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Dear Martin,

**Re: Lets Clean up Fashion 2007 – Request for updated information**

Thank you for the opportunity to contribute to your research on labour standards in our clothing supply chain for your 2007 report.

Our progress over the last year is set out in detail below. Our approach to ethical trade can be found in our most recent Corporate Responsibility Review at:

[http://www.tescocorporate.com/crreport07/10\\_ethicaltrade/ethicaltrade.html](http://www.tescocorporate.com/crreport07/10_ethicaltrade/ethicaltrade.html).

I hope you will also find this useful.

On the specific issues to be covered in the report:

**MSI Involvement**

Tesco acknowledges that there are many challenges in the supply chain. We work through these with our suppliers and their sites. However when we identify that issues are sector/industry/country specific we believe that we can only achieve sustained improvements where all stakeholders – Government, Retailers, Suppliers, Trade Unions, and NGOs – work together.

**Ethical Trading Initiative (ETI)**

Tesco is a founder member of the ETI and actively participates in its overall work as well as specific working groups and projects. Since September last year we have been engaged in:

1. *UK Multistakeholder Poultry Group*  
Trade Unions/Industry/Retailers on the use of migrant/agency labour in the UK poultry industry.
2. *Homeworkers Project*  
Use of homeworkers in the clothing and jewellery industries in India using the tool developed by the working group to assess and implement improvements to labour standards.
3. *Colombian Flowers Project*  
MSI in Colombia is helping facilitate improved trade union and producer relationships.
4. *China Group*  
Capacity building with specific focus on Health & Safety and Freedom of Association.

5. *MFA Group*  
Improving working conditions and related standards in the garment manufacturing industries around the world that may have been impacted by the end of the Multi Fiber Agreement in January 2005.
6. *South Africa Project*  
Capacity building and training for supervisors in the agricultural industry with specific emphasis on sexual harassment, grievance/disciplinary processes and procedures, as well as well effective worker representation in the workplace.
7. *Purchasing Practices Group*  
Increasing members understanding of the impact of sourcing companies' purchasing practices on conditions for workers as well as to develop, test and share practical (cross-sectoral) examples of purchasing policies and practices that support commitment to labour standards.
8. *Annual Report Working Group*  
Improvement of Corporate members annual reports so that they can track and report in the most effective way on the improvements to labour standards in members global supply chains.
9. *General Merchandising Group*  
Identifying common labour standard issues as well as sharing best practice for non - food retailers and manufacturers.
10. *Food Group*  
Identifying common labour standard issues as well as sharing best practice for food retailers and manufacturers.

#### Global Sourcing Compliance Programme

Tesco were actively involved in creating a multistakeholder group including Walmart, Carrefour, Metro, Migros, ILO, UN, FLA, CIES and BSCI to address the impacts of multiple retailer codes of practice. These can result in inconsistent messages to suppliers on non compliance, required remediation plans and verification criteria which contribute to confusion on how best to implement codes and improvements in labour standards.

The group have already reached an agreement on one standard, which reflects the most demanding criteria currently applied and will seek to develop common standards on data sharing, capacity building and remediation plan implementation in the future.

As a founder member, we have played an important role by organising stakeholder meetings, presenting to the CIES Board, the UN and the ILO and continuing to participate on working groups to deliver the programme's aims.

#### Multistakeholder Engagement in Republic of South Africa

Seasonality of labour, pay, vulnerability of women workers and health and safety issues were all allegations brought to Tesco's attention by Women on Farms/Action Aid on some of the apple and pear grower farms in the Western Cape region of South Africa.

Working with our suppliers, local organisations including Women on Farms, WIETA and the South African Ministry of Labour we were able to identify a number of issues that related to enforcement, the use of labour brokers and communication to seasonal workers.

Tesco requested and convened a meeting with all the relevant stakeholders in South Africa to facilitate an open and less adversarial approach to raising the issues. This helped all the stakeholders get a better understanding of the real issues. We also shared our process and learnings from participating on the ETI UK Temporary Labour Working Group that led to the Gangmaster Licensing Act of 2005.

Since the initial meeting at the end of September 2006 all the stakeholders have committed to delivering their part. 7 key priorities that the group want to progress have been agreed. Seasonal workers are being involved in the development of the improvement action implementation plans.

We continue to support this initiative and monitor progress through scheduled update meetings with all stakeholders.

#### Sedex

We were influential in establishing Sedex (Supplier Ethical Data Exchange), launched in 2004. This web-based system encourages manufacturing sites and their customers to share data on labour standards, avoiding duplication and saving costs for those manufacturing sites. It helps Tesco track issues; progress made and identifies areas where capacity building and multistakeholder remediation may be required.

Tesco are active participants on the Sedex Board as well as on all the working groups that are helping drive improvements on audit methodology and data generation, reporting, risk evaluation and tracking of continuous improvement.

#### CSR Asia – Worker Hotline

We are currently 1 of 6 international companies that are working with CSR Asia to help develop booklets to distribute to workers in factories in China that manufacture products we sell, helping them understand their rights as workers. They will also have access to a worker hotline run by NGOs in Northern and Southern China where they can raise issues in confidence.

### **Wages**

#### Bangladesh

Tesco has been working with our suppliers in Bangladesh since early 2005 to achieve a living wage for the workers in the supplier sites that manufacture the products we sell.

We continue to work with local unions, NGOs and consultants to achieve agreement on the methodology for defining the appropriate living wage by country, industry and region, in countries where there is dissent over whether the National Minimum Wage is a living wage.

For example, we participate on the MFB (Local Multistakeholder Forum Bangladesh) which helped to raise the national minimum wage (NMW) for the garment industry in Bangladesh in November 2006.

A review of wages paid across all sites in Bangladesh that manufacture garments sold by Tesco since the increase shows that our suppliers pay on average around 32% above the increased NMW. We will continue to work with the MFB to ensure that wage increases continue to be sustainable and work towards delivering a living wage.

As part of the MFB we have begun a review of our purchasing practices and the effects on achieving potential improvements in labour standards in Bangladesh with the help of our local buyers and commercial directors.

This is in line with the ETI Base Code requirement that in any event wages should always be enough to meet basic needs and to provide some discretionary income.

#### China

In China we are in year 2 of delivering training programmes to help our suppliers improve efficiency without impacting on wages. The training enables factory managers and supervisors to understand how the calculation of unit costs paid per customer in conjunction with production costs and wages can help improve productivity and reduce overtime without impacting on wages.

We cover the training costs; follow up checks and ongoing consultancy advice for these suppliers. In 8 out of the 42 factories we have been able to demonstrate clearly an improvement in overtime hours, production efficiency and wages. We will continue to monitor progress and provide support through the use of local consultants.

#### Other Countries

In India, Turkey and Sri Lanka we continue to work with suppliers on issues identified to ensure that any agreed action plans are being progressed in a timely and sustainable way.

### **Freedom of Association**

We audit our supplier sites against the requirements of the ETI Base Code under the principle that Freedom of Association and the right to collective bargaining are respected for all workers. Where we identify issues, we work with our suppliers and where relevant local unions to resolve the issues.

In the UK this has involved working with T&G (UNITE) and our poultry and strawberry suppliers. In Colombia we have worked with international and local unions, local producer organisations and our suppliers to facilitate dialogue and common agreement of issues so that understanding and trust can be developed between the various stakeholders so that they can work together locally. In Costa Rica we have worked with pineapple growers, SITRAP and Bananalink to ensure that issues of worker welfare are being addressed. In South Africa we have involved our suppliers in an engagement process with BAWSI and Sikule Sonke to address issues relating to seasonal workers and labour brokers. We continue to work with Unions that want to engage with the MFB in Bangladesh.

We will continue to seek and work with relevant trade unions and recognised organisations to facilitate understanding and improvement on any issues relating to freedom of association and collective bargaining within our supply chain where we find them.

### **Monitoring and Verification**

Our monitoring and verification programme on labour standards is effected through the use of independent commercial social auditing companies as well as industry schemes and multistakeholder organisations. They use local auditors who speak the appropriate language and will use auditors that represent the gender(s) of workers at the site to be audited. They must also conduct worker interviews on or off-site as appropriate at the time of the audit. We continue to get baseline information on issues in our global supply chain through this process.

We also check what is happening in our supply chain through other means:

**Approval audits:** New suppliers are initially risk assessed through a desk top process, followed by a site approval audit. Both processes incorporate an assessment of labour standards and are carried out by personnel trained to be able to evaluate labour standards as well as other relevant criteria.

**Ongoing visits:** Tesco buyers and technical managers visit the sites that manufacture the products we sell. They have all been trained on the requirements of our suppliers on labour standards and monitor progress or raise issues accordingly.

**Unannounced Audits:** Either using Tesco's Product Integrity Unit auditors or commercial organisations with experience in audits of labour standards.

**Verification Audits:** Local consultants/organisations are used to evaluate the findings of the independent organisations by organisation/country and industry. They do can do this through site visits and/or specific off site worker interviews.

We also accept audits conducted by local NGO auditors, where their capability and experience is recognised by independent organisations such as the ETI. Examples include HEBI and Africa Now in Kenya. Through the ETI, we have also extended a standing invitation to Trade Unions and NGOs (many of whom are members of ETI) to participate on our independent audits.

These types of audits are conducted to ensure that the consistency and quality of information of the issues are being accurately identified so that we can work with our suppliers and their sites to identify, implement sustainable improvements and track these changes through a robust and credible process.

Our specific response to other allegations is in the public domain on our website. We have always sought to engage directly with all/any organisation that have brought to our attention any specific issues they believe may be occurring in our global supply chain so that we can address these directly. It is however very difficult to do this where organisation do not feel able to disclose information that will help us investigate any allegations of issues directly with our suppliers.

I am sure you will agree that economically developing countries are not simple places to do business and it is often difficult to gain a picture of what is happening several links down our supply chain. It would be easier to walk away from sourcing in these countries and leave the problems to others. But Tesco believes that international trade is the key to helping ordinary people escape poverty and build better lives for their families; in these developing economies.

Although we have a major impact, and we do take this responsibility on board, we alone cannot change the political and social conditions of the countries in which we do business. What we can and must do, however is ensure that everyone involved in our supply chain – and the communities they live in – truly benefits from their relationship with Tesco.

Thank you again for the opportunity to contribute to your report. I trust that you will undertake to reflect faithfully our comments in your updated report. From your correspondence, we understand that the report will be published shortly before London Fashion Week on your website. If this is not the case, please let me know.

We would also like the opportunity to meet with Labour Behind the Label and will contact you to arrange a mutually convenient time to do so.

Yours sincerely  
For and on behalf of  
Tesco Stores Ltd

Lara Ladipo  
Group Ethical Trading Manager