

Mothercare plc Modern Slavery Act Transparency Statement FY16/17

Introduction

'Modern Slavery' encompasses the offences of slavery, servitude, forced or compulsory labour and human trafficking. As employers and providers of goods and services, we are committed to respecting internationally recognised human rights, as outlined in the United Nations Guiding Principles on Business and Human Rights and working with partners to understand and enhance to role we can play in this.

This statement has been published in accordance with the Modern Slavery Act 2015 ("Act"). It sets out the steps taken by Mothercare plc during the financial year ended 25 March 2017 to prevent modern slavery in our supply chain and business operations. It follows our first statement published on 8th July 2016 which can be read [here](#).

Mothercare Group Overview

Mothercare plc is a global retailer for parents and young children. Our iconic brands have a long history as specialist UK retailers, with Mothercare opening its first store in 1961 and Early Learning Centre in 1974. Both brands resonate well with customers the world over. Across our UK and International businesses, we now have circa 1,300 stores across 55 countries, offering a range of products from both Mothercare and Early Learning Centre.

In the UK, Mothercare and Early Learning Centre products are sold through the group's own multi-channel (in-store and online) retail operations and via a smaller wholesale operation.

Our international partners operate across four regions: Europe, Asia, the Middle East and Latin America. Our 38 Franchise Partners operate in 55 markets through 1,150 stores, approximately three million square feet of retail space and a small but growing online presence. In addition, we have a developing wholesale business for territories where we do not have Franchise Partners.

Our vision is to be the leading global retailer for parents and young children and our strategy has six pillars:

1. Become a digitally led business
2. Supported by a modern retail estate and great service
3. Offering style, quality and innovation in product
4. Stabilise and recapture gross margin
5. Running a lean organisation whilst investing for the future
6. Expanding further internationally.

Sourcing Overview

As a global retailer of fashion and footwear, toys and home and travel products, our supply chain involves a diverse number of product types and processes. We source Mothercare and exclusive branded product from approximately 500 factories. China, India, Turkey, Bangladesh and the UK account for 89% of our production sites.

We have sourcing offices in China, India and Bangladesh and our approach is to work in close collaboration with suppliers to develop stylish, quality and innovative products, which meet the needs of our customers around the world. These partnerships allow us to meet our quality, product development and responsible sourcing requirements, which are of a consistently high standard. Many of our key suppliers across all divisions have been working with Mothercare for over 10 years.

Our Approach to Slavery and Human Trafficking

Identifying and reducing the risks of slavery and forced labour in our supply chains is already an area which the Mothercare group is committed to through our Responsible Sourcing work. This is part of our broader [Corporate Responsibility programme](#).

We acknowledge that this Act covers not only our supply chain but also our business operations and both areas will be covered in this statement.

1. Supply Chain

As mentioned, our Responsible Sourcing work is most relevant to ensuring that we comply with the supply chain element of the Act. Whilst this work has been in place for many years and is on-going, in light of the implementation of the Act during FY16/17 we reviewed our policies, procedures and activities. We have included our progress under each of the headings below.

Policies and Procedures

Our Code of Practice sets out the standards we require at all factories used to manufacture Mothercare group products and is part of our terms and conditions of trading. As members of the Ethical Trading Initiative (ETI), this Code of Practice is based on the ETI's Base Code and on the conventions of the International Labour Organisation. This includes specific clauses being:

1. Employment is freely chosen: forced, bonded or trafficked labour are zero-tolerance issues.
2. No harsh or inhumane treatment is allowed: physical or verbal harassment and intimidation are zero-tolerance issues.
3. Living wages are paid: wages and benefits meet or exceed national legal minimum wage and all applicable laws and regulations. Illegal deductions from wages shall not be permitted. Workers are paid at regular intervals - maximum monthly.
4. Working hours are not excessive: working hours must comply with national laws or benchmark industry standards or relevant international standards, whichever affords greater protection to workers' health, safety and welfare. All overtime shall be voluntary, shall not be requested on a regular basis and shall always be compensated at a premium rate.

In addition to these standards, suppliers must comply with all relevant local and national laws. If there is a conflict between national law and the Code of Practice, the supplier must adhere to the standard which provides the worker with the greatest protection. In addition to this Code, the following Mothercare group policies are relevant to the Act:

- Child Labour Policy
- Migrant Worker Policy

- Home Worker Policy
- Sub-contracting and Sub-supplier Policy.

Our Responsible Sourcing Implementation Policy outlines how we expect suppliers to apply these policies and standards within their own businesses and supply chains.

Progress in 2016/17

A single Responsible Sourcing Handbook has been developed and sent to all Mothercare Suppliers in February 2017. This handbook forms part of our standard terms and conditions. It explains in detail our requirements and policies for Responsible Sourcing including all policies relevant to the Act.

To support the launch of the handbook, Responsible Sourcing Supplier conferences were held in March 2017 in six locations: Watford (UK), Dhaka (Bangladesh), Tiripur and Bangalore (India), Guangzhou and Shanghai (China). Over 250 people from 180 of our biggest suppliers attended these events. The conferences focused on the key Responsible Sourcing agendas including a section specifically focussing on the Act and its implementation. This section was written by Sancroft who are experts in this field.

Risk Assessment and Management

In order to implement these policies, we review and approve independent factory audits which have been carried out against our Code or against the ETI Base Code. We require this for all factories which produce Mothercare or ELC branded products, regardless of production country or product type. An approved independent audit is a pre-requisite of becoming a Mothercare or Early Learning Centre supplier/factory.

The audits must be no older than one year and carried out by a firm from a shortlist of reputed auditing firms. Our internal teams assess these audits based on a 'red', 'orange', 'yellow' and 'green' scale and reject any new factory requests with 'red' findings. Any of the offenses relating to modern slavery would be graded 'red' according to our risk management procedures.

If an existing factory already producing for us is graded 'red' in an annual audit, we work closely with the supplier and factory to help them improve the findings at pace via a corrective action plan. In severe cases, if we believe no progress can be made, if progress is not forthcoming or is based on falsified records, we will end commercial relationships.

Progress 2016/17

632 independent audits were reviewed during the year. Reviewing the findings of the audits resulted in three factories being given a 'red' grade. These instances were not concerned with modern slavery indicators, they were all related to fire and safety issues and an appropriate corrective action plan was put in place and followed up with each factory.

Verification and Due Diligence

It is clear from the common findings of independent audits that it is very difficult to identify sensitive issues, such as retaining workers' passports, forced overtime or bonded labour, which may be indications of modern slavery. As a result of this, we are involved in a number of other activities which support our due diligence.

a. In house factory assessments

We have a team of Responsible Sourcing professionals, based in-country who work closely with factories and workers to understand the daily working conditions. These teams are experts in their fields and local contexts, they take a practical, solutions-based approach, spend time understanding workers' situations and are aware of the risks around modern slavery. This approach allows to develop a more in-depth understanding of the risks in our supply chain. These Responsible Sourcing professionals carry out unannounced and announced in house factory assessments on all new Mothercare and Early Learning Centre factories and work on capacity building projects.

Progress 2016/17

Over 260 in house factory assessments were conducted during the year. At these assessments we insist on transparency and these assessments have proved invaluable in uncovering non-conformances to our code of practice. The assessments include initial factory reviews on proposed factories and follow up visits with active factories. The top issues identified were excessive working hours, too many consecutive working days, issues over minimum wages or overtime payments and health and safety issues. In these instances an appropriate corrective action plan was put in place and active factories received a follow up visit and on going support.

b. Collaboration

We are involved in collaborative projects with other retailers and multi-stakeholder groups, such as the Ethical Trading Initiative, in areas where we believe there is a prevalence of vulnerable workers. Our work with the ETI Tamil Nadu working group to address the sector wide issues in the factories and spinning mills of Tamil Nadu case studied in last year's statement continues. The five year programme aims to empower female workers, strengthen industrial relations and improve grievance and remediation processes. In 2016/17 the programme was extended to all vertically integrated mills in our supply chain covering more than 3100 female workers. Suppliers in all our vertically owned supplier mills had agreed and hire workers above 18 years to avoid vulnerable young workers being employed, though local law permits employing 15 to 18 year olds.

Progress 2016/17

Case study : Focussing on exploitation of Syrian workers in Turkey

Mothercare takes very seriously the situation of Syrian refugees in Turkey since Turkey is a sourcing country for us. In October 2016, UK retailers were named in a Panorama programme that uncovered the exploitation of vulnerable Syrian refugees working in Turkey.

Mothercare's work in Turkey predates this exposé. Mothercare has a policy and remediation guidelines on Syrian refugees working in Turkey. These are available in multiple different languages, including Arabic, Turkish and English. In addition to the standard requirement for independent audits, Mothercare has engaged an experienced consultancy to support risk assessments and to conduct unannounced audits. Mothercare has further joined the ETI Turkey platform.

During 2016, 11 unannounced audits were conducted. These resulted in the uncovering of two unauthorised factories which had previously produced Mothercare product. These factories had not been subject to the required responsible sourcing approval process. Syrian workers were present without appropriate records in one of these factories. Although no current production was in place we have provided the factories in question with remediation plans to protect and support the Syrian workers.

The unannounced audit programme will continue into 2017/18.

2. Operations

We employ directly 5,044 people in the UK and 200 in Asia, not including those colleagues who work for our global network of franchisees. As part of our Recruitment Policy, our People team carries out direct recruitment wherever possible and ensures that employees have the relevant right to work documentation and suitable contractual arrangements. If we do work with recruitment agencies, we partner with reputable, preferred suppliers, which follow robust recruitment procedures.

Taking into consideration the offences of slavery, forced labour and human trafficking which are covered by the Act, we consider the areas within our operations which could present a heightened risk of such offences to be related to temporary or seasonal workers employed indirectly or on our behalf in our stores or distribution centres.

We communicate with all employees involved in recruitment about the Modern Slavery Act and the risks associated with modern slavery in our operations and supply chain. Guidance about how to ensure they mitigate these risks and where to get more information is available.

We work with reputable service providers, many of which are also subject to the Act. We have continued to liaise with service providers covering: temporary staff, logistics and distribution, security and guarding, customer services centres, cleaning and catering to understand their approach to the Act and learn more about their relevant policies and procedures.

Progress in 2016/17

During January 2017 we extended our Safe Call confidential line to our major UK service providers covering services such as cleaning, security and logistics. The communications literature was translated into seven languages to ensure it could be understood by all employed staff. The Safe Call line is intended to be used for reporting issues relating to Bribery &

Corruption and breaches of the Global Code of Conduct. The facility will be further developed during 2017/18.

Governance

Our commitment to business ethics is led from the top by the CEO. It is outlined in our Global Code of Conduct and is embedded in our values to:

- **'make it happen'** - being motivated and enabled to quickly produce fantastic results, being trusted specialists, knowing our business and customers very well;
- **'make it better'** - making a positive difference by continually seeing what needs to be improved, and being committed to becoming the leading global retailer for parents and young children; and
- **'do it right'** - being one team that is respectful, supportive and caring. Creating together a positive environment where everyone is welcomed into our club and can invest their energy and passion freely.

Progress in 2016/17

Our Corporate Responsibility (CR) governance framework was strengthened in 2016/17. Monthly updates have continued to be provided to the Risk Committee, which is chaired by an Executive Director, and quarterly updates are shared with the Audit and Risk Committee as part of a wider update on risk management. In addition, a CR steering committee has been established to measure progress against the CR strategy. Three CR Operational committees have been established to govern each of the three areas of focus within the CR Strategy (Product, Environment and Communities). Their purpose is to meet quarterly to track and report on progress on the relevant priorities within each area including matters relating to Human Rights and the Act.

In November 2016, Responsible Sourcing KPIs were introduced for Mothercare's Sourcing teams in relation to our direct factories. These KPIs were formulated to strengthen relations between the Sourcing and Responsible Sourcing teams. A specific objective of the KPIs was to broaden responsibility at the factory level for responsible sourcing issues. The KPIs included:

1. The number of factories that do not currently have an independent audit process in place
2. The number of factories with zero-tolerance issues, and a measure of current co-operation with the factory and progress towards remediation.

At the end of Q4, only a single direct factory did not have a third-party audit process (though this has now been resolved) and no factories were recorded as being un-cooperative. Both teams have provided positive feedback about the KPIs. For example, in aiding a consistent understanding of issues relating to responsible sourcing at the factory level, and ensuring the support of all teams when seeking to resolve concerns.

Training and awareness raising

Responsible sourcing is an element of all our employee inductions. In our sourcing offices, our regional teams carry out several internal awareness raising activities, from training to monthly updates on key performance indicators such as: factory audit grades, the percent of audit grades which have improved, the number of days until a factory must send an updated progress report.

We also carry out regular awareness raising with our key suppliers on the importance of Responsible Sourcing such as the supplier conference held in Hong Kong in September 2016.

Progress in 2016/17

An updated training module has been developed specifically aimed at designers, buyers and merchandisers. It includes specific references to the Act and our obligations. In February 2017, the relevant teams attended training sessions and these will be repeated at regular intervals during the year to capture new starters to the business

Looking ahead

In our last statement, we outlined the broad areas that we would be focussing on during 2016/17 and beyond. All of these are underway and remain material and relevant as we enter 2017/18. We began this project in the autumn of 2016 guided by a gap analysis of our activities against the requirements of the Act, conducted by Sancroft, who are experts in this field. Our aim is to remain focussed on the following areas:

- Complete a full supply chain and direct operations review to ensure we have identified all key risks,
- Complete a materiality grid of our strategically important products and commodities;
- Implementation the recommendations identified in the gap analysis of our activities against the requirements of the Act conducted with Sancroft in December 2016 with particular focus in 2017/18 on including clauses relation to modern slavery in updated goods not for resale contracts and communicating appropriately
- Build internal capacity with ongoing employee training, focusing on our Sourcing and Responsible Sourcing teams

Mark Newton-Jones
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