

## Our ethical trading standards

We expect certain standards of our trading partners, and merchandise suppliers in particular. These standards apply across our entire supply chain.

We have nine core trading standards:

1. We do not employ any person below the age of 15\* or below the legal minimum age (where this is higher) in the countries in which we operate. (\*in developing countries listed in ILO Convention 138, we accept child workers of 14 or over).
2. We do not use forced labour in any form (prison, indentured, bonded or otherwise) and staff are not required to lodge papers or deposits on starting work.
3. We comply with all applicable local environmental, safety and health regulations. We provide a safe and healthy workplace, presenting no immediate hazards to our staff.
4. We do not discriminate against any worker on any grounds (including race, religion, disability, or gender) within the laws and customs in the regions in which we operate.
5. We do not engage in or support the use of corporal punishment, mental, physical sexual or verbal abuse.
6. We provide each employee with at least the minimum wage, or the prevailing industry wage, (whichever is higher) and provide each employee with all legally mandated benefits.
7. We comply with the laws on working hours in the countries in which we operate.
8. We comply with all relevant environmental legislation in the regions in which we operate. We have identified all the hazardous or toxic waste we produce, and are confident that it is disposed of by competent bodies via authorised disposal routes.
9. We support the right of workers to form and join trades unions which are free to meet without hindrance

See below for our code of practice in relation to each standard.

These standards represent good practice, as defined by the UN Global Compact, ILO Conventions and ETI Base Code for ethical trading.

### Definitions

We use three different levels of emphasis in this document:

- Insist: we expect supplier companies to take immediate remedial steps and we may cease trading with companies if such issues are not resolved promptly. Compliance with these matters forms our baseline level of acceptable performance
- Ask: refers to issues that we would expect all suppliers to address given time
- Encourage / discourage: these points represent our guidance to suppliers on good practice for those in a position to go beyond the baseline.

**Standard 1. We do not employ any person below the age of 15\* or below the legal minimum age (where this is higher) in the countries in which we operate (\*in developing countries listed in ILO Convention 138, we accept child workers of 14 or over).**

### Reason

Child labour, i.e. the commercial exploitation of children, is a breach of their basic human rights and can severely inhibit their physical and mental development. Working prevents school attendance and so reduces educational attainment. This in turn secures a similar future without prospects for successive generations, fuelling a poverty trap whereby earning potential is consistently reduced and dependency on the income from future children continues. Unscrupulous employers can exploit the immature mind, which can be less able to assess risk and voice concerns or opinions within the working environment. The area is a sensitive one: it is widely agreed that Western companies cannot simply dictate minimum age limits without taking into account local customs. Nor should companies simply refuse to trade with companies in breach of these principles, since that action can disadvantage the very children they set out to help.

### Code of practice

1. We insist that our supplier companies do not recruit child labour or exploit child labour. We define 'child labour' as any full-time work conducted by a child less than 15 years of age, excepting:
  - Any full time work conducted by a child less than 14 years of age (in developing country exceptions listed under ILO Convention 138)

- Any children, of whatever age, working in breach of local minimum age for work or mandatory schooling
  - Any children under 18 engaged in hazardous or high-risk work.
2. Outside of these definitions, we discourage the use of children working as outworkers, pieceworkers or part-time light workers. However, we understand that in many cases this is accepted practice and where this is so we can accept children being employed under the ages listed in (1) above. We insist that this labour should be subject to the following conditions:
    - The company must be able to demonstrate that work does not interfere with the education that would otherwise be available to the children (see (4) below)
    - No child must be employed in any capacity who is more than two years younger than the age limits described in (1) above.
  3. We insist that companies should have considered their response in the event that they do have children in their workforce. Specifically, we ask that the company shall establish documented policies and procedures for remediation of children found to be working in situations which fit the definitions of child labour above. These policies and procedures should be up to date and effectively communicated within the company and to other interested parties. We also ask that the company provides adequate support to enable such children to attend and remain in school until no longer a child as defined above.
  4. We believe that every child has a right to education. We therefore encourage companies in regions where child labour is common to establish documented policies and procedures for the promotion of education for children. By this we mean children covered under ILO Recommendation 146 and young workers who are subject to local compulsory education laws or are attending school. These policies and procedures should be up to date and effectively communicated within the company and to other interested parties. We expect these policies to state explicitly that no child or young worker is to be employed during school hours and that the combined hours of daily transportation (to and from work and school), school, and work time does not exceed 10 hours a day.

## Our ethical trading standards continued

5. We insist that the company shall not expose children or young workers (defined as any person under the age of 18) to situations in or outside of the workplace that are hazardous, unsafe, or unhealthy. We encourage companies to review the safety of young home- or out-workers although we recognise this can be difficult to achieve in practice.

**Standard 2. We do not use forced labour in any form (prison, indentured, bonded or otherwise) and staff are not required to lodge papers or deposits on starting work.**

### Reason

Affecting millions, the range of forced labour practices varies greatly but they all have two things in common – (1) They contravene international labour treaties and practices, and (2) They trap people against their will in working environments which show little or no concern for their mental and physical welfare. Issues of child labour and forced labour often co-exist and are therefore unacceptable on the same grounds quoted in Standard 1. The retention of identity documents or pay is a common tactic of those responsible for forced labour conditions.

### Code of practice

1. We insist that our suppliers do not engage in or support the use of forced labour.
2. We include in this definition the following practices:
  - Workers who are in any way seen as the property of the company or employer (ie slaves)
  - Workers who have been coercively recruited against their will
  - Workers who are unable to leave the employer by virtue of being an illegal immigrant in their country of employment
  - Prison workers who are working against their will. We recognise that in some instances prison labour can be a valuable part of rehabilitation and would support such schemes, but insist that they be voluntary and have documented benefits for the prisoners in question. Specifically, we do not accept prison labour imposed by the state as a punishment for anti-social acts, nor do we accept compulsory labour on behalf of private organisations as part of prison privatisation arrangements.

3. We insist that personnel starting work are not compelled to lodge anything of significant value that may be subsequently forfeited. This might include identity papers or other essential documents, deposits of money or valuable possessions. This does not include deposits retained against future meals – for example payment in advance for meals – as long as those deposits are demonstrably proportional to the value of the service in question; nor does it include cases where workers lodge valuables with the employer for safekeeping, provided this can be demonstrated to be entirely voluntary.

4. Forced labour is often linked to debt. We encourage our supplier companies to demonstrate that they do not exploit or contribute to the debt of their employees, for example through the promotion of loans at unfair interest rates.

**Standard 3. We comply with all applicable local environmental, safety and health regulations. We provide a safe and healthy workplace, presenting no immediate hazards to our staff.**

### Reason

The right to life is the most fundamental right. Yet every year over one million men and women are deprived of that right by occupational accidents and work-related diseases. Conservative estimates put the number of occupational accidents at well over 200 million and for occupational diseases at over 150 million. The belief that injury and disease 'go with the job' is unacceptable by international labour practice and law. In order to combat these trends which are particularly high in developing countries, establishing cultures which respect the right to earn a living in freedom, dignity and security is essential ('Decent Work' (ILO)). A first step is guaranteeing and managing compliance with all applicable environmental, safety and health legislation. This concept not only extends to a particular workforce, but the local environment and neighbouring communities which can also sustain harm from hazardous emissions to the environment.

### Code of practice

1. We insist that our suppliers provide a safe and healthy working environment and take adequate steps to prevent accidents and injury to health arising out of, associated with or occurring in the course of work. Good practice dictates that companies should minimise (so far as is reasonably practicable) the causes of hazards in the working environment.
2. As an essential first step, we insist that the company appoints a management representative responsible for the health and safety of all personnel. This appointee should have the necessary seniority, experience and resources to do their job. The representative should be accountable for the implementation of the health and safety elements of this standard.
3. We insist that the company ensures that all personnel receive regular health and safety training and that such training is recorded and repeated for new and reassigned staff.
4. We insist that the company takes steps to identify and systematically reduce health and safety risks to staff. Specifically we ask that the company should regularly and comprehensively identify possible risks in the workplace, and put in place mitigation measures. We encourage companies to record and report not just their accident statistics but also 'near-misses' and other identified hazards.
5. We insist that the company provides clean toilets, access to safe potable water and, if appropriate, sanitary facilities for food storage. These should be available to all staff. We insist that any dormitory facilities provided are clean and safe and that staff can enter and leave the dormitory buildings freely at any hour of the day or night.
6. Regardless of their progress against this code of practice, we insist that our suppliers comply with all health and safety legislation in the countries in which they operate.
7. We encourage suppliers to adopt an integrated approach to health and safety, considering proactively issues such as HIV/AIDS and the prevention of drug and alcohol abuse among the workforce and taking whatever steps are practicable to ensure a healthy workforce.

## Our ethical trading standards continued

**Standard 4. We do not discriminate against any worker on any grounds (including race, religion, disability, or gender) within the laws and customs in the regions in which we operate.**

### Reason

Equal opportunities in the workplace which ignore differences based on race, religion, disability or gender are fundamental to achieving decent work for all. When employees work together but are treated differently, it contributes to an atmosphere containing elements of hostility, inferiority and despair. Such effects are also felt in the local community creating a division between those who are able to secure work and those who cannot, based on the discriminatory practices of employers. At root level, discrimination actively supports and prefers some sections of society, denying the remainder, in some cases, even basic human status. The dangerous effect of categorising a group as 'non-human' propels human rights abuses in many other areas. We do recognise reluctantly that, in some parts of the world, these discriminatory divisions run so deep that it is unrealistic to expect employers to manage a mixed workforce without major societal changes taking place.

### Code of practice

1. We insist that our supplier companies do not engage in or support discrimination on any grounds. By this we mean discrimination in hiring, compensation, access to training, promotion, termination or retirement. We believe that consideration for each of these things should be based solely on ability and no other factor.
2. Discrimination includes any preferences based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation and age.
3. We ask that the company shall not interfere with the exercise of the rights of personnel to observe tenets or practices based on any of the categories above. We also ask that the company takes reasonable steps to meet particular needs relating to race, caste, national origin, religion, disability, gender, sexual orientation, union membership, or political affiliation, in so far as in doing so it does not:
  - Compromise that which is essential for conducting its core business
  - Discriminate against other groups in the workforce.

4. There are some instances when suppliers might feel that a degree of discrimination is necessary to preserve a functioning workplace. We acknowledge that there may be such cases, although we consider this to be very much the exception rather than the rule. Where supplier companies think that this is the case, we insist that:

- Their employment policies are explicit on the matter
  - They make plain to us the reasons behind their practice.
5. We encourage suppliers to employ a balanced workforce and to establish policies and procedures to that effect. These policies and procedures should be documented, up to date and communicated internally and to other interested parties. We consider it good practice for companies to support these policies with data, demonstrating the diversity of their workforces.

**Standard 5. We do not engage in or support the use of corporal punishment, mental, physical sexual or verbal abuse.**

### Reason

Employers who regularly rely on abuse as a means to drive and maintain productivity levels within their workforce are contravening international human rights laws and standards. The physical and mental damage caused has both short and long term effects, which spreads within families and communities, often propagating and creating cycles of abuse. The culture of fear that is synonymous with one of abuse deprives individuals of their basic human rights.

### Code of practice

1. We insist that the company does not engage in or support the use of corporal punishment, mental or physical coercion, and verbal abuse.
2. We define abuse as either:
  - Sanctioned by the company in pursuit of higher productivity or output
  - Perpetrated by individual staff within the company for individual power or gratification.
3. We insist that the company does not use physical discipline for staff whether this is active (eg assault) or passive (eg withholding of heat, light, food or enforced isolation etc). We ask suppliers to ensure that no staff member is forced to work in isolation for extended periods and that staff are free to meet and converse within reasonable bounds.

4. We insist that the company does not allow behaviour, including gestures, language and physical contact, that is sexually coercive, threatening, abusive or exploitative.
5. We insist our suppliers do not use physical restraint to keep employees at their workstations or in any other context.
6. We ask that the prohibition against abuse should be clearly documented and communicated to all employees. We encourage companies to have written policies in place detailing how they will respond to breaches of this prohibition and to make these policies accessible to all staff.

**Standard 6. We provide each employee with at least the minimum wage, or the prevailing industry wage, (whichever is higher) and provide each employee with all legally mandated benefits.**

### Reason

In return for work that is carried out, every individual has the right to a fair income that meets minimum standards and is based on equal pay policies. Breaching minimum wages not only reduces standards of living, but fuels the cycle of poverty by denying workers basic rights to education, health, balanced diet and enjoyment of life for them and their families, in turn trapping families into low-skilled and low-paid work.

### Code of practice

1. We insist that our supplier companies ensure that wages paid for a standard working week meet at least legal or industry minimum standards. Companies should be able to demonstrate that wages are sufficient to meet the basic needs of personnel (food, warmth and shelter) and to provide some discretionary income beyond this.
2. We insist that the company ensures that deductions from wages are not made for disciplinary purposes except that these arrangements are explained in the employee contract and agreed to in advance by the employee.
3. Employees have a right to understand how their wages are calculated. We therefore ask that suppliers provide a regular written account of wage and benefits composition to staff in a form that is understandable to them.
4. We insist that suppliers ensure their wages and benefits comply fully with all applicable laws.

## Our ethical trading standards continued

- We insist that wages and benefits be paid either by cash, cheque or bank transfer, in a manner convenient to workers. Basic payment should be made in full for the work done at the end of each accounting period, without elements being held over against the wishes of staff. Bonus and overtime payments should be paid promptly, with such payments to be made as agreed in the contract of employment.
- For the avoidance of doubt, we regard labour only contracting arrangements and false apprenticeship schemes as a means of avoiding the payment of proper benefits and labour and social security laws. These schemes are unacceptable.

### **Standard 7. We comply with the laws on working hours in the countries in which we operate.**

#### **Reason**

By permitting the number of working hours to exceed the standards set down in legislation, employers knowingly expose their workforce to an array of hazards. The long term health (less effective immune system, increased propensity to contract infection, poor mental health) and social effects (little time to spend with family or community) are difficult to measure, however it is certain that they take a toll. The likelihood of mistakes and hence accidents which occur increases as workers demonstrate symptoms of fatigue. Particularly in working environments relying on machinery, this poses a severe threat to health and safety. Finally, there is some evidence that productivity declines as working hours increase, confirming that these policies can often be a false economy for the employer as well as detrimental to the employee.

#### **Code of practice**

- We insist that suppliers comply with applicable laws and industry standards on working hours.
- As a maximum, we ask that employees shall not, on a regular basis, be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven day period.
- We recognise that overtime is a normal part of the workplace, but ask that suppliers ensure that overtime work (either beyond contracted hours or in any event beyond 48 hours per week) does not exceed 12 hours per employee per week. Where suppliers regularly approach

or exceed these levels, we ask that they have robust systems in place to measure and manage employee working hours.

- We encourage suppliers not to demand overtime other than in exceptional and short term business circumstances. Where possible, employees should be given the choice to work overtime or not and we insist that no coercion is applied. We encourage suppliers to give reasonable notice of required overtime or major changes to working patterns (such as shift work).
- We insist that overtime should always be paid at least at standard rates and encourage a premium rate.
- Companies that offer flexible working arrangements often benefit from better employee motivation, access to a wider labour pool and higher productivity. We encourage our suppliers to consider their policies on flexible working and, where practicable, to offer such terms.
- We insist that employers provide regular breaks during working hours, as a minimum providing appropriate time for meals and refreshment.

### **Standard 8. We comply with all relevant environmental legislation in the regions in which we operate. We have identified all the hazardous or toxic waste we produce, and are confident that it is disposed of by competent bodies via authorised disposal routes.**

#### **Reason**

Protecting the local environment is closely connected to raising living standards in the developing world. Action to reduce and mitigate environmental impacts is an essential measure in achieving this target, clearly demonstrating a need for comprehensive environmental management within every company that might pose a threat. The effects of hazardous or toxic waste (be it solid, liquid or gas) that is released into the environment, either knowingly or fugitively, can be devastating on short and long timescales. The receiving environment (including humans, atmosphere, seas, land and all living organisms) may suffer irreparable damage. Adhering to environmental legislation is the first step in protecting the wider environment.

#### **Code of practice**

- We insist the company complies with all relevant environmental legislation in the regions in which it operates. As a practical first step, we encourage suppliers to list all of the relevant legislation with which they must comply and to review and update that list on a regular basis.
- We insist that a senior manager should be given designated environmental responsibility.
- We insist that measures are in place to control emissions that might be hazardous to health (including solid, liquid or gaseous waste) and to ensure that all wastes are properly disposed of via competent bodies and authorised routes. We also insist that emissions levels within and outside the factory pose no threat to human health. We encourage the company to keep records of all such materials and waste streams.
- We encourage companies to have identified all of the ways in which they have an impact on the environment and to rank them in order of significance. This can then form the basis of a management plan to control and reduce these impacts.
- We ask that the company should develop an environmental policy covering (as a minimum) its commitment to complying with legislation, an identification of all aspects posing an acute threat to human health and an identification of other significant aspects. This policy should have senior management support and be communicated widely within the company.
- We consider it to be good practice and encourage the company to regularly monitor and measure its environmental performance and report its findings publicly on an annual basis.

## Our ethical trading standards continued

**Standard 9. We support the right of workers to form and join trades unions which are free to meet without hindrance.**

### Reason

The right to join together in the workplace is a fundamental human right which should not be denied to workers and union membership can provide individuals with protection against unscrupulous employers. However there is also a wider benefit: the trade union movement has been instrumental in securing for workers in developed countries the employment rights that we take for granted and plays a similar role in improving conditions for workers in developing economies around the world. Active discussions with workers' representatives can help identify workplace improvements that benefit both employer and workforce, and holding such discussions collectively helps workers make the most of their bargaining power.

### Code of practice

1. We insist that companies do not prevent workers, without distinction, from joining existing trades unions in their workplace or to form new such unions and become members, provided that this is in accordance with local laws.
2. We insist that these unions are free to meet without any hindrance from the employer. Further, we insist that workers representatives are not discriminated against or bullied and are free to carry out their representative functions.
3. In some regions, local laws restrict or delineate the right to freedom of association and collective bargaining. Where this is the case, we ask that employers facilitate parallel means for independent and free association and worker representation.
4. We insist that workers should not be denied the right to or prevented from collective negotiation where they wish it. We also insist the supplier companies comply with all relevant legislation on employee representation. Our observation is that good management/employee relations can offer benefits in terms of motivation and productivity, so we ask that suppliers ensure they have robust communication processes with employee representatives.

5. We encourage suppliers to find appropriate models of employee consultation and negotiation that support the rights of workers and also the needs of the businesses management, taking into consideration local cultural norms and practices.\*

\*In setting out these requirements we are aiming to support the rights of workers without forcing particular models of management onto supplier companies. We also recognise that suppliers may need to progress through a number of stages in developing employee representation appropriate to their business and circumstances. We have found it very difficult to establish good benchmarks of effective employee representation and conclude that much more work needs to be done to refine and define indicators in this area.