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New report reveals FTSE 100 companies' employment standards in China

Best practice guidelines under development to address weaknesses in other companies

The Local Authority Pension Fund Forum (LAPFF) today publishes the results of a major study on addressing and managing the risks relating to operating in the People's Republic of China, particularly with respect to labour standards. Five FTSE 100 companies in the banking, pharmaceutical or chemicals sectors are revealed in the study to have developed good practice that the Forum wishes to build on.

LAPFF recognises that the knowledge-based industries in its survey differ greatly from the experiences of the low-cost manufacturing sector, like textiles, that have been the main focus of other Western studies on China. However, the Forum's findings reveal that the companies concerned – HSBC Holdings, Standard Chartered, Astrazeneca, Glaxosmithkline and an unnamed chemicals firm – are engaged in many positive and encouraging practices, which show what foreign firms can achieve.

The Forum is now seeking comments on its initial best practice guidelines, to address weaknesses in other UK listed companies, from stakeholders and China experts and also on its suggestions for further improvements by the companies concerned.

Councillor John Saunders, Chair of the Forum, says

While the LAPFF survey shows that there is a positive side to UK investment in China, even in its corporate responsibility aspects, the Forum fully appreciates the risks involved and the need for certain quoted companies to manage those risks more effectively. To this end an Investor Guide is being pioneered, one suitable for pension fund trustees, and the Forum is grateful to the five companies, who responded to our invitation by giving generously of their time and experience, that assisted us in this important new development.

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This study emerged out of LAPFF's second benchmark survey on overseas employment standards¹, which was the culmination of an effective 5-year investor campaign by the Forum against child labour and poor working conditions within overseas suppliers.

From this earlier investigation, which looked at how FTSE 100 retailers were implementing their labour codes of conduct in their overseas supply chains, it was quickly recognised that China represented a special case in terms of corporate social responsibility risks to institutional investors. Once the final LAPFF report and Investor Guide are published next year, the Forum expects to engage with companies on labour standards, first in China but later in other developing countries.

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The interim LAPFF report Labour Standards in China: Initial Best Practice Guidelines is available from PIRC without charge in pdf format or from the Forum web site at www.lapfforum.org

A Note About LAPFF:

The Local Authority Pension Fund Forum (LAPFF), which was set up in 1991, is a voluntary association of 36 public sector pension funds based in the UK. LAPFF exists 'to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.' The Forum's members currently have combined assets of around £60 billion.

¹ Overseas Employment Standards: Second Benchmark Study, Report of the Local Authority Pension Fund Forum (LAPFF, December 2003).