

# Purchasing policy April 2011

At Sodexo we combine our buying power with highly professional and innovative purchasing methods to ensure customers receive the best quality and value within the service offer they have chosen. We are committed to purchasing in ways that are ethical, maintaining the highest standards of health and safety and to buying only from companies that we can rely upon to reinforce this commitment.

## Our purchasing methods

### ***Purchasing operating in the front line***

The purpose of our purchasing team is to achieve the very best commercial terms to satisfy the commitments made by the businesses of Sodexo to quality and service. It is also responsible for increasing manufacturer and supplier synergies through effective supply chain management, and for ensuring compliance with purchasing best practice by all our business managers.

The team is organised to ensure that it contributes to our business in a proactive way. We believe purchasing must be in the front line of improving value, not a backroom function.

We have internal policies and procedures in place which provide that any relationship with our suppliers must be negotiated by the central procurement team. This is to ensure that all legal and commercial responsibilities are met by both parties. Our buyers are professionally qualified, experienced specialists in the industries we buy from. Each has a defined product group and manages supplier relationships within that group.

We operate a dedicated purchasing helpdesk system. This provides full support to unit managers on queries concerned with delivery, price lists, product availability and supplier complaints. The purchasing team monitors this system to help identify and quickly resolve supply issues at the operational level.

### ***Sourcing for value***

Our buyers work in conjunction with service offer development teams to ensure our sourcing strategies are truly focused on satisfying client and customer needs. The key factors in sourcing decisions at Sodexo are value improvement, consistency and competitiveness. All prospective sources are screened as part of our tender process. All of our food suppliers are audited and products are rigorously tested before use within our business. This ensures that in terms of food provenance, we are operating to the highest standards of food quality. We buy big brand groceries, beverages and chemicals internationally where advantageous.

In 2009, Sodexo became the first member of the Red Tractor scheme to be certified across all sites. We buy British meat, fruit and vegetables wherever possible and financially viable. Our policy being to obtain the best quality and at the best price. Over 90% of the fresh pork and chicken is sourced from Red Tractor assured farms and the vast majority of beef and lamb is also Red Tractor assured. Seasonal factors affect the purchase of fruit and vegetables, however where British sources can satisfy our value criteria, these are our preferred options. All of our fresh milk and cream is sourced from British Red Tractor farms, and all of our eggs are lion marked and from British farms.

## ***Purchasing ethically***

Our concern to buy ethically is as strong as our dedication to best value.

Sodexo is certified by the Marine Stewardship Council and has committed to sourcing sustainable fish and seafood. We do not source any lines that are listed on the IUCN Red List and endeavour to promote underutilised species.

We also take our environmental responsibilities including sustainability into account in all our purchasing decisions. In our selection process we actively encourage suppliers who can demonstrate they control and reduce any negative impact on the environment caused by their processes, products and packaging.

We evaluate and monitor the stated ethical principles of our suppliers. We seek guarantees from them on the origin of the products we purchase.

We support the Ethical Trading initiative, which is working to improve pay and conditions for workers in farms and factories around the world. We condemn the use of child labour and ensure our suppliers have policies which prevent sourcing from areas where this practice is prevalent and where there is racial persecution.

Our policy is to not knowingly use genetically modified food. Our suppliers must conform to procedures intended to eliminate GM ingredients in meals we provide. We also do not utilise any mechanically reclaimed meat in our food products.

We offer clients the option of using certain products purchased by us under Fair Trade agreements such as sugar, coffee, chocolate, tea and bananas. We also have a range of products certified by the Rainforest Alliance.

## ***Choosing suppliers for the long term***

We seek wherever possible, long term relationships with our suppliers, preferring to establish business building opportunities rather than work in an adversarial style. However, we regularly assess supply options to ensure we and our clients are best placed to benefit from market conditions.

Formal tenders are issued to pre-qualified suppliers and evaluated against a set of criteria which covers quality, consistency, service, financial stability and commercial terms. Our supplier agreements have legal terms of trading included with clearly defined Service Level Agreements. Key suppliers are monitored against an agreed set of key performance indicators. All supplier complaints are logged centrally and are closed only when the appropriate action has been taken.

To ensure we can act on issues at any point in the supply chain, we require suppliers to adhere to strict quality and traceability procedures. We are able to fully trace any product delivered to any site. We also inspect deliveries, record temperatures, systematically sample food preparations and microbiologically test as part of these procedures. In addition, we require all of our key suppliers to sign up to the Sodexo Supplier Code of Conduct that sets out Sodexo's desire to do business with suppliers who conduct their activities based on responsible ethical, social and environmental practices.

Sodexo contracts with suppliers who comply to relevant UK and international legal requirements relating to the environment. We also actively work with our supplier base to minimise their impact on the environment, which includes: packaging minimisation, delivery consolidation and product reformulation.

## ***Supplier diversity***

Sodexo is a world leader in diversity, and expect our suppliers to embrace diversity within their workforce. We recognise the benefits that a diverse supply chain can bring to our organisation. Supplier diversity means that we ensure that all sectors of the community have the opportunity to compete for the supply of goods and services. By implementing a supplier diversity programme, Sodexo is working towards mutually beneficial business relationships while strengthening our position as organisation committed to supporting local communities.

## ***The highest health and safety standards***

All our food suppliers, including manufacturers, distributors and processors, are audited by Sodexo's food standards consultancy Safeguard, against our own Food Safety Supplier Code of Practice. This sets standards well above those required by legislation in this field. Audits are conducted throughout the life of contracts with suppliers and are carried out in addition to those undertaken by distributors. Failure to meet the required standard results in the immediate suspension of trade. If positive action is not taken to remedy the situation, the supplier will be delisted.

We have a robust recall process which can remove immediately from the supply chain any product that has caused concern. We utilise an independent laboratory, accredited by UKAS (United Kingdom Accreditation Service) which monitors food quality and investigates food safety issues. Safeguard also provides a food safety consultancy to suppliers and clients.

## ***Benchmarked competitive pricing***

We are committed to achieving competitive pricing as part of the value we offer to clients and customers. We use our purchasing power to influence suppliers to provide the highest quality at the best price. We have consolidated our supply chain wherever possible, to enable us to negotiate the best terms and we enter into long term contracts with them to secure these terms. We forward-buy to reduce the impact of price fluctuations and increases.

Our policy is to drive compliance through nominated, core suppliers via the locking down of catalogues and the use of our on-line recipe system which allows us to managed our purchases at a site level in a more efficient and effective manner.

Benchmarking is an important discipline in purchasing at Sodexo. We benchmark against specialist companies and against Tesco. We monitor 1400 Sodexo food prices against the Retail Price Index Food, RPIX and CPI. We report our performance against these benchmarks quarterly to our managers and this information is available to clients.

## ***Purchasing systems and tools***

We are committed to the continual improvement of systems that make the purchasing process more efficient. The data accuracy, quality administration, contract management protocols and data security of all information held on our systems is fundamental and governed within our Systems Governance model.

We continually seek to provide the robust and integrated systems needed to enable people at every stage in the process to make informed purchasing decisions and to operate within our compliance procedures.

We are alerted to advances in purchasing techniques and new channels. Electronic Data Interchange (EDI) is critical to our efficiency. It reduces the amount of paperwork being managed at site level and well as making the order to pay process more streamlined and more efficient for our suppliers. It also allows our managers to better utilise their time.