

STELLAMcCARTNEY

## Introduction

Stella McCartney is committed to promoting good labour standards and protecting human rights in all parts of its business. This is our fifth 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 2020, but includes some action taken before 2020 and up to June 2021. Our previous Statements released before 2020 can be found [here](#).

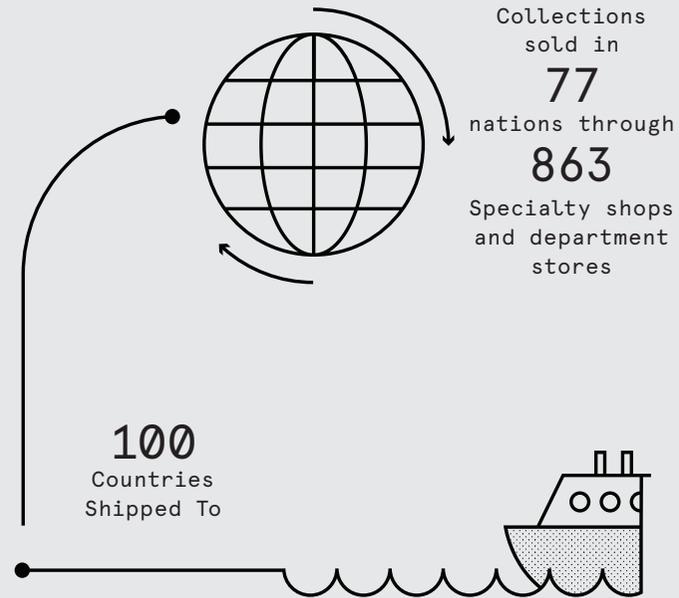
## Our Company And Our Products

Stella McCartney (also referred to as "SMC" in this statement) is a luxury lifestyle brand that was launched under the designer's name in 2001. In July 2019, Stella McCartney entered into a partnership with the LVMH Group to further develop the brand, while retaining majority ownership.

Stella McCartney offers women's ready-to-wear, accessories and kidswear, as well as a unisex range which replaced the menswear collection in 2020. 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 2020)

# Our Supply Chain

COUNTRY	PRODUCT SUPPLIERS IN TIERS 1 & 2
Italy	65%
China	18%
Portugal	06%
Hungary	02%
Spain	02%
India	01%
Turkey	01%
France	01%

Table 1: Distribution of Product Suppliers (as of December 2020)

The remaining 6% of production is split between Romania, Bulgaria, Ukraine and Thailand (Tier 1); and USA, Austria, Thailand, South Korea, UK, Peru, Japan and Germany (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 accounting for 65% of all our Tier 1 and 2 Product Suppliers (see Table 2 on page 10 for more information on Tiers and Product Supply Chain visibility). Although significantly smaller, other key sourcing countries include China, Portugal, Hungary, Spain, India, Turkey and France.

In 2020, we worked directly with 71 Tier 1 and 307 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, Turkey, Egypt and the USA for cotton, New Zealand and Australia for wool and Sweden for viscose.

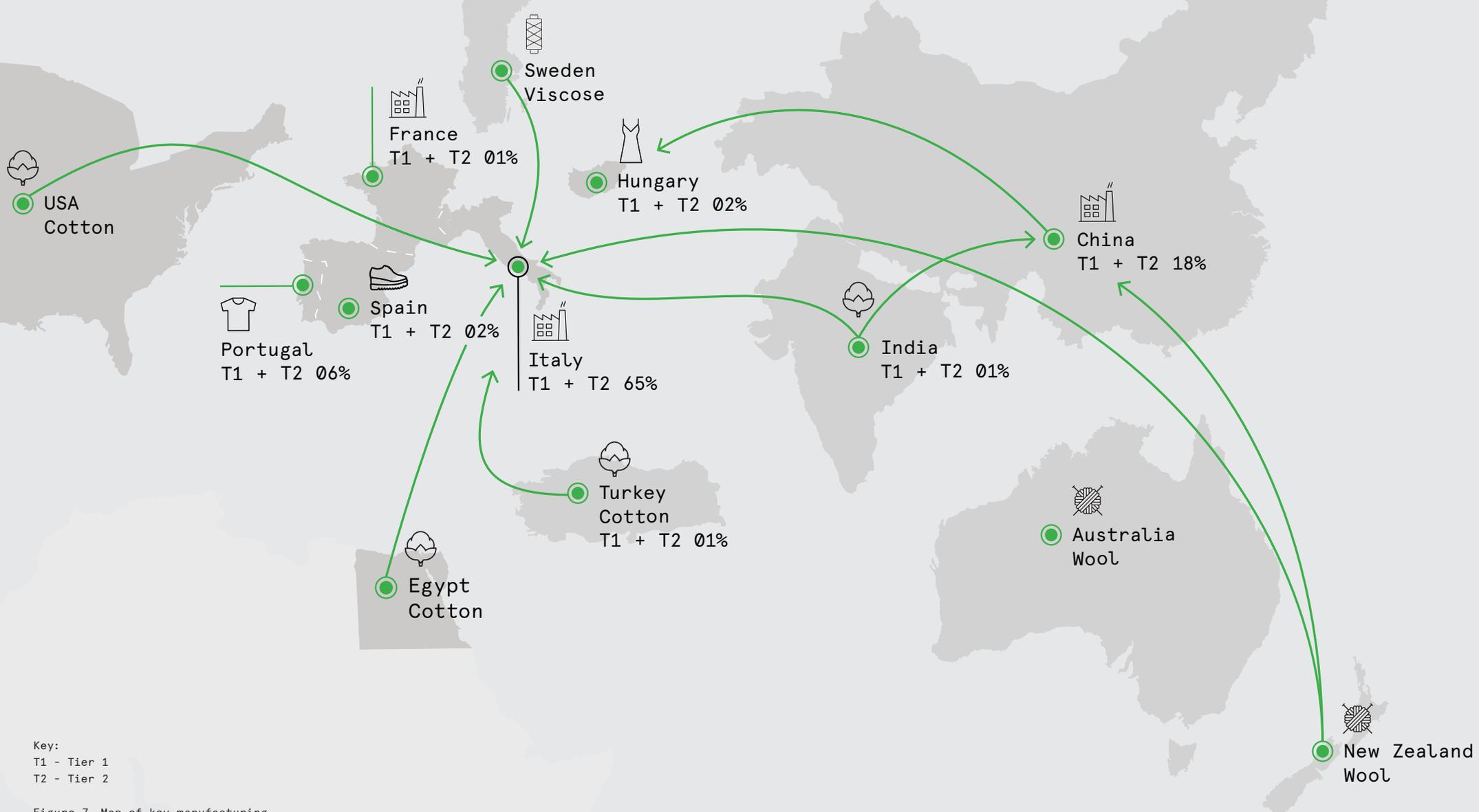
## PROCUREMENT SUPPLY CHAIN

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 and shoes are managed by Stella McCartney in 2020. Since April 2021, the kids category is managed through a licensee. The adidas by Stella McCartney range, together with lingerie, swimwear, eyewear and fragrance product categories and, since early 2021, Stella McCartney Kids collections are licensed. As of December 2020, we also had 30 franchise accounts globally.

# The Flow of Key Raw Materials & Key Manufacturing Locations



Key:  
 T1 - Tier 1  
 T2 - Tier 2

Figure 7. Map of key manufacturing and sourcing locations

## Relevant Policies

The SMC Supplier Code of Conduct (Code) underpins all the key sustainability principles and summarises the key requirements suppliers must meet in order to work with our brand. The Code is based on the fundamental conventions of the International Labour Organisation (ILO) and specifically prohibits use of forced labour and modern slavery.

In addition to the Code, the SMC Responsible Sourcing Guide provides detailed information about specific policies and guidance for suppliers to support them with complying with the SMC Code of Conduct. Apart from the Code and Responsible Sourcing Guide, SMC has a number of standalone policies on specific topics. These are periodically updated and new policies are developed in line with key risks and needs of the business.

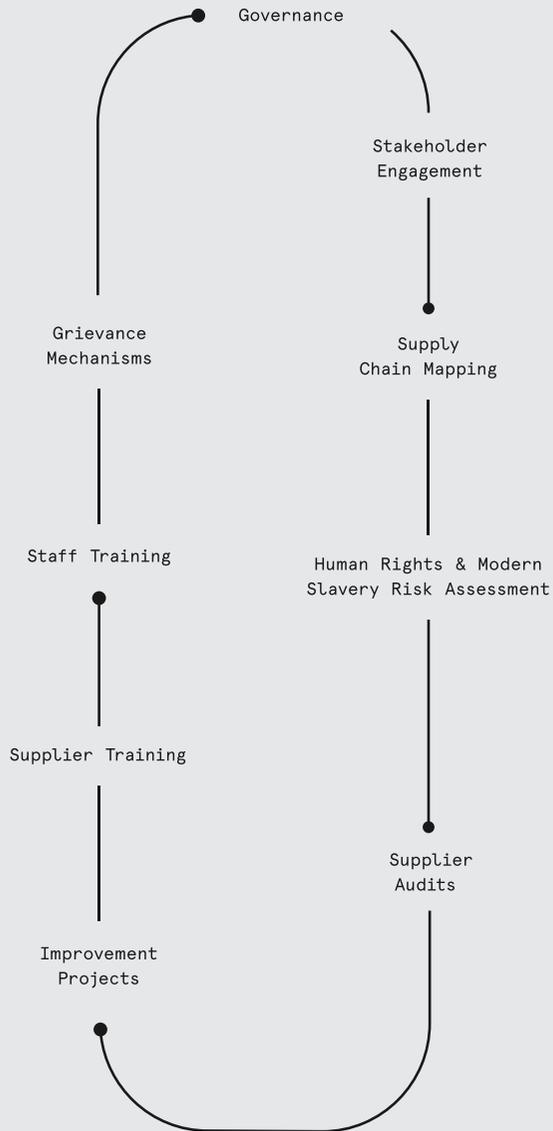
The Subcontracting Policy sets expectations for suppliers in regards to responsible subcontracting practices. We know that human rights risks, including the risk of forced labour and modern slavery, increase further down the supply chain and the Subcontracting Policy helps suppliers to communicate, monitor and maintain our standards where subcontractors are involved in production of SMC goods.

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 have been in place since 2017. The policies not only set the standards but also include guidance on modern slavery indicators, the most common risk areas and suggested due diligence for SMC suppliers.

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.

Suppliers are required to read and sign the SMC Supplier Code of Conduct and all relevant standalone policies at the beginning of their relationship with SMC, to confirm they understand and comply with their content.

# Modern Slavery Due Diligence 1/5



## GOVERNANCE

At the highest level, the responsibility to meet the ethical trade and human rights requirements sits with our Chief Executive Officer (CEO) and the board of directors. The responsibility for implementing the programme on a day-to-day basis sits with our Ethical Trade and Human Rights department, which was integrated into the sourcing division in 2020. The SMC Ethical trade and human rights programme covers all areas of managing the impacts (both positive and negative) our business has on people, who are not directly engaged by SMC and works closely with the sustainability department. The Head of Ethical Trade and Human Rights reports to the Managing Director of Operations and is supported by a Social Sustainability Manager. 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 have been a member of the Ethical Trading Initiative (ETI), a leading alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe since 2012. The ETI enables brands to work together with industry experts and improve working conditions for workers in their supply chains. We report to the ETI every two years about our social sustainability work, including modern slavery due diligence.

In addition, 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. With regards to modern slavery specifically, we work with a number of partners who have expertise in this area. For example, in 2017 an ethical trade consultancy Impactt delivered modern slavery training to our social sustainability team which was disseminated to our Product Suppliers throughout 2018. In January 2019, we approached Stronger Together and the UK Gangmasters and Labour Abuse Authority (GLAA) to deliver a specialised training to our social sustainability team on worker interviewing skills for potential victims of modern slavery. In December 2019, we piloted a collaborative supplier training in Italy with a number of other brands, focusing on the human rights due diligence including modern slavery. This training was developed and delivered by a local human rights consultant who is also a Professor at LUMSA and at Ilsole24ore Business School. In early 2020, we worked with a consultant to develop a risk assessment tool for our supply chain, further detail of which is provided on page 8.

## Modern Slavery Due Diligence 2/5

### 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. To date, we have obtained country level traceability of our natural materials (cotton, wool and viscose) as well as polyester. We have visited a total of 10 farms at Tier 4 (wool alpaca and cotton) in Egypt, Turkey, New Zealand and Peru and traced a key cotton supply chain in India and recycled nylon supply chain in Slovenia down to Tier 3 (in this case, Tier 3 means the nylon spinner). We have mapped and continue to monitor all Tier 1, many Tier 2 and some Tier 3 and 4 Product Suppliers as well as key procurement suppliers and service providers.

In 2019, we introduced the Stella Sustainability Hub for our suppliers. The hub is an online platform for suppliers to submit information about their own facilities, their subcontractors and raw material suppliers. In addition, the hub provides a space for suppliers to review and sign our policies including the Code of Conduct, Responsible Sourcing Guide and Modern Slavery Policy. This allows us to ensure our supply chain mapping can be updated on a continuous basis and we can have a full picture of our supply chain and its associated risks. In 2020, all of our T2 Product Suppliers were re-mapped and invited to join the Stella Sustainability Hub.

### 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. We focus on engaging local stakeholders and experts to help us ensure we are aware of the current trends in our sourcing regions and can increasingly predict and prevent human rights risks as well as assess and address them.

In partnership with Ergon Associates, we conducted a modern slavery risk assessment across all of our business activities in 2017, providing a baseline for our modern slavery strategy. 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 (see page 13 for more details on the risks identified and steps taken).

We continue to monitor changes in our supply chain as well as trends such as migration patterns to ensure our global risk assessment is up to date at all times. As we extend the scope of our monitoring activities, we use a risk assessment as the first step to identify priority suppliers and topics to assess in full against our Code of Conduct and policies. All new suppliers are required to provide us with key data about their business, supply chain and workforce before audits are conducted which helps us tailor our audits and monitor our supply chain more effectively.

Building on our 2017 modern slavery risk assessment, in early 2020, we worked with Kumi Consulting to develop a risk assessment tool for our supply chain. The risk assessment tool determines a risk rating for all suppliers or potential suppliers based on a country risk profile, facility level risk, workforce risk and transparency and engagement risk. The tool is able to identify key modern slavery risks at country and facility levels.

To achieve a country risk score, 12 separate issues (from the ETI Base Code and OECD Section II Guidance) are assessed against severity and likelihood of the risks occurring using a range of available indices and data. This is then broken down to incorporate likelihood of risk in the fashion sector specifically.

Facility level risk includes a range of data gathered in the field, including if there is accommodation for workers provided by the employer, if the supplier uses subcontractors and if management is transparent. As certain workers are more at risk of modern slavery and other forms of potential exploitation, the tool integrates disaggregated demographic data, including if migrant workers, homeworkers and other groups of more vulnerable workers are present. Furthermore, we have critical red-lines that automatically designate sites as high-risk. These are 1) SMC have identified high-risk stakeholder on site; 2) Critical non-compliance events; and 3) Designated high-risk countries.

This risk assessment tool informs the way we monitor and support our suppliers at Tiers 1 and 2 of our supply chain. In the future we hope to adapt it to include further tiers.

## Modern Slavery Due Diligence 3/5

### SUPPLIER AUDITS

Although we do not rely on ethical audits alone, we find them to be a useful tool in gaining insight into our suppliers' practices and potential risks in our supply chain. Audits help us to collect data and address immediate issues as well as pick up on indicators that additional investigation is needed. For instance, it can be difficult to identify instances of modern slavery in one audit, but we will be able to identify signs that we should look further and dig deeper.

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.

We updated our audit methodology in 2018 to ensure we always conduct a thorough risk assessment before auditing a supplier, engage with stakeholders such as other brands where we share suppliers and consult local experts to be aware of common risks in the area. We also aim to conduct audits in a collaborative way with our suppliers, providing details of how and why we assess their practices, to help them conduct their own audits and develop strong monitoring systems internally and in their own supply chain.

Since the release of our first modern slavery statement (FY 2016), we have found breaches of our social sustainability standards 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. During any investigation and remediation process, we aim to protect workers and their livelihoods and work with suppliers throughout this process. Should a supplier not engage and strive to meet our standards and resolve any identified issues, we may consider terminating our business relationship.

Since 2018, we have had a member of our social sustainability team based in Italy, our biggest sourcing country, who conducts the majority of our audits in Europe. The rest of our audits are conducted by carefully selected, local and specialist third-party auditors. Both internal and external auditors conducting SMC supplier audits have received detailed training on the indicators and root causes of modern slavery, as well as the SMC Modern Slavery Remediation Procedure. In 2019, we extended our product supply chain assessments to include all our cleaning and security companies in the UK. We continue to work with them to ensure they fully meet our standards.

Where COVID-19 restrictions have prevented our teams and partners from travelling, we conducted remote audits which still included all the elements of a site audit, such as document review, confidential worker interviews and site tour. A total of 92 audits were conducted across Tier 1

and Tier 2 Product Suppliers in 2020, including in-person and remote audits. In February 2020, we completed a homeworker assessment in our Spanish shoe supply chain through a third party, ensuring that homeworkers were treated fairly and that working premises were safe and adequate. We also worked with our eyewear and swimwear & lingerie licensing partners in 2020 to build a better understanding of the risks in the supply chain and completed assessments in partnership for the first time. These assessments were completed according to SMC's standards and corrective action plans put in place to ensure all facilities meet our standards and policies.

In April 2021, we introduced two new ways of conducting audits. We started engaging community coordinators to assess factories in Italy employing migrant workers, in order to build better trust and transparency and strengthen the workers' awareness of their rights. We also started transitioning our most sophisticated suppliers into self-assessing their supply chain, by providing them with training and guidance, strengthening their internal knowledge and ability to spot and remediate risks. We continue to oversee their monitoring activities to ensure they are carried out to our standards and SMC will conduct occasional spot checks.

# 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 ginner 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 4/5

### 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. To date, 23% of our direct Tier 1 suppliers have participated in improvement projects covering a range of topics, for instance health & safety, wages and working hours, social dialogue and productivity. 8 key suppliers, representing 11% of our direct Tier 1 Product Suppliers have been specifically trained on recruitment and hiring practices as a result of our risk assessment and knowledge that poor practices in these areas may lead to modern slavery.

In 2020, we completed a collaborative project with a supplier in Asia, where we identified a risk surrounding the recruitment of migrant workers. We worked with several other brands also sourcing from the supplier and Verité, a non-profit expert labour rights organisation, to identify and remediate any potential modern slavery related issues as well as implement robust systems to manage this recruitment in an ethical manner.

### SUPPLIER TRAINING

We conduct regular training on the Stella McCartney social sustainability programme, policies and common ethical trade challenges facing Product Suppliers, including the topic of modern slavery. To date, we have delivered this type of training to suppliers from all our key regions, including Italy, Hungary, India, China, Spain and Portugal.

In June 2019, we conducted our first SMC supplier sustainability summit for Tier 1 and Tier 2 Product Suppliers working with Stella McCartney. The summit marked the roll out of our own sustainability standards and policies as well as provided opportunity to share best practices on a number of sustainability topics. 25 Tier 1 direct suppliers received training on the key social sustainability risks, including the risk of modern slavery in their supply chains.

In December 2019, we piloted a collaborative supplier training in Italy with a number of other brands, focusing on the human rights due diligence including modern slavery. The training was delivered to several of our key suppliers in Italy. The content was developed and delivered by a local human rights consultant, in collaboration with Temple University.

Although we planned to engage with suppliers through a sustainability summit again in 2020, this has unfortunately been postponed due to the COVID-19 pandemic. However, together with four other brands, we organized a webinar led by Bureau Veritas Italia aimed at providing Tier 1 suppliers with the correct information about Government support to tackle COVID-19 consequences. The webinar ("Being employers during COVID-19 outbreak") was shared with all current Tier 1 active suppliers with the intention of providing useful and tangible information during the crisis.

In early 2021, we increased the due diligence training for our licensee partners for eyewear and lingerie & swimwear. Through this process we trained the partners on our standards and policies including our Modern Slavery Policy. For one partner, this included onsite training on assessment criteria including modern slavery risks.

## Modern Slavery Due Diligence 5/5

### STAFF TRAINING

Our social sustainability team have undertaken a number of specialist training courses on modern slavery, learnings from which have been incorporated into our wider social sustainability programme. For instance, our social sustainability team attended a train-the-trainer modern slavery module delivered by the UK ethical trade consultancy Impactt. Building on this training, in January 2019, we approached Stronger Together and the UK Gangmasters and Labour Abuse Authority (GLAA) to deliver a specialised training to our social sustainability team on worker interviewing skills for potential victims of modern slavery.

These training courses by expert organisations have allowed our social sustainability team to provide modern slavery training to our suppliers and factories as well as supply chain facing teams within the Stella McCartney business. Internal teams such as sustainability, sourcing, production and facilities have been trained on modern slavery since 2017 and refresher training is provided at least annually through regular sustainability meetings. Additionally, an awareness raising session was delivered to staff from other business functions in our head office in 2018, including finance, design, PR & marketing, licensing, visual merchandising and legal. To date, a total of 61 SMC staff received training on modern slavery. Between January 2020 and June 2021, three new staff in key positions received detailed training on modern slavery risks in their respective areas of work. Senior management, including board members, continue to receive regular updates about our due diligence on modern slavery.

### GRIEVANCE MECHANISMS

All Stella McCartney staff have a responsibility to raise issues that may constitute a breach of the SMC Code of Conduct and related policies, including any instance or suspicion of forced labour or modern slavery in Stella McCartney operations or supply chain. Internally, employees can report any concerns or issues directly to the SMC Ethical Trade and Human Rights team and serious issues are escalated to the top management.

A robust global anonymous grievance and whistleblowing mechanism was launched in June 2021 for use by SMC staff as well as anyone in the SMC supply chain. The SpeakUp® tool is provided by People Intouch, who are experts in misconduct reporting and can be used via web or a phone, in any language. Training is being provided to SMC staff, suppliers and workers throughout 2021 on how to use the tool and an internal monitoring committee was set up to oversee the mechanism and ensure it operates in line with the criteria defined by the UN Guiding Principles on Business and Human Rights.

### COVID-19 DUE DILIGENCE

We committed to the ILO Call to Action: COVID-19: Action in the Global Garment Industry because we understand the impact that our business decisions can have on our supply chain partners and their workers globally.

Beyond checking against our ethical trade standards, we used audits in 2020 (remote and in person) to assess the business impacts of the pandemic on our suppliers and their workers, providing guidance on COVID-19 precautions when required. In India, we contributed to a emergency payment to workers through a multi-stakeholder initiative to support them during the pandemic.

All Tier 1 Product Suppliers in Italy were provided with access to a webinar developed in collaboration with four other brands and Bureau Veritas Italia, sharing information about support tools made available by the Italian Government to companies in light of the COVID-19 pandemic.

# 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 internal ethical trade and human rights team and external audit partners 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 to verify the accuracy of information obtained through announced assessments and enables us to better advise our Product Suppliers on corrective action to be taken.

Where we identify concerns regarding the treatment of vulnerable workers, we aim to work with our suppliers and expert organisations to ensure workers are supported. 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. In 2020, we worked with third party expert Verite, a group of brands and our shared supplier in Thailand to strengthen recruitment and employment management systems for migrant workers from Myanmar. In April 2021, we started engaging community facilitators instead of traditional auditors to assess factories employing migrant workers in Italy. This approach is worker-centred, focused on building trust and transparency and strengthening the migrant workers' awareness of their rights, significantly improving our ability to spot and remedy any issues.



## CHILD LABOUR AND YOUNG WORKERS

Some suppliers may lack effective age-verification systems or may subcontract HR functions to a third party. Our risk assessment tool includes a child labour risk level by country, based on indicators such as ratified ILO or UN frameworks and the UNICEF Prevalence of Child Labour score. We have used this and our modern slavery risk assessment conducted in 2017 to identify the areas of highest risk in our supply chain. Tiers 1 and 2 in China and India pose the highest risk of child labour in our supply chain. The most significant risks in Tiers 3 and 4 were identified in India, China, Turkey, Peru, Pakistan and Egypt. Risk increases as you move further down the tiers of the supply chain, and community-based handicraft supply chains can also present a risk of child labour, as craft techniques are passed down through generations.

### 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. In community-based supply chains, we try to work with locally based NGOs where possible to understand the community context and identify any risks or issues.

As a precautionary measure, we train our suppliers on responsible hiring and recruitment practices including how to spot a fake ID, what jobs are safe for young workers and what are the legal requirements that must be met when employing apprentices. In 2020, we conducted an in-depth assessment of an artisanal supply chain in Madagascar with a specialist NGO, Engaged: Partnership for Change which flagged a risk of child labour. As efforts to engage the supplier in remediation failed, we terminated the relationship.



## 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 concerned that in some countries, such as Uzbekistan, this labour is not voluntary and is supplied through government led schemes which constitute modern slavery. We are aware of risks of cotton from countries where forced labour has been documented being mixed with cotton from other countries and sold into international supply chains.

In India, the Sumangali scheme has received a lot of attention because of the risk of young girls being recruited for bonded labour in the cotton mills. Additionally, any country affected by conflict, such as Turkey due to the Syrian refugee crisis, represents an increased risk.

### STEPS TAKEN

Traceability of cotton reduces this risk and allows us to monitor our supply chain. 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 countries where forced labour has been documented for SMC products or materials. Wherever possible, we like to nominate our cotton sources, for instance through choosing to support projects aimed at more sustainable and ethical cotton production. 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 Tier 1 and some Tier 2 suppliers to understand how we can gain visibility through to farms. In 2018, we mapped one key cotton supply chain and visited two cotton farms in Turkey. In 2019, we mapped another cotton supply chain in India down to the spinning mills and conducted further visits to farms in Turkey. Gaining access to the farms and cotton processing facilities 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. ALL tiers and countries represent a risk, including the use of some service providers and contractors in our own operations.

### STEPS TAKEN

We provide training to our Product Suppliers, key service providers and license partners on the risks linked to using temporary labour, relying on recruitment agencies and undertake off-site audits.

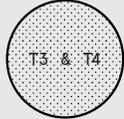
All key Tier 1 Product suppliers in China and India received bespoke training on ethical hiring and recruitment practices, with specific focus on hiring temporary and agency labour and subcontractor management. In addition, we are working with our suppliers in Italy to ensure migrant workers understand their rights and are not treated differently to local workers. In 2019, we assessed all our cleaning and security companies in the UK, due to the industry's typical reliance on temporary workers and recruitment agents on their labour practices and continue to work with them to ensure they fully meet our standards. The remediation carried out with a shared supplier in Thailand in 2020 (referred to on page 11 above) included a repayment of recruitment fees to migrant workers.

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 In Priority Areas (KPIs) And Looking Ahead

In this section, we describe our progress to date across key areas of our social sustainability and modern slavery due diligence strategy. We also outline our planned steps for the next few years to strengthen this work. We recognise that our industry and supply chain is being severely impacted by the effects of the COVID-19

pandemic, and we will do everything we can to keep to our planned next steps, but we also acknowledge that due to the current constraints in place around the world and travelling in particular, we may have to adjust our plans to more effectively meet the needs of the workers throughout our business and supply chain.

		FOCUS AREA	COMPLETED PRIOR TO 2020	COMPLETED IN 2020	NEXT STEPS
1		<p><b>TRACEABILITY:</b> Develop a robust system for supply chain mapping and traceability. 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.</p>	<ul style="list-style-type: none"> <li>Country of origin traceability for all natural materials (viscose, wool, alpaca and cotton)</li> <li>Mapped and visited 10 farms at Tier 4 to date (wool, alpaca and cotton) in Egypt, Turkey, New Zealand and Peru</li> <li>A key cotton supply chain in India and a recycled nylon supply chain in Slovenia mapped down to T3.</li> <li>Introduced SMC Supplier Hub to build transparency of suppliers' supply chains and ensure mapping is up to date.</li> </ul>	<ul style="list-style-type: none"> <li>We obtained country of origin traceability of polyester in addition to natural fibres</li> <li>100% of T2 Product Suppliers were invited to join the Supplier Hub</li> </ul>	<ul style="list-style-type: none"> <li>Continue improving visibility across Tiers 3-4</li> <li>Pilot blockchain to scale up supply chain traceability and verification</li> </ul>
2		<p><b>MONITORING:</b> 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. Extend monitoring across the Procurement Supply Chain in regards to modern slavery risks.</p>	<ul style="list-style-type: none"> <li>New audit methodology in place since 2018 focused on strong risk assessment, collaboration and transparency.</li> <li>We hired an internal auditor based in Italy in 2018 and since majority of our audits are carried out by an internal specialist</li> <li>Implemented a robust risk assessment tool for all T1 and T2 product suppliers</li> <li>All UK cleaning and security companies audited in January 2019.</li> <li>Our assessments have highlighted instances which required further investigation and remediation to ensure modern slavery was not taking place, related to recruitment fees, the risk of child labour and unclear recruitment channels for migrant workers.</li> </ul>	<ul style="list-style-type: none"> <li>93 Tier 1 and 2 Tier 2 Product Suppliers and subcontractors audited using updated audit methodology</li> <li>Risk assessment tool updated to reflect sourcing risk changes in the last 12 months</li> <li>Two license partners working on our behalf with 13 Tier 1 Product suppliers trained on modern slavery risks and effective audit methodology</li> <li>1 Packaging site assessed in Italy</li> <li>In April 2021, started mapping and risk assessment of cleaning and security contractors globally.</li> </ul>	<ul style="list-style-type: none"> <li>Develop audit methodology further to include the most recent learnings about effective monitoring of factories employing migrant workers and identifying indicators of forced labour</li> <li>Audit more suppliers across tiers 2-3 using the new audit methodology.</li> <li>Assess high-risk procurement suppliers, cleaning and security contractors once global mapping and risk assessment is completed.</li> </ul>

## Progress In Priority Areas (KPIs) And Looking Ahead

		FOCUS AREA	COMPLETED PRIOR TO 2020	COMPLETED IN 2020	NEXT STEPS
3		<p><b>WORKER VOICE:</b> Enable workers in our supply chain to raise and resolve issues by ensuring there are appropriate, robust and effective channels for them to do so.</p>	<ul style="list-style-type: none"> <li>Worker surveys piloted at 14 sites across Hungary, Italy, Romania, China and India. The survey questions were developed with an ethical trading consultancy Impactt and reviewed by experts including a trade union and the Ethical Trading Initiative</li> <li>A grievance mechanism provided to supplier and their workers in a form of email ID included in our Code of Conduct</li> <li>In 2019, we piloted Direct Worker reporting, a channel for workers to give anonymous feedback, with 3 direct and 9 indirect Italian facilities, covering 237 workers through &amp;Wider.</li> </ul>	<ul style="list-style-type: none"> <li>In June 2021 we launched SpeakUP, a robust global grievance mechanism tool through a third-party specialist organisation People in Touch. The tool is available to anyone across our value chain, including employees, suppliers and workers, in any country and can be used in local language.</li> </ul>	<ul style="list-style-type: none"> <li>Expand the direct worker reporting and feedback mechanism to more facilities across our supply chain.</li> <li>Pilot a digital worker training and awareness raising tool.</li> </ul>
4		<p><b>TRAINING:</b> 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.</p>	<ul style="list-style-type: none"> <li>Product Suppliers from all key regions, including Italy, Hungary, India, China, Spain and Portugal have received training on modern slavery and 100% of Product Supplier received a detailed Modern Slavery Due Diligence Guidance as part of our implementation of the Modern Slavery Policy since 2017.</li> <li>Since January 2017, 58 staff in key positions such as design, production, store planning and operations received specific training on modern slavery.</li> <li>25 direct suppliers attended our Supplier Summit in June 2019 and received training on the key social sustainability risks, including the risk of modern slavery in their supply chains.</li> <li>23% of our direct T1 Suppliers have participated in improvement projects to date</li> </ul>	<ul style="list-style-type: none"> <li>A webinar training with information about Government support to tackle COVID-19 consequences shared with all T1 active suppliers in Italy through a Bureau Veritas Italia</li> <li>Between January 2020 and June 2021, three new staff in key positions received detailed training on modern slavery risks in their respective scope of work. Senior management, including board members, continue to receive regular updates about the company's due diligence on modern slavery</li> </ul>	<ul style="list-style-type: none"> <li>Develop a remote training method that is effective and scalable and implement it across our operations and supply chain.</li> <li>Ensure 100% of active Tier 1 suppliers complete in-depth labour standards training with a focus on modern slavery</li> </ul>
5		<p><b>REMEDIATION:</b> Ensure any breaches of our Ethical Trade and Human Rights standards and policies, including instances of modern slavery are remediated in line with UN Guiding Principles on Business and Human Rights.</p>	<ul style="list-style-type: none"> <li>All audited suppliers issued with a remediation plan where breaches with our Ethical Trade and Human Rights standards and policies are found and supported with making improvements.</li> <li>To date, 23% of our direct T1 Suppliers participated in improvement projects consisting of detailed training and one on one follow up covering a range of topics, for instance health &amp; safety, wages and working hours, social dialogue and productivity</li> </ul>	<p>Examples of remediation carried out in 2020 included:</p> <ul style="list-style-type: none"> <li>Collaboration with four brands and a supplier in Thailand to repay recruitment fees back to workers.</li> <li>Terminated two T1 Product Suppliers due to risk of child labour and forced labour and inability to put a sufficient prevention measures in place, including a supplier in Madagascar.</li> <li>Terminated a UK cleaning contractor due to their unwillingness to change their employment practices that put workers at a disadvantage.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to ensure access to remedy for workers through putting robust and effective improvement plans in place and continue monitoring our supply chain to ensure improvements are sustainable. Only as the last resort, where suppliers refuse or are unable to engage in remediation and meet our standards, terminate business relationships responsibly.</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.