

# Mothercare plc Modern Slavery Act Transparency Statement FY18

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## 1. Introduction

‘Modern Slavery’ encompasses the offences of slavery, servitude, forced or compulsory labour and human trafficking and is a grave violation of human rights. As employers and providers of goods and services Mothercare seeks to ensure that such offences do not take place in our operations or our supply chain. We respect internationally recognised human rights, as outlined in the United Nations Guiding Principles on Business and Human Rights (UNGPs) and work with partners to understand and enhance the 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 during the financial year ended 24 March 2018 to prevent modern slavery in our business operations and supply chain. It follows our previous statements published in July 2016 and 2015, which can be accessed via our plc website.

## 2. 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 1270 stores across 24 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 33 franchise partners operate in 24 markets through 1131 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.

### **3. Sourcing**

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 90% 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.

### **4. Our Approach to Eradicating 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. We believe that our CR2020 programme aligns closely with a number of these SDGs. Our work relating to eradicating modern slavery is directly linked to the goal number 8: 'Decent work and economic growth', point 7.



**8 DECENT WORK AND ECONOMIC GROWTH**

Goal 8.7: 'by 2030 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'.

Next year we plan to review these SGDs in more detail with the objective of understanding how the underlying indicators could influence our programme and help us make the most positive impact.

We acknowledge that the 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 by the CEO. It is outlined in our Global Code of Conduct for employees, our Code of Practice for suppliers and 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.

Corporate responsibility (CR) governance was strengthened in FY17 as part of the launch of CR2020, our corporate responsibility programme, and in FY18 it as continued to provide opportunity to raise awareness on issues relating to modern slavery within the business.

### Plc Board

Progress against our CR2020 vision and strategy is reported at least annually to the plc Board via the Audit and Risk Committee.

### CR2020 Steering Committee

The steering committee was established in 2017 to:

- Ensure that CR is endorsed by senior leadership and integrated into the business
- Oversee the strategy and governance of CR2020
- Provide a framework for the operational committee to report progress.

The committee meets bi-annually and is made up of key members of the Senior Leadership Team. The General Counsel and Group Company Secretary chairs the committee and represents the agenda with the Executive Committee.

### CR2020 Operational Committees

The committees are chaired by the Global Head of CR and their purpose is to:

- Deliver annual activities of CR2020
- Report against KPIs and provide further reporting content where necessary
- Update CR2020 Steering Committee on progress and raise any relevant concerns.

In terms of risks relating to modern slavery, monthly updates are 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 to the plc Board.

Responsible Sourcing (RS) key performance indicators (KPIs) were introduced to Mothercare’s sourcing teams for our direct factories. These KPIs cover areas such as factory audit grades, the percent of audit grades which have improved and the number of days until a factory must send an update, in particular when a zero-tolerance finding has been issued and a corrective action plan has been agreed.

The KPIs allow us to track progress and strengthen relations between the sourcing and responsible sourcing teams, embedding RS into colleagues’ daily activities. This has also meant that factories’ commercial teams are more engaged in the responsible sourcing KPIs not only their compliance teams.

## 6. Gap Analysis

We have worked with Sancroft, sustainability experts, to carry out a gap analysis against the Modern Slavery Act. The gap analysis sought to create a high-level overview of Mothercare’s policies and processes mapped against the UK Modern Slavery Act, while taking into account broader human rights frameworks, notably the UNGPs.

Sancroft undertook desk analysis to examine Mothercare’s current policies and procedures and carried out a series of interviews with relevant Mothercare employees. A number of strengths and areas of good practice were identified, such as strong commitment to our values and transparency, a comprehensive Code of Practice, good governance and relevant actions to address the complexities involved with modern slavery.

‘Gaps’ or areas of improvement were also identified which we have worked to address over the last two years. The table below gives an overview of relevant actions taken and next steps.

Strengths	Areas for Improvement	Actions Taken FY17 and FY18	Next Steps
Strong company values	Adoption of a more systematic approach to human rights	<ol style="list-style-type: none"> <li>1. Carried out a salient human rights issues review of our key sourcing countries.</li> <li>2. Added explicit commitments in our Code of Practice to respect internationally recognised human rights.</li> <li>3. Ensured that our operations suppliers, such as cleaning or warehouse, are included in our modern slavery due diligence work.</li> </ol>	<ol style="list-style-type: none"> <li>1. Continue to refine our salient human rights issues review by including operations and seeking key stakeholder input.</li> <li>2. Aim to further align our human rights approach with the UNGPs and its reporting framework.</li> </ol>
Good governance	Integration of human rights more fully into the business	<ol style="list-style-type: none"> <li>1. CR2020 governance has been strengthened to ensure human rights issues are reported through to the Executive Committee and Plc Board.</li> <li>2. Implemented KPIs for sourcing colleagues.</li> <li>3. Briefings given to HR teams involved in recruiting.</li> </ol>	<ol style="list-style-type: none"> <li>1. Begin to discuss the MSA with our key franchise partners.</li> <li>2. Continue to embed awareness and actions with colleagues working with suppliers of ‘goods not for resale’.</li> </ol>
Understanding of complexity	Enhance supplier support	<ol style="list-style-type: none"> <li>1. Detailed guidance for suppliers through the Responsible Sourcing Handbook launched in 2017.</li> <li>2. Supplier conferences with expert speakers and practical tools.</li> <li>3. Supplier Development Programme providing practical, in-depth training on key issues of non-compliance relating to modern slavery.</li> </ol>	<ol style="list-style-type: none"> <li>1. Develop modern slavery indicators in collaboration with key suppliers and local NGOs.</li> <li>2. Consider how workers can raise grievances relating to modern slavery.</li> </ol>

## **7. Operations**

We employ directly 4567 people in the UK and 160 in Asia, not including those colleagues who work for our global network of franchisees. As part of our recruitment policy, our HR 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.

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.

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

In 2018 we launched Colleague Engagement Groups for head office and for our stores. These forums offer opportunities for colleagues to raise questions, issues or concerns both in person, via email or anonymously through suggestion boxes.

In addition, our Safe Call confidential phone line is available to employees and suppliers who want to raise concerns. The Safe Call line can be used for reporting issues relating to Bribery and Corruption and breaches of the Global Code of Conduct. The communications literature and phone line itself are available in seven languages. We have not had any calls relating to modern slavery during the year.

In FY19 we intend to begin conversations with our franchise partners on the Act with a view to gathering feedback on areas of risk for their businesses and associated due diligence.

## **8. Supply Chain**

### **8.1 Policies and Procedures**

Our Responsible Sourcing Handbook contains our Code of Practice and Implementation Policy which form part of our standard supplier terms and conditions.

Our Code of Practice sets out the standards we require at all factories used to manufacture Mothercare Group products. 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. The following clauses are most pertinent to the Modern Slavery Act:

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 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 are 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.

## 8.2 Risk Assessment and Management

In FY18 we developed a risk overview for each of our key sourcing countries. Our purpose was to understand the salient human rights issues in terms of scale i.e. the gravity of the impact, and scope, the potential volume of people involved. This overview is based on desktop research, results of both independent and internal factory assessments and on the gap analysis carried out by Sancroft and their view of the important issues for Mothercare and our key stakeholders.

 <b>CHINA</b>	 <b>INDIA</b>	 <b>BD</b>	 <b>TURKEY</b>	 <b>UK</b>
<ul style="list-style-type: none"> <li>• Excessive working hours.</li> <li>• Internal migrant workers.</li> </ul>	<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>	<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>	<ul style="list-style-type: none"> <li>• Refugee and migrant labour</li> <li>• Unauthorised sub-contracting</li> </ul>	<ul style="list-style-type: none"> <li>• Human Trafficking</li> <li>• Migrant Labour</li> <li>• Seasonal &amp; temporary labour</li> </ul>

In FY19 we intend to develop this risk assessment by including our operations risks, and our goods and services not for resale, i.e. suppliers of goods and services to our business which we do not sell in our stores.

We carry out activities to address these risks, which we will outline below.

### **8.3 Verification and Due Diligence**

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 – zero-tolerance', 'orange', 'yellow' and 'green' scale and reject any new factory requests with 'red' findings. Any of the offences 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 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.

We reviewed and graded 610 independent audits during FY18. Of these audits, 1.6% were graded 'red' and 80% of these findings improved after we worked with the supplier on corrective actions. If suppliers do not improve, we offer further training through our supplier development programme (see below), and ultimately if a supplier does not make enough progress we develop a plan to cease sourcing from the factory. The zero-tolerance or 'red' findings involved in these 1.6% of audits were related to excessive working hours, lack of transparency, non-payment of minimum wages and health and safety.

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, we are involved in a number of other activities which support our due diligence.

#### **a. In-house Factory Assessments**

We have a team of in-country Responsible Sourcing professionals covering Bangladesh, Cambodia, China, India, Myanmar, Sri Lanka and Vietnam. The team is made up of experts in their fields and local contexts, who take a practical, solutions-based approach and who spend time understanding suppliers' and workers' situations to develop sustainable solutions.

This approach allows us to develop a more in-depth understanding of the risks in our supply chain. These Responsible Sourcing professionals carry out unannounced and announced factory assessments on all new Mothercare and Early Learning Centre factories and work on capacity building projects.

In FY18 we carried out 175 in house factory assessments across all divisions of clothing, footwear, home and travel and toys in China, India, Bangladesh, Sri Lanka and Myanmar. This is a planned reduction from the 260 assessments carried out in FY17 as we move beyond audits to develop a more strategic approach with our suppliers. At these assessments we insist on

transparency and which has proved invaluable in uncovering non-conformances to our Code of Practice. The assessments include proposed new 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 ongoing support.

#### **b. Supplier Development Programme**

As mentioned above, one of the tools we use to help suppliers understand our requirements and build capacity to meet them is our in-house Supplier Development Programme (SDP).

The purpose is to:

- Enhance suppliers' management systems to proactively avoid non-compliances
- Improve working conditions and enhance employee satisfaction
- Increase factories' ability to self-monitor and manage risk
- Increase communication between workers and management.

Mothercare's internal team arranges these training sessions by topic, grouping together a selection of relevant factories. Attendees include management, supervisors and workers, in order to ensure a consistent understanding of how the factory can work as a team to address non-compliances. Topics covered so far are:

1. Health and Safety
2. Working Hours
3. Wages
4. Recruitment.

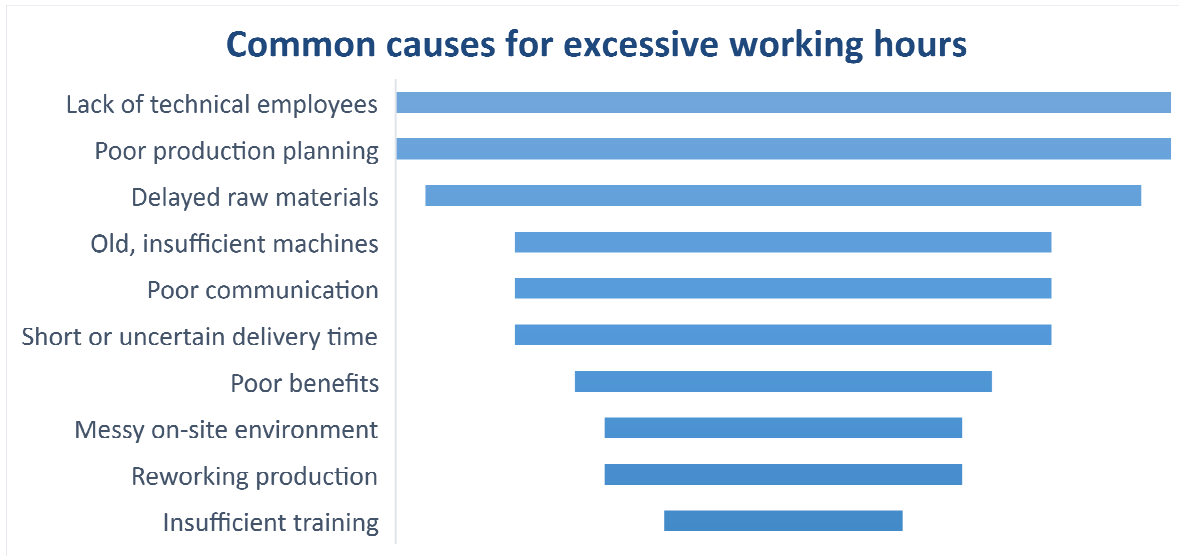
In 2017 SDP training sessions were held with 31 factories and over 100 attendees in the north and south of China. According to feedback, 100% of attendees found the trainer to be skilled and informative, 100% found the training useful and 95% of attendees believed that the suggested action plans could be implemented in their factories.

In terms of Modern Slavery indicators, one of the key risks in China is excessive working hours. During these sessions, all factories worked on understanding the root causes of this and we found that the three most common potential causes were (see Figure 1 below):

- a) Lack of technical employees
- b) Poor production planning
- c) Delayed raw materials.



Figure 1:



Factory teams were then able to address their own specific root causes and create tailored plans with support and ongoing guidance from our teams. Factories were encouraged to use the training materials to carry out further training at their factories.

From the factories who attended in 2017, two were selected to join the more intensive ‘go-further’ coaching from Mothercare’s team to help them continue in their development and to help us to develop the plan for FY19’s SDP sessions.

*“This training is very useful for our factory to analyse the wage and working hours potential issues. We hope more of our colleagues could be invited to attend trainings like this in future.”*

Supplier Feedback

### c. Collaboration

We are also involved in collaborative projects with other retailers and multi-stakeholder groups, such as the Ethical Trading Initiative. Our work continues with the ETI Tamil Nadu working group to address the sector wide issues in the factories and spinning mills of Tamil Nadu in South India. The programme aims to empower female workers, strengthen industrial relations and improve grievance and remediation processes.

The programme now covers all Mothercare’s factories and their cotton spinning mills in the region, covering thousands of workers. They have agreed to only hire workers above 18 years old, (local law permits employing 15 to 18 year olds), they have improved access to bank accounts for wages and have invested in workers’ living conditions.

In addition, all suppliers providing accommodation to workers have now signed a new Mothercare policy document which outlines our expectations of the Freedom of Movement provisions. This policy 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.

## Case Study: Gender Equality Programme in India

Harassment of female factory workers remains a problem in the Indian garment sector. In FY18 with support from the UK government's Foreign and Commonwealth Office, Mothercare worked with Treble Partners in the UK and their implementing partner in India, Change Alliance, to collaborate with factories on this topic. The overall project involved four UK brands and 11 supplier factories in three locations: Chennai, Bengaluru and Delhi. The goal was to increase workers' awareness levels about laws for protection against abuse and harassment, enhance management's ability to implement laws more effectively and improve access to remedy. Under this programme, Change Alliance held workshops for workers, senior and mid-management, supervisors and welfare officers. A gender week was organised and participatory tools were used in factories to encourage workers on gender equality and build their confidence to report grievances.

So far, the project has delivered the following outcomes:

- All factories have functional internal complaint committees and grievance redressal systems which are compliant with the requirements of the Prevention of Sexual Harassment Act, 2013 (POSH Act).
- The policies of the 11 factories were reviewed and recommendations given.
- 15,000 workers took part in comprehensive 16-hour training around sexual harassment and rights under the POSH Act, 2013.
- 260 supervisors were engaged on how to make the workplace safe and free of harassment.
- 250 factory workers were trained to be peer trainers to continue the gender equality training sessions in factories, making the programme sustainable.

In Bangladesh we are taking part in Sudokkho, a 5-year skills training programme in collaboration with the governments of Bangladesh, the UK and Switzerland.

Sudokkho's objective is to support workers to break the cycle of poverty through better training and job opportunities for the poor. The training focuses on factory capacity, production planning, work station layout, quality checks, amongst other topics. The programme began in July 2017 and five Mothercare factories have been involved. To date, 40 dedicated trainers, 20 assessors, 87 supervisors and 458 workers have been trained, 95% of the workers have been women. We hope to reach 1000 workers with this training during 2018.

*"In our model training line, the trainees themselves check their own pieces. We do not require any rechecks done by others. This initiative has actually demonstrated that training of an operator is possible in 15 days." Suddokkho factory*

### 8.4 Training and awareness raising

Responsible sourcing and modern slavery are included in all our employee inductions. An updated training module has been developed specifically aimed at designers, buyers and merchandisers. 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.

In our sourcing offices, our regional teams carry out several internal awareness raising activities, from regular training to monthly updates on key performance indicators. We also carry out awareness raising with our key suppliers on the importance of Responsible Sourcing.

## 9. Looking ahead

Mothercare has a number of projects and activities in place, both internally and in partnership with others, which allow us to ensure we meet the requirements of the Act, and also allow us to move beyond compliance in a meaningful way. We believe this work benefits all our stakeholders and demonstrates our commitment to be the leading global specialist for parents and young children.

We began this project in the autumn of 2016 guided by a gap analysis of our activities against the requirements of the Act. Our aim is to remain focussed on the following areas:

- Continue to refine our salient human rights issues by including operations and by seeking key stakeholder input.
- Aim to align our human rights approach with the SDGs, UNGPs and related reporting framework.
- Begin to discuss the MSA with our key franchise partners.
- Continue to embed awareness and due diligence with suppliers of 'goods not for resale'.
- Develop modern slavery indicators in collaboration with key suppliers and local NGOs.
- Consider how workers can raise grievances relating to modern slavery.

A handwritten signature in blue ink, consisting of the initials 'WAC' followed by a stylized, flowing line.

Glyn Hughes  
Chief Financial Officer  
Mothercare Plc