

The House of Commons Foreign Affairs Select Committee

Inquiry into Xinjiang Detention Camps

Evidence from Primark Ltd

November 2020

Overview

Primark welcomes the opportunity to submit evidence to this inquiry. We are extremely concerned by reports of human rights abuses in the Xinjiang Uyghur Autonomous Region of China (XUAR), which is why we have taken action to mandate that neither we, nor any of our suppliers, source products (whether in whole or in part), fibres, materials or labour from the region. We reaffirm our commitment to robust supply chain labour standards, as laid out in our Code of Conduct and Modern Slavery Reports. Further, we welcome the opportunity to explain our level of exposure to the Xinjiang supply chain and set out why the region presents a uniquely difficult challenge for responsible businesses, particularly in the apparel and textile sector.

Primark has never before been forced to withdraw from a region as a result of no longer being able to carry out due diligence in compliance with our Ethical Trade Programme. To explain the actions we have taken in reaction to the forced labour allegations relating to Xinjiang, it is important for us first to explain how Primark's Ethical Trade Programme works under normal circumstances. Our Programme is recognised by third parties like the Ethical Trading Initiative for its rigour in supply chain management and oversight. We will outline our responsible business strategy that follows the United Nations Guiding Principles on Business and Human Rights (UNGPs).

In seeking to address the Committee's questions, we have divided this document into two sections. In section 1, we will provide necessary context by setting out the structure of the Primark Ethical Trade Programme and explaining how our teams carry out due diligence and auditing of factory standards. In section 2, we will explain why this 'business as usual' approach is no longer possible in Xinjiang, highlighting which elements of the UNGPs are no longer tenable, and the actions we are taking as a result.

Summary of key points

- Globally we work with 1,032 factories. We don't own any factories, but we work hard to ensure we know where our products are made and who makes them, and we publish our Tier 1 supply chain – the final point of manufacture of our goods – on our [Global Sourcing Map](#) on the Primark website.
- All our suppliers must adhere to our Code of Conduct, based on the International Labour Organisation's (ILO's) labour conventions. This Code clearly states that forced labour in any form is banned. Standards in our supply chain are monitored by our team of over 120 local specialists – all of whom are based in our main sourcing countries – as well as third party auditors approved and contracted by Primark. They visit and review our suppliers' factories unannounced, at least once a year, to make sure that standards are aligned in keeping with our Code of Conduct. Visits to factories which have not yet been approved by the Primark Ethical Trade team are always announced.
- Primark's Code of Conduct for suppliers is also based on the Base Code of the Ethical Trading Initiative (ETI), of which Primark is a member and has been granted top level 'Leadership' status since 2011, putting us in the top 5% of member brands. The ETI, which has over 100 corporate members in total, is recognised as a leading alliance of companies, trade unions and NGOs working to promote respect for workers' rights.
- Our initial response to the situation in Xinjiang began in October 2019, when we made the decision to end our relationship with the only factory from which we sourced finished goods

in the XUAR (out of 525 factories in China as a whole). We did this because we no longer felt we could carry out the robust due diligence which we had previously been able to. This factory had first been approved by Primark in July 2018 and was re-audited in January 2019, when it received an 'Amber' rating. Last orders from the factory were handed over to Primark in September 2019. We have not at any point approved any other supplier factories in the XUAR.

- After ending our relationship with the factory, we continued to attempt to monitor the situation in the XUAR through local intelligence, human rights experts and other collaborative forums. This led to our decision in September 2020 to instruct all our suppliers to cease all sourcing of anything that goes into making a Primark product – including cotton and non-cotton fabric, fibres, and all other materials and labour – from the XUAR.
- We believe our position is appropriate and proportionate given the reports which have emerged regarding alleged human rights abuses and the use of forced labour in Xinjiang, and because we are unable to undertake the due diligence or auditing that we would normally carry out when such claims emerge.
- In response to reports regarding alleged human rights abuses and the use of forced labour in the XUAR, we have taken the decision to double the number of audits we conduct in other regions of China as an additional safeguard.

About Primark

Primark is one of Europe's largest clothing retailers, with over 70,000 employees and more than 380 stores in 13 countries across Europe and in the US. The company was established in 1969 in Dublin under the name Penneys, and is owned by Associated British Foods Plc. The Primark headquarters remains in Dublin. As an expanding international business with global supply chains and a growing retail base, we believe that business has a responsibility to act and trade ethically, and that by doing so, it can be a force for good.

We strive to ensure that Primark products are made with respect for both people and the planet. We take our responsibility to the workers in the factories that make our products, their communities, and the environment very seriously. And we work hard to ensure our products are made in good working conditions and that the people making them are treated properly.

Section 1: Primark's Ethical Trade Programme

1.1 Ethical Trade at Primark – Responsible Business Strategy

In this first section we set out our approach to monitoring factory labour standards. In line with the UNGPs, Primark's Ethical Trade Programme exists to answer four fundamental principles:

1. Due Diligence – is this factory good enough to meet our rigorous standards?
2. Remedy – if not, what can be done about it?
3. Transparency – making public how our programme works.
4. Stakeholder engagement – and with whom.

By explaining each of these, and why they are vital, we hope to show why not being able to follow these principles in Xinjiang presents challenges for companies like Primark.

At its heart, Primark's Ethical Trade Programme draws on the basic principles of rigour, transparency, and integrity. We are not afraid to 'lift up the rocks' and are committed to address what we may find underneath. We are also open about the challenges we face (see case studies in the appendix to this document). We learnt long ago that, with a global supply chain, we cannot do this without our own people on the ground 'our own eyes and ears'; our own 'feet in the factory'. Before we began to employ people in any great number in our HQ we created roles in our major sourcing countries, starting with China in 2007. Now, in 2020, the Primark Ethical Trade and Environmental Sustainability Team consists of over 120 experts located in our nine most significant sourcing markets, including China, able to reach every country in which a Primark-approved factory is located. The China team is based in Shanghai.

These people spend their working lives in the factories, warehouses and distribution centres that supply us. They are our eyes and ears on the ground and their job is to monitor the labour standards in our supply chain, making sure the factories that manufacture products on behalf of Primark are meeting the standards we expect – and that our suppliers have agreed to – under our strict Code of Conduct. Primark pays for the costs of its own audit programme.

1.2 Monitoring and Due Diligence

To answer the first question, 'Is this factory good enough?', we need a benchmark of 'good'. And for that, Primark has a Code of Conduct for suppliers, which is in turn based on the Base Code of the Ethical Trading Initiative, of which Primark is a member with 'Leadership' status. These Codes encapsulate local laws, as well as the ILO's core conventions on labour standards.

All factories wishing to supply Primark are audited prior to any Primark orders being placed, and over half of the factories presented to us for approval are not successful on the first attempt. Once approved, they are re-audited at intervals of no greater than 12 months thereafter. With our current supply base this results in an annual volume of over 3,000 audits. In situations where systemic risks are believed to be heightened – including in China – we reduce the maximum time between audits to six months. For the most serious risks we reduce the frequency even further on a case-by-case basis.

The audits are conducted by our own team as referenced above, or by carefully selected third party auditors, and the results are reviewed by expert report reviewers in our Head Quarters Central Support Team. KPMG provides further assurance on this on an annual basis. To prevent conflicts of interest or the risks of integrity lapses, Primark does not charge suppliers or factories for these audits. We share a summary of findings with the factory and supplier management, but the full

reports are kept confidential because they contain information gained from worker interviews. These interviews are conducted away from the workplace in a private area of the factory in question as chosen by the auditor, clear of any involvement of or interference by the management of the site. The interviewees will be chosen at random on the day of the audit by the auditor.

We maintain a 'rating matrix' to list and assess the risks encountered by workers in factories, grouped by the clauses of our Code. We review this matrix from time to time with external stakeholders for completeness. By comparing and rating the findings of our audits against this matrix we send instructions to our commercial teams indicating where risks are highest, or where conditions are more favourable. This in turn guides sourcing decisions: Primark only allows orders into new factories if the conditions are acceptable, and in certain cases we will suspend placement of new orders at existing factories where remediation is required.

Audits are not our only tool. Having a large team and a wider network of programme partnerships affords us access to other data from more targeted interventions. For example, we developed a participative worker research tool called 'drawing the line', which uses specially designed games and puzzles through which workers provide information about their lives without feeling 'audited'. We are linked into several worker hotlines which allow workers to raise grievances. We have also developed an effective internal procedure which we have used to track grievances once referred to us through to conclusion and remedy, where confidentiality is paramount

As well as looking at factory level data, our due diligence looks at country level trends and practices, leading us to avoid any country where we believe the risk of serious breaches of our Code are too great, or put enhanced monitoring in place. Before we approve factories in a new sourcing country we assess these risks through research and country assessments conducted by expert consultants, which are then reviewed by our regional teams.

1.3 Remedy and Solutions

Monitoring of the labour standards in our supply chains is not our only objective. It answers the question, 'Is this factory good enough?', but we still need to address the second question: 'If not, what can be done about it?' Each audit usually finds a small number of issues that we report as non-compliances against our Code. Some of these are minor and can be readily fixed by the factory. Others are more serious, and here our team provides specialist assistance to support the factory in its efforts to remediate.

On principle, Primark seeks to never walk away from an approved factory when we uncover issues with labour standards. It is our belief and experience that even the most serious cases can be rectified if the management of the facility is willing. In such serious cases Primark will cease placement of new orders until the issue has been resolved. By combining commercial leverage with the expert specialist knowledge of our local teams, we encourage remediation, meaning a return to decent work and good conditions for the workers.

To illustrate this, two case studies of our 'Solutions' work, providing remedy for workers, are provided in the appendix to this document. One is from India and the other from Malaysia; they are both complex situations, but our solutions work can also be as simple as installing a smoke detector in a warehouse or ensuring an agency labourer is paid correctly. All our remediation activity positively impacts individuals' lives.

1.4 Transparency

It is worth noting that Primark is open about all the work outlined above. We make public the names and locations of the final point of manufacture of the goods we sell in our stores. We do this once they have been in supply to us for over a year and therefore when we are certain of their future with us. These facilities can be seen on our Global Sourcing Map, which is refreshed every six months and available on the Primark website. All Primark-approved sites have been viewed through the lens of our monitoring programme and will have benefitted from the experience of our local teams in solving labour standards issues if they arise.

Primark reports annually on our due diligence and remediation activities in our annual Modern Slavery Report. We engaged actively with the UK Government in the development of the Modern Slavery Act and are a strong proponent of it. We support the transparency it brings to issues of modern slavery in supply chains. We also support the current moves by the EU Commission towards mandatory Due Diligence and welcome the convergence on the OECD Due Diligence Framework.

1.5 Stakeholder engagement

We are a large global team, and we are further connected into a huge and powerful network of partnerships, memberships and relationships with external stakeholders, including the likes of the UK Ethical Trading Initiative, the Bangladesh Accord (now RMG Sustainability Council), Care, the ILO and many other organisations both international and local. The size and complexity of our supply chains inevitably mean we are confronted with a wide array of challenges. Many of these can be managed by the expertise of our team, but for those issues where the challenge is bigger than us, or where a collective response is required, this network is a valuable resource.

Section 2: Primark and Xinjiang

2.1 Primark and Xinjiang – why our responsible business strategy is challenged

In the previous section we outlined how Primark's Ethical Trade Programme operates in normal circumstances. We explained the work we do to assess risk, monitor factory standards and carry out remediation work with factories where we identify instances of non-compliance with our Code of Conduct. In this section we will address the specific problems associated with the Xinjiang region and explain why our usual approach is not possible. We will also outline the measures we have therefore taken to ban any association with Xinjiang from our supply chain.

Primark's risk of exposure to the XUAR relates to cotton. Primark has been tracking the allegations and developments around Xinjiang and we are concerned by the inability to carry out our usual Ethical Trade activities. In short: we are unable to undertake the due diligence or auditing that we would normally carry out when allegations of practices like forced labour emerge – though it is important to note that Primark has not found any forced labour connected to Xinjiang in any of its supply chains.

Xinjiang today is a heavily controlled region with, it is claimed, unrivalled surveillance and technology-enabled control of citizens and visitors. It is now widely acknowledged by the international community that access to the region for supply chain auditors is no longer safe nor possible, and that efforts to conduct due diligence in the region are at best in vain. This opinion is substantiated by intelligence we have received from the ground and backed up by specially-commissioned expert guidance. As a result, we are unable to investigate the allegations made about forced labour in Xinjiang.

Our terms and conditions of trade require our suppliers to cascade our Code of Conduct down into their own supply chains. However, in this situation we are not currently confident that any supplier can monitor compliance properly for the reasons explained above. We continue to see official guidance for businesses in Xinjiang that includes the recommendation to conduct due diligence, but as a responsible business we no longer believe we can do this, and our access to those processes that would in normal times lead to our own assessment and remedy plans is closed to us.

2.2 The case for withdrawing from Xinjiang

Working with a group of like-minded brands in our sector who shared our concerns, we commissioned an expert organisation to facilitate a workshop around this situation through the lens of the UNGPs in January 2020. That process led us through a series of questions and decision points, based on the UNGPs. The conclusion from the work was very clear: to remain in a situation where one can neither monitor and influence practices, nor provide access to remedy, will only perpetuate whatever harm that situation is experiencing. Although certainly not in accordance with our usual response, the responsible thing to do is therefore to withdraw from Xinjiang.

In addition to the moral imperatives of the treatment of Xinjiang's ethnic minorities, we have monitored the development of associated legal frameworks in the markets in which we operate, especially in the United States. We import into the US and must also meet our legal obligations as sanctions and withhold release orders impact our sector.

2.3 Specific actions taken to withdraw

Based on our knowledge of cotton and fibre supply chains we have now taken measures to remove any connection to Xinjiang from our supply chain. In 2019, due to the inability to undertake robust, safe and reliable audits as per the terms of our Code of Conduct, Primark ceased working with the only garment factory on our approved supplier list that was located in Xinjiang. In February 2020 we

ceased further implementation in the XUAR of Primark's Sustainable Cotton Programme, which had started in early 2019. In September 2020, we wrote to all Primark suppliers requiring them to cease procurement of all materials that in whole, or in part, originate from Xinjiang, and banned any employment of labour from the region. Cotton is the material we are most exposed to from the XUAR. It is of a particular quality, but it can be replaced.

2.4 Ongoing work

We have been working on this matter for many months in consultation across our industry and with various experts. Xinjiang is a situation the like of which we have not seen before, due to its scale and the barriers it presents to the processes we rely on to safeguard workers. We believe responsible business can no longer be conducted in or from Xinjiang, due to the inability to conduct due diligence. The situation is complex and it weighs heavily on us that there is no option available to us to help identify a solution. Therefore, until such time as this situation changes, we believe our decision to withdraw is right.

We referenced our concern about forced labour in modern day China in our last Modern Slavery Report and will expand further on this in our 2020 report. We continue to participate in several brands' working groups on the issue and are part of the ETI Working Group on Xinjiang (a group which Primark called for back in 2019). We will remain in touch with our other stakeholders, including governments and international institutions. We believe that explicit requirements for companies to report on their exposure and response to XUAR in their modern slavery reports would help further the debate.

2.5 A note on the rest of China

The allegations of mistreatment of the Uighurs are not limited to Xinjiang. We are aware of the reports of labour under state control from Xinjiang into other parts of China (as reported for example by the Australian Strategy and Policy Institute in February 2020). Unlike in Xinjiang, where the level of state control prevents it, we firmly believe that we are still able to conduct due diligence across the rest of the country. We have a team of over 30 people in China, and they have received specialist training over recent months to alert them to this new manifestation of forced labour. We will therefore continue to work with suppliers who source from other regions in China. However, given the context, we have taken the decision to double the number of audits we conduct in other regions in China as an additional safeguard.

Appendix: Primark Ethical Trade Programme case studies

These case studies, referenced in section 1, illustrate the approach of Primark's Ethical Trade Programme.

Case Study 1 - The Primark India Worker Empowerment Programme

The garment industry in Southern India has long struggled with certain structural weaknesses and at their most concerning these have been seen to lead to indicators of forced labour. Although these issues are not evidenced in the results of our audits, we are nevertheless concerned about reports we hear from civil society and have developed a programme designed to tackle the issue at its root cause. There are three main workstreams to our programme:

- 1) My Journey – a programme developing factories' HR management systems, strengthening their recruitment processes.
- 2) My Life – Co-developed with the India NGO Naz Foundation and international NGO Women Win, this is a programme focussed on basic life skills for workers, particularly those living in hostels.
- 3) My Space – a programme supporting the mental health of workers, training workplace counsellors and creating support networks co-developed with St. Johns Medical College in Bangalore.

The whole programme is made possible only by the engagement of site management, and with access to workers for our specialist teams.

Case Study 2 - Addressing Issues Facing Migrant Labourers in Malaysia

Alerted to issues in a factory that had recently ceased supply to Primark we conducted an in-depth assessment of conditions affecting workers at the site. Based on specific concerns for the welfare of migrant workers we conducted this assessment with a specialist consultancy ensuring language capability consistent with the migrants' mother tongues. This assessment confirmed the presence of forced labour indicators in the factory, some of which we were able to resolve ourselves before the end of the assessment. Others were of a more intractable nature, requiring us to reach out to all the brands sourcing from the site.

This 'brands group' worked under a signed memorandum of understanding, continuing to engage the consultants who worked with the factory management and the affected workers. Together brands engaged with the site management to form a detailed, worker-centric corrective action plan covering 18 months' work to address the harm caused. By the end of this plan we had achieved the following:

- Full repayment of recruitment fees to all workers, including funds sent to workers who had left the site
- Repatriation of workers where requested
- Full access to medical services where needed
- The return of workers' ID
- Training for the management and supervisors
- Creation of policy manuals and procedures
- Establishment of a worker hotline to catch any further grievances

As with Case Study 1, the success of this work was down to a combination of the engagement of those involved to resolve the issue, and our ability to connect specialists with those affected.



Foreign Affairs Committee

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From the Chair
Tom Tugendhat MP

Emma Ormond
Head of Government Affairs
Primark
Letter by email: eormond@primark.co.uk

20 October 2020

Dear Ms Ormond,

We are writing to you following recent reports that parts of Primark's supply chains include materials and/or labour sourced from the Xinjiang Uyghur Autonomous Region of China. As part of the Foreign Affairs and Business, Energy and Industrial Strategy Committees' inquiries into the Xinjiang detention camps, we are reaching out to a number of businesses to establish a clearer understanding of commercial activity in the region, and what private companies perceive their ethical responsibilities to be in this area.

We would be grateful if you could address the following questions:

1. What is the nature and extent of your company's operations in Xinjiang?
2. What specific raw materials arriving in UK markets are sourced from Xinjiang?
3. Are any of your products assembled in factories deemed to be at risk of using forced labour?
4. Which Chinese companies are involved in your supply chains?
5. How do you ensure that companies at every stage of your supply chain meet their contractual obligations regarding anti-slavery and anti-human trafficking laws?
6. What is Primark's approach to assessing and scrutinising its supply chains to ensure that materials are ethically sourced?
7. Where materials from unethical sources are identified, how does your company respond and what steps are taken to mitigate the risk of future occurrences?
8. What is your information-gathering process for your Modern Slavery statements, and how do you verify this information? What is your process for acting on the findings of your Modern Slavery statements?

It would be helpful to have a response to this letter by 10 November. We intend to place your response in the public domain.

Best wishes,

TOM TUGENDHAT MP
CHAIR, FOREIGN AFFAIRS COMMITTEE

Handwritten signature of Nusrat Ghani in blue ink, with a horizontal line underneath.

NUSRAT GHANI MP
BUSINESS, ENERGY AND INDUSTRIAL STRATEGY COMMITTEE

Handwritten signature of Darren Jones in black ink.

DARREN JONES MP
CHAIR, BUSINESS, ENERGY AND INDUSTRIAL STRATEGY COMMITTEE