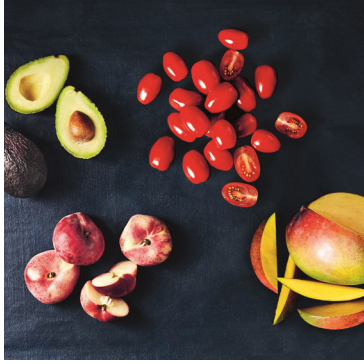
MARKS & SPENCER



GLOBAL SOURCING PRINCIPLES

April 2022 Update

GLOBAL SOURCING PRINCIPLES

APRIL 2022 UPDATE

At Marks and Spencer, we have always believed that building trusted partnerships with supplier partners, caring for our people and taking a long term approach to protect the planet for tomorrow is not just good citizenship, it's good business.

Doing the right thing is a core behaviour in our business. This means treating everyone fairly and with respect, taking a zero tolerance approach to discrimination and unacceptable behaviour, ensuring our actions today protect the planet for tomorrow and treating supplier partners fairly and as partners in our success.

These beliefs have shaped our approach to sourcing and supplier partnerships. Marks and Spencer is proud to be an own label business and our relationships with our supplier partners are critical in making M&S special. Our deep, long-term supplier partnerships are built on trust with shared aims. We work closely with trusted supplier partners who share our values to ensure that the people who work in our supply chains are treated with dignity and fairness, their human rights are respected and promoted, and we deliver on our shared mission to be a net zero business.

Marks & Spencer's Global Sourcing Principles (the "Principles") set out these minimum requirements and expectations of how we and our supplier partners conduct business to uphold human rights along with labour, environmental, ethical and legal requirements in their own operations and their supply chains. Our supplier partnerships are built on open and transparent discussion, with a shared culture of continuous improvement which goes beyond basic legal compliance. We work continuously with our supplier partners to raise standards and improve working conditions as our business relationships develop.

Our commitment to our customers and stakeholders is very clear: we will always treat people in our business and supply chain fairly. We continuously review and improve our practices to ensure we have the most effective responses to prevent and remediate any negative impact on human rights. 'Doing the right thing' means acting with integrity and doing what we said we would. Reporting transparently on our supply chain practices and operations is core to our approach to sourcing. Our commitment to transparency means that we publish data and information on the supplier partners we work with so customers and stakeholders can see our progress.

Through our commercial arrangements with supplier partners, we are linked to numerous manufacturers, farmers, producers, and agents throughout our supply chain who we do not engage with directly. Our values and concern for people and the planet extends the full length of the supply chains involved in making or disposing of products/services that we purchase. Core to our relationship with our supplier partners is a shared commitment to agree to, abide by, and communicate these standards right through the supply chain; which places a responsibility on our supplier partners in their dealings with *their own suppliers*.

These Principles reflect Marks and Spencer's beliefs and values which are aligned with our commitment to the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Guiding Principles on Business and Human Rights, the UN Women's Empowerment Principles, the right to Clean, Healthy and Sustainable Environment, the Children's Rights and Business Principles, and the UN Global Compact as well as a number of internationally recognised collaborative codes, including the Ethical Trading Initiative (ETI) Base Code and the Global Social Compliance Programme Reference Code.

This document is intended to provide a shared understanding of the Principles but what really matters is how these are used in our everyday working relationships. It is only with conversation and a spirit of partnership that together we can effect real change for people and the planet. We have developed the Marks & Spencer Supplier Partner Guidelines to share in more detail our own company position on each of the issues as well as further resources to support our supplier partners in implementing these Principles successfully.

These Principles are reviewed regularly – in partnership with our supplier partners and external organisations – to ensure they are fit for purpose and up to date. We know that to be successful, together with our supplier partners, we must constantly seek to improve how we do business; with fairness, ethics and environmental impact at the heart of the choices we make.

STEVE ROWE CHIEF EXECUTIVE OFFICER

Our Commitment

TO OUR SUPPLIER PARTNERS

It is only through relationships with supplier partners that we can understand and improve working conditions and environmental impact in our global supply chains. As such, we seek to uphold the following responsibilities to our supplier partners:

Setting Expectations: We work with our supplier partners to set standards and expectations that are relevant to the industry, country, and business. We will work with supplier partners to raise standards and improve working conditions as our business relationship with them develops.

Support and Guidance: We provide guidance and support to our supplier partners to help them understand our shared requirements and to put in place the policies and procedures needed to ensure our entire supply chains are environmentally responsible, fair and ethical. This is supported by regular site visits and a policy of continual improvement.

Open Communication/Dialogue: We know we are on a continual journey to improve and will always ensure our relationship with our supplier partners is based on open conversation and dialogue so we can adjust our own standards and behaviours where we need to.

Purchasing Practices: We will keep our buying practices under review and ensure that our behaviour supports supplier partners in complying with our Principles.

GLOBAL SOURCING PRINCIPLES

1 SCOPE AND APPLICABILITY

- These Global Sourcing Principles apply to all supplier partners with whom we have a commercial relationship for providing goods and services to Marks & Spencer. This includes manufacturers, farmers, suppliers of branded goods, contractors, distributors, and any other entity supplying goods and services in the following categories: (1) Food, (2) Clothing & Home and (3) Goods Not for Resale. Our Goods Not for Resale are the products and services we buy to run our business; such as professional services, store equipment, design services and stationery.
- The Global Sourcing Principles represent a contractual obligation and supplier partners are required to comply with them, including aligning guidelines, policies, and practices, and documenting, communicating, and enforcing the provisions outlined in these Principles. Where local laws dictate any additional requirements, those will be applicable along with the requirements mentioned in the Principles. In addition, we encourage our supplier partners continuously to improve their own operations in line with these Principles.
- In cases where the supplier has adopted their own Code of Conduct and Environmental Policy and we agree these are aligned with these Principles, we apply the principle of mutual recognition and accept the supplier partner's Code or Policy as the ethical and environmental standard governing the commercial relationship with Marks & Spencer.
- We reserve the right to monitor our supplier partners' compliance with these Principles through self-assessment, due diligence reviews, worker voice programmes or audits. We may commission third parties to audit and inspect production sites.
- Core to our partnership with our supplier partners is a shared commitment to agree to, abide by and communicate these standards *with their own suppliers*.

GLOBAL SOURCING PRINCIPLES

2 TRANSPARENCY AND DISCLOSURE OF INFORMATION

Doing the right thing means acting with integrity and doing what we said we would do, using data to be transparent about our progress. Our commitment to transparency means that we publish information on the supplier partners with whom we work so it is available to customers and other stakeholders.

It is a condition of working with M&S, and a requirement of the Global Sourcing Principles, that we can publish details of factories used by our supplier partners. Supplier partners are always expected to share information about the origin of the products they use and manufacturing sites, including their authorised subcontractors. Marks & Spencer reserves the right to use this information for quality, food safety, and ethical and environmental purposes and expects supplier partners to facilitate auditing and evaluation activities of their suppliers and sub-suppliers. This information will be published on our 'interactive supply chain map' which is hosted on our website as part of our commitment to communicating transparently with customers and stakeholders. This map will include the name and location of all factories and key raw materials in our supply chain.

Implementation and Management Systems

We have developed the Marks & Spencer Supplier Partner Guidelines to share in more detail our own company position on each of the issues and to signpost useful resources to help our supplier partners implement these Principles successfully. Marks & Spencer expects supplier partners to put appropriate management systems in place to support implementation of these Principles. Appropriate management systems include effective due diligence procedures to detect, prevent, and mitigate any adverse impacts related to corruption, human rights, labour rights, occupational health and safety, and the environment.

Policies within all relevant areas such as health and safety, human resources, corruption, and the protection of the environment must be clearly defined and communicated to all workers and other relevant stakeholders. Procedures and management systems must be in place to ensure that policies are always followed.

Supplier partners must put in place appropriate and effective reporting mechanisms in all areas addressed by these Principles, to allow for workers and communities (and their organisations, where they exist) to raise concerns. Complaints and incidents should be regularly monitored and incorporated into the Supplier's risk assessment considerations and mitigation measures, as part of the management system.

The Marks & Spencer Supplier Guidelines contain details and resources to support our supplier partners in understanding these requirements and implementing them successfully.

Supplier partners engagement responsibility for their own suppliers

We expect our supplier partners to communicate with, and put in place policies and management systems to ensure that, their own suppliers and sub-suppliers involved in producing or supplying Marks & Spencer products or services, adhere with these Principles.

Supplier partners are responsible for guaranteeing their suppliers are not in material non-compliance, by conducting risk assessments and evaluations of their own supply chain. Sub-contracting to other suppliers, sites, or units is not permitted without prior permission from Marks & Spencer. When issues arise at supplying sites, the supplier is expected to bear the cost of remedying any issues.

Reporting violations

Violations of these Principles and applicable laws are to be reported through our reporting system. To the extent possible, the confidentiality of anyone reporting a violation to these principles will be maintained. Marks & Spencer will not retaliate against anyone who makes a good faith report of a possible violation.

Dealing with severe violations

The objective of these principles is to establish a basis for positive development of responsible sourcing practices through regular dialogue and ongoing working relationships with our supplier partners. However, in the incident of severe or repeated violations of the Principles with failure to demonstrate necessary improvements to comply with these Principles, M&S reserves the right to take actions including termination of contracts.

GLOBAL SOURCING PRINCIPLES

3 HUMAN RIGHTS AND ETHICAL STANDARDS

These principles are in line with the UN Guiding Principles on Business and Human Rights, international ILO standards and the law.

Our commitment to our customers and stakeholders is very clear, we will always treat people in our business and supply chain fairly. We continuously review and improve our practices to ensure that we have the most effective responses to prevent and remediate any negative impact on human rights.

Every person who works in the M&S supply chain should be treated fairly and their human rights respected and promoted. The experience of every individual matters regardless of their contractual status. We expect all our supplier partners to respect internationally recognised human rights and to implement policies and due diligence procedures to detect, prevent, mitigate and remediate any adverse impacts on human rights. We also expect all supplier partners to create and foster a safe, healthy, and fair workplace for all workers, regardless of employment on a permanent, temporary, or casual basis.

Workers are defined in these Principles as persons working for the supplier and at the supplier premises irrespective of their contractual status, including persons hired permanently, on a piece-rate, temporary or seasonal basis, on reduced work schedules, domestic or foreign migrants on a work visa, and persons in training including apprentices.

1. Modern Slavery (Forced Labour, Human Trafficking): Employment must be chosen freely. Supplier partners must not use or benefit from involuntary labour of any kind. No bonded, indentured, forced, or slave labour, labour conducted by prisoners, or labour engaged through human trafficking, in own operations or in the supply chain is tolerated. Workers must not be charged recruitment or employment fees of any kind. Workers' freedom of movement will be unrestricted in both their workplace and living quarters and workers' personal documents must not be retained.

2. Responsible Recruitment (Agency/Indirectly employed workers): Agencies providing workforce recruitment and employment services are expected to act ethically and in respect of all international and national laws. Candidates and workers should never pay or bear recruitment or employment fees, always retain control of their travel and ID documents, be clearly informed about the terms of their employment contract before employment start and be able to leave their employment at any time without penalties. Supplier partners using these agencies to employ or recruit their workforce permanently or temporarily, are expected to conduct due diligence to ensure full compliance with ethical and legal standards.

3. Child Labour and Juvenile Workers: Supplier partners must not use or exploit child labour. Supplier partners must not employ any person below i) the legal minimum age for employment applicable to the supplier; or ii) the age of completion of compulsory education. A supplier must not employ a person under the age of 15 in any circumstances, even if local legislation allows for lower limits, and must always implement robust age verification checks to ensure these principles are upheld. Young workers between 15 and 18 years may only be employed with tasks that do not interfere with their physical and mental development and education.

4. Occupational Health & Safety: Supplier partners must provide a healthy, safe, and clean workplace for all workers and comply with all applicable laws on occupational health and safety. Supplier partners must follow a clear set of procedures regulating occupational health and safety to prevent, address, and mitigate health and safety risks and accidents.

- Appropriate and effective personal protective equipment must be provided as needed and free of charge.
- Supplier partners must assign the responsibility for health and safety to a senior management representative.
- Supplier partners must provide adequate safeguards against emergency including fire, and must ensure strength, stability and safety of buildings and equipment, including residential facilities where provided.
- Supplier partners must carry out regular risk assessments and provide regular health and safety training to workers and management.
- Supplier partners must provide access to adequate medical assistance and facilities.

GLOBAL SOURCING PRINCIPLES

5. Contracts, Wages and Benefits: All workers, regardless of employment on a permanent, temporary or casual basis, shall be provided with written employment contracts. Temporary labour arrangements must not be used to avoid obligations to workers under labour or social security laws and regulations arising from the regular employment relationship. All workers are entitled to fair and equal compensation, which at least meets the legal minimum wage, industry standards, or negotiated wages and includes all legally mandated benefits (medical insurance, social insurance, pension). All overtime work shall be compensated at a premium rate according to legal requirements. Deduction in wages shall not be used as a disciplinary practice. Supplier partners must ensure that men and women receive equal pay and conditions for the same type of work. Supplier partners must have a process ensuring that all workers on their premises are documented and have a right to work legally. Supplier partners must pay a fair wage and benefits, ensuring that workers' wages meet basic needs and uphold the right for an adequate standard of living as described in the Universal Declaration of Human Rights. Supplier partners must have a transparent process to ensure that workers fully understand the wages that they receive.

6. Working Hours: The maximum regular working week must not exceed 48 hours, and weekly overtime must not exceed 12 hours. Workers shall have the right to a minimum of one day off every 7 days. Pregnancy, parental and sick leave, holiday and time off shall be provided to all workers in accordance with applicable legislation, local traditions, and standards. If working hours exceed 60 hours in a single week it may only be allowed in exceptional circumstances where any of the following are met: this is allowed by national law; this is allowed by a collective agreement freely negotiated with a workers' organisation representing a significant portion of the workforce; appropriate safeguards are taken to protect the workers' health and safety; and the employer can demonstrate this.

7. Freedom of Association, Consultation and Collective Bargaining: Supplier partners must respect their workers' right to freedom of association, including to form or join associations of their own choice and bargain collectively on all work-related issues. In cases where local law restricts this right, parallel means of free association should be allowed. No employees should be discriminated or unfairly disciplined against based on their membership of a union or association. Supplier partners are expected to regularly engage and consult their workers on all matters related to their employment and their safety, and productively engage in dialogue with them and their representatives.

8. Discrimination and Equal Opportunities: Supplier partners must treat all workers with respect and dignity and must not engage in or support any form of discrimination in hiring, remuneration, access to training, promotion, termination or retirement based on race, caste, national origin, migrant status, religion, disability, gender, pregnancy, parental status, sexual orientation, membership to workers' organisations, political affiliation, or age. Supplier partners must not require a pregnancy test or discriminate against pregnant workers except where required by applicable laws or regulations or prudent for workplace safety. Supplier partners should have an equal opportunity employment policy that promotes gender equity in employment practices, and states maternity leave provision and support for childcare where appropriate.

9. Harassment and Abuse: Supplier partners must commit to a workplace free of harassment and violence. Supplier partners must prohibit and must not tolerate all forms of physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse, corporal punishment, mental coercion, physical coercion, or other forms of intimidation. Supplier partners must not place unreasonable restrictions on entering or exiting the company facilities.

10. Gender Equality: Supplier partners are expected to acknowledge gender-related risks and opportunities in their operations and strategies and integrate gender-related aspects into their policies and procedures.

11. Vulnerable People: Vulnerable groups such as but not limited to women, the youth, migrants, ethnic minorities, the elderly, indigenous peoples, can be disproportionately impacted by negative human rights abuses. Supplier partners must carry out risk assessment as part of their due diligence to ensure heightened protection, and remedy for these vulnerable groups.

12. Grievances and complaints: Supplier partners must provide a grievance mechanism for workers and communities (and their organisations, where they exist) to raise concerns. This grievance mechanism must involve an appropriate level of management and address concerns promptly, using an understandable and transparent process that provides timely feedback to those concerned, without any retaliation against reporters in the form of disciplinary measures or retribution. The mechanism must also allow for anonymous complaints to be raised and addressed. The existence and scope of this mechanism must be clearly communicated to all workers and their representatives, and all workers must have equal access.

GLOBAL SOURCING PRINCIPLES

13. Worker Accommodation: Where applicable, supplier partners must ensure that facilities for workers are clean and safe and meet their needs. Workers' accommodation arrangements must not restrict workers' freedom of movement or of association. Supplier partners must provide accommodation in a manner consistent with the principles of non-discrimination and equal opportunity.

14. Factory Closure/ Reorganisation/ Restructuring: Prior to implementing any restructuring / reorganisation or closure involving dismissal of workers, supplier partners must implement a process involving reviewing viable alternatives and setting out a retrenchment plan to reduce the adverse impacts of retrenchment on workers. The retrenchment plan will be based on the principle of non-discrimination and will reflect consultation with workers and their organisations. The supplier partners will comply with all legal and contractual requirements. Workers must be paid all owed salary and paid for their notice period and any other redundancy payments entitled by law, e.g., seniority payments.

15. Human Rights Defenders: Supplier partners must not tolerate nor engage in threats, intimidation, or physical or legal attacks against human rights defenders, including those exercising their rights to freedom of expression, association, peaceful assembly, and protest.

16. Land Rights: We expect all supplier partners to adhere to the practice of free and prior informed consent (FPIC) when using, leasing, and purchasing land. Supplier partners must conform to local, national, and international standards of land tenure when working in communities and apply due diligence on property and land titles.

4 ETHICS AND LEGAL COMPLIANCE

The foundation of 'doing the right thing' is acting fairly and with integrity which includes a commitment to comply fully with all relevant laws and standards. This forms the core basis for our trusted supplier partnerships. Supplier partners are expected to comply as a minimum with all applicable laws, including antitrust and intellectual property laws, and relevant international laws and industry standards. In case of conflict between local legal provisions and this Code, the most stringent standard should apply.

Commitment to Anti-corruption/Anti-bribery Practices: We are committed to the highest standards of ethics and honesty, and we operate a zero-tolerance approach to bribery and corruption. The giving and receiving of bribes, and any other form of corrupt payment is unacceptable. We expect supplier partners to avoid any kind of corruption, extortion, or bribery. This includes complying with national and international anti-bribery and corruption laws and regulations. Supplier partners shall not knowingly benefit from, participate in, or solicit any form of bribe from any person. Under no circumstances are kick-backs, facilitation payments, secret commissions, or similar payments permitted. This includes any act to secure an improper advantage to obtain or retain business.

Sanctions: Marks & Spencer complies with all sanctions and does not engage with entities subject to sanctions. All supplier partners must comply with our Sanctions policy to ensure compliance with these principles.

Privacy: We expect supplier partners to safeguard confidential information and to comply with all laws on personal data and privacy protection, as they apply to customers, consumers, and employees. Supplier partners must respect their employees' right to privacy, avoid inappropriate surveillance, and only process personal data with expressed consent from the data owner.

GLOBAL SOURCING PRINCIPLES

5 ENVIRONMENTAL STANDARDS

Our commitment to being a net zero business is aligned to the UNFCCC campaign 'Race to Zero' and Science Based Targets aligned to 1.5 degrees.

We have always believed that caring about the impact we have on tomorrow's world as well as today's is not just good citizenship, it's good business. We will take the long term approach and ensure that we take the right actions today to protect the planet for the future. The environmental challenges we face will have a significant impact on our business and the people within our supply chains. We are committed to become a net zero business including how we make, move and sell and ultimately what our customers do with our products after they buy them.

Supplier partners must meet all relevant local and national regulations on the environment including the implementation of an effective environmental management system that supports identifying risks, measuring and monitoring performance, and driving continual improvements to mitigate or minimise environmental impacts in their operations. Supplier partners are encouraged to consider where they might introduce measures restorative to the environment and create resilience, particularly measures toward climate resilience. In addition, we expect them to meet all the relevant Marks & Spencer standards relating to the environment and animal welfare.

1. Air Pollution and GHG Emissions: Supplier partners are required to minimise air pollution and to develop and implement plans to support M&S to reach its goal of reaching net zero emissions by 2040. Supplier partners are encouraged to assess their own climate related risks and implement adaptation and resilience plans.

2. Energy Efficiency: Supplier partners must ensure that energy is used efficiently. Supplier partners are expected to put in place systems for tracking their energy consumption and work towards optimisation of energy use. Supplier partners are encouraged to consider transitioning to clean energy sources wherever possible.

3. Waste: Supplier partners are required to put in place appropriate systems to minimise, handle, store, transport, and dispose of waste in a responsible manner. When handling waste supplier partners are expected to put in places measures to ensure that waste – particularly plastic waste – does not leak into the environment. All local requirements on waste management must be followed and hazardous waste must only be handled, transported, and disposed of by authorised operators. Organic waste must be managed in a responsible manner.

4. Water: Supplier partners must ensure that water is used efficiently, and that supplier partners' operations do not negatively affect access to safe water for the communities, in which their operations are located, both now and in the future. This is particularly important in water stressed areas. No contaminated or toxic wastewater should be discharged into the environment and neighbouring communities. Supplier partners are expected to put in place systems for water efficiency and wastewater treatment and are required to monitor and test the quality of the effluent for pollution.

5. Biodiversity and Ecosystems: Supplier partners must minimise the harm of their operations on ecosystems and are responsible for assessing risks and putting in place measures to ensure that their sourcing, farming, manufacturing, or distribution activities do not compromise and damage biodiversity. Supplier partners must consider the use of pesticides on surrounding biodiversity and ecosystems and minimise use where possible. Supplier partners are encouraged to protect and restore natural habitats where possible to build resilience and protect threatened and endangered species.

6. Chemical Management: Supplier partners are required to select and purchase chemicals in line with our Environment and chemical policy and Restricted Substances list. All EU and UK REACH regulations must be adhered to in production of all raw materials and finished product.

7. Soil Management: Supplier partners must maintain and improve soil health to prevent degradation, foster biodiversity and minimise greenhouse gas emissions.

GLOSSARY OF TERMS

- **Bribery:** Bribery is a criminal and corrupt practice where an entity offers something of value to a corporate or public official in exchange for their cooperation in influencing a decision-making process, committing or allowing fraud against the official's organisation, or otherwise violating their official duties.
- **Child labour:** Child labour is defined as work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development. It refers to work that is mentally, physically, socially or morally dangerous and harmful to children; and interferes with their schooling by depriving them of the opportunity to attend school; by obliging them to leave school prematurely; or by requiring them to attempt to combine school attendance with excessively long and heavy work. Child labour typically refers to workers who are under the age of 15, under the legal age to work, or under the age for completing compulsory education, whichever is greatest.
- **Discrimination:** Unfair or prejudicial treatment of people and groups based on characteristics such as race, gender, age, or sexual orientation.
- **Facilitation payment:** A personal payment or amenity to a low-level official to cause that person to perform a routine service the payor is entitled to receive, but which the official refuses to provide without payment.
- **Grievance mechanism:** A grievance mechanism is a formal, legal or non-legal (or 'judicial/non-judicial') complaint process that can be used by individuals, workers, communities and/or civil society organisations that are being negatively affected by certain business activities and operations.
- **Harassment:** Harassment is unwelcome conduct that is based on race, colour, religion, sex (including pregnancy), national origin, age, disability, or genetic information. Harassment becomes unlawful where 1). enduring the offensive conduct becomes a condition of continued employment, or 2). the conduct is severe or pervasive enough to create a work environment that a reasonable person would consider intimidating, hostile, or abusive.
- **Juvenile labour:** Juvenile or young labour are workers who are legally allowed to work but are under the age of 18. Young workers are vulnerable to hazards because they are still developing physically and mentally and are generally less aware of risk than adults are.
- **Recruitment fees:** Recruitment fees are fees of any type, including charges, costs, assessments, or other financial obligations, that are associated with the recruiting process, regardless of the time, manner, or location of imposition or collection of the fee.
- **Supplier:** Any entity with whom a buyer has a direct contractual relationship for the provision of goods, products, or services.
- **Worker:** Workers are defined in these Principles as persons working for the supplier partner and at the supplier partner premises irrespective of their contractual status, including persons hired permanently, on a piece-rate, temporary or seasonal basis, on reduced work schedules, domestic or foreign migrants on a work visa, and persons in training including apprentices.