

FATFACE

**MODERN SLAVERY
STATEMENT
2019 / 2020**



OUR COMMITMENT

I continue to be proud of the strong stance FatFace takes in undertaking due diligence and addressing any human rights risks that appear within our supply chain. The Modern Slavery Act 2015 highlights the importance of understanding the salient risks we face and finding collaborative solutions to address them. We are committed to putting the rights of workers and other stakeholders in our operations at the core of our programme.

FatFace tracks a number of key performance indicators to ensure that we continue to conduct appropriate supply chain due diligence, which includes assessing common symptoms of modern slavery risks.

We report on our progress against these within the business through regular updates to the senior management team, annually to the Group Board and publicly through this statement.

Our KPIs include:

- Sustaining an appropriate corporate governance structure
- Upholding a declaration of commitment from our suppliers
- Closely monitoring performance against our supply chain code of conduct
- Monitoring risk beyond our first-tier suppliers
- Tracking and reporting on the issues which highlight risks of or are symptomatic of Modern Slavery and the remedial action taken
- Maintaining staff training levels, with a focus on those procuring product

We know that the world of work and purchasing has changed a great deal in the past year and will continue to do so. With that in mind we will conduct a new human rights and modern slavery risk assessment to ensure that we continue to focus our attention on the issues most relevant to us.

I AM CONFIDENT THAT WE NOT ONLY IDENTIFY THE RISKS PRESENT IN OUR SUPPLY CHAIN, BUT ALSO THAT WE TAKE A ROBUST APPROACH TO RESOLVING ANY ISSUES THAT WE FIND.

Liz Evans – CEO
September 2020



OVER 230 RETAIL STORES IN THE UK & ROI AND 22 IN THE US.

OVERVIEW OF OUR BUSINESS

FatFace was founded in 1988 and continues to grow as a prominent UK lifestyle clothing brand with over 230 retail stores in the UK & ROI and 22 in the US. We offer a wide range of high quality and affordable clothing, footwear and accessories to our target demographic, which is primarily family-oriented women and men who are attracted by an active, casual, outdoor lifestyle.

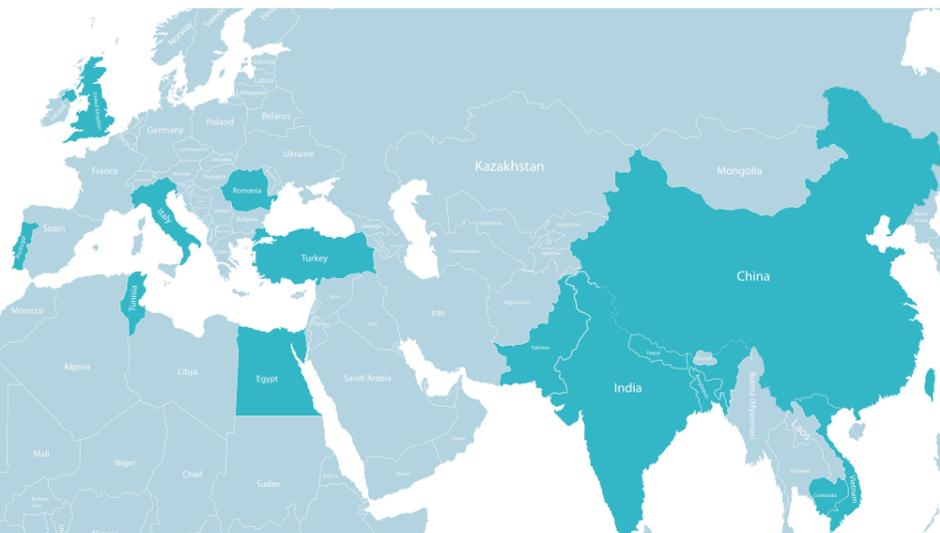
In line with our values, we maintain a robust approach to sustainability, which is a core part of our business strategy and includes a clear reporting structure. Our Modern Slavery Act 2015 responsibilities sit with our Responsible Sourcing team, which is led by Nick Stevenson, Trading Director, who sits on our Operational Board.

We report on our Modern Slavery responsibilities as part of our sustainability KPIs. Progress against these KPIs are reviewed every 2 months by our senior management team and annually through the FatFace Group Board Audit Committee. This means we scrutinise our performance against our targets to ensure sufficient progress is being made and that any issues that arise are properly resolved.

Our sustainability KPIs cover our supply chain due diligence activities, which is the main route through which modern slavery symptoms and risks are raised and escalated as business-critical issues. All members of the Operational and Group Boards are experienced in managing governance around sustainability and provide vigorous scrutiny of our approach and progress.

OVERVIEW OF OUR CORE PRODUCT SUPPLY CHAIN

FatFace works with over 170 garment, shoes and accessories factories across 13 countries. We always seek to establish and maintain long-term trading



OUR POLICIES IN RELATION TO SLAVERY AND HUMAN TRAFFICKING

We have derived our definition of modern slavery from the UN Guiding Principles on Business and Human Rights and as such, for FatFace, ‘modern Slavery involves one person depriving another of their liberty in order to exploit them for personal or commercial gain’.

We recognise that human rights abuses exist within global garment supply chains and, as a responsible retailer, we have a duty to understand and address these issues within our own supply chain. We work together with key partners such as the Ethical Trading Initiative, supply chain experts The Re:Assurance Network and Impactt Ltd, and other brands to achieve sustainable changes in working conditions and reduce the risk to our business of modern slavery occurring in our supply chain. Our programme focuses on transparency and trust between us as buyers and our suppliers. This means that we may continue to work with suppliers and factories that may have high risk issues and non-compliances with our code of conduct so long as they remain committed to making improvements.

We continue to ensure that suppliers are aware of and sign our global supplier

relationships with our partners, based on trust and mutual growth.

We’ve been working with our top 20 suppliers for a combined time of 218 years. We pride ourselves on working with partners who seek to meet our high quality and ethical requirements and recognise our shared duty to limit any negative social and environmental impacts. We know that our security of supply and ability to ensure continued high quality is dependent on our working relationships with our suppliers, especially in the current global climate. We always seek to work with partners who fully understand our business values and expectations. The strength of our supplier relationships provides us with excellent visibility of our first-tier factories and provides an effective platform for understanding and addressing modern slavery and human trafficking concerns within the supply chain.

code of conduct, ‘The FatFace Way of Life’ as a way of sharing our values and expectations with our core product suppliers. The expectations set out in our ‘Way of Life’ are based on universally recognised labour standards including those outlined in the Ethical Trading Initiative (ETI) Base Code and the UN Guiding Principles on Business and Human Rights, both of which cover Modern Slavery issues.

We will be scrutinising our policies and procedures to ensure that they are fit for purpose in light of the new global supply chain context. This review will take place in the next financial year and will likely be repeated on a more regular basis in future years. We believe that there has been a fundamental shift in the nature of work and supply chains and we are committed to adapting our approach to address any new risks that this will present.

ASSESSING AND RESPONDING TO RISKS

In our most recent risk assessment we determined that our greatest risk of human rights abuses exists in our core product supply chain. Garment supply chains are long and complex, with a large number of different actors involved between the production of raw materials through to the product arriving in our stores. The majority of these suppliers are outside of our direct influence, particularly from the second tier of our supply chain downward. Therefore, we continue to focus our efforts on our first tier. We intend to make efforts to increase our visibility and activity into the second tier and beyond in the coming year financial year.

Having mapped our core product supply chain against country specific risks highlighted by the Global Slavery Index, we know that India, China, Cambodia and Pakistan are the sourcing countries with the highest risk of modern slavery occurring in our supply chain. We have focused our efforts in these countries, making sure that annual due diligence 3rd party audits are in place¹ for 89% of our first-tier factories² and undertaking more in-depth Verification Assessments, follow up and Root Cause Analysis visits at 19 key sites. We have also expanded the Verification Assessment part of our programme to include factories manufacturing licenced FatFace products for the first time. Many of these factories have received multiple visits, in line with our updated Verification Assessment follow up and Root Cause Analysis process, which means we are better able to build relationships with factory management and provide tailored guidance on how to resolve the issues that they are facing.

Our preferred 3rd party assessment standard specifically includes new standards on human rights issues such as land use, community engagement and management systems activity, alongside existing human and labour rights issues such as living wages, working conditions and freely chosen employment. Most of the issues that we have encountered through these new standards relate to management systems and policy development. We have expected more detailed findings in these areas as auditors became more accustomed to checking and reporting on performance against what were quite new standards. In fact, we have not seen a great increase in issues or variation in the types of issues raised. We will seek to liaise with other brands to determine whether ours is a common experience and if so what action we can take collaboratively to improve assessments.

As with previous years, our more in-depth Verification Assessments have identified occasional issues that could be symptoms of modern slavery, including the retention of ID papers, charges for uniforms, and late-payment of wages and benefits. These issues are often found among workers who are on site but not directly employed, such as security guards. Where we find such issues, we continue to engage with suppliers to ensure that they are resolved as soon as possible. We continue to see some success in providing a remedy to the workers involved in these cases, and in most cases and we continue to work with the factories involved to try to address the root causes of the issues we encounter.

As outlined above we have plans to review and refine our approach to human rights due diligence in order to respond to the changing risks in the supply chain. We will also undertake an in-depth mapping of our deeper supply chain alongside a risk assessment of the units we identify.

These 2 activities will likely result in a change in our approach to human rights and modern slavery due diligence as we better understand the new context.

On the rare occasion that it is not possible to engage our supplier sites in the process of resolving serious labour rights or human rights abuses, we will terminate our business relationship with them. We did not have any cases of factories that were exited as a result of failure to engage with our programme this year.

We recognise that human rights abuses can exist within our non-product operations. In our last risk assessment, we identified recruitment and the utilisation of contract labour within all our supply chains, both product and non-product, as an area of potential risk and have

POLICIES IN PLACE ACCORDINGLY TO MITIGATE THESE RISKS.

¹ Total number of due diligence audits in place in last reported update to SMT – March 2020. This is not the total number of assessments undertaken in the reporting year. The last reported update to the SMT is significantly earlier in the year due to the COVID-19 UK national lockdown in March, April and May 2020.

² 89% is lower than we have reported in previous statements – this is due to the impact of the coronavirus pandemic on our supply chain in China, where sites were closed and not able to undertake their usual annual assessment.

SUPPLIER ENGAGEMENT AND DELIVERING IMPROVEMENTS

In addition to our in-depth Verification Assessments, we continue to operate a working conditions improvement programme to engage with supplier sites that have undergone a verification assessment. This programme seeks to provide tailored advice to help sites find solutions to the issues that they encounter, improve working conditions for all of their workers, map and assess their own supply chains and work in partnership with FatFace to reduce the risk of human rights abuses deeper in the supply chain.

During our root cause analysis or special factory improvement programme visits, we work with factory management to seek to understand why labour rights issues are occurring within the workplace and then identify specific solutions to resolve them. This analysis provides insight to systemic as well as isolated issues and is the basis for developing stronger relationships between factory management and our assessment team, more transparency in record keeping and assessment and the closure of multiple working conditions issues.

The root causes of issues are uncovered during dedicated visits where factories are engaged in a detailed conversation about how their business is run and the more general challenges that they face.

Some examples of root causes include:

- A lack of understanding of the audit process meaning that factories were seeking to ‘pass’ an audit rather than managing safety and other issues on a continuous basis
- Higher levels of over-booking of orders to meet customers’ demands, coupled with lower order quantities per style, which both contribute to reduced production efficiency and an increase in the amount of worker overtime.

Understanding the ‘root causes’ of issues such as overtime, rather than the symptom which is the overtime itself, allows factories to either address or better manage the reasons for the issues. For example, if the factory knows that there is an increase in smaller quantity orders then they can plan production based on this rather than continuing to plan based on the ‘old normal’ of larger orders, and suffering the impact of extra overtime hours as a result.

Once the root causes of issues have been identified the factory management work together with FatFace’s representatives to develop a tailored and detailed action plan. This action plan forms the basis of regular support and training visits, which guide the factory through the corrective actions and ultimately seek to resolve both the original issues and the identified causes. We have completed an in-depth series of visits for 2 sites in China, focusing on worker health and safety, production flow and management systems. The feedback from this process has been positive and we hope to expand the programme to look at more complex issues such as working hours in the coming year. We look forward to continuing to share more information about our assessment and improvement programmes in future statements.

In 2018 we joined the Better Buying Initiative to allow our suppliers to anonymously assess our performance and share lessons for FatFace to improve our buying behaviour. We believe that this is the most powerful way for us to improve working conditions in factories, as we know that many issues that arise can be caused by commercial pressures.

The most recent report from this survey, which includes feedback from suppliers collected during the coronavirus lockdown, highlighted new areas of positive behaviour, including the ‘Win-Win Sustainable Partnership’. However, our performance did drop in areas such as ‘Sourcing and Order Placement’ and ‘Payment and Terms’. Whilst this feedback is not wholly surprising, it is something that we want to address in the short and long term as we respond to the changes in the business environment.

THIS YEAR WE UNDERTOOK 23 FOLLOW UP, FACTORY IMPROVEMENT PROGRAMME OR ROOT CAUSES ANALYSIS VISITS AT 19 DIFFERENT SITES.

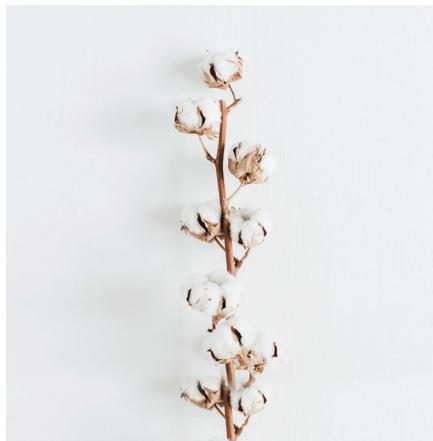
HOW WE REPORT ON MODERN SLAVERY RISKS

We analyse human rights abuses and non-compliance against our code of conduct through the implementation of FatFace’s due diligence audit and assessment process. We hold a meeting to share this information with the senior leadership team every 2 months, as well as reporting to the group board of Directors through the annual Audit Committee.

The primary source of external oversight for our programme is through our membership of the Ethical Trading Initiative (ETI). We report annually against the ETI’s principles of implementation, as well as submitting detailed progress reports against our objectives and we receive detailed feedback and guidance on improvements from members of the ETI Secretariat and a representative from either an NGO or Trade Union member. Our annual ETI report for 2019 commended FatFace for our focus on continuous improvements with suppliers and the transparency and openness with which we reported on individual cases.

In addition to the reporting and oversight process, the ETI provides FatFace with an important collaborative platform that enables the sharing and dissemination of information relating to human rights abuses amongst industry peers and provides insight into how to address these challenges. We continue to collaborate with other ETI members to better understand the risks in our supply chain and to achieve measurable improvements in working conditions at individual factories.





TRAINING AND DEVELOPMENT

All members of FatFace staff that are involved in buying core product participate in training that outlines the principles of our code of conduct and the implications that human rights abuses can have upon our supply chain and the people in it. Our Introduction to Responsible Sourcing module has been added to the new starter induction process for the buying team and we continue to develop more advanced modules for more experienced colleagues to further develop their knowledge.

These more advanced modules cover more detailed information about our purchasing practices and will be improved as the information from the Better Buying Initiative gives us more insights into our impact in the supply chain.

We also engage members of the Design, Buying and Merchandising teams in practical training to deliver our sustainable raw materials strategy. These sessions include information about the supply chain and the impact the raw materials programmes have on the environment and workers' rights, as well as how each role can support the delivery of our targets.

OUR NEW 2025 SUSTAINABILITY STRATEGY INCLUDES STRETCHING TARGETS TO ROLL OUT TRAINING TO ALL MEMBERS OF OUR CREW,

including our retail colleagues, to inform them about our initiatives and ensure that they become sustainability ambassadors for the brand. This will rely on online training modules as well as shorter sessions focused on specific aspects of the strategy.