

SOUND SOURCING CODE OF CONDUCT

FOR THE CO-OPERATIVE GROUP LIMITED SUPPLIERS

FOREWORD

The Co-operative Group was founded on a set of Values and Principles that are just as relevant in today's business climate as they were back in 1844. What has changed is the scope of those businesses as well as the complexity of the environment in which they operate. Back in 1844 we were a small-scale food retailer based in the North-West of England. Today we are a multi-faceted business with around a dozen separate operations, with interests throughout the UK and importing from over 50 countries across the globe.

As a responsible retailer, the Co-operative is committed to building fair and sustainable relationships with its suppliers across its whole supply chain in order to secure decent working conditions for everybody involved in the production of products for the Co-operative Group. We recognise the essential contribution that our suppliers and agents make in achieving our aims and aspirations for sound sourcing.

To ensure that working conditions meet our aims and objectives we have developed our Sound Sourcing Code of Conduct that identifies the standards that we expect to be applied across all suppliers of Co-operative Brand products and those products made exclusively for the Co-operative Group. This Code is based on the ETI Base Code and International Labour Organisation standards. Where agents organise product supply, they have a responsibility to ensure that this Code of Conduct is understood, implemented and applied by those production units for whom they act.

The Co-operative Group expects its suppliers to achieve continual improvement in these workplace and employment standards. In doing this the Group wishes to work in partnership with its suppliers rather than operating sanctions. Suppliers should aim to exceed these defined standards, which are intended as the minimum acceptable. Where a review of the conditions in place indicates areas where development is necessary, we will agree with the supplier a programme to deliver this and to sustain any improvements. Any such programme will consider the impact these improvements will have on the supplying company, its workforce and the wider business. These improvements may call for corrective or remedial action within defined and agreed time periods.

In achieving these goals, our aim is to demonstrate that all production sites, which provide Co-operative Brand products, operate ethically and have a genuine commitment to the Sound Sourcing Code, thereby ensuring decent working conditions for everyone associated with producing goods for the Co-operative



Peter Marks
Chief Executive
Co-operative Trading Group

SOUND SOURCING CRITERIA - The ETI Base Code

1. EMPLOYMENT IS FREELY CHOSEN
 - 1.1 There is no forced, bonded or involuntary prison labour.
 - 1.2 Workers are not required to lodge "deposits" or their identity papers with their employer and are free to leave their employer after reasonable notice.
2. FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING ARE RESPECTED
 - 2.1 Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively.
 - 2.2 The employer adopts an open attitude towards the activities of trade unions and their organisational activities.
 - 2.3 Workers representatives are not discriminated against and have access to carry out their representative functions in the workplace.
 - 2.4 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.
3. WORKING CONDITIONS ARE SAFE AND HYGIENIC
 - 3.1 A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. 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 environment.
 - 3.2 Workers shall receive regular and recorded health and safety training, and such training shall be repeated for new or reassigned workers.
 - 3.3 Access to clean toilet facilities and to potable water, and, if appropriate, sanitary facilities for food storage shall be provided.
 - 3.4 Accommodation, where provided, shall be clean, safe, and meet the basic needs of the workers.
 - 3.5 The company observing the code shall assign responsibility for health and safety to a senior management representative.
4. CHILD LABOUR SHALL NOT BE USED
 - 4.1 There shall be no new recruitment of child labour.
 - 4.2 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 and remain in quality education until no longer a child; "child" and "child labour" being defined in the appendices.
 - 4.3 Children and young persons under 18 shall not be employed at night or in hazardous conditions.
 - 4.4 These policies and procedures shall conform to the provisions of the relevant ILO standards.

The **co-operative**

5. LIVING WAGES ARE PAID

- 5.1 Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.
- 5.2 All workers shall be provided with written and understandable Information about their employment conditions in respect to wages before they enter employment and about the particulars of their wages for the pay period concerned each time that they are paid.
- 5.3 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.

6. WORKING HOURS ARE NOT EXCESSIVE

- 6.1 Working hours comply with national laws and benchmark industry standards, whichever affords greater protection.
- 6.2 In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every 7-day period on average. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate.

7. NO DISCRIMINATION IS PRACTISED

- 7.1 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.

8. REGULAR EMPLOYMENT IS PROVIDED

- 8.1 To every extent possible work performed must be on the basis of recognised employment relationship established through national law and practice.
- 8.2 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, or 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.

9. NO HARSH OR INHUMANE TREATMENT IS ALLOWED

- 9.1 Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation shall be prohibited.

LEGAL REQUIREMENTS

The Co-operative Group Limited requires that suppliers, agents and anybody involved in the manufacture of goods or the provision of services to its businesses, shall meet all the legislation applicable to those activities. The Co-operative Group Limited's suppliers must comply fully with the labour, health and safety and other pertinent laws in the countries where these products are grown, harvested, manufactured, stored and distributed. Suppliers must also be able to demonstrate that compliance.

As part of this duty, suppliers must keep abreast of changes in legislation, identifying and implementing operational and management changes to maintain compliance.

The provisions of this Code constitute minimum and not maximum standards, and this code should not be used to prevent companies from exceeding these standards. Companies applying this Code are expected to comply with national and other applicable law and, where the provisions of law and this Code address the same subject, to apply that provision which affords the greater protection.

Any communication in respect of this Code of Conduct or any Co-operative Group Limited Code will be treated in the strictest of confidence.

RECORDS

For each of the Sound Sourcing Criteria and elements of this Code, the Co-operative Group Limited expects production sites to maintain records in sufficient detail to demonstrate how the site is performing against provisions of the Code. These records should be available for inspection by the Co-operative Group Limited, its agents or approved audit bodies on request.

AUDIT ACTIVITY

The Co-operative Group Limited, its agents or approved audit bodies, will routinely review suppliers' practice and achievements against the principles of this Code. This may be by site audit, potentially linked to audits reviewing quality parameters, or by other means as advised to the supplier. Where issues are identified, appropriate corrective or remedial actions within defined and agreed timeframes must be put in place.

The Co-operative Group Limited will ensure that any personnel evaluating suppliers against this Code on its behalf are effectively trained, and aware of the issues surrounding and principles of Sound Sourcing.

The Co-operative Group Limited will advise suppliers of its intention to audit any site, although the Co-operative Group Limited reserves the right to undertake unannounced audits, if deemed necessary. Where suppliers are required to share an independent social audit with the Co-operative Group, these audits will need to be in accordance with approved auditing protocols and conducted by approved auditing bodies.

CRITICAL ISSUES

Where any review highlights serious instances of failure to comply with the Code, an immediate corrective action plan to address the issue on a continuous improvement basis will be required. A failure to instigate appropriate and timely action may result in termination of the Co-operative Group Limited's Supply Agreement and the supply of the products involved.

DEFINITIONS

Audit

A systematic examination to substantiate the extent to which activities and related results comply with a defined standard and whether planned arrangements are implemented effectively and are suitable to achieve objectives.

Auditor

A body, organisation or individual approved to conduct audit activities.

Child

Unless otherwise defined by local legislation, any person less than 15 years of age.

Explanatory Note

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 age will apply.

Child Labour

Any work carried out by a child as defined above.

Code of Conduct

This document, which defines the standards to which the Co-operative Group Limited expects its suppliers to operate and describes how the Co-operative Group Limited will work with its suppliers to achieve and maintain these standards.

Corrective Action

Measures taken to address unacceptable standards or to prevent recurrence of a non-compliance.

Forced Labour

Work or service undertaken by a person under duress or menace of penalty in circumstances where the person has not offered him/herself voluntarily.

Inspection

A systematic examination against a standard involving professional judgement to determine the extent of compliance.

Monitoring

A continuous activity involving the collection and documentation of information obtained by observation.

Remedial Action

Measures taken to redress a non-compliance.

Standards

Defined requirements for compliance, which may be adjusted to conform to the legal standards or local industry norms, which would apply to a supplier.

Supplier

A person, firm, factory or organisation who/which forms a commercial link with the Co-operative Group Limited to provide goods or services.

Third Party Audit

An audit carried out by an individual or organisation who/which is independent of the supplier being audited.

Verification

A process of independent assessment or inspection to ascertain and confirm the substance of an inspection or audit report.