

Managing Risk

Understanding the challenges

Many labour rights violations in global supply chains are systemic and require not just coordinated joint action, but an understanding of root causes. As outlined in the United Nations Guiding Principles on Business and Human Rights (UNGP), while companies have a duty to respect human rights, governments also have their role to play to protect workers' rights, including their right to organise and represent themselves.

We recognise that stable business relationships are essential to the observance of good labour practices. We 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 avoid exerting undue pressure. But we recognise that even under these circumstances, and where legal minimum standards are complied with, workers can still experience in-work poverty. We are striving to address this through our new sourcing strategies and international development work. We know that women face additional barriers to decent work, due to unequal gender norms and women's greater share of unpaid care work. We have begun to explore how we can address some of those barriers through our project work and [research](#) sponsored by the ETI.

We believe that improving labour standards in supply chains is a responsibility that should be shared with suppliers. All new supplier sites must have an independent, third-party ethical audit. This analysis helps us determine a supplier's eligibility to work with us.

- We work with the Supplier Ethical Data Exchange (Sedex) to manage suppliers' social compliance audit performance
- Corrective actions which are identified through audits are resolved in a timely manner by suppliers with support from our Ethical Trade and Technical teams
- Our teams visit suppliers throughout the year to ensure that our ethical requirements are being met and provide support on ethical issues where required. We conduct thousands of visits to our suppliers every year
- Close monitoring of suppliers means that we are able to identify trends of common and upcoming issues
- We support the Association of Professional Social Compliance Auditors ([APSCA](#)), the industry initiative created to enhance the professionalism, consistency and credibility of individual social compliance auditors and organisations performing independent social compliance audits, and to promote the use of independent social compliance audits as a tool to advance workplace conditions for workers globally

Sedex

Sedex provides us with data on a 4-weekly basis in relation to our suppliers' ethical trade compliance, allowing us to compare across and within product categories. Annually, we also benchmark our performance against our industry peers. Most of our Sedex data currently relates to our first tier of production, however we are working hard to increase the data captured on the lower tiers of our high- risk supply chains. Almost all our key direct suppliers are AB members of Sedex and have the ability to track their suppliers' performance and are starting to share that information with us.

Through Sedex we are able to track and monitor the ethical trade performance of our direct grocery supplier sites as well as disaggregated information by gender and type of worker i.e. permanent or temporary. We have more than 350,000 workers in the first tier of our Sainsbury's brand grocery supply chain, over 45% of which are female. We know that the proportion of women working in lower tiers in our supply chain is significantly higher such as in tea, nuts, and fruit farming, and we are working to increase our visibility of those tiers and engage with suppliers and growers directly. We have the highest percentage of female agency workers in our European direct suppliers, followed by Asia. While 8% of agency workers in our first-tier European suppliers are female, 10% of tier 1 agency workers in Europe are male.

78% of sites

with a trade union or worker committee*

*Tier 1 food, general merchandise and clothing supplier sites

While standard social audits may be appropriate and helpful to uncover some issues, such as around health and safety, we recognise the limitations of social audits to identify hidden practices of labour exploitation and therefore focus much of our efforts and resources on collaborative initiatives which can drive change at industry level, such as [Stronger Together](#). Most of these initiatives require pooling pre-competitive data, usually with other retailers sourcing from the same country and sector identified as high risk. Examples of this include our Egyptian Supplier Roundtable, the annual Spanish supplier forums, the Better Strawberries project in Morocco and the Issara Institute. All these collaborative initiatives require participants to share data about their suppliers and the salient human rights risks that we, and our suppliers, have identified. We do this in order to understand country and sector risk better and pool together resources to create an action plan and implement solutions to what are often industry-wide challenges.

We offer positive incentives to suppliers that demonstrate continuous improvement in labour standards through benchmarked progress tracking via 4-weekly Sedex reporting, which helps our colleagues make decisions on sourcing and volumes. We have a 'Supplier Red Rating' process, whereby colleagues can red rate a site if they find serious non-conformances against our Code of Conduct. Red ratings are always followed up by the ethical trade team and include regular follow-ups with the supplier to determine root causes and help provide solutions that benefit the workforce.

As a business, we take a collaborative and supportive approach when serious issues are raised, rather than cutting off the relationship. We seek to help suppliers on their ethical journeys and support them through regular meetings, capacity building and forums. An example which we're particularly proud of, is our work with a large fruit supplier in Kent which led to the introduction of [new guidance on accommodation](#) for caravans and static homes for seasonal temporary workers the UK. There have been other examples of chicken producers in Thailand, and a large packaged goods supplier of juice and canned products, where rather than disengaging the supplier when they had challenges, we worked with them and encouraged an investment in resource and systems to address the issues. The packaged goods supplier recently became a member of the HI.

Our Exceptional Non-Conformance Plans (ENCP) process has been very useful as a method to escalate hard-to-remediate issues such as working hours and wages. These were issues where we were not seeing improvements because of unrealistic timeframes to close issues out. So, we engage in a dialogue with senior, group-level management at the supplier, around root cause analysis and escalate these issues within their organisations, often to Board level so decisions can be made. This carefully managed process allows suppliers to extend the time to remediate a small number of non-conformances - up to a maximum of 12 months - as long as they update us with a very detailed and time-bound plan for remediation. Many of the issues require escalation to the Board for sign off, as significant investments are required. Well over 30,000 workers have benefited from this process to date.