



**MORRISONS**

**Ethical Trading Policy**

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## Group Commercial Director's statement

At Morrisons, as both a major retailer and manufacturer, we recognise the responsibility that we share with our suppliers to buy, produce and sell our products in an ethical manner. Our Ethical Trading Policy is a core element of this commitment to responsible sourcing.

We want our customers to be confident that the people who make our products are treated fairly, with respect for human rights and are not exposed to unsafe working conditions. We believe that when ethical standards are in place, this can improve worker wellbeing, productivity and quality, which benefits both our suppliers and our customers. Only suppliers that share our standards and values will be considered appropriate to trade with Morrisons and we seek to develop long-term trading relationships with suppliers based on the principle of fair, open and honest dealings at all times.

This is the second publication of our Ethical Trading Policy and represents our latest requirements on ethical trade. We will regularly review and, where necessary, update the Policy to ensure it remains responsive to our stakeholders' expectations, our business strategy and industry practice.

**Darren Blackhurst**

Group Commercial Director

## Introduction

Morrisons Ethical Trading Policy sets out the standards that we expect to be in place throughout our supply chain. All suppliers are required to comply with our Ethical Trading Code (ETC), which is included in our Supplier Standard Terms & Conditions of Purchase. In addition, all suppliers in the scope of this Policy are required to demonstrate compliance with the ETC, as outlined in the Specific Supplier Requirements below. Detailed in Appendix 1, the ETC is based on the Ethical Trading Initiative (ETI) Base Code, the Fundamental Conventions of the International Labour Organisation (ILO), national and international laws, and sets out minimum standards across the following areas:

1. Employment is freely chosen	2. Freedom of association and the right to collective bargaining are respected
3. Working conditions are safe and hygienic	4. Child labour shall not be used
5. Remuneration	6. Working hours are not excessive
7. No discrimination is practised	8. Regular employment is provided
9. No harsh or inhumane treatment is allowed	10. Entitlement to work
11. Labour Providers	12. Environment

We encourage continuous improvement in meeting these standards and we recognise our suppliers may need time and support to ensure compliance. However where standards are not met, and there is no commitment to improve, we will cease trading with suppliers.

## Scope

All own-brand suppliers and pre-determined suppliers of goods and/or services not for resale supplying into Morrisons Supermarkets Plc and its subsidiaries (Morrisons Group) are in the scope of this Policy. Through Sedex (page 4), we monitor compliance in all **tier-one** sites. Sites beyond tier-one will be risk assessed and included in our monitoring programme where deemed necessary.

## Specific Supplier Requirements

The requirements outlined in this section are in addition to our standard requirements for products supplied to be safe, legal, to the agreed specification, and in line with all applicable industry practice.

**Prior to confirmation of business**, all suppliers in scope are required to:

- Agree with Morrisons which production site or sites will be used for each order: no subcontracting of our orders from these agreed locations is allowed without the express permission of Morrisons, and provided all ethical requirements are met ahead of supply commencing.
- Be registered on Sedex with registered sites of employment for all tier-one sites supplying into Morrisons Group, link to the relevant Morrisons Group subsidiary and share ethical information for all supplying sites.
- Share a valid ethical audit for all high risk sites and either a valid ethical audit or 100% completed Sedex Self Assessment Questionnaire (SAQ) for all low and medium risk sites. We will not work with a supplier or site if we identify significant problems at this initial screening stage and cannot resolve them.

<sup>1</sup> Suppliers providing Morrisons- or Nutmeg-branded product and/or product/services provided exclusively to any of the Morrisons Group.

<sup>2</sup> A manufacturing site where a product is finished ready for supply to the end company.

**Following confirmation of business**, all suppliers in scope will be required to meet the below requirements on an ongoing basis:

- ETI Base Code or approved Code of Conduct must be displayed in a prominent position in all supplying sites in a relevant language(s) and sites should communicate the provisions of the code to workers.
- High risk sites will be subject to full ethical audits every 12 months; we will expect medium risk sites to undertake full audits every 24 months; low risk sites must update SAQs at least every 6 months.
- For each of the non-compliances raised in an audit, corrective actions must be taken within timescales appropriate to the criticality, with systems in place to ensure that they do not re-occur. Suppliers should upload corrective actions to Sedex for auditor verification either by desktop or a follow-up third-party audit. Deadlines for follow-up audits depend on Morrisons grading of audit findings.
- Where sites have demonstrated good practice we will consider extending the audit cycle. However, if suppliers are unable or unwilling to address critical issues, and there is no evidence of improvement, we will terminate the relationship in accordance with our contractual terms.

### **Ethical audit requirements**

<b>Methodology:</b> Ethical audits should be conducted in accordance with the 'Sedex Members Ethical Trade Audit' (SMETA) guidance – minimum 2 pillar. Audits which follow alternative methodologies must be approved in advance by Morrisons.
<b>Audit providers:</b> Audits must be carried out by an approved third-party audit firm agreed in advance with Morrisons.
<b>Semi-announced:</b> We require SMETA audits to be commissioned on a “semi-announced” basis within at least a 15 business day period.
<b>Audit uploading:</b> SMETA audit reports must be uploaded onto Sedex by the audit provider and not by the supplier/site.

Further guidance for suppliers on our Sedex and ethical auditing requirements can be found in our **Supplier Ethical Trading Handbook**.

### **Our approach**

**Sedex:** We are a member of Sedex (Supplier Ethical Data Exchange) which is a web-based system for suppliers to share ethical trading information with their customers, helping to ease the burden on suppliers facing multiple audits, questionnaires and certifications.

We use the Sedex platform to monitor compliance with our Ethical Trading Policy through self-assessment and ethical audit information. We expect all suppliers and sites in scope to register with Sedex and to have ethical processes and policies in place throughout their supply chain.

**Risk assessment:** We use a range of tools, to support the risk assessment of our suppliers and to determine supplier auditing requirements. Information from Sedex alongside advice and insights from external partners including NGOs, Trade Unions and industry, help us assess risk across a number of criteria:

- Country, industry and product area
- Self Assessment and site profile information
- Presence of vulnerable workers e.g. migrant or agency workers
- Commercial factors (e.g. value of business)

**Supplier improvement and training:** We encourage continuous improvement in supplier standards and we regularly track and measure supplier progress. To support continuous improvement we are committed to providing guidance, support and training for our colleagues and suppliers to help build capability to deliver a robust ethical trading programme. We will do this through:

- Supplier training activities and guidance documents to support suppliers to meet the requirements of our Ethical Trading Policy, manage corrective actions, identify root causes and be aware of emerging industry risks and requirements.
- Participation in collaborative initiatives which seek solutions to tackling high risk systemic issues such as hidden vulnerable worker exploitation.
- Training for relevant internal colleagues to understand the requirements of our ethical trading policies and procedures, and their role in supporting suppliers to improve ethical performance.

**Transparency and communication:** We will strive to be open and honest when we work with others and ensure reporting is fair and transparent and will maintain open communication with suppliers. Where appropriate, we will seek to introduce mechanisms where suppliers, workers and other stakeholders can confidentially raise any concerns about breaches of our ETC in the supply base, as well as to receive feedback about our own standards and behaviour. Where grievances and complaints are made about Morrisons Group, we will deal with these fairly and transparently. Similarly, where allegations are made about our suppliers, we will investigate these in a robust and diligent manner and maintain open communication with all parties involved.

**Due diligence:** Morrisons Group reserves the right to undertake due diligence on our audit programme for example through unannounced audits, shadowing third-party audits and site visits by our own Ethical Trading colleagues.

**Purchasing practices:** We will keep our buying practices under review and ensure that our behaviour supports suppliers in complying with our standards.

**Stakeholder engagement:** We will consult stakeholders to understand their perspectives on the impacts of our supply chain, and we will, where appropriate, involve stakeholders in our programmes and projects to improve working conditions and respect for human rights.

**Bribery and corruption:** Morrisons Group is committed to conducting all of its business in an honest and ethical manner. In accordance with the Bribery Act 2010 we operate governance by implementing and enforcing robust policies and procedures to guard against any illegal behaviour. Morrisons acts openly in relation to all of its dealings with customers, colleagues, suppliers and all third party contacts, as detailed in our Anti-Corruption and Anti-Bribery Policy available publically online.

## Appendix 1

### Ethical Trading Code (ETC)

The requirements of the Morrisons ETC constitute minimum and not maximum standards and should not be used to prevent companies from exceeding these standards.

Suppliers shall at all times comply with this code and with all applicable national and international laws, regulations, codes and standards, in the countries where their products are grown, harvested, manufactured, stored and distributed. Where the provisions of law and this Code address the same issue, suppliers should apply whichever provision affords the greater protection.

Suppliers shall ensure, as far as is reasonably practicable, that their suppliers, agent(s), labour providers, subcontractors and consultants, who are directly or indirectly involved in the provision of goods and/or services to any member of the Morrisons Group comply with this code. For each of the elements of this Code, Morrisons expects sites to maintain records in sufficient detail to demonstrate how they are performing. Records should be available for inspection by Morrisons Group, its agents or approved audit bodies on request.

<p><b>1. Employment is freely chosen</b></p> <ul style="list-style-type: none"><li>• There is no forced, bonded or involuntary prison labour.</li><li>• Workers are not required to lodge monetary deposits or their identity papers with their employer and are free to leave their employment after reasonable notice.</li></ul>
<p><b>2. Freedom of association and the right to collective bargaining are respected</b></p> <ul style="list-style-type: none"><li>• Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively.</li><li>• The employer adopts an open attitude towards the activities of trade unions and their organisational activities.</li><li>• Workers' representatives are not discriminated against and have access to carry out their representative functions in the work place.</li><li>• Where the right to freedom of association and collective bargaining is restricted under law, the employer facilitates and does not hinder the development of parallel means for independent and free association and bargaining.</li></ul>
<p><b>3. Working conditions are safe and hygienic</b></p> <ul style="list-style-type: none"><li>• A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards.</li><li>• Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable the causes of hazards inherent in the working environments.</li><li>• Workers shall receive regular and recorded health and safety training and such training shall be repeated for new or reassigned workers.</li><li>• Workers shall be provided with access to clean toilet facilities and to potable water, and, if appropriate sanitary facilities for food storage shall be provided.</li><li>• Accommodation, where provided, shall be clean, safe and meet the basic needs of the workers.</li><li>• The company observing the code shall assign responsibility for Health &amp; Safety to a senior management representative.</li></ul>
<p><b>4. Child labour shall not be used</b></p> <ul style="list-style-type: none"><li>• There shall be no new recruitment of child labour.</li><li>• Companies shall develop or participate in and contribute to policies and programmes which provide for the transition of any child found to be performing child labour to enable her or him to attend quality education until no longer a child; "child" and "child labour" being defined in the appendices</li><li>• Young persons under 18 shall not be employed at night or in hazardous conditions.</li><li>• These policies and procedures relating to Child Labour shall conform to the provisions of the relevant International Labour Organisation (ILO) Standards.</li></ul>
<p><b>5. Remuneration</b></p> <ul style="list-style-type: none"><li>• Wages and benefits paid for a standard working week meet, at a minimum, national legal or industry benchmark standards, whichever is higher. In any event wages shall always be enough to meet basic needs and to provide some discretionary income.</li><li>• All workers shall be provided with written and understandable information about their employment conditions including information with respect to wages before they enter employment, and about the particulars of their</li></ul>

<p>wages for the pay period concerned each time they are paid.</p> <ul style="list-style-type: none"> <li>• Deductions from wages as a disciplinary measure shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All disciplinary measures should be recorded.</li> </ul>
<p><b>6. Working hours are not excessive</b></p> <ul style="list-style-type: none"> <li>• Working hours must comply with national laws, collective agreements, and the provisions defined in the clauses below, whichever affords the greater protection for workers.</li> <li>• Working hours, excluding overtime, shall be defined by contract, and shall not exceed 48 hours per week.</li> <li>• All overtime shall be voluntary. Overtime shall be used responsibly, taking into account all the following: the extent, frequency and hours worked by individual workers and the workforce as a whole. It shall not be used to replace regular employment. Overtime shall always be compensated at a premium rate, which is recommended to be not less than 125% of the regular rate of pay, except where a consolidated rate of pay has been negotiated with worker representation.</li> <li>• The total hours worked in any 7 day period shall not exceed 60 hours, except where covered by the clause below.</li> <li>• Working hours may exceed 60 hours in any 7 day period only in exceptional circumstances where all of the following are met: <ul style="list-style-type: none"> <li>○ this is allowed by national law;</li> <li>○ this is allowed by a collective agreement freely negotiated with a workers' organisation representing a significant portion of the workforce;</li> <li>○ appropriate safeguards are taken to protect the workers' health and safety; and</li> <li>○ the employer can demonstrate that exceptional circumstances apply such as unexpected production peaks, accidents or emergencies.</li> </ul> </li> <li>• Workers shall be provided with at least one day off in every 7 day period or, where allowed by national law, 2 days off in every 14 day period.</li> </ul>
<p><b>7. No discrimination is practised</b></p> <ul style="list-style-type: none"> <li>• There is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.</li> </ul>
<p><b>8. Regular employment is provided</b></p> <ul style="list-style-type: none"> <li>• To every extent possible work performed must be on the basis of recognised employment relationships established through national law and practice.</li> <li>• Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting, sub-contracting and home-working arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.</li> </ul>
<p><b>9. No harsh or inhumane treatment is allowed</b></p> <ul style="list-style-type: none"> <li>• Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidations shall be prohibited.</li> </ul>
<p><b>10. Entitlement to work</b></p> <ul style="list-style-type: none"> <li>• Only workers with a legal right to work in the country should be employed.</li> <li>• For both workers and agency workers, original documents should be reviewed and then returned to workers to verify right to work.</li> </ul>
<p><b>11. Labour Providers</b></p> <ul style="list-style-type: none"> <li>• Labour providers should only supply workers registered with them.</li> <li>• Relationships with Labour providers should be covered by a Service Level Agreement which meets all national legal requirements.</li> <li>• Labour providers should be audited on a regular basis to ensure compliance with all national legal requirements.</li> <li>• Labour providers should not charge workers for finding them a job or for services that are integral to the work-finding process.</li> </ul>
<p><b>12. Environment</b></p> <ul style="list-style-type: none"> <li>• At a minimum, suppliers, sites and growers must comply with the requirements of all local and international environmental laws and regulations including having necessary permits. In addition, they must meet all relevant Morrisons standards relating to the environment.</li> </ul>

## **Appendix 2 – Glossary of definitions**

**Morrison's Group:** Wm Morrison Supermarkets plc and any of its Subsidiaries (as defined in section 1159 of the Companies Act).

**Supplier:** The person/firm/factory/organisation of the goods or services named in the contractual agreement.

**Own Brand Suppliers:** Suppliers providing Morrison's- or Nutmeg-branded product and/or product /services provided exclusively to any of the Morrison's Group.

**Intermediary:** A supplier which sources from third-party sites, which it does not own, to supply into Morrison's Group.

**Site:** Any site of employment e.g. a factory, farm, processing or packing facility where a stage of manufacturing the product occurs.

**Tier-one site:** A manufacturing site where a product is finished ready for supply to the end company.

**Tier-two site:** A manufacturing site that supplies into Tier-one, whether they are owned by the same company or not.

**Confirmation of business:** When a supplier has been awarded the business and accepted our Standard Terms and Conditions of Purchase.

**Third-party audit:** An audit carried out by an individual or organisation who/which is independent of Morrison's Group or the supplier being audited.

**Child:** Any person less than 15 years of age unless local minimum age law stipulates a higher age for work or mandatory schooling, in which case the higher age shall apply. If however, local minimum age law is set at 14 years of age in accordance with developing country exceptions under ILO Convention No. 138, the lower will apply.

**Young Person:** Any worker over the age of a child as defined above and under the age of 18.

**Child Labour:** Any work by a child younger than the age(s) specified in the above definitions, which does not comply with the provisions of the relevant ILO standards, and any work that is likely to be hazardous or to interfere with the child's or young person's education or to be harmful to the child's or young person's health or physical, mental, spiritual, moral or social development.

**Hazardous Conditions :** The following are examples of hazardous work according to the ILO:

- Work which exposes children to physical, psychological, or sexual abuse
- Work underground, underwater, at dangerous heights, or in confined spaces
- Work with dangerous machinery, equipment, and tools, or which involves the manual handling or transport of heavy loads
- Work in an unhealthy environment which may, for example, expose children to hazardous substances, agents, or processes, or to temperatures, noise levels, or vibrations, damaging to their health
- Work under particularly difficult conditions such as work for long hours or during the night or work where the child is unreasonably confined to the premises of the employer.