

federal government and those accepted as industry standards. The frequencies of these audits vary by facility and region, but occur at least annually.

In addition, third-party food safety audits are conducted at least annually at all facilities Mazzetta does business with. As these are more widely understood across industry we will not spend a lot of time elaborating. Mazzetta Company employs two well-established industry leaders; SGS and NSF, to perform these audits worldwide.

Third-party social audits represent the most emergent of our QA pillars. Although again proprietary information, it would not be uncommon for these audits to address monitoring and compliance, child labor, forced labor, discipline, harassment and abuse, working hours, wages and benefits, health and safety and freedom of association.

Under Audit and Sourcing Goals, which is contained later within this section of the Report, we'll discuss our goals to continue expanding both the number and scope of our internal audits.

#### ❖ **Responsible Sourcing**

Responsible sourcing is a critically important piece of this discussion, because we believe setting and achieving goals in responsible sourcing leads to new achievements throughout the distribution chain. In 2009 Mazzetta Company made a bold decision to discontinue sourcing from regions where we do not maintain on-the-ground auditors. The following case study explains some of the thought process behind that decision as well as the social audit goals we have established for the near term.

##### **Case Study: Bangladesh**

In April 2008 Mazzetta Company was made aware of a forthcoming report by The Solidarity Center, a nonprofit group that is a global advocate for labor unions and worker's rights. The report was entitled "*The True Cost of Shrimp*" and focused on the shrimp industry in Asia. On the whole, the report documented abuses of worker's rights and human rights violations of the worst kind. Prior to having received a copy of the report, we were made aware that Mazzetta Company was cited in the report, but not the context of the allegations. This was obviously of great concern to us and thus we immediately moved to condemn all of the alleged human rights atrocities contained in the report and to maintain that the farms and



plants Mazzetta Company works with across Asia have a very proud tradition.

At the time, Mazzetta Company imported shrimp from Malaysia, Indonesia, Thailand, Vietnam, Ecuador, and a small amount from Bangladesh. The Solidarity Center's report focused on Thailand and Bangladesh.

After reviewing the report, we came to find Mazzetta Company cited as an importer doing business with Ongkorn Cold Storage, a company located in the Samut Sakhon province of Bangkok. The context of the allegation was unfair wages and unspecified "administrative deductions" on worker's pay stubs. We immediately contacted the owner of Ongkorn Cold Storage and were told these deductions may occur for any number of reasons including providing workers clothes, shoes, or other needs that workers may not be able to provide for themselves, but are necessary in the workplace.

Overseeing our Asian supply chain as was mentioned, Mazzetta maintains a food scientist, based in Bangkok, who is a retired Colonel with 23 years' service in the U.S. Army Veterinary Corps. This gives us great comfort and our customer's real peace of mind in the quality and safety of our supply. We immediately alerted him to the report, and he too was shocked.

He reported that the most recent Mazzetta audit of this facility was conducted on November 22, 2007 (note: a subsequent food safety and social audit was conducted in July 2008). The November 2007 audit was performed by CSCC (a third party independent auditing company) on behalf of SGS and scored the highest possible rating for labor and safety. We nevertheless instructed him to visit the facility. Within one day he confirmed what we had suspected; that worker rights were not in any way being compromised.

The report went on to cite Mazzetta Company a second time as an importer from Bangladesh, a region it alleges is associated with sub-standard labor conditions. At the time, Mazzetta Company imported little product from Bangladesh and did not employ full time auditors in the region. This presented a real decision for us. Without question, discontinuing importing products from Bangladesh would result in lower profits for Mazzetta Company. However, without full time auditors in the region, our ability to react quickly and provide our customers with certainty regarding supply was far less than in regions where we had on-the-ground people. In many ways this decision



went right to core of Mazzetta Company's philosophy and guiding principles, and in that light, the decision to discontinue importing products from Bangladesh was an easy one to make.

We then began outreach efforts to The Solidarity Center to apprise them of our actions in response to their report, and to maintain an open dialogue on these issues. We received one letter from them in response to our outreach, but have not heard from them subsequently, nor have we been referenced in any of their subsequent publications.

Looking back and evaluating this event provided us with several key insights. Our ability to respond so quickly and thoroughly to the Solidarity Center's report really magnified the value of having full time auditors in our key regions. It also served to highlight the growing value of social audits that could serve to insulate Mazzetta Company and its customers against these and potential future allegations.

With this in mind, we have committed to having full time auditors in regions where we do business and have continued to expand our social audits at Mazzetta Company. Although this experience was not something we would wish to go through again, there is no question that we derived value from it. We'll discuss further in our Audit and Sourcing Goals section how we put these lessons learned into action.

#### ❖ **Spotlight on Thailand**

Beginning in late 2009 the Obama Administration, and in particular the U.S. Department of Labor, has spent a good deal of time taking a closer look at labor conditions among our foreign trading partners. Recently Thailand has emerged as a country of particular interest and thus we felt it necessary to briefly discuss some of the protocols Mazzetta Company has in place to ensure the integrity of our Thai supply.

By way of background, over the last three decades, Thailand has made the protection of children a priority in their labor laws. In 1987, Thailand created a Commission for Protection of Child Labor within their Ministry of Labor. In 1998, Thailand enacted the Labor Protection Act (LPA) which contains numerous protections for children. The LPA makes it illegal to employ children under the age of 15. The Act also prohibits children under the age of 16 to be employed in sea fishing unless the child is older than 15 and is employed on the same boat as his or her parent or guardian. In addition, an employer must notify the government within 15 days of employing a child under the age of 18 and within 7 days of the final employment of such child.

