

Primark Announcement on ETI Review, Tuesday 19 January 2010

Primark has been engaged with the Ethical Trading Initiative (ETI) on a comprehensive review of its systems for implementing the ETI Base Code. Primark is pleased to report that this review has now concluded and generated a set of recommendations, the vast majority of which are already completed or well under way. A Primark spokesman said: "We welcome the ETI's acknowledgement of our commitment to a robust and effective ethical trade strategy."

Primark remains wholly committed to ensuring that its customers can continue to shop at Primark confident in its commitment to its ethics and its values.

For further information, see www.primark.co.uk/Ethical

For further information, please contact:

Citigate Dewe Rogerson
Jonathan Clare/Chris Barrie/Nicola Smith
Tel: +44 20 7638 9571

Notes to Editors:

Primark has taken many steps to improve working practices among its suppliers.

- We share more than 95% of our factories with other high street brands. We know this from having audited and surveyed our supplier base intensively. This figure rises to 96.8% for the top 250 factories supplying 87.3% of our products. So, the same working conditions and wages for the employees, irrespective of what goods are on the production line, irrespective of the price paid by the consumer.

Team:

- We have employed Katharine Kirk, from Gap Inc, as Ethical Trade Director. No new supplier can be appointed without being audited, and then cleared by her.
- Primark has been steadily expanding the size of its own ethical trade staff over the last 2 years. In-house there is currently an 8 person team (including the Director). Recent additions to the team include a new Ethical Trade Manager in Bangladesh and plans are underway to recruit a female Ethical Trade Executive for Bangladesh with a specific remit to focus on women's issues in factories. Primark also has a new Ethical Trade Manager in Turkey, and a new Ethical Trade Executive to add to the strength of the existing team in India. The aim is to have in place a team of 15 by the end of 2010.

Monitoring

- In 2009 we conducted over 1080 audits, which is almost double the number in 2008 (533 audits). The growing in-house ethical team, new third party auditor partners, and the online audit database are helping to support this growth. Audits are accompanied by a remediation programme for each supplier as required. This is the accepted way the industry seeks to raise standards.
- We use a mix of our own in-house and third party auditors. Third party auditors performed around 70% of our audits last year. We are increasing the number of them. Most of their visits are unannounced or semi-announced. They are paid for by Primark, to reduce the burden on suppliers and factories.
- The focus of our auditing programme is the top 250 suppliers which represent 87.6% of the selling value of the business. We had audited all suppliers ranked in the top 250 by the end of 2009.
- We audit according to: Level of turnover with a supplier, proportion of a supplier's production that is dedicated to our business, country of manufacture, risk of production process, any other information about a particular supplier or factory that identifies risk.
- However, we recognised that audits are a necessary, but not sufficient, part of the solution to raising standards in the supply chain. Much is dependent on remediation and training.

Remediation

- Our third party auditors and staff work out a remediation plan with each factory after an audit, and then a follow-up is conducted, mainly by our own team members. More than half the audits we do are follow-ups (55% of audits in 2009).
- 18 months ago Primark began work on a new, cutting-edge, online audit management system. BSI Entropy's management system helps us to keep track of non-compliances at the individual production site, as well as at country and buying department levels. The system helps us to follow up non-compliances in a timely manner and identify root causes of problems and where additional training is required.
- Primark has established a dedicated living wages projects in China and Bangladesh. The lessons learned and models developed will be rolled out more widely within Primark's supply base. The project entails using local experts in each country – NGOs, trade unions and productivity experts – to improve the systems within the factories. Primark buyers will also be involved in encouraging factories to make the necessary changes, sharing knowledge and experience with the factory management, as well as looking at how they can improve the way they buy – for example by paying close attention to the timing and volume of orders so as not to overstrain the factory.

Training

- All Primark buyers and key personnel have been trained in ethical trade. In total this has covered 209 staff equating to over 1,672 hours worth of dedicated ethical trade training.
- New staff members are also given training on ethical trade during their induction. Ethical trade training was provided to Primark's China-based staff in July this year.
- The supplier training programme has been extended and dedicated events took place in China, the UK and India last year. In November Primark hosted 3 days of ET training for the top 50 Chinese suppliers and their factories in Shanghai. 192 individuals attended these sessions. In July 40 Irish and UK suppliers and factories attended one of the ethical trade workshops held in Reading and Birmingham.
- Primark is about to launch a new Suppliers' Extranet, an online information resource centre for suppliers which will include helpful training tools and guides for factories.
- Primark has also developed an online compliance training tool for suppliers with a specialist provider, so we can reach more factories, more quickly.

External Partnerships

- We work with respected NGOs in India and Bangladesh:
 - *NUK in Bangladesh*: an NGO based in Dhaka which focuses on women's rights and is working with 16 of our contract factories to improve labour standards. This programme includes training directly for management on how to better and more fairly manage their workforce, as well as separate education for workers about their rights. This is one of the most effective ways to improve wages in Bangladesh.
 - *SAVE in India*: In India we are working at grass roots level with an NGO called SAVE to understand and address the challenges faced by workers in the communities where our products are made. Our programme includes extensive community surveys to identify workers, families and children at risk, as well as a counselling service and helpline for workers and other support services. A core part of the project is worker education, on issues from hygiene and personal development to gender equality and workers' rights through workers education groups, a model that has already been shown to work well in this context. SAVE was founded in 1993 to eradicate child labour and its activities now extend to women's empowerment and worker rights for garment industry workers. SAVE runs education and rehabilitation schemes as well as homes for former child labourers and orphans.
 - The SAVE project is a ground breaking attempt to educate the workers about their rights, so that they can stand up for themselves. SAVE has

already started surveying conditions there and educating people. Primark is supporting this work so it can be expanded and direct it to the communities where our contract factories are located.

Terms of Trade

- We pay suppliers within 30 days – unlike many other retailers.
- We order in large volumes – which is a major reason why we can retail garments at the lowest prices. Over the course of one of our large production runs, suppliers tell us they can improve productivity by 50% because they don't have to change designs and material.
- We can charge low prices also because we don't advertise, we don't stock wide ranges of clothes, we turn stock over fast, we have low central office overheads. Our profit margins are also lower than other big name retailers.
- Finally, we spend at least £700 million in developing countries. Our business contributes directly to the employment of more than 700,000 workers across three continents – and the livelihoods of some 2 million people, including families.