

# Mothercare plc Modern Slavery Act Transparency Statement FY19

## 1. 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 30 March 2019 to prevent modern slavery in our supply chain and business operations. It follows our three previous statements issued in July 2016, 2017 and 2018 which can be accessed via our corporate website

## 2. Mothercare Group Overview

Mothercare plc is a specialist global retail brand for parents and young children. Our iconic brands have a long history, with Mothercare opening its first store in 1961. Today Mothercare is a global retailer with international presence through stores and increasingly online.

### FY19 Restructure

FY19 was a significant year for Mothercare during which, following a period of financial difficulty, we have restructured and refinanced the company to ensure a sustainable future. A major cornerstone of this year's restructuring was the creation of three operating divisions: Mothercare Global Brand, Mothercare UK Franchise and Mothercare Business Services. Mothercare has started to be structured and work like a truly global retailer with the UK being treated in the same fashion as any of our major markets. Mothercare Global brand is responsible for the design and sourcing of product for all international markets. The establishment of Mothercare UK Franchise enables the UK to be independently operated running the stores and website for the UK business with the objective of becoming independently financially viable. Mothercare Business Services includes the central functions of finance, HR, IT and property, this division provides these services to Mothercare Global Brand and Mothercare UK Franchise.

Across our UK Franchise and International businesses, we now have 1306 stores, 79 of which are located in the UK and 1227 stores in the countries of our international partners, offering a range of products from both Mothercare and other exclusive brands.

Our international partners operate across four regions: Europe, Asia, the Middle East and Latin America. Our Franchise Partners operate in 22 markets within those regions through 1227 stores and a small but growing online presence. In addition, we have a developing wholesale business for territories where we do not have Franchise Partners.

### **3. Sourcing Overview**

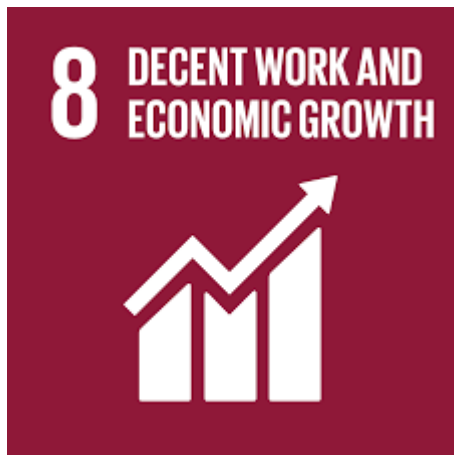
As a global retailer of fashion and footwear, toys and home and travel products, our supply chain involves a diverse number of product types and processes. We source Mothercare and exclusive branded product from approximately 400 factories. China, India, Turkey, Bangladesh and the UK account for 89% of our production sites.

Part of the FY19 restructuring programme, essential to put Mothercare on a sound financial footing, involved a major overhaul of how Mothercare sources products. After a successful trial in the previous year, we transitioned from running our own sourcing operation with offices in India, Bangladesh, China and Hong Kong to a third -party specialist sourcing agent. Our chosen agent is W.E Connor who are Hong Kong based and have operated for over 70 years. Partnering with Connor will enable Mothercare to benefit from cost price reductions in the medium term by combining our volumes with the volumes of their other customers. As a direct result we have now closed all six of our overseas sourcing offices which has lowered our cost base further, essential for our financial stability. This has meant that our small team of Responsible Sourcing colleagues that worked in those offices, referred to in our previous MSA statements, have now also left the business. Our commitment to Responsible Sourcing has not changed and in this statement we will outline our intention to ensure that our due diligence approach is maintained as we emerge from a year of major restructuring to start to re build Mothercare. It is also important to note that although we now source product via Connor the factories that we are buying from have not changed, in the majority of cases. In fact, many of our key suppliers have been working with Mothercare for over 10 years. 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.

### **4. Our Approach to Slavery and Human Trafficking**

Identifying and reducing the risks of slavery and forced labour in our supply chains is an area which the Mothercare Group is committed to through our Responsible Sourcing work. This is part of our broader Corporate Responsibility programme CR2020.

We also recognise that the United Nations Sustainable Development Goals (SDGs) provide a framework for businesses to design and measure their corporate responsibility and sustainability strategies. Our work relating to eradicating modern slavery is directly linked to the goal number 8 “Decent work and Economic growth”, point 7.



**8.7** Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms

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.

## 5. 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.

During FY19, as a consequence of the company restructure and refinancing of the business, the Governance for matters relating to Human Rights and the Act was moved to the Risk Committee which meets on a monthly basis. The Risk Committee comprises of Company Directors and other Senior Leadership team members across the three Operating divisions. The Risk Committee receives an annual update on issues relating to the Modern Slavery Act and a quarterly update on factory ethical performance. Responsible Sourcing is a standing agenda item on the monthly meeting to enable any other issues to be raised as required.

## 6. Operations

We employ directly 3,752 people, mainly in the UK, 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.

## **7. Supply Chain**

### **7.1 Policies and Procedures**

Our Responsible Sourcing Handbook contains our Code of Practice and Implementation policy and forms part of our standard terms and conditions. Our Responsible Sourcing Handbook was updated during FY19. The update included new policies on raw materials in relation to cotton and timber and a new policy in relation to workers living in hostels, which is explained in the case study further down in this statement. Importantly, the updated Responsible Sourcing Handbook makes it clear that suppliers who provide branded goods and our Franchise Partners are expected to read and understand these requirements and to have established appropriate arrangements in their own supply chains and business's.

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 and also contained in the Responsible Sourcing Handbook:

- 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.

## 7.2 Risk Assessment and Management

We maintain a risk overview of each of our key sourcing countries and update this to reflect insight from external experts and our independent factory assessments

<p><b>CHINA</b> </p> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Excessive working Hours</li> <li>• Internal migrant workers</li> </ul>	<p><b>INDIA</b> </p> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Freedom of Movement</li> <li>• Forced Labour</li> <li>• Vulnerable workers :             <ul style="list-style-type: none"> <li>• Migrant</li> <li>• Young women</li> <li>• Child Labour</li> <li>• Contract workers</li> </ul> </li> </ul>	<p><b>BANGLADESH</b> </p> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Excessive working hours</li> <li>• Vulnerable workers :             <ul style="list-style-type: none"> <li>• Young women</li> <li>• Internal migrants</li> </ul> </li> </ul>	<p><b>TURKEY</b> </p> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Refugee and migrant workers</li> <li>• Unauthorised sub-contracting</li> </ul>
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## 7.3 Verification and Due Diligence

### a. Independent factory audits

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 exclusive branded products, regardless of production country or product type. An approved independent audit is a pre-requisite of becoming a Mothercare supplier/factory. From that point on we require factories to present a new audit for review and grading on an annual basis. At the beginning of the year we made a change to require audits to be conducted on a semi announced basis, previously audits had been announced.

The audits must be no older than one year and carried out by a firm from a shortlist of reputed auditing firms, all of which are APSCA members (Association of Professional Social Compliance Auditors). The review and grading of these audits was previously carried out by our internal teams. From February 2019 following the removal of our in country teams, this review and grading was moved to a UK based company called Verisio. All factory data relating to responsible sourcing is now managed by Verisio through a sophisticated and secure database. The audits receive a grading of based on a 'black', 'red', 'orange' and 'green' scale and we reject any new factory requests with 'black' findings. Any of the offences relating to modern slavery would be graded 'black' according to our risk management procedures.

If an existing factory already producing for us is graded 'black' 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.

Over 500 independent audits were reviewed during the year. Reviewing the findings of the audits resulted in 8 factories being given a 'black' grade. These instances were not concerned with modern slavery indicators, the majority were related to health and safety issues and there were a few issues surrounding excessive working hours and consecutive working days. By the end of 2018/19, 6 of the 8 factories had been downgraded to red and we are still working with two other factories on their corrective action plans.

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.

#### **b. In house programmes**

During FY19 our team of Responsible Sourcing colleagues carried out a number of unannounced and announced in house factory assessments on Mothercare factories and worked on capacity building projects. With the closure of our offices, Mothercare is reviewing how this capacity building work can be continued with the use of expert consultants and through continuing to collaborate with others on programmes

#### **c. 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. We have been members of a number of platforms that focus on our key sourcing countries including China and Turkey. 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 the report from the FY16 statement continues. The five year programme aims to empower female workers, strengthen industrial relations and improve grievance and remediation processes. We have signalled our intent to continue to be involved in the second stage of the programme that starts during 2019 and in other ETI country specific platforms.

#### **Case study: Workers staying in hostel accommodation freedom of movement Policy**

As part of our ongoing focus on India as a major sourcing country and the well reported issues on sexual harassment and the sumangali scheme, Mothercare has developed and included in our updated Responsible Sourcing Handbook a new policy document which outlines our expectations in regard to the Freedom of Movement provisions. The document gives guidelines as to how factories and mills, especially those in remote regions, can support workers to get access to transport to local towns and villages for shopping and to meet relatives whilst ensuring workers are safe. All suppliers providing accommodation to workers have to sign this new policy document.

#### **7.4 Training and awareness raising**

The Modern Slavery Training developed with the expert consultant Impactt in 2018 was cascaded to all sourcing office colleagues during 2018. The training was tailored to the different sourcing countries using our assessment of risk in section 7.2. It was then used to train new colleagues joining the sourcing teams during the course of that year.

We also carry out regular awareness raising with our key suppliers on the importance of Responsible Sourcing.

### **8. Looking ahead**

In our last statement, we outlined the broad areas that we would be focussing on during FY19, including risk assessments, due diligence and awareness raising. All of these remain material and relevant as we enter FY20 under a new business structure. In particular, we will be focussing on work in the following area:

- Disclosing our Mothercare branded and exclusive branded factory lists
- Discussing the MSA with our key franchise partners
- Raising awareness and due diligence with suppliers of “goods not for resale”
- Raising awareness of MS issues with Mothercare colleagues



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