

# EURO SME SDN BHD



## ETHICAL TRADING POLICY (SUPPLIER BASED)

DATE: 20<sup>th</sup> April 2017

(REV: 02)

Approved by:

A handwritten signature in blue ink, appearing to read 'S N RAJ', is written over a solid horizontal line. The signature is fluid and cursive.

S N RAJ  
(General Manger of ESME)

Euro SME Sdn. Bhd. Is a truly international business purchaser from sources worldwide. As we continue to broaden our product range along with suppliers, we are increasingly aware of the responsibilities of trading in the developing areas of the world.

Euro SME Sdn. Bhd is committed to implementing and maintaining policies and procedures to support ethical trading with its suppliers. This document outlines our policies and procedures in order to fulfill Euro SME Sdn Bhd's customer requirements.

We will set out and communicate ethical codes of practice to our suppliers encouraging management commitment to them.

Euro SME Sdn Bhd will work with those suppliers who share our values and are prepared to commit themselves to the principles underpinning our trading relationship.

Implementing and establishing these codes will take time and Euro SME Sdn Bhd will implement a monitoring process to ensure application of our ethical trading policy.

The policy will operate on the basis of suppliers being invited to work with Euro SME Sdn Bhd towards the implementation of the codes of practice.

The objective will be to devise timeframes for change that are suitable for the local conditions in which the supplier operates.

No supplier will be barred from supplying Euro SME Sdn Bhd as a direct result of this policy but they will be expected to show signs of steady progress.

## **CODES OF PRACTICE**

### **Introduction**

This document lays out the code of practice to be adopted by suppliers to Euro SME Sdn Bhd.

### **1. Health & Safety and Working Conditions**

- 1.1 The company shall provide a safe and healthy working environment. 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 minimising as far as reasonably practical, the causes of hazards inherent in the working environment.
- 1.2 The company is expected to ensure that all local laws relating to health and safety in the work place are adhered to inclusive of electrical, mechanical and structural safety.

- 1.3 The company shall assign responsibility for health and safety to a senior management representative. The management representative shall also ensure that employee representatives are also involved in the development of standards appropriate to the workplace.
- 1.4 Factories shall be provided with sufficient ventilation and light.
- 1.5 Factory machinery should be well maintained, inspected and equipped with operational safety devices.
- 1.6 Factories shall be provided with stocked first aid kits on every floor.
- 1.7 Factories shall have in place procedures to deal with serious injuries requiring medical attention.
- 1.8 Factories shall be provided with drinking water, clean toilets and offer creche facilities if appropriate.
- 1.9 Employees should be trained in the use of personal equipment if appropriate. Essential safety equipment should be available free or charge.
- 1.10 Fire safety-attention shall be given to the following: fire alarms, emergency lighting, accessibility of aisles, clearly marked emergency exits and availability of fire extinguishers (easily accessible and regularly maintained).
- 1.11 Evidence that evacuation drills are conducted shall be maintained.
- 1.12 Hazardous and combustible material must be securely stored in ventilated areas and disposed of in a safe and legal manner.

**Accommodation (if applicable)**

- 1.13 Health and Safety requirements apply equally to the living conditions and corresponding facilities provided.
- 1.14 The employer shall provide for use by all personnel clean bathrooms, access to portable water, personal storage area, mats and beds (if requested) facilities for food storage or a canteen.
- 1.15 Dormitory facilities must have adequate lighting and ventilation. Dormitories shall be clean, safe and adequate for the basic needs of personnel – fire precautionary measures shall also be provided for.

1.16 There should be sufficient space for sleeping and toilets to allow segregation by gender or family group.

1.17 Dormitory residents shall have freedom for movement during their off-work hours.

## **2. FORCED LABOUR**

All work or service that is extracted from any person under the menace of any penalty. For which that person has not offered him/herself voluntarily.

### **Criteria**

2.1 The employer shall not engage in or support the use of forced labour.

2.2 The employer will only employ persons whose presence in the workplace is voluntary. They will not use prison labour, or use corporal punishment or other forms of mental or physical coercion as a form of discipline for employees.

2.3 Personnel shall not be required to lodge 'deposits' or their identity papers with employers and shall be free to leave their employer after reasonable notice.

## **3. FREEDOM OF ASSOCIATION**

The supplier shall recognize the rights of personnel to form and join independent trade unions and thus bargain collectively. These rights shall be respected and not discriminated against and be given without fear of intimidation.

## **4. CHILD LABOUR**

Any work performed by a child younger than the age(s) specified, any person less than 15 years of age unless local law stipulates a higher/lower age for work or mandatory schooling in which case the higher/lower age would apply in accordance with the ILO Convention 138. Specifically excluded are those children related to employees who are specifically employed during school holidays under adult guidance as part of their educational development. It is expected that the supplier demonstrates this by keeping appropriate documentation.

### **4.1 Criteria**

4.1.1 The supplier shall not engage in the use of or support child labour – employment of a person younger than the age for completing compulsory education.

4.1.2 It is the responsibility of the supplier to identify employee's age and maintain appropriate records.

- 4.1.3 Under no circumstances whether temporarily, during school holidays or any other reason shall children under the age of 15 be employed or recruited.
- 4.1.4 For existing suppliers where under age personnel are found to be currently employed it is expected that the supplier will promote/enable continued education, will encourage personnel to attend classes, or participate in work study or other government sponsored educational programs until the working age limit is reached.
- 4.1.5 Until such time the supplier must comply with all applicable under age personnel at work laws including schooling, hiring, hours, wages, overtime and working conditions – female personnel under the age of 18 should not work at night or in hazardous conditions.

## **5. EQUAL OPPORTUNITIES**

- 5.1 People with similar skills should receive equal treatment
- 5.2 There should be no discrimination in relation to access to jobs and training.
- 5.3 Physical/Sexual harassment or psychological oppression of personnel must not be tolerated.

## **6. WORKING HOURS**

- 6.1 Working hours and holiday entitlement shall comply with national laws pertaining to the country and also to the relevant industry sector.
- 6.2 Working hours should not exceed local law. At least one-day off in every seven-day period on average should be allowed.
- 6.3 Overtime shall be voluntary, shall not exceed local law requirements and shall not be demanded on a regular basis. The rate of pay or incentive shall meet all legal requirements.

## **7. WAGES**

- 7.1 Wages should be paid direct to personnel promptly and in full (whether by cheque or direct into bank).
- 7.2 All personnel shall be provided with written and understandable information about their employment conditions in respect to wages on entering into employment. The particulars of their wages shall also be provided.

- 7.3 Wages should meet as a minimum national legal standards or industry standards whichever is higher and shall be sufficient to meet basic needs of personnel.
- 7.4 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 person concerned.
- 7.5 Suppliers should provide paid annual leave as required by law or higher local industry standard.

## **8. EMPLOYMENT SECURITY**

- 8.1 The supplier should not avoid legal obligations to employees by the unjustified use of temporary contracts.
- 8.2 Long term personnel should be employed on the basis of a negotiated written contract signed by employee and employer.
- 8.3 Employees shall have the right to a formal disciplinary procedure as stated in their contract.
- 8.4 Suppliers shall ensure that physical or verbal abuse; threats, harassment or any other forms of mental or physical coercion are not used as forms of disciplining personnel.
- 8.5 Suppliers shall ensure that personnel are included in all appropriate state or private security provisions.

## **9. ENVIRONMENT**

- 9.1 The supplier should give attention to applicable environmental issues with reference to water consumption, contamination of local environment, chemical usage, use of pesticides and solvent use, disposal and recovery.

## **10. IMPLEMENTATION**

Euro SME Sdn Bhd. will communicate ethical trading policy to our existing supplier base for initial approval.

- 10.1 The Ethical Trading Policy will be promoted amongst Euro Malaysia Sdn Bhd staff through internal communications.
- 10.2 Euro SME Sdn Bhd. will develop a questionnaire that includes questions relating to ethical standards in order to objectively score and rate existing suppliers.

- 10.3 Euro SME Sdn Bhd. will identify areas requiring corrective action. The objective will be to work with suppliers to improve standards through a program of continuous improvement.
- 10.4 Euro SME Sdn Bhd. will agree action plans and monitor progress.
- 10.5 New suppliers will be assessed against their ability to fulfill these requirements before being approved as a Euro SME Sdn Bhd. supplier.
- 10.6 Euro SME Sdn Bhd. will consider the use of independent verification of its supplier base to industry standards e.g. SA 8000 by third party agents.

## **11. MONITORING**

- 11.1 Supplier performance shall be reviewed and scored.
- 11.2 Supplier awards may be given to encourage specific aspects of development e.g. Quality, Social Accountability, Best Factory, Best Staff practices.
- 11.3 Specific lapses in performances will be taken up as part of the normal control arrangements by Euro SME Sdn Bhd.
- 11.4 Where it becomes apparent that principals and codes of practice are not being achieved suppliers will be expected to work with Euro SME Sdn Bhd to achieve these in an atmosphere of partnership.
- 11.5 Euro SME Sdn Bhd. will not continue doing business with companies that are unwilling to work towards such improvement.

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