

Social Responsibility Frequently Asked Questions



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Why are social compliance audits required?

The labor and safety conditions under which products are manufactured are a critical factor when The Kroger Co. and its family of companies (“Company”) chooses its suppliers. Our customers trust that the products we bring to market are sourced from reputable suppliers who provide safe and fair working conditions for their workers.

Supplier facilities that provide products for the Company, including our branded products, must maintain a safe and fair working environment for their workers and meet all other requirements of our Vendor Code of Conduct. This is confirmed through annual onsite facility audits.

Who is required to have a social responsibility audit performed?

Each supplier facility that performs the last assembly, packing, or processing step to a Company branded product before the product ships from the country of origin to the United States must schedule an onsite social responsibility audit.

This onsite audit requirement also applies to suppliers of products that Company brand may not be obvious to the consumer. Examples include unlabeled or unbranded products, ingredients or components sold to Company manufacturing facilities, and all foreign-sourced produce.

These audits are to be performed annually at each supplier facility that is located outside of the United States. To schedule an audit, please contact socialcompliance@kroger.com.

Which audit companies may we use?

Société Générale de Surveillance (SGS) and Underwriters Laboratory (UL) are the only auditing firms that perform the *Kroger Social Responsibility Audit*.

Who pays for the audit?

The foreign location being audited pays for the audit. The Company has a specific audit that aligns with our Code of Conduct and we have negotiated reduced pricing for our suppliers to use the *Kroger Social Responsibility Audit*.

Are other audit forms or types of audits acceptable?

No. The *Kroger Social Responsibility Audit* is the only audit form accepted by the Company. While other retailers perform audits that match their own code of conduct, they are not a valid substitute for the *Kroger Social Responsibility Audit*.

Are audits ever required more than once per year?

Typically no; but in cases where there are severe violations discovered during a facility audit, a follow up audit may be required within 1 to 6 months to confirm resolution of the violations.

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If a foreign facility provides product to the Company through multiple channels, the facility is only required to be audited once a year. The Company will aid in the prevention of duplicated audit requests of the same facility.

How do I schedule a *Kroger Social Responsibility Audit*?

To schedule an audit, please send the following information to socialcompliance@kroger.com for each foreign facility requiring an audit:

- Foreign supplier name
- Address of foreign supplier (where the audit will take place)
- Supplier contact name, email and phone number (local person in charge at the foreign facility)

A Company representative will work directly with SGS to schedule the needed audits for each of your supplier facilities.

Are inactive suppliers subject to the same annual audit requirements?

The Company's supply chain expands and contracts every year; new suppliers are added while inactive suppliers are removed. An "inactive" supplier facility is any location that will not produce a product for the Company for the foreseeable future. Former suppliers of Company product who do not anticipate any orders in the next 18 months are typically considered "inactive" for the purposes of this audit program. All active supplier facilities must be audited annually.

What areas of concern are included in the *Kroger Social Responsibility Audit*?

The *Kroger Social Responsibility Audit* is designed to examine the following areas of concern: child and forced labor, discrimination, disciplinary practices, working hours, compensation, health and safety, freedom of association, environment, ethics, sub-contracting, and monitoring of compliance. Violations discovered are documented in an audit report which is prepared for Company's review. The supplier may have a copy of the audit report upon request.

How are violations graded or measured?

- **Pass/Fail** is not graded within a defined range. The supplier facility is either compliant or not compliant.
- **Minor** shows compliance with regulations, laws, and international guidelines, but needs improvement to be fully compliant.
- **Major** includes, but is not limited to, violation of regulations, laws, or international guidelines.
- **Critical** includes, but is not limited to, violations posing an immediate risk to workers' rights and safety.
- **Zero Tolerance** includes, but is not limited to, child labor, inadequate emergency exits, and bribery attempts to the auditor.

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What are the possible audit results?

- **Approved**
 - No Critical or Zero Tolerance violations
 - 90 – 100% rating
- **Approved with conditions – 12 month Corrective Action Plan (CAP)**
 - No Critical or Zero Tolerance violations
 - 60 – 89% rating
 - CAP must be completed within 12 months from date of audit
- **Approved with conditions – 6 month Corrective Action Plan**
 - No Zero Tolerance violations
 - 50 – 60% rating
 - CAP must be resolved within 6 months from date of audit
- **Not Approved**
 - < 50% rating or a Zero Tolerance violation

A new audit is required 12 months from the date of the original audit and will be required annually thereafter.

Locations with *Not Approved* status cannot ship product until violations are resolved and a satisfactory CAP has been provided to the Company. *Not Approved* status will require a follow up audit within 60 days to confirm resolution.

How are Corrective Action Plans managed?

Audited facilities placed on a CAP will be required to resolve the pending corrective action items before the deadline noted on the audit. Locations that fail to resolve corrective action items before the deadline may be subject to order cancellation. Each audited location must work with their local SGS contacts to ensure timely resolution of all pending corrective action items.

Who can I contact with questions?

For any questions not answered in this document, please email socialcompliance@kroger.com.