

CODE OF PRACTICE FOR RETAILER / SUPPLIER RELATIONS IN THE EUROPEAN HOME IMPROVEMENT SECTOR

This code lists some general principles which characterize behaviour and relations within the European Home Improvement supply chain, based upon fair cooperation, long term relationships, mutual understanding and respect.

The Code does not contradict existing legislation nor national codes of fair conduct where they already exist. Its purpose is to emphasize what has to be continued, developed or implemented to ensure a high standard of responsibility among companies belonging to the European Home Improvement Industry in the areas of sustainability, employment, environment and health.

Relations in the Home Improvement Sector supply chain have evolved in a largely positive way, due partly to the distinct nature of our supply chain. For example, relatively long stock turn times and the considerable size of some of the suppliers in our sector make the home improvement sector quite distinct from other areas of retail, in particular grocery retail.

Relations between retailers and suppliers in the home improvement sector are characterised by a partnership approach, for instance in gardening products, a range of plants will need to be agreed upon and developed by the retailer and supplier in close cooperation, up to 12 months before they are put on the market. It is thanks to this relationship that we have been able to develop a European voluntary code of conduct based on existing good practice.

Principle 1: Commercial Contracts

- Suppliers and Retailers abide by the contractual commitments that they have negotiated freely, which should not contradict existing legislation;
- Terms of business to be available in writing for both parties;
- The terms of business shall be respected by both Retailers and Suppliers;
- Reasonable notice of variation of a Retailer or Supplier's terms of business shall be given to the other party within a minimum period agreed in advance.

Principle 2: Orders

- Orders shall respect agreed terms of business between Retailer and Supplier, such as prices, packaging, quantities, freight cost, delivery time;
- Both parties agree to work together to best ensure accurate forecasts are made where possible;
- In case of EDI orders, both parties shall make sure all necessary information has been well updated before interacting on EDI;
- Both parties recommend growing their EDI relationship in the future.

Principle 3: Prices

- Any change in prices and conditions shall be communicated before implementation by supplier to retailer within a reasonable time, previously mentioned and agreed by both parties.

Principle 4: Delivery

- The Supplier shall deliver the ordered goods at the agreed time to the named point, in faithful performance of the Supplier's duties. In case of delay, not related to "force majeure", the Supplier shall compensate the Retailer according to specifications previously mentioned and agreed by both parties in the business contract;
- Where possible, orders should reflect previous agreements between the retailer and supplier;
- The Retailer shall accept on-time deliveries. If not, the Retailer shall fully compensate Supplier for any additional costs linked to such refusal.

Principle 5: Payments

- The Retailer shall pay the Supplier according terms and conditions previously agreed;
- The terms and conditions, written in a commercial contract, shall not be unfair nor contradict existing legislation;
- In case of litigation, no deduction nor delay of payment should be made without prior agreement between both parties.

Principle 6: Sustainable Development

- Suppliers and Retailers commit to supporting measures designed to reduce household carbon footprint, such as measures to promote sustainable consumption and production and improvements in eco-design and labelling;
- They commit to sharing information on risks to the supply chain arising in the developing world (e.g. deforestation, labour & production practices) and to work together to eradicate their future occurrence;
- To take action to remedy any instance of child labour in the supply chain;
- Where possible and practicable, Retailers and Suppliers commit to labelling origin on imported products; to convey consumer information on environmental sustainability and alternative energies;
- Retailers and Suppliers will work to favour regenerative, renewable, re-usable or recyclable resources, e.g. concerning packaging.

Principle 7: Information Sharing

- Aware of the problems associated with transportation, Retailers and Suppliers agree to a steady improvement in service quality along the supply chain through a

comprehensive exchange of information between representatives of both associations;

- Retailers and Suppliers commit to working toward greater performance improvement across their operations in order to continually increase value for consumers;
- In order to ensure that best practice is respected by all parties, EDRA and Fediyma representatives commit to periodically meet to review progress being made.

Principle 8: Quality of Life and Products

Both parties agree:

- To comply with or exceed the basic standards of providing healthy living and working conditions established by the European Union;
- To provide that goods used according to their specification are neither harmful to health nor cause harmful environmental effects;
- To strive to increase and improve quality standards across products.

GOVERNANCE FRAMEWORK

Mandate of the Governance Group

1. Adherence to the Code of Best Practice will be overseen by a joint Fediyma – EDRA Governance Group.
2. The role of the Governance Group is to ensure that the organisations who sign and endorse the Code are correctly implementing the eight principles as set out above.
3. In instances where a signatory is not considered to be correctly observing the spirit and letter of the principles contained in the Code, the Governance Group is empowered to recommend a set of remedial actions to be undertaken by a signatory, and in cases of repeated offences, to recommend the removal of a signatory from the Code of Practice.
4. The work of the Governance Group will be supported by a Secretariat.

Definitions

5. In these rules, the following words shall have the meanings that are given to them below:
 - Governance Group refers to the four nominated members of the Group overseeing the respect of the Code. The Governance Group is permanently staffed by the Director General of Fediyma, the Director General of EDRA, and a nominated representative of the supplier and retail sector respectively.
 - Signatory Organisations means the organisations that have signed the Framework.
 - Secretariat means the person(s) providing the administrative support to the Governance Group.
 - Principles mean the eight principles set out in the Code of Practice for retailers / supplier relations in the European Home Improvement Industry.

Role and responsibilities of the Governance Group

6. The Governance Group will operate on the principles of collective responsibility, respect of confidentiality, compliance with applicable laws, mutual support and respect.
7. The members of the Governance Group will exercise their mandate in good faith. They recognize that their primary role is not to defend particular interests but to make the Code of Practice function effectively.
8. All participants in a Governance Group meeting will respect the confidentiality of documents and discussions held within.

9. Any revision of the Code of Practice will require the approval of the Signatory Organisations.

Governance Group meetings

10. Governance Group meetings will be held at least four times per year in Cologne, Germany. Either in the headquarters of EDRA or Fediyma.
11. A Governance Group meeting may be convened on request from a Signatory Organisation.
12. Notice of a Governance Group meeting will be given by the Secretariat in writing (email) at least one week in advance.

Agenda and papers

13. The agenda and papers for Governance Group meetings will be circulated five working days in advance by the Secretariat, save for exceptional circumstances.

Attendance

14. Attendance of Governance Group is mandatory for all scheduled meetings. Should the need arise Governance Group may attend meetings by telephone. Governance Group Members attending by telephone will be considered to be present at the Governance Group meeting.

Decision making

15. Decisions will always be taken by consensus and every effort will be made to reach that consensus. All decisions will be recorded.
16. When formulating its guidance or interpretation of the Code, any Governance Group Member can request a review by external legal counsel.

Conflict of interests / Impartiality

17. Any Governance Group Member or any meeting participant subject to a conflict of interest will inform the Governance Group about it. The Co-Chairs will exclude any person subject to a conflict of interest from the relevant part of the meeting.

Procedure for obtaining Governance Group approval between meetings

18. Where necessary, the Governance Group can approve decisions by written procedure. Usually this will be in the form of email.

Minutes

19. The Secretariat will prepare the minutes of Governance Group meetings. These will be circulated to Governance Group Members for approval. Once approved, the non-

confidential version of the minutes, including decisions taken, will be made available on request to any Signatory Organisation.

Procedures for sanctions

20. Upon receipt of a complaint for an alleged breach of a process commitment, the Governance Group will notify both parties of a complaint and allow an appropriate period for both parties to respond.
21. Following the response of both parties, the Governance Group will send a letter signed by all members of the Governance Group setting out steps that need to be taken to remedy the action.

Refusal to reply

22. Should the Signatory Organisation refuse to reply to the letter within 60 days, a further letter will be sent. Further failure to reply after 60 days will result in suspension of that Signatory Organisation. A meeting will then be requested with a senior management representative of the Signatory Organisation to resolve the issue. If it is not dealt with, at that stage, to the satisfaction of the Governance Group, the Signatory Organisation can be excluded from the Code by a formal vote of the Governance Group.
23. Exclusion: For persistent, intentional and unexplained breaches, the Governance Group may ultimately decide on exclusion from the Code. This decision would be published on the website and in the annual report.
24. The duration of the exclusion will be for a minimum of six months and for as long as it will take for the Governance Group to obtain sufficient guarantees that the concerns will be sustainably remedied.
25. If the sanctioned party seriously disagrees with the Governance Group's decision, it can appeal to Governance Group.
26. The Governance Group may agree to reconsider the decision, provided that new evidence or arguments are introduced.
27. The Governance Group will be made up of the Secretary Generals of EDRA and Fediyma, supported by their administrative staff.

Approved and Signed by the Governance Group on date, 8 October, 2014.

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