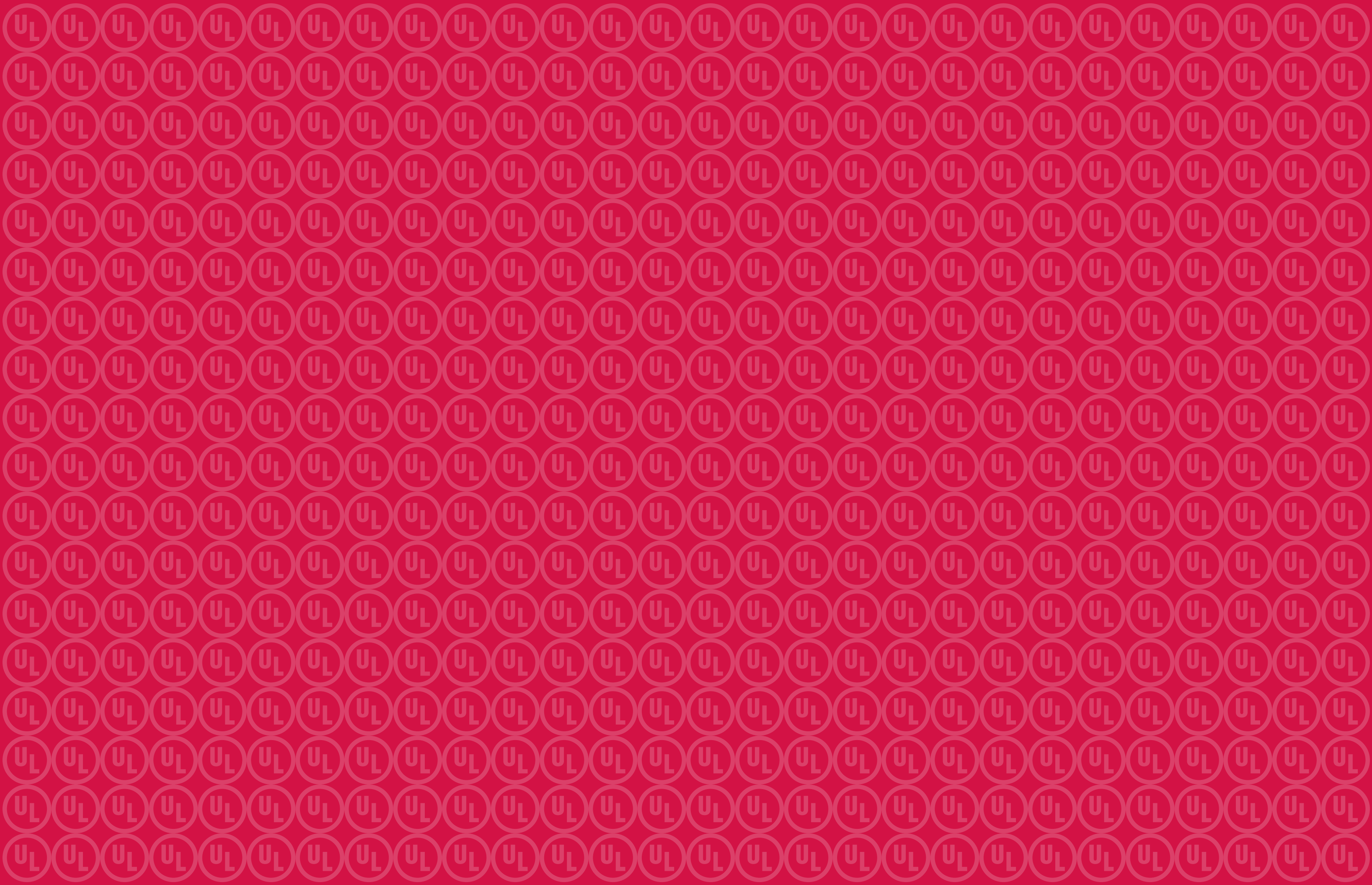




# RESPONSIBLE SOURCING

2011 UNITED NATIONS GLOBAL COMPACT REPORT





# PASSION FOR SAFETY AND A COMMITMENT TO WORKING WITH INTEGRITY

Since 1894, the mission of UL (Underwriters Laboratories) has been “working for a safer world,” which is at the core of everything the company does.

Through its network of nearly 9,000 employees and more than 200 laboratories and inspection centers, UL advances safety through careful research and investigation, helps prevent or reduce loss of life and property, and promotes safe living and working environments for all people.

UL promotes and maintains a values-driven corporate culture, ensuring that the principles of integrity, honesty, quality and fairness are integrated into our business practices on a consistent basis around the world.

I am pleased to support Responsible Sourcing’s continued membership and active involvement in the United Nations Global Compact. As the President of UL Verification Services, I hereby renew the ongoing commitment of Responsible Sourcing to the Global Compact and its ten principles on human rights, labor standards, environmental responsibility and anti-corruption.



**Sajeev Jesudas,**  
President, UL Verification Services

On September 1, 2011, UL, a world leader in advancing safety, completed the acquisition of STR Quality Assurance (STR QA) within STR Holdings, Inc., including STR Responsible Sourcing (STR RS). Approximately 300 STR RS employees based around the world joined UL’s Verification Services business through the acquisition and the group is now known as Responsible Sourcing.

The following report reflects Responsible Sourcing’s (formerly STR RS) global operations and activities from January 1, 2011 to December 31, 2011.





# UN GLOBAL COMPACT PRINCIPLES

## UNGC PRINCIPLES 1 & 2 HUMAN RIGHTS

### UNGC PRINCIPLES 1 & 2 HUMAN RIGHTS

As a good corporate citizen, we respect the human rights and dignity of every person.

Responsible Sourcing provides employees with training on human rights and international labor standards upon hire. Employees also have ongoing opportunities to further their education on human rights by attending additional trainings, engaging in activities, and reading weekly bulletins about various aspects of corporate responsibility

as part of their professional development. For more information about how Responsible Sourcing invests in training our employees, please see page 20.

In addition, Responsible Sourcing provides guidance, training, and awareness-raising for our clients and their suppliers on applying human rights and international labor standards in global supply chains.

As a third-party monitoring firm, Responsible Sourcing evaluates thousands of workplaces worldwide against human rights and labor standards. This activity helps our clients to reduce the risk that they might be complicit in human rights abuses in their supply chains.

Protecting workers during the assessment process is a primary concern of Responsible Sourcing and various steps are taken to reduce the risk of retaliation against workers who speak to our auditors. Firstly, Responsible Sourcing has a strict confidentiality policy and workers' names are omitted from any written reports. Secondly, where sensitive issues are identified that could be linked to individual testimony, our auditors will not disclose those issues in the closing meeting or in the report, but will complete a separate shadow report for the client. Where workers indicate they would like to provide additional information, auditors in the US provide a toll free number workers can access in confidence.

Lastly, where sensitive issues are identified or anticipated, off-site interviews are incorporated into the audit protocol, in collaboration with the client.





## UNGC PRINCIPLES 3, 4, 5 & 6 LABOR STANDARDS

Responsible Sourcing respects the rights of its employees worldwide to freely associate, organize and collectively bargain in line with local laws.

Responsible Sourcing does not use or condone the use of forced or involuntary labor. All employees are engaged by Responsible Sourcing voluntarily and employees can leave at their will. Responsible Sourcing does not retain original identification documents of our employees.

In light of the changing regulatory environment in

the U.S., Responsible Sourcing expended considerable resources on raising awareness around human trafficking and modern-day slavery in supply chains during 2011. Please see page 14 for more information.

Responsible Sourcing does not use or condone the use of child labor. We define "child" as anyone under the age of 15 or under the legal employment age of the country or jurisdiction, whichever is higher. All Responsible Sourcing employees are above the local legal age limit and age documentation is maintained on file for all employees.

Responsible Sourcing is an equal opportunity employer and bases its recruitment, employment, development and promotion decisions solely on a person's ability and potential in relation to the needs of the job, and complies

with local, state and federal employment laws. We do not tolerate harassment of any kind and discrimination based on a person's characteristics such as race, ethnicity, color, religion, national origin, sex, sexual orientation, age, genetic information or disability.

At Responsible Sourcing we strive to provide all employees with a respectful and fair work environment free of harassment or abuse. See pages 26 for further information on diversity at Responsible Sourcing.

In addition to our internal policies and procedures for employees, Responsible Sourcing works with companies to identify cases of infringements on labor rights in their supply chains, including lack of freedom of association and collective bargaining, presence of forced labor, human

trafficking, child labor, and discrimination. Where such cases are confirmed, Responsible Sourcing works with the companies concerned to develop remediation plans that put the workers' best interests forward.



## UNGC PRINCIPLES LABOR STANDARDS



# UNGC PRINCIPLES ENVIRONMENTAL RESPONSIBILITY

# UNGC PRINCIPLES ANTI-CORRUPTION

## UNGC PRINCIPLES 7, 8 & 9 ENVIRONMENTAL RESPONSIBILITY

Responsible Sourcing is committed to operating in an environmentally friendly manner. For general information on our environmental initiatives, see pages 23. In 2011, Responsible Sourcing continued to expand our environmental service capabilities to assist clients in advancing environmental responsibility in their global supply chains.

## UNGC PRINCIPLE 10 ANTI-CORRUPTION

Responsible Sourcing is committed to doing business fairly, honestly and openly, to complying with the law, and to meeting the highest ethical standards in all our business activities. As of September, 2011, Responsible Sourcing follows the UL Standards of Business Conduct which stipulate that UL employees must never solicit gifts, entertainment or favors of any value from persons or firms with which UL does business or may do business with in the future. UL's policy, as well as many laws around the world, prohibit UL employees, and anyone working

for or on behalf of UL, from directly or indirectly offering bribes, kickbacks and other improper payments whether in form of money or any other thing of value. UL has a Global Ethics Helpline and e-mail address for employees, clients, suppliers, or visitors to report concerns, and has a strict non-retaliation policy. For information on our ethics program see page 20.



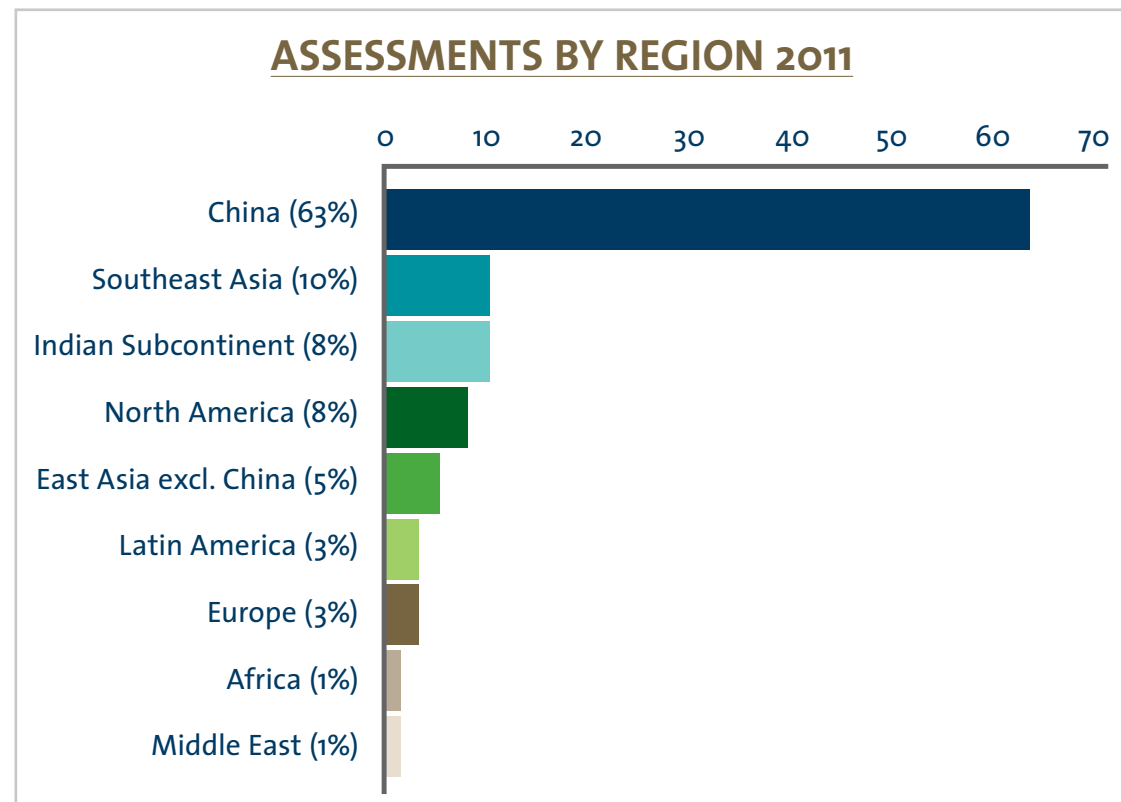
# PRODUCTS & SERVICES

# IDENTIFYING SUPPLY CHAIN RISKS

Responsible Sourcing is dedicated to helping our clients build secure and socially responsible relationships with their supply chain partners. We are a leading provider of corporate responsibility auditing and consulting services, which include monitoring, training, research, and program development. We are an accredited monitor for numerous social certification programs, and we partner with many organizations that share our mission of assuring responsible sourcing practices.

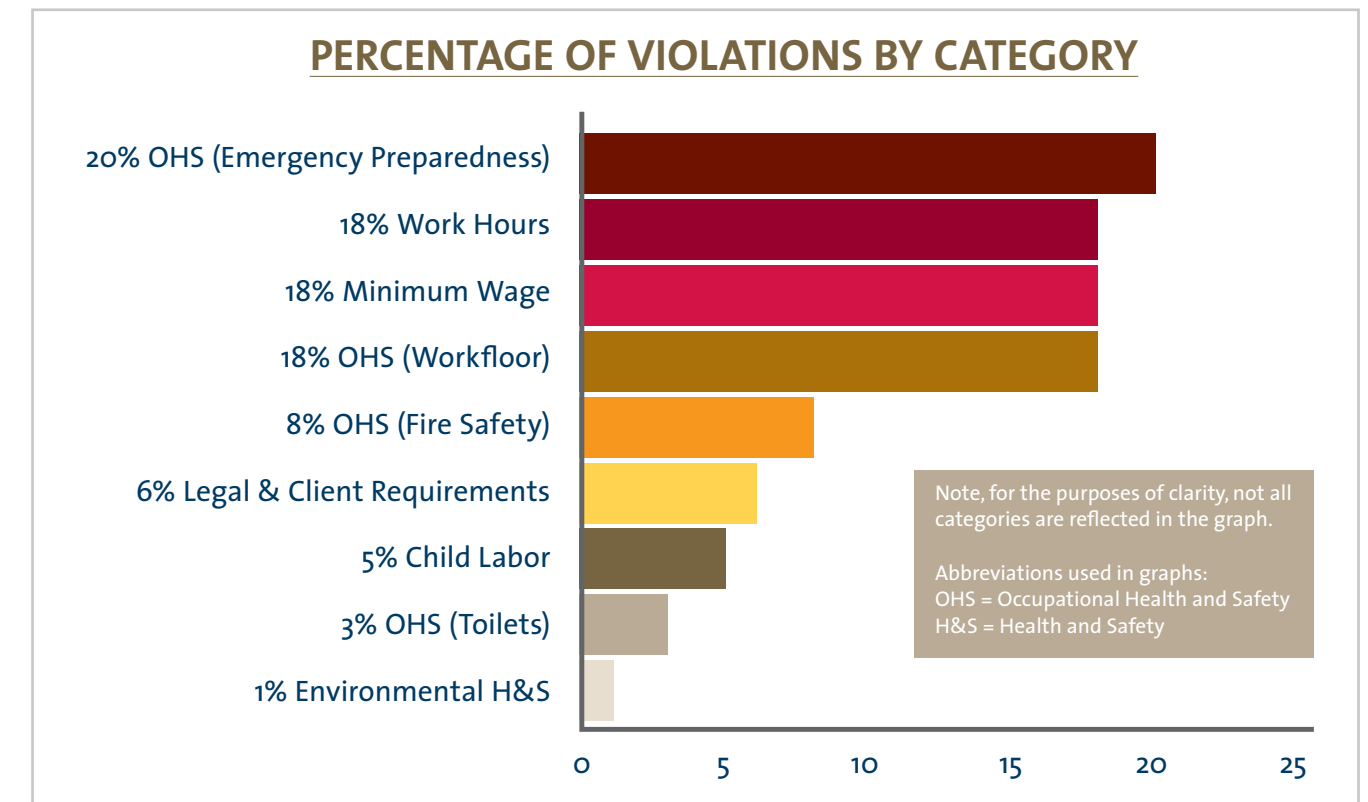
## ASSESSMENTS BY REGION

The chart entitled "Assessments by Region 2011" shows regional trends in our assessment work based on 17,000 assessments conducted in over 100 countries in 2011. While China remained our primary country of operation in terms of assessments, we continued to see an increasing trend in auditing in Vietnam and Thailand although we saw a decrease in assessments in Bangladesh and Indonesia. Our largest year-on-year increase was in Japan, followed by the US where our agricultural work continued to grow.



## CATEGORIES OF VIOLATIONS

In order to gather aggregate data, Responsible Sourcing categorizes and tracks labor and human rights non-compliance issues identified during on-site assessments. The graph "Percentage of Violations by Category" shows percentages of violations out of the total number of violations we found during on-site assessments in 2011. The numbers reflect the percentage of violations found for each of these main categories as they relate to all the violations we found in 2011.



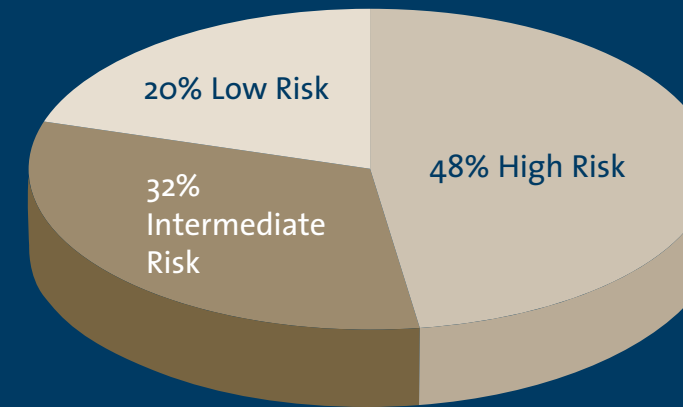


## IDENTIFYING SUPPLY CHAIN RISKS

## AVERAGE ASSESSMENT GRADES

The graph named "Assessment Results by Grade Classification" depicts the average grade a facility we have assessed received according to our Responsible Sourcing Standard Grade classification. The majority (80%) of assessments result in medium to high risk grades. The results are based on a statistical sample of the over 20,000 assessments conducted in 2011.

### ASSESSMENT RESULTS BY GRADE CLASSIFICATION



## TRAINING AND CAPACITY BUILDING

In 2011, Responsible Sourcing conducted approximately 100 training and capacity-building engagements to assist suppliers in implementing management systems for sustainable compliance. Responsible Sourcing' approach to continuous improvement starts with identifying root causes and gaining management's commitment to addressing systemic, and not just surface, issues. In 2011, Responsible Sourcing also appointed a new Global Manager of Capacity Building and Management Advisory Services.

Responsible Sourcing recognizes the problems associated with audit fatigue and we acknowledge that auditing alone does not always result in workplace improvements. However, we are committed to making a positive impact on workers and to collaborating with our clients to find ways to drive sustainable improvements in their supply chains.



# INDUSTRY-WIDE ENGAGEMENT AND KNOWLEDGE SHARING

Responsible Sourcing is recognized as a thought leader in responsible sourcing and Responsible Sourcing experts regularly provide industry expertise and insights in a variety of forums.

## HUMAN TRAFFICKING

An estimated 27 million people are victims of modern-day slavery around the world today. Human Trafficking is a 32 billion dollar industry and along with drugs and arms trafficking, one of the largest sources of profits for organized crime. There are anywhere between 600,000 and 800,000 victims trafficked through international borders every year, which does not include the millions trafficked domestically within their own countries. As many as 18,000 men, women, and children are trafficked into the U.S. every year.

In 2011, companies were gearing up for the California Transparency in Supply Chains Act (SB657), which went into effect on January 1, 2012. In order to help companies prepare to meet the disclosure requirements contained in the Act, Responsible Sourcing coordinated a number of awareness-raising events including:

- Speaking at the American Apparel and Footwear Association's (AAFA) Social Responsibility Committee meeting about human trafficking.
- Launching a set of human trafficking indicators to help identify the risk of human trafficking and modern-day slavery in global supply chains.
- Conducting research on the issue through stakeholder consultations in key sending and receiving countries

around the world, including the US, Taiwan, Sri Lanka, India, Thailand, UAE, Jordan and others. A report based on our findings will be published in 2012.

- Revising standard audit tools and protocols, including employee interview techniques and rolling out global auditor training on human trafficking and modern-day slavery.
- Providing guidance to clients on revising their supplier codes of conduct to cover human trafficking.
- Learning about human trafficking red flags and interview techniques from the Coalition to Abolish Slavery and Trafficking (CAST) and incorporating the methodologies into our standard auditor training.
- Writing articles and blogs about human trafficking,

including an article in the August 2011 edition of the Society of Corporate Compliance and Ethics magazine.

- Sponsoring the Coalition to Abolish Slavery and Trafficking (CAST) Annual Gala in May, 2011.
- Hosting two multi-stakeholder roundtable discussions on human trafficking and modern-day slavery that included speakers from the UN Office on Drugs and Crime and from the Coalition to Abolish Slavery & Trafficking (CAST).
- Conducting seminars on human trafficking and the California Transparency in Supply Chains Act in eight US cities and in Shanghai and Hong Kong.





# INDUSTRY-WIDE ENGAGEMENT AND KNOWLEDGE SHARING

## CONFLICT MINERALS

Responding to the humanitarian crisis in the Eastern Democratic Republic of Congo, the U.S. Congress tasked the Security Exchange Commission (SEC) with the implementation of the Dodd-Frank Act of 2010, a legislation requiring companies to report on their use of minerals from the African Great Lakes region. Companies in the electronics, jewelry, pharmaceutical or automotive industries will have to submit independently audited annual reports, describing their efforts to determine the country of origin of raw material used in their products.

In 2011, Responsible Sourcing continued to participate in industry and multi-stakeholder initiatives dealing with

conflict minerals in the supply chain, including:

- Serving as a member of the Responsible Jewellery Council (RJC) Consultative Panel for the Chain of Custody Standard.
- Serving as a member of the OECD Drafting Committee for the Gold Supplement to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.
- Being interviewed for various articles on conflict minerals (Agenda Week, Wall Street Journal, CFO Magazine).

By engaging in these initiatives, we are contributing to establishing necessary linkages between the upstream and downstream supply chain, helping to increase transparency and accountability in the minerals supply chain.

## RESPONSIBLE SOURCING ANNUAL RESPONSIBLE SOURCING SUMMIT

In 2011, Responsible Sourcing held our sixth Annual Responsible Sourcing Summit in Los Angeles and featured a number of distinguished guest speakers, including Rev. David Schilling, from the Interfaith Center on Corporate Responsibility, Christine Bader, advisor to John Ruggie, the United Nations Secretary-General's Special Representative on Business and Human Rights; and Kay Buck, Executive Director, of the Coalition to Abolish Slavery and Trafficking (CAST).

## PRO BONO INITIATIVES AND PROJECTS

Responsible Sourcing is collaborating with some of the industry's foremost institutes, NGOs and associations to advance knowledge and research around topics like child labor, women's rights and labor law and policy. It is our hope the following initiatives will bear improvements to global labor standards:

### ADVANCING WOMEN'S RIGHTS IN GLOBAL SUPPLY CHAINS

Beginning in 2011, BSR and Responsible Sourcing formed a partnership which will examine women's health issues in global supply chains. Building on the successful experience of BSR with the HERproject and Responsible Sourcing' extensive monitoring background, this initiative will examine the links between women's health conditions in global manufacturing facilities, business results, and social compliance.

As part of this ongoing collaboration, BSR and Responsible Sourcing have defined a set of indicators that will allow for data on women's health to be collected as an add-on to Responsible Sourcing' social compliance assessments. Select multinational companies will be invited to participate in this initiative, with the collection of indicators taking place during 2012.

Through the subsequent analysis of the collected data, BSR and Responsible Sourcing expect to gain and share insights into the effects of women's health on social compliance and overall facilities and business results. Results will be published in a joint report and discussed during a BSR "Sustainability Matters" webinar.

### PUBLIC SECTOR ENGAGEMENT ON CHILD AND FORCED LABOR

In 2011, Responsible Sourcing' Senior Director of Research & Development, Rachele Jackson, continued to serve as a member in the US Department of Agriculture's Consultative Group to Eliminate the Use of Child Labor and Forced Labor in Imported Agricultural Products. Established by the 2008 Farm Bill, the Consultative Group will develop and make recommendations to the Secretary of Agriculture regarding guidelines to reduce the likelihood that agricultural products imported into the United States are produced with the use of child or forced labor. An update on the Group's activities can be found here: [http://www.fas.usda.gov/info/Child\\_labor/Stabenow%20Nov.pdf](http://www.fas.usda.gov/info/Child_labor/Stabenow%20Nov.pdf)

### UNITED NATIONS GLOBAL COMPACT (UNGC)

In 2011, Responsible Sourcing continued to participate actively in the UNGC Supply Chain Sustainability Working Group and presented research on migrant workers and human trafficking at the Group's November, 2011 meeting.

### DANISH INSTITUTE FOR HUMAN RIGHTS (DIHR)

In 2011, Responsible Sourcing forged a partnership with the DIHR to collaborate around country-specific human rights information. Responsible Sourcing is providing the DIHR access to the Labor and Employment Standards Library (LESLi) so that DIHR can better build its human rights reports that will be publicly available. While the process that the DIHR goes through to develop these reports includes in-country research and engagement with in-country stakeholders, LESLi provides easy and thorough access to labor laws for countries around the world. More information on the future portal that will house these country reports can be found here: <http://www.humanrightsbusiness.org/country+portal>

### INDUSTRY-SPECIFIC RESEARCH

Responsible Sourcing continued its work with several academic institutions, including Harvard and Georgetown universities, to analyze Responsible Sourcing generic violations data. The academic teams worked on compiling additional data to be able to start running regressions. As described in last year's report, the objective of the research is to identify the causal relationships among consumer expectations, stakeholder initiatives, and brand programs with better working conditions. Using thousands of data points, the study will provide insight into which approaches are successful in driving compliance at the factory level. The findings, when published, should facilitate a more strategic allocation of monitoring resources enabling Responsible Sourcing' operations and our clients' programs to be more effective.

### INDUSTRY ASSOCIATION ADVANCING SOCIAL RESPONSIBILITY

In 2011, Responsible Sourcing continued to be an active member of the American Apparel & Footwear Association (AAFA) Social Responsibility Committee (SRC) to help identify and discuss global social responsibility issues and trends that affect the apparel and footwear industries. Responsible Sourcing presented on ISO26000 at AAFA's SRC meeting in March, 2011 and on Human Trafficking at the SRC's September 2011 meeting.

### BUILDING OUR SOCIAL MEDIA PRESENCE

In 2011, Responsible Sourcing continued to be active in the social media space with a number of senior staff members gaining influence and exposure on Twitter. In June, 2011, Rachele Jackson, Senior Director, Sustainability Practices (@srsmaven), was named as having a "must-follow" Twitter account for CSR by the organization Communications 4 Good. Responsible Sourcing research staff continued to publish articles on our blog, "Perspectives in Responsible Sourcing" (URL: <http://csc.typepad.com/>). In 2011, topics covered on the blog included Labor Migration from Bangladesh, Conflict Minerals, the European Commission's CSR Strategy, Human Trafficking, the UN Guiding Principles on Business and Human Rights, Freedom of Association in Indonesia, and the UK's Bribery Act, among others.





# OPERATIONAL IDEALS

# ANTI-BRIBERY AND ANTI-CORRUPTION

We strive for objectivity, thoroughness, accountability, and quality in all that we do.

All Responsible Sourcing employees are required to adhere to a strict Code of Business Conduct and Ethics. No employee or any other person or entity representing Responsible Sourcing may receive or solicit to receive payment of money, money equivalent, gifts or anything else of value, in any amount, from any person or company in connection with the performance of services on behalf of UL other than the contractually established fee for services rendered and legitimate expenses to be reimbursed in connection with the performance of such services.

Responsible Sourcing employees have access to an independently managed Global Ethics Helpline to ask questions or report concerns confidentially and anonymously. The Helpline is available 24 hours a day, 7 days a week, and interpreters are available for submissions in other languages.

Responsible Sourcing maintains a zero tolerance policy with respect to unethical conduct including bribery, and Responsible Sourcing has established procedures to proactively and reactively investigate any and all such situations.

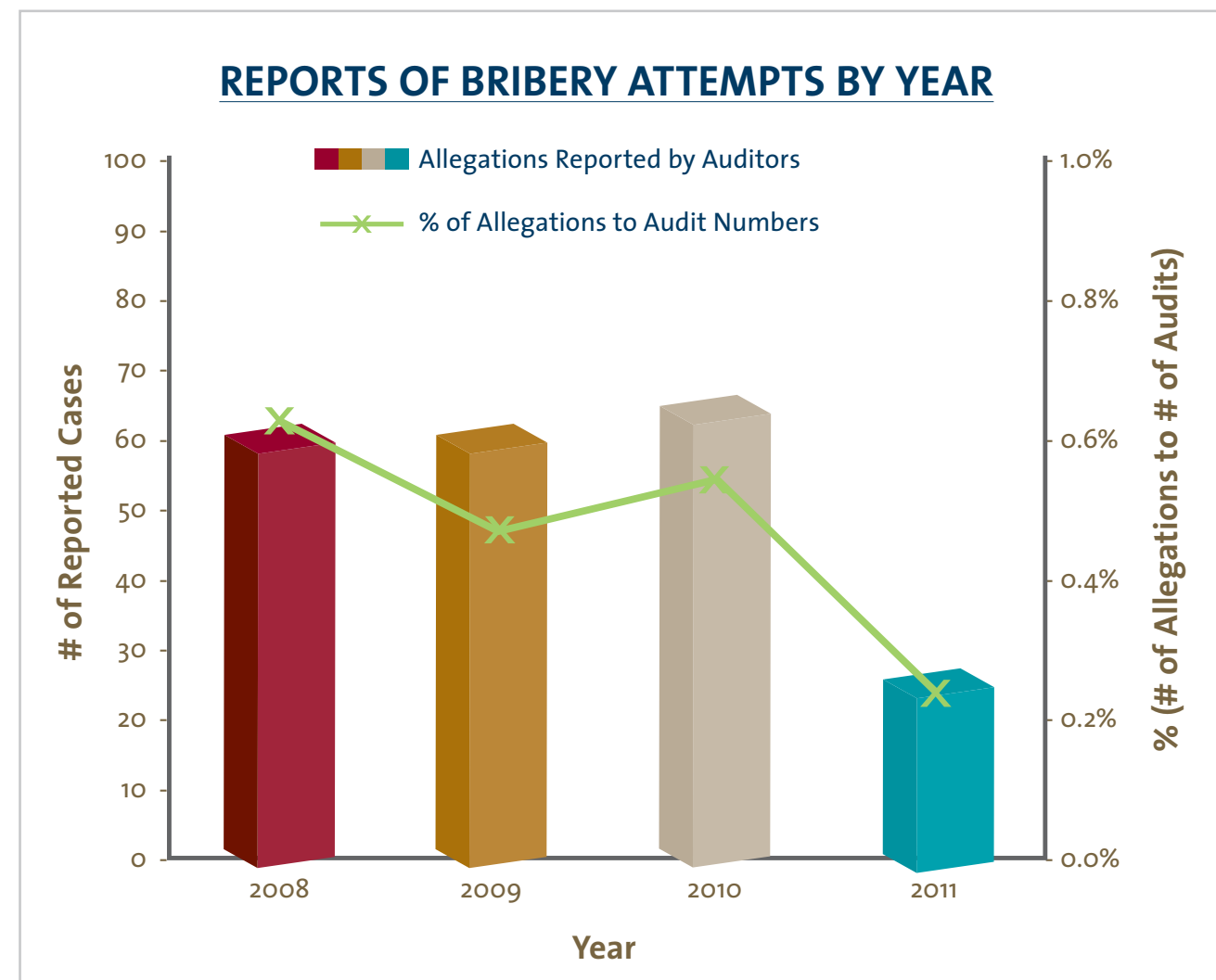
For our field personnel, the zero tolerance policy is regularly communicated from the outset and at the beginning of each assessment, Responsible Sourcing field personnel and the facility management sign the "Responsible Sourcing Statement of Integrity" that prohibits auditors from accepting and management from offering (directly or indirectly) any payment, loan, service, advantage, entertainment, meal, travel or gifts, even of nominal value. Auditors are instructed to follow the Bribery Notification Procedure and to immediately inform the Responsible Sourcing Ethics Director if the facility management attempts to bribe them.

The chart entitled "Reports of Bribery Attempts by Year" contains the figures of reported bribery attempts from auditors over the last four years. In 2011, Responsible Sourcing received a total of 25 bribery reports from the field staff. That is a 38% decrease from 2010. However, in 2011 Responsible Sourcing conducted 5% less audits than in 2010 and approximately 10% less audits in China than in 2010.

Many factors can be a contributor to the decrease on bribery reports. Clients and brands are improving and/or developing stricter standards on their ethics policy. Many clients have categorized bribery or first-attempt bribery as a zero tolerance issue. Therefore, many facilities understand the consequences of a zero tolerance finding, which results in a decrease in bribery attempts. In addition, after many years of being audited many Chinese factories are becoming very familiar with Responsible Sourcing integrity policy, which is strictly enforced by Responsible Sourcing field staff. Lastly, there has also been an increase in China by consultant agencies offering their services to the facilities. This allows the facilities to be prepared for audits, which can diminish the need to bribe auditors for a "passing" grade.

Responsible Sourcing has been experiencing updates and changes on the quality and ethics functions of the company. Responsible Sourcing has been working in updating and improving its operating procedures and policies since the fourth quarter of 2011. With Responsible Sourcing being acquired in September of 2011, the Ethics function of the department has been officially passed on to UL Corporate Ethics and Compliance beginning 2012. However, Responsible Sourcing continues to record bribery reports from field staff and will work with UL Corporate for continuous improvements.

More information about UL's Ethics and Compliance Program can be found here: <http://www.ul.com/global/eng/pages/corporate/aboutul/standardsbusinessconduct/>





## OPERATIONAL IDEALS

### COMMITMENT TO QUALITY

Responsible Sourcing is committed to continuously improving the quality of our services and we strive to maintain a high-level of consistency.

In 2011, Responsible Sourcing appointed a new Quality Systems Manager, based in Responsible Sourcing' corporate office in Los Angeles, California. The Quality Systems Manager's responsibilities include (but are not limited to):

- Analyzing and amending, as needed, existing Quality Management Systems to meet ISO 9001:2008 and ISO 17021:2011 certification requirements
- Working closely with various internal departments to identify, document and issue required SOPs, and help to improve audit execution and reporting.
- Facilitating third party Quality Management Systems audits
- Reviewing, analyzing and improving, as needed, existing quality reporting metrics, corrective actions and root cause analysis
- Addressing internal and external complaints as it relates to quality issues

### PROFESSIONAL DEVELOPMENT

In 2011, Responsible Sourcing continued to invest heavily in the training and professional development of its employees. Responsible Sourcing employees participated in 1,265 internal and external training courses totaling 6,252 hours of training (see chart entitled "Employee Training by Type").

Responsible Sourcing auditors undergo intensive classroom training and several months of field training before being qualified to conduct assessments. Responsible Sourcing' International New Auditor Training Program was developed under IACET (International Association for Continuing Education and Training) benchmark standards for effective adult learning, and is aligned with ISO 19011 guidelines. Trainee's and seasoned auditors' skills are regularly evaluated through interactions with peers, supervisors, trainers, and report reviewers. In addition, interpretation of findings is supported and calibrated by the Research & Development Department to ensure consistency of reports.

Responsible Sourcing subsidizes job-related continuing education expenses for employees depending on certain criteria.

### ENVIRONMENTAL RESPONSIBILITY

Responsible Sourcing did not launch any new internal environmental initiatives in 2011 but continues to practice environmental responsibility in our offices, including recycling, re-using and reducing resource (paper and energy) use. Responsible Sourcing' largest environmental impact is generated by business travel and Responsible Sourcing continues to use virtual meeting technologies to reduce unnecessary travel. Responsible Sourcing also allows flexible working options for employees with long commutes and delivers the majority of information to our clients and to our employees electronically.

Responsible Sourcing offices around the world continue to implement standard good environmental practices, including:

- Using non-disposable dishware and cutlery.
- Printing only when necessary and using double-sided printing as the default printer setting.
- Paper recycling (and the recycling of other materials where available).
- Switching off lights and electronics at the end of the working day.

Since the UL acquisition resulted in some physical changes to our global operational structure, Responsible Sourcing decided to postpone further carbon footprint measurements until the changes have been completed.



# OPERATIONAL IDEALS

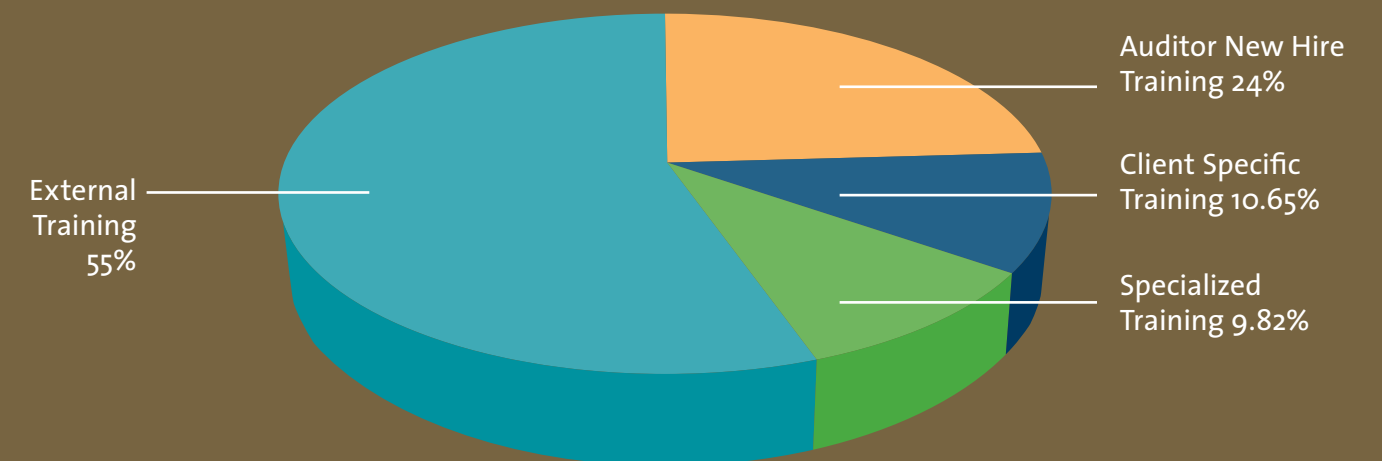


## ACCREDITATIONS AND MEMBERSHIPS

Responsible Sourcing has been recognized by the industry as a quality provider of monitoring and education services in responsible sourcing. As a result of this commitment to the highest standards of operation, Responsible Sourcing has been awarded and continues its accreditations and memberships in the following certifications and initiatives:

- Responsible Jewelry Council (RJC)
- Worldwide Responsible Apparel Production (WRAP)
- International Council of Toy Industries (ICTI)
- Electronic Industry Code of Conduct (EICC)
- Supplier Ethical Data Exchange (SEDEX)
- Business Social Compliance Initiative (BSCI)
- Initiative Clause Social (ICS)
- IACET Approved Provider of CEUs
- Fair Labor Association (FLA)

## EMPLOYEE TRAINING BY TYPE





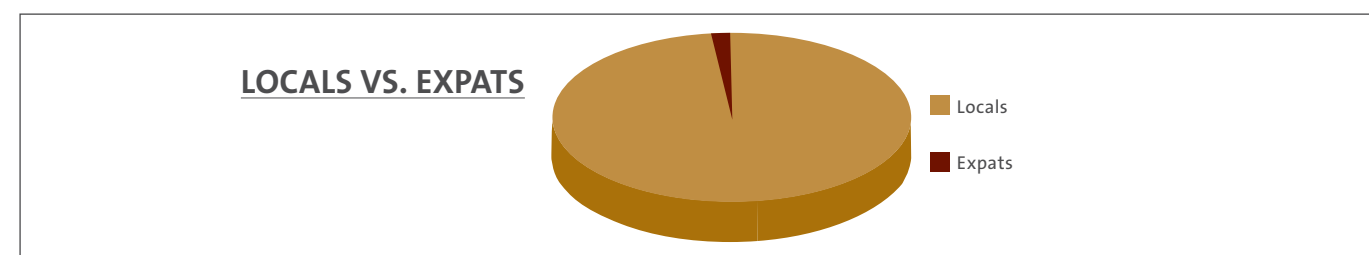
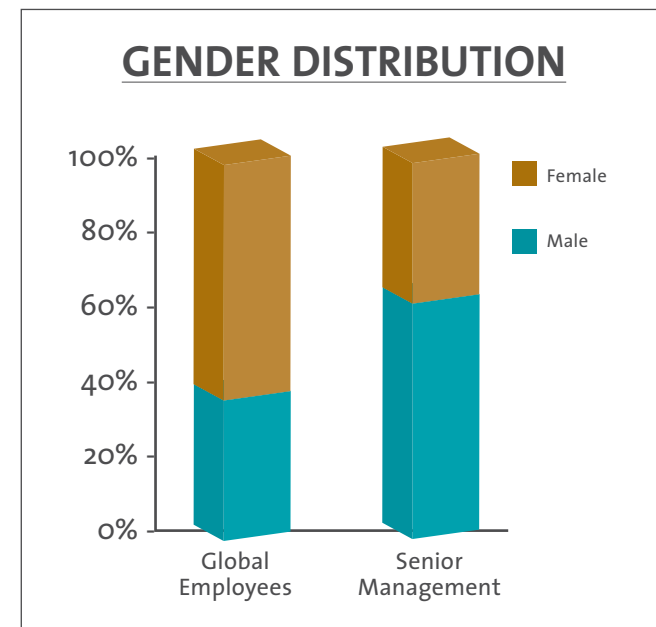
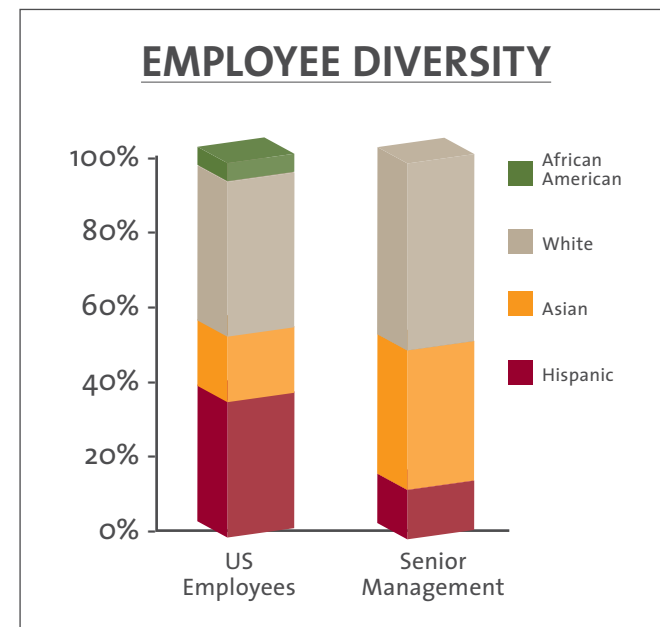
# OUR EMPLOYEES

# OUR TEAM

Our employees are the industry's most passionate, skilled, and dedicated. They exhibit humility, adaptability, and quick problem-solving abilities in their personal and professional achievements.

Responsible Sourcing is committed to promoting and maintaining a workplace that provides equal opportunity for all employees. The diversity of our employees is a key asset for Responsible Sourcing. We seek to hire and develop local professionals in the countries where we operate. In 2011, 98% of global employees were local staff.

Our team includes over 300 employees located in more than 40 countries conversant in over 30 languages. Globally, the majority of Responsible Sourcing employees are female (62%) and minorities represent 59% of Responsible Sourcing' US employees.



As a global company, we value the diverse background of our employees. While respecting each individual, we encourage our offices around the world to employ talented staff based on their qualifications and unique backgrounds.





# DONA JOHN

## EXPERT INSIGHT



**NAME:** Dona John

**OFFICE:** India

**TITLE:** Research Associate  
Indian Sub-Continent

**LENGTH OF SERVICE WITH THE  
COMPANY:** 6 years

### WHAT DO YOU DO FOR RESPONSIBLE SOURCING?

I head the Research & Development (R&D) department for South Asia. I ensure the regional audit teams maintain a uniform approach in evaluating labor practices against the complex laws and regulations in the region. I do this by conducting regular trainings on legal developments and communicating with the regional teams. I am also involved in client projects related to our R&D capabilities, including risk services, due diligence, environmental services, and supplier trainings.

### WHAT ARE THE MOST CHALLENGING RESPONSIBLE SOURCING ISSUES IN YOUR REGION?

The entire region poses multiple challenges. Apart from the regular sourcing issues that are common across the globe, the most pressing ones in the region are: child labor; forced & bonded labor; the archaic legal framework; corruption and lack of political will. Needless to say, most of these sourcing issues are complex and inter-linked by various factors.

Alarming poverty levels on the Indian sub-continent remain untackled and push millions of children into working at a young age; and bonded labor is often common among the poorest. Child labor is being used in industries ranging from garments, brassware, and leather goods to cotton fields and silk manufacturing.

For example, in the southern Indian state of Tamil Nadu, there is serious infringement of human rights in the textile sector involving under-aged girls being pushed into the 'Sumangali' system where the girls are made to sign three-year contracts assuring a paltry amount of wages payable towards the end of their term.

The ambiguous laws in the region coupled with British-era laws make it extremely difficult for international brands to ensure their suppliers are fully compliant. Corrupt bureaucracy and a lack of legislative will to revise archaic laws and enforce existing ones exacerbate these challenges. Additionally, multiple-tier systems used in the production process (such as unauthorized subcontracting) make it more difficult to identify child labor through auditing only the first-tier level of manufacturing.

These challenges suggest that companies need to get creative with their responsible sourcing programs and collaborate with other stakeholders to drive long term change.





# EMPLOYEE SPOTLIGHTS



## SADIA SHARMIN

**OFFICE:** Dhaka, Bangladesh

**TITLE:** Social Compliance Auditor

**LENGTH OF SERVICE WITH THE COMPANY:** 2 years

### WHAT DO YOU LIKE MOST ABOUT YOUR JOB?

There are many things I like about my job. The most preferable aspect for me is the international environment. I have the opportunity to work with people from different parts of the world. Also, I am provided with flexibility to work. The support that was extended to me and the rest that was provided to me during my pregnancy deserves praise.

### WHAT IS THE MOST CHALLENGING ASPECT OF YOUR JOB?

As an auditor, I am required to visit a new factory every day. Going to a new place, adapting to different people and various situations, but still doing a quality social compliance audit is sometimes difficult.

### HOW HAS RESPONSIBLE SOURCING SUPPORTED YOUR PROFESSIONAL DEVELOPMENT?

Responsible Sourcing has provided me with both internal and external trainings. The in-house training that was arranged at the time of recruitment has enriched my knowledge. It helped me understand my task properly. The external certification trainings have added value in my personal career. Finally, I strongly believe that the field experiences that I am gathering from my work will help me in my professional development.



## TRACEY LI

**OFFICE:** Shenzhen, China

**TITLE:** Continuous Improvement Analyst

**LENGTH OF SERVICE WITH THE COMPANY:** 5 years

### WHAT ABOUT YOUR WORK INSPIRES YOU?

We can help to improve the working environment in factories. We can help Chinese factories to be in compliance and be more competitive with the rest of the world. Traveling for my work also inspires me.

### WHAT INSPIRES YOUR WORK?

Every day when I get back home my son gives me a big hug. My family, especially my husband, supports me.

### PERSONAL MISSION:

Pass on the values and standards of our clients to factories and help factories to be in compliance.





# MOVING FORWARD

In 2012, we plan to continually improve our reporting and implement new programs that support our dedication to the UN Global Compact's ten principles on human rights, labor standards, environmental responsibility and anti-corruption. As we are exploring what form our Corporate Responsibility programs will take in light of changes to our corporate structure, Responsible Sourcing has postponed setting specific targets for activities that may be coordinated through the UL organization.

## COMMUNICATION

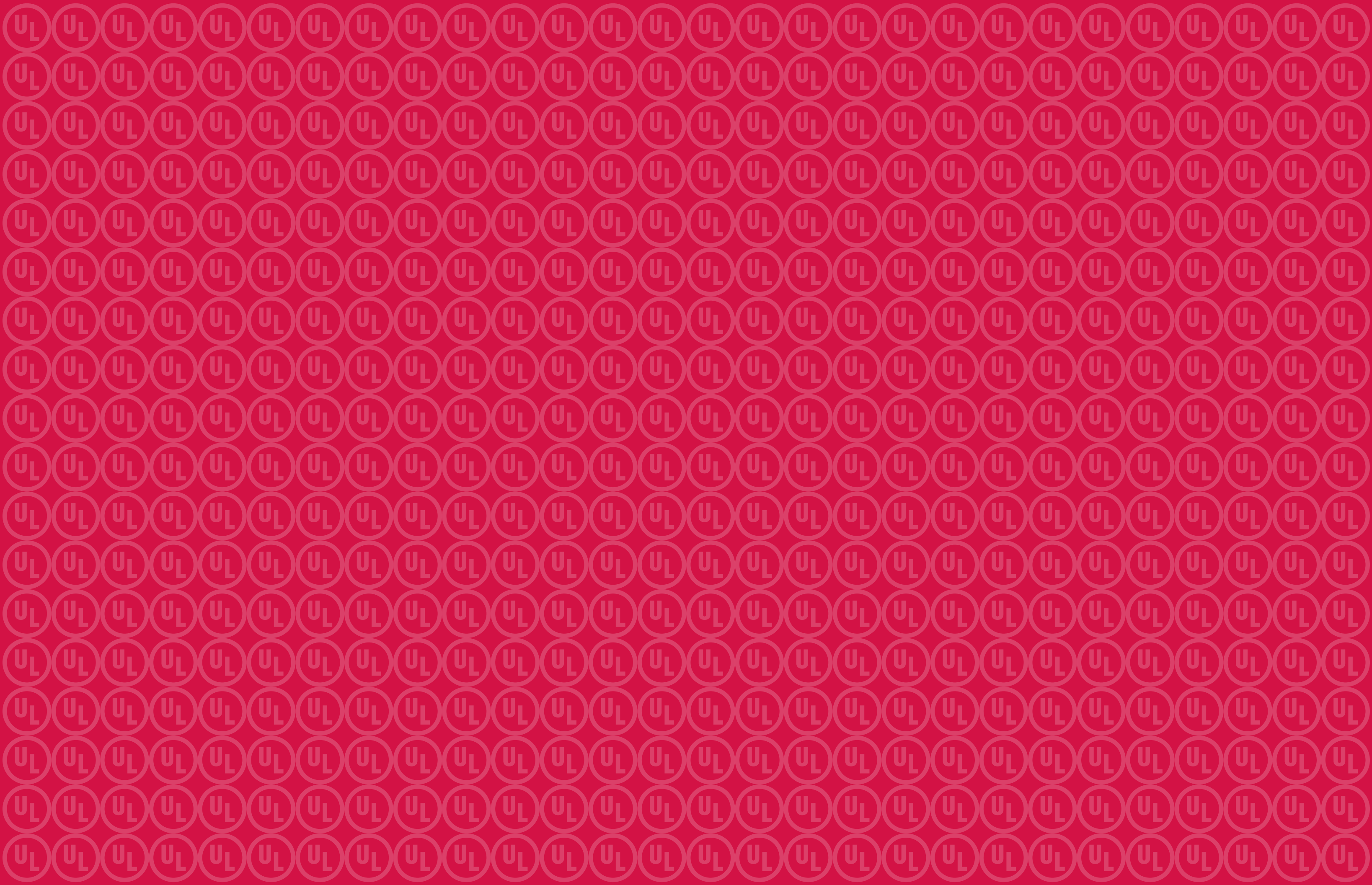
As in previous years, we will communicate our report through the following means:

- Press releases sent internally and to our external mailing list
- E-mails to Responsible Sourcing employees and key UL staff with report highlights
- Internal staff meetings
- Links to the report on the Responsible Sourcing website
- Targeted stakeholder meetings

## FEEDBACK

We invite readers of our report to submit feedback to [ul.rs.annualreport@ul.com](mailto:ul.rs.annualreport@ul.com)







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