

MONSOON

Monsoon Accessorize Ethical Trading Report 2010

Foreword

At Monsoon Accessorize, we are committed to ensuring **high ethical standards** throughout our supply chain. This extends beyond our first tier suppliers to all the workers and craftspeople who make our product across different countries.

Our commitment and approach is rooted in our heritage as company that began sourcing **hand-crafted products** from India in the **1970s**. We may have grown to a much larger company, but we remain committed to our hand-crafted roots and want to ensure that everyone involved in making our products is fairly treated and properly rewarded.

We also aim to support vulnerable communities in our supply chain through the **Monsoon Accessorize Trust**. Established in 1994, the Trust helps over 10,000 women and children every year through education, healthcare and income generation projects (www.monsoontrust.org).

In 2010, we continued our sponsorship of **Estethica** - the ethical fashion space at London Fashion Week – and launched our own eco '**LOVE**' collection, incorporating **organic** fabrics and hand-crafted techniques. We also began work on our **Boutique** collection, with the goal of creating livelihoods for disadvantaged craft producers (www.monsoon.co.uk/boutique).

We do not claim to have all the answers but are committed to continuous improvement and to working in close partnership with all our suppliers.

I am very pleased that the **ETI** has recognised our efforts by awarding us '**Leader**' or '**Achiever**' status against all of its assessment criteria for 2010.

Peter Simon, Chairman/Founder

Introduction

At Monsoon Accessorize, we are committed to ensuring high ethical standards throughout our supply chain.

We are proud to be a founder member of the **Ethical Trading Initiative** (ETI) (www.ethicaltrade.org) and all our suppliers are required to sign up to our **Code of Conduct**. This is based on the Ethical Trading Initiative Base Code and sets minimum standards relating to health & safety, working hours, wages and other factors such as freedom to join a trade union.

We do not own or operate our own factories but work with a network of about **250** international suppliers. Over 90% of our products are made by suppliers in India and China with the remainder in countries such as Turkey, Vietnam, Italy and Romania.

Our goal is to create long-standing, sustainable relationships and we have worked with many of our suppliers for over 20 years. While our supply chain has grown and diversified, we still depend upon Indian crafts to give many of our products that unique Monsoon look and feel.

How we work

All our suppliers are risk assessed and required to sign up to our ethical **Code of Conduct** before starting to work with us. Through our monitoring visits and audits, we then help our suppliers to identify and address issues found.

Our approach is to work with suppliers to implement improvements since we believe this is to the benefit of the workers and drives up standards overtime. We do not advocate a 'cut and run' approach and support suppliers in developing **corrective action plans** to ensure that our ethical standards are met. However, if necessary improvements are not made within an agreed timeframe, or if serious breaches occur, we are prepared to take our business elsewhere. In 2010, we ceased trading with two key suppliers on ethical grounds.

In our primary sourcing countries (ie China and India), we prefer to use our own in-house auditors to monitor ethical compliance since this allows us to work in partnership with suppliers to help them address any issues over time. However, since our supply chain has grown, we also use external auditors and work with NGOs to verify findings and help us to address difficult issues.

As well as working directly with suppliers, we aim to support vulnerable communities in our supply chain through the **Monsoon Accessorize Trust**. Established in 1994, the Trust helps over **10,000** women and children every year through education, healthcare and income generation projects (www.monsoontrust.org).

ETI Assessment of our performance

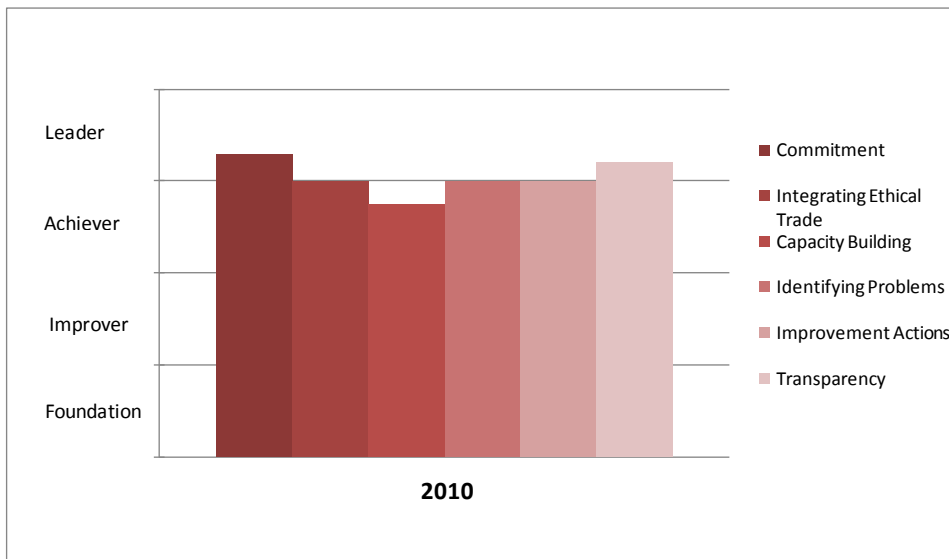
Our performance overall is assessed by the ETI on an annual basis against the following criteria:

- Commitment to ethical trading
- Integrating ethical trade into company culture and business practices
- Capacity building for suppliers and others
- Identifying problems in the supply chain
- Improvement actions
- Transparency.

In 2010, we were awarded '**Leader**' status the ETI against the 'commitment' and 'transparency' criteria (see below). We were awarded '**Achiever**' status on all other criteria.

We are committed to continuous improvement so as to maintain and raise standards over time.

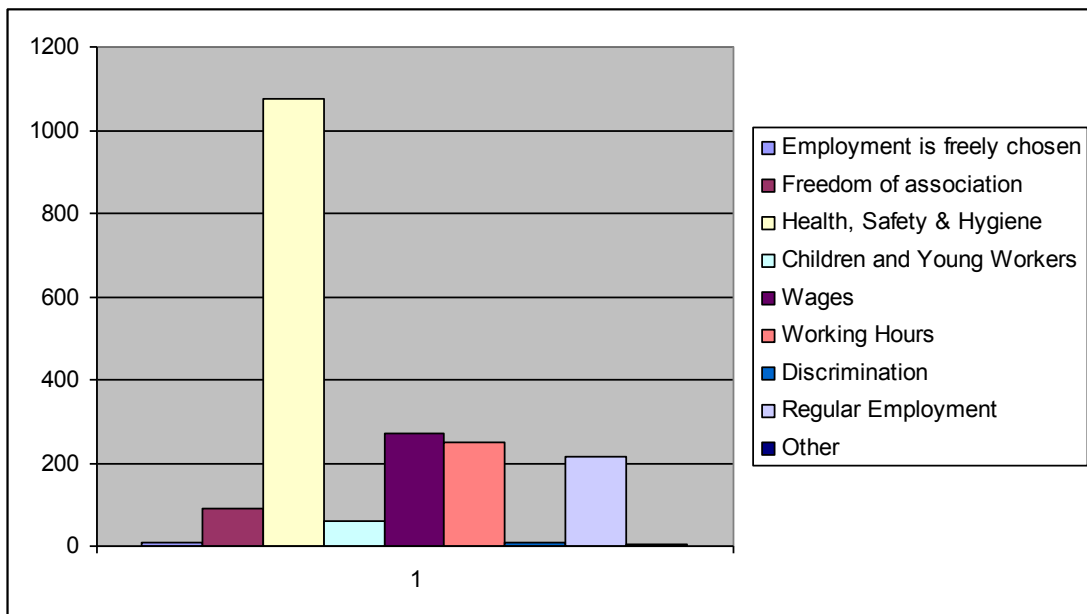
ETI Assessment of Monsoon Accessorize performance



Issues we tackle

The vast majority of issues we tackle relate to **health and safety** in the workplace as well as **organisational** issues relating to the management of staff. The latter includes systems for the timely payment of wages, registration of workers, performance management systems and worker training. However, we also address issues relating to working hours, wages, children and young workers and the rights of employees to join free trade unions.

The table below shows the breakdown of issues identified in 2010, using the Ethical Trading Initiative (ETI) headings, across **327** of our supplier factories.



Health, Safety & Hygiene

This category includes a wide variety of actions to ensure that workers are safe and their health is protected. Examples include provisions relating to general conditions such as air quality, lighting, noise, cleanliness as well as access to clean water and hygienic toilet facilities. Other areas include evacuation procedures, access to first aid treatment, fire safety and the safety of pregnant workers. Our goal is always to drive continuous improvements and, in 2010, we identified **1074** actions to be implemented across **327** factory sites.

Employment is freely chosen

This issue is highlighted within our Code to ensure that individual rights to choose employment are not in any way impeded. For example, suppliers are not allowed to ask workers for cash deposits when they start work or to retain their identification documents or passports. Similarly, suppliers are required to give proper notice provisions when terminating employment. We identified **8** issues related to this area across **327** factories in 2010.

Freedom of Association & Collective Bargaining

We believe that meaningful **worker representation** at factory level is essential to ensuring high ethical standards and payment of fair wages over the long-term. All our suppliers are required to allow workers to join trade unions or equivalent forms of worker representation. Unfortunately, this is inhibited in some parts of our supply chain (eg China) by a political environment that does not allow for free trade unions. In other parts of our supply chain (eg India), while there are no legal restrictions to free trade unions, the management culture can be hostile to the trade union movement.

Our strategy for addressing this varies across suppliers but we actively promote the business case for **freedom of association** by explaining how it can promote more efficient factories with improved productivity, H&S and reduced labour turnover etc. We also implement worker training programmes with suppliers to ensure that workers are aware of their rights. Our audit protocols ensure that workers' views are taken into account by the inclusion of on-site and off-site interviews. The findings of the audit are cascaded to worker representatives and /or recognised trade unions. An independent and confidential complaints mechanism is also in place, allowing workers to lodge complaints directly with us.

To date, **35%** of our Indian factories have **recognition agreements** in place with trade unions and/or worker representation via parallel means (eg through worker committees). In 2010-11, we were successful in persuading two of our major suppliers in Mumbai to sign recognition agreements with locally based trade unions. We are working with the remaining Indian suppliers to implement corrective actions and establish an acceptable level of worker representation. To help us with this process, we are working with a local NGO, **Business Trading Ethically** (BTE) and the **Ambedkar Institute of Labour Studies**. We also provide support for India's Self-Employed Women's Association (see below).

In China, given the barriers to free trade unionism, our work focuses on the promotion of good industrial relations through the establishment of **worker committees** or so-called 'parallel means'. This work has centred on one key supplier but is now being progressively rolled out to our other suppliers.

SEWA Embroidery Unit

SEWA stands for Self-Employed Women's Association and is India's largest **trade union** working with women in the informal sector including embroidery workers.

We are funding a **SEWA embroidery centre** in Delhi to enable embroidery workers to access better piece rates as well as training, health checks, micro-finance and education for their children. As well as providing £50,000 for the purchase of the centre building, via the **Monsoon Accessorize Trust**, we are funding the running costs and working with suppliers to increase the volume of orders that can be placed directly with SEWA members.

In Bareilly, the **Monsoon Accessorize Trust** is funding a SEWA programme to set up self-help groups and provide benefits to embroidery workers including healthcare, training and education. www.monsoontrust.org

Living Wages

All our suppliers are required to pay at least the legal minimum wage to all their employees. We recognise that, in some cases, the legal minimum wage does not always constitute a 'living wage' and so are working with suppliers to help them increase wage levels. We are taking action on three levels:

- Promoting **trade unions** or other forms of worker participation so that workers can negotiate for higher wages through trade unions or other forms of representation
- **Productivity programmes** with suppliers to help them realise efficiency gains and cost savings which can then be channelled into increased wages
- Discussions with other buyers who are working with common factories to see if **joint action** can be taken.

In many cases, Monsoon Accessorize orders account for less than **10%** of an individual factory capacity so we recognise that joint action with other buyers can be very important.

We also work closely with suppliers to ensure that they have proper systems in place for the proper management and payment of wages including the provision of pay slips and correct pay records. This includes actions to set up bank accounts for workers and biometric systems for attendance records. We agreed **123** corrective actions with suppliers in this area in 2010.

In addition to the above, we are working with suppliers to ensure that homeworkers are paid a fair piece rate for their work (see Homeworker Programme below) and are the first retailer to commit to rolling out the ETI piece rate methodology across our supply chain.

Homeworker Programme

We have a long tradition of working with homeworkers, often skilled artisans, working from their homes in rural villages. We are proud of this tradition since, not least because it provides workers with an opportunity to make a living from a craft related skill. This is particularly helpful for women in rural communities, some of whom are not able to work away from home.

However, we recognise that homeworkers represent a vulnerable group given their lack of organised status and lack of visibility in the supply chain. A key first step is to map our supply chain so that we know exactly where and when homeworkers are involved in our product. The next step is to ensure that we have a transparent and fair system for calculating **piece rates** and that the correct payment is passed down the chain.

We have worked with our partners in the ETI to design a pragmatic method of calculating fair piece rates and are now rolling this out to all our suppliers. Our initial focus has been on two areas in North India:

- **Bareilly:** Homeworkers undertaking embroidery for bags and garments
- **Barabanki:** Homeworkers weaving scarfs and stoles on hand-looms.

This work involves capacity building and training with suppliers and sub-contractors as well as the development of systems for transparent payment and verification of piece rates. We are working local NGOs, such as ASK and SEWA, to help us develop verification mechanisms that are suitable in the homeworker context.

Working Hours

We monitor working hours to ensure that workers are not required to work more than **48 hours** per week and that overtime is voluntary, paid at premium rates and is not more 12 hours a week.

In 2010, we identified **46** instances of workers working more than 12 hours of overtime per week. We recognise that this can be difficult for suppliers to manage effectively where there are peaks and troughs in orders. To this end, we are looking at how ensure our purchasing practices do not create unintended consequences such as excessive overtime (see Purchasing Practices Programme below).

Purchasing Practices Programme

We recognise that many of our **buying decisions** and the management of the critical path involving the design, manufacture and delivery of our products can have adverse (albeit unintended) consequences for the application of our Code. For example, last minute design changes can have a dramatic impact on manufacturing lead times causing suppliers to have to work excessive overtime. This in turn can impact productivity, health & safety and quality.

Our programme aims to highlight the potential impacts of purchasing decisions on ethical compliance to buyers and to help achieve a '**Right First Time**' process.

Child Labour and Young Workers

We are categorically opposed to child labour of any form. We make this absolutely clear to all our suppliers and rigorously monitor adherence to this policy.

There have been two isolated cases of child labour over the last five years, across over **580** manufacturing sites. These have been swiftly identified and immediate action has been taken to remove the children from the workplace and ensure their rehabilitation and re-integration into education, working with local NGOs who specialise in this area.

In line with the ETI guidelines, we regularly monitor supplier management of age verification to ensure that suppliers make rigorous checks of worker documentation. We also monitor the type of work given to young workers (aged 14-18) to ensure that they are not given 'hazardous' work nor allowed to work at night.

In 2010, we identified **60** issues relating to this area. None of these related to finding children working. The majority of issues (39) related to the need for more rigorous **age verification systems** to be developed. In ten cases, we found that suppliers had not provided medical checks for young workers. In eight cases, we found that suppliers did not display their child labour or young worker policy document sufficiently clearly on the premises. In one instance, we found that a young worker (aged 16) was working on a night shift. All of the above are being addressed as a matter of priority.

Our performance and future challenges

Our future challenges include a continued focus on payment of living wages, the application of the ETI piece rate for homeworkers across our supply chain and the promotion of freedom of association in supplier factories.

We will also continue to look for ways to support vulnerable communities in our supply chain through the **Monsoon Accessorize Trust**. Examples of projects supported in 2010 are below.

Monsoon Accessorize Trust

The Monsoon Accessorize Trust helps over **10,000** women and children every year, focusing on areas where we have trading connections. In 2010, the Trust funded the following projects to help communities connected to our supply chain:

- **ASK Non-formal Education Centres** - Sarai Tareen, Uttar Pradesh. Five centres for children who have dropped out of school to help re-integrate into mainstream education. Over 300 children are benefitting from this programme.
- **SEWA Embroidery Centre, Delhi**. An embroidery centre for women, providing a sustainable livelihood for women as well as training, health checks, education and micro-finance.
- **SEWA Community Project, Bareilly**. Project to set up self-help groups for embroidery workers as well as to provide benefits such as education, training, health check and micro-finance.
- **Vidya Okhla School**. A school for children from one of Delhi's largest slum areas, located close to some of our supplier factories.
- **Barabanki Weavers Project**. With 50% funding from RAGS, this project aims to improve the socio-economic conditions of weavers in the Barabanki region.

More information about the Trust's activities is available at www.monsoontrust.org.

While we recognise the need for on-going improvements, we were pleased that our efforts were acknowledged by the **Ethical Trading Initiative** and others in 2010.

'Monsoon is one of the strongest performers in the sector.'

Ethical Trading Initiative feedback on ETI Report 2010

While identifying areas for further improvement, Labour Behind the Label, commented as follows:

'Monsoon was able to provide good examples of projects that cover all the pillars required for delivering meaningful steps towards a living wage. It is the only company that has specifically mentioned recognition agreements with unions, is taking steps to look at pricing and is doing interesting work to support increased wages and job security for home workers.'

Labour Behind the Label 'Let's Clean Up Fashion' report 2011

For more information on Monsoon Accessorize's commitment to Ethical Trade, please contact csr@monsoon.co.uk.