

Mothercare Group Modern Slavery Act Transparency Statement – FY15/16

Introduction

This statement is made in line with our obligations under the UK's Modern Slavery Act 2015. These obligations comprise releasing a statement, signed by a Director, which details the steps Mothercare Group has taken to ensure that slavery and human trafficking are not taking place in our supply chains or in any part of our business, and making this statement available in a prominent position on our website. The statement refers to our financial year ending 26 March 2016.

At Mothercare we are committed to our Corporate Responsibility programme and our social and environmental commitments sit alongside our vision to be the leading global retailer for parents and young children. This statement will cover current work relating to human rights due diligence and will also refer to future project plans in line with the government's guidance relating to the Act.

As set out by the Act, 'modern slavery' encompasses the offences of slavery, servitude, forced or compulsory labour and human trafficking. As employers and providers of goods and services, we acknowledge that we have a role to play in eradicating modern forms of slavery as described in the United Nations Guiding Principles on Business and Human Rights. We are committed to working with partners to understand and enhance the role we can play in this.

Mothercare Group Overview

Mothercare Group 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 1,500 stores across nearly 60 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 Franchise Partners operate through over 1,270 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 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 Mothercare Group is committed to through our Responsible Sourcing work. This is part of our broader [Corporate Responsibility programme](#). We believe the Modern Slavery Act is an opportunity for progressive organisations to share the work they are doing and to encourage more action on this serious topic.

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. Operations

We employ directly 5,496 people in the UK and 175 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 have communicated 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 has also been shared.

We work with reputable service providers, many of which are also subject to the Act. We have been liaising 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.

Whilst we are satisfied with the current responses to these enquiries, in FY16/17 we plan to analyse further the risk that these service providers may pose and collaborate with them on any actions as a result.

2. 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, we also plan to review our policies, procedures and actions in light of the Act in FY16/17. We refer to this in more detail under 'Next Steps'.

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 relating to:

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 regularly exceed 12 hours per week 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.

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 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.

Verification and Due Diligence

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

Firstly, 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.

Secondly, 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.

Case study:

Over the last few years, reports by NGOs have brought to light concerns about vulnerable female workers in Tamil Nadu's garment and textile industry. As a result, Mothercare has been a member of the ETI's programme since 2012, called TNMS (Tamil Nadu Multi-Stakeholders) which brings together diverse stakeholders to address these concerns.

This project takes a three-pronged approach: grassroots outreach; supporting regulation and inspection; and supplier engagement. Our suppliers have been closely involved in the ETI's training, covering over 1500 workers on topics related to health and wellbeing. In 2016, the ETI launched the next stage in their training, which relates to rights and responsibilities and our suppliers are already signed up for this.

In addition to the ETI work, in 2015 we decided to include spinning mills owned by our suppliers in the scope of our internal team's assessments and improvement work. This is due to the vulnerable nature of workers in that element of the supply chain. Although we do not have any direct commercial relationships with these mills, suppliers in general have been co-operative with these efforts and we are pleased to see improvements from this work, such as building new living quarters for workers, allowing access to mobile phones, developing and following clear leave policies and providing access to bank accounts for remote units.

Governance

Our commitment to business ethics is led from the top by our CEO. It is outlined in our Employee 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.

Our Corporate Responsibility governance framework ensures that monthly updates are provided to the Risk Committee, which is chaired by an Executive Director, and quarterly updates are shared with the Executive Committee and the Audit and Risk Committee as part of a wider update on risk management.

Training and awareness raising

Responsible sourcing is an element of all our employee inductions. Designers, buyers and merchandisers have also been trained on our responsible sourcing requirements. In our sourcing offices our regional teams carry out a number of 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 through our supplier conferences.

Next Steps

In FY16/17 we will continue to develop our commitments to ensuring that our supply chains and operations are free of slavery and human trafficking by working with Sancroft, who are experts in the field. We expect the project to begin in summer 2016 and focus on the following areas:

- a full supply chain and direct operations review to ensure we have identified all key risks;
- a materiality grid of our strategically important products and commodities;
- a gap analysis of our activities against the requirements of the Act; and
- further employee trainings and workshops.

Mark Newton-Jones
Chief Executive Officer, Mothercare Plc

