

# **Corporate Social Responsibility A Prototype of Supplier Guidelines**



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## INTRODUCTION

The International Housewares Association (IHA), in response to an industry calling, has established a template for social responsibility issues. This template seeks to establish guidelines to ensure that working conditions in the housewares industry supply chain are safe, that workers are treated with respect and dignity and that business operations are ethical and environmentally responsible.

In order for these standards to be successful for your organization, the standards must be regarded as a total supply chain initiative. At a minimum, you should also require your next tier supplier or subcontractor to acknowledge and implement these guidelines.

IHA is committed to obtaining regular input from members in the continued development of these guidelines.

These guidelines provide tools that define a broad range of expectations without being overly specific in most cases. The scope of this document is also limited and may not capture every situation specific to your business' makeup. However, we hope that IHA members will use this document to help ensure that employees are respected, laws are followed, ethical standards are maintained and the environment is protected for generations to come.

You should not tolerate any supplier or subcontractor who violates, whether directly or indirectly, the laws of the respective country at point of production, or knowingly violates the general ethical standards as established in this document.

IHA hopes that you can use this document as a template to create your own living document, which can then be used with your business partners for the betterment of the industry and to comply with similar types of requirements as determined by retailers.

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## **SECTION A: LEGAL AND REGULATORY CONCERNS**

All suppliers should comply, at a minimum, with the legal requirements and standards of their industry under the laws of the countries in which the suppliers are doing business. Should the legal requirements and standards of the industry conflict, suppliers must at a minimum be in compliance with the legal requirements of the country in which the products are being produced. If however, the industry standards are higher than the legal requirements of a country, suppliers should favor those suppliers who conform to the industry standards. Suppliers must comply with all requirements of the U.S. Customs Service, all applicable U.S. government agencies and all laws, rules and regulations governing importing to the United States of America. Necessary and required documentation must be provided in compliance with U.S. laws.

### **Anti-Corruption**

Suppliers must not pay bribes or engage in corrupt practices and must comply with all applicable anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act, of the countries in which they operate.

### **Fair Competition**

Suppliers should be firmly committed to free and open competition. It is in the suppliers' best interest to promote vigorous competition in a free market. Suppliers are expected to comply with all application antitrust and fair competition laws.

### **Trade Control**

Suppliers should not allow or participate in prohibited transfers of technology or intellectual property. All suppliers should comply with all applicable export, re-export and import laws and regulations.

### **Environmental Laws**

Suppliers should conduct business in a manner that respects and protects the environment, and expects its other suppliers to comply with all applicable environmental laws and regulations in the countries in which they operate.

### **Other Legal Requirements**

Suppliers should comply with all applicable laws not otherwise set forth in these standards.

“Applicable laws” include all applicable local, state, provincial and national laws, codes, rules and regulations as well as all applicable treaties.

## **SECTION B: EMPLOYMENT PRACTICES**

IHA members should share a commitment to working with suppliers who produce under safe, lawful and humane conditions. While there are numerous standards and codes of conduct that could be adopted to manage this element of a supply chain relationship, IHA has provided as a guideline the sample Supplier Code of conduct included as Appendix A. The Supplier Code of Conduct document – which is aligned with the standards of many of the retail companies who sell products produced by IHA’s members and industry standard practices – can be used as a starting point for the development of standards by IHA’s members.

## **SECTION C: BUSINESS PRACTICES**

Suppliers should conduct business with integrity, in full compliance with applicable laws and in accordance with their obligations under any specific agreements they have. This includes compliance with the following business practices:

### **Company Commitment**

Supplier should establish corporate and environmental responsibility policy statements affirming their commitment to compliance and continual improvement, endorsed by executive management.

### **Management Accountability and Responsibility**

Suppliers should clearly identify a Social Responsibility company representatives that is responsible for ensuring implementation of these standards.

### **Transparency of Business Records**

Suppliers should maintain accurate and honest business records in full compliance with legal and regulatory requirements. Suppliers must never falsify documents, records or business information.

### **Confidentiality**

Suppliers are expected to safeguard confidential information by keeping it secure and limiting access to those who need to know to do their job. Confidential information is information that is not generally known or readily available to others and may belong to either other suppliers or customers. Confidential information may include business and marketing plans, financial information or intellectual property.

### **Conflicts of Interest**

Factories are expected to make business decisions that are in the best interest of the supplier for whom they work. A conflict of interest may arise in situations. Factories should disclose all actual or potential conflicts of interest immediately.

### **Gifts and Entertainment**

Gifts, favors or entertainment are not necessary in order to conduct business. Gift giving and entertainment practices may vary in different cultures and countries. However, no gift, favor or entertainment should be provided or accepted if it will obligate or appear to obligate the recipient. Suppliers should not accept gifts, favors or entertainment that exceeds a nominal value. Any gifts and entertainment given or received must be in compliance with laws, must not violate the giver's and/or recipient's policies on gifts and entertainment and must be consistent with local custom and practice.

### **Intellectual Property**

Suppliers will comply with the intellectual property ownership rights, including but not limited to, copyrights, patents, trademarks and trade secrets.

### **Audits and Assessments**

Suppliers should follow the policy of periodic self-evaluations to ensure conformity to legal and regulatory requirements and contractual requirements related to social and environmental responsibility.

**Communication**

Suppliers should communicate these standards to their employees and business partners, including agents, subcontractors and consultants, and ensure that their employees and business partners understands and comply with these standards.

**Subcontracting**

The use of subcontractors or business partners is a known and accepted process in the industry. If a supplier utilizes a subcontractor, the supplier should hold the subcontractor and other contractors up the supply chain responsible for their failure to comply with the applicable prevailing local or national laws.

**Customs / C-TPAT**

The Customs-Trade Partnership Against Terrorism (C-TPAT) is a voluntary supply chain security program led by the U.S. Customs and Border Protection (CBP) agency. It focuses on improving the security of private companies' supply chains with respect to terrorism. All merchandise shall be accurately labeled or marked with its country of origin in compliance with the laws of the U.S. and those of the country of manufacture. Suppliers exporting products to designated distributors outside the U.S. must comply with all the legal requirements and standards within each country of export. All shipments of merchandise must be accompanied by the required documentation issued by the proper government authorities, including, but not limited to, Form A's, import licenses, quota agreements, voluntary restraint agreements and other such agreements in accordance with U.S. laws.



## **SECTION D: FACTORY COMPLIANCE AND OUTSOURCING**

The manufacture of product is often performed outside the control or direct oversight of the supplier, utilizing offshore factories for the procurement of raw materials, manufacturing, assembly, product components, and/or packaging. To address the increasing use of factories, suppliers should be particularly concerned about the following for monitoring, oversight, communication and compliance.

### **List of Factories**

Supplier should maintain a list of qualified factories. The listing should be kept up-to-date through internal review and approval processes. The listing should include information on all active compliance management activities, including the results of questionnaires and onsite monitoring visits.

### **Training and Communication**

Suppliers should be responsible for coordinating compliance training. Suppliers should establish a primary contact to communicate compliance-related information with factories.

### **Factory Monitoring**

Suppliers should be responsible for the execution of internal factory monitoring visits and the coordination of external factory monitoring visits, both planned and unplanned. Supplier should engage the services of independent monitors and consultants, as necessary.

### **Factory Checklist**

In connection with the potential engagement of new factories for production or in preparation for an inspection, subcontractors/factories may be asked to complete a checklist, completed before and/or during a factory visit inspection.

### **Non-Compliance Situations**

To the extent that suppliers are made aware of allegations or instances of noncompliance with the established internal standards, the supplier should undertake an investigation into the allegation/issue and determine the nature and extent of noncompliance. Supplier should work with the responsible subcontractor or factory to remediate the identified noncompliance and take appropriate measures to ensure the issue will not recur.

### **Standards and Applicable Law**

All factories are expected to have a copy of the suppliers' requirements for compliance and have access to applicable local laws related to these social responsibility guidelines. Generally, factories should have an understanding of key provisions of the laws and regulations related to age, wage, hours of work, health and safety requirements.

## **SECTION E: ETHICAL STANDARDS**

To meet social responsibilities and to achieve success in the marketplace, suppliers and their agents are to uphold the highest standards of ethics including:

### **Business Integrity**

The highest standards of integrity are to be expected in all business interactions. Suppliers should prohibit any and all forms of corruption, extortion and embezzlement. Monitoring and enforcement procedures shall be implemented to ensure conformance.

### **No Improper Advantage**

Bribes or other means of obtaining undue or improper advantage are not to be offered or accepted.

### **Disclosure of Information**

Information regarding business activities, structure, financial situation and performance is to be disclosed in accordance with applicable regulations and prevailing industry practices.

### **Intellectual Property**

Intellectual property rights are to be respected; transfer of technology and know-how is to be done in a manner that protects intellectual property rights.

### **Fair Business, Advertising and Competition**

General standards of fair business, advertising and competition are to be upheld. Appropriate means to safeguard customer information must be available.

### **Protection of Identity**

Programs that ensure the confidentiality and protection of supplier and employee whistleblower are to be maintained. Supplier and business partners must allow for worker complaints without fear of retaliation or retribution.

## **SECTION F: ENVIRONMENTAL STANDARDS**

Suppliers must ensure every manufacturing facility complies with national and local environmental laws, including all laws related to air emissions, water discharges, toxic substances and hazardous waste disposal. Suppliers must validate that all input materials and components were obtained from permissible harvests consistent with international treaties and protocols in addition to local laws and regulations.

### **Environmentally Friendly Relationships**

Suppliers should favor subcontractors who are instituting environmentally friendly manufacturing processes to further reduce any potential hazardous by-products related to the production of a supplier's item.

### **Environmental Permits and Reporting**

All required environmental permits (e.g., discharge monitoring), approvals and registration are to be obtained, maintained and kept current and their operational and reporting requirements are to be followed.

### **Pollution Prevention and Resource Reduction**

Waste of all types, including water and energy, are to be reduced or eliminated at the source or by practices such as modifying production, maintenance and facility processes, materials substitution, conservation, recycling and re-using materials.

### **Hazardous Substances**

Chemical and other materials posing a hazard if released to the environment are to be identified and managed to ensure their safe handling, movement, storage, use, recycling or reuse and disposal.

### **Wastewater and Solid Waste**

Wastewater and solid waste generated from operations, industrial processes and sanitation facilities are to be characterized, monitored, controlled and treated as required prior to discharge or disposal.

### **Air Emissions**

Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are to be characterized, monitored, controlled and treated as required prior to discharge.

### **Product Content Restrictions**

Suppliers are to adhere to all applicable laws, regulations, and customer requirements regarding prohibition or restriction of specific substances, including labeling of recycling and disposal.

## **APPENDIX A: SUPPLIER CODE OF CONDUCT**

The Supplier Code of Conduct establishes the key principles under which suppliers are required to operate.

We will only do business with suppliers who share our commitment to conduct business fairly, honestly, and with respect to people's dignity and rights.

This Supplier Code of Conduct is intended to clearly establish expectations in all factories in which products are manufactured.

We strongly encourage suppliers to exceed the requirements of the Supplier Code of Conduct and promote best practices and continuous improvement throughout their operations.

We are committed to remediation in response to identified compliance issues. We will work with suppliers and factories that meet threshold requirements and demonstrate a commitment to remediating identified issues.

This Supplier Code of Conduct applies to all Suppliers – factories involved in the production of products or any subsidiaries, vendors or agents.

### **Laws and Regulations**

Suppliers must operate in compliance with all applicable laws and regulations related to manufacturing operations and the treatment of workers in the countries in which they operate.

### **Child Labor**

Suppliers must not employ workers younger than the greater of 15 years of age – or 14 where the local law allows such exception consistent with International Labor Organization guidelines – or the age for completing compulsory education or the minimum age established by law in the country of manufacture.

In addition, Suppliers must comply with all local legal requirements for the work of authorized young workers, particularly those pertaining to hours of work, wages, and working conditions.

### **Forced Labor**

Suppliers must not use involuntary or forced labor, whether indentured, bonded, prison, slave, human trafficked or otherwise.

### **Harassment**

Suppliers must treat all workers with respect and dignity. No worker shall be subject to corporal punishment, physical, sexual, psychological or verbal harassment or abuse. In addition, Suppliers will not use monetary fines as a disciplinary practice.

### **Wage and Benefits**

Suppliers must pay workers at least the minimum compensation required by local law and provide all legally mandated benefits. In addition to their compensation for regular hours of work, workers must be compensated for overtime hours at such premium rate as is legally required or, in those countries where such laws do not exist, at least equal to their regular hourly compensation rate.

**Hours of Work**

Suppliers must ensure that, except in extraordinary business circumstances, on a regularly scheduled basis, workers shall not be required to work more than the lesser of (a) sixty (60) hours per week, including overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture. In addition, except in extraordinary business circumstances, all workers shall be entitled to at least one day off in every consecutive seven day period.

**Health and Safety**

Suppliers must provide their workers with a clean, safe and healthy work environment in compliance with all applicable, legally mandated standards for workplace health and safety in the countries in which they operate. This includes residential facilities, if applicable.

**Nondiscrimination**

While we recognize and respect cultural differences, Suppliers must ensure employment – including hiring, remuneration, benefits, advancement, termination and retirement – is based on ability and not on belief or any other personal characteristics.

**Women's Rights**

Suppliers will ensure women workers receive equal treatment in all aspects of employment. Pregnancy tests will not be a condition of employment, and pregnancy testing – to the extent provided – will be voluntary and the option of the worker. In addition, workers will not be forced to use contraception.

**Freedom of Association and Collective Bargaining**

Suppliers must recognize and respect the rights of workers to exercise lawful rights of free association, including joining or not joining any association. Suppliers must also respect the legal right of workers to bargain collectively.

**Environment**

Suppliers must comply with all local environmental laws and regulations applicable to the workplace.

**Subcontracting**

Suppliers must not use subcontractors in the manufacture of products or product components without approval, and only after the subcontractor has adequately demonstrated compliance with this Supplier Code of Conduct.

**Communication**

Suppliers must communicate the provisions of the Supplier Code of Conduct to workers and supervisors.

**Monitoring and Compliance**

Affirmative measures, such as announced and unannounced audits of Supplier factories, will be undertaken to measure compliance with this Supplier Code of Conduct. Suppliers must maintain on site all documentation necessary to demonstrate compliance with the Supplier Code of Conduct, and Suppliers must allow designated representatives full access to production factories, worker records and workers for confidential interviews in connection with audits.

Suppliers are expected to take necessary corrective actions to promptly remediate any noncompliance.

## **APPENDIX B: DEFINITION OF KEY CODE TERMS**

The standards embodied in the Supplier Code of Conduct (the Code) are generally objective, measurable and linked to applicable local laws. However, in certain provisions of the code, there are terms, which could require clarification. The definitions of key terms included in the Code are intended to provide clarity to Suppliers with respect to the requirements outlined in the Supplier Code of Conduct. The Code provisions and the related terms being defined are presented below.

### **Application of the Code of Conduct**

As the Supplier Code of Conduct represents our core values, it is our intention that the provisions of the Supplier Code of Conduct apply to the entire supply chain – from raw materials through finished goods. As such, suppliers will take active steps to communicate the Supplier Code of Conduct to all business partners.

### **Hours of Work – Extraordinary Business Circumstances.**

Extraordinary Business Circumstances – which allow for working hours in excess of 60 hours per week or working seven consecutive days – are limited to the following instances:

- Natural disasters, including but not limited to earthquakes, hurricanes and fires, directly affecting a supplier.
- Unforeseeable disruption in production resulting from a natural disaster at a supplier – e.g., a hurricane disrupts the production at a textile facility, which has a direct impact on a sewing facility's operation.
- Unforeseeable business events, including but not limited to peak season machine malfunction, at a facility.

It is important to recognize that the exceptions provided under this section do not provide a basis for exceeding the limitations on hours of work – or consecutive days worked – in accordance with local laws.

### **Hours of Work – Regularly Scheduled Basis.**

Regularly Scheduled Basis – which allows for working hours in excess of 60 hours per week – is limited to the following instances:

- Hours of work in excess of the limits prescribed in the Supplier Code of Conduct will be considered regularly scheduled to the extent that the hours worked in a given week exceed 60 hours more than 25% of time as measured in any 12 week period.

For example, in any 12 week period, to the extent hours or work exceed the requirements of the code in more than 3 weeks, these events would be considered regularly scheduled and in violation of the requirements of the Code.

It is important to recognize that the exception provided under this section does not provide a basis for exceeding the limitations on hours of work or consecutive days worked in accordance with local laws.

**Health and Safety** – A clean, safe and healthy work environment in compliance with all applicable, legally mandated standards.

Clean, safe and healthy work environment includes all requirements of the applicable local law – e.g., OSHA for factories in the United States or EU/EEC for factories in Europe. The principle areas of focus in this regard will initially comprise:

- Fire Safety
  - Fire Extinguishers
  - Fire Exits
  - Evacuation Plans
  - Fire Drills
- Machine Guards
- Personal Protective Equipment
- Lighting, Temperature and Ventilation
- Toilet Facilities
- Potable water

**Nondiscrimination** – Belief or any other personal characteristics.

Beliefs and other personal characteristics include, but are not limited to the following:

- Race
- Religion
- Age
- Gender
- Ethnic Origin
- Caste
- Political Opinion
- Disability
- Sexual Orientation

**Subcontracting** – Subcontractors in the manufacture of products to whom the Supplier Code of Conduct will apply.

**Factories** – Other than the facility identified for the production of a product – involved in either the final assembly of the product or the manufacture of product components with the logos of any of the company's brands.