

16 June 2008

Primark Stores – Statement on Ethical Trading

Primark announces today that it is to stop buying clothes from three factories in Southern India for breaking Primark's Code of Conduct by failing to meet its strict ethical standards.

Detailed investigation has found that these factories had sub-contracted embroidery and sequin work on a small number of designs to unapproved sub-contractors without Primark's consent or knowledge. The affected garments represent 0.04% of Primark's worldwide sourcing. The sub-contracting involved home working and in some instances children were also found to be working at home. The investigation was carried out immediately after receiving information from the BBC.

Primark is an ethical business that demands the highest standards from its suppliers. It has a strict Supplier Code of Conduct which expressly bans the use of child labour. In addition none of our suppliers is permitted to sub-contract without our specific consent and agreement. None of these suppliers is permitted to use home working. Under no circumstances would Primark ever knowingly permit such activities whether directly through its suppliers or through third party sub-contractors. Primark does not tolerate serious breaches of its fundamental principles.

As soon as Primark was made aware of the facts the company acted immediately, cancelling all new orders with the factories concerned and withdrawing from sale the embroidered garments involved.

The company's system of audits has to date proven very robust and extremely effective at raising supplier standards. Primark uses third party audits, including SGS, a world-renowned audit firm. As a result, Primark takes this lapse in standards in its embroidery supply chain very seriously indeed. In addition to sacking the factories at fault, Primark has taken urgent steps to further tighten control of suppliers. The company has already summoned suppliers to meetings to reinforce the stringent trading standards it expects and to emphasise that it will not tolerate this type of sub-contracting.

Primark will also appoint a highly reputable NGO in Southern India as a partner to act as its eyes and ears on the ground, continually investigating how and where garments are made, to identify any unauthorised sub-contracting. Discussions are at an advanced stage and an announcement will be made in due course. Primark will continue its own factory inspections and unannounced visits and those of SGS.

Primark's prices are low because we don't overcharge our customers. Most of our clothes are bought from the same factories as other fashion retailers and people producing them are paid exactly the same whatever the label and whatever the price in the shop. We are able to offer good value and good quality because of low mark-ups and big volumes. We use simple designs, our overhead costs are extremely low and we don't run expensive advertising campaigns.

People in the developing world benefit from the ability to trade with companies like Primark: the result for them is a higher standard of living and a better quality of life. Primark supports some 2 million people through its supply contracts.

However, Primark also recognises that further progress must be made to improve working conditions in developing nations. As part of its contribution to this process, the company is announcing today its intention to establish the 'Primark Better Lives Foundation', which will provide financial assistance to organisations devoted to improving the lives of young people.

In addition to the initial funding Primark is endowing the Foundation with any profits made from the affected garments.

Ends

For further information

Associated British Foods

Geoff Lancaster
Tel: 020 7399 6500

Citigate Dewe Rogerson

Jonathan Clare/Chris Barrie/Sara Batchelor
Tel: 020 7638 9571

Notes to Editors

1. Primark has a strict Code of Conduct to which all suppliers must adhere and which forms part of the terms of their contract. This Code is enforced by a programme of rigorous inspection and an audit process of its global suppliers.
2. To enforce this Code, Primark carries out hundreds of audits (i.e. special inspections to ensure stringent standards are being met) every year by Primark's own regional based Ethical Trade Managers and by SGS (an independent, third party, world renowned auditor). More than one-third of audits are unannounced. After the initial audit, Primark's ethical trade specialists work with the suppliers to support them through a remediation process that is designed to bring about enduring improvements in working practices. Training is offered to suppliers at regular intervals. Follow-up audits are carried out 3 months after the initial audit.
3. Primark reports on its activity to the Ethical Trading Initiative, the organisation set up by retailers, NGOs and trade unions to promote ethical trading. This initiative is supported by the British government. The ETI's most recent assessment of Primark's activity acknowledges "you (Primark) are implementing a higher rate of improvement actions on most Code provisions than your sector averages".
4. Unlike many companies operating in developing economies, Primark pays its suppliers on 30 days.
5. Last year, Primark spent £700 million on goods produced in the developing world.
6. For further information, see Primark's website at www.ethicalprimark.co.uk and /or www.Primark.co.uk