

Responsible Sourcing and Human Rights

## **Responding to Stakeholder Concerns**

As part of our commitment to transparency we publish details of where we have been challenged by NGOs and campaigners on human rights in our supply chain and the details of our response and resolution.

This includes being transparent when we are challenged and responding to these challenges in the right way. We always do everything we can to be open and transparent – both in the information we make public and the way we share it. This includes taking every opportunity to learn when things don't go to plan and to make the necessary improvements in order to continue to be a responsible business.

We aim to enhance the lives and support the local communities of the people who work for and with us. We're committed to source responsibly and we work closely with our suppliers to make sure they respect human rights, promote decent working conditions and improve sustainability across our supply base.

The following summarises the third party challenges we've received since 2014:

### **2021**

#### **SIGNING THE CALL TO ACTION ON HUMAN RIGHTS ABUSES: BRAND COMMITMENT TO EXIT THE UYGHUR REGION**

In January 2021, M&S has become one of the first companies to formally sign the Call to Action on human rights abuses: [Brand Commitment to Exit the Uyghur Region](#). This is in line with the company's long-term focus on ensuring its supply chains are sustainable and ethical, where workers are treated fairly, and their human rights are respected.

As the Call to Action notes, more than 80 percent of China's cotton is grown in the Uyghur Region, approaching almost 20 percent of global production. In response to mounting evidence of forced labour, the Coalition, (supported by groups including the [Ethical Trading Initiative](#)) has set out a series of asks of businesses in order to ensure that their full supply chains—including secondary and tertiary suppliers—are not linked to the human rights abuses in the region.

100% of the cotton for M&S Clothing is sustainably sourced (the majority Better Cotton Initiative\*) and M&S is already one of the few retailers that does not work with any supplier in or source from Xinjiang, in addition to being committed to tackling indirect supply risks. However, M&S has signed up to the

important Call to Action to help play its part in driving meaningful change at scale.

### **NON-PAYMENT OF THE VARIABLE DEARNESS ALLOWANCE (VDA) IN THE KARNATAKA REGION OF INDIA**

Issues around the minimum wage for workers in the Karnataka region of India have been ongoing since April 2020. Non-payment of the Variable Dearness Allowance (VDA) in Karnataka is a multi-sector issue, not limited to the garment industry, and the case being heard by the High Court of Karnataka relating to the re-payment of VDA was postponed multiple times. We recognise the increased risk of forced labour and exploitation as a result of delayed or unpaid wages.

We worked with the ETI and Brands Ethical Working Group to insist that all workers in Karnataka be paid the Mandatory Minimum Wage and all arrear payments of VDA. We engaged our suppliers in the state directly, making clear our expectation that these conditions be met with immediate effect. We also collaborated with other stakeholders to lobby for a pay ruling and support of the court hearings in order to get a resolution. In February 2022, we reached a successful resolution, and due to pressure from the Brands Ethical Working Group and external stakeholders, all of our suppliers committed to repay VDA wage increases for both 2020 and 2021, regardless of any outstanding court decision.

### **2020**

#### **COVID-19**

The impact of COVID-19 across the clothing sector was completely unprecedented and has been felt acutely by both retailers and our suppliers. We are very proud to have strong long-term relationships with our clothing suppliers; in fact, we have worked with over 70% of our supply base for over seven years.

We continue to track changes in each country and maintain regular contact with our suppliers and factories working through a plan which is as follows:

- We have paid and continue to pay for all shipped products
- Whilst our previous standard payment terms (75 days) have been extended to 120 days in response to Covid-19, we are continuing to offer supply chain finance which means suppliers get early access to cash regardless of payment terms
- We have taken precautionary steps to ensure suppliers are implementing safeguarding measures to protect garment workers. This includes social

distancing, sanitising practices, providing adequate protective equipment and additional awareness training about the virus

- We fully support the efforts of the Ethical Trading Initiative and our partner the International Labour Organization who are facilitating the coordination and distribution of emergency relief funds, supporting safe working where manufacturing continues and co-ordinating an industry-wide response. We endorsed the “COVID-19: Action in the Global Garment Industry” which you can read on the ILO’s website
- We were also involved in submitting proposals to DFID to support their COVID-19 Vulnerable Supply Chains Facility (VSCF), to form partnerships that support and respond to the challenges that COVID-19 presents within DFID-priority countries and ensure the most vulnerable workers and suppliers are prepared for the anticipated economic and social shocks
- More widely, we remain committed to our Global Sourcing Principles that outline how we work with suppliers in relation to human rights, sustainability and decent working conditions

## **2018**

### **FORCED LABOUR CONCERNS ASSOCIATED WITH FEMALE MIGRANT WORKERS IN BANGALORES GARMENT INDUSTRY**

In January 2016, the India Committee of the Netherlands (ICN), a human rights organisation, released a [report titled ‘Unfree and Unfair’](#) focusing on poor housing conditions offered to migrant workers in garment factories in Bangalore. Two years later, they conducted an updated study in collaboration with the Garment Labour Union, Bangalore and titled [‘Labour Without Liberty’](#). This was based on interviews with 63 female workers at three garment manufacturing sites. The reports alleged that the factories were suppliers for M&S and several other brands including Abercrombie & Fitch, Benetton, C&A, Columbia Sportswear, Decathlon, Gap (Old Navy and Banana Republic), H&M, Levi Strauss and Co. (Levi) and PVH (Tommy Hilfiger and Calvin Klein). The factory known as ‘Company 1’ was highlighted specifically as an M&S supplier. It is understood that ‘Company 1’ has more than twenty units in Bangalore – the unit selected for the research was reported to be in the Peenya Industrial Area. The reports do not identify the three factories because it’s understood that the authors wanted to raise systemic issues rather than point fingers.

The reports allege five out of eleven ILO indicators for forced labour existed: abuse of vulnerability, deception as a result of false promises, restriction of movement, intimidation and threats and abusive working and living conditions. Workers, mainly migrant, were accommodated in hostels located nearby the factories were found to have their movement restricted by factory employees and hostel management. In the case of 'Company 1', women were escorted from the factory back to the hostel in the afternoon and were reportedly banned from leaving the hostel during weekday evenings. On Sunday's they could leave the hostel unaccompanied, however this was only between the hours of 4pm and 7pm.

We were in contact with ICN before the publication of the report and were given the opportunity to review some general text from the report. We source from a number of factories in and around Bangalore (as of December 2018 we had in excess of 20 active factories – [please refer to our interactive map](#)). We therefore asked if ICN could provide us with factory information to enable us to identify the one factory that we are linked with in the report. Understandably they would not supply us with the factory name to ensure there was no retaliation on workers.

We will not tolerate or condone any human rights abuses within any part of our business or supply chain. We have also identified forced labour as one of our salient human rights issues and specifically in India we have also highlighted recruitment practices of migrant workers as cause for concern. Our [Global Sourcing Principles](#), which are contractual, prohibit forced labour in all its forms. They also require suppliers to respect the right of workers to leave the workplace after their shift and workers' accommodation arrangements must not restrict workers' freedom of movement. In 2017, we published our [Modern Slavery Toolkit for Suppliers and Partners](#) and in 2018 we published our [Forced Labour Toolkit for International Suppliers and Partners](#) where we provide further guidance on our expectations. This includes stating that forced labour extends to scenarios where workers are restricted in their movements or confined to a workplace or accommodation.

Given the general and anonymised information in the report and a lack of factory name, we used our best judgement and our Regional Compliance Managers and independent auditors visited several factories that we thought it could be but found no evidence of any of the issues raised in the ICN report.

We went back to ICN again to ask more firmly that they needed to provide us with more details about the factory to allow us to more fully investigate, verify allegations and, if required, provide appropriate remedies to affected workers. ICN unfortunately refused our request once again.

Whilst this is unfortunate, we do feel the ICN report was balanced, and as explained was "to raise systemic issues rather than point fingers". It gave useful recommendations for the Indian Government, supplying factories, NGOs and

trade unions and brands like M&S. Research and reports such as this are important in highlighting issues and especially if differences are found in the treatment of different categories of workers.

Subsequently we have carried out the following actions:

- Carried out a baseline assessment of the workers in each of our factories to better understand the proportion of migrant workers in our supply chain;
- Played an active part of the [Ethical Trading Initiative's \(ETI\) Tamil Nadu Multi-Stakeholder Initiative \(TMNS\)](#) which focusses on migrant workers in Southern India and are working collaboratively with many of the brands mentioned in the report to tackle some of the systemic issues within the garment industry;
- Reviewed our policies and management systems to help prevent issues raised by ICN from reoccurring. We have asked our compliance teams and independent auditors based in India to be extra vigilant about the issues raised by ICN and incorporated hostel checks within our compliance audits and have adopted the [Hostel Guidelines published by the Tirapur Stakeholders Forum](#). These Guidelines would also inform the development of any corrective or remedial action plans should we find issues during the course of our checks or indeed if we become aware of issues by other means; and
- Launched our [M&S Forced Labour Toolkit for International Suppliers and Partners at our first ever international human rights conference in Delhi in January 2018](#) with over 250 attendees from our retail partners, M&S international retail and sourcing offices as well as logistics, IT, facilities, Food and Clothing & Home suppliers.

We will continue to oversee and enforce the implementation of our requirements and take on board the information and the findings in the report on the employment conditions of migrant workers, and work with brands to ensure good recruitment practices for migrant workers within our supply chain.

## **2016**

### **BBC PANORAMA – ALLEGATIONS OF SYRIAN REFUGEES WORKING IN TURKISH FACTORIES**

In October 2016, a BBC Panorama programme looked at the issue of Syrian refugees working illegally in the Turkish garment industry in factories supplying M&S, Next, ASOS, Mango and Inditex.

We are acutely aware of the complexity surrounding Syrian refugees in Turkey and we have been engaged for over 18 months regarding the legal employment of Syrian refugees.

We have a local team on the ground in Turkey who visit all of our suppliers on a regular basis and interview workers. During 2015/16, they ran supplier workshops on the Syrian refugee crisis highlighting labour law and how to legally employ Syrian workers.

The key issue is that until January 2016 Syrian refugees had no ability to work in Turkey, as they were not allowed to apply for work permits. The Turkish Government changed the law in January but only to allow Syrians to work on a permanent basis with the factory having to apply for the work permit on their behalf. Unfortunately, this process can take many months and the requirements for a permanent work permit excludes many Syrians from receiving them. This leads to Syrians trying to obtain work informally and casually, being paid cash.

We had previously found no evidence of Syrian workers employed in factories that supply us, so we were very disappointed by the BBC's findings, which are extremely serious and are unacceptable to M&S.

Within 24 hours of being supplied with the factory name, we conducted our own unannounced audit, which found one Syrian adult casual daily labourer paid in cash, without wage slips, and employed through an agent working at the factory. The worker was above the legal minimum working age and was being paid a wage equal to comparably skilled permanent workers, he did not have the required work permit.

We have worked closely with the factory to put in place an action plan who have been fully cooperative throughout the process, this included offering the Syrian refugee permanent legal employment. This was declined and they have subsequently left the factory.

We have continued to monitor the factory closely to ensure that they adhere to our [Global Sourcing Principles](#) and carried out future visits and audits in all factories on an unannounced basis.

It has always been our policy not to "Cut & Run" following an incident such as this, but to work with the factory to ensure our standards are upheld and these issues do not happen again in the future. As the owners of the factory cooperated fully and were unaware that the Syrian worker had been employed on a daily basis by the factory, we did not exit this factory merely as a result of the Panorama programme and we have continued to monitor it closely to ensure it amends its practices so it does not occur again.

We have also reviewed our management systems to identify lessons learned and improvement opportunities. As a result, we developed a relationship with a non-profit foundation called [United Work](#) which provides support for refugees regarding their fundamental needs (educational advice, recruitment, working permits and on-the-job-training), this is free and sponsored by the Dutch Government. We require our suppliers to let us know when they would like to recruit a refugee and we then introduce the factory and [United Work](#) to each other. Since the beginning of 2018, we have successfully helped 17 Syrian refugees into legal employment in our supply chain in Turkey.

We have also continued to carry out training with all our suppliers to highlight the legal process to employ Syrians with work permits. All our formal compliance audits continue to check work permits routinely.

We have also recently partnered with [MUDEM, a Refugee Support Centre](#), and signed a Cooperation Protocol on Remediation of Working Conditions of Refugees. This provides a confidential mechanism for Syrian (and other refugees) to raise complaints or issues in our factories anonymously. Should this happen [MUDEM](#) will liaise with us to resolve and remedy any issues. As of May 2019, we have had no issues raised with us via [MUDEM](#).

In addition, we continue to be members of the in-country Ethical Trading Initiative (ETI) Turkey Working Group, working collaboratively with other Brands on a best practice and due diligence approaches to protecting Syrian refugees seeking work in the garment industry but given the scale of the plight of Syrian refugees, and the sheer scale of the issue of informal workers in all industries, not limited to the garment industry, we also recommended a convening of all brands sourcing from Turkey, to establish a multi-industry wide collective action plan and next steps.

In October 2018, at our second human rights and modern slavery conference in Turkey we took the opportunity to publicise our [Modern Slavery Toolkit for Suppliers and Partners](#). We translated this document into Turkish and sent it to all our suppliers. The conference was attended by 172 attendees including Government officials, Turkish employer's association, other brands and Syrian employment agencies.

With teams from other brands, ETI representatives, the Turkish Government and Employer Associations, we believe we have a great opportunity to help improve the situation for employment of the Syrian Refugees.

## **2015**

## **ALLEGED MISTREATMENT OF MIGRANT WORKERS ON A FRUIT FARM IN KENT**

In October 2015, a media investigation brought to light issues at a fruit packhouse in Kent, which supplies a number of leading food retailers, including M&S. The issues were centred on the standard of accommodation provided, and worker-management communication. Whilst other brands ceased or suspended supply we worked closely with the supplier to understand the root causes of the issue, funding additional consultancy support to improve the site's human resources, labour provider and accommodation management systems. We also supported the supplier to help roll-out more effective workplace communication.

The site continues to make progress in addressing these issues and we receive regular updates. In addition, partly as a result of this case, in March 2016 we ran an ethical trade training session for all our UK produce suppliers, which included detailed guidance materials on ensuring adequate workplace communications, and on minimum accommodation standards. In order to demonstrate full commercial support for the agenda, this session was delivered by our buying teams, as well as ethical specialists.

## **2014**

### **GCL (GROSBY) FOOTWEAR FACTORY, CHINA**

We are sometimes asked about allegations relating to one of our former factories, GCL (Grosby) Footwear factory, in China.

In 2013, the factory was required by the Hong Kong government to change its name and legal representative due to being restructured as a wholly Hong Kong-owned enterprise. This was done to enable the factory to manufacture for the local market as well as for export as per local government guidelines.

In May 2014, China Labor Watch (CLW) alleged that Grosby used this transition as an excuse not to distribute payments to workers, including monthly wages, subsidies and social insurance. Workers also believed that this meant that they were no longer entitled to long service benefits such as redundancy compensation. As a result of a significant breakdown in communication, trust and confidence between the factory management and workers the factory workers went on strike. It was also alleged that the factory had dismissed a number of workers during the strike including the vice-chair of the trade union.



Whilst other global brands sourcing from GCL did not engage in the resolution process, we worked closely with the factory despite being its smallest customer.

As part of the resolution we sent in a specialist NGO to conduct worker interviews and to carry out a full investigation in order to verify all the information was correct and to propose recommendations.

The GCL management confirmed they had changed the factory's name and business licence in July 2013. The management however failed to adequately communicate (either in 2013 or 2014) to the workers, that all benefits, continuity of service and redundancy compensation and terms of employment remained unaffected (i.e. pay rates, working hours and holiday entitlements) by the name change.

ETI China also visited the factory within the scope of the investigation and we responded in writing to all interested unions, campaign groups and stakeholders. During the investigation and interviews, it was established that there was no trusted 'bridge' between the two sides because workers reported that they believed the union was ineffective. As a result they felt they were unable to negotiate with management. The management reported that the union was unable to help them solve any of the problems. The factory was, however, not willing to engage directly with workers, only through representatives.

The factory took on the recommended remediation action plan and held additional meetings with the union representatives and the workers representative. There was also several face-to-face sessions with workers to provide guarantees that long service payments were unaffected and would be provided should the factory close or move location. In addition, the factory offered a bonus payment for workers to return to work after the strike, to compensate for their lost strike pay. Most workers returned to work but several workers still refused and were, under China Law, dismissed. These dismissed workers applied to the Arbitration Court to be reinstated but they lost the case and GCL were found to have dismissed the workers legally.

As a result of this case we developed a Workplace Communications Module which has been implemented in many of our sourcing countries, specifically China and over 113,000 workers and managers have attended the training.

The above have all been received from the media, trade unions or labour and human rights advocacy groups. They are distinct from issues we identify through other processes which include our own due diligence or complaints

that we may receive directly from employees in our business or workers in the countries where we source product (e.g. through worker hotlines). The specific details of the complaints or the parties to the complaint are not disclosed, unless both the complainant and the subject of the complaint have agreed to this being made public, or where the complaint has already been made public by advocacy groups or through other channels such as the media. In some circumstances, our ability to be transparent may be restricted as a result of legally binding duties of confidentiality.

Over the next few years we will continue to publicly report on the performance of our M&S Group grievance channels / mechanisms.

We welcome the views of stakeholders who can help us in this task. You can share your views or open dialogue with us at [PlanA@marks-and-spencer.com](mailto:PlanA@marks-and-spencer.com).