

Swire Beverages - An Open Letter to SACOM

We have read your open letter of October 14 to Coca-Cola and Swire Beverages, in which you outlined your views regarding the labour practices of Coca-Cola and its bottlers in China.

We appreciate your efforts on behalf of the Coke Concerned Student Group. However, we also believe that in presenting a fair and accurate picture of an issue, it is important to engage all parties in dialogues to clarify misunderstandings. In this regard, we have offered to meet with both SACOM and the Student Group several times and our offer is still open.

Swire Beverages takes very seriously our commitment to our people, and our reputation as an “employer of choice” in China, as well as in the other countries where we operate. This is not merely a matter of rhetoric, but we have invested a great deal in creating a place where people want to work and where all people feel respected and valued.

The vision of Swire Beverages China is to “build a valuable and profitable business that is widely admired and respected as being the best company to do business with and the best company to work for.” A major part of this vision has to do with our employees – creating a workplace that is healthy and safe, and a company where employees feel valued, motivated and inspired. In this regard, we have made great strides over past years to improve the work lives and personal lives of all of our employees. We provide good jobs with competitive compensation and benefits throughout China. We believe we offer more training and development opportunities than most other companies in China. We also provide opportunities for our employees to be involved in service for their community and in environment protection projects. Each year we undertake an employee satisfaction survey for all of our employees in China – both permanent employees and contracted employees (nearly 15,000 people in all). From this survey, we have made consistent enhancements over the years in all areas surveyed including compensation and benefits, training and development, corporate culture and environment and in management and leadership.

Swire Beverages is also known as a leader in the area of Corporate Social Responsibility (CSR) in China. We have CSR policies and practices in place at all of our operations and our company is deeply committed to its CSR programmes. A large part of our CSR policy and practice has to do with Workplace Operating Principles, which include treating our employees with



fairness, dignity and respect; and abiding by all local labour laws, including those that address working hours, compensation, discrimination and third party representation.

We also have published Workplace Accountability Practices in our CSR document, which state that “We will comply with all applicable laws, rules, regulations and requirements in the manufacture and distribution of our products and supplies and in providing services.” Our Workplace Accountability Practices document is guided by international human rights standards, including the Universal Declaration of Human Rights, the ILO’s Declaration on Fundamental Principles and Rights at Work and the UN Global Compact.

In addition, as part of the Coca-Cola System, we follow the Supplier Guiding Principles provided by The Coca-Cola Company and according to these principles; all of our suppliers in China are routinely audited by independent contractors for compliance with the laws and regulations of China.

In our open letter to the Business and Human Rights Resource Centre last month, which you have already read, we outlined our views and gave our assurance that we are running our operations in China in full compliance with Chinese labour regulations, especially in the areas of workplace and labour policies, including salary, overtime, insurance, benefits and training. In this letter, we would like to specifically address a couple of the points which you raised in your open letter to us, and let you know that we are working to address any matters which may be perceived to be of concern.

To specifically address some of the concerns raised in the Student Report and in your open letter, we would like to comment as follows:

Firstly, you have asked that we “rectify the illegal use of labour dispatch service.” As you know, it is not illegal in China to use labour dispatch services, and the government does not stipulate any numbers or percentages which companies must adhere to in their use of dispatch workers. Nevertheless, our goal in Swire Beverages is to gradually reduce the number of dispatch workers in production lines to a minimum level. While your information on the percentages of dispatch workers as compared to permanent workers is incorrect, our business is a seasonal business, and we do have some plants which use dispatch workers when the business needs additional temporary help.



With regard to claims of discrimination of dispatch workers, this is absolutely untrue at Swire Beverages. We do not encourage discrimination of any kind. We pay people the same salary for the same position, and do not have separate pay scales for temporary workers and dispatch workers. Naturally, many of our dispatch workers are in unskilled labour jobs and as they do not have any seniority in the company (being temporary workers), their salary may be perceived to be lower than permanent staff. However, our policies and compensation scales are all based on “equal treatment for equal work.” In addition, we do not give separate transportation benefits to dispatch staff compared to those given to permanent staff. If any worker (dispatch or permanent) works at a location where a coach is provided, they are entitled to the coach. Meal benefits are also the same for dispatch workers and permanent workers. Safety training is made available to all employees in accordance with their job requirement, regardless of their employment status, and all safety and protection equipment is provided as required.

There are some positions where we have used dispatch workers for a relatively longer term. We have given the mandate to all our bottlers to convert the production line dispatch workers who have worked for Swire Beverages for over one year (and who have displayed good performance) into permanent staff in the next year or two. However, given the seasonal nature of our business, we will continue to hire short-term dispatch workers during the peak seasons, based on business needs.

Overtime management is another area in which we have made significant changes and improvements over the past years. Due to the strong seasonality of our business, we have obtained approval from the government to apply comprehensive working hour contract terms for production positions covering both dispatch workers and permanent workers. We have also reduced the work week for many staff and added shifts in some areas of production. These steps have been taken to ensure there is no overtime work exceeding legal limits. The third party audit done in August has confirmed that we are in full compliance with the China labour law on overtime management.

With regard to the recent dispute between a contract labour provider of our Hangzhou bottling operation and four students, the matter is still under Police investigation and we can only state that we are actively cooperating with the police in strict compliance with local laws and regulations. The contract labour agency has covered medical costs associated with the incident and the agency has paid all the involved students their full salaries according to Chinese law.

We have also engaged an independent auditor to audit the Hangzhou bottling



plant and their suppliers to ensure continued strict compliance with Chinese law. To date, government agencies in China that have issued reports on the issue have stated that we (and the contract labour supplier) have handled the issue in full compliance with the law.

We trust we have addressed the concerns raised in your letter, and we and our partner the Coca-Cola Company hope to be able to engage in dialogue with the “Coke Concerned Student Group” to reach mutual understanding and agreement.

Respectfully,

A handwritten signature in black ink, appearing to read "Kathy Ho", written in a cursive style.

Kathy Ho
Public Affairs and Communications Director
Swire Beverages