

# Supplier Policy on Ethical Trade – Sainsbury's Brand

## Introduction

Sainsbury's Supermarkets is an international business. Our buyers search the world to find new sources of supply to satisfy the needs of our UK customers. About half of our goods are sold under our own brand name for which we lay down detailed technical specifications and monitor product quality and production facilities.

Sainsbury's are conscious of the responsibility we share with our suppliers for the welfare of workers who produce the goods we sell. We seek to develop long-term partnerships with suppliers who share our values and who are prepared to commit themselves to our Code of Conduct for Ethical Trade which is consistent with internationally agreed conventions on workers' rights and the Ethical Trading Initiative (ETI) Base Code. Applying the Code to local circumstances takes time and requires sensitivity and understanding. Our desire is to see the Code adopted as a minimum standard and to see suppliers' performance improving continuously. Our Code also includes a declaration of our intention to do business on fair terms, to operate transparently and to support suppliers to work beyond our code. We believe that by adopting and communicating this Code we, in partnership with our suppliers, are taking practical steps towards improving working conditions for the people who make and supply the products we sell.

## Scope

The requirements outlined in this document are in addition to all applicable UK, EU and international legislation and industry best practice. Sainsbury's suppliers must ensure that they meet all requirements laid down in law at the point of manufacture and where they are finally sold to the customer. While the requirements set out below are intended to help you supply products suitable for Sainsbury's, they do not absolve you of your responsibility to understand and comply with all the quality, legal and safety requirements for your products.

## Who should implement this policy?

This supplier policy is intended for Sainsbury's direct suppliers, agents, central technical resource and virtual manufacturers who are responsible for ensuring compliance with Sainsbury's Code of Conduct for Ethical Trade.

Sainsbury's require a senior member of staff at our suppliers to be accountable for ensuring this policy is implemented at their production sites and by their suppliers, this member of staff should be communicated to the Ethical Trade Team (ETT). Sainsbury's expect technical and human resource staff at direct suppliers to take operational responsibility for implementing this policy and developing and implementing an ethical trade strategy.

## How to use it

This document is intended to support suppliers to effectively carry out their ethical trading responsibilities, and meet Sainsbury's ethical commitments. It builds on our Code of Conduct and outlines how suppliers should implement our Code of Conduct.

Please get in touch with your Technologist and the Sainsbury's Ethical Trade Team if you have any queries about this document.

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**Categories this policy applies to:**

**Fresh:**

- Meat & Poultry
- Fish
- Produce and Floral
- Food Services
- Meal Solutions

**Packaged food:**

- Canned & Packaged
- Impulse
- Bakery
- Dairy
- Frozen

**Non-food grocery:**

- Baby and Beauty
- Beers, Wines & Spirits
- Household
- Pet care
- Pharmacy and Health

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## External Position Statement – Our Principles

At Sainsbury's we expect strong social and environmental standards from suppliers, but we recognise that many need practical help and support in implementing more sustainable practices. Our challenge is to build supply chains that are resilient to the social and environmental challenges facing the industry, working closely with farmers, producers and processors to champion and embed excellence in sustainability.

### Commitment to Ethical Trade

Ethical trading is an important company objective. We are committed to providing sufficient resources to ensure our commitments are fulfilled. We are founding members of the Ethical Trading Initiative (ETI) and require all our suppliers to meet the Sainsbury's Code of Conduct for Ethical Trade which is based on the ETI Base Code for ethical sourcing. Our Code covers 12 key principles, including safe and hygienic working conditions and payment of a fair wage. Our commitment to ethical and responsible sourcing is ongoing and we work with suppliers to ensure they continuously improve their performance in this area. We also recognise the need to communicate this commitment to key stakeholders including the public, suppliers and the people who work in our supply chains.

### Fair Terms of Trading

We recognise the contribution that stable business relationships make to the observance of good labour practices and endeavour to establish long-term and productive relationships with our suppliers. We are committed to dealing openly and fairly with suppliers, adhering to contract terms and avoiding the exertion of undue pressure.

### Building the Capacity of Ourselves and Others

We are aware that both colleagues and our suppliers' staff need to understand the importance of ethical trade and that they must be able to identify and resolve ethical issues. We are committed to providing guidance, training and support to suppliers where needed and to ensuring workers in our supply chain are aware of the provisions of the Base Code and our commitment to ethical trade. We view effective management systems as crucial for monitoring and tracking our own and suppliers' issues. We view it as essential that workers have knowledge of their rights and are able to report any issues confidentially and without detriment to a designated person/committee.

### Monitoring our Supply Chains

We recognise the importance of being aware of labour practices in our supply chains and the need to monitor, evaluate and act on information about our suppliers', sites' and growers' performance. To do this, we use a range of tools including independent, third party audits of suppliers and sites, self-assessment questionnaires and confidential mechanisms for workers to highlight issues. We view worker and supplier communication as critical for identifying and resolving supply chain issues.

### Being Transparent

We aim to be transparent with all our stakeholders on our ethical trade performance and would encourage our suppliers to do likewise. We appreciate that you might be worried about sharing issues with us; however it is better that we understand and work together to improve the situation. Together, we aim to respond rapidly and fully to ethical issues in our supply chains.

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## Striving for Improvement

We recognise that many ethical trade issues can take time and effort to resolve. As a minimum, we require our suppliers to work towards compliance with our Code of Conduct or the local law – whichever provision affords the greater protection to workers. We expect suppliers to work to resolve issues identified in a timely manner and to engage workers' organisations in identifying and resolving issues. In the longer-term, we will work with suppliers and workers to develop best practice on ethical trade and positive examples which secure workers' rights alongside benefiting our suppliers' businesses and our own.

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Appendix A – Glossary & Q&As

Appendix B – Grading of Ethical Issues

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Appendix E – Ethical Trade Strategies

Appendix F – Guidance for the Responsible Use of Labour Providers

Appendix G – Example of a Completed Appendix H for Exceptional Non-Conformances

Appendix H – Exceptional Non-Conformance Action Plan

Appendix I – Sainsbury's Supplier Ethical Trade Training Links

Appendix J.1 – Guidance on Worker Accommodation

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Appendix J.3 – Worker Accommodation Risk Assessment

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# Sainsbury's Code of Conduct for Ethical Trade

Sainsbury's Code of Conduct for Ethical Trade is based on the Ethical Trading Initiative (ETI) Base Code, with an additional three clauses unique to Sainsbury's. For more detailed information on the ETI Base Code containing the clauses in full, see the ETI website: <http://www.ethicaltrade.org/eti-base-code>



Employment is freely chosen



Working hours are not excessive



Freedom of association and the right to collective bargaining are respected



No discrimination is practised



Working conditions are safe and hygienic



Regular employment is provided



Child labour shall not be used



No harsh or inhumane treatment is allowed



Living wages are paid

## Entitlement to work

Only workers with a legal right to work in the country should be employed.

For both workers and agency workers, original documents should be reviewed and then returned to workers to verify right to work.

## Labour agencies

Labour agencies should only support workers registered by them.

Relationships with labour agencies should be covered by a Service Level Agreement which meets all national legal requirements.

Labour agencies should be audited on a regular basis to ensure compliance with national requirements.

## Protection of the environment

Suppliers, sites and growers shall carry out their activities in accordance with national laws, regulations, administrative practices and policies relating to the preservation of the environment of the countries in which they operate as well as in accordance with relevant international agreements, principles, objectives, responsibilities and standards with regard to the environment.

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<p><b>Supplier Requirements and Rating Definitions</b></p> <p>These requirements must be reviewed annually by suppliers.</p> <p><b>Compliant to Policy</b> – all areas achieved</p> <p><b>Minor non-conformance (NC)</b> - Absolute compliance to Sainsbury’s requirements has not been met, but on objective evidence, the conformity of the product is not in doubt and no safety, quality, legal or ethical risk is presented to Sainsbury’s brand or customers.</p> <p><b>Major NC</b> - A substantial failure which requires prompt attention to prevent a safety, legality, quality or ethical issue from arising and / or raises doubt as to the conformity of product.</p> <p><b>Critical NC</b> - Critical failure to comply with a safety, quality, legal or ethical requirement that puts either Sainsbury’s product, Sainsbury’s brand or a Sainsbury’s customer at risk.</p>	<p>For further guidance see Appendix:</p>	<p>Rating based on the evidence gathered to demonstrate compliance</p> <p><b>Critical Non-Conformance (NC)</b></p> <p><b>Major NC</b></p> <p><b>Minor NC</b></p> <p><b>Compliant to Policy</b></p>
<p>a. <b>Communicate ETI Base Code</b> to all workers.</p>		
<p>b. <b>Register all direct production sites on Sedex</b></p> <ul style="list-style-type: none"> <li>• Complete Sedex <b>Self-Assessment Questionnaire (SAQ)</b></li> <li>• <b>Link to relevant Sainsbury’s category on Sedex and grant access rights</b></li> <li>• <b>Enter Sedex site reference number onto Evolve</b> in the following format: <b>ZS0000000</b></li> </ul>		
<p>c. <b>Update Sedex SAQ information</b> at least <b>annually</b></p>		
<p>d. Ensure all production sites have a <b>2-pillar SMETA ethical audit</b> according to their risk rating carried out by a Sainsbury’s approved audit body and other Sainsbury’s requirements:</p> <p><b>High risk:</b> every 12 months</p> <p><b>Medium risk:</b> every 24 months</p> <p><b>Low risk:</b> at TM discretion</p> <p>New site: within 12 months prior to being registered on Evolve</p> <p>Suppliers must directly commission any audit. We also accept Social Accountability International (SA8000) and SIZA audits.</p>	<p align="center"><b>C</b></p>	
<p>e. <b>Close off non-conformances</b> raised through ethical audits via Sedex within the appropriate timeframes as specified on the audit Corrective Action Plan</p> <ul style="list-style-type: none"> <li>• Any overdue Business Critical, Critical or 3 or more Majors will lead to the site being red rated</li> <li>• Suppliers <u>must</u> notify Sainsbury’s within 24 hours of an audit revealing a Business Critical issue</li> <li>• Suppliers <u>must</u> notify Sainsbury’s within 24 hours of any ethical trade related whistle-blower</li> <li>• Ensure all new supplier sites have any Business Critical, Critical, or 3 or more Major NCs closed off before production commences.</li> </ul>	<p align="center"><b>B, C, G, H</b></p>	

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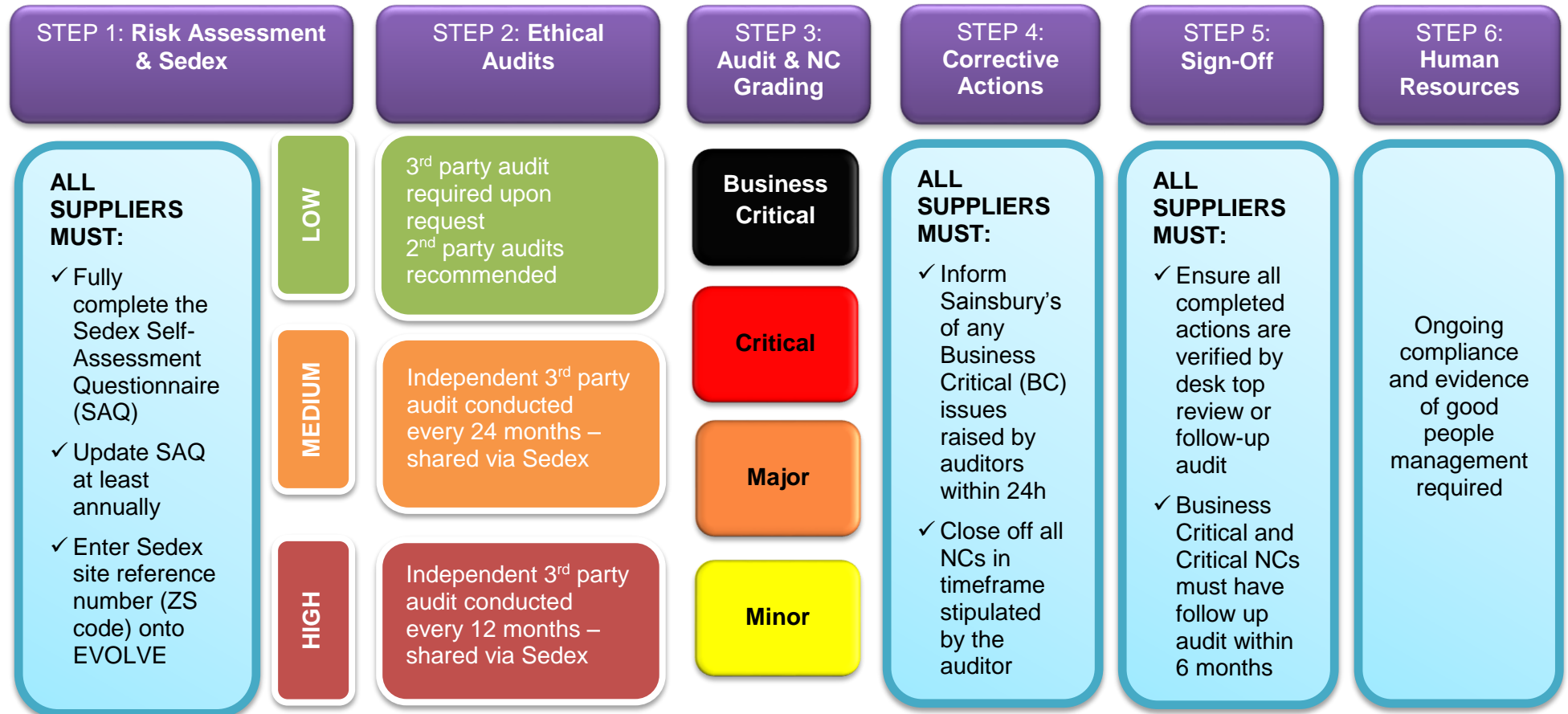
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<ul style="list-style-type: none"> <li>For certain non-conformances which cannot be resolved within the timeframes on the Corrective Action Plan, Sainsbury's will consider a derogation – see Appendix H</li> </ul>		
<p>f. <b>Allocate sufficient resources</b> to ensure all supplying sites and indirect suppliers comply with legal requirements and Sainsbury's Code of Conduct for Ethical Trade. This includes farmers, growers, sub-contractors, agents, homeworkers and labour agencies. This supply chain due diligence can be managed via Sedex or other supply chain management platform or tool.</p>		
<p>g. <b>Develop an ethical trade strategy</b> for own business and supply chain including all suppliers, contractors and labour providers</p>	D, E, I	
<p>h. <b>Labour Providers</b></p> <ul style="list-style-type: none"> <li>Audit labour providers at least annually. <ul style="list-style-type: none"> <li>We recommend using an independent third-party to conduct this audit who is experienced in carrying out assessments of labour providers, using an audit tool specifically designed for that purpose. Clearview certification of your labour provider at the sites that supply Sainsbury's will also be accepted.</li> <li>This due diligence also applies to labour providers used by any third-party sites which you contract with (e.g. raw materials or packaging materials suppliers).</li> <li>Audits must include worker interviews and document checks.</li> </ul> </li> <li>Suppliers must be able to provide copies of labour provider audits on request to Sainsbury's that indicate all relevant legislation is complied with.</li> <li>Where relevant, suppliers must register for the GLAA's Active Check Service for every labour provider covered by a GLAA licence. See <a href="http://laws.gla.gov.uk/Default.aspx?Menu=Menu&amp;Module=Main/ActiveCheckHome">http://laws.gla.gov.uk/Default.aspx?Menu=Menu&amp;Module=Main/ActiveCheckHome</a></li> <li>All UK sites using agency labour are strongly encouraged to attend Stronger Together and TMA J training (see Training Section below). We offer one free place per supplier for Stronger Together.</li> </ul>	F, I	
<p>i. Any <b>accommodation</b> provided to temporary workers must meet at least legal minimum requirements</p> <ul style="list-style-type: none"> <li>For guidance on UK legal minimum, see <i>Guidance on Provision of Caravan Accommodation for Temporary Workers in the UK</i> <a href="http://www.freshproduce.org.uk/services/fpc-publications/">http://www.freshproduce.org.uk/services/fpc-publications/</a></li> </ul>	J	

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## Supplier Management of Ethical Trade Process

All new sites must have an in-date ethical audit before production commences. See Appendix C for guidance on third party ethical audits.



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## Red Rating Criteria for Overdue Non-Conformances

The severity of non-conformances resulting from a site's third party ethical audit will be graded automatically by the Ethical Trade Team using Sainsbury's Grading of Ethical Issues (Appendix B). Suppliers must also grade their own audit non-conformances. Overdue Business Critical and Critical issues and ≥ 3 Major issues will result in a Critical Red rating. Overdue Non-conformances are those that are not closed out within the timeframes specified in the audit report. Non-conformances must be closed off on Sedex, see Appendix C for further guidance.

Rating	Grading of OVERDUE non-conformances			
	Business Critical	Critical	Major	Minor
RED	≥ 1	≥ 1	≥ 3	

## Forms

- Appendix H- Template for recording action plan and progress for exceptional non-conformances
- Appendix J.1 pages 22-30 – Self-help checklist for provision of accommodation
- Appendix J.3 – Worker accommodation risk assessment

## Training Support



**Sainsbury's Technical Management Academy® Workshop H – Ethical Trade** (<http://www.campdenbri.co.uk/training/sainsburys-tma-workshop-h.php>) This course is strongly recommended for all new suppliers and anyone needing a refresher on our ethical trade requirements.

**Sainsbury's Technical Management Academy® Workshop TMA J - Agency Labour and the Prevention of Worker Exploitation** (<https://www.campdenbri.co.uk/training/sainsburys-tma-workshop-j.php>) This course is strongly recommended for all suppliers that use agency labour.

See **Sainsbury's Supplier Ethical Trade Trading Links**, available on Evolve, for a full list of available ethical trade courses, both at Sainsbury's and externally. We encourage you to use the Training Links for internal capability building to help address specific areas you find challenging, or to understand best practice in areas such as human resource management, tackling labour exploitation and health and safety.



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## Modern Slavery

The Modern Slavery Act 2015 requires all companies with an annual turnover of £36 million or more to issue a statement each financial year about the steps taken to address modern slavery and human trafficking across their business and supply chains. Suppliers must comply fully with the provisions of the Act, if they apply to you. All suppliers should be prepared to provide Sainsbury's with information on their actions, including risk assessment, mitigation and training, in order to enable us to prepare our annual Modern Slavery Statement.

## Triggers for Policy Review

- Changes to Sainsbury's policy and procedures
- Changes to national and international legislation
- Changes to the Ethical Trading Initiative (ETI) Base Code
- Changes to SMETA protocol – Sedex Members Ethical Trade Audit
- Changes to Sedex and/ or Sedex risk assessment process

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