



August, 2008

UNITED NATIONS GLOBAL COMPACT

- Communication on Progress -

William E. Connor & Associates Limited



a) Statement from the Chief Executive Officer

“Our position as an international consumer products sourcing agency enables us to promote the 10 principles of the Global Compact to a diverse group of constituents in the global supply chain. The 10 principles mirror the core values of Connor and we will continue to promote their use, both internally and to all of our business partners.”

William E. Connor II
Chairman and Chief Executive Officer

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Businesses should ensure that they are not complicit in human rights abuses.

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should support the elimination of all forms of forced and compulsory labor.

Principle 5: Businesses should support the effective abolition of child labor.

Principle 6: Businesses should support the elimination of discrimination in respect of employment and occupation.

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



Human Rights:

b) Description of practical actions taken to integrate the principles

Principle 1.

Businesses are asked to support and respect the protection of international human rights within their sphere of influence

- Connor communicates with both new and existing clients to obtain their support for the supplier social accountability monitoring program excited by Connor's professional staff. All clients are asked to endorse the program, even when the high level of compliance it demands accedes their own supplier code of conduct.

Principle 2.

Make sure their own corporations are not complicit in human rights abuses

- Connor's ethical principles form the cornerstone for our interaction with our clients and business partners. We have developed social compliance programs which promote human rights and corporate social responsibility in every area of the supply chain.
- The Connor Social Compliance Program dictates that every factory which manufactures items for Connor's clients' is subject to a comprehensive social compliance evaluation. To support this program and to ensure the autonomy of factory audits, Connor has established a wholly independent subsidiary company, Omega Compliance Ltd. (Omega), now with over 70 staff based across 20 countries. Connor contracts Omega to independently manage all its factory compliance activities.
- The Connor factory evaluation is based on Social Accountability International's SA-8000 guidelines and adheres to the highest standards for health, safety, and labor compliance. Aside from the SA-8000 guidelines, due reference is made to the Global Compact Principles, and International Labor Organization conventions.
- The results of all factory evaluations are shared with Connor's clients.
- Connor continues to invest heavily in IT systems which facilitate the efficient storing of all factory evaluation reports and analysis of the same. These systems enable clients to view the compliance status of their suppliers online in real-time.

c) Measurement of outcomes or expected outcomes

- Adopting a completely transparent approach to the social accountability of the factories we use has not been easy. However, our clients have a great deal of trust in our management systems now and rely on our program to identify serious



violations. As a result of our “zero tolerance” approach to serious compliance violations, we have disqualified numerous suppliers from our sourcing base. In the short term this is not beneficial to our business, but we recognize that this is the right thing to do and will improve the standard of our supply base over the long term.

- In the course of 2006 and 2007 we will have evaluated more than 6,000 suppliers throughout the world. The majority of these manufacturers were put on a comprehensive corrective action plan as a result of our findings and we continue to monitor their improvement.



Labor:

b) Description of practical actions taken to integrate the principles

Principle 3.

Businesses are asked to uphold the freedom of association and the effective recognition of the right to collective bargaining

- Connor (and all of Connor's clients) promotes freedom of association in all of the countries that it sources by encouraging suppliers to establish mechanisms which allow their employees to participate in collective bargaining. This can be a contentious issue in some locations and our approach is always dictated by the laws of the relevant jurisdiction.
- Connor's merchandizing teams communicate with all new suppliers to explain the exacting standards against which they will be measured. Over the last two years a greater emphasis has been placed on the requirement to permit freedom of association amongst workers. This is especially the case in some of the emerging markets from where our clients source their proprietary merchandise..

Principle 4.

The elimination of all forms of forced and compulsory labour

- Connor does not permit the use of any forced or compulsory labor in the suppliers from where its clients' source. Any evidence of these practices will result in a "zero tolerance" finding, and the factory will be disqualified as a supplier to all of Connor's clients.

Principle 5.

The effective abolition of child labour

- Connor sets the minimum age for a worker at any of its clients factories at 16 years of age, even when the local law provides for a lower working age.

Principle 6.

The elimination of discrimination in respect of employment and occupation.

- Connor's comprehensive factory evaluation program incorporates detailed screening of suppliers' employment practices. Key compliance violations (or "zero tolerance" violations as we term them) will trigger the disqualification of a supplier. These include forced labor; child labor; discrimination; corruption; corporal punishment; and any safety oversights which seriously endanger the health of factory workers.



- We have in place comprehensive corporate “zero tolerance” procedures and systems which ensure that Connor’s offices adhere to these principles on a global basis.

c) Measurement of outcomes or expected outcomes

- Uncovering unacceptable labor practices has been a key success of our factory evaluation program. As a result we have been able to advise the clients we work with of the conditions in their factories and work with those factories to improve. In 2006 and 2007 we have evaluated more than 6,000 factories and advised more than 80 key clients of our findings.



Environment:

b) Description of practical actions taken to integrate the principles

Principle 7.

Businesses are asked to support a precautionary approach to environmental changes.

Principle 8.

Undertake initiatives to promote greater environmental responsibility.

Principle 9.

Encourage the development and diffusion of environmentally friendly technologies.

- Connor's factory evaluations include a specific section for the evaluation of a supplier's adherence to local laws with respect to the environment.
- The environmental requirements of many of Connor's clients are increasing and this aspect of our supplier screening will be enhanced in line with their requirements.
- We are already actively participating in several environmental initiatives including i) the sourcing of organic cotton, ii) the Tropical Forest Trust and sourcing of sustainable timber, iii) the Forest Stewardship Council, and iv) the Global Forest Trade Network.

c) Measurement of outcomes or expected outcomes

- As a result of collaboration with a number of our clients we have been able to implement a program for the sourcing of sustainable timber. The program is still being implemented but results so far are encouraging and have meant that many of our clients' suppliers are sourcing FSC certified wood, or developing chains of custody in respect of their wood sources.



Anti-Corruption:

b) Description of practical actions taken to integrate the principles

Principle 10.

Business should work against corruption in all its forms, including extortion and bribery.

- Connor has a mandatory “Code of Ethics” for all of its employees which must be signed annually.
- Every supplier which wishes to do business with Connor must first sign the “Vendor Compliance Letter” which stipulates those business practices which are unacceptable to our organization.
- Together with the “Vendor Compliance Letter” every supplier is sent a copy of Connor’s Code of Ethics.
- Connor has contracted an independent 3rd party who can receive any complaints or allegations concerning malpractice or dishonesty by our staff. This multilingual channel enables a complainant to remain anonymous whilst continuing to provide information in support of any investigation.

c) Measurement of outcomes or expected outcomes

- The implementation of our Code of Ethics has led to both internal and external investigations. We will continue to fully investigate every instance of suspected malpractice with absolute determination.