

FRED'S INC.
VENDOR CODE OF CONDUCT

Fred's Inc. and its subsidiaries (the "Company") seek to conduct business in a lawful, ethical, and moral manner in all countries from which we have the privilege to source products. To achieve this purpose, we expect our vendors to subscribe to certain moral and ethical principles in conducting business. While the Company recognizes that there are different legal and cultural environments throughout the world, this code sets forth the basic requirements for vendors to the Company.

As a condition of doing business with the Company, each vendor is expected to comply with this Vendor Code of Conduct (the "Code"). Failure to comply with this policy may be sufficient cause for the Company to exercise its right to revoke a vendor's "approved" status as a vendor. The Company reserves the right, as a condition of vendor approval, to conduct unannounced inspections of vendor facilities and audits of vendor business practices to verify compliance with the Code.

If the Company determines that any vendor has violated the Code, the Company may elect to terminate its business relationship or require the vendor to implement a corrective action plan. If corrective action is advised but not taken, the Company may suspend placement of future orders and may terminate current production.

Endorsement of the Code by a vendor: (i) certifies compliance with our conduct, facilities, quality and security standards, and (ii) authorizes the Company to send a Company representative or agent to vendor's premises to perform such work as is necessary to ensure that vendor is in compliance. Vendors agree to cooperate fully and to provide our representative or agent with any and all information requested which is necessary to demonstrate compliance with the Code.

1. **General ethical standards** - The Company respects the legal, ethical, and moral standards and beliefs of all people and cultures with which we do business. We in turn expect our vendors to respect our rules and procedures. Vendors that produce goods for the Company will operate in full compliance with the laws of their respective countries and with all other applicable laws, rules and regulations. We also expect that international laws related to the conduct of business between nations will be followed at all times.

2. **Customs compliance** - Vendors must comply with applicable customs law and, in particular, will establish and maintain programs to comply with customs laws regarding illegal transshipment of apparel products. The Company is an approved and qualified participant in the U.S. Customs Trade Partnership Against Terrorism Program (C-TPAT). Vendors will, at all times, do whatever is necessary to maintain a high level of product shipment security, which includes ensuring the integrity of their security practices and communicating the U.S. Customs security guidelines to their business partners within the supply chain. Routine audits of plant security procedures must be put into place. Any deficiencies found during the audit process should be addressed immediately.

3. **Drug Interdiction** - Vendors will cooperate with local, national and foreign customs and drug enforcement agencies to guard against illegal shipments of drugs.

4. **Wages and hours** – Vendors will set working hours, wages and overtime pay in compliance with all applicable laws and regulations. While we understand that overtime is often required, contractors and suppliers must allow workers a reasonable amount of time off from their duties to ensure humane and productive working conditions.

5. **Child labor** – The use of child labor by vendors is strictly prohibited. Vendors shall employ only workers who meet the minimum legal age requirement applicable to that area. If, however, the laws of that country do not provide such a definition, the Company defines “child” for purposes of determining use of illegal child labor as anyone who is younger than the compulsory age to be in school in the country in which the business is being conducted.

6. **Prison/forced labor** – The use of prison labor or forced labor by vendors is strictly prohibited. Vendors will not knowingly utilize or purchase materials and/or products manufactured by uncompensated prison workers. Vendors should not require any worker to remain in employment for any period of time against his or her will.

7. **Discrimination & Harassment** – Vendors will not discriminate or harass on the basis of any personal status or human rights protected by any law or statute.

8. **Health and Safety** – The Company strives to have a safe and healthy working environment in all the facilities that the Company owns and operates. The Company also expects that any vendor will provide a safe/healthy environment for the employees in the workplace. Vendors must comply with all applicable environmental laws and regulations.

9. **Working conditions** – Vendors must treat all workers with respect and dignity and provide them with a safe and healthy environment. Vendors shall comply with all applicable laws and regulations regarding working conditions. Vendors shall not use corporal punishment or any other form of physical or psychological coercion.

10. **Rights of Association.**– The Company believes that employees should have the right to decide whether they want collective bargaining or not, and that companies and unions should respect employees’ decisions. We believe employees should have the right to say “yes” and the freedom to say “no” to union representation.

11. **Subcontractors** – Vendors should take steps to ensure that subcontractors also operate in a manner consistent with the Code.

It is the responsibility of each vendor to ensure that its suppliers and representatives understand and comply with the Code and to inform the Company if and when any situation develops that causes the vendor to operate in violation of the Code. Additionally, vendors must notify employees of the terms of these standards.

Please certify your agreement and compliance with the Code by signing in the space below and returning it to Vendor Compliance Department, Fred’s Inc., 4300 New Getwell Rd., Memphis, TN 38118, USA.

If you have any questions concerning compliance with the applicable laws of your country, we suggest that you consult with your local attorney.

VENDOR:

BY: _____

SIGNATURE: _____

TITLE: _____

DATE: _____

ADDRESS: _____

CITY: _____

STATE: _____

ZIP CODE: _____

COUNTRY _____

PHONE #: _____

EMAIL: _____