

# **KFC Western Europe** **Ethical Sourcing Policy**

**Our vision**

We acknowledge the responsibility we share with our suppliers to further improve the rights and welfare of workers and any community who produce products and ingredients for KFC. Our ambition is to work with our suppliers to ensure best ethical business practice and we will therefore only work with those who share our values and uphold welfare legislation and internationally agreed standards on human rights and labour, most notably the Universal Declaration of Human Rights as a minimum. The required standards we set out here are consistent with the internationally agreed conventions and recommendations of: the eight core International Labour Organisation (ILO) conventions and recommendations on workers' rights; the Ethical Trading Initiative (ETI) Base Code; the ETI Base Code Guidance on Modern Slavery; and local legislation in the Western European KFC markets such as the UK Modern Slavery Act

**Scope of the Policy**

All suppliers to KFC Western Europe must comply with the Ethical Sourcing Policy [the Policy] wherever they are based. The Policy sets out the minimum, not maximum, defined ethical and social standards required as part of supplier agreements to supply KFC. We are committed to partnering with our suppliers to deliver continuous improvement to further drive up standards and the Policy should not be used to prevent any suppliers from exceeding these standards. Suppliers of branded goods are expected to have noted the requirements of the Policy and to have established similar arrangements in their own supply chain.

**Implementation of the Policy**

As part of their contract with KFC, suppliers are expected to establish management systems for delivering compliance and to maintain records demonstrating this. Suppliers must take appropriate steps to ensure that: the Policy is communicated to all relevant employees; there is regular engagement with relevant management teams about the need for compliance; appropriate training on the Policy is provided to key employees; processes and systems are in place to provide means for workers to report or discuss noncompliance confidentially.

KFC expects any non-compliance to be reported by our supplier so that we can work together to create a time-measured plan to correct the situation as quickly as possible. However, we recognise that local socio-economic and cultural factors might impact the implementation of the Policy and where such complexities exist, we require suppliers to engage with us immediately in order for both parties to develop the most appropriate programme to ensure compliance.

Our focus is on where we can make a difference and have greatest impact. As such, KFC expects their direct suppliers to provide due diligence records of the controls that they have in place within their own supply chains who are in any way involved in the production of KFC products. These records must meet the requirements of the Policy throughout. Suppliers are also required to permit KFC representatives (including third party auditors) access to supplier documentation, management and workers to determine compliance and progress against the Policy.

KFC aims to be transparent with our stakeholders on our ethical performance and would encourage our suppliers to do likewise. The UK Modern Slavery Act 2015 requires companies to provide information on their steps to eliminate human trafficking and slavery in their supply chain as well as anti-slavery risk management and actions. For those companies who have a turnover of over £36 million, they are required to publish a Modern Slavery statement for each financial year. The Policy is an integral part of this requirement.

# **1. Supplier Requirements**

## **Supplier Code of Conduct**

YUM! the parent company of KFC has very clear requirements for the behaviour of all employees, contractors, agents, agencies and suppliers and has documented these in a Code of Conduct. The Supplier Code of Conduct can be found in Section 2 of the Policy and is a non-negotiable part of the relationship between KFC and its suppliers. Any breach of the Code of Conduct by an employee, agent, contractor or supplier of our supplier would be considered a material breach of our contractual agreement and could in some circumstances result in immediate termination.

## **Monitoring and SEDEX**

SEDEX is an ethical data exchange which ensures that ethical standards are monitored and measured, and best practice is shared across the industry. We require all suppliers supplying KFC in Western Europe to register with SEDEX and link their account to KFC. All suppliers must complete the required risk assessment and undertake independent third-party audits when required. This allows us to focus on the areas of greatest risk and greatest potential benefit, and to work co-operatively to address both as well as develop corrective action plans in the event of any non-compliances found on the third-party audits.

## **Human rights**

We require our suppliers to treat workers fairly, honestly and have respect for their basic human rights and wellbeing. All suppliers to KFC must comply with applicable national laws in the countries in which they operate and where the provisions of the law and the Policy address the same subject, the provision which affords the greater protection should be applied.

We support the Ethical Trading Initiative (ETI) Base Code of Conduct which promotes and improves the implementation of corporate codes of practice which cover supply chain working conditions. This sets out the labour standards we expect our suppliers to meet. It covers fair terms of trading, child protection, worker health and safety, equal opportunities, freedom of association, freedom of employment, hours of work, and wages.

## **Labour Standards**

As a minimum, we expect all suppliers to uphold internationally agreed standards of labour, comply with applicable national laws, and work to continually improve their workplace and employment standards. The Policy applies to all employees including contractors, temporary workers and other non-permanent staff, including agency workers.

## **Fair Trade/Rainforest Alliance**

We only source our coffee and tea from certified Fair-Trade or Rainforest Alliance suppliers where applicable and encourage all relevant suppliers to do the same for sugar used in the manufacture of our products. Certificates must be provided to KFC on request at any given time.

## **Health & Safety**

We expect suppliers to provide employees with a safe and hygienic working environment including regular and recorded health and safety training, with responsibility for health and safety assigned to a senior management representative. Adequate steps shall be taken to prevent

accidents and injury to health arising out of, associated with, or occurring in the course of work. Suppliers should, as far as is reasonably practicable, minimise the causes of hazards inherent in the working environment. We encourage our suppliers to continually seek to improve health and safety standards to prevent accidents and injuries to their employees.

**Anti-Bribery**

Suppliers are expected to have in place clear, publicly available commitments to work against corruption and bribery in all its forms. We expect all suppliers to KFC to comply with all applicable local and international laws (including EU import legislation), and to meet or exceed relevant regulations and industry standards. Where standards differ, the standard which offers the greater degree of protection and ethical standard will apply. Suppliers will at all times comply with the UK Bribery Act and the US Foreign Corrupt Practices Act and not act in any way that would put KFC in breach of these laws or any other anti-bribery laws.

**Bribery and improper payment**

KFC will not condone, under any circumstances, the offering or receiving of bribes or any other forms of improper payment, including what are known as 'facilitating payments.' Even the appearance of a breach of anti-bribery or anti-corruption laws will not be tolerated by KFC.

**Gifts and entertainment**

The giving and receiving of gifts have a role to play in establishing and building long term business relationships. However, they should never create improper influence or obligate the recipient. Suppliers must note that KFC employees should not provide or accept excessive or inappropriate entertainment and must only ever offer or accept occasionally. Every KFC employee is obligated to record all such events and seek authority before the giving or receiving of any gifts or entertainment.

**Conflicts of Interest**

KFC employees and suppliers should avoid situations where any conflict of interest may occur and are obligated to inform KFC when and if such a conflict may represent any risk to either business.

**Competition, anti-trust**

All KFC suppliers must comply with all anti-trust and competition laws which apply to our business.

## **2. YUM! Supplier Code of Conduct**

Yum! Brands, Inc. and each of its domestic and international subsidiaries (collectively, “we”, “us” or “Yum”) is committed to conducting its business in an ethical, legal and socially responsible manner that aligns with our organizational values. The purpose of this Yum Supplier Code of Conduct (the “Code”) is to encourage legal, social and ethical business practices by Yum’s suppliers and vendors and their respective suppliers, vendors, subcontractors, agents and employees (each, a “Supplier” and, collectively, the “Suppliers”). Yum expects Suppliers to provide products/services that comply with all applicable laws, rules and regulations in the state and/or country in which they operate as well as to adhere to all requirements set out in this Code. All references to “applicable laws and regulations” in this Code shall include local, federal and international codes, rules and regulations as well as applicable treaties and industry standards. The Code sets forth our expectations and minimum standards for Suppliers. Yum expects its Suppliers to conduct audits and inspections in order to verify compliance with the Code. Yum may reach out to its Suppliers on a periodic basis to request a list of audits and inspections the Supplier undertook over a period of time. In addition, we reserve the right to conduct unannounced assessments, audits and inspections of Supplier operations (including onsite audits and inspections at any Supplier facilities). Violations of, nor noncooperation with Yum in its enforcement of, the Code may lead to disciplinary action, which may include, among other things, corrective action or termination of the Supplier relationship. Suppliers must comply and ensure compliance with the following:

### **Quality and Food Safety**

Suppliers must ensure that its quality management systems and processes include food safety and quality requirements that meet or exceed Yum’s published standards. This starts with the ethical sourcing of materials and ends with the highest level of service and delivery of superior quality products to our distributors and restaurants.

### **Sustainability**

Suppliers must ensure compliance with industry environmental, agricultural and animal welfare standards and practices, as applicable. Suppliers must demonstrate compliance with Yum’s sustainability policies and positions, including with respect to palm oil, paper-based packaging sourcing, good antimicrobial stewardship, sustainable animal protein principles, and the other policies and positions outlined in its Global Citizenship and Sustainability Report. Suppliers are also expected to develop appropriate environmental management systems that recognize the environmental impacts of their specific business processes and monitor and report performance against improvement targets. Suppliers are expected to be leaders in meeting or exceeding environmental standards and demonstrating year-over-year progress towards reducing the relative environmental footprint of their operations.

**Waste and Emissions**

Suppliers must have systems in place to ensure the safe handling, movement, storage, recycling, reuse and management of waste, air emissions and wastewater discharge. Any of these activities that have the potential to adversely impact human or environmental health must be appropriately managed, measured, controlled and handled before the release of any substance into the environment. Suppliers also must have systems in place to prevent or mitigate accidental spills and releases into the environment.

**Work Environment****Child Labour**

Suppliers must not utilize labour under the legal minimum age of employment and must follow all child labour laws applicable to the jurisdiction in which they operate. In addition, persons younger than eighteen (18) are not permitted to perform hazardous work under any circumstances.

**Coercion & Harassment**

Suppliers must treat all workers with dignity and respect. Disrespectful, inappropriate behaviour, unfair treatment or retaliation of any kind will never be tolerated. Actions such as corporal punishment, threats of violence and/or other forms of physical, sexual, psychological, verbal abuse and/or harassment will never be allowed or condoned.

**Non-Discrimination**

Suppliers must not discriminate with regard to hiring and employment practices, including salary, benefits, advancement, discipline, termination or retirement on the basis of race, religion, age, nationality, social or ethnic origin, sexual orientation, gender, political affiliation, disability, or physical impairment or handicap.

**Health & Safety**

Suppliers must provide workers with a safe and healthy workplace (and housing, if applicable) in compliance with all applicable laws and regulations. At a minimum, Suppliers must also ensure reasonable access to potable water, sanitary facilities, proper ventilation, adequate lighting and fire safety. In addition, Suppliers are responsible for general emergency preparedness and machine maintenance and evaluations in order to comply with applicable safety standards. All required permits, licenses and registrations must be obtained, maintained and kept up to date and made available to Yum upon request. Suppliers must satisfy their operational and reporting requirements to applicable legal and regulatory authorities.

**Human rights**

Suppliers will use due diligence as a means to identify and prevent human rights risks, and must not use any forced or involuntary labor, whether prison, bonded, indentured or otherwise. Suppliers may be required to produce a “slavery and human trafficking statement” each financial year to ensure slavery, servitude or forced labor does not exist in any part of their business or supply chain. The statement must record Supplier’s policies and demonstrate that due diligence, auditing, training, risk analysis, and appropriate key performance indicators are in place. This information will be made available to Yum as part of any audit or assessment process upon Yum’s request.

**Association**

Suppliers must respect the rights of workers to associate, organize and bargain collectively in a lawful and peaceful manner without penalty or interference.

**Compensation**

Suppliers must comply with all applicable wage and hour laws and regulations, including those relating to minimum wages, overtime, maximum hours, commissions, bonuses, piece rates and other elements of compensation and provide legally mandated benefits.

**Anti-bribery**

Suppliers must have in place clear commitments to work against corruption and bribery in all its forms. Suppliers also must comply with all applicable anti-bribery local, federal and international laws and regulations (including, as applicable, the U.S. Foreign Corrupt Practices Act), and to meet or exceed relevant regulations and industry standards. Where standards differ, the standard which offers the greater degree of protection and ethical standard will apply. In no case may a Supplier take any action that would violate, or cause Yum to violate, any applicable law or regulation.

**Other Laws**

Suppliers must comply with all applicable laws and regulations. All references to “applicable laws and regulations” in this Code of Conduct shall include local and national codes, rules and regulations as well as applicable treaties and voluntary industry standards

**Monitoring & Compliance**

Supplier must, and agrees to, maintain on site all documentation that may be needed to demonstrate compliance with this Code. Supplier acknowledges and agrees that KFC and/or its agents shall have the right to engage in monitoring activities to confirm compliance with this Code.

**Subcontractors**

In the event that a Supplier desires to utilize subcontractors for the manufacture, processing or development of products for Yum, that Supplier must obtain Yum’s consent prior to utilizing such subcontractors and such subcontracts are subject to the provisions of the Code.

**Publication**

Supplier will take appropriate steps to ensure that the provisions of this Code are communicated to employees. This must include as a minimum: the prominent posting of equivalent employee standards of conduct that protect these provisions, in the local language, in a place readily accessible to employees at all times. Suppliers must have a policy in place protecting employees from any form of retaliation for making a good faith report of any violation of this Code. The Supplier must have in place readily accessible written standards for suppliers, contractors and agents that assure the provisions of this code.

### **3. KFC Implementation Commitments**

KFC are committed to ensuring that the requirements of this Policy are fully implemented by undertaking the following:

- Provide appropriate training on this Policy to all key employees (e.g. buyers)
- Communicate this policy to all direct suppliers and make it publicly available.
- Undertake a supply chain risk assessment to identify and prioritise suppliers and products with higher social, ethical and environmental risk across all purchasing categories.
- Commence active supplier engagement in higher risk areas to understand their compliance status and issues that will act as a barrier to mitigation and to promote and support their compliance with this Policy.
- Develop and communicate to our employees, our suppliers and within our public reporting, our strategy for future development and monitoring of supplier compliance with this Policy.
- Review and revise this Policy on an annual basis.
- Report on progress in improving social, ethical and environmental standards both internally and externally.

#### **4. Summary of minimum supplier requirements:**

- Comply with the YUM! Supplier Code of Conduct at all times.
- Meet all internationally agreed standards on human rights and labour, comply with applicable national laws, and work to continually improve workplace and employment standards.
- Register with SEDEX and provide KFC transparency of all applicable risk assessments and audits.
- Provide Employment that is freely chosen, there is no forced or bonded labour and employees are free to leave their employer after reasonable notice. Have in place policies, systems, risk assessment, training and measurement to ensure no forced labour or slavery exists. For those companies who have a turnover of over £36 million, they are required to publish a Modern Slavery statement for each financial year.
- Allow employees the freedom to associate, organise and join a trade union (or collective bargaining group acting for them) in a lawful and peaceful manner without penalty or interference.
- Maintain a safe and hygienic working environment with regular training and adequate steps taken to prevent accidents and injury and provide access to protective equipment and safety training to mitigate known hazards or potential risks.
- Child labour shall not be used, and no one under 15 shall be employed (or higher if stipulated by local labour law).
- Comply with all applicable wages, benefits and hour laws and regulations, including those relating to minimum national legal standards or industry benchmark standards, overtime and maximum hours, pay fair wages in line with the norms for the industry and market and not require anyone to work excessive hours, particularly where this might impact personal health or safety, overtime shall be voluntary.
- Treat employees fairly and not discriminate in hiring, compensation, access to training, promotion, termination or retirement based on gender, race, religion, disability, age, sexual orientation, caste, union membership or political affiliation, marital status, social ethnic or national origin.
- Treat all employees with dignity and respect, not ever harass, abuse or threaten any employee through physical abuse, discipline, threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation or coercion.
- Have in place a clear public commitment to working against bribery and corruption in all its forms, comply with all applicable local and international laws, including EU import legislation, UK Bribery Act and US Foreign Corrupt Practices Act.
- Take appropriate steps to ensure that: the Policy is communicated to all relevant employees, suppliers, contractors and agents; there is regular engagement with relevant management teams about the need for compliance; and appropriate training on the Policy is provided to key employees.
- Ensure workers have knowledge of their rights and the ethical standards required to protect the provisions of the Policy and are able to report any issues confidentially and without detriment to a designated person/committee.
- Report any non-compliance to the Policy to KFC immediately
- Maintain on site all documentation that may be needed to demonstrate compliance with the Policy and allow KFC to engage in monitoring activities to confirm compliance.