



Carrefour



Responsible global retailing



From producer to store



Dialogue and quality of life



Progressive approach

Sustainability Report 2004

Promoting Socially Responsible Commerce and Constructive Globalization

n° 1 in Europe

n° 2 worldwide

32 countries

430,695 employees

90.681 billion€ sales incl. VAT, under group banners in 2004

11,080 stores

13,958,000 sq.m sales area (under our banners)

More than 3 billion cash transaction per year all formats



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Carrefour in 2004

An international multi-format Group



Hypermarkets

Carrefour

868 stores	267,088 employees	57.7% Group sales
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Supermarkets

Champion NORTE GS GB GLOBI

2,376 stores	87,328 employees	25% Group sales
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Hard discount

Dia Ed Minipreço

4,934 stores	36,943 employees	8.3% Group sales
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Convenience and other stores

Convenience stores



Cash and carry



Catering



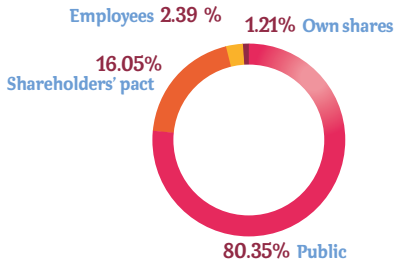
Online shopping



39,336 employees	9% Group sales
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Carrefour and its shareholders

Breakdown of shareholders



Carrefour is a French corporation (SA) with share capital of €1,762,798,875. At the end of 2004, the Group had 461,000 shareholders holding 705,119,550 shares. To keep its shareholders regularly informed of its economic and financial results, Carrefour has set up a range of communications tools: an annual report, a shareholder's guide, a shareholder's newsletter, press releases, a website and an online newsletter available 24/7 via a toll-free number (0805 902 902).

Shareholders can also express their concerns by raising questions during the General Meeting. In 2005, there will be a proposal to distribute a dividend of €0.94* per share, which represents an increase of 27%.

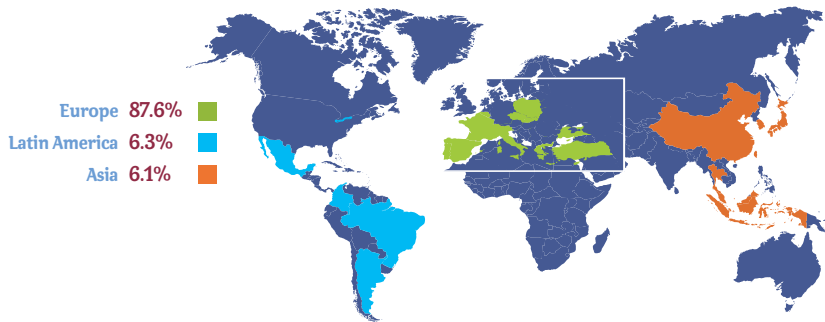
* Subject to shareholders' approval at the General Meeting, 20 April 2005



For more information about Carrefour's economic results for 2004, see the annual report at: www.carrefour.com

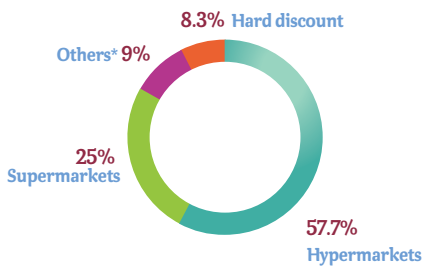
2004 economic results

Breakdown of sales (incl. VAT, all brands) by region

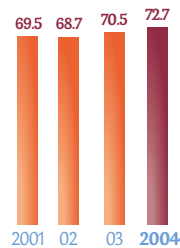


€90.681
billion in sales,
total retail
network sales

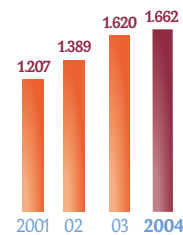
Breakdown of retail network sales by format (incl. VAT all brands)



Change in consolidated sales (incl. VAT in € billion)



Change in underlying earnings after goodwill (€ billion)






* Convenience stores, cash and carry, catering, online shopping

for a sustainable development

Carrefour 

A global approach on:

-  economic progress
-  environmental progress
-  social progress

Our Approach to Quality and Sustainability

Report methodology: The 2004 Carrefour Sustainability Report was overseen by a cross-departmental committee that brought together all the relevant Group departments (Quality and Sustainability, Human Resources, Internal Audit, Legal, Marketing, Assets, Logistics and Purchasing) with representatives from the Quality and Sustainability network in the key European countries.

According to the recommendations of the Global Compact on “Communications on Progress”, the 2004 Sustainability Report, the fourth such report published by the Group, strives to follow the guidelines of the Global Reporting Initiative as well as OECD guidelines (see table, p. 62). Along with the Annual Report, it also meets the requirements of Article 116 of France’s New Economic Regulations (see p. 63).

The reporting system set up by the Quality and Sustainability Department is based on rigorous collection of information from the various countries and retail banners via a dedicated website, a reporting tool and an e-room set up in 2004. In qualitative terms, this assists in gathering and analyzing all the best practices, initiatives and efforts undertaken to promote sustainable development in each country; in quantitative terms, it helps to assess our progressive approach (actions and processes) using 22 key performance indicators, for which the definitions were improved in 2004.

The 2004 Sustainability Report thus covers the field implementation of our approach in Carrefour’s 23 consolidated countries and 9 partner countries. The key performance indicators cover 94.8% of the Group’s pre-tax consolidated sales (see p. 56).

The various countries are responsible for their own reporting, and they conducted initial checks on their data before verification by the Internal Audit Department (see p. 53). KPMG simultaneously verified the reporting and audit systems (see p. 64); the other figures in the 2004 report were checked by the relevant internal departments.

“Demonstrating our determination to act as a responsible corporate citizen and to promote solidarity through our actions.”

Luc Vandavelde



The size and significance of Carrefour around the world – 11,080 stores, €90.681 billion in sales, and more than 430,000 employees in 32 countries – gives the Group exceptional responsibilities, not only toward its customers, employees, suppliers and shareholders but also toward all players of the business world and society in general.

Quality, food safety, socially responsible commerce, respect for the environment and ethics: for Carrefour, sustainable development is a collective approach, as can be seen in this

report, which summarizes the activities undertaken and the progress achieved by Carrefour in 2004, in addition to presenting the roadmap that we have laid out for ourselves in several areas. Carrefour intends to demonstrate its determination to act as a responsible corporate citizen and to promote solidarity through its actions.

The way in which Carrefour takes on its responsibilities can be seen every day in its participation in a variety of international programs promoting sustainable development, its requests for the judgment and assessment of external agencies, and its development of innovative initiatives, which together illustrate its desire to be recognized as a driving force in responsible global retailing. And I am convinced that the Group's new organization, which clearly allocates the authority between the Supervisory Board and the Management Board, will help in this endeavor.

Luc Vandavelde,
Chairman of the Supervisory Board

“Achieving our goals for growth and performance while fully assuming our corporate responsibilities.”

José Luis Duran



Carrefour's progressive approach is built on 3 major commitments: quality and safety, respect for the environment, and economic and social responsibility. By implementing a policy of dialogue and cooperation with all stakeholders – local communities, associations, partners, suppliers and politicians – Carrefour has been able to develop a genuine sustainable development policy. This approach helps anticipate the risks and opportunities intrinsic to the performance of our

activities. We are determined to meet our goals for performance and growth while fully assuming our corporate responsibilities wherever we do business. This determination, which will be impossible to maintain unless everyone in the Group is mobilized, guides our daily activities and inspires our values; it is also the reason for the Carrefour Attitude project, which helps our teams evaluate themselves in relation to the Group's values and in dealing with their stakeholders.

This report, part of a forward-looking plan for progress, is based on Carrefour's ongoing goals and expresses our vision and priorities for the future.

José Luis Duran,
CEO of the Management Board

Highlights of 2004

January: launch of the Carrefour Attitude project

To help the Business Units evaluate their relationships with their stakeholders from the perspective of the Group's values, the Human Resources Department and the Quality and Sustainability Department together launched the Carrefour Attitude project. This management tool will be rolled out gradually in the Group's various countries.



an alternative in the form of reusable bags.

February-May: requested rating by Vigeo

To assess Carrefour France practices in terms of social and environmental responsibility, Carrefour requested a rating from Vigeo. This evaluation of the Group's strategy as applied to France Hypermarkets and Supermarkets helped us identify their strong and weak points and develop an action plan.

March: creation of a PERCO

Following France's pension reforms of August 2003, Carrefour set up a collective retirement savings plan (called a PERCO) for the Group's employees in France. Established after a collective agreement signed in January, it will allow employees to accumulate capital savings to supplement their retirement income.

May: launch of the Responsible Fishing range

At the European Seafood Exposition in Brussels, Carrefour announced the launch of a new Responsible Fishing range of products for its stores in France and Belgium. With this move, the Group undertakes to promote fisheries that encourage the sustainable management of resources, including a scientific

estimation of stocks, a sound definition of quotas, and the use of environmentally friendly fishing methods.



June: signing of a Code of Ethics

To identify principles meant to serve as an everyday guide for the activities of its employees and to fight corruption, the Carrefour Group drew up and submitted for signature a Code of Ethics, which sets out its duties to

customers, suppliers, partners and shareholders.

June: organization of an environmental survey

During the World Environment Day, Carrefour launched its second global survey to assess the awareness of both customers and employees; 21 countries took part, involving 15,630 employees and 31,695 customers.

June: participation in World Environment Day

Every year since 2001, Carrefour has mobilized all its stores for World Environment Day. The theme proposed in 2004 helped raise awareness among customers and employees with regard to protecting the seas and oceans.

September: integration into the FTSE4Good Europe 50 index

By meeting FTSE criteria, Carrefour joined the FTSE4Good Europe 50 index. Carrefour now has a presence on 7 socially responsible investment indexes – genuine recognition of its values.

October: signature of the Corporate Diversity Charter

Based on its values of respect and social responsibility, Carrefour signed the Corporate Diversity Charter with 34 other French businesses. Through this charter, initiated by the Institut Montaigne, its signatories promise not to apply any discriminatory policy upon hiring or at any time during a career.

November: Carrefour Colombia recognized for fighting drugs



Since September 2001, Carrefour Colombia has endeavored to market in its stores substitution products from small producers that have destroyed their coca plantations. In November, Carrefour Colombia received a special award from the UN Office for Drug Control and Crime Prevention (UNODC) in Vienna.

December: signature of a framework agreement with the ADEME in France

In order to strengthen Carrefour's environmental practices, Carrefour France and the ADEME signed a 3-year framework agreement, adopting four points of cooperation: transport, buildings, waste, and the eco-design of own-brand products and sustainable consumption.

A Corporate Governance concerned about sustainable development

In order to make a worldwide contribution to economic, social and environmental progress, Carrefour aims to set the benchmark in modern retailing for the protection of health, consumer safety and the environment. This is a company-wide project – based on 7 core values – that requires the mobilization of both corporate governance bodies and the Business Unit management.



Membership in the Global Compact

Since 2001, Carrefour has adhered to the United Nations Global Compact and undertakes to respect its 10 principles for human rights, labor and environmental standards.

In terms of human rights and labor standards, since 1998 Carrefour has in particular cooperated with the International Federation for Human Rights (FIDH) to respect and ensure respect for the basic rights set out by the International Labour Organization (ILO) on the part of its suppliers. Since the adoption of the first Social Charter in 2000, more than 475 social audits have been conducted in Asia, positioning Carrefour as one of the European pioneers in the field (see p. 33).

In terms of respect for the environment, since 1992 Carrefour has most notably developed its Carrefour Quality Lines, which now number 293 and contribute to environmental protection in Europe, Latin America and Asia based on upstream work with suppliers to identify and control environmental impact at the stages of both production and processing (see p. 31).



Respect for principles of good governance

In 2005, the Board of Directors decided to recommend a modification to the Group's management structure at the next General Meeting. The proposal calls for a Supervisory Board, to be a control body, and a Management Board, to be in charge of Group management. The Executive Committee remains the operational body for implementing strategy.

► The Supervisory Board

The Supervisory Board comprises 8 members, including 1 woman, 4 independent directors and 3 foreign nationals. As the representative of the shareholders, it appoints Management Board members, approves any change in the Group's structure and capital, supervises and monitors the implementation of Group strategy, verifies that the annual accounts presented by the Management Board are in order and, upon completion of these tasks, produce a report for the Shareholders' General Meeting.

► The specialized committees

The Supervisory Board is assisted by 2 specialized committees, whose members are to be chosen from its ranks:

- The Audit Committee examines the accounts, ensures res-

pect for stock market regulations and evaluates the Group's internal and external supervision.

- The Compensation, Appointments and Corporate Governance Committee proposes appointments and pay rates, evaluates stock option packages and assesses the work of the Supervisory Board.

► The Management Board

The Management Board, which acts by consensus, is composed of 5 members appointed by the Supervisory Board. As a management body, it ensures the general management of the Group, approves the accounts and convokes the General Meeting. It must report on its management to the Supervisory Board.

► The Executive Committee

The Executive Committee, comprising 10 members, remains the body responsible for the operational management and implementation of strategy set out by the Management Board. To enhance its effectiveness, it integrates the 2 largest Business Units in the Group (France Hypermarkets and Supermarkets) and adopts the principle of a single hierarchical level between general management and Country Director.

(Subject to approval by the shareholders at the General Meeting, this governance structure will be effective as of 20 April 2005, after said Meeting.)

For more information about Carrefour's Corporate Governance, see the annual report at: www.carrefour.com



The Business Units

► General mobilization

Carrefour has a presence in 32 countries and is a key player in the globalization of commerce and the economy. It owes its dynamic growth to the synergy of its store formats and to its system of decentralized management.

To adapt to local situations and to encourage initiative in the field from the various countries and banners, Carrefour has established a principle of subsidiarity, with decentralized, simplified organization that has as its driving force the Business Unit (1 store format in 1 country).

All the Business Units share the Group's 7 core values and contribute to the sustainable development approach by initiating actions and best practices aimed at promoting socially responsible commerce, the cornerstone of constructive globalization.

► A new tool: Carrefour Attitude

To strengthen the Group's culture, promote the spread of best practices and translate its values and commitment to sustainable development into everyday practice, Carrefour has deve-

loped a management tool called Carrefour Attitude, which will be available online via a dedicated Group intranet.

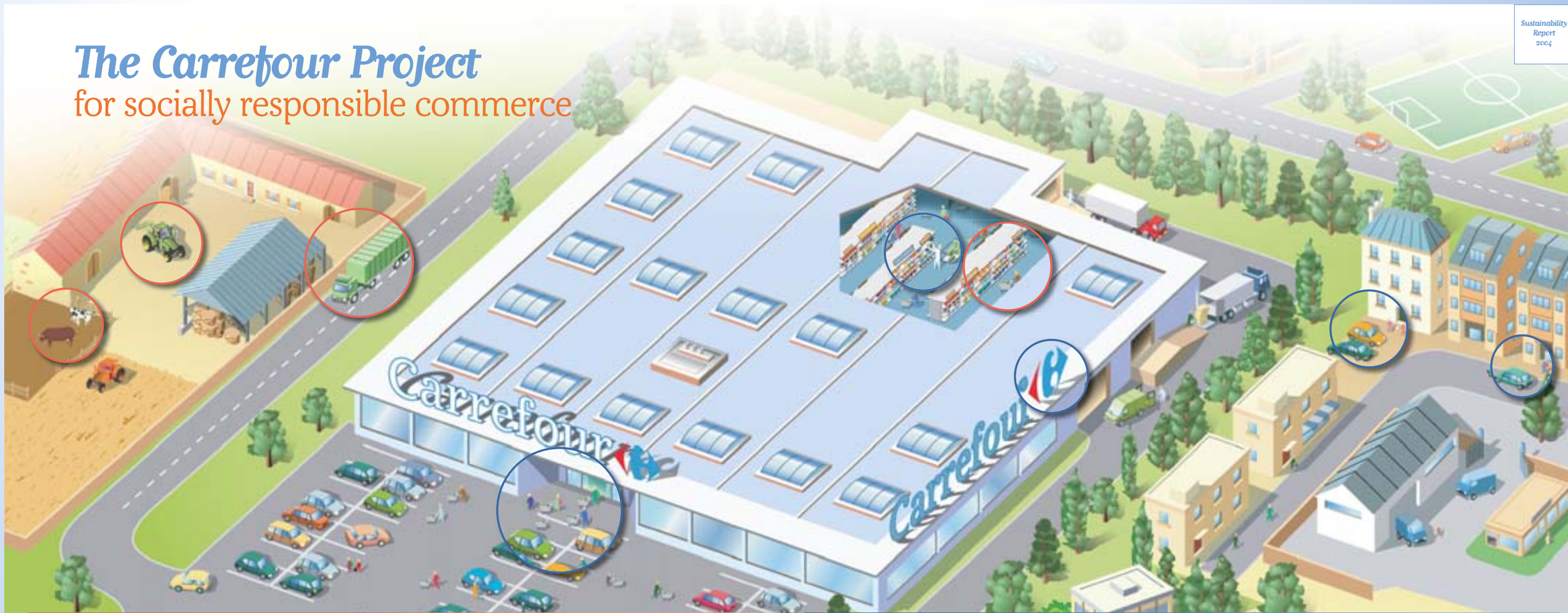
The aim of this tool, which was developed by the Human Resources Department and the Quality and Sustainability Department, is to enable the Business Unit Executive Committees to:

- Incorporate Carrefour values into relationships with the various stakeholders (customers, employees, suppliers, local communities, shareholders and partners).
- Evaluate the daily activities of the Business Unit in terms of the Group's values, using a set of 'specifications' that delineate standards of practices and behaviour.
- Implement, based on the evaluation results, objective action plans in the economic, social and environmental spheres in order to enhance collective performance.

Carrefour Attitude is scheduled for roll-out in 2005, beginning with a pilot phase for 3 formats (hypermarkets, supermarkets and hard discount) in Europe, Latin America and Asia.

The Carrefour Project

for socially responsible commerce



Controlling the chain of responsibility from producer to store

Encouraging constructive dialogue with stakeholders

Product choice



> Our mission: to offer a broad range of products corresponding to various levels of purchasing power, to guarantee product safety and quality, and to develop product lines based on a socially and environmentally responsible approach.

- Between **15 and 30%** of sales from own brands and retail banners, depending on the country
- **80,000** products in a French hypermarket

Supplier Relations



> Our mission: to provide suppliers with outlets for their products, an understanding of our customers, and cooperation in order to improve products within a framework of lasting, even-handed relations.

- Between **4,000 and 15,000** store suppliers, depending on the country
- **300** Reflets de France products
- **4,000** SME partners in France

Transporting goods



> Our mission: to optimize the supply chain, to take better account of environmental impact, and to develop alternative transport methods.

- **200** warehouses worldwide
- **1.5 million** trucks on the road every year worldwide
- More than **300,000 t CO₂** equivalent emitted by the Group as a whole

Store management



> Our mission: to better integrate our stores in the local community, to optimize their accessibility, to guarantee their safety for our customers and employees, and to reduce environmental impact.

- **11,080** stores (all formats) worldwide
- **914** openings in 2004 (all formats)
- **59%** Group-owned stores and **41%** held as franchises

Our employees



> Our mission: to provide our employees with an opportunity to progress in a sure environment with motivating and well paid work.

- **430,695** employees
- About **100,000** hirings every year
- **29%** women in the management

Our customers



> Our mission: to provide our customers with the best value for money in every banner in every country.

- More than **3 billion** cash transactions in 2004
- **20** loyalty programs around the world

Our shareholders



> Our mission: to ensure profitability for our shareholders for the term of their investment, and the prospects of growth of an international, multi-format group.

- **461,000** shareholders
- Net earnings per share of **€0.94*** (2004) versus **€0.74** (2003)

Our associate, franchise and affiliate partners



> Our mission: to provide our associate, franchise and affiliate partners of retail banners and leading brands with commercial know-how, purchasing power and constant technical progress.

- **4,534** franchise stores worldwide
- **15** franchise partner countries and territories

Public institutions



> Our mission: to provide local and national public institutions with a concrete commitment to be an economically responsible, worthy corporate citizen in the life of the community.

- More than **100** ongoing projects around the world carried out by the Carrefour International Foundation.

Véronique Discours-Buhot
Group Sustainability Director



Our sustainable development credo is based on 3 key ideas:
Sustainable development is not a separate function in the company but rather a state of mind, an attitude that must be shared throughout the business. Our challenge is to integrate it into every level of the company culture.
Sustainable development must be based on transparency. Our challenge here is to make this principle a reality throughout the company: to do what we say and to say what we do.
If sustainable development frequently amounts to the art of managing contradictions, our work involves assuming our social and environmental responsibilities while maintaining competitive prices so as to be able to fulfill our mission of offering a maximum number of quality products.

2004 Scorecard

Carrefour's progressive approach is based on 3 major commitments: quality and safety, respect for the environment, and economic and social responsibility. The 22 key performance indicators established in 2002 are now being used to evaluate the achievement of these objectives over time. Here is the end-of-2004 assessment of the 2002-2005 action plan and its 10 priorities.

Our commitments

Our 2002-2005 action plan

Our main advances in 2004

To strengthen or roll-out
 Effective

Our assessment

<p>Our progressive approach</p> <ul style="list-style-type: none"> Managing our approach Dialogue with our stakeholders 	<p>1</p> <p>2</p>	<ul style="list-style-type: none"> To complete and expand our reporting system in order to ensure regular monitoring with relevant performance indicators. To promote the sharing of best practices between countries and retail banners To gradually ensure regular dialogue with our stakeholders. To improve transparency using appropriate communications. 	<ul style="list-style-type: none"> Creation of Carrefour Attitude, a tool for the self-assessment of the Business Units' sustainable development practices (pp. 2, 5 and 44). An increase in the share of key performance indicators audited at a high or moderate level of confidence – high commitment levels rose by 19% and low commitment levels fell by 15% (pp. 56-61). Creation of an e-room on the Group intranet to facilitate discussion of best practices by the countries, in particular on World Environment Day (p. 13). Key performance indicator on the level of dialogue with stakeholders (pp. 17 and 58). Creation of a sustainable development working group within the CICE at the beginning of 2005 (p. 45). Expanded participation in the annual stakeholders' consultation meeting (pp. 14-15). Integration into the FTSE4Good index (pp. 3 and 54). 	<p></p> <p></p> <p></p> <p></p>
<p>Quality and safety</p> <ul style="list-style-type: none"> Product safety and quality Customer and employee safety at store location 	<p>3</p>	<ul style="list-style-type: none"> To ensure product safety and quality. To ensure the safety of customers and staff at our store locations. 	<ul style="list-style-type: none"> Establishment of external scientific networks in Europe, Latin America and Asia (p. 17). Establishment of a monitoring network in Latin America and Asia, similar to the existing network in Europe. Development of Trace One, a logistics tracing tool, in France (pp. 16-17). Gradual roll-out of the Quality Scorecard in Europe (p. 28). Distribution to all Group countries of a guide to cold chain management. Roll-out of the Global Money Project, aimed at reducing hold-up attempts on France Hypermarkets cash registers. Development of a system to provide psychological help for employees who are victims of violence. Further development of the risk-evaluation system by identifying and incorporating new technologies available. 	<p></p> <p></p>
<p>Environmental protection</p> <ul style="list-style-type: none"> Limit of our impact on the greenhouse effect Protection of natural resources Waste reduction and management Preservation of water quality and availability Preservation of biodiversity 	<p>4</p> <p>5</p> <p>6</p>	<ul style="list-style-type: none"> To strengthen environmental conscious product and product design, and to develop product lines with environmental and social added-value. To strengthen environmental considerations in logistics activities. To reduce the environmental impact of building and operating our stores, including any impact related to our free publications and catalogues. 	<ul style="list-style-type: none"> 11% increase in sales of Quality Line products (p. 31). Award of a special UNODC prize for the support of Carrefour Colombia for coca substitution crops (pp. 3 and 51). Rationalization of supply flows and deployment of backhauling in Asia (pp. 34-35). Roll-out in France of alternative solutions to road transport (pp. 34-35). Signing of a natural gas distribution agreement for natural gas vehicles in France (p. 37). Development of a High Environmental Quality approach pilot project (Champion France) (p. 39). 10.9% increase in the percentage of paper that is recycled or certified for printing advertising brochures and catalogues (p. 39). Development of an alternative to checkout bags in Europe/France; reduction by 20% (France Supermarkets) and 17% (France Hypermarkets) of the number of checkout bags distributed (p. 39). Test in 4 regions of an environmental analysis system based on the Environmental Management System established at Bègles (p. 38). Overhaul of the training module on the prevention of hazardous pollutants for service-station employees. 	<p></p> <p></p> <p></p>
<p>Our economic and social responsibility</p> <ul style="list-style-type: none"> Respect for our suppliers Involvement in the local economy Motivating our teams Satisfying our customers 	<p>7</p> <p>8</p> <p>9</p> <p>10</p>	<ul style="list-style-type: none"> To strengthen our partnerships with local companies in every country. To promote fair relations with suppliers. To guarantee respect for human rights internally and in our product's supply chain. To promote staff training and development and, in particular, to raise awareness of our vision of the world, our core values, our mission, our policies and our commitment to sustainable development. To respect our customers' freedom of choice by providing a wide range of products at attractive prices and by providing thorough, objective information. 	<ul style="list-style-type: none"> Partnership in France with more than 4,000 SMEs employing an average of 100 people; achieving 20% to 25% of their sales with Carrefour, and thus expanding their market outlets (p. 32). 300 Reflets de France products (p. 30). 188 fair-trade products (p. 29). Creation of Quality Line clubs in France and Belgium (p. 32). Updating of the Social Charter/completion of 140 initial social audits and 58 re-audits to check the respect of commitments/evaluation of progress with suppliers (p. 33). Raising awareness of store and merchandise teams about supplies related to sports during the course of the Olympic Games (p. 44). Adoption of a Group Code of Ethics (p. 43). Creation of Carrefour Attitude, a tool for the Business Units to self-assess their implementation of Carrefour values in their relationships with stakeholders (pp. 2, 5 and 44). More than 25,000 first-price products, all formats/all countries (p. 29). Deployment of "No.1" products worldwide (p. 29). 	<p></p> <p></p> <p></p> <p></p>



Llevando este producto su tambien apoyas Programa de Sustitución de Cultivos Básicos del Gobierno Nacional - Naciones Unidas



€90.681 billion in sales (incl. VAT) all retail banners	11,080 stores in 32 countries	430,695 employees
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Since 2001, Carrefour Colombia has worked alongside the United Nations in the fight against illegal drug crops by guaranteeing the marketing of the production of those producers that have voluntarily destroyed their coca crops. **“Palmitos del Putumayo”**(palm hearts found in the Putumayo region to the south of the country) were the first product involved in this approach. Today, thanks to Carrefour, 332 families make a living from this crop.



Promoting *globally responsible* retailing

As an international company oriented towards progress and innovation, Carrefour is committed to enabling as many people as possible to buy consumer goods as part of an approach that links quality with sustainable development. This global, responsible approach to progress is organized at the Group level by the Quality and Sustainability Department, and is passed on at the level of the countries, retail banners and stores via a functional network of specialized Quality and Sustainability agents as well as by some 430,000 Group employees, each of whom works to promote sustainable development in his or her domaine. This system, which is spurred by initiatives in the field, enables Carrefour to conduct a transparent dialogue with its stakeholders, to identify strategic issues for the Group's growth and to anticipate crises. In this way, all Carrefour countries in Europe, Latin America and Asia are mobilized to respond to local expectations and to implement a targeted policy that promotes community standards while respecting the diversity of local contexts and cultures.

An approach managed *as close to the field as possible*

To satisfy the quality expectations of its customers and to assume its responsibilities as a corporate citizen, Carrefour has entrusted the management of its sustainable development policy to its Quality and Sustainability Department, which draws on a functional organization of specialists to mobilize the various countries and retail banners so as to encourage the involvement of teams in the field.

Linking quality with sustainability

Quality, the cornerstone of customer confidence, is one of the strong points in Carrefour's image, retail banners and products. To meet the quality demands of consumers, who are increasingly attentive to product characteristics as well as to production, shipping and distribution conditions and the related social and environmental impact, Carrefour has decided to link quality with sustainability in a single systemic approach. The Quality and Sustainability Department, which reports directly to a member of the Management Board (the highest body in Group management), defines the proper requirements and approach at the Group level. In developing its policy, it draws on the know-how of the Group's operational and cross-business areas (Merchandise, Assets, Logistics, Human Resources, Finance and Information Systems) as well as on its Scientific Committee and outside experts.

Mobilizing countries and retail banners

In order to emphasize and encourage initiative in the countries where the Group has a presence, in 2003 the Quality and Sustainability Department deployed a functional organization of specialized agents in the field, the Quality and Sustainability network. This network, which provides support to cross-business operational network (Merchandise, Assets, Logistics



The Quality and Sustainability network worldwide.

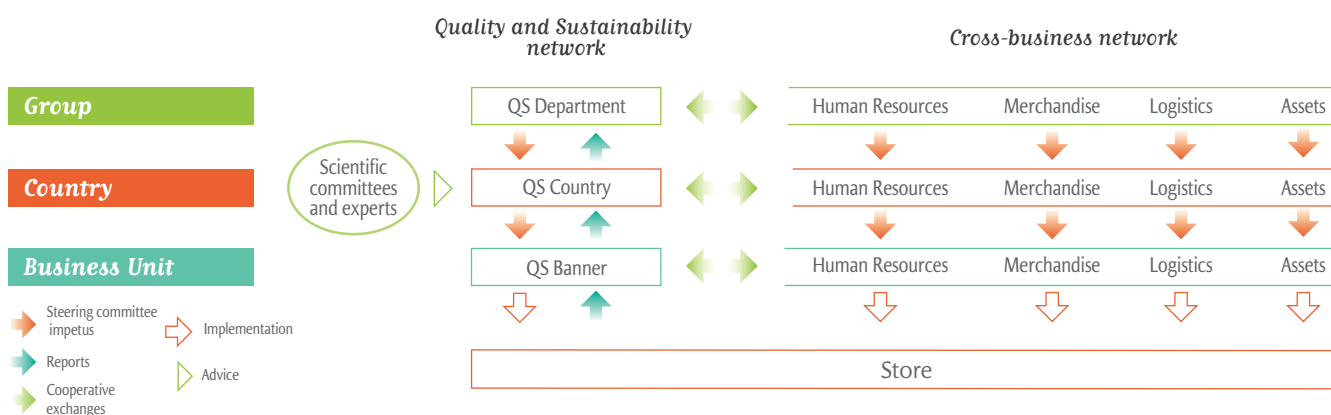
and Human Resources), works with a director or a Quality and Sustainability coordinator, with the support of a manager at the retail banner level in the key countries. In order to manage this network, the Quality and Sustainability Department organizes regular meetings with representatives of the various European countries and maintains contact with country representatives in Latin America and Asia.

Encouraging team emulation

To raise its teams' awareness regarding the importance of their work and to promote a sense of responsibility, in 2004 Carrefour intensified its training activities, strengthened its communications tools and held key events in its stores.

The year thus featured:

A Quality and Sustainability organization close to the field



Missions of the Quality and Sustainability Department and its network

The Group's Quality and Sustainability Department and network, the guarantors of Carrefour's progressive approach and standards, handle 2 complementary missions.

With regard to quality, they:

- Conduct regulatory and scientific monitoring to identify risks and issues.
- Coordinate the Quality and Sustainability network in the countries and zones.
- Establish control benchmarks for suppliers,

logistics and stores, and ensure that they are respected.

- Define product specifications and ensure that these are checked.
- Supervise consumer services and "alert/withdrawal" systems.
- Anticipate and handle crisis situations.

With regard to sustainable development, they:

- Conduct regulatory and social monitoring to identify risks and issues.

- Define required standards for each country and retail banner and encourage the implementation of a suitable progressive approach in the field.
- Carry out an evaluation of this approach through annual reports.
- Conduct dialogue with the stakeholders.
- Contribute their expertise, to the extent possible, to the work conducted in conjunction with the public authorities at the national, European and international levels.

- The development of a sustainable development component in its "Getting to know Carrefour" training program, aimed at new general management recruits and the Merchandise Department.
- The introduction on the Group intranet "Carrefour News" of online instructional information about sustainable development, and the creation of an e-room to facilitate exchanges on best practices among Quality and Sustainability staff.
- The organization of a global survey to mark World Environment Day, aimed at assessing the environmental awareness of customers and Group employees (see p. 49).

Mobilization in the field: the case of France Hypermarkets



"Rendez-vous éco-citoyen" of Bègles.

Implemented in June 2004, the Quality and Sustainability network of France Hypermarkets comprises operational managers who meet 3 times every year. This group makes proposals to the Executive Committee and acts as guarantor of the Quality and Sustainability policy of France Hypermarkets, in particular regarding implementation of the 7 priorities identified in 2003 (food donations, waste sorting, collection of batteries, Carrefour Quality Line communications,

Mission Handicap, water and energy savings, and organic and fair-trade products), as well as handling the partnership with WWF France. The group draws on a network of 216 in-store ambassadors, who are regularly informed about store activities through a special electronic newsletter. A variety of activities were initiated and coordinated in 2004, including the organization of the "Consuming Better" challenge with the Human Resources Department of France Hypermarkets (see p. 44), the launch of store environmental self-assessments (see p. 38) and the development of customer communications regarding sustainable development issues (see pp. 37 and 49). These experiences were shared with other retail banners during meetings of the France Quality and Sustainability network.

Constructive dialogue with stakeholders

Dialogue with its stakeholders helps Carrefour to identify and better anticipate expectations, to carry on discussion about the Group's policies and commitments, and to avoid risks and minimize conflicts. or dialogue, conducted at the Group level by the Quality and Sustainability Department or at the local level by the various countries, retail banners and stores, reflects the Group's desire for transparency and a partnership approach.



Summary of the consultation meeting with the stakeholders

On 24 November, the Group Quality and Sustainability Department organized a consultation meeting with the stakeholders, attended by the Group's chairman. This meeting, the high point in a relationship pursued throughout the year, brought together 18 representatives of Carrefour's main stakeholders, including ratings agencies, investment funds, environmental and social NGOs, trade unions, consumer associations, national and international institutions, and sustainable development research groups. These stakeholders were first asked to share information about the implementation of the Group's policy, and second to identify risks and opportunities facing Carrefour with regard to sustainable development.

Four types of risk were identified, concerning:

- Our image, arising in particular from confusion between marketing communications and sustainable development communications.
- A lack of clarity regarding the quality of own-brand and retail-banner products.
- A loss in short-term competitiveness due to the cost of our sustainable development policy in the face of competitors who apply low prices and indulge in social dumping.
- Indirect responsibility, which points out a need to associate suppliers with the Group's social and environmental commitments.



Partnership with WWF.

Five types of opportunity were identified, including the prospect of:

- Continuing the Group's progressive approach in order to contribute, in particular, to constructive globalization, and building loyalty to the brand based on sustainable development criteria.
- Taking a stand on current issues such as GMOs, nutrition, sustainable agriculture and the greenhouse effect.
- Acting as a driving force by amalgamating efforts already undertaken and by contributing to the development of regulatory policy.
- Developing responsible, sustainable practices with key partners at the local level (SME suppliers).
- Informing consumers, raising awareness and a sense of responsibility.

Subsequent to this stakeholders' meeting, the Group is continuing and/or initiating work and activities to deal with the risks and opportunities identified.

Our various stakeholders	Our economic contribution	Our responsibilities
Our customers: more than 3 billion cash transactions in our stores (including franchises)	Pre-tax sales: €72.668 billion (and €90.681 billion incl. VAT, including our franchise stores)	Clear, accurate information - first-rate service - product quality and safety
Our product suppliers	Cost of merchandise sold: €56.5 billion	Fair, sustainable relations - commitment charter - emphasize local supply sources
Our service providers	Third-party services: €4.2 billion	Encourage the local economy
32 governments - local authorities - community administrations	Tax on earnings: €836.4 million	Regional development - support for integration - social role in local communities
Our 430,695 employees Our 4,534 franchise stores	Staff costs: €6.85 billion	Social responsibility - development- safety - mobility - dissemination of know-how
Our shareholders - banks - financial world	Net underlying earnings: €1.7 billion, Group share after goodwill	Growth and development - profitable investments

A progressive approach

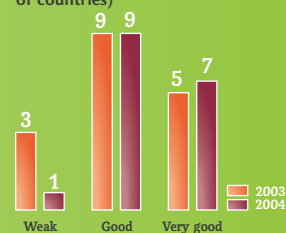
See our key performance indicators
pp. 56-61

- Level of dialogue with the stakeholders

Ever-increasing dialogue

Carrefour measures the level of dialogue (weak, good, very good) with each country's internal and external stakeholders based on the number, scale and frequency of initiatives and activities to promote dialogue. In 2004, among the countries that responded for this indicator, France, Brazil, Colombia, Belgium, Spain, South Korea and Greece turned in excellent performances. There was significant progress from 2003 to 2004. Taiwan and Mexico went from a weak to a good level; and Belgium and Colombia went from a good to a very good level.

Change from 2003 to 2004 in level of dialogue with stakeholders (in number of countries)



Everyday dialogue with direct stakeholders

Customers	Consumer services - satisfaction studies - panels - toll-free numbers - websites - loyalty cards - environmental surveys.
Employees	Staff satisfaction surveys - intranet - staff consultation bodies in Europe and other countries.
Shareholders	Shareholder Relations Department - General Meetings - Actionaria exhibition - newsletters and toll-free numbers - corporate website - in-store open-door days - road shows.
Franchises	Annual conventions and special meetings - periodic meetings with regional directors.
Product suppliers	Regular contacts at all levels - SME manager and Quality Line and Reflets de France clubs in France and Belgium - supplier meetings in various countries - export assistance.
Service providers	Demeter Environment and Logistics Club in France - cooperation in finding ways to move forward.
Local communities	Consultation with neighbours - ongoing relations with local government bodies.
Public authorities at national and international levels	Meetings with national and international partners - information exchanges to identify opportunities with governments and international authorities.

Regular dialogue with indirect stakeholders

Trade associations	Participation in national, European and international retailing organizations (EuroCommerce, EFSA, GFSI-CIES) - sharing best practices (ERRT).
Media	Organization of an internal and external communications network to facilitate coordination of communications activities in all countries.
Social and environmental NGOs	Meetings of the Quality and Sustainability Department with NGOs and associations - various local partnerships with NGOs and associations.
Financial community	Meetings with ratings agencies and managers of SRI funds, responding to their questions - special road shows on sustainable development.

Risk control and crisis management

The Quality and Sustainability Department carefully monitors changes in regulations, scientific research and society, at the same time as it conducts dialogue with its stakeholders, so as to identify issues strategic to Carrefour's development in an ongoing way. It is always ready, whenever necessary, to manage crises effectively while protecting the safety and health of all.



Prodiest educational kit.

Product withdrawals and crisis management

480
product alerts
and withdrawals
in France in 2004

In 2004, 480 product alerts and withdrawals took place in France, for all retail banners combined. Each alert conveyed by the authorities and each non-compliance notice issued by suppliers or research labs is handled by a Quality Manager. An on-call system gives suppliers and stores 24/7 contact with the Quality Department, which works in close association with the supply chain. Withdrawal messages are sent to all stores within 2 hours, and audits make it possible to check on the handling of each withdrawal message by each store. A crisis

Carrefour's responses to new social issues

Nutrition and production conditions

Context: responsibility for the safety and quality of products distributed by Carrefour, 30% of which are own-brand or retail-banner; increasing consumer concern regarding product composition, origin and production conditions; worrying increase in obesity (300 million obese people worldwide, including 22 million children under the age of 5).

Carrefour's response:

- With regard to products: reduction of salt levels in Carrefour convenience food recipes; development, with the help of a committee of pediatricians, of a range of balanced Carrefour organic baby food; development of the "Nutrition" segment of the "J'aime" range; offering organic own-brand product ranges and distribution of fair-trade products.
- With regard to packaging: clarification of label information, in particular product composition.
- With regard to stores: spotlighting fresh products and their benefits; in France, consumer information in cooperation with trade associations, the DGCCRF and the PNNS; participation in the Semaine du Goût [Taste Week] (including Prodiest's distribution of educational kits on nutrition and Champion supermarkets' efforts to raise young people's awareness of taste).

- With regard to consumers: establishment by France Hypermarkets of a toll-free number to contact dieticians; special columns (obesity, sugar, salt, balanced diet and so on) in the Journal de Carrefour monthly consumers' newsletter and on the Carrefour France website.

GMOs (Genetically Modified Organisms)

Context: establishment of new regulations in Europe; growth in worldwide acreage for GMO soy, corn, cotton and colza crops (1/4 of the total growing area for these crops is now devoted to GMOs); increase of GMOs in human and animal food, even though it has not yet been proved that they are harmless over the long term for the environment or health.

Carrefour's response:

- Application of the precautionary principle; Carrefour maintains its historic position by offering GMO-free own-brand (Carrefour, Champion, ED), cross-business brand (Grand Jury, Reflets de France) and first-price products for the first 15 members of the European Union; for recently integrated European Union countries, awareness-raising and the steady involvement of suppliers in this approach.
- Expansion of the identity-preserved soy-cake production lines created in Brazil in 2000 to feed Quality Line pigs and trout in France as well as Carrefour laying hens.

Anticipating and managing risk: the role of the Scientific Committees

The France Scientific Committee, comprising 8 members who meet twice yearly, plays a key role in anticipating and managing crises. Its mission is to help the company prevent and manage food related risks. The evaluation of these risks is made by regular scientific monitoring and their prevention, promoted by a quality policy founded on the precautionary principle. The subjects dealt with include nutrition, GMOs,

carcinogens, allergens, toxicology, antibiotics, food hygiene and microbiology. Since 2004, the Scientific Committee has also worked on non-food topics. Inspired by work done in France, in 2004 Belgium set up a Scientific Committee that draws on a network of specialists, and in 2005, 3 countries in Asia – China, South Korea and Taiwan – will also develop similar scientific bodies, as will Brazil and Argentina in Latin America.



France Scientific Committee.

team is set up immediately for all significant withdrawals and/or recalls; its organization is based on a crisis manual – with which everyone is familiar – that is distributed within each Business Unit. Belgium supplements these procedures with a system that blocks recalled products at the checkout counter. In 2003, Carrefour France and its suppliers worked to develop “Trace One”, a solution for managing the specifications of Carrefour brand products and for making information on production batches available; this solution was deployed in 2004 and will be

used increasingly in 2005. “Trace One” reflects Carrefour’s determination to continuously provide consumers with higher levels of safety and to be proactive on the issue of traceability; indeed, Carrefour developed it with the express idea of pooling this solution with other retailers in order to offer suppliers a single system and avoid burdening them with excessive costs. The adoption of Trace One by Auchan and Casino in 2004 demonstrated the relevance of this approach, which is becoming an industry standard.

Globalization and social responsibility

Context: economic globalization and the expansion of trade; increasing risk of economic imbalances and social inequality; growth in corporate social responsibility.

Carrefour’s response:

- Abiding by the UN Global Compact since its creation.
- Commitment to respect and ensuring respect for the principles of the International Labor Organization through a social charter and partnership with the FIDH since 1998.
- Agreement with the UNI with regard to respect for ILO agreements.
- Development of an in-house Group Code of Ethics; roll-out of Listening to Staff surveys.
- Priority given to local jobs and suppliers so as to contribute to developing the local economy wherever the Group operates.

Increased pressure on purchasing power

Context: reduction in household consumption and increasing competition with hard-discounters in many countries.

Carrefour’s response:

- Reaffirmation of Carrefour’s basic policies: a high-quality, varied offering to meet all levels of purchasing

power; strengthening the hard-discount format (ED, Dia); segmentation of own-brand product lines by introducing products aligned with the prices of hard discounters in Europe; introduction of products at prices lower than hard-discount product prices (“No. 1”).

Local integration and expanding urbanization

Context: strong urban growth (84% of the population in industrial countries and 57% of the population in developing countries will live in urban centers by 2025, according to UNESCO), which magnifies problems with pollution in cities; in Europe, revitalization of city centers at the expense of the suburbs due to an ageing population.

Carrefour’s response:

- Development focusing on a multi-format strategy of city-center convenience stores with many services (home delivery etc.) suitable for seniors.
- Contribution to developing clean vehicles: pilot project, in partnership with Gaz de France, to distribute natural gas for vehicles through Carrefour service stations.
- A waste management policy that integrates reduction in packaging upstream and a policy for sorting and recycling waste material downstream; for consumers, the Group is also offering alternatives to disposable checkout bags.

Key moments in the mobilization of Carrefour in France



Carrefour Voyages and ECPAT International – Operation “Living Rivers”.

<p>€44.727 billion in retail network sales (incl. VAT) all banners</p>	<p>3,675 stores</p>	<p>134,997 employees</p>	<p>2,420 GWh energy consumption</p>
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Hypermarkets

Products/customers: Carrefour Voyages is a Travel Charter partner, listing only signatory tour operators in its catalogue. In the Summer 2005 brochure, Carrefour Voyages decided, in cooperation with ECPAT International, to raise awareness amongst its customers regarding sexual tourism and child exploitation; it also keeps its customers informed about WWF environmental protection activities.

Stores/customers/local communities: raising customer awareness about sustainable development and responsible consumption was one of the key strategic focal points of France Hypermarkets in 2004. At the end of September, Carrefour Bègles in Bordeaux, a pioneer in the Environmental Management System, organized an Eco-Citizen Meeting that attracted 150,000 visitors from local associations, schools, businesses, institutions, politicians and media over 10 days. In the Paris region, Carrefour Collegian raised customer awareness about Carrefour products during the course of its “Consuming Better” campaign. Its activities included spotlighting organic products, a film and CD-ROM on the Quality Lines, and the organization of health consultations with a dietician.

Customers/local communities: Carrefour France Hypermarkets Solidarity – involving 216 hypermarkets in France – is associated with and supports major national solidarity operations such as “Pièces Jaunes” (“Coins”), with the Hospital Foundation of Paris-Hopitaux de France; “Neurodon” (“Neuro-gift”), with FRC, a brain research foun-

ation; “Pyramide de Chaussures” (“Pyramid of Shoes”), with Handicap International; “Virades de l’Espoir” (“Pathways to Hope”), with the Overcome Cystic Fibrosis Association, and the national food bank (collecting 525 tons of donations in 2004).

For more information: Quality and Sustainability network (p. 13), the toll-free number to talk to dieticians (p. 16), Responsible Fishing products (p. 31), the “Winning Partners” prize (p. 32), the store hygiene and quality audit process (p. 37), raising customer awareness of sustainable development in stores (pp. 13 and 37), the agreement with Gaz de France to distribute natural gas for cars (p. 37), carbon assessments and store environmental analysis (p. 38), putting organic waste to use (p. 38), reusable carrier bags (p. 39), the www.recruite.carrefour.fr site (p. 42), the Carrefour solidarity fund (p. 43), Mission Handicap (p. 43), the “Consuming Better” challenge (p. 44), self-regulated pooling of work schedules, the prevention of violence at work and mobilizing against absenteeism (p. 45), the publication of a how-to guide for roundtables with customers (p. 48), the Carrefour loyalty card (p. 49), the “ABConso” web page (p. 49), Carrefour Solidarity and food donations (p. 51), the Vigeo rating (p. 55).

Champion supermarkets

Customers/local communities: Champion has been a WWF (Worldwide Fund for Nature) partner since 2002, supporting various WWF activities including its commitment to protect fresh water in France; in exchange, WWF advises and supports Champion in its sustainable development approach. Among

the key activities organized to promote awareness among customers and local communities, the “Living Rivers” campaign, renewed for a second consecutive year, included a design competition for employees’ children, 44 store stands in cooperation with local environmental protection associations, the distribution of 370 educational kits to schools, and the organization of field trips for 2,500 pupils. The Champion-WWF partnership has been renewed for 3 years.

For more information, see: Responsible Fishing products (p. 31), store hygiene and quality audits (p. 37), store carbon assessments (p. 38), “chep” containers (p. 38), the HQE approach (p. 39), printing Champion publications on certified or recycled paper (p. 39), Listening to Staff surveys (p. 45), the “Passerelle” (“Gateway”) program for becoming a franchisee (p. 46), the Vigeo rating (p. 55).

Convenience (Shopi, 8 à Huit, Marché Plus)

Local communities:

- 8 à Huit supports the Mecenat Chirurgie heart foundation, which helps disadvantaged children with heart defects to obtain operations in France. The retail banner funded 8 heart operations in 2004, and thanks to the sale of teddy bears in its stores, 3 more children were saved. 8 à Huit is renewing its support for the heart foundation in 2005.
- Shopi supports the French myopathy foundation’s Telethon and UNICEF by enabling customers with the Shopi loyalty card to donate their points. For the Telethon, Shopi doubles the number of loyalty points awarded, and sells flower bouquets and its Esprit Shopi magazine (the latter is usually free). For the 2004 Telethon, Shopi gave a €175,000 check to the foundation.

For more information, see: Responsible Fishing products (p. 31), store carbon assessments (p. 38), “chep” containers (p. 39), the partnership agreement with the Paris mayor’s office for hiring young people (p. 43), the “franchise trainee” program to become a franchisee (p. 46), store schools (p. 47), 8 à Huit neon signs (p. 47), participation in the mayoral fair and in local communities (p. 50).

ED

Logistics/stores: ED has set up a system that links stores and warehouses in order to put waste to use. Packaging waste (boxes, plastic, crates and pellets) is sorted in-store and then returned to the warehouse, where a specialized team takes care of it. In 2004, a training module was developed to train future “waste managers” in their various tasks. This year, more than 30,000 tons of cardboard and 1,000 tons of plastic were recycled, i.e. about 50 tons for each ED store.

For more information, see: the distribution of a book about company benefits (p. 44).

Prodirest

Customers: on the occasion of the “Taste Week”, Prodirest distributed educational kits that highlighted nutrition – including a poster, placemats and a nutrition booklet – to schools. The goal of this operation was to raise awareness and teach proper eating habits from a young age to combat the problem of obesity. More than 2,800 canteens received kits, giving children a chance to explore the world of nutrition and flavors.

For more information, see: nutrition kits (p. 16).

Promocash

Employees: Promocash distributed Volume 2 of its book, “Values and People: Winning Actions” to all its employees. The book is the result of an effort – launched in June 2002 and covering all regions – to gather together various winning activities and programs representative of the Group’s core values. The aim of this in-house communications effort was to foster a feeling of belonging and to bring these values to life.

For more information, see: distribution of the “Values and People: Winning Actions” book (p. 44).

Ooshop

Customers: to raise customer awareness about ethical, responsible consumption, Ooshop created a web page – “Welcome to the Eco Attitude” – on its website that presents all Ooshop’s “responsible” products, organized according to 9 topics: Carrefour Bio, organic farming, Carrefour Quality Line, Red Label, fair trade, “Home”, recycled paper, recycled packaging, and responsible trade.

For more information: the “Eco Attitude” web page (p. 49).

Carrefour France

For cross-business information on: the “Trace One” logistics tracking tool (p. 17), the Scientific Committee (p. 17), price reductions (p. 29), own-brand and retail-banner products (pp. 30-31), Responsible Fishing products (p. 31), Reflets de France and Quality Line clubs (p. 32), the ADEME framework agreement (p. 35), the backhauling process (p. 35), carrier bags (p. 39), establishment of the PERCO (p. 43), the audit of professional road risks (p. 45), customer panels (p. 48), Consumer Services and Carrefour Customer Services (p. 48).

Key moments in the mobilization of Carrefour in Europe



Libramont food fair in Belgium – Solar panels in Spain – Partnership with the Pestalozzi Children's Village in Switzerland.

Belgium



Products: in carrying out its policy to reduce environmental impact, Carrefour Belgium tested or introduced packaging produced from renewable raw materials. The packaging for organic products have received the “OK Compost Home!” certification. In 2004, a Belgian scientific committee was established, and the Marketing and Quality Departments organized the promotion of the Quality Line through store operations, participation in agricultural and food fairs in the country (300,000 visitors), and the launch of a Quality Line club in Belgium.

For more information, see: product withdrawals (p. 17), the Scientific Committee (p. 17), Responsible Fishing products (p. 31), the Quality Line club (p. 32), employee evaluations (p. 42), the “O² Young Management Program” (p. 43), the Dream Day operation (p. 43), customer panels (p. 48), Carrefour Belgium, hypermarket and GB websites (p. 49).

Spain



Stores: after an initial pilot project in 2003, Carrefour Spain installed solar panels in 3 more hypermarkets in 2004 (for a total of 6 stores). This project, the fruit of cooperation with the Institute for Energy Diversification and Savings and Isofoton, is part of an effort to lessen the impact of the greenhouse effect by reducing the use of fossil fuels. In the Mostoles hypermarket, 8,000 kW/h was produced through solar power, which meant an 8-ton reduction in CO₂ emissions and 22 fewer kilograms of sulfur oxides (SO).

For more information, see: Nuestra Terra products (p. 30), Responsible Fishing products (p. 31), the “Best SME” prize (p. 32), French Week

(p. 33), an operation to collect phones (p. 37), the pilot project for reusing coat hangers (p. 38), carrier bags (p. 39), the partnership with the Adecco foundation for integrating those enduring hardships (p. 43), Listening to Staff surveys (p. 45), customer panels (p. 48), the special web page for Carrefour Eco and Carrefour Calidad Tradicion products (p. 49), the Fundacion Solidaridad Carrefour (p. 51).

Greece



Employees/local communities: in cooperation with the Ministry of Health and Social Security and the General Giorgio Genimatas Hospital, Carrefour Marinopolous set up a voluntary blood donor program for its employees. The goal was to respond to a particularly significant need in Greece, given its low number of blood donors. In 2004, more than 200 employees gave blood.

Customers: in cooperation with the WWF, Carrefour Greece produced a brochure on responsible tourism that was distributed through store travel-info stands.

Customers/local communities: on Child Accident Prevention Day, Carrefour Marinopolous conducted a campaign (in cooperation with the Association for Combating Childhood Injuries) to raise children's awareness regarding road safety through in-store distribution of booklets on road safety and information posters.

Local communities: to mark the Athens Olympic Games, Carrefour Marinopolous – in cooperation with the city of Athens and the Agency for Youth And Sports – organized the “Carrefour Tour d’Athens”, a major sports event that brought together more than 35,000 Athenians and visitors from around the world.

For more information: the Forum for Jobs and Business Creation (p. 46), customer panels (p. 48).

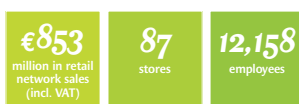
Italy



Franchises: with a significant number of franchises in its commercial network, Carrefour Italy is promoting company spirit. GS franchisees assembled at an annual convention for the first time in June, and the DiperDi franchisees in September. GS also supported its franchise policy by enabling franchisees to take part in training sessions at the Gallarate Carrefour Training Center in Milan. In 2004, 8 two-day training sessions about franchising were organized for 162 company heads and store managers, and 67 four-day training sessions were held involving 193 company heads, store managers and department heads.

For more information, see: price reduction campaigns (p. 29), Terra d'Italia products (p. 30), the development of new store services (p. 36), energy savings and the Green Light Award (p. 38), career management (p. 42), the sustainable development agreement signed with trade unions (p. 44), Listening to Staff surveys (p. 45), customer panels (p. 48), financing an infrastructure study in Southern Italy (p. 50).

Poland



Employees: after setting up Karfu, an in-house newspaper, in August 2003, Carrefour Poland strengthened its internal communication tools in September 2004 by rolling out an intranet to serve its 2 Business Units. The purpose was to offer employees an effective means of exchanging information with other Group employees as well as an everyday working tool that provides various menus and functions. The strengths of this intranet tool are obvious: it allows for networking, the sharing of data and best practices, and collective progress.

For more information, see: teams specializing in own-brand and retail banner product development (p. 31), French Week (p. 33), work, safety and health conditions in stores (p. 37), career management (p. 42), the integration of Polish delegates into the CICE (p. 45).

Portugal



Products: in 2004, Carrefour Portugal signed up 5 new Quality Line products: free-range chicken, plums, peaches and nectarines, lamb, and country-style bread. These products respect the natural life cycle and the environment, use no growth hormones or antibiotics, and employ integrated crop protection, among other features. The lines involve a total of 80 producers and are an important asset in the local development of rural areas in the country's interior. To present these new producers and encourage the sharing of

experience, Carrefour Portugal organized its second national meeting of QL Producers in September.

For more information, see: the annual meeting of QL producers (p. 32), the Caraço project on store health assessment (p. 36).

Czech Republic/Slovakia



Products: Carrefour was the first major retailer in the Czech Republic/Slovakia to market FAIRTRADE products. Six FAIRTRADE products were launched in November: Darjeeling tea from India; Tanzanian instant coffee; Nuevo Futuro coffee from Colombia; Chocole instant chocolate powder from Bolivia and the Dominican Republic; chocolate mascao (milk and cappuccino), produced with Bolivian cocoa; and cane sugar from the Philippines. The launch was accompanied by efforts to build awareness about fair-trade among customers and employees, using POS displays, leaflets, the Internet and a catalogue.

For more information, see: FAIRTRADE products (p. 28), teams specializing in own-brand and retail banner product development (p. 31), the integration of Czech and Slovakian delegates into the CICE (p. 45), the sustainable development web page (p. 49).

Switzerland



Products/local communities: Carrefour Switzerland supports the Pestalozzi Children's Village humanitarian association, which provides support to more than 140,000 children from around the world through its training programs. For every Carrefour brand product purchased, Carrefour Switzerland returns 1% of the value of the product to the Pestalozzi Foundation, and Carrefour provides its customers with an account of donations every month.

Turkey



Employees: in January, Carrefour Turkey launched its new Alesta training program for future store directors, based on the Mandarin program set up in China in 2000. The Class of 2004's 6 trainees underwent 5 to 8 days of training per month for 6 months, finishing up in July with a 2-day study trip to France. The Alesta program was created for the hypermarket format but should soon be available for the supermarket format to mark the opening of 3 Champion supermarkets in 2004.

For more information, see: the Alesta training program (p. 42), the "Art of Welcoming Customers" training program (p. 48).

Key moments in the mobilization of Carrefour in Latin America



Carrefour farm in Brazil – Emergency aid in Colombia – Inauguration of the Benito Juarez health clinic in Mexico.

Argentina

€1.318 billion in retail network sales (incl. VAT)	475 stores	22,571 employees	482 GWh energy consumption
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Local communities:

- As part of the “Target: Growth” campaign, Carrefour hypermarkets in Argentina conducted educational work in 25 primary schools regarding sustainable development and civic responsibility. Each hypermarket designated 2 volunteers, who went to the closest primary school to inform children about sustainable development and explain Carrefour’s environmental actions. The campaign wound up with the organization of in-store charity fairs during which 1,000 pupils sold products they had made themselves.
- During the course of their “For My Neighborhood, For My Planet” campaign, Norte supermarkets in Argentina organized a national competition for sustainable development projects involving 268 middle and high schools and some 16,080 pupils. The projects were judged by a jury of solidarity and sustainable development experts.

For more information, see: the development of scientific advisers (p. 17), the policy of store clusters (p. 36).

Brazil

€3.308 billion in retail network sales (incl. VATs)	390 stores	43,420 employees	555 GWh energy consumption
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Stores: in December 2004, Carrefour stores in the São Paulo region began to supply their electric generators with biodiesel during peak hours and for emergencies. Residual vegetable oils used by Carrefour stores for frying make up 5% of this biofuel. Since July 2004, Carrefour has been working with the University of São Paulo technology development laboratory, which undertakes recycling and processing projects. In this way, Carrefour is contributing to the Brazilian biodiesel program that was launched by the country’s president with the aim of making Brazil less energy dependent and of developing renewable energies. In 2005, monthly biodiesel supplies could reach 500 liters per store.

Employees/local communities: on its 7 farms, 4 of which are vineyards and 3 of which produce QL meat, Carrefour Brazil has organized many social projects for the children of employees and for the community in general, including the supply of school materials to employees’ children, the donation of computers to schools and community institutions, dental assistance for employees and members of their families, eye-care, and various activities to mark the country’s Labor Day. Carrefour Brazil has received the “Official Business 2003” award from the Motiva Institute for Social Responsibility, for these various social projects, which meet international Social Accountability 8000 standards.

For more information, see: the development of scientific advisers (p. 17), teams specializing in own-brand and retail banner product development (p. 31), the Carrefour Quality Lines (p. 31), the policy of store clusters (p. 36), the overhaul of cold storage at Dia (p. 38), the adoption of a Code of Ethics (p. 43), Listening to Staff surveys (p. 45), “This Company Helps São Paulo” and “Official Business of 2003” awards (p. 50).

Colombia

€456 million in retail network sales (incl. VAT)	15 stores	4,912 employees	62 GWh energy consumption
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Suppliers: Carrefour Colombia is a partner in the “Young Colombia” program, launched in January by the Colombian government to improve the quality of life for young Colombians and help them become young entrepreneurs in their country. In August, at the third “Productividad Juvenil” meeting, Carrefour Colombia entered a formal agreement with 10 young entrepreneurs to help them draw up their projects and figure out how they might work with Carrefour. The goal: to offer outlets to young companies and to develop a win-win relationship.

Local communities: in November, Carrefour Colombia gave emergency aid to the victims of flooding along its north coast. Thanks to the mobilization of the stores’ teams, and with the support of the national police, Carrefour Colombia got food, hygiene products, mattresses, tents and sandbagging equipment to the affected areas in record time. The Carrefour International Foundation supported this assistance with a donation of €30,000 to help the population.

For more information, see: the launch of first-price products (p. 29), the self-regulation agreement with suppliers (p. 33), career management (p. 42), partnership with the Teleton foundation to integrate the disabled (p. 43), Listening to Staff surveys (p. 45), bimonthly customer consultation meetings (p. 48), the Carrefour corporate loyalty card (p. 49), the UNODC prize for supporting substitution crops (p. 51).

Mexico

€578 million in retail network sales (incl. VAT)	29 stores	7,052 employees	86 GWh energy consumption
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Products: since 1998, Carrefour Mexico has built up a significant relationship with Mimiel, which has sold 70% of its produce to Carrefour since 1999. Its QL honey has met with such success that a new 2000-sq.m factory will be launched in 2005, with optimal hygiene, control and traceability conditions. In another success, Carrefour Mexico is marketing QL Nevado de Toluca trout raised in the pure waters of the volcano of the same name. All the elements needed for high quality have been met: growing conditions, traceability, respect for the environment, clean fish farming, quality feed and preventive maintenance.

Employees: Carrefour Mexico offers senior citizens the opportunity to return to the working world by helping customers bag their purchases at the checkout stand; 75 people are now involved in this program.

Customers: Carrefour Mexico accepts the DIFEM discount card in its stores in the State of Mexico. Since November, this card, developed with the State’s Department of Family Integration as an element of the social assistance program, gives the disabled and the elderly the right to a 5% reduction. This move was publicized through all types of communications: in-store stands, distribution of leaflets and POP displays.

Local communities: Carrefour Mexico is a partner in the “One Kilo of Aid” program to fight malnutrition, conducted in cooperation with the Gente Nueva NGO and intended to help the poorest 390 communities in the states of Chiapas, Guerrero, Oaxaca, Veracruz, Yucatan and Mexico. The idea is to fight malnutrition among children and pregnant women by distributing food with high nutritional value and to provide medical assistance and advice in an effort to improve children’s health. Carrefour plays a role in collecting funds by selling support cards in its stores.

For more information, see: the policy of store clusters (p. 36), Listening to Staff surveys (p. 45), the inauguration of the Benito Juarez health clinic (p. 51).

Key moments in the mobilization of Carrefour in Asia



QL yellow beef in South Korea – Partnership with ISCO in Indonesia – Training in team spirit and the Group's core values in Singapore.

China



Local communities: with the support of the Chinese Ministry of Commerce, Carrefour China created the Carrefour China Foundation for Food Safety in May 2004. This foundation has four missions: training agricultural producers get their operations in line with the agricultural industry; giving local authorities support in preventing health crises and coordinating monitoring for epidemics; supporting experts and students through research prizes and study grants for European universities; and raising consumer awareness to avoid food poisoning. The first seminar on agricultural product safety was held in October, bringing together 90 guests and helping, above all, to take stock of the Chinese food safety system and to explore, with the help of key specialists, such topics as consumer awareness and the lessons learned from the mad cow crisis.

For more information, see: the development of scientific advisers (p. 17), teams specializing in own-brand and retail banner product development (p. 31), the Carrefour Quality Lines (p. 31), French Week in China and SME prospecting missions (p. 33), the Mandarin and ETP training programs (p. 42), the Food Safety Foundation, partnerships with CIRAD and the WWF (p. 51), solidarity with the tsunami victims (p. 51).

South Korea



Products: in 2004, Carrefour Korea focused its strategy on improving quality through further development of Quality

Line products: for instance, QL yellow beef has been marketed in all stores since October 2004; live fish for QL sashimi and sushi was launched in 3 stores in June 2004; and QL organic vegetables were launched in 10 stores in August and another 14 stores in September. Communications for all these Quality Lines are focused on product origins (emphasizing certification and pedigree) and relationships with suppliers (photo of the producers on packaging for organic vegetables). In November 2004, the Korean public authorities recognized QL yellow beef as the best brand of meat available. In 2004, emphasis was also placed on promoting local products (the “Isle of Jeju” fair in February and a traditional Korean fair in August) and spotlighting them in the stores.

For more information, see: developing scientific advisers (p. 17), the “compliance program” (p. 33), French Week in South Korea (p. 33), Listening to Staff surveys (p. 45), customer panels (p. 48), the “Best Foreign Company” award (p. 50).

Indonesia



Employees: Carrefour Indonesia supports the Ibu Kembar Foundation by giving disadvantaged young people assisted by this foundation the opportunity to work in its stores. For instance, 3 young women are working in the bakery department of the Jakarta Carrefour store; they were trained in basic techniques and cooking skills through the foundation's school – the Kartini Emergency School – and, thanks to Carrefour, can now follow through on their studies.

For more information, see: the ETP training program (p. 42), Listening to Staff surveys (p. 45), the partnership with the ISCO NGO (p. 51), solidarity with the tsunami victims (p. 51).

Japan



Customers: On World Environment Day in June, Carrefour organized a number of awareness-raising activities in its stores, including a design competition about nature, a green-tea tasting competition, an exhibition on the Pantanal natural reserve in South America, a gift of flower seeds, a “no checkout bag” day, efforts to clean the banks of the Iruma river, a baking course, and the highlighting of eco-friendly products.

For more information, see: French Week in Japan (p. 33), the rationalization of logistics flows (p. 34), solidarity with the tsunami victims (p. 51).

Malaysia



Local communities: to promote local solidarity, in May 2004, Carrefour Malaysia made a donation of RM 96,414 to the National Deaf Society of Malaysia. This donation was supplemented by a €21,000 donation by the Carrefour International Foundation to support the society’s center, where children with hearing problems have their language capacities stimulated and learn to communicate through speech. In addition, the Subang Jaya store rang in the Chinese New Year in January by welcoming more than 100 disadvantaged children sponsored by four charity organizations.

For more information, see: streamlining logistics flows (p. 34), solidarity with the tsunami victims (p. 51).

Singapore

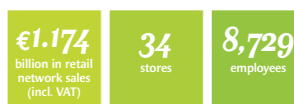


Employees: to extend support to the disabled and facilitate the hiring of the deaf, Carrefour Singapore introduced its employees to sign language. Likewise, during the course of 2004 Carrefour Singapore held a series of teamwork training programs to promote team spirit and the Group’s core values.

Local communities: to integrate its stores into local life, Carrefour Singapore works with community development councils to organize activities, such as cleaning parks, with schools and those in public housing. Carrefour Singapore also helps to collect funds for the National Kidney Foundation.

For more information, see: solidarity with the tsunami victims (p. 51).

Taiwan



Customers/local communities: Carrefour Taiwan set up the Carrefour Cultural and Educational Foundation to raise awareness among customers and local communities regarding such subjects as environmental protection. A highlight of 2004 was the celebration of World Environment Day throughout the month of June, featuring exhibitions in the stores of painted garbage trucks, meant to beautify the environment, an eco-stand at the Taipei Carnival, a roller-skating competition, and an operation to recover and recycle batteries.

For more information, see: developing scientific advisers (p. 17), teams specializing in developing own-brand and retail banner products (p. 31), the MDP training program (p. 42), Listening to Staff surveys (p. 45), customer panels (p. 48).

Thailand



Suppliers: in August, Carrefour Thailand organized its first meeting with local suppliers in Hatyai, Southern Thailand. The purpose of the meeting was to promote the local economy and trade by inviting local suppliers to distribute their goods in the Carrefour Hatyai store. Carrefour teams took this opportunity to provide suppliers with information about logistics, purchasing and product retailing. Suppliers interested by the terms of sale could sign a contract with Carrefour and become a business partner.

For more information, see: streamlining logistics flows (p. 34), energy savings and the Peak Cut Project (p. 38), the ETP training program (p. 42), solidarity with the tsunami victims (p. 51).



€777

million
in Quality Line
sales

85

million in sales
of controlled
organic products

188

fair-trade
products

The QL pomelo, signed up as a Quality Line product by Carrefour China in 2003, is a large fruit weighing 1.2 to 1.5 kilos. Grown on the mountainside on 9 remote farms in Fujian Province north of Peking, the QL pomelo is guaranteed to be treatment-free as of 40 days before harvest as well as afterwards. In 2003, 16 tons of QL pomelos were offered to French consumers during Chinese New Year; in 2004, the figure rose to 493 tons.



Controlling the chain of responsibility from *producer* to *consumer*

By respecting its commitments and adhering to its declarations, Carrefour accepts its responsibilities and is accountable for the consequences of its actions throughout the supply chain, from producer to store. With regard to products and suppliers, this approach requires a commitment to its customers in terms of price, choice and quality, as well as through the development of own-brand products and products that convey Carrefour's values and the establishment of special relations, with SME partners in particular. As for the logistics of product shipment and storage, this approach requires constant collaboration with external suppliers to keep on top of the flow of goods and to manage any environmental impact that might arise. Finally, in terms of store distribution, this approach requires the creation of safe, practical and modern shopping areas, and where respect for the environment is combined with cost control.

Products and suppliers

Carrefour's policy on product mix

To enable as many people as possible to purchase consumer goods, Carrefour endeavours to offer its customers in every country and in every store format the best value for money in terms of choice and quality. This commitment helps Carrefour to develop a competitive advantage over its competitors, to best anticipate change and to meet customer expectations.



Giving our customers freedom of choice

Carrefour distributes food and non-food products (equipment, cultural items and so on) in its stores, and in some countries services as well (financial services, insurance, holiday bookings, telecommunications, fuel, entertainment tickets and more). To enable all customers to choose their products freely based on their purchasing power and the desired end use, Carrefour constantly adjusts its product mix of major national brands and regional, own-brand, retail banner and first-price products. Carrefour is also meeting the rising demand for responsible products by stocking or developing eco-friendly and socially-responsible products (see pp. 30-31). In 2004, Carrefour continued to expand its fair-trade offering, and became the first major retailer in the Czech Republic and Slovakia to offer such products.



Commitment to product quality

Quality is key in setting Carrefour apart, as well as being an essential condition for a product reference. The best possible value for money is offered at every price level (first-price products/own-brand and retail banner products). For own-brand and retail banner products, the quality process includes signing a set of specifications, approving produc-



Launching of the FAIRTRADE products in Czech Republic and Slovakia

tion sites and a product control plan, processing and archiving any non-compliant products, and following up on customer complaints. To complete this system, in 2005 Carrefour will make the Quality Scorecard available on the Group's intranet site: this database, developed by the Group Merchandise Department, will then be accessible to all countries and can be used to track products at every stage of their marketing and react more effectively in case of a crisis.



Defending purchasing power with our prices

To strengthen its price image vis-à-vis its competitors and to help boost consumption, in 2004 Carrefour pursued its campaign of price-cutting



A *global* approach

Quality at the best price: "No. 1" products

Low-priced "No. 1" products, launched in Spain in June 2002, are now to be found in many countries in Europe, Latin America and Asia. Drawing on synergies and purchasing volumes at the Group level, "No. 1" products are intended to offer consumers quality products at a price that is 5% to 7% below hard-discount prices. In addition to meeting existing regulations, "No.1" products also reflect the quality and safety approach that characterizes all our own-brand and retail banner products. As for GMO concerns, Carrefour has decided to apply the same position for "No. 1" products

as for own-brand and retail banner goods by excluding genetically modified organisms from the composition of all products. After the European moratorium on GMO crops is lifted, Carrefour will pay great attention to the evolution of agricultural prices, in the hope that the costs generated by the coexistence of different lines will not be borne by conventional agriculture. Carrefour's goal for the future is to be able to reconcile the continuation of its GMO-free policy with maintaining its price base and the price competitiveness of its "No. 1" products.



The "No. 1" brand in Mexico.

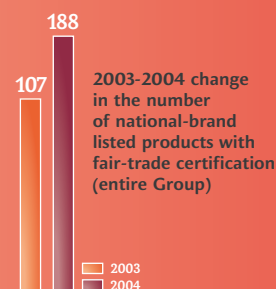
A *progressive* approach

See our key performance indicators pp. 56-61

- Number of purchasing offices using the Group QS and the quality standard for controlled food products
- Number of first-price listed products
- Number of fair-trade listed products

Development of fair-trade products

In 2004, Carrefour expanded its offering of national brand products with fair-trade certification, with 188 listed products at the Group level. At the same time, Carrefour decided to go through the certification process for those of its own-brand and retail banner products that meet fair-trade requirements by redefining their specifications, with the goal of creating a genuine controlled product range with fair-trade certification in 2005.



and the inclusion of first-price products in all countries. In France, Carrefour signed an agreement in June – a joint initiative of the public authorities and industry – to voluntarily cut selling prices to the consumer by 2%. In Italy as well, Carrefour joined the government in the fight against inflation by lowering prices; for instance, some hypermarkets in Southern Italy offer a 10% reduction 1 day per week for those over 60, and convenience stores offer a 10% reduction from the 20th day of each month. These price reductions have been accompanied by the launch or roll-out of low-priced food and non-food products; Colombia, for example, expanded its "No. 1" brand to 339 food products, brought in new products for its miscellaneous merchandise and household appliance departments, and launched Basic Days, a new clothing brand.

A *partnership* approach



Audit-on-supplier.

Quality: an approach shared with suppliers

To guarantee the quality of its food products and its own-brand and retail banner products in particular, Carrefour systematically conducts audits on its suppliers' production sites, which are audited for health and safety conditions, risk prevention, HACCP plan criteria, traceability, compliance with specifications, application of the Group's GMO-free policy, and management of product development. In 2004, specific criteria for environmental factors were set up, along with the training

of auditors in several European countries. These audits are followed by action plans arranged with the supplier to improve the production process. In addition, based on analysis of complaint feedback by the customer care departments, Carrefour shares information on areas of satisfaction and points for improvement with its suppliers. In order to avoid a multiplication of audit standards and criteria, Carrefour, in 2004, took an active part in France in drawing up the International Food Standard (IFS): common health safety audit criteria for French and German retailers. Carrefour is also a member of the Global Food Safety Initiative (GFSI) of the CIES.

Products and suppliers

own brands and retail banner brands

Depending on the country and format, 55% to 88% of food sales and 12% to 45% of non-food sales come from own-brand and retail banner products. These leading products convey the image of the Carrefour Group and its banners and play a key role in customer loyalty. This is why emphasis is given to their quality and to developing distinctive Carrefour specifications.

Carrefour controlled products

In France, about 11,000 food products and 11,000 non-food products are marketed under own brands or banner names. Own brands are either specific to a format, such as the Grand Jury brand marketed in French convenience stores, or they cut across several formats. Designed and developed by Carrefour's teams, these products embody the Group's values and meet customer needs by offering the best value for money. They also reflect Carrefour's ethical and citizenship commitments. In 2004, for instance, French TV viewers could watch a short program showing the richness of the Reflets de France product line, which is sold in the different formats. Launched in 1996, this brand now includes about 300 products that support local know-how and thus help sustain traditional activities throughout France. This approach has also been used in other countries (Terra d'Italia in Italy and Nuestra Terra in Spain).

Safety and quality requirements

The development of an own-brand or retail banner product involves all of Carrefour's teams, and at the European level, the Group Merchandise Department.



It requires a market study, analysis of existing regulations, the organization of consumer panels to test products, and the development of a quality procedure (see p. 28). To optimize consumer protection, Carrefour always stays ahead of regulations by maintaining its innovative spirit. In addition, the Group Merchandise Department has decided to test non-food products not only according to performance and safety criteria but also with health and sustainable development in mind. An analysis of paint conducted in cooperation with toxicologists helped formulate specifications that comply with the Group's precautionary principle for 179 paints marketed under the Carrefour brand in France. This analysis, which was underwritten by Carrefour, will be systematized in 2005.



A *global* approach

The Carrefour Quality Lines: a model for fresh produce

Launched in France in 1992, the Carrefour Quality Lines are intended to meet consumer needs in terms of food safety, freshness, taste and authenticity. These lines are the fruit of upstream work with suppliers, who are rewarded for their quality effort, and they contribute to economic, social and environmental development in various regions of the countries where the Group operates. With a total of 206 lines in Europe, 74 in Latin America and 13 in Asia at

the end of 2004, Carrefour owes the success of this model to the dynamic efforts of the various countries and of the Group Merchandise Department. The latter supports the countries in developing the lines and facilitates international trade in local CQL production (trade estimated at €67 million in 2004). In China, Carrefour acted as a pioneer by signing up a Quality Line of pork in December 2003. This line, which involves 2 breeding farms, 7 feed lots and a slaughterhouse,



Brazilian Quality Line products.

guarantees total traceability and respect for the environment as well as the animal's well-being. In Brazil, Carrefour has developed 63 Quality Lines to date, with production assisted by agronomists and veterinarians. Some Quality Lines are associated with social responsibility projects, in particular on the 7 farms owned by the Group (see pp. 22 and 50).

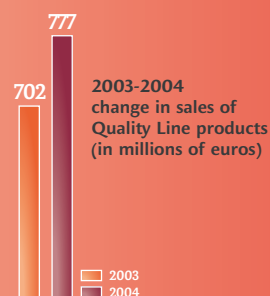
A *progressive* approach

See our key performance indicators pp. 56-61

- Number of organic and eco listed products
- Number of Carrefour Quality Lines

Worldwide development of Quality Lines

In 2004, Carrefour had 293 Quality Lines at the Group level, representing €777 million in sales, 616 contracts and more than 40,000 producers. A contract based on specifications that are verifiable for the production and processing is signed with a producer or producer association for each quality line. The producers are involved in a progressive approach that entails an annual (or bi-annual) visit, a visit report and a progress plan.



Know-how incorporated Group-wide

The mission of the Group Merchandise Department is not only to develop own-brand and retail banner products in Europe but also to help Latin American and Asian countries acquire these skills, so every year it trains country teams by passing along know-how and best practices with regard to specifications, the control plan and the supplier audit. 2004 highlights: a kit presenting all the available tools and methods for developing and monitoring own-brand and retail banner products was made available online on a Group intranet, and specialized teams were established and trained in Poland, the Czech Republic, China, Taiwan and Brazil.

A *partnership* approach

Responsible Fishing: a partnership with Icelandic fishermen



Carrefour Silver Sea Cod packaging.

The Responsible Fishing logo reflects Carrefour's guarantee of the sustainable management of resources (thanks in particular to the use of selective fishing techniques) as well as respect for the environment. Committed to these principles, in 2004 Carrefour signed its first special Responsible Fishing supplier contract – covering wild Atlantic cod – with an Icelandic operator. The resulting products have been marketed under the Silver Sea (Champion and Convenience stores) and Carrefour

Silver Sea (hypermarkets) brands since January 2005 in France and Belgium. The first such offering was frozen Icelandic wild cod fillets in an 800-g bags (about 450 tons/year), to be followed in 2005 by other Carrefour "Responsible Fishing" processed products: Icelandic dab fillets (150 tons/year), Icelandic sea-bream fillets (100 tons/year), Icelandic striped bass (80 tons/year), halibut fillets from Greenland (150 tons/year) and Alaskan hake fillets (700 tons/year). This approach will next be extended to the Carrefour Spain seafood department, with Icelandic wild cod in both fresh and dried & salted versions.

Products and suppliers relations with suppliers

Carrefour works with 3 types of supplier: multinationals, SMEs and agricultural companies. While striving to optimize prices for its customers, the Carrefour Group is nevertheless always seeking ongoing, even-handed relations with SMEs. Such relations are closely linked to the Group's Distributor Brand policy and benefit from its innovation efforts and support for exports to countries where Carrefour operates.

Promoting local supplies

To optimize its integration into the social and economic fabric of the countries and regions where the Group operates, Carrefour has chosen to back a substantial proportion of local supplies. Store product mixes thus include products negotiated at the international level by the Group Merchandise Department, national products negotiated by the country purchasing offices, and an assortment of regional products. To promote local know-how and nurture worthwhile relations with its suppliers, Carrefour facilitates the sharing of experience at the local and national levels by creating clubs (like the Reflets de France and Quality Line clubs in France and Belgium) and organizing annual meetings (like the annual meeting of Quality Line producers in Portugal).

Sharing competitiveness

To invigorate the economy and society in the various countries and regions, Carrefour has also decided to emphasize partnerships with SMEs. In France, 80% of all suppliers are SMEs, which produce the lion's share of Carrefour's own-brand and retail banner products. In exchange for a lasting partnership and the assurance of a market, Carrefour expects these SMEs to be competitive and innovative and to respect the environment and fundamental labour rights (see



2004's "Winning Partnerships".

inset). Carrefour draws on its expertise to help these SMEs improve their production processes in terms of quality and safety through audit policies (see inset and p. 29) and promotes their growth internationally (see inset). Every year, Carrefour rewards its "Winning Partnerships" in France. In 2004, the "Sustainable Development" prize was awarded to Sikig, an SME in the Pyrénées Atlantique region that produces QL kiwis. In Spain, Carrefour's customers in various regions select the top SME through a questionnaire that they fill out and submit at the store checkouts.

Respecting ethics and transparency

In every country, relations with suppliers are based on respect for ethics and transparency. As part

A *partnership* approach

Respect for international labor rules: partnership with the FIDH

For Carrefour, respect for the basic rights set out by the ILO is just as important a criterion for selecting suppliers as price or quality. At the end of 2004, in partnership with the International Federation of Human Rights (FIDH), Carrefour revised the social charter it had adopted in 2000. Based on Carrefour's core values, the principles of the Global Compact, and the International Instruments for the Protection of Human Rights, the new charter reiterates the methodology to be used to monitor the business and ensure respect for Carrefour's commitments in sensitive countries. Three audit phases are planned: an internal control, conducted by Carrefour's quality teams; an external control,

conducted by professional auditors and set to include initial audits and regular re-audits; and random spot checks conducted via Infans, an association created through cooperation between Carrefour and the FIDH, where the latter represents the majority interest. Thanks to re-audits, it is possible to assess genuine improvement with regard to commitments through the corrective steps implemented. Since 2000, 69.1% of audited suppliers have had to implement corrective action concerning work conditions, 56.2% concerning hours and employees, 50.7% concerning freedom of association, and 18.3% concerning forced and child labor. The successes include Bangladesh,

where in March-April 2004 Carrefour conducted a pilot project that involved labour-rights training for management and employees in 2 factories. Also worthy of note is Carrefour's agreement not to use its partnership with the FIDH as part of its commercial arguments, and its commitment to pool the results of its efforts through the French Commerce and Distribution Federation and EuroCommerce (Europe). Finally, the Infans association helps to direct study and discussion between the FIDH and Carrefour toward a future international standard on corporate social responsibility, which Carrefour has been publicly supporting since April 2003.



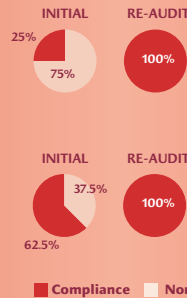
A *progressive* approach

See our key performance indicators pp. 56-61

- Percentage of total controlled food sales achieved with local suppliers
- Number of supplier sites audited with respect to the Social Charter

Social audits and monitoring suppliers

In 2004, Carrefour conducted 198 social audits (140 initial and 58 re-audits) in 7 countries: China, India, Bangladesh, Indonesia, Pakistan, Vietnam and Malaysia.



Bangladesh 2004 : exemples d'indicateurs de re-audits

General working conditions • health and safety
100% of factories comply; corrective action made it possible to provide workers with drinking water in most factories, and for 2 factories to reorganize certain units so as to have suitable space.

Wages and benefits • minimum wages comply with regulations
The improvement between the initial audit and the re-audit is based on respect for Bangladeshi regulations with regard to the classification of workers and payment proportional to their rank.

of its anti-corruption policy, Carrefour Colombia signed a self-regulation agreement, which, in the absence of a legal framework, governs relations between distributors and suppliers. South Korea has in turn established a compliance program (code of conduct) signed by all buyers as a pledge toward proper business conduct. At the Group level, online negotiations ensure transparency and fairness in relations with suppliers of goods and other material. In 2004, Carrefour auctioned 10,800 bids on the GNX electronic marketplace in 21 countries with a base of 24,000 suppliers. Great attention was paid to systematically publishing the specifications in a precise and detailed way in order to ensure that the bidding was fair and transparent.

A *global* approach

SAFCA, a Carrefour organization devoted to SMEs: helping French SMEs explore the world



"French Week" event in South Korea.

As an international Group, Carrefour makes its expertise and knowledge of external markets available to French SMEs free of charge. In cooperation with Partenariat France, a French foreign trade public agency, Carrefour organizes operations to promote French products in its stores abroad ("French Week" events), proposes prospecting missions to SMEs, and encourages their export projects through SAFCA (an organization to support Carrefour suppliers). In 2004, Carrefour organized 830 shipping arrangements for French SMEs abroad and has a target of 1,200 for 2005. The year was highlighted by the organization of 7 "French Week" events in South Korea, Thailand, Spain, China, Poland and Japan. Three prospecting missions were organized in South Korea, Thailand and Spain, and a key prospecting mission is planned for China in March-April 2005 to mark the Year of France there; this mission should also help in uncovering opportunities on the Thai market.

Logistics

Logistics includes product shipping from suppliers to stores and the storage of products in warehouses. A key step in the supply chain, logistics contributes in a major way to product quality and store productivity. With its sustainable development approach, Carrefour works with service providers to optimize the flow of goods and manage environmental impact.



Carrefour rail freight in France.

A *progressive* approach

See our key performance indicators pp. 56-61

- Level of maturity of the logistics process
- CO₂ emissions by shipping unit

1,058 tonnes
of CO₂ saved in France
thanks to backhauling

Constantly optimizing the flow of goods

On average, Carrefour delivers once per day to its hypermarkets, 3 to 6 times per week to its super-markets, and once or twice per week to its convenience stores. To optimize the flow of goods and limit their economic and environmental impact, Carrefour works to optimize the supply chain in every country. In 2004, the Asian countries really got behind this theme in an effort to improve local practices. Thailand generalized the practice of backhauling (already in use in many European countries), a procedure that involves having trucks collect goods ordered from suppliers and deliver them to warehouses after the vehicles have completed their store deliveries. This avoids empty-truck journeys and reduces the total number of vehicles circulating.

In 2004, this innovation involved 12.4 trucks per day on average, representing 27,292 kilometers per month. In Japan, Carrefour increased the tonnage of its delivery trucks from 5 to 10 tons to cut costs and the number of rotations. In addition, in many countries the trucks were equipped with GPS to help optimize scheduling.

Alternative solutions to reduce environmental impact

To reduce the environmental impact of transport and CO₂ emissions in particular, Carrefour has continued to develop alternative solutions to road transport in cooperation with its suppliers of goods and services. In France, Carrefour set up a pilot project in July 2004 to combine rail and road shipping from the Vert-Saint-



A *partnership* approach

Improving environmental performance: partnership with the ADEME

Carrefour has long been a partner in France with the ADEME (Agency for Environment and Energy Management), which has participated to the Demeter Environment and Logistics Club since 2003.

- **Carbon assessments:**

In order to tally the greenhouse-gas emissions of its stores and warehouses, Carrefour used ADEME's Bilan Carbone® (carbon assessment) software, a system that takes into account all physical flows (of people, objects and energy) involved in a site's activity and analyzes elements

that generate emissions. Simplified and adapted to suit Carrefour's activities, the software was used to make an initial analysis of 22 consolidated warehouses (groceries, fresh produce, café/bar), i.e. 59% of the total in France. This diagnosis revealed the significant energy impact of shipping to stores (in particular with regard to the cold chain). In 2005, diagnoses will undergo case-by-case analysis in order to draw up action plans.

- **Signing a framework agreement:** In addition to logistics, in December

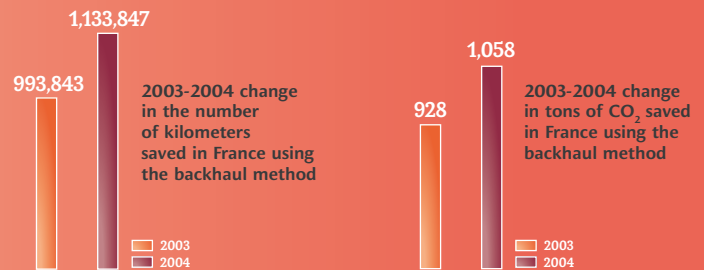
2004 Carrefour France signed a 3-year framework agreement with the ADEME to improve its environmental performance using the agency's expertise. Four areas for cooperation were chosen: transport, buildings and sites (energy efficiency, renewable energy, refrigeration and air conditioning), waste (management, prevention and consumer awareness) and the eco-design of own-brand and retail banner products.

ADEME



Backhauling and the fight against the greenhouse effect

To help combat the greenhouse effect, Carrefour is working to reduce CO₂ emissions, in particular during the shipment of its products. That is why the Group has used backhauling, among other methods, in a number of countries in Europe and Asia. Backhauling involves having trucks collect goods ordered from suppliers and deliver them to the warehouse after completing their store deliveries. In France alone, this method led to savings equivalent to 1,058 tons of CO₂ in 2004.



Denis textile plant in the Seine-et-Marne département to 33 stores in the Provence-Alpes-Côte d'Azur and Languedoc-Roussillon regions. This led to a reduction of 60 g per t/km of CO₂ emissions, i.e. a reduction of 308 tons over 7 months. Other benefits of the project included costs lower than using road alone, safer flows, and more reliable arrivals during store hours. This combined rail/road transport pilot project added to Carrefour's experimental system in France, which includes goods transport by waterway and deliveries using natural-gas vehicles. To encourage further thought and experimentation with alternative solutions, Carrefour decided to put the Demeter Environment and Logistics Club on a permanent footing as an association, as per the applicable law of 1901. This association brings together industrial leaders, logistics partners, Paris City Hall, the ADEME and the CRET LOG (university laboratory).

A *global* approach

Logistics: integrating sustainable development issues



Ooshop natural-gas delivery truck.

In all the countries where the Group operates, Carrefour works to integrate sustainable development considerations into its logistics system in order to cut costs and limit environmental impact. The sustainable development approach includes 5 steps, which can be used to evaluate the level of maturity

achieved by a country. The first step is the massification of flows, which requires setting up a national logistics network with integrated and sub-contracted warehouses. The second step concerns the logistics traceability of pallets and packages using international EAN standard bar codes. The third step involves optimizing the cold chain based on temperature-control systems in the trucks at the receiving end, in the warehouses, and in the trucks making deliveries to stores. The fourth step entails streamlining flows and transport trips. The fifth and final step requires the management of environmental impact: sorting waste, saving water and energy, optimizing cold-chain facilities, and studying alternative transport methods.

The stores

the stores as spaces for living

Carrefour has more than 11,080 banner stores around the world, with 59% Group-owned and 41% affiliates and franchises. Using its multi-format strategy, Carrefour integrates itself thoroughly into the local environment by meeting the needs of its catchment areas. Carrefour stores are spaces for welcoming and listening to customers, and are developing a modern, practical, safe and service-oriented image.

Stores adapted to local society

To satisfy its customers and respond optimally to contemporary lifestyles, Carrefour's strategy emphasizes the complementarity of store formats and the multiplicity of retail banners. The Group has hypermarkets (2,500 to 20,000 sq.m), supermarkets (1,000 to 2,500 sq.m), convenience stores (250 to 1,000 sq.m), hard-discount stores (300 to 800 sq.m) and cash-and-carry stores. All stores are closely adapted to the individual qualities of the catchment area and to differences in purchasing power in each country. In Argentina, Brazil and Mexico in 2004, Carrefour implemented a cluster policy that distinguishes between 3 types of hypermarket that adapt their concept, product mix, services and prices according to the catchment area and local purchasing power.

Services adapted to needs

Regardless of the store banner name or format, Carrefour seeks to offer its customers convenient, speedy purchases and a range of products and services adapted to the cultural, economic and social situation of each country. Since June 2004, customers of GS supermarkets in Turin can pay their electricity bills free of charge at the checkout, thanks to an agreement with AEM Turin (the local electrical company). To raise consumer awareness of the need for healthy food, since 2002 Carrefour Portugal (with the help of



The Coração project in Portugal.

the Portuguese cardiology foundation) has been developing its Coração project, wherein Carrefour stores offer a health check, conducted by professionals, that includes measurement of blood pressure and cholesterol levels and analysis of height/weight ratios.

Respect for health and safety rules

The proper upkeep of stores, respect for the cold chain, and food safety are key elements of Carrefour policy in every country. The Group objective is to systematize hygiene and quality audits in every store and warehouse. These audits, financed by Carrefour, are con-

A *global* approach



Educational booklet for teachers.

The stores: a driving force in consumer awareness

With a total of more than 90 million customer households around the world, the stores in the Carrefour Group are a formidable force in promoting more responsible consumer behavior. In every country, the stores are increasing awareness-raising operations, spotlighting responsible products, and distributing informational newsletters and other tools. The France Hypermarkets feature a 2-week Fair Trade event, an Organic Springtime fair, World Environment Day and Sustainable Development Week. To raise consumer awareness, in 2004 the hypermarkets published a number of items on responsible consumption in the Journal de Carrefour monthly consumers'

newsletter and gave a page to the WWF in Junior Club magazine. On the eve of the school holidays, they also distributed 800,000 copies of a brochure called "The Sustainable Family", and in conjunction with the publisher Nathan developed an educational booklet on sustainable development for teachers. At the Group level, numerous operations were organized to collect various products at the end of their life cycles, including batteries, mobile phones and printer cartridges. In Spain, the hypermarkets and many supermarkets took part in a vast operation to collect, sort and recycle mobile phones; the profits from this undertaking went to the Red Cross and Entreculturas to finance solidarity programs.

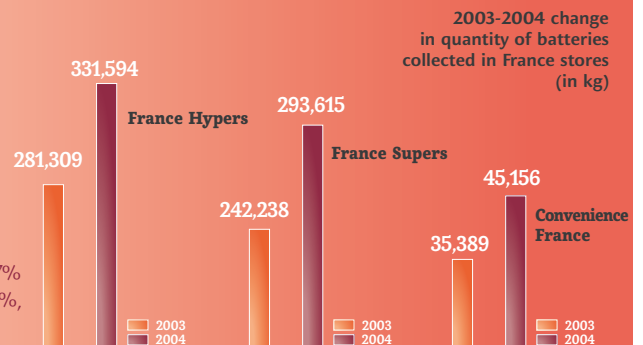
A *progressive* approach

See our key performance indicators pp. 56-61

- Percentage of stores audited according to hygiene and quality criteria

Collection of used batteries in France

To raise consumer awareness about environmental protection, Carrefour organized operations at the Group level to collect end-of-life-cycle products. In France, stores have receptacles for batteries, set up in partnership with Corepile; thanks to these efforts, the collection of batteries through France Hypermarkets increased by 17.87% between 2003 and 2004, through Supermarkets by 21.21%, and through France Convenience by 27.6%.



ducted internally and by authorized agencies. In France, the Hypermarkets integrated into the health audit conducted at the end of 2004 a sustainable development approach based on controlling the "7 essentials" (see p. 13). In 2004, the supermarkets also strengthened the auditing process in their stores by integrating checkpoints on sustainable development criteria into their hygiene and quality benchmarks. In addition, the Group has made numerous efforts to ensure the safety of staff and reduce violence in every country. In November, the Gdansk hypermarket in Poland received a prize from the District Labour Inspectorate as "The employer that best respects working, safety and health conditions."

A *partnership* approach



Gaz de France

Natural gas for vehicles: distribution agreement signed with Gaz de France

To encourage an increase in clean vehicles and thus limit the impact of pollution and atmospheric emissions from its customers' travel, Carrefour took the initiative in December 2004 to sign an agreement with Gaz de France to distribute natural gas for vehicles. Starting in 2005, several Carrefour service stations will be equipped with a compressor in a pilot city, probably Toulouse; roll-out throughout France will depend on these initial tests, as well as on the growth in the number of natural gas vehicles. There are already a large number of vehicles using natural gas in Italy (400,000) and Germany. In France, 12 models of consumer bi-fuel vehicles (using gasoline and natural gas) will be available in 2005, including one by a French carmaker.

The stores

reducing environmental impact

Stores have a wide-ranging environmental impact, during both construction and operation. Carrefour is thus intensifying its efforts in every country to decrease the consumption of resources and energy, cut wastage, sort waste material and further reduce pollution – an approach that combines cost control and respect for the environment.



Diagnostic tools to control pollution

The greenhouse effect and control over CO₂ emissions are essential issues for the planet's future. That is why Carrefour repeated a carbon assessment in its stores in France in 2004, in partnership with the ADEME. The assessment, which covered 2 hypermarkets, 1 supermarket, 1 convenience store and 22 warehouses, revealed the high impact of customer travel, which was underestimated in the 2002 carbon assessment and which has today pushed Carrefour to promote "cleaner" travel (see the agreement with GDF on natural gas for vehicles, p. 37). Along similar lines, in June France Hypermarkets developed a pilot test for environmental analysis in its Basse-Normandie hypermarkets. This test extended to 3 other regions at the end of 2004 and will be extended to all stores in France in 2005.



Mobilizing to reduce energy consumption

The most important factors in energy consumption in stores are lighting and cold cabinets, so efforts were intensified in 2004 to cut consumption by these 2 items. To help meet the Thai government's commitments to cut energy consumption, Carrefour is the only retailer to integrate the Peak Cut Project, a Thailand Electricity Generating Authority (EGAT) scheme that involves using an internal generator at peak times. In Italy, Carrefour received the 2004 Green Light award from the European Commission for its use of T5 lights, which cut energy consumption by 15%, and for optimizing opening hours. In Brazil, Dia changed its cold cabinets and installed air curtains for nighttime.

A progressive approach

See our key performance indicators
pp. 56-61

- Energy consumption in kWh/sq.m of sales area
- Water consumption in cu.m/sq.m of sales area
- Waste recycled in t/1000 sq.m of sales area
- Quantity of refrigerant consumed/sq.m of sales area
- Number of free checkout bags distributed
- Quantity of paper used for commercial publications

60%

of electricity supplied to Carrefour Italy comes from renewable resources



Initiatives to increase recycling

In 2004, Carrefour continued its policy of sorting waste material and cutting wastage in its stores. In Spain, the hypermarkets launched a pilot project to reuse coat hangers in stores, saving 13,000 of them in 1 month. In France, the La Beaujoire hypermarket is a partner in the first complete network to reuse plant and food waste as compost (a system set up by Onyx), and is aiming to recycle 100% of biowaste. As for convenience stores, by the end of 2005 they will all be using washable, reusable "chep" containers for the logistics/store packaging of fruit and vegetables. In use since 2001 by Champion supermarkets, "chep" containers led to the saving of 10,000 tons of boxes and crates in 2004.



A *global* approach

A means of offering customers an alternative to checkout bags

In February 2004, Carrefour released the conclusions of its report evaluating the environmental impact of its checkout bags. Available on Carrefour's website, this report – the subject of a peer review organized by the ADEME – was based on an analysis of the life cycle of four of its checkout bags: disposable plastic bags, reusable plastic bags, disposal paper bags and disposable biodegradable bags. The analysis highlighted the predominant significance of the impact of raw-material consumption: after the fifth use, the reusable carrier bag is more environmentally friendly than

the other solutions. For this reason, most countries in Europe offered reusable carrier bags as alternatives to checkout bags in 2004. Awareness-raising activities have also been conducted, in particular on World Environment Day. In Spain, Carrefour was the first retailer to offer reusable checkout bags at cost price; results have generally been very encouraging. In France, the Supermarkets have sold 3.5 million reusable carrier bags in a joint project with the WWF, and cut the number of checkout bags distributed by 20.3%; the percentage reduction for the Hypermarkets is 16.4%.



Shopi.



Champion.



France Hypermarkets.



GB.



Portugal.

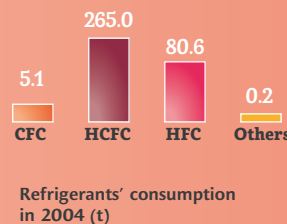


Marché Plus.



Cutting energy consumption in Greece and Italy

As part of its cost-cutting policy, Carrefour is developing Group-wide solutions to cut energy consumption in its stores. In 2004, Italy Hypermarkets and Greece Supermarkets cut consumption sharply, and Italy received the 2004 Green Light Award.



Refrigerants and the fight against the greenhouse effect

To help in fighting the greenhouse effect, Carrefour recommends the use of HFC as a refrigerant. Alternative solutions, such as the use of CO₂ are also being tested in France.

A good-citizen approach to paper purchasing

Since 1999, the Carrefour Group has taken a sustainable development approach to paper purchases. The goal is to steadily shift to certified or recycled paper for printing all advertising brochures and catalogues. In 2004, the Group's European paper purchasing office bought 220,000 tons of paper, 71% of which were from certified or recycled wood pulp. This indicator has been rising constantly since 2001, from 57% in 2002 and 64% in 2003, and the Group's objective is to reach 100% by 2008. All the retail banners are aware of this approach; and many of the Group's consumer magazines are now printed on paper using recycled (Journal de Carrefour, Junior Club and Esprit Shopi) or certified fibres (Carrefour Savoirs and Vivre Champion). Top prize goes to France's Champion supermarkets, which have achieved an indicator of 85% for their 2004 publications.

A *partnership* approach

HEQ approach: partnership with the ADEME, EDF and our neighbours

In 2004, Champion became the first supermarket chain in France to implement a complete HEQ (High Environmental Quality) approach for remodeling its pilot store in Saint-Maur des Fosses. This process, undertaken with the help of the Ile-de-France ADEME and EDF, included all stakeholders and involved coordinating with neighbours and public authorities, raising the awareness of all worksite

staff by distributing a guide, and signing a "clean worksite" charter. Innovative technical solutions were used, in particular a building management system, electronic ballasts, cold curtains for cabinets, an ice removal ramp in the fish department, a double flushing system and a sound-pollution reduction system. Solar panels are also being studied for year-end. In 2005, 7 other Champion supermarkets will implement HEQ procedures.



Champion billboard.



430,695
employees

90
million
customer
households

More than
100
projects supported
by the Carrefour
International
Foundation

In 2003, Carrefour signed up a **line of Organic Quinoa grown in Bolivia** that meets fair-trade standards. In 2004, 400,000 packages were distributed in French stores. In cooperation with the Point d'Appui NGO, a medical clinic for the Tres Cruces communities and the surrounding area was inaugurated in September. Carrefour is helping fund it with €0.10 on the sale of each package.



Encouraging dialogue and *quality of life*

Respectful of individual liberty and differences, Carrefour wishes above all to create value that is shared by all and to demonstrate its solidarity, within the Group as well as with the local communities that frequent its stores. This openness and dialogue to promote better quality of life involves all employees and franchisees internally and all customers and local communities externally. Within the Group, Carrefour encourages social dialogue as a foundation for improved individual and collective performance, and supports entrepreneurship by passing on its commercial know-how to its network of franchisees. Externally, Carrefour is constantly seeking to better meet customer needs in terms of services, loyalty tools and information, as well as bolstering local development by maintaining dialogue and carrying out solidarity actions involving local communities.

Carrefour and its employees

attracting and keeping talent

Carrefour, one of the 10 largest private employers in the world, employs more than 430,000 people who speak 18 languages and offers a great variety of careers. The company is determined to face up to the challenge of its size and diversity, and in every country attracts and keeps the most talented people by offering them career opportunities, training and motivating pay.



Trainees in Manaus, Brazil.

Promoting diverse skills

Carrefour hires about 100,000 people every year worldwide. In order to better meet customer expectations and support the Group's growth in the various countries, Carrefour emphasizes above all local hiring and a diverse skills base. As part of its effort to fight discrimination and promote equal opportunity, in October the Carrefour Group signed a Corporate Diversity Charter, launched in France by the Institut Montaigne. To attract the best talents, Carrefour is also strengthening its partnerships (see inset) and developing effective recruitment tools, such as the France Hypermarkets website (www.recruite.carrefour.fr), which in November received a website prize from the French Union of Business Newspapers and Journalists (UJJEF).

Offering career opportunities

To encourage job promotions and mobility within the Group, Carrefour has optimized its tools for evaluating employee performance in many countries. In 2004,

the Group distributed a document to be used in all countries designed to evaluate managers, who have a bonus system based on quantitative and qualitative criteria. Poland developed an assessment center and a development center to identify talent objectively and create a pool of local managers so as to promote the growth of Carrefour Polska. In other countries, including Italy, Belgium and Colombia, a database has been developed to monitor evaluations for all levels of responsibility via computer. In addition, to encourage the access of women to managerial positions, Carrefour Italy set up a commission to oversee gender equality in 2004.

Training to develop skills

Based on the subsidiarity principle, each country defines its training policy in accordance with its strategic priorities, with the Group providing support for local training managers and promoting the sharing of best practices. Training courses aimed at helping managers at various levels of the hierarchy who have the potential for advancement, are developed at country level. Inspired by the Mandarin program set up in China in 2000 to help sector heads become directors, in February 2004 Turkey initiated the Alesta program to train future directors. To help future store department heads, China and Thailand adopted the Executive Training Program (ETP) initiated by Carrefour Indonesia in 2002. Carrefour Taiwan launched the Management Development Program (MDP) to help store department heads advance to be sector heads. And in 2004, Carrefour Belgium pursued the integration of young graduates with its O² Young Management Program.

A *partnership* approach

Promoting the employment of young people: partnership with schools and public authorities

To attract young people, Carrefour encourages dialogue, internships and recruitment campaigns. In Belgium, Carrefour took part for the seventh time in Dream Day, organized by the Dream Association, which helps 12,000 students in their final year of high school to choose and then meet someone in the job of their dreams. In 2004, about 500 pupils were

welcomed in stores and at head office, and a national survey of young people's views on their professional career was organized on the Carrefour Belgium website for 16- to 19-year-olds. In France, the Carrefour Group took part in a government project – "10,000 Internships in Europe" – in 2004, and undertook to offer, by 2006, 500 internships in its

European operations to students from France's grandes ecoles and European universities who are interested in a retailing career. And Carrefour Convenience signed a partnership agreement with Paris City Hall to facilitate the hiring of young Parisians in its franchise convenience stores through joint operations with municipal employment agencies.



Extending a hand to the disadvantaged: partnership with NGOs and public authorities

To help those in need, Carrefour continued the approach initiated with the Mission Handicap Program of France Hypermarkets. In Spain, Carrefour signed an agreement

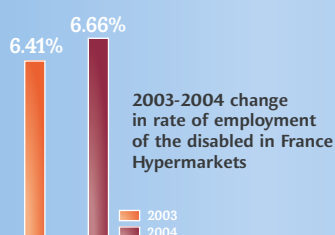
with the Adecco Foundation to facilitate the job integration of those in need through training and integration programs. In Colombia, Carrefour signed an agreement

with the Teleton Foundation to create jobs for people with physical handicaps: the goal is to hire 100 people by the end of 2005.

A *progressive* approach

See our key performance indicators pp. 56-61

- Percentage of women in management
- Number of recognized disabled employees



Assessment of Mission Handicap in France Hypermarkets

In many countries, Carrefour has implemented programs to help provide jobs to the disabled. In France, where the employment rate for the disabled is only 2% in the retail sector (well below the legal requirement of 6%), France Hypermarkets had a level of 6.66% at the end of 2004 thanks to the 3-year Mission Handicap Program initiated in 1999 (set to be renewed for the third time in 2005). Certain hypermarkets, such as Lievin (12.47%) and Barentin (11.69%), have had exemplary results. Similarly, in 2005 France Supermarkets signed an initial national agreement with the trade unions to hire the disabled and provide them with on-the-job support.



Promoting solidarity and company benefits

Carrefour builds employee loyalty with motivating pay, real company benefits and a culture of solidarity. In terms of the latter, Carrefour has set up programs to help integrate the disabled and those in need (see inset), and has developed a solidarity fund for France Hypermarkets disadvantaged employees. As for employee benefits, in 2004 Carrefour France set up a collective retirement savings plan (PERCO) in which 15,000 employees have enrolled. This plan has numerous advantages: company co-payment, use as a loan or capital, and tax exemption for the amount received. Also noteworthy is the fact that the Carrefour "Equilibre Solidaire" fund of the Group savings plan, which invests 5% of its funds in the "solidarity-based economy", is the largest such program in France.

A *global* approach

Translating Carrefour's values into a Code of Ethics

In June 2004, Carrefour adopted a Code of Ethics, which is submitted for signature to Group management and new recruits alike. This Code of Ethics expresses Carrefour's core values and commitments and formalizes standards of ethical conduct to be adopted every day both in-house and externally, with customers as well as suppliers. In Brazil, the adoption of the Code of Ethics was accompanied by a variety of measures: mapping the level of risk of internal fraud, tests of the integrity of the hierarchy, awareness-raising and training activities, inclusion of the Code of Ethics in sales contracts, and the establishment of an anonymous telephone system to blow the whistle on behavior that conflicts with Group values.



Training in the Code of Ethics in Brazil.

Carrefour and its employees

social dialogue

Carrefour's performance is the result of success at both the collective and individual level. To bring to life the Group's values, share experience and encourage individual initiative in the field, Carrefour emphasizes communication and social dialogue. The latter, conducted internally or with social partners, helps everyone work together to prevent professional risks and improve working conditions.

Internal communications based on mutual receptiveness

At Carrefour, management is above all participatory, so listening to one another, sharing best practices and encouraging individual initiative are essential. To take into account employee expectations at the store level, in 2004 Carrefour continued to roll out Listening to Staff surveys (see inset). The sharing of best practices at Group level was strengthened by making Carrefour News, the in-house newsletter, available online in four languages via the intranet. Carrefour has also encouraged employee initiative by organizing internal challenges in many countries, such as the "Consuming Better" challenge in June, which mobilized 73,000 France Hypermarkets employees to focus on sustainable development.

Anchoring the Group's culture in its values

The larger and more global a company, the more it needs a solid foundation to ensure harmonious growth. 2004 was thus marked by the creation of Carrefour Attitude, a management tool for Business Unit Executive Committees (see p. 5). At the same time, many countries and retail banners organized internal communications operations regarding the Group's 7 core values and awareness-raising campaigns about Carrefour policies, including the distribution of a leaflet presenting the partnership with the FIDH on the occasion of

the Athens Olympic Games to managerial staff; a guide to company benefits at ED; and a book on Promocash values.

Constructive dialogue between the management and employees

Carrefour strives to respect basic labour rights in every country. Since 2001, Carrefour has maintained sound relations, focused on dialogue and work, with the UNI international trade union association (see inset). Carrefour and UNI have worked together to develop European labour-management dialogue in the sector and promote discussion of corporate social responsibility as part of EuroCommerce. The various countries are also developing dialogue with management and employees at the same level. In Italy, for example, Carrefour signed an agreement in April with the trade unions, through which the Group undertakes to encourage sustainable development initiatives and civil and economic progress in every region where it operates. Themes dealt with include regulations on moral and sexual harassment, gender equality and management.

Coordinating improvements in working conditions

Dialogue within the company and with management and employees helps provide the coordination needed for Carrefour to optimize the working and

A *global* approach

Promoting participatory management through Listening to Staff surveys

Listening to Staff surveys are in-house satisfaction surveys created in 1989 in France. As participatory management tool, these surveys help store directors measure the labor-management climate and identify any problems so as to implement action plans. They are conducted on a representative sample of a site's employees (store, head office, warehouse and so on) and involve small groups wherein everyone is encouraged to express him- or herself anonymously under the guidance of a neutral facilitator. The results are then submitted to store management

and the supervisory staff of each sector or department, which decide on any actions to be taken. In 2004, this system was rolled out in all the European countries as well as in Colombia, Mexico and South Korea; 19,319 staff members were involved, including 15,117 salaried workers. In 2005 it will be extended to Brazil, Indonesia and Taiwan as well as to all Dia stores around the world and to Champion supermarkets in France. In Italy in June 2003, a Listening to Staff campaign in GS supermarkets involving 39% of the employees indicated very satisfactory results, including a strong feeling of



Listening to staff in Colombia.

belonging; support for Carrefour's policies on quality, respect for the environment and solidarity with local communities; and positive working conditions, motivating pay and job opportunities. Following this, an action plan to improve employee training was set up.

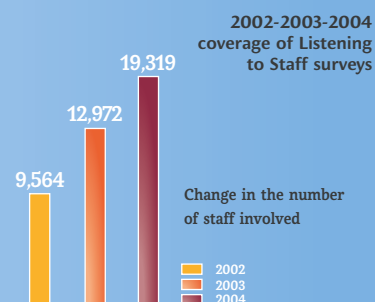
A *progressive* approach

See our key performance indicators pp. 56-61

- Rate of absence due to work-related accidents

Rolling out Listening to Staff surveys worldwide

To promote labor-management dialogue and participatory management at the Group level, in 2004 Carrefour continued to expand its Listening to Staff surveys. All the European countries as well as Colombia, Mexico and South Korea adopted this tool. In 2004, a total of 19,319 staff members were involved, including 15,117 salaried workers.



safety conditions of its employees. After organizing the self-regulated pooling of cashier work schedules and the prevention of violence at work, in 2004 France Hypermarkets mobilized their teams to fight absenteeism (a 7.5% rate at the end of 2003) by distributing a guide that presents the various measures taken. To minimize on-the-job risks, Carrefour



France asked the "Citizens of the Road" association to conduct a multi-format, multi-site audit of professional road risks, the conclusions of which will be submitted for action in June 2005.

France Hypermarkets' awareness-raising booklet.

A *partnership* approach



UNION NETWORK INTERNATIONAL

External social dialogue: partnership with the UNI

To develop and maintain labour-management dialogue

in Europe, Latin America and Asia, Carrefour decided to rely on its UNI partnership. In accordance with the protocol accord signed in May 2001, Carrefour and UNI condemn child labor and jointly monitor the application of the principles set out in the ILO Conventions on freedom of association and collective bargaining. In 2004, upon the expansion of the European Union, the Carrefour European Consultation and Information Committee (CICE) welcomed delegates from the Czech Republic, Slovakia and Poland. CICE representatives will henceforth take part in a working group on sustainable development, which will facilitate the greater involvement of management and employees in monitoring and improving the Group's approach. Likewise, Carrefour hopes to become more involved, as part of EuroCommerce, in European discussion of labour-management dialogue, responsibility and regulations by promoting Carrefour's social projects and achievements (employment of the disabled, solidarity, the fight against violence at work and more).

Carrefour and its franchisees

With 4,534 franchise stores and 11 partner companies internationally, Carrefour is one of the leading franchisers in a number of countries around the world. Through its franchisees network, Carrefour promotes the entrepreneurial spirit, contributes to the creation of SMEs, and generates shared economic value. The keys to this success are leading retail banners and brands, purchasing power and the transmission of the Group's commercial know-how.



Neon-free LED signs.

A driving force in company creation

Carrefour makes all its formats available for franchising and partnerships, enabling individual and Group investors to belong to a retail banner. The basis of the relationship, the franchise contract, gives access to Carrefour retail banners, products and know-how. The Group thus plays a decisive role in creating companies and reviving city centers and rural areas. For this reason, Carrefour Greece Marinopolous received an honorary distinction in 2004 from the Forum for Jobs and Business Creation.

Easier access to franchising

Carrefour grants access to a franchise or partnership after studying a candidate's application. Franchisees, including former Carrefour employees, can own the assets in whole or in part. To enable convenience store employees to open a franchise, in 2004 France Carrefour Convenience set up management trainee

A *progressive* approach

See our key performance indicators pp. 56-61

- Percentage of franchise stores audited on hygiene and quality criteria

4,534
franchise stores
worldwide

assistance, a complete, free-of-charge training program that gives store assistants 2 years training in store management, thus allowing them time to gather the investment needed to set up a company. A similar "Gateway" program to facilitate and support access to supermarket format franchises for staff is being set up.

Guaranteed follow-up with transfer of skills

The transmission of Carrefour know-how is handled at the international level and in each country concerned by operational teams who specialize in each format (see inset). This transmission involves the ongoing exchange of information and effective training programs. In France, new convenience store franchisees follow a 48-day training cycle in trainee stores. Personal follow-up is then provided by a sector manager and includes sector meetings (4 times per year and per banner), regional conventions (every 18 months) and discussion committees.

A *global* approach

Transmitting Carrefour's know-how

Thanks to operational teams who specialize in each format, Carrefour ensures the transmission of its know-how to franchisees and follows this up. The transmission of know-how mainly involves 2 aspects: Carrefour know-how (site location, concept, remodeling, equipment, signage, merchandising, product mix management and development of own brands and banner names, etc.) and technical support (sales organization, pricing, price image, communications, loyalty card, training, management, commercial audit, food safety, etc.).

Franchisees and all partner groups are of course involved in Carrefour's Quality and Sustainability approach. In 2004, the Carrefour Quality Charter was submitted for the signature of all franchisees and partners. Files on the transmission of know-how were drawn up and Carrefour quality benchmarks were established, which in particular require a food science analysis by certified independent laboratories. Some Group partners, such as Guyenne et Gascogne, have published dedicated reports on sustainable development.

Guyenne et Gascogne 2003 Sustainability Report.



Number of franchise stores by format

- 74 hypermarkets
- 881 supermarkets
- 1,046 hard-discount stores
- 2,505 convenience stores
- 28 others

An international partnership

- 11 partner groups
- 15 countries and territories: Antilles, Saudi Arabia, Belgium, United Arab Emirates, Egypt, New Caledonia, Norway, Oman, Tunisia, Reunion, Romania, Dominican Republic, Tahiti, Qatar.
- 28 hypermarkets
- 107 supermarkets
- 56 convenience stores

Mobilizing everyone toward sustainable development

Sustainable development involves all franchisees and partners: everyone brings at his level a brick to contribute to building the Group's approach. For instance, the 450 electric signs on France's 8 à Huit stores operate with neon-free LED diodes. One of Carrefour's partners in Martinique, the Lancry Group, signed a Quality Charter in 2004 with the trade association and local cooperatives to promote local supplies of fresh, quality produce, thus supporting local know-how.

A *partnership* approach



Checkout bags: local partnerships with the WWF

In line with the Group's policy on checkout bags, Carrefour's partners in the Antilles (Despointes Group), Reunion (Caille), and New Caledonia (Pentecost Group) offer customers reusable carrier bags in partnership with the local branches of the WWF. In Norway, the Norgesgruppen Group is in the process of signing with the WWF.

Despointes Group partnership with the WWF.

An incubator of young talent: partnership with the Hyparlo Group in Romania

Carrefour's partner in Romania, the Hyparlo Group, has supported the creation and development of the Franco-Romanian Management Institute since 2000 by offering numerous trainee programs in the country. The IFRG project, conducted in cooperation with the Bucharest Academy of Economic Studies and Auvergne-Clermont University I, is intended to act as an incubator of young talent, creating a pool from which future employees will be hired.

Carrefour and its customers

With more than 3 billion cash transactions in 2004, Carrefour has 90 million customer households around the world, counting all formats. In order to better meet customer expectations and to attract and keep them, Carrefour fosters a spirit of customer service among its teams, develops efficient tools and strives to provide customers with full and objective information.

Developing the art of welcoming customers

To strengthen a spirit of service among its teams, Carrefour organizes training activities in every country, sometimes combined with tools to measure employee attitudes. For example, in 2004 Colombia initiated an every two months survey, which involved measuring the attitude of staff towards customers by sending an anonymous customer into each store. In Turkey, a training program - "The art of welcoming customers" - was set up for all staff in every store.

Listening to customers to meet their needs

To get to know its customers better and assess their level of satisfaction, Carrefour conducts numerous consumer studies worldwide and has set up customer panels in 7 countries (France, Belgium, Spain, Italy, Greece, Taiwan and now South Korea). A quarterly survey was established in 2004 to survey 39,000 consumers in 22 countries about price image. At the same time, annual surveys (more than 1,000) helped identify our stores' strong and weak points so as to adjust their commercial strategies, and France Hypermarkets decided to renew the principle of roundtables with consumers by producing a practical and methodological guide for the stores.



France Hypermarkets loyalty card. "For the first time, a card that gives you the power to lower prices".

Reacting quickly to complaints

To process complaints about products or services as quickly as possible, Carrefour has set up consumer service departments and assigned toll-free numbers for own-brand and retail banner products. In France, the multi-banner consumer service department handled 41,300 files in 2004, 67% of which were complaints about products (9 out of 10 for food products) and 33% about services. 91% of complaints came from customers (telephone, mail, Internet) and 9% through stores or internal departments. In 2004, Carrefour Customer Services, which is also multi-banner, set up a "3235" number. This Carrefour subsidiary, which includes 2 contact centers and 150 advisers, handles 8 million files every year, manages emergency teams and also conducts price and satisfaction surveys.

A *partnership* approach

2004 environmental survey: surveying customer and staff awareness

In 2004, Carrefour organized a global environmental survey on World Environment Day. This Environmental Survey, which followed on the heels of the 2002 survey, was intended to assess the awareness of customers and employees about the environment and Carrefour's role. Participation rose to 21 countries this year and involved 31,695 customers and 15,630 staff. 86% of those surveyed said they were concerned or very concerned about the environment. There were strong expectations of Carrefour, as 88% of customers expected the Group to be involved in using more eco-friendly paper for brochures, minimizing pollution from checkout bags,

expanding its range of organic products and educating people about sustainable development. Reflecting growing environmental awareness, 84% of customers said they were also prepared to support store initiatives by using reusable carrier bags, buying environmentally friendly products and taking part in collecting and recycling waste. Many favoured organic products, with 55% of customers buying them regularly or occasionally. This survey is a valuable aid in helping Carrefour to target its actions and to better respond to customer expectations at the local level.



World Environment Day in Brazil.

A *progressive* approach

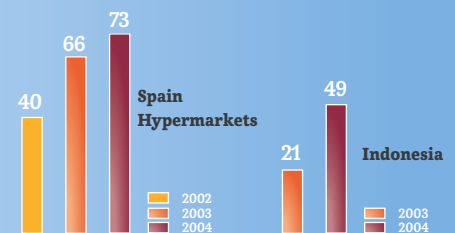
See our key performance indicators pp. 56-61

- Level of information provided to enable consumers to make choices and support responsible consumption

Developing organic products

To meet customer expectations and protect the environment, in 2004 Carrefour continued to expand its range of national brand, own-brand and banner name organic products. Organic products must meet verifiable specifications for organic production, in compliance with national regulations or inspected by independent agencies. In Spain, the "Carrefour Eco" organic product range has met with such success that it has a special web page on the Carrefour website.

2002/2003/2004 changes in number of own brand and banner name listed organic products



Securing loyalty with innovative tools

Loyalty strategies, which depend on store formats, retail banner concepts and the characteristics of catchment areas, involve financial benefits (discount coupons, points to collect, purchase coupons) and cards (loyalty and store cards). Several countries have set up this type of card. In April, France Hypermarkets launched a new loyalty card with an innovative feature that gives customers an opportunity to lower prices on a list of products they choose themselves. And in Colombia, where many people do not have the pay slips needed to open a bank account, Carrefour joined with the Colpatria Bank to launch a card that gives access to credit, and thus to goods, without a bank account.

A *global* approach

The Internet: a new tool for raising awareness about responsible consumption



Ooshop "Eco Attitude" Page.

The websites of the various Carrefour retail banners are generating ever increasing traffic and have become indispensable tools that help the stores (see p. 37) to raise customer awareness about responsible consumption. In Belgium, the Carrefour hypermarket site has 300,000 hits per month and the GB supermarket site 200,000. The new Carrefour Belgium corporate site was designed to be accessible to blind and poorly sighted people. This will also be the case in 2005 for the Carrefour Belgium Hypermarket and GB sites. In 2004, several countries and retail banners created web pages that focus on responsible consumption and the Group's commitments. France Hypermarkets created a mini-site on sustainable development and a "ABC Conso, the e-magazine for Consuming Better" page with numerous online themes. Ooshop created an "Eco Attitude" page presenting the full range of responsible products, and Spain created a page on Carrefour organic products and one on Carrefour Quality Line products. The Czech Republic/Slovakia created a page on the Group's commitments to sustainable development, solidarity and the environment.

Carrefour and the local community

Carrefour, as a responsible corporate citizen, contributes to local development in all the countries where the Group operates. It shows respect for local cultures and lifestyles, carries on a dialogue with the local communities and authorities, and performs many different solidarity activities at the country, city and neighbourhood levels. Its goal is to foster constructive globalization.

Opening a dialogue in every country

To assume full responsibility for its role as a leader, Carrefour carries on dialogue with the public authorities at the local, regional, national and international levels. Every corporate level is involved: Group, country, retail banner and store. In May 2004, the Carrefour Group participated in the first “Cities and Local Government United” congress in Paris, for which numerous municipal and local government officials gathered from around the world. To raise awareness among rural mayors about the role of the convenience stores in revitalizing villages, Carrefour France Convenience attended the mayors and local communities fair in November. In Italy, Carrefour joined with other companies to fund a study on the infrastructures of Southern Italy and to raise awareness among the authorities about the need to take measures to overcome the region’s lagging development.

Contributing to local development

Carrefour gets involved in urban life through its variety of flexible formats and contributes to local development by creating jobs and using local services and goods providers and paying its taxes. In 2004, a number of countries recognized Carrefour’s contributions. In South Korea, Carrefour was recognized “Best Foreign Company” by the Korea Economic Justice



Store donations (Switzerland) for tsunami victims – Partnership with the Red Cross.

Institute for its financial investments in South Korea, its job creation and its marketing of Korean products around the world. In Brazil, Carrefour won 2 awards. The Group received the label “This Company Helps São Paulo” for its involvement in social programs to promote jobs for unemployed people who were over 40, young or disabled. For the social programs implemented in the Group’s 7 farms (see p. 22), it also received the “Official Business of 2003” award from the Motiva Institute for Community Education and Local Development.

Providing social support for local communities

Carrefour’s international solidarity programs are overseen by the Carrefour International Foundation (see inset) and its country programs by specialized



Reciclar Association in Brazil.

A *global* approach

The Carrefour International Foundation

Since it was created four years ago, and thanks to the commitment and professionalism of Jean-Marie Fourouge, to whom we pay homage, the Carrefour International Foundation is now a recognized actor in the field of international development. With an annual budget of €4.6 million, the Foundation has four missions: combating poverty and exclusion, emergency aid in natural disasters, support for scientific and medical research, and environmental protection. In order to support the development of civil society,

the Foundation chooses projects initiated and led by local NGOs, which it links preferably with inter-governmental organizations and Carrefour management in countries where the program is located (literacy, job training, micro-credit, etc.). Among its activities in 2004, the Carrefour International Foundation provided humanitarian aid following the tsunami in South East Asia as well as for the floods in Bangladesh, Jamaica, Haiti, China, Colombia, Brazil, etc. (with donations of an average value of €120,000). In order to combat social

exclusion and promote environmental protection programs, the Carrefour International Foundation also supports the REICLAR association. In 2 years, this Brazilian association will be fully autonomous and will double its capacity to host 16 to 19 year olds from São Paulo's favelas.

For more information, see the Foundation's website: www.fondation-internationale-carrefour.org

The South-East Asian tsunami: general mobilization

Carrefour has 45 stores and more than 16,000 staff in 3 countries that were hit by the earthquake and tsunami in December 2004: Indonesia, Malaysia and Thailand. Within hours, the Carrefour International Foundation decided to grant initial aid of € 300,000 to help with immediate distribution of drinking water, food, hygiene products and clothing in the

affected areas. This aid was taken from the stores in cooperation with NGOs and the local authorities. In addition, all the stores provided their customers with places to deposit food, clothing and money, and the staff donated blood or offered interpreting services for the international community. At the international level, there was a general mobilization of the

Group's employees. In Asia, China, Japan, and Singapore, donations were organized for the Red Cross. In Europe and Latin America, the different countries took part in the wave of solidarity by making donations to local NGOs (India, Sri Lanka, Malaysia, Indonesia and Thailand), and by organizing in-store collections from their staff and customers.

bodies such as Carrefour Solidarité in France and the Fundacion Solidaridad Carrefour in Spain, or directly by the retail banners and stores. In every country, the Group's stores support charity associations with food donations throughout the year. In 2004, food donations to charity associations (Secours Populaire, Restos du Coeur, Banque Alimentaire, Pain de l'Espoir, Red Cross and other local associations) came to 10,600 tons for the French hypermarkets. In Mexico, Carrefour inaugurated the Benito Juarez clinic in the poor suburb of Nezahualcoyotl, which will give more than 35,000 people access to medical treatment for a modest fee. In Indonesia, Carrefour supports the Indonesian Street Children organization, an NGO that provides public schooling to children in the shantytowns of Jakarta, Medan and Surabaya.

A *partnership* approach

Combating drugs: a partnership with the United Nations, the Colombian government and the French Embassy in Colombia

Carrefour Colombia was recognized in November 2004 by the United Nations Office on Drugs and Crime (UNODC) for its support for substitution crops. Carrefour has committed itself since 2001 to have its hypermarkets market substitution products (hearts of palm, beans, coffee, sugar cane, exotic fruits, etc.) from producers who have destroyed their coca plantations. In 3 years, 6,000 hectares of coca were destroyed and 4,000 families given support.

Food concerns in China: partnerships with the Chinese government, the CIRAD and the WWF

To ensure food safety and meet the needs of the population, in May 2004 Carrefour set up, with the support of the Chinese government, a Food Safety Foundation in China (see p. 24).



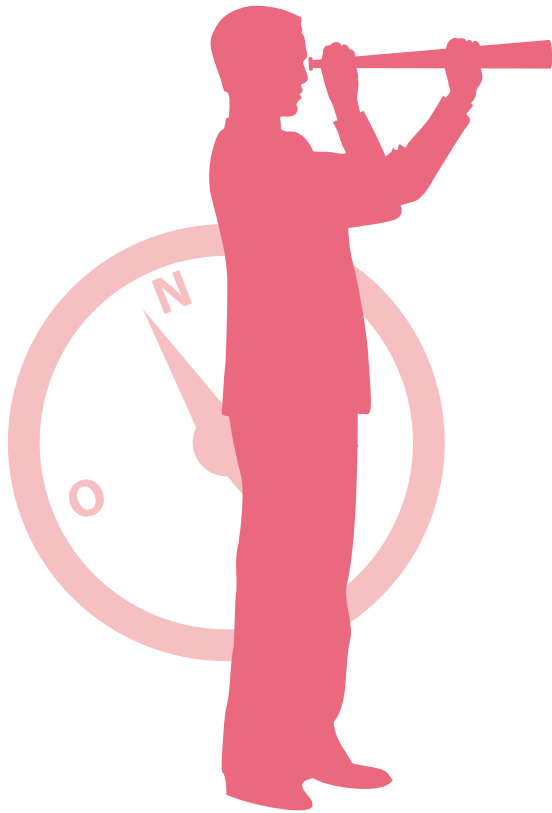
On the occasion of the year of rice launched by the FAO, the Group made a donation of €150,000 to CIRAD through the Carrefour International Foundation to support research on a GMO-free conventional variety of rain-fed rice limiting water pressure and resistance to pyriculariosis (rice blast disease).

Carrefour also joined with the WWF to develop organic farming in the Minshan natural reserve.



Presence on 7 ISR indices	22 key performance indicators	94.8% of consolidated sales (excl. VAT) covered by the report
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One example of Carrefour's involvement and follow-up of its suppliers: **a textile plant in Bangladesh** in which Carrefour, the FIDH and its local partner conducted a training program on respect for employee labor rights. As in the case of goods, this approach, combined with social audits conducted by external agencies, is a guarantee that the application of the Social Charter will be tracked and checked.



Monitoring our *progressive approach*

In accordance with the Group-wide commitment to Quality and Sustainability, every year Carrefour measures its progress through an internal reporting system and evaluations of its overall performance, conducted independently by rating agencies and investors. In 2004, Carrefour, which is listed in 7 Socially Responsible Investment (SRI) indices, decided to ask Vigeo to rate the Group's policy on social and environmental responsibility as applied to its 2 leading Business Units (France Hypermarkets and Supermarkets). Taking up the challenge to say what it does and to do what it says, with full transparency, the Carrefour Group is also constantly improving its reporting system. Inspired by the guidelines of the Global Reporting Initiative (GRI), the Global Compact and the OECD, its Sustainability Report gives an accounting in particular of the Group's performance with regard to 22 key performance indicators.

Evaluating our overall global performance

Socially Responsible Investment (SRI), which incorporates social and environmental criteria with financial criteria, represents 7 SRI indices in Europe, about 354 special funds with a total value of €19 billion* and institutional funds with a total value of €336 billion**. Carrefour's overall performance has been well received, as can be seen in 2004 with its integration into the FTSE4Good Europe 50 index along with the Vigeo rating.

* Source: Avanzi SRI Research and SiRi Group 2004 **Source: EuroSif 2004

A *progressive* approach

See our key performance indicators on

p. 54

- Level of presence in SRI indices and funds

Presence in

7

ISR indices

An ever-increasing dialogue with the SRI world

Carrefour maintains a constant dialogue with at least 13 specialized rating agencies, 5 groups of SRI indices, 8 investors (including the Carbon Disclosure Project) and other organizations such as insurance companies. Carrefour's goal is to ensure total transparency with these contacts. The Group responds to questionnaires and one-off requests for information on its Quality and Sustainability policy and best practices deployed in the field.

SRI Indices	Agency or Group-country	2002	2003	2004
Aspi Eurozone	Vigeo - France	yes	yes	yes
DJSI Stoxx Europe	Dow Jones - USA	no	yes	yes
DJSI World	Dow Jones - USA	yes	yes	yes
ECP Ethical Index Euro	E. Capital Partners - Italy	yes	yes	yes
ECP Ethical Index global	E. Capital Partners - Italy	yes	yes	yes
Ethibel Europe	Ethibel - Belgium	no	no	no ⁽¹⁾
Ethibel Global	Ethibel - Belgium	no	no	no ⁽¹⁾
FTSE4 Good Europe	FTSE - G-B	no	no	yes
FTSE4 Good Global	FTSE - G-B	no	no	yes

(1) In 2004, the retail sector was not reevaluated by Ethibel. A reevaluation is planned for 2005.

Main SRI funds	Value *	Investments **	2002	2003	2004
Banque Sarasin et Cie SA	€1,3 billion	0	no	yes ⁽¹⁾	eligible ⁽²⁾
Ixis AM	€0,4 billion	€6 million	yes	yes	yes
F&C AM	€2,5 billion	0	no	no	no ⁽³⁾
Morley FM	€0,83 billion	€2,1 million	no	eligible	eligible ⁽⁴⁾
Storebrand Investments	€4 billion	€2,3 million	no	yes	yes

* Total value of SRI funds as of 31/12/04

** Total value of Carrefour shares held in SRI funds as of 31/12/04

(1) Carrefour is eligible for the main funds managed by Banque Sarasin et Cie, but has a presence only in the funds of specific clients.

(2) Carrefour is eligible for the main SRI funds managed by Banque Sarasin et Cie, but for the moment no shares are held.

(3) Carrefour is not eligible for the main SRI funds managed by F&C AM (stewardship funds), but is eligible for 3 other funds.

(4) Carrefour is eligible for the main SRI funds managed by Morley FM, but for the moment its shares are only held in specific funds.

FTSE Group



“FTSE Group is delighted to confirm that Carrefour has been independently assessed according to the FTSE4Good criteria, and has satisfied the

requirements to become a constituent of the FTSE4Good Index Series. Created by the independent financial index company FTSE Group, FTSE4Good is a financial index series that is designed to identify and facilitate investment in companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series are doing more to manage their social, ethical and environmental impacts, and are better positioned to capitalize on the benefits of responsible business practice.”

Jayn Harding, FTSE Group

F&C Asset Management

“Carrefour has demonstrated real leadership in integrating sustainability issues across the company, thereby investing in the company’s long-term value. A key challenge will be to retain this commitment while facing shorter term cost pressures and to communicate the value of this investment to shareholders and the wider public. One important step will be to ensure that sustainability objectives are sufficiently hard-wired into performance management systems including areas such as pay and promotion. Carrefour’s commitment to good practice and transparency also needs to be reflected in board structures. While F&C welcomes the recent move to increase the number of independent directors, it would like to see further progress including the establishment of fully independent audit and compensation committees.”

Olivia Lankester,
Senior analyst F&C Asset Management

SAM Group



“Carrefour’s sustainability performance is above the industry average, supported by a committed management team.

Carrefour’s management capabilities in the economic dimension are above average in its industry. This is underlined by a strong performance in risk and crisis management. Its ethical charter embodying the values of Liberty, Responsibility, Sharing, Respect, Integrity, Solidarity, and Progress is the foundation of the company’s business strategy since it was founded in 1959. In the environmental dimension, it scores above the industry average with a very good performance in environmental policy and management. Its environmental and sustainable development policy is completely integrated into the company’s corporate culture and covers its own operations; environmental impacts of its products and services; and, the suppliers and service providers. Moreover, it performs above average in the social dimension, clearly shown in talent attraction and retention.”

Gabriela Grab Hartmann,
Analyst Sam-Group

The Vigeo-requested rating



Carrefour France asked Vigeo to rate the practice of France Hypermarkets and Supermarkets on social and environmental responsibility. Between February and May 2004, the policies, procedures, resources and results of these 2 Business Units were evaluated in 6 areas: human rights, human resources, the environment, customers/suppliers, social commitment and corporate governance. A 4-level rating system (indifferent, prudent, active and committed) was used to indicate the strong points and points for progress of Carrefour France.

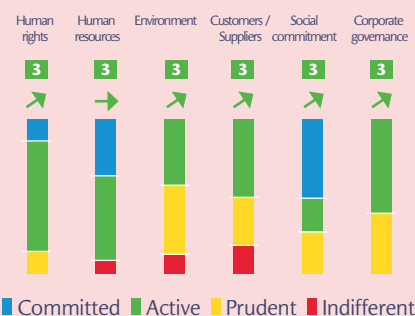
Strong points

- Anchoring sustainable development policy in the quality policy
- Motivating human resources as a factor in performance
- Integrating specific environmental impact into strategy (organization of the supply chain, choice of products based on environmental criteria)
- Searching for shared performance as the foundation of relationships with suppliers
- Associating stakeholders with the development of the sustainable development policy
- Contributing to incorporating social responsibility issues into the retail sector

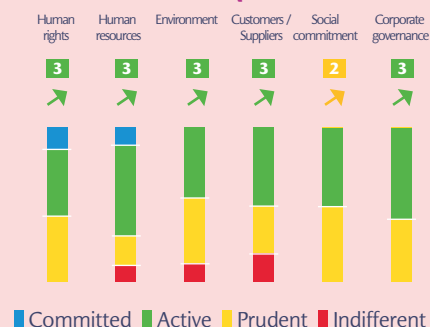
Points for progress

- Taking into account certain issues (customer transport, impact on other local business)
- Fully rolling out policies (local suppliers, promotion of fair trade, service quality)
- Customer awareness-raising about responsible consumption
- Strengthening partnerships with suppliers
- Explicit in-house communications about human rights
- Rolling out a comprehensive sustainable-development policy at store level

France Hypermarkets

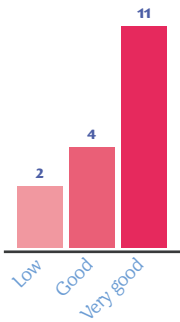


France Supermarkets



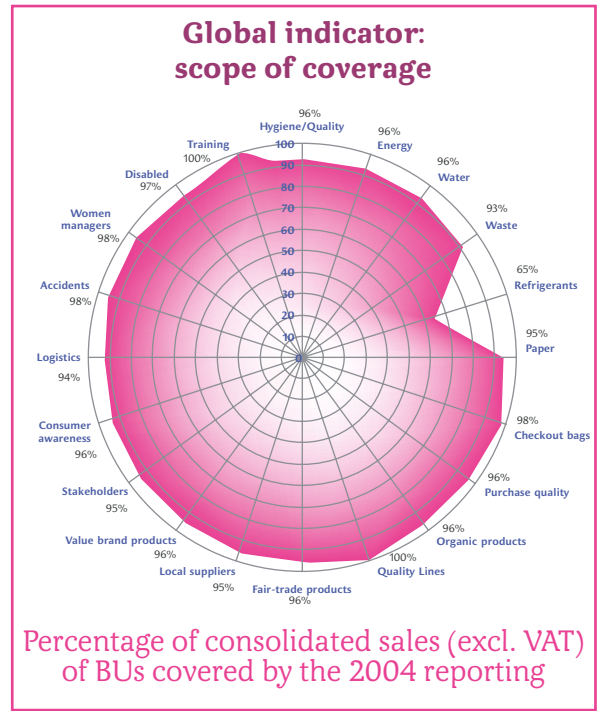
Key performance indicators

Key indicator: **quality** ✓ 98 %

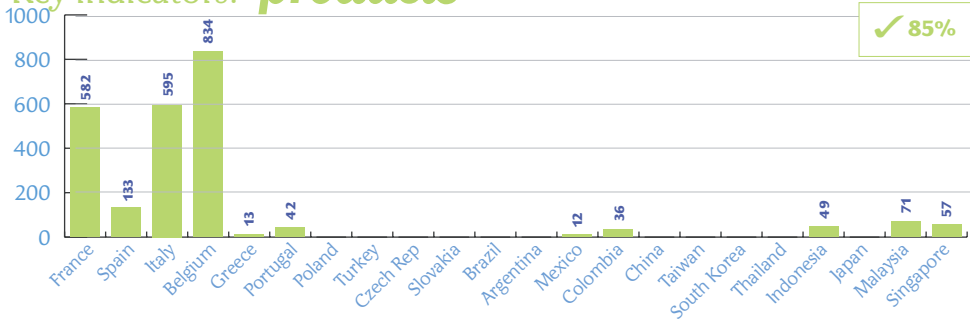


• Level of quality procedure for controlled food products (in number of countries)

This indicator is not applied to countries that do not develop own-brand products: Czech Republic, Slovakia and Singapore. Japan and Malaysia are in an initial stage, due to the weak Carrefour presence in these countries. The Quality Scorecard (QS) is used fully in the France and Group Merchandise Department food purchasing offices, and is being rolled out in other countries.

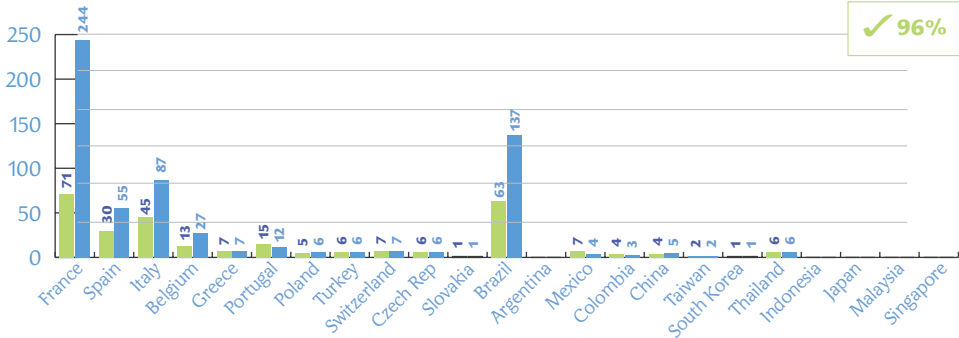


Key indicators: products



• Number of listed organic own-brand or retail banner products (Result by country)

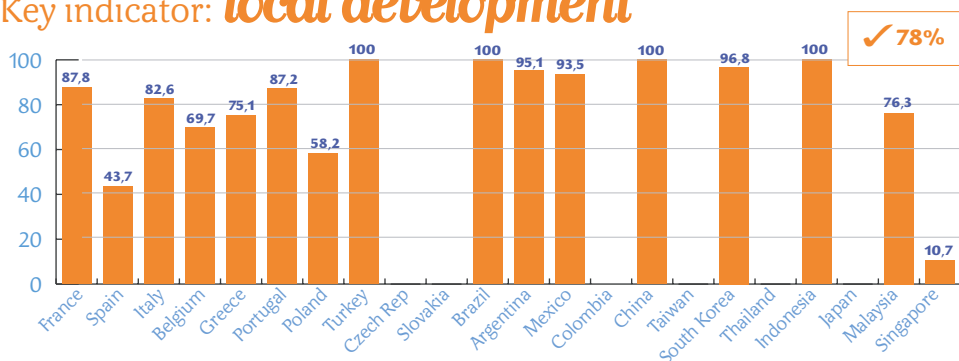
To meet customer demand, Carrefour is developing organic own-brand and retail-banner products on the most mature markets. In addition, it is proposing national-brand organic products, as in Greece, Brazil, China and South Korea.



■ Number of Quality Line products ■ Number of Quality Line contracts (Result by country)

To ensure sufficient supplies, a Quality Line can correspond to several contracts and producers. For example, for beef in France: there are 6 breeds, hence 6 Quality Lines, plus 15 contracts and more than 27,000 producers.

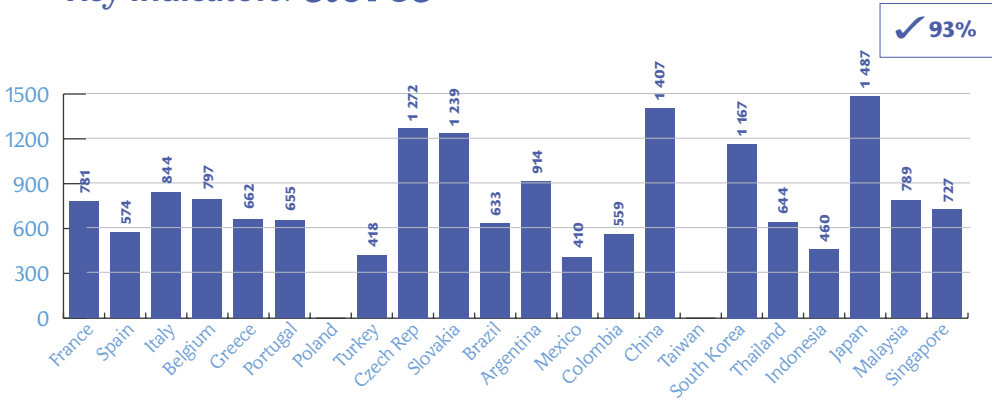
Key indicator: local development



• Percentage of sales of controlled food products achieved with local suppliers (Result by country)

A local supplier is a supplier of an own-brand food product produced in the country. Through its own brands, Carrefour contributes to the development of the local economy in the country where it operates. The Czech Republic and Slovakia are not yet developing their own-brand products.

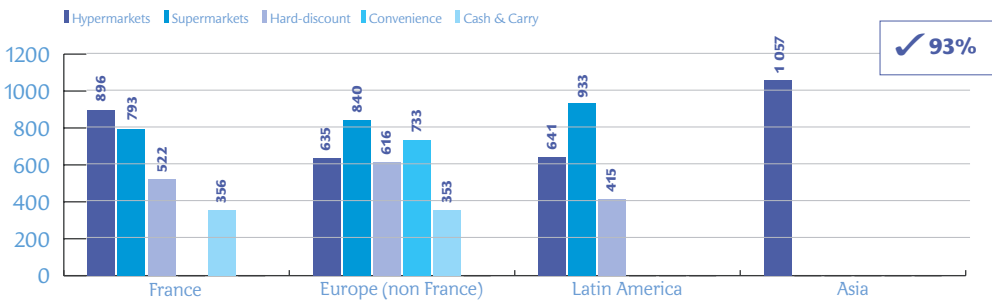
Key indicators: *stores*



✓ 93%

Energy consumption (kWh/sq.m of sales area) (Result by country)

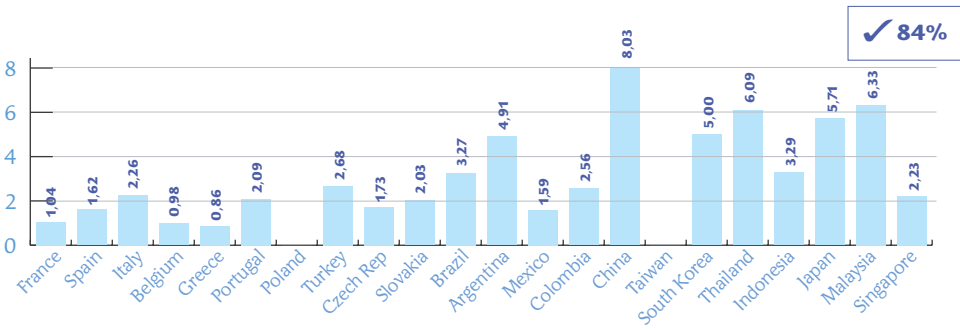
Many programs have been implemented in different countries to cut energy consumption. Solar panels in Spain (p. 20), the Peak Cut Project in Thailand (p. 38) and the use of biofuel in Brazil (p. 22) all reflect the diversity of approaches used in the various countries.



✓ 93%

Energy consumption (in kWh/sq.m of sales area) (Result by zone and format)

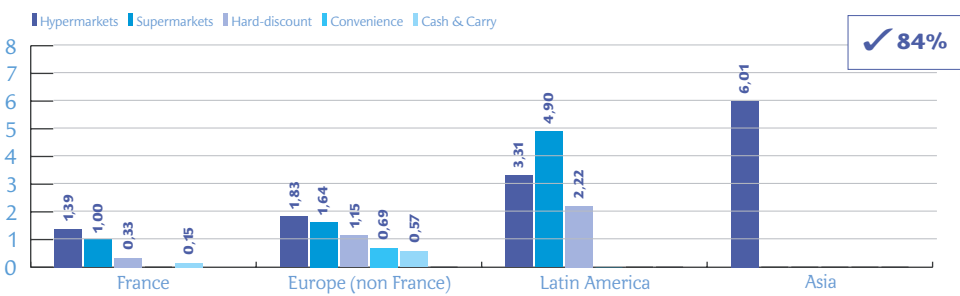
The supermarket format consumes a great deal of energy per sq.m due to the significant portion of the total area used for fresh produce and the low portion for non-food products.



✓ 84%

Water consumption (in cu.m/sq.m of sales area) (Result by country)

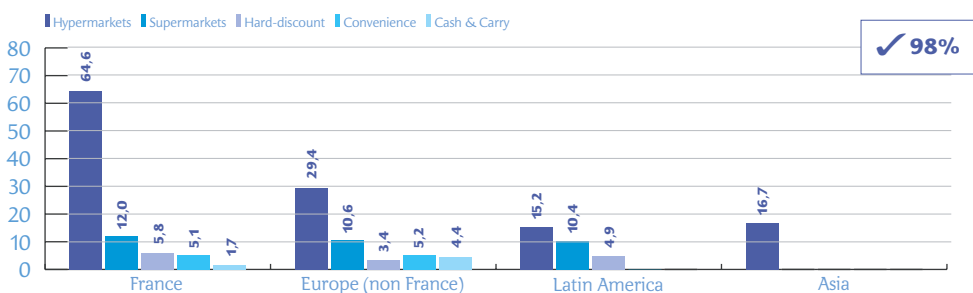
The application of a leak-detection program led to cutting water consumption in Portugal by 50%.



✓ 84%

Water consumption (in cu.m/sq.m of sales area) (Result by zone and format)

Asian stores traditionally have high water consumption levels due to the use of aquariums in the fish departments. However, consumption has been cut in China, Indonesia and Japan.

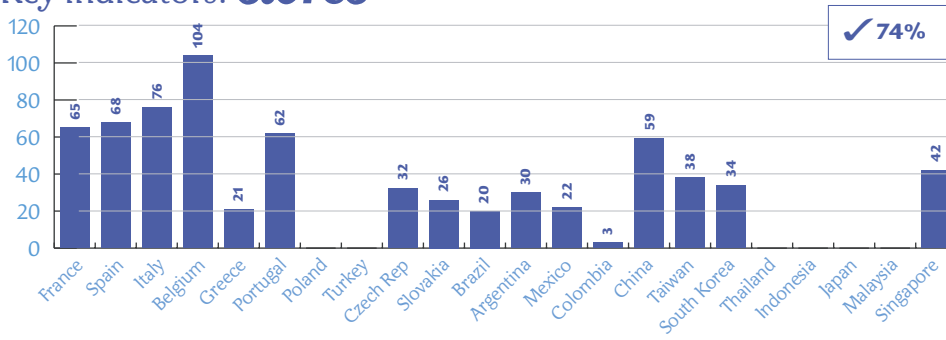


✓ 98%

Quantity of paper purchased - commercial publications (t/sales area 1000 sq.m) (Result by zone and format)

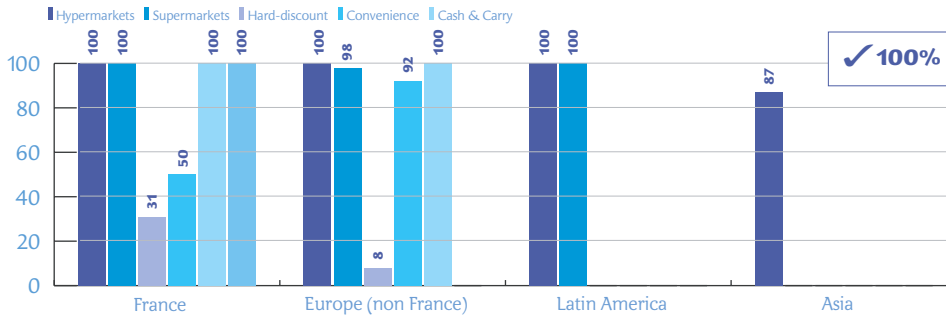
These paper purchases covered are for consolidated and franchise stores. The hypermarket format attracts distant customers, thus requiring more frequent use of sales promotions and a greater use of flyers.

Key indicators: *stores*



• **Recycled waste (in t/1000 sq.m of sales area) (Result by country)**

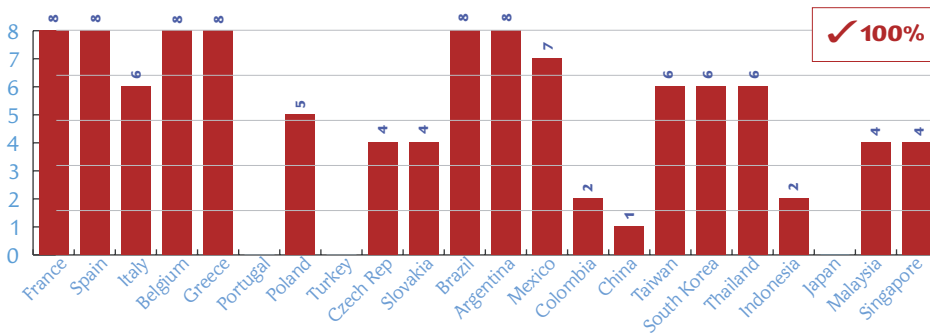
Recycled waste corresponds to the sorting of cardboard, plastic and other reusable waste. The recycling rate per sq.m correlates with the maturity and existence of recycling networks in the country.



• **Percentage of consolidated stores audited on hygiene and quality criteria (%) (Result by zone and format)**

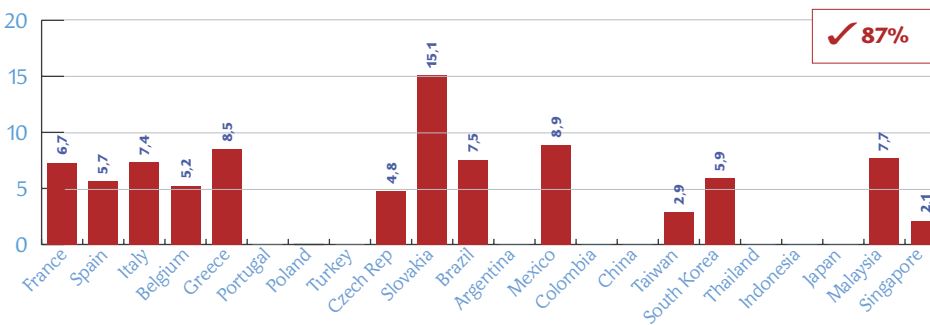
For formats that are equipped with laboratories and offer conventional fresh produce, at least 2 audits per year are required, to be conducted by independent laboratories. The hard-discount and convenience formats have fewer audits due to the lower share of fresh produce sales.

Key indicators: *logistics*



• **Level of maturity of the logistics process (Result by country)**

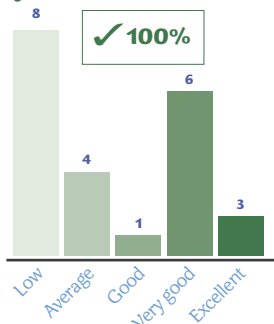
The self-assessed logistics process involves massification, traceability, the cold chain, streamlining and environmental management. The maturity level of the logistics system is closely related to the density of store locations and the existence of warehouses.



• **CO₂ emissions per shipping unit (kg) (Result by country)**

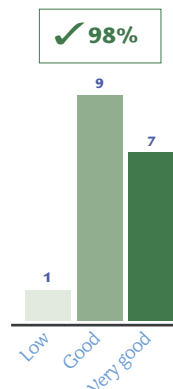
To reduce CO₂ emissions, many European countries have already been using backhaul-type systems for several years. Some countries in Asia adopted these systems in 2004.

Key indicators: *communications*



• **Level of information provided to consumers (in number of countries)**

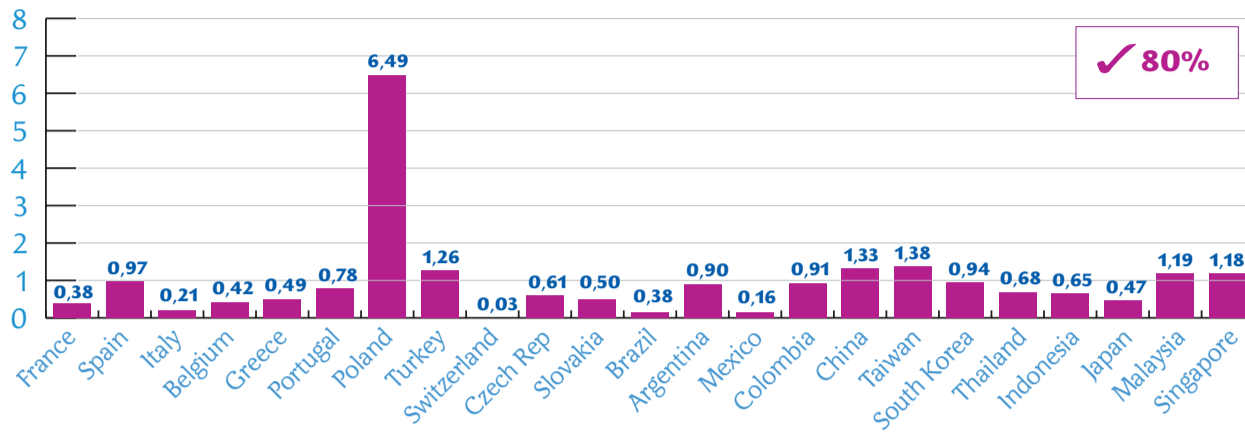
Level of information provided to consumers enabling them to make choices and engage in responsible consumption. For instance, information supplied about environmental protection, organic products, Quality Line products, eco-label products, etc.



• **Level of dialogue with stakeholders (in number of countries)**

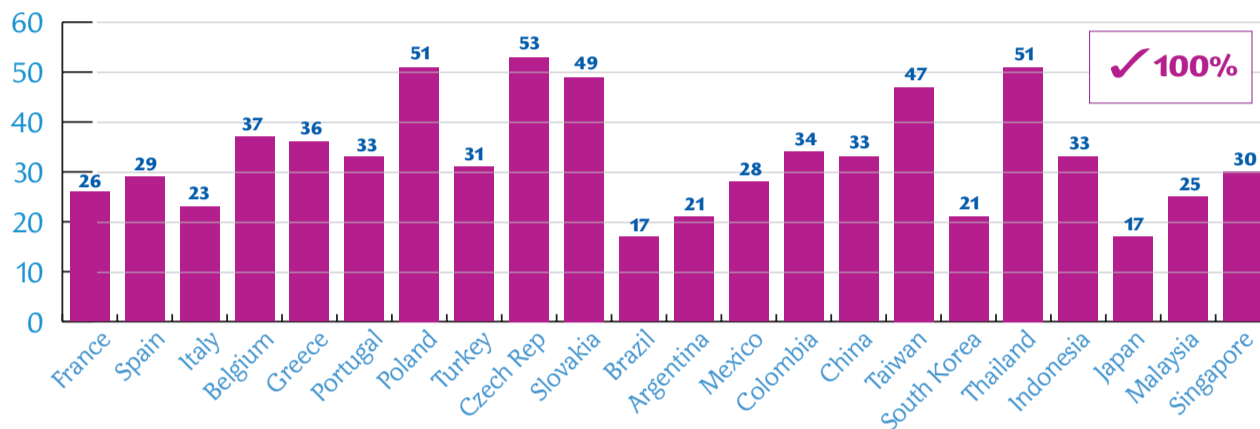
In each country, Carrefour measures the level of dialogue (low, good, very good) with the internal and external stakeholders based on the number, scale and frequency of dialogue initiatives and actions.

Key indicators: *human resources*



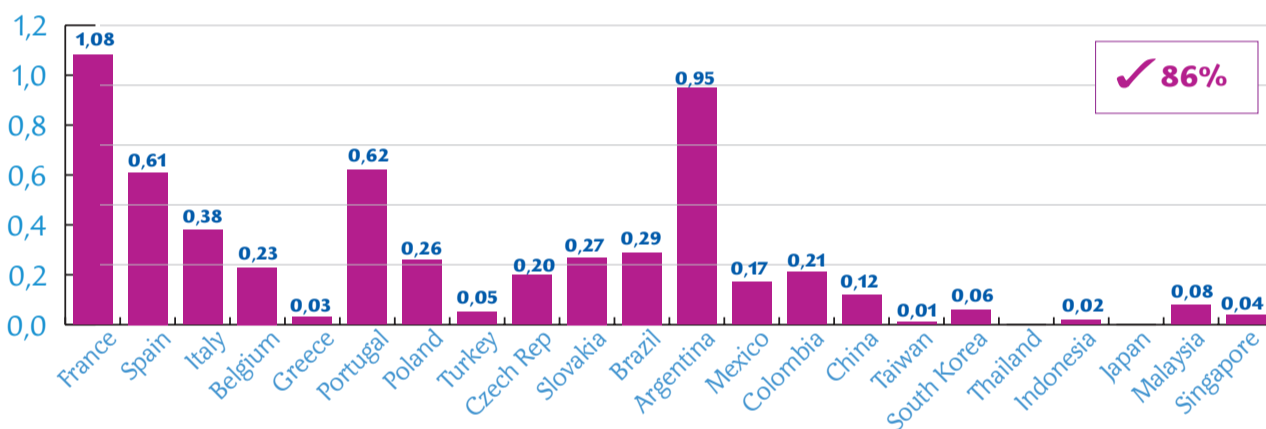
• **Training rate* (%)**
(Result by country)
* Number of hours of training/
number of hours worked

The high level of training in Poland reflects a high turnover and the fact that all new employees must receive training in hygiene and quality.



• **Percentage of women in management (%)**
(Result by country)

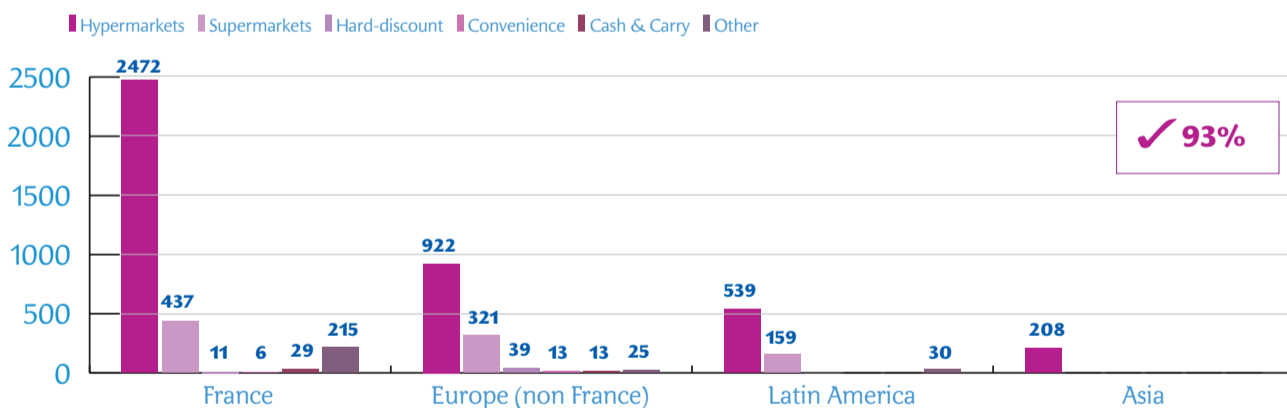
The Czech Republic and Slovakia have one of the highest percentages in Europe, and Carrefour Taiwan is the leader on its domestic market.



• **Rate of absence due to work-related accidents* (%)**
(Result by country)

* Number of hours of absence due to a work-related accident / number of hours worked

This indicator is closely related to the legal definition in the country. Some countries only count absences of more than 4 days. However, this indicator does reflect trends in each country. Among the many countries that implemented specific action plans, Mexico, Colombia and Taiwan showed the biggest improvements.

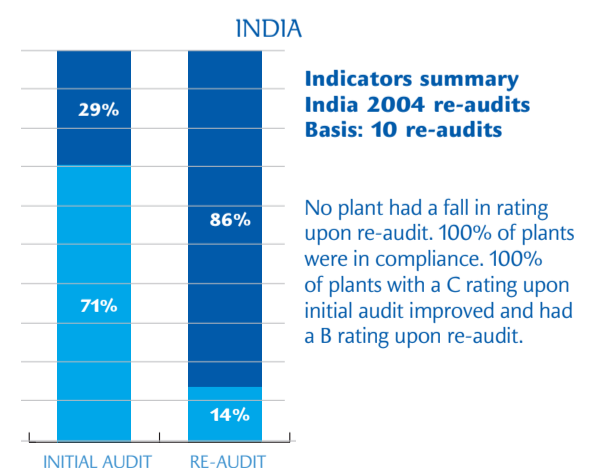
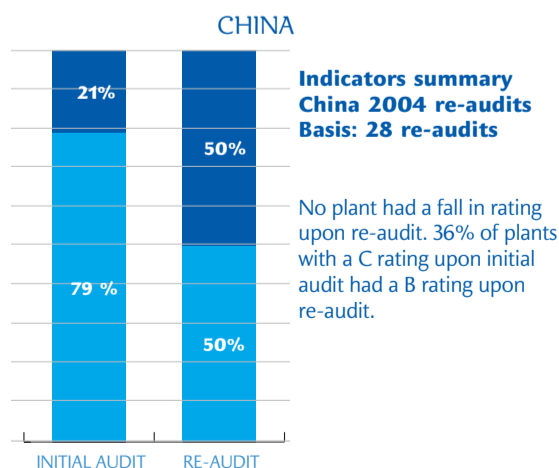
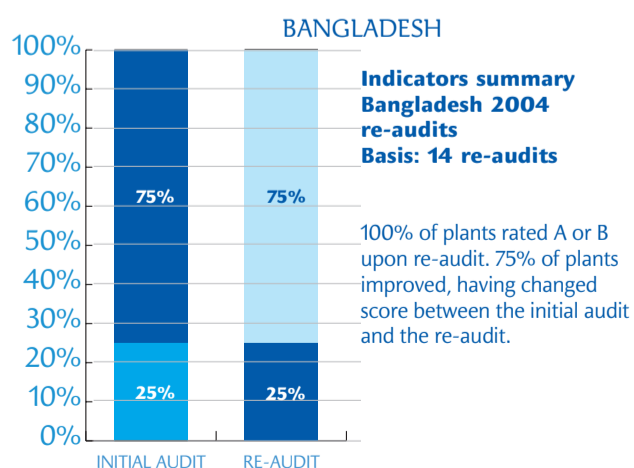


• **Number of employees recognized as disabled workers**
(Result by zone and format)

France stands out due to Hypermarket's Mission Handicap activities (see p. 43). Other especially high levels are found in Italy, Brazil and China.

Key indicators: *Group*

Audits of supplier sites with respect to the Social Charter



■ A - Compliance with the implementation of best practices ■ B - Compliance with Carrefour guidelines and Social Charter ■ C - Request for corrective action with respect to local regulations and Carrefour Social Charter ■ D - Request for major corrective action requiring immediate, imperative action. Refusal to improve

Presence in SRI fund indices, pp. 54-55

Hypermarket Supermarket Hard discount Convenience Cash&Carry Other

Definition of indicators

Comments

Products

	Hypermarket	Supermarket	Hard discount	Convenience	Cash&Carry	Other	Definition of indicators	Comments
Number of controlled organic listed products	1,164	543	9	493	35	180	Number of organic listed products developed under retail banner or cross-business brands.	In light of recognition that price levels are holding back the growth of this market, Carrefour is fostering market democratization with its own brands.
Sales of Quality Line products (€ million)	690.1	75.7	0	11.2	0	0.2	Controlled agricultural product based on specifications assuring traceability and incorporating social and/or environmental criteria.	Sales of Carrefour QL products rose by 11% from 2003 to 2004.
Number of fair trade listed products	98	40	0	32	6	12	Modification of this indicator, which this year takes into account only national brand products.	Carrefour is currently overhauling its specifications in order to offer fair-trade products under retail banner brands.
Number of first-price products listed	14,457	7,534	683	1,777	1,135	58	First-price product: controlled food product, offering the lowest price in its product range per unit of requirement.	The "No. 1" range offers customers a cost-savings response by offering prices 5 to 7% below hard-discount prices.

Logistics

	Hypermarket	Supermarket	Hard discount	Convenience	Cash&Carry	Other	Definition of indicators	Comments
Logistics emissions (kg CO ₂ per shipping unit)	6.8	7.3	4.0	7.2	7.5	12.9	Calculated on kilometers covered to ensure the transport of goods between the warehouse and store. Shipping unit: 120 x 80 pallet.	Optimizing journeys is a key factor in this approach: a hypermarket has on average 1 delivery a day, a supermarket 3 to 6 per week, and a convenience store 1 or 2 a week.
CO ₂ logistics emissions (t)	156,675	58,373	49,235	23,273	1,220	14,722		

Stores

	Hypermarket	Supermarket	Hard discount	Convenience	Cash&Carry	Other	Definition of indicators	Comments
Percentage of consolidated stores audited on hygiene and quality criteria (%)	98	99	13	91	100		Percentage of consolidated/franchise stores having been audited during the reporting period based on the quality standard defined by each BU.	As hard-discounters do not offer fresh produce that is not pre-packed, inspections are less frequent. Carrefour tends to apply its quality policy to all its stores. This year saw improvement in the indicators of all franchise formats.
Percentage of franchise stores audited on hygiene and quality criteria (%)	98	76	3	38	95			
Energy consumption (kWh/sq.m)	778	835	565	733	355		Consumption of electricity, gas, and fuel used to operate consolidated stores.	As cash-and-carry stores in the main offer dry products and beverages, energy consumption is much lower.
Energy consumption (GWh)	4,625	1,762	682	43	121	6		
Water consumption (cu.m/sq.m)	2.8	2.0	1.0	0.7	0.3		Water consumption of consolidated stores.	This indicator is still difficult to collect due to the heterogeneous billing systems used by different water companies.
Water consumption (1000 cu.m)	15,576	3,492	1,222	40	104	25		
Refrigerant consumption (kg) / sales area (1000 sq.m)	48	132	34	94	28		Quantity of refrigerants used (CFC, HCFC, HFC, other). Covered: food cold cabinets and air conditioning in consolidated stores.	As cold cabinets occupy an increasingly large part of the sales area of supermarkets and convenience stores, it is normal that consumption per sq.m for these 2 formats is greater than for hypermarkets.
Waste recycled (t) / sales area (1000 sq.m)	45	40	88	39	5		Recycled waste from consolidated stores: paper/cardboard, plastic, other (batteries, cartridges, neon bulbs, etc.).	The hard-discount stores have waste returned to the warehouses, helping to optimize its sorting.
Waste recycled (t)	286,462	87,689	106,108	2,299	1,858	319		
Quantity of paper purchased for commercial publications (t) / sales area (1000 sq.m)	34.8	11.3	4.3	5.1	2.4		Paper used in commercial publications (flyers, brochures, newspapers) expressed in ton per sq.m of sales area.	Carrefour centralizes its paper purchases for Europe and uses a sustainable development approach (p. 39). In many head offices, recycled paper is used for printing and photocopying.
Quantity of paper purchased for commercial publications (t)	228,819	37,311	6,008	4,451	1,210	374	Quantity of paper purchased for commercial publications (flyers, brochures, newspapers, etc.).	
Quantity of paper purchased for offices (t)	3,909	1,698	458	20	117	110	Quantity of paper purchased for office use (photocopier, fax, printer, etc.).	
Number of plastic bags distributed free at checkout (millions)	4,723	1,656	84	358	0	5	Plastic checkout bags distributed free of charge in stores.	Carrefour recommends the use of reusable bags in all its stores (p. 39).

Human Resources

	Hypermarket	Supermarket	Hard discount	Convenience	Cash&Carry	Other	Definition of indicators	Comments
Rate of absence due to work-related accidents (%)	0.42	0.66	1.43	0.25	0.71	0.54	Number of hours of absence due to work accident/number of theoretical work hours in the period (excluding job illnesses).	This indicator was refined. Last year, it expressed the number of days absent due to job accident/employee.
Percentage of women in management (%)	28	31	25	21	17	32	Proportion of women managers (manager: autonomous, responsible, decision-making employee in a managerial position).	The percentage of women managers is on average, for the Group, 29%, compared with 27% in 2003 (not on a like-for-like basis).
Number of employees recognized as disabled workers	4,141	917	50	19	42	270	Status defined by current legislation in each country. By default, anyone who is at least 10% physically disabled.	It is easier to integrate disabled workers into the hypermarket format, as its staff do not need to be as multi-skilled.
Training rate (%)	0.81	0.70	1.22	0.27	0.46	0.58	Hours of training officially counted, relative to number of theoretical work hours of the average employee for the period.	This indicator was refined. Last year, it indicated the number of training days/employee/year.

Cross-Reference Table

Guidelines of the GRI, Global Compact and OECD

GRI Reference	Global Compact Principle	OECD Principle	Page(s) of report
---------------	--------------------------	----------------	-------------------

Vision and strategy

1.1	Principle 9	General policies 1	pp. 5, 6-7, 8-9, 14-15, 16-17
1.2			pp. 2-3

Profile

2.1		Disclosure 3	cover
2.2		Disclosure 3	flap
2.3		Disclosure 3	pp. 4-5
2.4		Disclosure 3	outside back cover
2.5		Disclosure 3	outside back cover
2.6		Disclosure 3	flap
2.7		Disclosure 3	flap
2.8		Disclosure 3	inside front cover, flap, pp. 15, 18-25
2.9			pp. 6-7, 14-15, 54-55
2.10			inside back cover
2.11			p. 1
2.12			p. 1
2.13			pp. 1, 56-61
2.14			pp. 2-3, 4
2.15			p. 1
2.16			pp. 56-61
2.17			p. 62
2.18			pp. 1, 56-61
2.19			pp. 56-61
2.20		Disclosure 2	pp. 1, 63
2.21			pp. 1, 64
2.22			flap, pp. 4, 49, inside back cover

Management Systems

3.1		General policies 6	pp. 4-5
3.2		General policies 6	pp. 4-5
3.3			pp. 4-5
3.4			pp. 4-5
3.5		General policies 6	pp. 42-43
3.6			pp. 4-5, 12-13
3.7		General policies 7 et 8	pp. 2-3, 4-5, 6-7, 8-9, 42-45
3.8		Disclosure 5	flap, p. 4
3.9			pp. 6-7, 14-15
3.10		Disclosure 5	pp. 14-15, 39, 42-51, 54-55
3.11			pp. 14-15, 55
3.12			pp. 14-15, 16-17, 54-55
3.13	Principle 7	Environment 3 et 4	pp. 16-17, 29, 30
3.14		General policies 7 et 8	pp. 2-3, 5, 16-17, 32-33, 42-45
3.15		Disclosure 5	pp. 15, 29, 33, 35, 45
3.16		General policies 7, 8 et 10	pp. 28-51
3.17		General policies 7 et 10	pp. 32-33, 34-35, 50-51
3.18		Environment 2	back cover
3.19		General policies 7 et 8	pp. 4-5, 8-9, 12-13, 28, 33, 42-45, 55, 56-61, 63, 64
3.20		Environment 1	pp. 39

Theme	GRI Reference	Global Compact Principle	OECD Principle	Page(s) of report
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Economic

Customers	EC1			Inside front cover, flap, AR
	EC2			flap, pp. 18-25, AR
Suppliers	EC3			p. 15, AR
	EC4			N/A
Employees	EC5			p. 15, AR
Providers of capital	EC6			RA
	EC7			RA
Public sector	EC8		Taxation	p. 15
	EC9		Taxation	N/A
	EC10			pp. 50-51

Theme	GRI Reference	Global Compact Principle	OECD Principle	Page(s) of report
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Environment

Materials	EN1	Principle 8		pp. 38-39, 56-61
	EN2	Principle 8		pp. 38-39
Energy	EN3	Principle 8		pp. 18-25, 38-39, 56-61
	EN4	Principle 8		N/A
Water	EN5	Principle 8		pp. 56-61
Biodiversity	EN6	Principle 8		N/A
	EN7	Principle 8		pp. 16, 29, 31
Emissions, Effluents and Waste	EN8	Principle 8		pp. 34-35, 38-39, 56-61
	EN9	Principle 8		pp. 39, 56-61
	EN10	Principle 8		N/A
	EN11	Principle 8		pp. 38-39, 56-61
	EN12	Principle 8		N/A
	EN13	Principle 8		N/A
Products and Services	EN14	Principle 8	Environment 6 b	pp. 30-31, 37, 38-39
	EN15	Principle 8		p. 37
Compliance	EN16	Principle 8		p. 63

Labour-Management

Employment	LA1		General policies 4	pp. 18-25, AR
	LA2			N/A
Labour-mgmt relationships	LA3	Principle 3	Employment and industrial relations 1a et 8	N/A
	LA4	Principle 3	Employment and industrial relations 2b et 6	N/A
Health and safety	LA5			pp. 44-45, 56-61
	LA6			N/A
	LA7			pp. 56-61
	LA8			N/A
Training and education	LA9		General policies 4	pp. 42, 56-61
Diversity and opportunity	LA10	Principle 6	Employment and industrial relations 1d	pp. 42-43
	LA11	Principle 6		pp. 4, RA

Human Rights

Strategy and management	HR1	Principle 1	General policies 2	pp. 5, 17, 33, 45
	HR2	Principle 1 et 2	General policies 10	pp. 5, 17, 33
	HR3	Principle 1 et 2	General policies 10	pp. 33, 56, 61
Non-discrimination	HR4	Principle 1 et 6	General policies 9	pp. 42-43, 44-45
			Employment and industrial relations 1d	
Freedom of association & collective bargaining	HR5	Principle 3	Employment and industrial relations 1a et 8	pp. 32, 33, 44-45
Child labour	HR6	Principle 5	Employment and industrial relations 1b	pp. 5, 33, 45
Forced labour	HR7	Principle 4	Employment and industrial relations 1c	pp. 5, 33, 45

Society

Community	SO1		General policies 3	pp. 32-33, 36-37
			Environment 2	39, 50-51
Bribery and corruption	SO2		Combating bribery 1, 2, 3, 4 et 5	pp. 32-33, 43
Political contribution	SO3		General policies 11	N/A
			Combating bribery 6	

Product responsibility

Consumer health and safety	PR1		Consumer interests 1 et 6	pp. 16-17, 28-31, 36-37, 56-61
Products and services	PR2		Consumer interests 2	pp. 16-17, 37, 49, 56-61
Respect for privacy	PR3		Consumer interests 3	N/A

Legends:

N/A = indicator not available in form of consolidated data
AR = 2004 Annual Report

Information Table

Article 116 of the French New Economic Regulations

Article	Social information	Article	Environmental information
1.1.a	Flap. Share long-term job contracts: 80%; share short-term: 19%; temp: 1%	2.1.	pp. 20, 34-35, 37-39, 56-61
1.1.b	Chili was sold at the end of 2003. The job contracts of 2850 local employees were transferred to the buyer, who undertook to retain them. The 12 expatriates were transferred within the Group.	2.2.	pp. 5, 31, 49, 56-61
1.2.	At Carrefour work time is indexed on the regulatory work time of the country in which the Group operates. So it varies with the country's local regulations. p. 45	2.3.	pp. 35, 38-39
1.3.	Wages and expenses p. 15. Investments p. 45. Equality pp. 42, 44, 56-61	2.4.	Carrefour takes steps to ensure the company's compliance with legislation and regulations.
1.4.	pp. 44-45	2.5.	The costs incurred to prevent the company's environmental impact correspond to operating costs of the Quality and Sustainability Department and its network in the countries as well as budgets for specific projects and external consultants.
1.5.	pp. 8-9, 36-37, 56-61	2.6.	pp. 12-13, 19
1.6.	pp. 42, 56-61	2.7.	Amount of provisions and guarantees for environment zero (coverage: France)
1.7.	pp. 43, 56-61	2.8.	Amount of indemnities paid during the year for execution of a legal decision on environmental zero (coverage: France)
1.8.	pp. 16-25, 50-51	2.9.	pp. 20-25, 56-61
1.9.	pp. 6-7, 32-33		
Art 1	Stakeholder relationships: pp. 6-7, 14-15, 16-25, 39, 42-43 Subcontracting: pp. 5, 33 Foreign subsidiaries: pp. 30, 32		

Audit statement by the Carrefour Group Internal Audit Department

At the request of the Quality and Sustainability Department, the Carrefour Group Internal Audit teams carried out a check of the sustainable development indicators covered in this report. The Quality and Sustainability Department defined the areas in which the Group needs to measure its performance and the progress accomplished using the defined indicators. Every year each country in which the Carrefour Group operates submits these indicators for each of its Business Units.

Nature and scope of the work

Using this data, the Internal Audit teams carried out, in accordance with professional standards, the certification of the data by issuing a commitment level for each of the 22 indicators by assessing in particular the quality of the reporting procedures established and the relevance of the scope covered, and by ensuring the reliability of the data supplied. In issuing its opinion, Internal Audit relied on the definitions drawn up by the Quality and Sustainability Department. This year the Internal Audit teams covered 10 countries and 18 Business Units, representing 83% of the 2004 consolidated sales of the Carrefour Group, and devoted a total of 293 audit days to reviewing all the indicators covered. This was the third annual mission conducted by Internal Audit on sustainable development indicators.

Comments

The following are our comments based on this work.

- The reporting was better organized this year, and in particular included more precise definitions, objectives established for each indicator, the designation by country of the person in charge of data collection, verification and input. In addition, the time to submit data was extended by 3 weeks to enable countries to gather more reliable information and evaluate it prior to data entry in reporting tool.
- The Internal Audit observed more reliable indicators in every area. On a consolidated basis, that is, a like-for-like basis compared with 2003, levels of high commitment increased by 19%, levels of moderate commitment fell by 4%, and levels of weak commitment fell by 15%.
- Our recommendations concern the need to adapt certain indicators to data available on existing computer systems in the countries and to operational needs, so that these indicators become tools for management and risk control. It is important to continue to improve the reporting systems. Also desirable is the more rigorous communication of definitions and the scope of coverage of indicators to managers responsible for preparing the data.

Patrick Armand,
Internal Audit Director, Carrefour

Statement on the reporting organization and procedures for social and environmental data

Dear Sir/Madam,

We have been engaged by Carrefour Group to review the Sustainability organization described in the 2004 Sustainability Report attached to our statement as well as the reporting procedures for social and environmental data.

The social and environmental information included in this special report are the responsibility of Carrefour Group Management. It is our responsibility to submit our observations to you.

Nature and scope of the work:

Based on agreed-upon procedures, we have performed the following works:

(1) We have conducted interviews with the Sustainability Director, as well as the Group coordinator for social and environmental information, in order to understand the existing organization.

(2) We have reviewed the sustainability protocol drawn up by Carrefour Group used as a basis for producing the 2004 report.

(3) We have reviewed the reporting procedures and tools and have tested their application in French Business Units.

(4) We have conducted interviews with the Internal Audit Director to analyze the role of Internal Audit in verifying the Sustainability Report data submitted by the entities.

(5) We have reviewed the Internal Audit reports and recommendations formulated in this report.

(6) We have reviewed the consolidation of Sustainability Report data.

As the work that we have carried out does not constitute an audit, we do not express any assurance on the figures included in the 2004 Sustainability Report, but we are able to present the following observations:

- A Quality and Sustainability Department was created at the Group Management level. It is in charge of drawing up the protocol for environmental and social data and coordinating reporting within the Group.
- Directors for the main corporate functions involved were named to take part in drawing up the sustainable development protocol, which was communicated to the entities in the Group's 3 languages: French, English and Spanish.
- The Group reporting procedures were correctly applied in the France Business Units that we tested.
- Internal Audit covered Business Units that represented 83% of the 2004 consolidated sales of the Carrefour Group and verified with a high or moderate commitment level, depending on the nature of the indicators, all the data included in the 2004 Sustainability Report.
- We have noted that the recommendations issued by Internal Audit at the Group level for the 2003 Report were taken into account in drawing up the 2004 Report.
- Our review of the consolidated data in the 2004 Sustainability Report did not reveal any significant anomalies.

Paris, La Defense, 15 march 2005

KPMG Audit - Department of KPMG S.A.

Jean-Luc Decornoy
Associate

Jacques-François Lethu
Associate



for a sustainable development



Carrefour 

Sustainability
Report
2004

Glossary

ADEME : French Agency for the Environment and Energy Management (Agence de l'Environnement et de la Maîtrise de l'Énergie).

Backhauling: process wherein trucks that have completed store deliveries then collect goods ordered by a supplier and deliver them to warehouses.

Bazaar: goods category that includes DIY and car accessories, home, cultural products, stationery, games and sports, garden equipment and pets.

Biowaste: solid biodegradable waste.

Business Unit: corresponds to a store format in a particular country.

Carbon assessment (Bilan Carbone® software): software developed by the ADEME to measure greenhouse gas emissions.

CFCs: chlorofluorocarbons – stable chemical products containing chlorine and fluoride used as refrigerants (freon) or propellants in aerosol products.

CICE: Carrefour European Consultation and Information Committee.

CIP: Carrefour International Products.

CIRAD: International Center for Cooperation in Agricultural Research for Development.

Controlled product: own-brand or retail banner product for which Carrefour participates in the preparation and packaging, the choice of producer, quality control, marketing and so on.

CRET LOG: University Research Laboratory in the Management Sciences specializing in Logistics.

CSR: Corporate Social Responsibility.

DGCCRF: the French General Directorate for Competition, Consumption and Fraud Protection.

EAN: the EAN logistics label is a unique standard that is useable by everyone in the supply chain to trace shipped items.

EFSA: European Food Safety Authority.

EMS: Environmental Management System.

E-room: computer platform for collaborative work.

ERRT: European Retail Round Table.

EuroCommerce: The retail, wholesale and international trade representation to the European Union.

Fair trade*: fair trade is a trading partnership based on dialogue, transparency and respect, aimed at fostering increased fairness in international trade. Fair trade contributes to sustainable development by offering optimal trade conditions to disadvantaged producers (essentially in the countries of the southern hemisphere) and by protecting their rights.

* This definition is taken from the consortium of the Fair-Trade Labeling Organization, International Federation for Alternative Trade, Network of European Workshops, and the European Fair Trade Association.

FAO: United Nations Food and Agriculture Organization.

FBF: Food Business Forum – global network of the independent food industry.

FIDH: International Federation of Human Rights.

GFSI: Global Food Safety Initiative.

Global Compact: global contract between the United Nations, Member States, signatory business corporations and NGOs aimed at promoting responsible action through compliance with 10 fundamental principles of sustainable development.

GMO: genetically modified organism.

GNX: Global Net eXchange electronic marketplace.

GRI: Global Reporting Initiative – an international multi-stakeholder initiative that provides an international standard for environmental and social reporting and defines guidelines and key performance indicators.

HACCP: Hazard Analysis Critical Control Point food-safety management system.

HCFCs: hydrochlorofluorocarbons – chemical products containing chlorine and fluoride as well as hydrogen, which makes them less stable and thus less harmful to the ozone layer than CFCs.

HEQ: High Environmental Quality.

IFS: International Food Standard.

ILO: International Labor Organization.

N&R Law: French law of 15 May 2001 on New Economic Regulations, which in Article 116 requires French stock exchange-listed companies to account for “the social and economic consequences of their activities”.

Network: Cross business professionals sharing specific expertise.

• **NGO:** Non-Governmental Organization.

• **NGV:** Natural gas vehicle.

• **PNNS:** French National Health Nutrition Program. Launched by the French government in 2001, this program aims to improve the state of health of the entire population by influencing nutrition.

• **OECD:** Organization for Economic Cooperation and Development.

• **Organic agriculture:** Farming methods that sustain ecosystems and reduce pollution. Such methods avoid the use of pesticides, herbicides and antibiotics, as well as genetic manipulation.

• **Organic product:** Agricultural product produced by organic farming methods and certified as such by an independent organization.

• **QS:** Quality Scorecard.

• **Retail banner:** a Group retail chain, such as Champion.

• **SAFCA:** Carrefour supplier support organization.

• **SME:** Small and Medium-sized Enterprises.

• **SRI:** Socially Responsible Investment.

• **Stakeholders:** All of the various groups that participate in the economic life of the company (employees, customers, suppliers, and shareholders), who monitor the company (unions, NGOs) or who are more or less directly influenced by it (civil society, local government, etc.).

• **Sustainable development:** “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” Bruntland Commission, “Our Common Future”, 1987.

• **Trace One:** System for the definition and electronic updating of specifications using a digital signature and making every batch traceable.

• **UNESCO:** United Nations Educational, Scientific and Cultural Organization.

• **UNI:** Union Network International. Trade union with 15 million members in about 150 countries.

• **UNODC:** United Nations Office on Drugs and Crime.

• **WWF:** the World Wildlife Fund.

For more information

On Carrefour and its commitments

www.carrefour.com

www.fondation-internationale-carrefour.org

www.carrefour.fr (Solidarity section)

On corporate responsibility

CSR Europe: www.csreurope.org

Global Compact: www.unglobalcompact.org

Global Reporting Initiative: www.globalreporting.org

On the environment

United Nations Environment Program: 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 Organization: www.ilo.org

UNI Commerce: www.union-network.org

Express your opinion

Sustainable development is everyone's business

Your comments help us make progress

Write to us at the following address:

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France

In the event of any discrepancy
between the different versions,
the French version will prevail.

Design, creation, editing and production

TERRE DE SIENNE

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Printing

The Carrefour Group is committed to the responsible management of its paper purchases. Paper with recycled and PEFC certified wood fibers was chosen by Carrefour for the 2004 Sustainability Report in order to support the collection of used paper and the protection and growth of European forests.

Consolidated countries

EUROPE

France: hypermarket, supermarket, hard discount, convenience, others
 Spain: hypermarket, supermarket, hard discount, others
 Italy: hypermarket, supermarket, convenience, others
 Belgium: hypermarket, supermarket, convenience
 Greece: hypermarket, supermarket, hard discount, convenience
 Portugal: hypermarket, hard discount
 Poland: hypermarket, supermarket
 Turkey: hypermarket, supermarket, hard discount
 Switzerland: hypermarket
 Czech Republic: hypermarket
 Slovakia: hypermarket

LATIN AMERICA

Brazil: hypermarket, supermarket, hard discount
 Argentina: hypermarket, supermarket, hard discount
 Mexico: hypermarket
 Colombia: hypermarket

ASIA

China: hypermarché, supermarket, hard discount
 Taiwan: hypermarket
 South Korea: hypermarket
 Thailand: hypermarket
 Indonesia: hypermarket
 Japan: hypermarket
 Malaysia: hypermarket
 Singapore: hypermarket

Partner countries

United Arab Emirates: hypermarket
 Saudi Arabia: hypermarket
 Oman: hypermarket
 Qatar: hypermarket
 Egypt: hypermarket
 Tunisia: hypermarket, supermarket
 Romania: hypermarket
 Norway: hypermarket
 Dominican Republic: hypermarket



Carrefour – French corporation (SA) with capital of €1,762,798,875
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