


STELLAMcCARTNEY

## Helen Newman Introduction

*"As a global ethical fashion brand, we understand the importance of eradicating forced labour and exploitation in the fashion industry. We recognise that, to be a truly responsible fashion business that has a positive social impact, there is always more to be done. At Stella McCartney we believe that, together with our suppliers, we can make a significant contribution to creating a more sustainable and ethical world".*

A handwritten signature in black ink, appearing to read 'Helen Newman', with a long horizontal stroke underneath.

Helen Newman  
Director

## Introduction

The Stella McCartney Group (also referred to as “SMC” in this Statement) is committed to promoting good labour standards and protecting human rights in all parts of its business. This is our seventh 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.

This statement has been approved by the board of SMC’s holding company, Anin Star Holding Limited. It is endorsed, approved and adopted by all of its subsidiaries regardless of size and turnover. This statement details the steps SMC has taken to comply with the relevant legislation.

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 2022, but includes some action taken before 2022. Our previous Statements released before 2022 can be found [here](#).

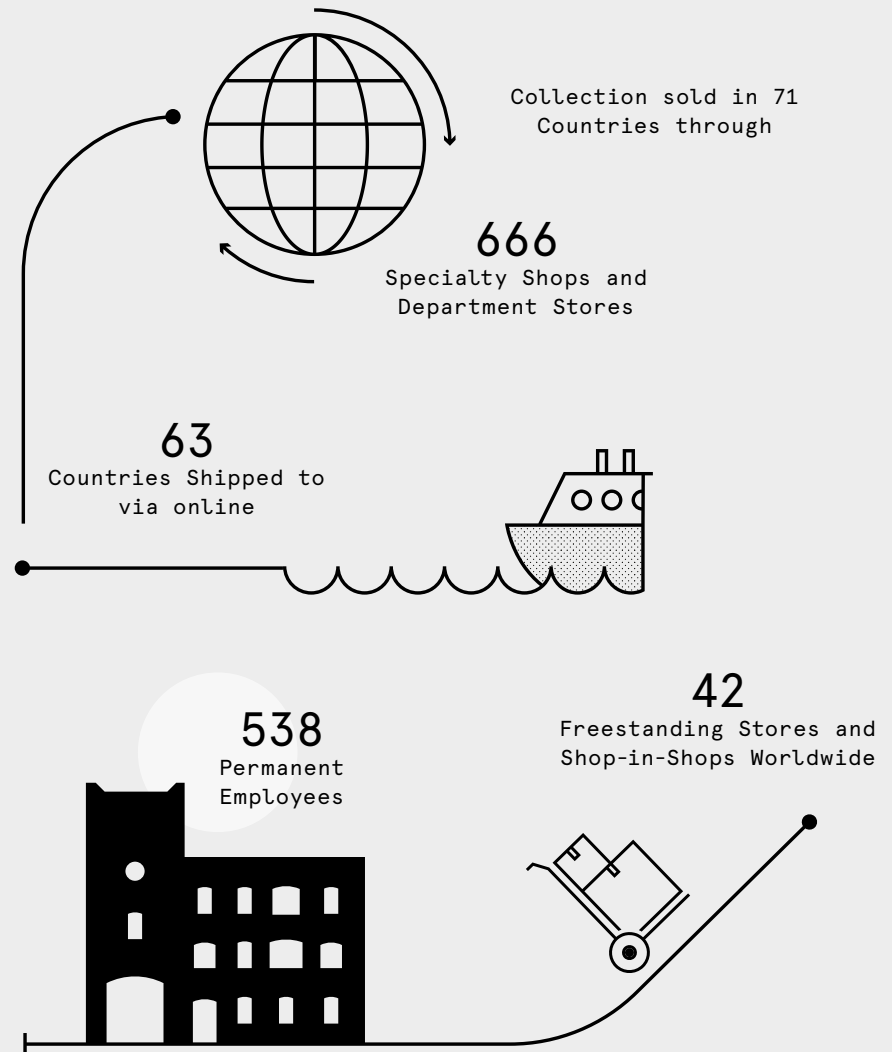
## Our Company And Our Products

STELLA MCCARTNEY is a luxury lifestyle brand that was launched under the designer's name in 2001. 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.

SMC offers women's ready-to-wear, accessories and kidswear. Periodically, SMC enters into collaborations for the production of product ranges beyond the above core categories (e.g., furniture). The standards and policies of SMC are enforced in each of these collaborations. With 42 freestanding stores and Shop-in-Shop across major cities like New York City, London, Paris, Milan, Tokyo, Shanghai and Beijing, and additional 666 specialty shops and department stores, our collection is now sold in 71 countries and shipped to 63 countries via online. As of 31 December 2022, we have 538 permanent employees.

### 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 2022)

## 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 regard 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 SMC Modern Slavery Policy for Partners and the SMC 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 SMC 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 and licensees are required to read and comply with 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. All of our policies are translated in all the languages relevant to the countries we have operations in and are available on our SMC Sustainability Hub.

## Our Supply Chain

COUNTRY	PRODUCT SUPPLIERS IN TIERS 1 & 2
Italy	83%
Portugal	4%
Spain	3%
Romania	2%
India	1%
Bulgaria	1%
China	1%

Table 1: Distribution of Product Suppliers (as of December 2022)

The remaining 5% of 2022 production is split between Albania, Hungary, Poland, Serbia in Tier 1; and Turkey, France, South Korea, UK, USA, Peru and Japan in Tier 2, that count for less than 1% each.

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 83% of all our Tier 1 and 2 Product Suppliers (see Table 2 on page 11 for more information on Tiers and Product Supply Chain visibility). Although significantly smaller, other key sourcing countries include Romania, Bulgaria, Portugal, Spain, India and China.

In 2022, we worked directly with 40 Tier 1 and 205 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, Australia for wool and Sweden, USA, Portugal and Germany for viscose.

### PROCUREMENT SUPPLY CHAIN

In addition to the Product Supply Chain, SMC 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 logistics, 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 SMC. The adidas by Stella McCartney range, together with lingerie, swimwear, eyewear, kidswear product categories are licensed. In 2022, we also activated a new license for our beauty category line.

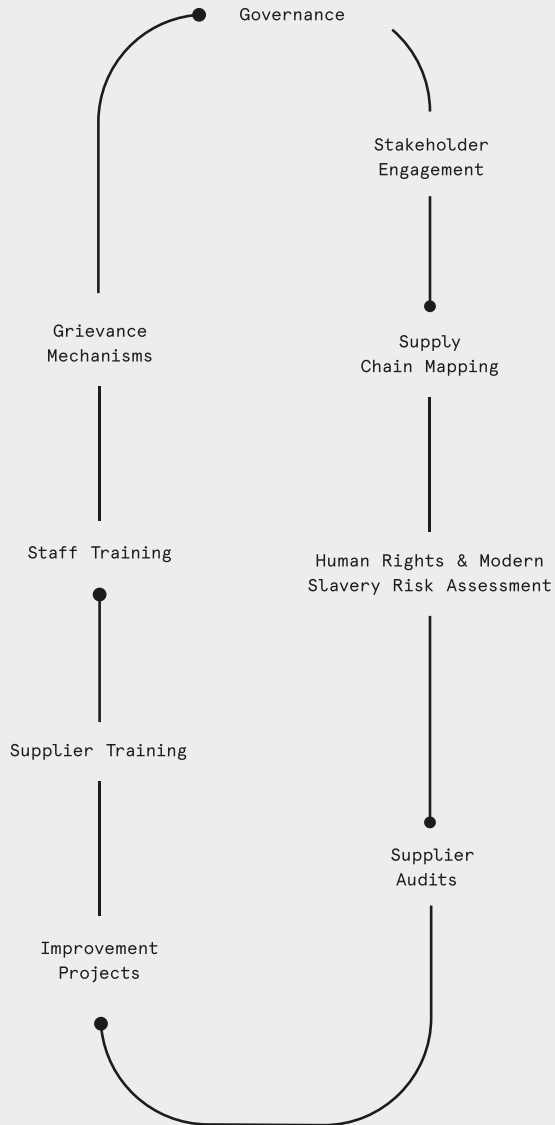
# The Flow of Key Raw Materials & Key Manufacturing Locations



Key:  
 T1 - Tier 1  
 T2 - Tier 2

Figure 7. Map of key manufacturing and sourcing locations

# Modern Slavery Due Diligence (1/4)



## GOVERNANCE

At the highest level, the responsibility to meet the social responsibility 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 Corporate Social Responsibility (CSR) and Human Rights department. The SMC CSR and Human Rights programme covers all areas of managing the impact (both positive and negative) our business has on people who are not directly engaged by SMC and works closely with the Sustainability Department and across the business with all the relevant departments. The CSR and Human Rights Manager reports to the Managing Director of Operations. The issues related to CSR and Human Rights and responsible sourcing are discussed with executive management and follow the 2030 strategy defined in 2021 that was shared with the CEO and all relevant stakeholders focusing on 4 key areas: purchasing practices, transparency and traceability, workers empowerment and positive social impact.

## 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. As a member of ETI, we commit to their Member Charter which outlines the actions, behaviours and ways of working essential to achieving ETI's vision and mission and to implement all the actions needed in order to achieve an ethical and sustainable supply chain.

## 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 12 farms at Tier 4 (wool, alpaca and cotton) in Egypt, Turkey, New Zealand, Australia 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, we have mapped all and assessed key 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. With the objective to have an integrated traceability system able to collect sustainability information related to suppliers, we are also evaluating to integrating our risk tool into the platform together with our assessment template to improve our internal way of managing the supply chain and the information SMC collects.



## Modern Slavery Due Diligence (2/3)

### 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.

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 through the Sustainability Hub, which helps us tailor our audits and monitor our supply chain more effectively.

We do not have a standardised monitoring system and we make sure to plan our assessments with a risk-based approach that helps us prioritise sites visits based on existing risks and human rights challenges. Using our risk assessment tool we can determine 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. Since 2021 we have been working on integrating the risk tool into our Sustainability Hub in order to enable us to have one single platform for the traceability and risk monitoring of our supply chain. At the end of 2022 we added a section dedicated to audit information, that allows the upload of audits onto the system and suppliers can add information regarding the improvement plans directly there rather than through emails.

### 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 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 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. We continue to utilize the new onboarding methodology for subcontractors developed in 2021. It is very important to us that our direct suppliers become more responsible and aware of key challenges in global supply chains and that is why we have decided to involve them more in the monitoring process. Through the onboarding process we now ask and support direct vendors with gathering the correct information from their subcontractors before proposing them to SMC. In this way we ensure they get in contact with the site and understand their ways of working rather than relying exclusively on our assessments.

We investigate all breaches of our social responsibility standards 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 responsibility team based in Italy, our biggest sourcing country, who conducts the majority of our audits in Europe. At the end of 2021, the

## Modern Slavery Due Diligence (3/4)

entire department has been moved to Italy to make sure our activities are well integrated with the sourcing departments. 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.

Where restrictions (such as COVID 19) 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 116 audits were conducted across Tier 1 and Tier 2 Product suppliers and service providers in 2022. We have also developed an ad-hoc homeworker survey to enable us to better conduct homeworkers assessment and collect the information needed to understand the main challenges and risks. Over the past years, we completed a homeworker assessment in our Spanish shoe supply chain through a third party, and 2 homeworkers assessments in Italy ensuring that homeworkers were treated fairly, and that working premises were safe and adequate.

Starting from 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. In 2022 we also decided to improve our assessments through

the introduction of a "gender lens" to the way we conduct the visits and collect data with the goal of better investigating women's perspectives and challenges in our supply chain.

### IMPROVEMENT PROJECTS

In 2022, we continued to collaborate more with other brands in Italy with which we share suppliers with existing issues. This common approach adopted for our monitoring programme enables us to plan, together with the supplier and the other involved brands, a short term and long-term improvement plan shared between all the parties. The suppliers have appreciated this way of working because they get clearer and more transparent information from brands on how to implement improvement actions.

### SUPPLIER TRAINING

We conduct regular training on the SMC social responsibility 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.

We have also in place an onboarding methodology for our Italian direct suppliers in line with our supply chain management strategy where we aim at empowering suppliers with the right knowledge and tools to engage more with their subcontractors. The fragmentation of the supply chain is a key aspect of the Italian context, and it is important for us that this is well acknowledged by our partners and that we can work together at addressing issues. In line with this new methodology, we ask our suppliers to do a pre-assessment of the new subcontractors they want to onboard and are in this way more incentivized to

engage with them more. To ensure the awareness of our suppliers in applying this methodology, we take the time to present it to suppliers, to explain where the request was coming from and what are the key human rights challenges they need to consider and look out for when visiting a new site.

In 2022 we launched a training programme to increase awareness around CSR topics and improve suppliers' skills in relation to supply chain management, with a specific focus on Italy. The programme has been delivered via three different webinars and held by an external consultant. It focused on what we mean by ethical trade and why it is important for our suppliers, with the final objective of making them aware and empowered to manage their supply chain and human rights risks. This initiative has been developed together with other brands, leveraging on collaboration in the sector, which is a key factor to encouraging a culture based on sustainability, one of our core values.

Moreover, in 2022 we organised, together with the UN agency of International Organization for Migration, a specific webinar for our Italian suppliers focused on responsible recruitment and migrant labour with the aim of providing the right information and tools to better manage their workforce and supply chain.

Both initiatives are part of our vision in assisting suppliers in managing their own supply chains better and in line with our responsible supply chain strategy.

# Supply Chain Mapping

	DEFINITION	EXAMPLE	VISIBILITY	MONITORING
TIER 1	Final product manufacturing and assembly	Direct suppliers and their subcontractors 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 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 ginners 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).	Some of 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 (4/4)

### STAFF TRAINING

Our social responsibility team have undertaken a number of specialist training courses on modern slavery, learnings from which have been incorporated into our wider social responsibility programme.

These training courses by expert organisations have allowed our social responsibility team to provide modern slavery training to our suppliers and factories as well as supply chain facing teams within the SMC business. Internal teams such as sustainability, sourcing, production and facilities have been trained on modern slavery since 2017. Senior management, including board members, continue to receive regular updates about our due diligence on modern slavery.

At the beginning of 2022, the Head of CSR and Human Rights attended a workshop delivered by Stronger Together on Tackling Modern Slavery through Purchasing Practices with a view to finding ways of integrating even more best practices to prevent risk of modern slavery into our sourcing strategy.

### GRIEVANCE MECHANISMS

All SMC 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 SMC operations or supply chain. Internally, employees can report any concerns or issues directly to the SMC CSR and Human Rights team and serious issues are escalated to the top management.

A robust global anonymous grievance and whistleblowing mechanism was launched in May 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 was 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. After this initial implementation, every time a new supplier is onboarded, we share with them the policy and information related to SpeakUp and ask for them to cascade this information through SMC supply chain.

Since its implementation, no cases have been reported in 2022, however we are very much aware of the difficulties of effective grievance mechanisms and of the existing challenges to make these tools efficient. We are looking into possible ways of improving on this so to have a system and solution known and available to workers across our global supply chain.

# Identified Risks and Steps Taken

Through our social responsibility 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 CSR 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 March 2022, we internalised one of the facilitators with a view of better developing our ability of managing risks related to migrant workers in our Italian supply chain as well as global with particular reference to sourcing from China.

In 2022 we also launched a pilot with Labour Solutions involving 12 facilities in Italy. The sites and all the workers, including migrant workers have been provided with the access to e-learning content and surveys. The app is available in the language spoken by the workers and has given us the chance to reach out to all workers and gather information from them that will give us a more transparent and effective understanding of key challenges.

## 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 May 2022 we organised a human rights due diligence assessment involving farms and cotton processing facilities in Turkey. We know that this level of visibility allows us to better understand risks faced by workers involved in these early stages of production and identify good practice we can promote further.

## 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. 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.

Since then, we have started looking for existing community-based programmes to join and organisations to support us in sourcing from risk countries. At the beginning of 2022 we initiated a collaboration with Build a Nest, an NGO supporting the responsible growth and creative engagement of the artisans through dedicated programmes. This organization has supported us in finding a suitable partner with which to start a production of some artisanal items: the selected partner, based in Madagascar, has worked closely with our bags division team during the whole year to produce 3 items that will be included in the Spring Summer 24 collection.

CHILD LABOUR AND YOUNG WORKERS CONTINUED  
Moreover, with the same objective of supporting local craftsmanship, during 2022 SMC collaborated with the Ethical Fashion Initiative for our Spring Summer 23 collection. In our collection we have included some Raffia bags handwoven by EFI's artisan network in Kenya, and in particular by women belonging to the Kamba tribe in Kutui county, known worldwide for their basketry skills. We have also provided these artisans with proper training for raffia weaving to introduce a skillset to the group, given the complexity of this process.

## 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

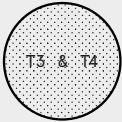

We provide training to our Product Suppliers, key service providers and license partners on the risks linked to using temporary labour, relying on recruitment agencies and undertake off-site audits. All key Tier 1 Product Suppliers in China and India received bespoke training on ethical hiring and recruitment 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.

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. In 2021 we started reviewing our monitoring system so to make the best use of our time while on site. We have pre-assessment calls with our suppliers to gather information and documents before our on-site visit.



In 2022 we also launched a new Subcontractor Onboarding Module that aims to further hone this process for subcontractors: in this way, we can collect preliminary information on subcontractors and prepare them for the audit assessments, including detail on information related to the workforce. This gives us more time on the assessment day to dedicate to workers interviews and engagement activities which are key to uncover critical situations of this kind.

# Progress In Priority Areas (KPIs) And Looking Ahead (Part 1)


In this section, we describe our progress to date across key areas of our social responsibility 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 current global challenges such as the war in Ukraine, 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, 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 2022	COMPLETED IN 2022	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) and polyester.</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 Tier 3.</li> <li>Introduced SMC Supplier Hub to build transparency of suppliers' supply chains and ensure mapping is up to date with 100% of Tier 2 invited to join.</li> <li>We obtained full traceability on our regenerative cotton supplier in Turkey.</li> <li>We fully mapped three key products supply chains down to T4 through an LCA initiative.</li> <li>We fully mapped our T2 suppliers and gathered information on their supply chains and assessed key ones globally.</li> </ul>	<ul style="list-style-type: none"> <li>We have started studying on the integration of traceability information related to products in our SMC Supplier Hub and internal management systems, also with the aim to be able in the future to communicate in a more user-friendly way sustainability-related aspects of our products to the final customer.</li> </ul>	<ul style="list-style-type: none"> <li>Continue improving visibility across Tiers 3 and 4.</li> <li>Develop a traceability strategy at product level and identify key partner to collaborate with.</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 regard 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>Since 2018 the majority of our audits have been carried out by an internal specialist and external nominated auditors trained on our methodology.</li> <li>Implemented a robust risk assessment tool for all Tier 1 and Tier 2 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> <li>Risk mapping of global service providers ongoing since 2021.</li> <li>Licence partners working on our behalf trained on modern slavery risks and effective audit methodology.</li> <li>Two warehouses assessed in Italy.</li> <li>Two homeworkers assessment carried out using the new homeworkers methodology.</li> </ul>	<ul style="list-style-type: none"> <li>116 Tier 1 and Tier 2 Product Suppliers and subcontractors audited.</li> <li>At the end of 2022, in the context of a wider project carried out with other brands in sector, we had the chance to visit and assess one key supplier in India.</li> </ul>	<ul style="list-style-type: none"> <li>Pilot a new assessment methodology focusing more on workers engagement and collaboration with factory's owners.</li> <li>Audit more suppliers across Tiers 2 and 3.</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 (Part 2)

		FOCUS AREA	COMPLETED PRIOR TO 2022	COMPLETED IN 2022	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 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> <li>We have 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 T1 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>Piloted a digital worker training and awareness raising tool with 12 facilities in Italy.</li> <li>SpeakUp channel monitoring and implementation across new suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>Expand the direct worker reporting and feedback mechanism to T2 facilities across our supply chain and make sure it is known and effective in all sites.</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, 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 responsibility risks, including the risk of modern slavery in their supply chains.</li> <li>23% of our direct Tier 1 Suppliers have participated in improvement projects to date.</li> <li>Webinar training with information about support provided by the Italian Government to tackle COVID-19 consequences shared with all current Tier 1 suppliers in Italy through Bureau Veritas Italia.</li> </ul>	<ul style="list-style-type: none"> <li>In early 2022, we have included our social responsibility programme and key training on modern slavery in the induction program for new employees.</li> <li>We have provided to our suppliers with a training initiative structured in 3 separate sessions focused on CSR topics to improve suppliers' skills on supply chain management with a specific focus in Italy.</li> <li>We have organized together with the UN agency of International Organization for Migration one webinar for our Italian Suppliers focused on responsible recruitments, migrant labour.</li> </ul>	<ul style="list-style-type: none"> <li>Extend the remote training to more partners in our supply chain.</li> <li>All new SMC employees trained on modern slavery and human rights.</li> </ul>

# Progress In Priority Areas (KPIs) And Looking Ahead (Part 3)

		FOCUS AREA	COMPLETED PRIOR TO 2022	COMPLETED IN 2022	NEXT STEPS
5		<p>REMEDIATION: Ensure any breaches of our CSR 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 found to be falling short of our CSR and Human Rights standards and policies are issued with a remediation plan and supported to make lasting improvements.</li> <li>To date, 23% of our direct Tier 1 Suppliers have 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> <li>In 2020, we have carried out several remediation plans:</li> <li>We have collaborated with four brands and a supplier in Thailand to repay workers' recruitment fees.</li> <li>Terminated two Tier 1 Product Suppliers (in Madagascar and in China) due to risk of child labour and forced labour respectively and inability to put a sufficient prevention measure in place.</li> <li>Terminated a UK cleaning contractor due to their unwillingness to change their employment practices that put workers at a disadvantage.</li> <li>We have collaborated with one other brand and a supplier in Albania to improve payments and employment conditions of temporary workers.</li> <li>Together with one of our licence partners we have identified one supplier in China with serious risks of forced labour and inability to provide the transparency and improvements needed and agreed to terminate the relationship for SMC production.</li> </ul>	<ul style="list-style-type: none"> <li>Out of the 116 assessments performed in 2022, 11 sites were not approved for production due to the presence of critical human rights risks and the inability to improve what needed. Although the facilities have not been approved for our production, all the cases have been raised and an improvement plan was shared with the direct supplier so to provide information on what risks we have found and how to tackle them and what actions to implement.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to ensure access to a remedy for workers through putting robust and effective improvement plans in place and continue monitoring of our supply chain to ensure improvements are sustainable. Only as a last resort, where suppliers refuse or are unable to engage in remediation and meet our standards, terminate high risk business relationships responsibly.</li> </ul>