

ETHICAL TRADING MANUAL

2022

WILLIAM
LAMB
GROUP | SINCE
1887

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I. OUR COMMITMENT TOWARDS ETHICAL TRADING

Millions of people around the world, including the UK, have to endure shocking conditions at work. Why does this matter?

"Once I was penalised because I came back 15 minutes late from lunch, so they deducted nearly 15% off my monthly wages and gave me a written warning." – *Vietnamese footwear factory worker*

"Now there is clean drinking water and the toilets are clean... Before, I would have to work day & night for 150 rupees (£1.59) a day but my situation is much better today." – *Indian factory worker*

"From the age of six, I was imprisoned in an illegal garment factory in Delhi. I would work each day for 16 hours for just 50 rupees (53p) per week. Then at 1am I would sweep the floor and sleep on the spot at my workstation." – *Former child worker in a garment factory*

William Lamb Group is committed to a policy of conducting business in a way that has a positive effect on the lives and livelihood of the people and communities involved.

Our core values of equality, honesty and integrity are at the heart of everything we do and we know that our reputation as a leader in our industry is in part due to the way we do business fairly and ethically.

The commitment we have towards investing in resources and financial support in our supply base derives from wanting to improve the working conditions which ultimately leads to a more effective workforce. It's a "win-win" situation and ensures stability.

We have adopted the principles of the Ethical Trade Initiative, an organisation that promotes fairer working practices and conditions for millions of people globally. Our regular attendance at corporate compliance conferences around the globe has helped to develop the core strategies to improve wages, working hours, health and safety, eradicating child labour, preventing discrimination and allowing workers the freedom to join trade unions. We comply with the UK Modern Slavery Act 2015 and are working towards mapping our supply chain in full.

We are also members of the Supplier Ethical Data Exchange (SEDEX) which is a not-for-profit,

membership organisation for businesses committed to the continuous improvement of ethical performance within their supply chains. SEDEX was founded in 2001 by a group of UK retailers to drive convergence in social audit standards and monitoring practices whilst easing the auditing burden on suppliers through the sharing of reports and to drive improvements in supply chain labour standards.

II. AN INTRODUCTION TO OUR WORLD

From our origins in 1887 as a Yorkshire based footwear manufacturer we have developed into a leading supplier of footwear, bags and accessories to some of the world's largest brands and retailers.

In 1981 we moved our sourcing to Asia and over the past forty years have established a solid supply base where the strength of our partnerships is based on mutual respect and trust, fairness, commitment and a full understanding of the needs of a changing workforce.

Currently we source from six countries where we produce a diverse range of nearly 8 million pairs of shoes ranging from children's rain boots, slippers and school shoes, women's comfort to men's dress and casual footwear.



CHINA

Still the world's manufacturing centre, though it has evolved the traditional low-tech industries to more highly specialised and innovative manufactures. We have a stable of over 20 suppliers, some of whom we have worked with for more than twenty years. The challenges we face in China are often more around rising costs but it is fair to say that the living standards of the average worker has increased dramatically over the last ten years. We have 2 compliance managers who are based at our representative office in Dong Guan.



INDIA

We source most of our leather footwear from 9 factories in Agra and Chennai. Indian production is of increasing importance to our branded business meaning that we have an increasingly skilled workforce in place to manage the supply of quality product. We have 1 dedicated ethical member of staff based at our Agra office.



VIETNAM

We have 2 factories in the Can Tho City and Vin Cuu district. Although not as cost effective as China on synthetic footwear Vietnam remains good value for money for leather products and we therefore focus production on higher end of the market retailers. The country doesn't suffer from the intense competition for labour that China does although output on a like for like basis is lower by 30%. We have 1 dedicated ethical member of staff based in Ho Chi Minh City



LAOS

Designated an EU LDC (Least developed Country) giving a duty saving of 8% on leather footwear and 17% on Synthetic. However, there is no support infrastructure so all materials and components are shipped in from China offsetting some of the financial gains. With the recent opening of a railway link from China to Laos, lead times for components is much reduced. We currently work with three factories based in Vientiane.



PAKISTAN

This country is relatively new to our sourcing base however has some potential and more cost effective than the supply base to India. We are currently exploring the opportunity in well established facilities that already supply well known UK and European brands. All our product development is done directly with factories, and we have an agreement with a 3rd party to help and support on QA and quality checks which is crucial as we have no presence on the ground. Most components are still being shipped into the country and as India using their local leather supply. The potential of supplying from Pakistan still needs to be unlocked fully.



PORTUGAL

A key pillar of our global sourcing strategy is the near shoring back to Europe of production for smaller runs of premium branded product. Portugal has the advantage of access to superior leathers, a skilled workforce enhanced by high-tech investment, lower MOQs and shorter shipping times meaning it can be more responsive as a source to changes in the market and less

environmentally damaging.

The current system operating worldwide is a requirement for each factory to be audited specifically to a set of internationally recognised regulations. In the UK the SMETA (SEDEX Members Ethical Trade Audit) has been a standard format for over a decade. However, over the ensuing years most retailers have developed their own audit criteria and this has led to "Audit Fatigue" where it is not uncommon for an individual factory to be audited more than a dozen times a year; particularly if they are supplying UK, European and US customers.

Over the last 10 years there has been a dramatic shift towards a zero-tolerance acceptance on issues affecting Health and safety, which has led to an overhaul of Fire Safety and building construction standards following a series of disastrous fires and the Rana Plaza building collapse in Bangladesh.

All our suppliers are audited by approved third party auditors that will use either SMETA or customer specific standards. Some retailers have a select panel of approved auditors to use whilst others may specify only one. The Pillar 2 Format is the usual audit which encompasses the ETI base code rulings. The Pillar 4 Format includes additional sections on business management and environmental practices within the factory. These audits generally expire on an annual basis and it is expected that steady improvements are made over the course of time.

III. OUR ETHICAL CODE OF CONDUCT

We are influenced by the ETI Base Codes and agree to abide by its principles. The Code is based on international standards that have been set by the International Labour Organisation, the United Nations Body that governs rights at work. The principles set out by the ETI are detailed below:

Employment is freely chosen

Many countries have Slavery and bonded labour. Some 12.3 million people globally are forced to work for their employers, often because they are paying off a debt or recruitment fee; their pay and conditions are usually very poor.

There is no force, bonded or involuntary labour. Workers are not required to lodge "deposits" or their identity papers with their employer and are free to leave their employer after reasonable notice.

Freedom of Association and rights to collective bargaining are respected

Thousands of workers each year lose their jobs for joining a trade union or trying to negotiate to improve working conditions. Some even lose their lives for trying.

Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively. The employer adopts an open attitude towards the activities of trade unions and their organizational activities. Worker's representatives are not discriminated against and have access to carry out their representative functions in the workshop. Where the right to freedom of association and collective bargaining is restricted under law, the employer facilitates, and does not hinder, the development of parallel means for independent and free association and bargaining.

Working conditions are safe and hygienic

Every day 6000 people around the world die from a work-related accident or illness. Most of these could be prevented.

A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimizing, so far as is reasonably practicable, the causes of hazards inherent in the working environment. Workers shall receive regular and recorded health and safety training, and such training shall be repeated for new or reassigned workers. Access to clean toilet facilities and to potable water, and, if appropriate, sanitary facilities for food storage shall be provided. Accommodation, where provided, shall be clean, safe, and meet the basic needs of the workers. The company observing the code shall assign responsibility for health and safety to a senior management representative.

Child labour shall not be used

218 million children work to support their families, missing out on education and often work in health damaging industries.

There shall be no new recruitment of child labour. Companies shall develop or participate in and contribute to policies and programs which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until no longer a child: "Child" and "Child labour" being defined in the appendices. Children and young persons under 18 shall not be employed at night or in hazardous conditions. These policies and procedures shall conform to the provisions of the relevant ILO standard.

Living wages are paid

3 billion of the world's poor live on less than 2 dollars a day. If people can't feed their families on an adult wage, they must send their children to work.

Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income. All workers shall be provided with written and understandable information about their employment conditions in respect to wages before they enter employment and about the particulars of their

wages for the pay period concerned each time that they are paid. Deductions from wages as a disciplinary measure shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All disciplinary measures should be recorded.

Working hours are not excessive

Long working hours are the norm for most of the world's workers. Compulsory overtime and working 7 days/week with no day off is common in factories. This damages people's health and undermines family life.

Working hours comply with national laws and benchmark industry standards, whichever affords greater protection for workers. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every 7-day period on average, or where allowed by national law, 2 days off in every 14 day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate. Working hours may exceed 60 hours in any 7-day period only in exceptional circumstances.

No discrimination is practiced

Women and certain minorities are often confined to the lowest paid jobs with no access to training or promotion. Discrimination is less visible and may be hard to identify.

There is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

Regular employment is provided

Many workers (including homeworkers) are employed informally or on a casual basis. Without employment contracts they may not be entitled to social security or health care, and they can be laid off when it suits the employer. This fuels poverty and insecurity and drives down wages.

To every extent possible work performed must be on the basis of recognized employment relationship established through national law and practice. Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting, sub-contracting, or home-working arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.

No harsh or inhumane treatment is allowed

In the worst factories and plantations workers suffer physical, verbal or sexual abuse in the workplace.

Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation shall be prohibited.

Entitlement to work and immigration

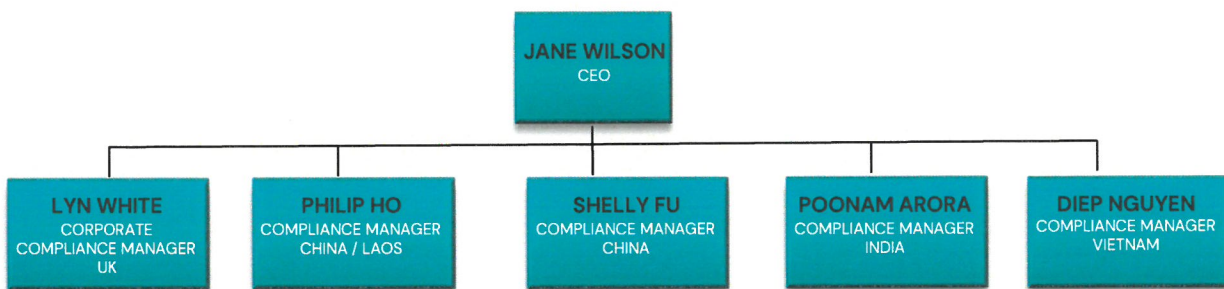
Only workers with a legal right to work shall be employed or used by the supplier. All workers including Employment Agency staff, must be validated by the supplier for their legal right to work by reviewing original documentation (not photocopies) before they are allowed to commence work registered with them. Employment Agencies must only supply workers registered with them. Suppliers must regularly audit Employment Agencies from whom they obtain workers to monitor compliance with this policy.

Environment

Suppliers as a minimum should meet the requirements of local and national laws related to environmental standards. Where it is a legal requirement suppliers must be able to demonstrate that they have the relevant valid permits including for use and disposal of resources e.g. water, waste etc.

IV. THE ETHICAL TEAM

We are a highly experienced team that can draw on a vast array of knowledge and skills learnt over a lifetime working within the Footwear Industry. The size of the team reflects the importance we place on Ethical Trade and the complexity of sourcing across the region.



Jane Wilson, CEO – Joined the company in 2018 having worked as Global Product Director Clarks, responsible for the design, development and sourcing of 55 million pairs of shoes per year for UK, US and International markets. She has extensive experience across labour markets and manufacturing environments and always places the highest of priority on ethics, integrity and best working practices.

Lyn White, Corporate Compliance Manager UK – Has worked for WLGC for over 8 years. Incredibly detailed knowledge of Customer Ethical requirements and systems.

Philip Ho, Compliance Manager China/Laos – with over 15 years specifically on Ethical compliance he has an intricate knowledge of China law and practice and has contributed enormously to obtaining ethical compliance throughout our largest supply base.

Shelly Fu, Compliance Manager China – Has worked for the WLG for more than 8 years bringing a wealth of knowledge from her previous roles within major retail organisations.

Poonam Arora, Operations/Compliance Manager India, has worked for the WLG for over 17 years and looks after the regular compliances from all Indian factories. She follows up on audits due

from each factory and supervises day to day factory maintenance jobs.

Diep Nguyen Thi Ngoc, Compliance Manager, Vietnam has worked for WLG for over 3 years and assists new and existing factories to understand ethical requirements. She visits the factories and prepares them for audits and helps them to rectify any non-compliances found by the 3rd party auditors.

Our role is diverse;

- We are advocates for driving ethical compliance throughout our business.
- We guide and persuade where there is a lack of understanding.
- We instruct on new policies and their implementation.
- We remediate on non-compliances.
- We are the bridge between our clients, our factories and the Auditors.
- We show zero tolerance for issues affecting the health and wellbeing of our workforce.

It doesn't stop there. Our network consists of Factory audit personnel, Third party Auditors, NGO's and industry experts. All have a key role to play in assisting us in attaining excellence in our ethical programme.

V. OUR APPROACH TO AUDITING

Audits are a formalised approach of investigation into how an organisation conducts its operations in comparison to a prescribe set of requirements. Most major brands and retailers worldwide have adopted a set of guiding principles by which they expect their suppliers to adhere to.

Our Code of Practice is the ETI base code and in addition to requiring our suppliers to comply

with these strict guidelines we also conduct a detailed assessment on the suppliers' technical capabilities and site security.

The approach we take is simple and ensures that all of our suppliers adopt the same standards regardless of where they are situated and what products they produce. We run our programme on a continual rota system which is set for the entire year and ensures that all of our ethical team and the factory personnel are working on the same issues at the same time. This approach ensures best practice is disseminated and adopted in a systematic way.

In order to obtain client approval to engage a supplier for production an external audit will be conducted either via a third party approved auditor or by the retailer's internal audit team.

Whilst there are many companies offering auditing services we generally use the following three:

- Society General De Surveillance (SGS): [SGS Auditing Services](#)
- Intertek Testing Services (ITS): [ITS Auditing Services](#)
- Bureau Veritas Consumer Products Services (BVCPS): [BV Auditing Services](#)

The SMETA audit will be booked usually a month in advance of the required date and depending on the client this can be either:

- Announced Audit in which the date of the audit taking place is given and therefore allows an opportunity for the supplier to fully prepare for the visit.
- Semi-Announced Audit in which the supplier will be given up to a 4 week 'window' during which time the auditor can visit at any given moment. The intention being to view the supplier 'with warts and all' as is often the case during daily operation

VI. THE FOLLOW UP

The audit will normally take place over 1 or 2 days, depending upon the size of the factory and upon completion of the assessment the auditors will hold a final review meeting with the supplier to go through the findings and obtain agreement and sign off.

William Lamb Group will always be present at these final meetings as we represent both the factory and client and need to ensure protocol is being followed in addition to making any representations if we believe any of the findings are not justified. We are normally the owner of the audit report as we pay the remittance. An onsite handwritten/typed report which details the main findings that require remediation will be signed at these meetings by the auditor and the supplier.

Onsite Audit

Supplier and Auditor agree on findings and sign report. Within 1 week the full audit report and Corrective Action Plan Report (CAP) will be issued electronically to WLG.

Full Audit Report and CAP received

The CAP will detail all of the non-compliances (NC) which will be classified as not compliant with ETI base code/National Law. They will be given a desktop review status where evidence of rectification can be sent electronically or a follow up review where an additional audit will be conducted.

Redemption Report

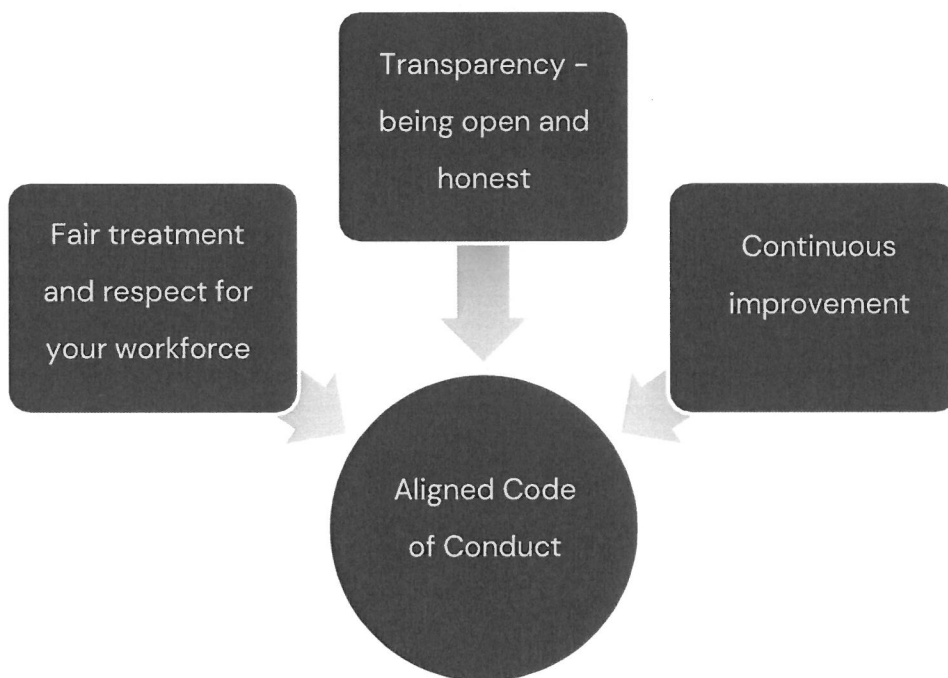
We are given 30, 60 or 120 days to rectify non compliances. Our audit team will work with the supplier to complete the improvements and will compile a remediation report showing the evidence. This is then approved by the auditor and the NC's closed off on Sedex.

William Lamb Group take a primary role in continuous improvement with our suppliers. We simply do not just receive the audit results and then wait until next year. With our rota system we are visiting suppliers every day and sharing the best practices we find along the way. We also have an investment fund that is used to assist suppliers in paying for some of the equipment and building costs that can often be required following an audit.

VII. SUPPLIER OBLIGATIONS

We only work with suppliers who share our corporate values and are willing to adapt their processes to suit our strict requirements

Building trust in a partnership is one of the key elements that determine the success of that business. We have very clear expectations regarding the conduct of our suppliers in relation to the code of practice that we operate.



We expect our suppliers to deal with issues raised during our onsite inspections and following an audit in a timely and thorough manner. However, greater success is achieved through the adoption of continuous monitoring and improvement. Here we will always adopt a "Best practice" approach, sharing ideas and information to enable suppliers to benefit from the experience of others. William Lamb Group require our suppliers to sign and abide by our 'Bribery and corruption policy'.

VIII. OUR FORWARD ETHICAL STRATEGY

We recognise that a stable and committed supply base is one of our greatest assets. We also know that “we get out what we put in” so it’s in our power to drive the changes that will propel us into the forefront of Ethical Trading.

Over the next 12 months we will be seeking to address key issues relating to workers entitlement to regular rest days, the amount of overtime hours that are regularly being worked and ensuring fair wages for fair work is paid.

However, our longer-term vision will have a far-reaching impact on the dynamics between the workforce and the management:



We would ask that you, as our supplier, read this Ethical Trading Manual and understand the William Lamb Group Ethical Code of Conduct, sign the manual and keep one on record, display copies in local language throughout the factory in each production department and in any dormitories and return another copy to the Corporate Compliance Manager at William Lamb Group Limited. By signing this manual, you agree with its contents and will abide by the WL Ethical Code of Conduct.

Signature:..... Print Name:.....

Position Held:.....

Date:.....