

STELLA McCARTNEY

## Introduction



Stella McCartney is committed to promoting good labour standards and protecting human rights in all parts of its business. This is our second public disclosure under the UK Modern Slavery Act 2015, but protecting the rights and well-being of people in our supply chain has always been a priority.

We are aware that due to globalisation, increasing levels of migration and the complexity of supply chains, forced labour and human trafficking pose a risk for any business. We take the issue of modern slavery seriously and are determined to do our part in making sure that modern slavery is eradicated.

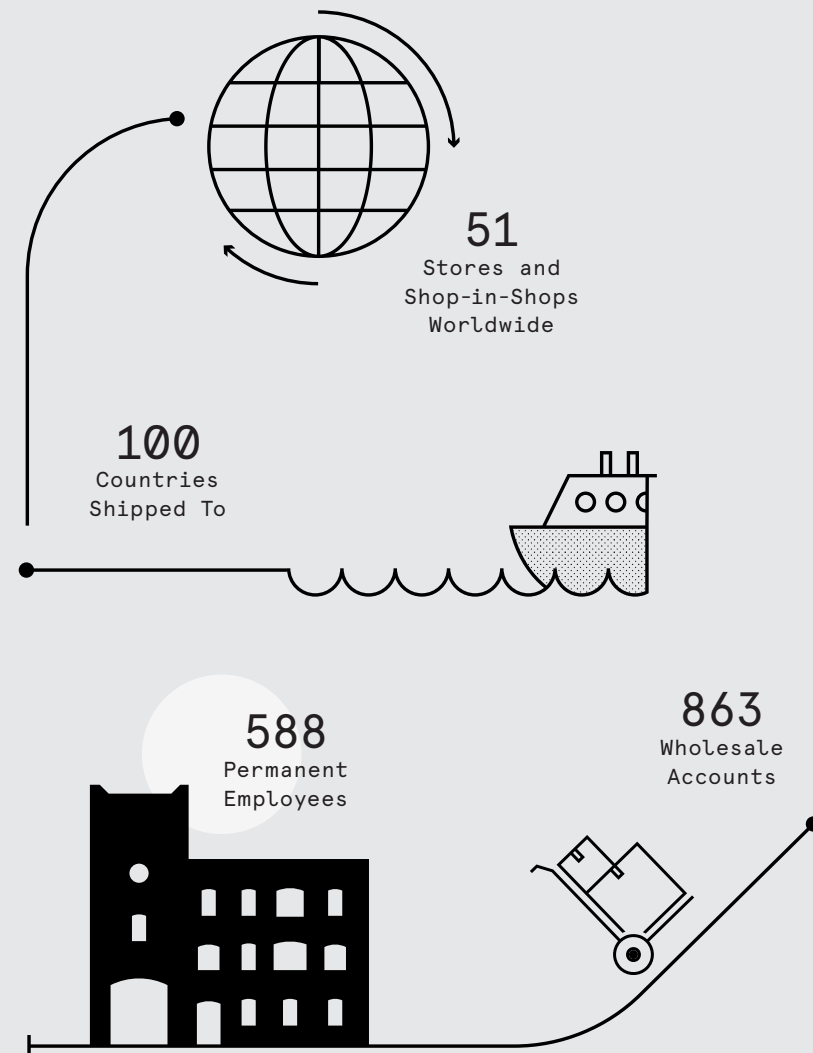
This statement is released in compliance with section 54 of the UK Modern Slavery Act 2015 and the California Transparency in Supply Chains Act of 2010 (SB 657). It constitutes our statement for the financial year January – December 2017, but includes action taken before 2017 and up to June 2018. Our first Statement released for the financial year January – December 2016 can be found [here](#).

## Our Company And Our Products

Stella McCartney (also referred to as “SMC” in this statement) is a luxury lifestyle brand that was launched under the designer’s name in a 50/50 partnership with Kering in 2001. Stella McCartney offers women’s ready-to-wear, menswear and accessories as well as kidswear. A lifelong vegetarian, Stella McCartney does not use any leather, skins, feathers or fur in her designs, collaborations, or licensed products. The brand is committed to ethical values, and believes the company is responsible for the resources it uses and the impact it has on the people, animals and the planet.

### Modern Slavery Definition

*Modern slavery is a term used to encompass human trafficking, slavery, servitude, forced and compulsory labour, bonded labour and some forms of child labour. Victims are coerced, deceived, threatened or abused into providing work or services without any real possibility to refuse or remove themselves from their situation. In addition to the above, human trafficking can also include an act of transportation, transfer, harbouring or receipt of persons (cross border or internal). Modern slavery is a crime and a grave violation of fundamental human rights.*



(\*as of December 2017)

## Our Supply Chain

Country	Product Suppliers In Tiers 1 & 2
Italy	65%
China	15%
Spain	05%
Hungary	03%
India	03%
Portugal	02%

Table 1: Distribution of Product Suppliers (as of December 2017)

The remaining 7% of production is split between UK, Romania, Bulgaria, Vietnam (Tier 1), France, Germany, Switzerland, Japan and Turkey (Tier 2)

### Our supply chain can be divided into two areas:

1. Production of items we sell such as clothing, shoes or bags – “Product Supply Chain” / “Product Suppliers”
2. Not-for-resale items such as furniture or packaging and contractors such as transport, cleaning or security – “Procurement Supply Chain” / “Procurement Suppliers”

### Product Supply Chain

Our materials are sourced and our products manufactured through a carefully selected network of suppliers located around the world, many of which have worked with us since the brand was founded. Italy is by far our biggest sourcing country with 65% of all our Tier 1 and 2 Product Suppliers (see Table 2 on page 9 for more information on Tiers and Product Supply Chain visibility). Although significantly smaller, other key sourcing countries include Hungary, Spain, Portugal, China and India.

In 2017, we worked with 82 Tier 1 and 353 Tier 2 Product Suppliers globally. Many of these are small manufacturers and artisans who specialise in particular techniques and processes. For instance, our bag manufacturers are experts at working with our non-leather bag materials.

We trace the natural materials we use (such as cotton, wool and viscose) back to their country of origin. Our key sourcing countries for natural materials are India, China, Turkey, Egypt and the USA for cotton, New Zealand for wool and Sweden for viscose.

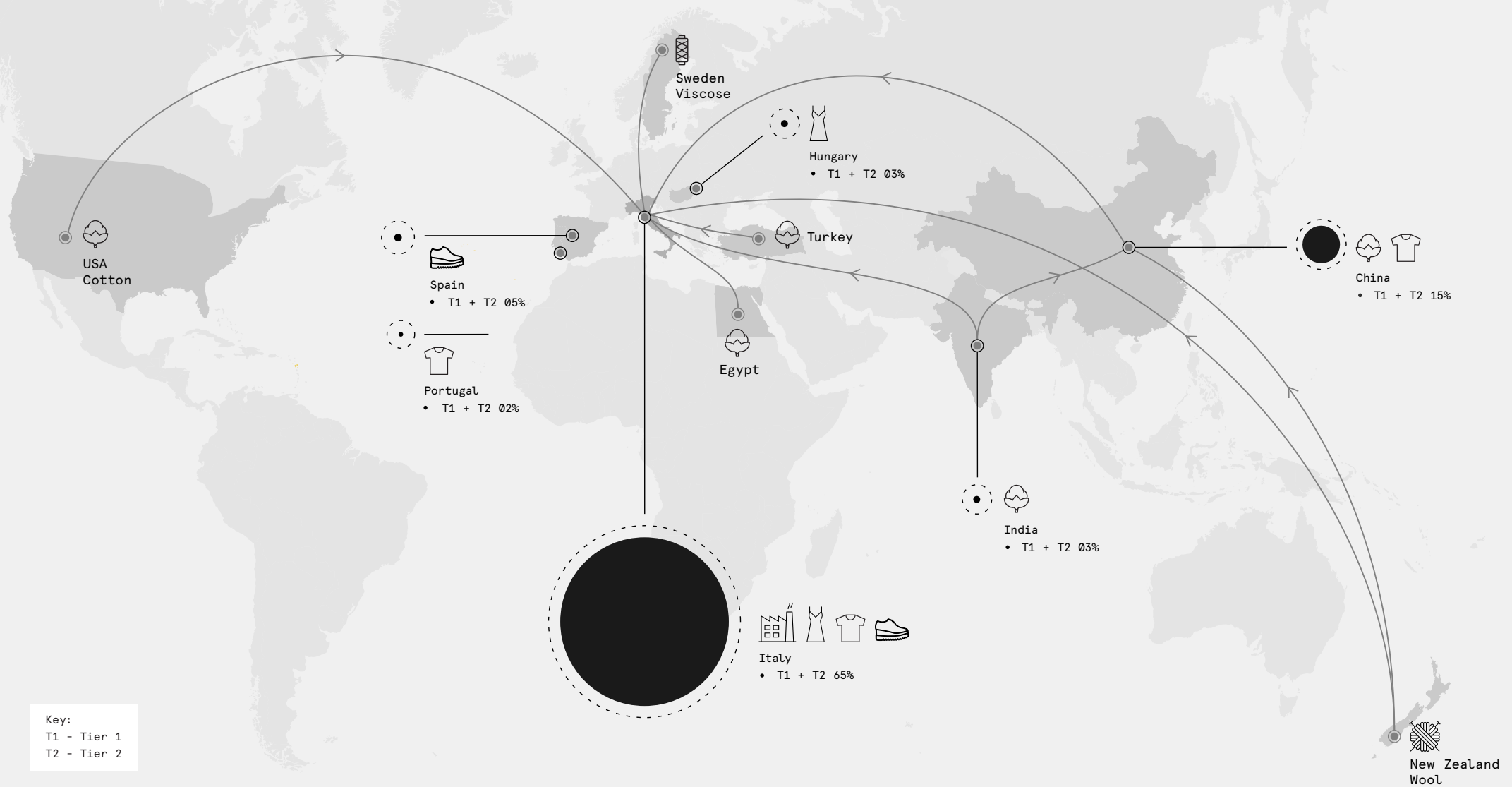
### Procurement Supply Chain

In addition to the Product Supply Chain, Stella McCartney operations are supported by a network of Procurement Suppliers and contractors who help us with the day-to-day running of our stores and offices. These include a range of services such as transport, packaging, construction, furniture, cleaning, catering and security.

### Licence & Other Partners

The sourcing and manufacturing of ready-to-wear clothing, accessories, shoes and kids collections are managed by Stella McCartney. The adidas by Stella McCartney range, together with lingerie, swimwear, eyewear and fragrance product categories are licensed. As of December 2017, we also had 17 indirectly operated stores.

# The Flow of Key Raw Materials & Key Manufacturing Locations



## Relevant Policies

Kering's Code of Ethics (The "Code") sets out policies and expectations for all stakeholders including Kering employees, the Kering brands and suppliers. Employees of all Kering brands receive a copy of the Code and are requested to undertake an annual online refresher training course on the Code.

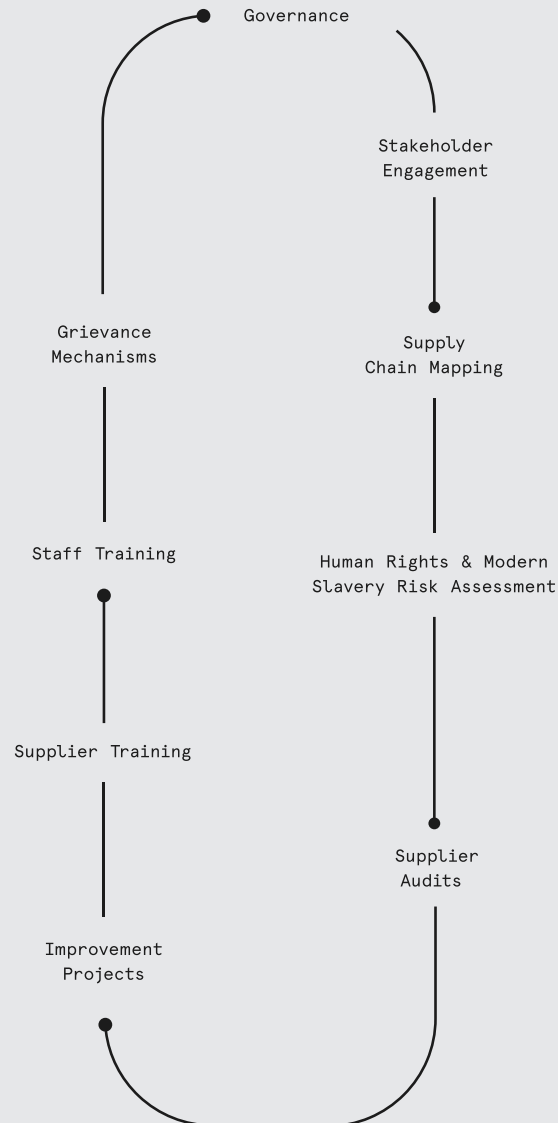
The Code, available on Kering's website, includes the Group Supplier's Charter (page 10), which explicitly prohibits all forms of slavery including, but not limited to, use of child labour, forced or compulsory labour or debt bondage. Product Suppliers are expected to comply with the Suppliers' Charter, the importance of the Supplier's Charter being reinforced during supplier training, visits and assessments.

Kering policies provide a group-wide framework and minimum requirements which Stella McCartney has developed further. We are a member of the Ethical Trade Initiative (ETI) and we have adopted the ETI Base Code. The ETI Base Code is an internationally recognised code of labour practice founded on the conventions of the International Labour Organisation (ILO) and it prohibits the use of forced, bonded, or involuntary prison labour. It specifies, for instance, that workers shall not be required to "lodge" deposits or identity papers with their employer, a practice that constitutes modern slavery.

In addition, Stella McCartney has developed two policies and a procedure specifically in regards to modern slavery. The Stella McCartney Modern Slavery Policy for Partners and the Stella McCartney Modern Slavery Policy for Internal Staff were developed in consultation with four external partners specialising in human rights and include guidance on modern slavery indicators, the most common risk areas and suggested due diligence.

The Stella McCartney Modern Slavery Remediation Procedure sets out the steps to be taken if a case of modern slavery is identified. For example, it states that we will act with the well-being of the individuals at risk in mind and that we will support our partners in developing and implementing a remediation plan.

# Modern Slavery Due Diligence



## Governance

At the highest level, the responsibility to meet the ethical trade requirements sits with our Chief Operating Officer (COO) and the board of directors. The responsibility for implementing our ethical trade programme on a day-to-day basis sits with our Sustainability and Innovation department. Social sustainability covers all areas of managing the impacts (both positive and negative) our business has on people, including ethical trade. The Sustainability and Innovations Director, who is supported by a Social Sustainability Manager and a Sustainability Coordinator reports directly to our COO. Ethical trade and human rights related issues are regularly discussed with executive management.

## Stakeholder Engagement

Our experience has taught us that a collective approach to addressing the complex issues around human rights is the most effective. We work closely with our business partners, industry peers, external human rights experts and various global and local stakeholders in order to strengthen our ability to ensure that human rights are respected throughout our operations and supply chain. In regards to modern slavery specifically, we work with a number of partners who have expertise in this area. For example, in 2017 we worked with ethical trade consultancy Impactt to deliver modern slavery training to SMC internal staff and Product Suppliers.

# Modern Slavery Due Diligence

## Supply Chain Mapping

Mapping and understanding our supply chains beyond direct relationships is one of our key priorities. We recognise that our most salient risks regarding modern slavery occur in the lower tiers of our supply chains. Because of this, we have placed significant focus on improving supply chain transparency and product traceability. We have a target to achieve farm, mine and forest level traceability of all materials by 2025. We have mapped and continue to monitor all Tier 1 and many Tier 2 Product Suppliers. In 2016, we mapped and started monitoring key Procurement Suppliers. In 2017, we improved our T2 supplier mapping by including more trims and shoe component suppliers in the data collection. In 2018, we mapped two new T3 suppliers (cotton ginners) and one alpaca farm.

## Human Rights And Modern Slavery Risk Assessment

We know that the more aware we are of supply chain risks, the more we can do to prepare for and/or prevent issues that may arise. We regularly assess environmental and human rights risks within our Product Supply Chain to the best of our ability, taking into account outside factors such as local politics and climate change. Our key Procurement Suppliers have completed a self- assessment of their hiring practices, as the first step towards understanding the risk of modern slavery in this part of our business.

In partnership with Ergon Associates, we conducted a modern slavery risk assessment across all of our business activities in 2017. The assessment focused on five areas: forced labour, child labour, low pay, excessive working hours and modern slavery and included our own operations, as well as our Product Supply Chain, Procurement Supply Chain and franchise partners. Based on the results, we continue to investigate and achieve greater visibility of Tiers 3 and 4 of our Product Supply Chain, particularly for cotton (see page 11 for more details on the identified risks and steps taken).

## Supplier Audits

Although we do not rely on ethical audits alone, we find them to be a useful tool in gaining insight and understanding the first layer of information about our Product Suppliers. We conduct different types of audits (including unannounced audits) depending on the circumstances, which help us to understand how our Product Suppliers work, identify potential risk areas and support our Product Suppliers in meeting required standards. Our audits are conducted by our social sustainability staff and the Kering audit team, as well as carefully selected specialist third-party auditors.



# Supply Chain Mapping

	Definition	Example	Visibility	Monitoring
Tier 1	Final product manufacturing and assembly	Direct suppliers and their sub-contractors carrying out sewing, cutting, printing, embroidery, packing or any other type of final assembly or finishing operations.	We have a complete map of all manufacturing sites.	Our policy requires all sites to be assessed and approved before production can begin and to be monitored on a regular basis.
Tier 2	Material manufacturing	Suppliers of fabrics, trims, components and other materials that go into final manufacturing and assembly of our products.	We have a complete map of fabric, trim and component suppliers for all our mens and womens lines.  All key fabric and trim suppliers for kidswear are mapped.	Key sites are assessed and approved before production.
Tier 3	Raw material processing	Cotton ginnerers and spinners, pulp mills, metal smelting etc.	We have a map of the sites used by our nominated raw material suppliers.	Some sites, such as those working with our nominated raw material suppliers have been visited and assessed. As we achieve more traceability, we will include more of these suppliers in our monitoring program.
Tier 4	Raw material production	Farms (cotton, wool), mines (metals), forests (viscose, wood and paper).	We have a country-level map of our natural raw materials. For some key raw materials we have farm level traceability (such as wool, viscose, and some cotton farms).	All our nominated suppliers have been visited and assessed. As we achieve more raw material traceability, we will include more of these suppliers in our monitoring program.

Table 2: Product supply chain tiers, visibility and monitoring

# Modern Slavery Due Diligence

## Improvement Projects

In cases where our Product Suppliers find it difficult to complete the remediation work identified through audits, we include them in supplier improvement projects. These types of projects help suppliers to understand and address the root causes of particular issues and to develop systems that prevent such issues from occurring again.

## Supplier Training

Kering conducts an annual supplier sustainability summit for all Tier 1 and Tier 2 Product Suppliers working with Kering and Stella McCartney. This provides training on Kering policies and current projects, as well as labour standards and social compliance. In addition, we conduct training on the Stella McCartney ethical trade programme, policies and common ethical trade challenges facing Product Suppliers. So far, we have conducted this type of training in Hungary, Italy and China. In 2016, we started training our Product Suppliers specifically on the Modern Slavery Act 2015 and modern slavery risks in their region. The training was delivered in person by our ethical trade team and local ethical trade partners. Between July 2017 and June 2018, 23 key T1 Product suppliers received training on modern slavery.

## Staff Training

In 2015, Stella McCartney's ethical trade staff participated in human rights due diligence training on the United Nations Guiding Principles on Business and Human Rights, carried out by the specialist human rights organisation SHIFT. Key members of Stella McCartney's sourcing staff have participated in modern slavery training carried out by ethical trade organisations and the Stella McCartney ethical trade team. Additionally, in 2016 and 2017, Stella McCartney production and procurement teams in charge of purchasing have received guidance on the Modern Slavery Act and training on the risks of modern slavery in their Product Supply Chains. Senior management, including the CEO and the COO, continue to receive regular updates about the company's due diligence on modern slavery.

Between July 2017 and June 2018, 48 SMC staff in relevant positions such as sustainability, production, and facilities received specific training on modern slavery.

## Grievance Mechanisms

Our Stella McCartney staff have a responsibility to raise issues that may constitute a breach of the Kering Code, including any instance or suspicion of forced labour or modern slavery. Employees are informed about this responsibility at the start of their employment and can report any concerns or issues through Kering Ethics Committees. Kering also operates an anonymous grievance hotline for employees, available in eleven languages worldwide. Employees may raise concerns directly with our sustainability and ethical trade team or to their manager.

# Identified Risks And Steps Taken

Through our social sustainability programme and modern slavery risk assessment, we have identified four key areas:



## MIGRANT AND REFUGEE WORKERS

Workers who are refugees, internal migrants or economic migrants can often have fewer rights in the workplace and less legal protection. All SMC sourcing countries represent a risk in this regard.

### STEPS TAKEN

Our auditors are trained to focus on vulnerable groups during SMC audits, such as migrant and refugee workers. We conduct a number of off-site audits to understand the vulnerability of migrant workers and the hiring practices in communities where our Product Suppliers operate. This helps us verify the accuracy of information obtained through announced assessments and enables us to better advise our Product Suppliers on corrective actions.

In 2017, we organised a pilot training workshop for seven key Product Suppliers in Italy, focused on employment of migrant workers and subcontractor management. In India, we are working with other brands to support internal migrant workers through improving their working conditions and providing them with life skills training.



## CHILD LABOUR AND YOUNG WORKERS

Some suppliers may lack effective age-verification systems or may subcontract HR functions to a third party. While we have not found any cases of child labour in our supply chains, the potential risk was identified through the assessment conducted by Ergon Associates. Tiers 1 and 2 in China and India pose the highest risk of child labour in our supply chain. The most significant risk for Tiers 3 and 4 was identified as India, China, Turkey and Egypt.

### STEPS TAKEN

We work with specialist ethical trade partners in China and India who help us to assess, monitor and train Product Suppliers on age verification systems and adequate working conditions for apprentices or young workers. This helps us continue to ensure that no child labour is used.

We noticed an increased risk of young workers being employed in factories in China during audits in 2017, as a result of worsening labour shortages. As a precautionary measure, seven of our key Product Suppliers in China have received specialised training on ethical hiring and recruitment practices. It focused on areas such as how to employ and protect apprentices and workers between 16-18 years of age, how to spot fake IDs and the correct remediation procedure to follow in case children are found in a factory.



## COTTON SUPPLY CHAINS

We are aware that there is a risk of modern slavery in global cotton supply chains, especially in the lower supplier tiers. Cotton is a seasonal crop, which means temporary workers are often used for picking and other processing stages. We are aware of risks of cotton from Uzbekistan, Syria and Turkmenistan (countries where forced labour has been documented) being sold into China and Turkey where it is mixed with cotton from other countries.

In India, the Sumangali scheme has received a lot of attention in recent years because of the risk of young girls being recruited for bonded labour in the cotton mills. Other relevant risk countries for us include Turkey, China, Egypt and Africa. Turkey in particular poses a risk due to the Syrian refugee crisis.

### STEPS TAKEN

We require our Product Suppliers to disclose the country of origin of all their cotton (i.e. where the farming of the cotton happens) and we do not permit the use of any cotton from Uzbekistan, Syria or Turkmenistan for SMC products or materials. We support the CottonforLife Initiative in Egypt which promotes the growth of sustainable cotton and supports local farmers, especially women and children.

We have mapped the cotton purchasing practices of our key suppliers in China and India to understand how we can gain visibility through to farms. In 2018 we have mapped one key cotton supply chain and visited two cotton farms in Turkey. Gaining access to the farms allows us to better understand risks faced by workers involved in these early stages of production and identify good practice we can promote further.



## TEMPORARY WORKERS AND THE USE OF RECRUITMENT AGENCIES

Temporary workers may be hired in an informal way, without contracts or paid through an intermediary. This leaves them more exposed to exploitation than directly employed and permanent workers. Using recruitment agencies or other intermediaries may leave workers vulnerable to unethical recruitment practices. Within our supply chain, China, India and Italy have been identified as high risk.

### STEPS TAKEN

We provide training to our Product Suppliers on the risks linked to using temporary labour and undertake off-site audits. In 2016, we piloted an improvement project with a key Product Supplier in China to improve the factory's hiring practices. This included improvement of general human resource practices, temporary worker recruitment and subcontractor management.

Building on the work done in 2016, in 2017 seven Tier 1 key Product suppliers in China received bespoke training on ethical hiring and recruitment practice, with specific focus on hiring temporary and agency labour and subcontractor management. Mapping the use of temporary labour and raising awareness about the risk of modern slavery have become key parts of all supplier audits and internal staff factory visits we conduct.

## Progress Against Indicators

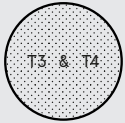
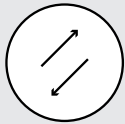


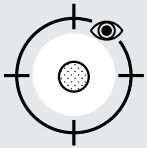
Modern slavery due diligence is part of our social sustainability programme, which we review, develop and strengthen on a regular basis.

As we raise awareness across our business of what modern slavery can look like, we increase our ability to recognise it. We see this as a positive indicator that our due diligence is yielding results and crucially, helping workers that find themselves in a vulnerable situation to receive appropriate remedy. Since the release of our first modern slavery statement (FY 2016), we have found breaches of our social sustainability standard such as excessive overtime, late payment of wages or use of recruitment agents, which if left unaddressed may lead to cases of modern slavery. We investigate all such cases identified during audits and site visits and require that remediation steps are taken where practices do not comply.

In 2017, we identified five KPIs to help us measure progress. As we expand our work on modern slavery due diligence, we will continue to improve our evaluation framework including qualitative indicators.

KPI	Achieved
Number of internal staff who have received training on modern slavery	<ul style="list-style-type: none"> <li>Between July 2017 and June 2018, 48 staff in key positions such as design, production, store planning and operations received specific training on modern slavery.</li> </ul>
Number of suppliers who have received training on modern slavery	<ul style="list-style-type: none"> <li>Product suppliers and key Procurement Suppliers received a Modern Slavery Due Diligence Guidance as part of our implementation of the Modern Slavery Policy.</li> <li>23 key T1 Product Suppliers (representing 28% of our T1 supply chain) received a tailored in-person modern slavery training between July 2017 and June 2018.</li> </ul>
Number of suppliers participating in improvement projects	<ul style="list-style-type: none"> <li>To date, 19 of our key T1 Product Suppliers (representing 23% of our T1 supply chain) have participated or are currently enrolled in an improvement project.</li> </ul>
Extent to which our Product Supply Chain is mapped / fully traceable	<p>In addition to the traceability work we have already done on viscose, wool and cotton, described on page 4 and 12:</p> <ul style="list-style-type: none"> <li>We mapped our alpaca fibre supply chain back to the farms, which we visited and assessed in 2018.</li> <li>We have mapped one key cotton supply chain and visited two cotton farms in Turkey.</li> <li>We mapped two new T3 suppliers (cotton ginners)</li> </ul>
Investigation and remediation should any instances of modern slavery be identified	<ul style="list-style-type: none"> <li>We are better able to identify indicators potentially leading to modern slavery – 10% of audits / factory visits highlighted a need for further investigation which was carried out to confirm modern slavery was not taking place.</li> <li>We require our suppliers to remediate any practices which fall short of our standards, including cases that would constitute forced labour or modern slavery. For example, in the last 12 months:             <ol style="list-style-type: none"> <li>1 – We identified a case of security guards' identity documents being withheld by a recruitment agent; and</li> <li>2 – A case of withholding part of workers' wages as a way to make workers return from holidays.</li> </ol> <p>In both cases, as in any other cases, we have educated the relevant suppliers, supported them to change these practices and have a monitoring program in place to ensure ongoing compliance.</p> </li> </ul>

## Progress In Priority Areas And Looking Ahead

		Focus Area	Completed	Next Steps
1		Develop a robust system for supply chain mapping. As a priority, we will work to improve the visibility of Tier 3 and 4 in our cotton Product Supply Chain with a focus on identifying opportunities for reducing human rights-related risks (including modern slavery) in these tiers.	<ul style="list-style-type: none"> <li>• Mapped two new T3 suppliers (cotton ginners).</li> <li>• Mapped one cotton supplier chain in Turkey and visited 2 cotton farms.</li> </ul>	<ul style="list-style-type: none"> <li>• Visit more cotton farms (T4) and processing facilities such as cotton ginners and spinners (T3) in China and India.</li> </ul>
2		Strengthen our supplier assessment methodology to ensure that our audits can effectively identify indicators of modern slavery, especially in the lower tiers of the Product Supply Chain. We will seek feedback from relevant stakeholders on how to do this.	<ul style="list-style-type: none"> <li>• We have reviewed our audit methodology with support from our ethical trade partners.</li> <li>• 70 supplier sites across tiers 1-4 visited by our internal SMC sustainability team between June 2017-2018 in addition to 3rd party assessments, as another layer of monitoring.</li> </ul>	<ul style="list-style-type: none"> <li>• Roll out new and improved audit methodology by the end of 2018.</li> <li>• Increase number of assessments across tiers 2-4.</li> </ul>
3		We recognise the need to increase support of workers' voices in our supply chain and are looking into ways to develop this.	<ul style="list-style-type: none"> <li>• Piloted worker surveys with 2 suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>• Find and implement an effective and systematic way to collect feedback from workers in our supply chain.</li> </ul>
4		Continue to raise awareness of what modern slavery can look like through scaling up training for SMC staff and suppliers. We aim to help our suppliers build capacity to identify, remediate and prevent modern slavery in their supply chains.	<ul style="list-style-type: none"> <li>• Trained 48 internal staff and 23 key Product suppliers on modern slavery.</li> <li>• Raised awareness on modern slavery risks during every factory visit.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure 100% of active tier 1 suppliers complete in-depth labour standards training with a focus on modern slavery.</li> </ul>
5		Extend monitoring across the Procurement Supply Chain in regards to modern slavery risks.	<ul style="list-style-type: none"> <li>• Conducted 21 assessments of Procurement Suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase number of Procurement Suppliers assessed.</li> </ul>

Approval of this statement: This statement was approved by the Stella McCartney Ltd Board of Directors and signed on its behalf by Helen Newman.