



Supplier Ethical Trading Handbook

Version 3.1

June 2018

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Introduction to the Handbook

In line with Morrisons commitment to responsible sourcing, the purpose of this Handbook is to provide a variety of information and resources to suppliers on how best to implement our Ethical Trading Policy (October 2015).

It offers practical advice on using Sedex, ethical monitoring of your supplying sites, preparing for an ethical audit and how we grade sites' ethical performance. This Handbook is a supporting text to our Ethical Trading Policy so we recommend that you familiarise yourself with both documents in parallel. As you go through, please also be aware of the referenced Sedex guidance documents, available in the Sedex Advance Knowledge Hub once you are a Sedex member.

Our Ethical Trading Policy

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

The **Ethical Trading Policy** sets out our requirements for all own-brand suppliers to demonstrate compliance with our **Ethical Trading Code**. Own-brand suppliers include suppliers providing Morrisons- or Nutmeg-branded products and/or product/services provided exclusively to any of the Morrisons Group, which includes those where Morrisons Group is responsible for the import of products.

Depending on an assessment of risk, suppliers will either be required to demonstrate compliance through an independent ethical audit (high risk and medium risk), or via self-assessment information. For prospective supplying sites determined as **high risk**, we will require an ethical audit *before* confirmation of business. The detailed requirements are set out in the Ethical Trading Policy.

The Ethical Trading Code is incorporated into our standard terms and conditions of purchase for all suppliers and sets out the following key rights for workers:

- Employment is freely chosen
- Freedom of association and the right to collective bargaining are respected
- Working conditions are safe and hygienic
- Child labour is not used
- Wages and benefits paid for a standard working week meet national, legal or industry benchmark standards (as a minimum)
- Working hours are not excessive
- No discrimination is practiced
- Regular employment is provided
- Harsh or inhumane treatment is not used
- Only workers that have a legal right to work are employed
- Use of labour providers is responsible
- Environmental norms and legislation are respected

What does Morrisons expect?

We expect all own-brand suppliers, including prospective suppliers, to read the Policy, be familiar with Morrisons requirements, and ensure compliance with the standards in their own operations and in their supply chains.

Where can you find it?

- www.morrisons-corporate.com/policy/
- MCreate or Greenlight Supplier Approval System (depending on product category)
- Your commercial or technical contacts at Morrisons UK, Morrisons Global Sourcing or Nutmeg Clothing can provide a copy
- Ethical Trading team – ethical.trading@morrisonsplc.co.uk

Sedex

How to join Sedex:

There are three types of membership available that reflect the different types of businesses in the global supply chain. You will need to join either as a Buyer, Buyer/Supplier or Supplier member, as detailed in the table on the below¹.

Table 1: Which Sedex membership do I need?

Membership type:	Buyer	Buyer/Supplier	Supplier
Function	View and run reports on your suppliers' data	Enter and share ethical data for your sites; view and run reports on your suppliers' data	Enter and share ethical data for your sites of employment
Who is it for?	<ul style="list-style-type: none"> · Retailers · Consumer brands · Government organisations · Charities 	<ul style="list-style-type: none"> · First tier suppliers · Large manufacturers · Agents/Importers · Service providers 	<ul style="list-style-type: none"> · Farms and growers · Factories · Small manufacturers · Production sites

¹ Buyer, Buyer/Supplier, or Supplier memberships were previously known as A, A/B, or B memberships, respectively, prior to the launch of Sedex Advance on 26.10.2015.

Typically most of our suppliers are Supplier members, at an annual cost of £100 per site. A Supplier membership will enable you to upload, store and share ethical information about your sites, with as many customers as you choose to link to. Any agents or suppliers with more than 10 supplying sites are encouraged to adopt a Buyer/Supplier membership, which will allow you to view the information of suppliers in your supply chain. In this instance, the annual fee is based on company turnover and if you are considering this option, you should contact Sedex at new.business@sedexglobal.com for more information.

Joining Sedex

- Follow this link to begin your Sedex registration: www.sedexglobal.com/join-sedex/membership-options/
- Choose how many manufacturing sites you need to register and how many years membership you want to pre-pay for (£100, p/site, p/year)
- Once you have a Sedex membership, you will need to create and setup your site/sites of employment.
- Ensure all your suppliers and relevant sites that supply into Morrisons also become Sedex members as described above; it is the agent/intermediary's responsibility to support the sites they source from to complete these steps.
- If you need any assistance with the Sedex membership process, please contact the Sedex Helpline on **+44 (0)20 7902 2320 (for Europe) or +86 (0)21 8031 1666 (for China)**.

Self-Assessment Questionnaires (SAQs)

What are they?

Once you have completed the steps above for all sites due to supply Morrisons, an SAQ needs to be completed for each site.

The nature and volume of questions within an SAQ vary depend on the industry sector; your SAQ sector will be decided by the "Site Function" field in your site set up.

Morrisons SAQ requirements:

- We expect all SAQs to be 100% complete and up to date for each site supplying Morrisons; we recommend you review the SAQ **every six months** and be aware that **if an SAQ is incomplete, it may affect the risk associated with the site**
- The SAQ should be completed by someone from the site itself, not a supplier representative
- We recommend allowing one day to complete an SAQ

Linking to Morrisons on Sedex

What does linking mean?

Linking to the correct Morrisons subsidiary on Sedex means you allow Morrisons access to view your business and selected sites' ethical information. To create a link to Morrisons, the supplier should "Initiate a relationship" on the Sedex platform. **All potential suppliers are required to link and share information before confirmation of business to allow for a risk assessment to take place.**

To initiate a direct relationship:

- Go to "Company" > "My Relationships" and select "Initiate a relationship"
- Type the name of the Morrisons subsidiary you need to link to (see Table 2 below); choose if this is your customer or supplier and if the relationship is direct or indirect
- You should then set a site's visibility to Morrisons as advised by your Morrisons contact; we recommend providing access to site details, contacts, SAQ *and* audit therefore checking *all* the boxes in the matrix

To initiate an indirect relationship:

- Go to "Company" > "My Relationships" and select "Link suppliers to customers"
- Select the appropriate Morrisons subsidiary as your customer and the supplier organisation which supplies Morrisons indirectly, and click "Yes" to confirm the proposed indirect relationship
- Inform your Morrisons contact of the initiated link; Morrisons will accept the link at our end
- Then inform the indirect supplier to Morrisons of the initiated link; instruct them to go to "Company" > "My Relationships", to validate the request and finalise the indirect trading relationship

Table 2: Which Morrisons subsidiary should I link to?

Morrisons Food	ZC1092491	Morrisons Global Sourcing	ZC1092735
Morrisons Non-Food	ZC1091937	Morrisons Produce	ZC1092737
Morrisons GNFR	ZC1092309	Morrisons Manufacturing	ZC1092961
Nutmeg Clothing	ZC1092306		

What happens if we are not awarded business?

- Commercial, technical and ethical information is reviewed as part of the new supplier approval process and informs Morrisons decision making about awarding business. If you are unsuccessful, we ask that the supplier and/or site immediately "Rejects" the link between the site and Morrisons to ensure you are not sharing confidential information with us on the system.

Ethical Audits

What is an ethical audit?

An ethical audit is a formal review of the labour practices of a particular workplace or company. It is a verifiable process to understand, measure, report on, and help improve an organisation's social and environmental performance. It will involve one or more auditors visiting your site to interview site management and workers and review documentation. It will be conducted to best practice standards of auditing and the audit length is determined by the size of the site.

Morrisons preferred audit methodology is SMETA (min. 2 pillar). Where a SMETA audit is not available, we may accept BSCI and ICTI-CARE audits but these must be approved in advance with your Morrisons ethical trading contact. For further information on our specific requirements for an audit to qualify as valid, please refer to page 4 of our Ethical Trading Policy.

Who needs an ethical audit?

Morrisons audit requirements of potential and existing supplying sites, depend on the risk rating assigned to the site by Morrisons. The audit requirements for each risk level are as follows:

- **High** risk sites should share a valid ethical audit *before* confirmation of business and continue on an annual audit cycle if awarded business
- **Medium** risk sites should share a valid ethical audit every two years once a Morrisons supplier
- **Low** risk sites should maintain an up to date SAQ
- **For all current supplying sites sharing audits:** Once you are in an ethical audit cycle with Morrisons, depending on your audit grade and issues found (Red, Amber or Green), partial follow up audits *may* be required to verify corrective actions
 - Morrisons approach to audit grading can be found in the “**Audit Grading**” section on page 10 and in **Appendix 1**, and for guidance on verification of issues please see the “**Audit Follow up**” section, page 11.

How to book an ethical audit?

Please contact one of the approved auditing companies below to request a quote for a SMETA audit in line with Morrisons requirements.

Table 3: Morrisons Approved Auditing Companies and Contacts

Bureau Veritas
Please use the online booking system to arrange a quotation: www.bureauveritas-cps.eu/ethicalaudit/ Further information at: www.bureauveritas-cps.eu
Intertek
Please contact Alison Rodger to arrange a quotation: alison.rodger@intertek.com Further information at: www.intertek.com/consumer/auditing/smeta/

Verner Wheelock
Please contact Samantha Day to arrange a quotation: samantha.day@vwa.co.uk Further information at: www.vwa.co.uk
SGS
For Nutmeg clothing sites: Please use the following email address to arrange a quotation: gb.nutmeg@sgs.com For all other sites: Please contact Jade Francis to arrange a quotation: jade.francis@sgs.com Further information at: www.sgs.com/en/sustainability/environment/environmental-audits/smeta-audits
Partner Africa
Please contact Benjamin Gatland to arrange a quotation: bgatland@partnerafrica.org Further information at: www.partnerafrica.org/services-overview/ethical-audits
Impactt
Further information at: https://impacttlimited.com/services/ethical-assessments
DNV GL
Further information at: https://www.dnvgl.com/services/sustainable-sourcing-11204
UL
For Morrisons Global Sourcing sites, please contact Grace Wang to arrange a quotation: grace.wang@ul.com Further information at: http://services.ul.com/service/social-responsibility-and-accountability-auditing/
BSI
Further information at: https://www.dnvgl.com/services/sustainable-sourcing-11204

In the instance that a site wishes to consider commissioning an audit with a firm not included in the list above, they should contact their ethical trading contact and the query will be considered on a case-by-case basis. Morrisons decision is final.

Types of Ethical Audit:

Depending on a site's individual circumstances, your Morrisons contact will be able to advise on the type of audit required if you are unsure. This may be any of the following:

Full Initial Audit: Necessary for those sites which have never had an ethical audit.

Periodic Audit: This is usually a full audit used to monitor supplier sites on an on-going basis (audit cycle). The intervals between periodic audits may vary depending on the individual member.

Full Follow-up Audit: This describes an audit where the extent of the non-compliances found at a previous audit requires a full site audit to verify the corrective actions, in the context of the previous audit.

Partial Follow-up Audit: This describes an audit where the auditor visits a site but only checks progress against issues found during a previous audit. This type of audit **will not reset** the audit cycle.

Desktop Follow-up: Used to check progress or verify corrective actions which can be reviewed remotely by an auditor e.g. through photographic evidence or documents provided via e-mail. This type of audit **will not reset** the audit cycle.

For further full and comprehensive guidance on all aspects of undergoing an ethical audit, please refer to the “SMETA Best Practice Guidance” - [smeta best practice guidance v6](#)

Audit upload and publishing:

After the audit has been completed, it needs to be uploaded onto Sedex by the audit firm to share with customers.

If you are unsure of how to get your audit uploaded onto Sedex and published for customers to see, your contact at the audit firm should be able to advise.

Audit grading

Our approach to grading:

Once an audit is uploaded by the auditor, published by the supplier and shared with Morrisons, Morrison will grade your audit report as RED, AMBER or GREEN based on the volume and criticality of any issues found.

0-9 MINOR NCs	1-9 MAJOR NCs OR 10+ MINOR NCs	1+ CRITICAL NCs OR 10+ MAJOR NCs
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Criticalities:

Morrisons bases the criticalities of issues upon the SMETA Critical/Major/Minor matrix.

- We also take into account the detailed information provided in the audit report. For example, depending on whether the issue highlighted is systemic or isolated we may elevate or downgrade the criticality. Similarly, if we believe the issue poses either a more immediate or lower risk to workers' health, safety and wellbeing than the issue title describes we may elevate or downgrade the criticality accordingly.
- Where alternative audit methodologies are accepted, we will seek to align the grading of issues found to the above approach.

Communicating your grade:

We expect new audits to be visible in Sedex within **10 working days** of the date of the audit. We will communicate your grade to you, normally **within seven days** from when the audit report is shared. We expect you to correct all non-compliances that are raised in the audit; however you should prioritise the most serious issues first.

What your grade means:

The grading of your audit is used to determine re-audit cycles, track improvements and contributes towards supplier performance management and commercial decision making.

Depending on your grade, we may require a partial or full follow-up audit to verify any 'follow-up' issues, which your ethical trading contact will communicate at the same time as your grading.

Audit follow up

For all non-compliances found, we expect active use of the Sedex system to upload your planned corrective actions and once plans are completed, the evidence to show that corrective actions have been implemented effectively. Morrisons will monitor sites' progress in addressing any issues found by referring to the status of the corrective action for each issue, and the status of the issue itself.

The site should aim to complete the corrective actions by the timelines the auditor provided, but in the case of a delay, it's important that you, the supplier, keep your Morrisons ethical trading contact informed of any outstanding issues and progress.

Issues can be designated as needing **Desktop** verification or **Follow up** verification by the auditor. Morrisons require the following actions to be taken for either scenario:

Desktop issues

- Submit updates on corrective actions for each issue on Sedex and mark as "Planned", "In Progress" or "Completed"
- Once completed, ensure the relevant evidence of completion is uploaded, mark the corrective action as "Completed" and crucially – *click to submit evidence to the auditor* to review and verify remotely

Follow up issues

- Again, submit updates on corrective actions for each issue and mark as "Planned", "In Progress" or "Completed"
- Follow up issues should be verified through an independent full or partial follow-up audit; the grading of the audit as communicated by your Morrisons ethical trading contact, will determine the deadline for arranging an audit to verify follow-up issues (see Appendix 1)
- Morrisons advise that sites allow plenty of time to book a follow up audit with an approved auditor (see **Table 3**) and request that suppliers inform their Morrisons ethical trading contact (ethical.trading@morrisonsplc.co.uk) when a date for a follow-up audit has been confirmed
- As with desktop issues and regardless of the corrective actions deadlines provided, we expect sites to proactively implement their corrective actions and upload evidence on the Sedex platform (see below); this will enable Morrisons to see the progress being made

Verification & re-audit:

Once any issues are verified, your Morrisons contact will be able to acknowledge the improvements and will confirm the renewal date of the site's next full audit, **which we expect the supplier, with the site, to manage and arrange on time** (annual for high risk, biennial for medium risk).

Where a follow up audit reveals outstanding or new issues, Morrisons requires the site to again invest in continuous improvement, upload and share the planned corrective actions on Sedex and, depending on the grade, book a further follow up audit. Where sites are consistently unable or unwilling to make improvements we reserve the right to cease trading. (See Appendix 1).

Full details of how Morrisons determines if a follow up is required, is detailed in Appendix 1 "Audit grading table".

Continuous improvement:

We expect sites to recognise and commit to addressing any issues identified in an audit. As long as suppliers can demonstrate their commitment to continuous improvement, that they have practical plans in place, and that progress is being made, we will continue to trade with the supplier.

Where there is consistently no evidence of improvement and sites are not able to provide an explanation, we may elevate a grading, or place a site under review, and ultimately we reserve the right to cease trading with an organisation. More details in Appendix 1, at the end of the document.

Transparency and dialogue:

Whatever issues are found, we encourage suppliers to understand the root cause to help successfully implement sustainable improvements. We also encourage transparency and dialogue with suppliers. Where issues are identified which require longer-term improvements, we would prefer to work with sites that are open about the issues and commit to address them on a continuous improvement basis, rather than be unable to verify practice through inconsistent or unavailable records.

Further help and guidance

If you have any questions relating to Morrisons Ethical Trading Policy or Handbook, please email: ethical.trading@morrisonsplc.co.uk

If you have any questions relating to Sedex, we recommend contacting the relevant helpdesk:

China +86 (0)21 6103 1622, helpdeskchina@sedexglobal.com

Europe +44 (0)20 7902 2320 helpdesk@sedexglobal.com

The **Sedex Advance Knowledge Hub** also provides a wealth of guidance packs and training materials.

Appendix 1: Audit grading table

GRADE	CORRECTIVE ACTIONS	VERIFICATION/AUDIT REQUIREMENTS	PERFORMANCE MANAGEMENT
GREEN: 1-9 MINOR NCs	<ul style="list-style-type: none"> All issues should be resolved in line with the corrective action plan with evidence uploaded onto Sedex. 	<ul style="list-style-type: none"> Where corrective actions can be verified remotely, these actions should be submitted for auditor desktop verification. Follow-up issues can be verified at the next periodic audit. 	<ul style="list-style-type: none"> To incentivise best practice, we will review auditing requirements for any sites with consecutive full green audits to consider extending the audit cycle.
AMBER 1-9 MAJOR NCs OR 10+ MINOR NCs	<ul style="list-style-type: none"> As per GREEN audits, plus for all MAJOR issues, we expect suppliers to upload their planned actions within 15 working days into Sedex, detailing how they will implement improvements. Sites should regularly update Morrisons on progress. 	<ul style="list-style-type: none"> Where corrective actions can be verified remotely, actions should be submitted for auditor desktop verification. We may require a follow-up audit to verify progress or we may accept an alternative programme of continuous improvement with verification at the next annual audit. This depends on a number of factors including: <ul style="list-style-type: none"> nature of issues found (risk to workers and whether issue will require longer term improvement) supplier commitment and transparency worker involvement other potential forms of verification (e.g. Morrisons site visit). Morrisons decision is final. 	<ul style="list-style-type: none"> Factories receiving two consecutive full Amber audits will be graded as Red if there is no evidence of any improvements.
RED 1+ CRITICAL NCs OR 10+ MAJOR NCs	<ul style="list-style-type: none"> As per GREEN audits, plus for all CRITICAL and MAJOR issues, we expect suppliers to upload their planned actions within 10 working days into Sedex, detailing how they will implement improvements. Sites should regularly update Morrisons on progress. 	<ul style="list-style-type: none"> Where corrective actions can be verified remotely, actions should be submitted for auditor desktop verification. Partial or full follow up audit required to verify follow-up issues once the deadline for addressing the issues has passed and no later than 6 months from the date of the Red audit. 	<ul style="list-style-type: none"> On receiving a second red audit, we will place sites under review to consider what progress is being made against critical issues found. If no progress has been made and we cannot be confident that improvements will be made, we will cease trading with the supplier on their third red audit.

Appendix 2: Zero Tolerance issues

We take a 'zero tolerance approach' where severe breaches of our Ethical Trading Code standards occur, and these breaches must be addressed immediately. This does not mean Morrisons will instantly 'cut and run' from a supply relationship, but that immediate action must be taken to investigate and remediate the conduct. Where a zero tolerance issue(s) is identified suppliers/sites must:

- Share within **three working days** their corrective action plan to ensure immediate improvements.
- Maintain regular contact on how improvements are being implemented.
- Ensure responsible remediation to sensitive issues involving, where necessary, a trusted and experienced third-party, at the supplier's expense.
- Undertake an unannounced SMETA audit within **4-6 weeks** to demonstrate effective and responsible remediation to the zero tolerance issue(s).

If the zero tolerance issue(s) is resolved/significant progress is made, the site must demonstrate an ongoing commitment to maintaining management systems, monitoring, training and remediation to ensure that the zero tolerance issue does not reoccur and that corrective actions against any other non-compliances found are taken within timescales appropriate to the criticality.

If the site is unwilling to make improvements and/or no improvements are observed, the trading relationship will cease.

Zero tolerance issues include:

<ul style="list-style-type: none"> - Use of child labour. - Use of trafficked or bonded labour or use of prison labour outside of government approved schemes. - Physical abuse, extreme verbal abuse or sexual harassment, sexual abuse or taking sexual favours as bribes. - Unreasonable personal body searches. - Employees working without payment. - Union members or worker representatives actively harassed or prevented from fulfilling their function. - Enforced medical testing for pregnancy, HIV etc (except where required by law) and subsequent discriminatory action being taken e.g. refusal of employment, sacking pregnant or sick workers etc. - Excessive working hours. 	<ul style="list-style-type: none"> - Evidence of immediate serious structural or fire risk in the factory or accommodation. - Evidence of undeclared subcontracting. - Evidence of homeworking. - Provision of false information to hide the real conditions in the factory (evidence of actual double books etc.). - Attempts to subvert the audit by: <ul style="list-style-type: none"> - Refusing access to all or part of the facility - Interfering with the work interview process - Taking retaliatory action against workers who have provided information to auditors - Attempts to bribe auditors.
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Appendix 3: New Supplier/Site process chart

New Suppliers to Morrisons:

All proposed new suppliers to Morrisons must complete the following steps before becoming approved and being awarded business. All relevant guidance needed to complete these steps can be found throughout the Supplier Ethical Trading Handbook.

Join Sedex as a Supplier member and if you intend to source from third party sites, support them in joining Sedex too.



Add a site of employment/support your supplier in adding their sites of employment, and add all sites' required site information.



Ensure there is an accurate SAQ completed for all sites intended to supply Morrisons.



Create a direct link to Morrisons and support any third party supplying sites in creating an indirect link to Morrisons (find the correct Morrisons subsidiary in the table below).



Set the appropriate access rights so that you have shared all the required ethical information with Morrisons.



If the sites in question already have an ethical audit, we encourage you to also share this with Morrisons on Sedex, at this point.



Your Morrisons ethical trading contact will be in touch with the result of our risk assessment, whether we require visibility of a valid ethical audit, and any additional information.

Morrisons Food	ZC1092491	Morrisons Global Sourcing	ZC1092735
Morrisons Non-Food	ZC1091937	Morrisons Produce	ZC1092737
Morrisons GNFR	ZC1092309	Morrisons Manufacturing	ZC1092961
Nutmeg Clothing	ZC1092306		