

Christian Retail Channel

Corporate Responsibility Best Practices

July 2009

This document provides guidelines and best practices to help Christian-store retailers and their trading partners better understand their roles and responsibilities in providing consumers safe products without using forced labor or illegal practices. The document is not binding and is not intended to provide legal advice nor replace the need for legal counsel in addressing any issue or in complying with any recommended best practices.



P.O. Box 62000
Colorado Springs, CO 80962-2000
Phone: (800) 252-1950 E-mail: info@cbaonline.org

Christian Retail Channel Industry Corporate Responsibility Best Practices

July 2009

Introduction

The intent of this document is to give guidance to participating companies and point out areas where diligence is required. It is a position paper on recommended best practices to help CBA and the industry it serves. The purpose is to support CBA in its advocacy role for the industry and communicating to news and other media on behalf of the industry.

The health, safety and welfare of Christian store customers and employees, the Christian community, and consumers in general are of paramount importance to Christian retailers, vendors, support companies, and CBA. These concerns cannot be sacrificed to financial goals, neglect, or any other circumstance. The companies that make up the Christian Retail Channel — Christian store retailers, their vendors (publishers, manufacturers, distributors, and support companies) — are committed to designing, building, operating and maintaining products and services that meet highest appropriate standards. We recognize that we all have a responsibility to ensure customers feel and are safe and secure when doing business with industry companies.

Corporate relationships

Biblically based ethical behavior is extremely important in selecting and working with suppliers, vendors, contractors, and consultants. We recognize that companies that participate in or do business with others in the Christian Retail Channel and who purchase products and services for sale and distribution in the channel are obligated to consider their company's interests first and to buy without prejudice, seeking to obtain the maximum value for dollars spent. However, as an industry, Christian Retail Channel trading partners and their employees are obligated to treat all vendors fairly and honestly.

No one should take unfair advantage of any trading partner or customer through manipulation, concealment, abuse of privileged information, misrepresentation of any material facts, or any other unfair practice. Purchasing and sales personnel have a responsibility to treat each other fairly and to avoid unfair buying tactics or favoritism.

Commitment to the Environment

As an industry, the Christian Retail Channel and its trading partners should be committed to environmental protection and conservation of natural resources. In addition to complying with all applicable laws, the industry expects companies and contractors with whom they deal to do the same. Trading partners should fully comply with environmental laws and

regulations, including those relating to waste disposal, hazardous materials, air quality, and recycling.

Adherence to Consumer Product Safety Regulations

The industry expectation is all consumer product safety regulations will be satisfied by companies who sell products into or through the Christian Retail Channel. This includes not selling recalled products, ensuring products are not made from harmful or hazardous materials and substances, responding to government requirements to remove or recall offending products, and requiring proof that vendor and manufacturer trading partners are in compliance with safety regulations.

International Relations

International business creates new and different challenges as a result of cultural differences and sometimes unfamiliar business practices. All Christian Retail Channel trading partners are bound by U.S. laws and regulations as well as individual company policies. Additionally, when conducting business in other countries, it is imperative that trading partners be especially sensitive to international legal requirements and cultural differences, and to present the Christian culture and faith as sensitively as possible. The below listing is not intended to be complete, but aims to provide guidelines on international business.

Health, Safety, and Exploitation

Trading partners should be careful not to enter knowingly into relationships that, directly or indirectly, expose customers, consumers, employees, or partner employees to undue health and safety risks, or that use child, prison or forced labor, or other similarly exploitative practices.

Trading partners also are responsible to meet product safety standards and to comply with import regulations, as outlined by laws of U.S. customs and consumer-safety agencies. Companies should establish separate Codes of Conduct to set forth specific obligations of licensees and manufacturers or products sold into the Christian Retail Channel.

Fair Practices

Christian Retail Channel trading partners should never act illegally to secure or conduct business. They should adhere to all applicable legal requirements, both foreign and U.S. requirements — such as the Foreign Corrupt Practices Act, anti-boycott laws and export laws.

Foreign Corrupt Practices Policy

Christian Retail Channel trading partners should comply with the Foreign Corrupt Practices Act. The act generally prohibits giving anything of value to foreign-government officials, foreign political parties, party officials, or candidates for public office for the purposes of obtaining, or retaining, business.

The prohibition also applies to payments that agents, representatives, or business partners pay. Trading partners doing business in the Christian Retail Channel should not make any payment that violates the Foreign Corrupt Practices Act and should ensure

agents, representatives, and foreign business partners not do anything that would put them or the reputation of the Christian Retail Channel in jeopardy of violating the law.

Anti-boycott Laws

United States law prohibits certain forms of compliance with foreign boycotts against other foreign countries. United States law also requires that any request to comply with such foreign boycotts be reported to appropriate U.S. State Department authorities.

U.S. Trading Restrictions

Christian Retail Channel trading partners should comply with all U.S. legal restrictions against business with certain foreign countries and other organizations, such as Cuba, Iran, Libya North Korea, or other countries designated by U.S. government policy, and with organizations that support terrorism.

Export Controls

Christian Retail Channel trading partners should comply with all U.S. export controls, such as bans against exporting business technology, technical data, and other prohibitions.

Trade Laws and Customs Compliance

Christian Retail Channel trading partners that move goods or technology across international borders are responsible to know and perform duties in compliance with U.S. and international laws, including trade laws, import/export laws, taxes and duties, counter-trade laws, regulations and any supply chain security programs (for example, Customs-Trade Partnership Against Terrorism), and trade laws of countries in which they are doing business. Christian Retail Channel trading partners should comply with all federal and state tax laws.

Legal Standards

Christian Retail Channel trading partners should comply with laws and regulations governing each area of business in which they may be involved. The below listing is not intended to be complete, and other laws may apply to specific companies or employees. Individual companies are responsible to know, understand, and comply with laws governing their areas of operations, including business, taxation, consumer safety, and others.

Antitrust Laws

Retailer and vendor companies and employees acting on their behalf should comply with U.S. antitrust laws and all other jurisdictions in which they conduct business. The U.S., most U.S. states, and many international jurisdictions have antitrust or fair-competition laws applicable to business conduct.

Antitrust laws outline an interpretive framework for defining full and fair competition. Each company and employee in the Christian Retail Channel should understand and always operate within this framework. Failure to do so could subject a company, its employees, and trading partners to imprisonment and substantial criminal and civil fines. Retailers and vendors should review these laws and consult with an appropriate government agency, such as the Federal Trade Commission, or appropriate legal representation to ensure compliance with antitrust laws.

These laws prohibit agreements that unreasonably restrain competition. This extends to agreements with anyone — including competitors, customers, and vendors — which unreasonably restrain trade. Any agreements that adversely affect competition are prohibited, including tacit understandings, oral agreements, or written contracts.

Some agreements are strictly illegal, such as agreements to fix prices, agreements between or among competitors to refuse to deal with a customer or a supplier, to divide territories or customers, and to create arrangements that "tie" two products together so one could not be sold without the other. Exclusive dealing arrangements and licensing arrangements that restrict the scope or terms of resale of licensed or other products may also raise antitrust concerns.

Monopolies

Antitrust laws prohibit monopolies or attempts to monopolize markets, meaning, to establish power to control prices or exclude competition. High or disproportionate market shares often are considered indicative of monopoly. While it is legal to attain or maintain monopoly power by virtue of superior product or superior business skill, it is not legal to eliminate competitors willfully or to use legally obtained monopoly power unfairly. Antitrust laws encourage vigorous competition but prohibit wrongful acquisition or maintenance of a monopoly. It is not believed that the Christian Retail Channel has monopoly power in any product or retail market in which it operates, or against other retail channels it competes against.

United States agencies and courts often determine or interpret the condition of monopoly by determining the degree of market impact. A company could be found guilty of attempting to monopolize a market even when it does not have monopoly power. One factor courts consider is whether a company prices its products below cost as a strategy to eliminate or reduce competition. Courts view this differently over time and from court to court. However, if products are priced below their actual cost (other than selling obsolete or damaged merchandise), a company should review its policies and discuss them with appropriate legal counsel or government representatives to avoid liability.

Pricing

Antitrust laws have rules governing charging different prices for the same product. It is sometimes illegal to charge different prices to different customers for the same product. The legality of charging varying prices for the same product depends on specific circumstances, such as whether products are sold at different business levels (wholesalers to retailers, for example), whether actual costs are different because of volume handling or other factors, whether lower prices are offered to meet competition, or whether the lower price adversely affects competition. The Federal Trade Commission indicates pricing levels should be available to any customers meeting specific stipulations and quantities, and the range of pricing variances should not be out of reach of the smallest customer. These rules sometimes are difficult to apply to specific circumstances because of lack of specificity in antitrust laws and the requirement of Federal Trade Commission and court rulings to clarify specific circumstances if practices are legally challenged.

Trading partners considering multiple pricing tiers should consult appropriate government or legal advice and consultation to ensure antitrust compliance.

Governmental Relationships

Christian Retail Channel trading partners who deal with government officials in the course of business must be thoroughly familiar with, and comply with, laws and regulations applicable to dealing with government officials. These laws may not be the same as normal business practices in commercial environments, and may require additional vigilance to ensure compliance.

Relationships with Government Officials

Christian Retail Channel trading partners should make no improper payments to government officials. All interactions with government officials, including customs processing, local zoning and permits, or other engagements should be professional and honest. Any payment of cash, property or services that is — or could be interpreted to be — a bribe, kickback, or improper gift is strictly prohibited by law. Trading partners should not promise favors or influence in return for favorable local, national, or foreign government action.

It is understood trading partners are free to and should exercise personal rights regarding political support and contributions within legal limits. However, contributions should not be made with the expectation of favorable governmental treatment or influence in return, or if such payments would create an appearance of improper partiality. Trading partners should consult appropriate legal and governmental advice and consultation before making politically oriented payments, contributions, or other support.

Government Investigations

Christian Retail Channel trading partners should be committed to cooperate with government inquiries and investigations into international or local business practices. Companies and individuals should first consult appropriate legal counsel if called to provide investigative information to ensure appropriateness. Trading partners should not mislead government officials, nor destroy, discard, tamper with, conceal or make false entries on documents relevant to investigations or proceedings.

Cash-Transaction Reporting

Christian Retail Channel trading partners should comply with IRS, federal, and state statutes requiring reporting of business transactions that exceed U.S. \$10,000. The policy aims to avoid intentional or unintentional support of criminal activities, money laundering, or other illegal activities. Trading partners should comply fully with all cash and monetary-instrument reporting requirements, and to file timely and accurate reports for all reportable transactions.

While statutes may be targeted to halt illegal drug money laundering, they involve nearly every crime that generates large cash transactions. Violations of these laws can result in long prison sentences and very high financial penalties. Money-laundering and engaging in commercial transactions with proceeds from criminal activity or with the knowledge that property involved in transactions is from proceeds of criminal activity are prohibited. Laws also prohibit use of such proceeds if they promote criminal activity, conceal or disguise the

source or ownership of the proceeds, avoid transaction-reporting requirements, or evade taxes.

Legal requirements may not be limited to cash transactions, and could include payments for personal items or services, such as hotel bills, airline tickets and retail purchases that involve personal or company checks or wire transfers.

Food and Drug Laws

Christian Retail Channel trading partners should comply with food and drug laws and not distribute or manufacture any food, drug, device, or cosmetic that is adulterated or misbranded. Food, drugs and other products must be stored, prepared, and served in sanitary and healthful conditions. It is illegal to forge, counterfeit, simulate, or falsely represent any product that has been inspected or labeled as fit for use by a certifying agency if it has not. It is illegal to conceal labeling of any product held for sale, particularly if that results in false representation.

All trading partners should cooperate fully with all federal and state inspectors. Failure to permit inspection by them is itself punishable by criminal sanctions and fines.

Intellectual Property

Christian Retail Channel trading partners should honor all copyrights and trademarks held by other companies or individuals.

Copyrights

The U.S. Copyright Act protects original "works of authorship fixed in any tangible medium of expression." Copyright owners have exclusive right to reproduce their work, to create derivative works, to distribute copies to the public, and to perform or display the work publicly. A person who infringes a copyright willfully and for commercial advantage is subject to criminal as well as civil prosecution.

"Fair use" of copyrighted materials for criticism, comment, news reporting, teaching, and research allow some use of such protected materials. However, trading partners should honor the spirit and letter of the law to avoid illegal use of copyrighted materials, piracy, or other prohibited activities or use.

Trademarks and Patents

Christian Retail Channel trading partners should honor all trademarks, symbols, words, etc. that companies use to identify their brands, goods, or services. They also should not violate federal patent laws that protect inventions, processes, machines, compositions of matter, and other equipment, materials, etc.

Illegal Payments, Bribes, Kickbacks

Christian Retail Channel trading partners should not give, receive (or promise or agree to either give or receive) any improper or unethical payment of cash, property, or service. These include payments to secure corporate advantage, favors, or other improper advantage.

Document Protection

Christian Retail Channel trading partners should not destroy, discard, tamper with, conceal or make false entries on documents that may be relevant to any existing or threatened litigation, claim, or proceeding.

Conspiracy

Christian Retail Channel trading partners should not participate in conspiracy or assist to conspire in any illegal or criminal act. Trading partners should not participate in meetings or conversations where such illegal or criminal acts are discussed.

Disclaimer

This document is not intended to provide legal advice nor replace the need for legal counsel in addressing any issue or complying with any recommended best practice.