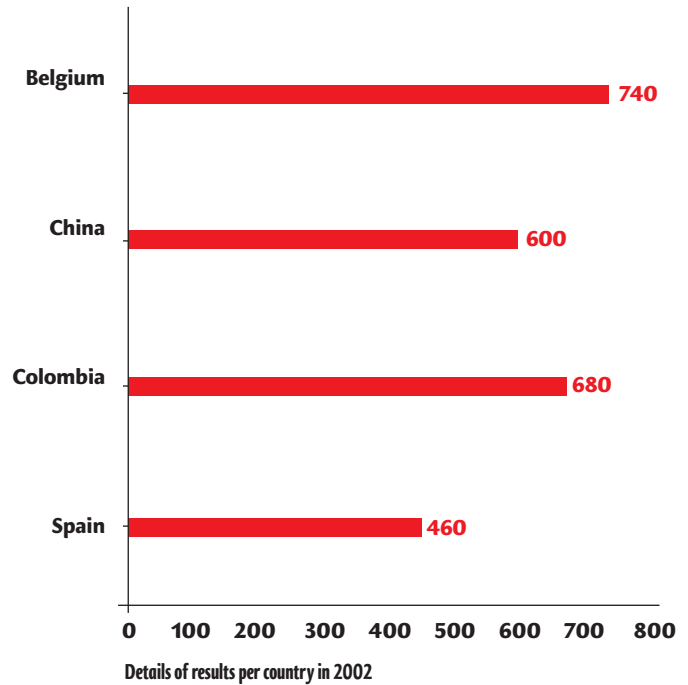


Breakdown of energy consumption



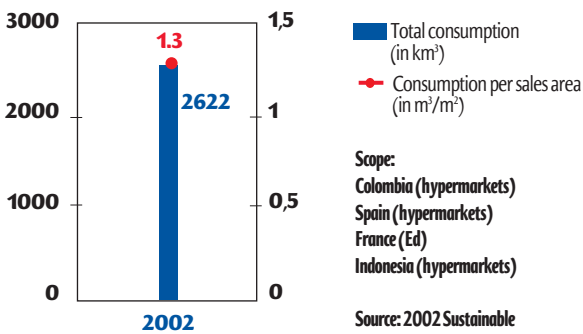
Source: 2002 Sustainable Development Reporting System

Average energy consumption per sales area (kwh/m²)



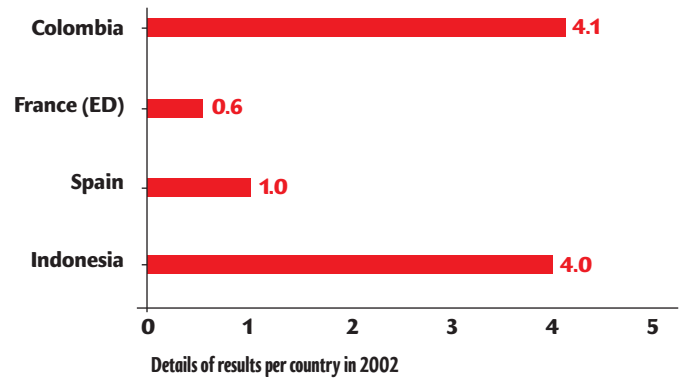
See page 40

WATER CONSUMPTION



Source: 2002 Sustainable Development Reporting System

Average water consumption per sales area (m³/m²)



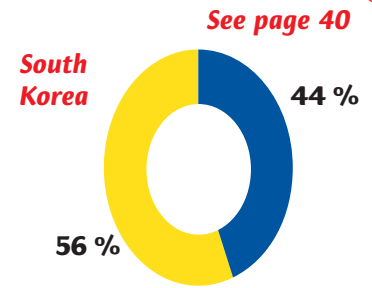
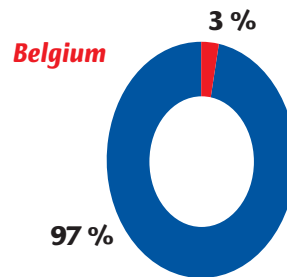
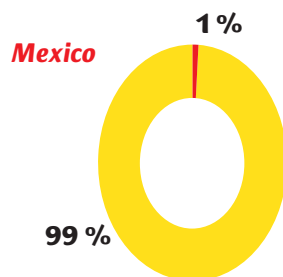
See page 40

BREAKDOWN OF WASTE TREATMENT



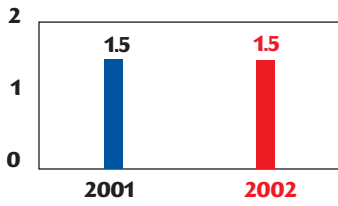
- Landfill
- Recycled
- Incinerated

Scope: Belgium, South Korea, Mexico
Source: 2002 Sustainable Development Reporting System



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NUMBER OF TRAINING DAYS PER EMPLOYEE PER YEAR

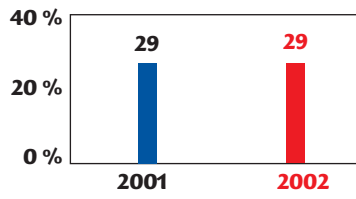


Scope: Belgium, Spain, France, Greece, Italy, Poland, Portugal, Czech Republic, Switzerland, Turkey, China, South Korea, Indonesia, Japan, Malaysia, Singapore, Taiwan, Thailand, Argentina, Brazil, Chile, Colombia, Mexico, Erteco, Dia.

Source: Group Reporting (Group Human Resources Department)

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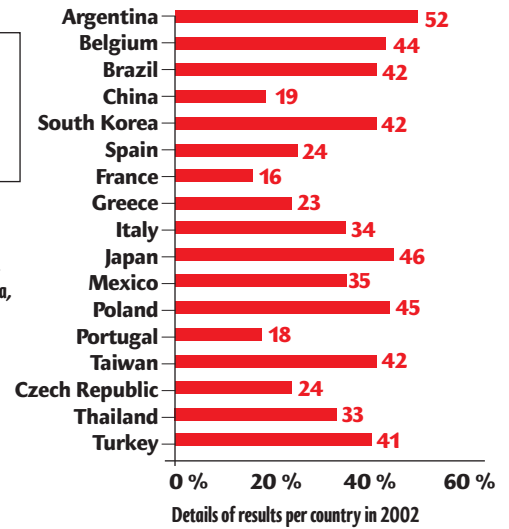
PERCENTAGE OF WOMEN IN MANAGEMENT JOBS



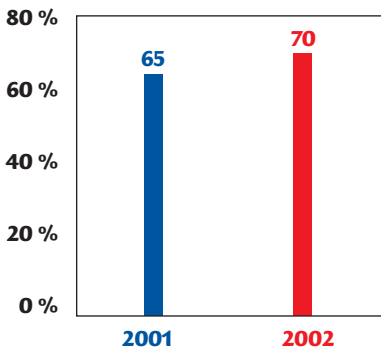
Scope: Belgium, Spain, France, Greece, Italy, Poland, Portugal, Czech republic, Turkey, Dia, Ed, Argentina, Brazil, Mexico, China, South Korea, Japan, Taiwan, Thailand

Source: Group Reporting (Group Human Resources Department)

See page 44

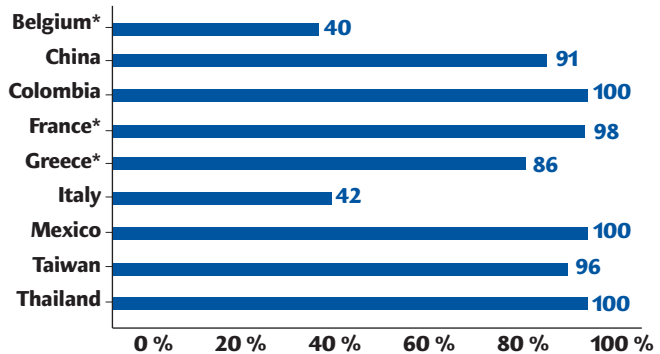


PERCENTAGE OF STORES AUDITED ON QUALITY/HYGIENE CRITERIA



Scope: France (supermarkets), Italy, Belgium (hypermarkets and supermarkets), Greece (hypermarkets and supermarkets), Mexico, Colombia, China, Thailand, Taiwan.

Source: 2002 Sustainable Development Reporting System



Details of results per country in 2002

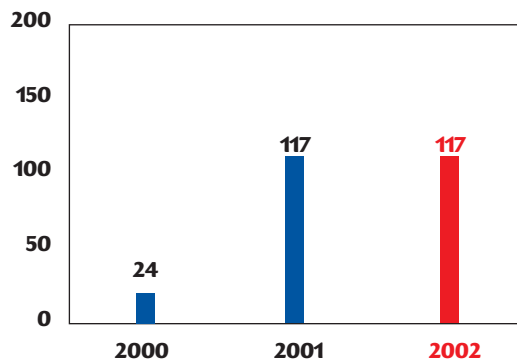
* Belgium: hypermarkets and supermarkets, integrated and franchised stores

France: hypermarkets and supermarkets, integrated and franchised stores

Greece: hypermarkets and supermarkets, integrated stores

See page 39

NUMBER OF SUPPLIER FACILITIES AUDITED FOR COMPLIANCE WITH CARREFOUR'S SOCIAL CHARTER



Scope: Global Sourcing Asia

Source: Group Reporting (Group Merchandise Division)

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GRI content index

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Profile			
GRI Ref.	Page in the report	GRI Ref.	Page in the report
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2.2	6	2.12	10
2.3	7	2.13	2
2.4	6, 7*	2.14	6
2.5	6	2.15	2
2.6	7	2.16	NA
2.7	6	2.17	2
2.8	6	2.18	12
2.9	13	2.19	12
2.10	59	2.20	54
		2.21	2
		2.22	59

Governance structure and management systems			
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3.2	7	3.12	13
3.3	7	3.13	27
3.4	7	3.14	11, 29, 31
3.5	58	3.15	13
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3.8	58	3.18	6
3.9	13	3.19	14-15, 54-55
3.10	13, 18	3.20	58

Economic performance indicators		
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	EC2	6
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	EC4	ND
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Providers of Capital	EC6	7*
	EC7	54
Public Sector	EC8	51*
	EC9	ND
	EC10	53*

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	LA4	47	
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	LA6	ND	
	LA7	ND	
	LA8	ND	
Training and Education	LA9	57*	
Diversity and Opportunity	LA10	44, 45	
	LA11	57	
Human Rights			
	Strategy and Management	HR1	58
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Bribery and Corruption	SO2	ND	
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Environmental performance indicators		
Topic	GRI Ref.	Page in the report
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	EN2	ND
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	EN4	ND
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	EN7	29, 32-33
Emissions, Effluents and Waste	EN8	41*
	EN9	ND
	EN10	ND
	EN11	56*
	EN12	ND
	EN13	ND
Products and services	EN14	28-30, 32-33
	EN15	ND
Compliance	EN16	ND

Key:

6 = indicator reported on page 6 of the Report

6* = indicator partially reported on page 6 of the Report

NA = indicator not applicable

ND = indicator not disclosed (not available as consolidated data)

Additional information:

3.5 Carrefour operates a bonus scheme for its executives based on quantitative and qualitative criteria

3.8 Shareholders have the opportunity to voice their concerns by asking questions during Ordinary General Meetings of Shareholders

3.20 Carrefour draws on international standards, but prefers a more progressive approach

HR1 The respect of human and trade union rights is written into Carrefour's policies

Wherever possible, the information we have provided in the present report meets the French law on New Economic Regulations. Additional information stipulated under the relevant legal provisions is listed below:

Article A.1.1.a):	78% staff on permanent contracts (CDI), 12% of staff on fixed-term contracts (CDD), 10% temporary staff
Article A.2.4.:	Carrefour takes the necessary actions to comply with legal and regulatory provisions.
Article A.2.5:	The costs incurred by Carrefour to anticipate and prevent the impact of its activities on the environment are those incurred by the Group's Quality and Sustainable Development Department and by the equivalent entities in the different countries, as well as those allocated to specific projects (e.g. World Environment Day) as well as the fees of outside consultants.
Article A.2.7:	Provisions and guarantees for environmental pollution: none (scope: France).
Article A.2.8:	Damages paid pursuant to a legal ruling on environmental pollution during the financial year under review: none (scope: France).

***Carrefour wishes to thank all those
who have contributed to the present report.***



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For more information

On the Carrefour Group and its commitments,
www.carrefour.com
www.fondation-internationale-carrefour.org

On corporate social responsibility
CSR Europe : www.csreurope.org
Global Compact : www.unglobalcompact.org
Global Reporting Initiative : www.globalreporting.org

On the environment
United Nations Environment Programme: www.uneptie.org
Greenpeace : www.greenpeace.org
WWF : www.wwf.org
World Resource Institute : www.wri.org/wri/

On social issues
International Federation of Human Rights: www.fidh.org
International Labour Organisation: www.ilo.org
Union Network International (UNI): www.union-network.org

Give us your opinion

Sustainable development is everyone's business
Your comments will help us make progress

Write to us at the following address:

developpement_durable@carrefour.com

or at

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6, avenue Raymond Poincaré
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Glossary

- ADEME: Agence de l'Environnement et de la Maîtrise de l'Energie (French Environment and Energy Agency).
- ARENE: Agence Régionale de l'Environnement et des Nouvelles Energies (Regional Environment and Energy Agency).
- Eco materials: environmentally conscious designed materials.
- ECPAT: International network of organisations that combat child prostitution and pornography as well as the sexual exploitation of children.
- EFSA: European Food Safety Authority.
- EMS: Environmental Management System.
- EuroCommerce: European Retail and Wholesale Trade Association.
- FCD: Fédération Française du Commerce et de la Distribution (French Trade and Retailing Federation).
- FIDH: Fédération Internationale des Ligues des Droits de l'Homme (International Federation of Human Rights).
- FQC: Filière Qualité Carrefour (Carrefour Quality Line)
- FSC: Forest Stewardship Council. Product label that guarantees sustainable forest management.
- GFSI: Global Food Safety Initiative.
- Global Compact: Global contract for the 21st century in which multinationals volunteer to fulfil nine commitments on sustainable development. Organised under the auspices of the UN.
- Global Reporting Initiative (GRI): Multi-stakeholder international initiative intended to set guidelines and performance indicators on sustainable development reporting.
- HACCP: Hazard Analysis Critical Control Point: an international standard governing a system of critical control points for risk analysis.
- ILO: International Labour Organisation.
- GMO: Genetically modified organisms.
- NGO: Non-governmental organisation.
- NGV: Natural gas vehicle.
- Organic agriculture: farming methods that sustain ecosystems and reduce pollution. Such methods avoid the use of pesticides, herbicides and antibiotics and genetic manipulation.
- Organic produce: Agricultural products produced by organic farming methods and certified as such by an independent organisation.
- ORGECO: Organisation Générale des Consommateurs, a French consumer association.
- Responsible trade: a trading partnership that promotes the sustainable development and trading position of small disadvantaged farmers. Criteria may vary but generally include guaranteed direct payments to farmers regardless of world prices. Over and above remuneration, products and services resulting from responsible trade also promote the social welfare of farmers (e.g. schooling, medical care), farming methods that protect the environment, preserve the countryside and provide demographic stability.
- SME: Small and medium sized enterprise.
- Stakeholders: All of those who influence Carrefour or that are influenced by Carrefour.
- Sustainable development: "Development that meets the needs of today's populations without jeopardising the needs of future generations". Brundtland Commission. "Our common future". 1987.
- UNEP: United Nations Environment Programme.
- SAFCA: an entity that supports Carrefour suppliers.
- WWF: World Wide Fund for Nature.