

FATFACE

**MODERN SLAVERY
STATEMENT 2017/2018**





OUR COMMITMENT

I am personally dedicated to ensuring that FatFace continues to implement a robust approach to addressing Modern Slavery and human rights abuses within our business. The Modern Slavery Act 2015 highlights the importance of understanding the salient risks we face and finding collaborative solutions to address them.

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

OVERVIEW OF OUR BUSINESS

Founded in 1988, FatFace is a UK lifestyle clothing brand with over 220 retail stores in the United Kingdom and 11 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, causal, outdoor lifestyle.

We continue to report on our progress against these within the business and annually through this statement. Our KPIs include:

- Sustaining an appropriate corporate governance structure
- Maintaining a declaration of commitment from our suppliers
- Closely monitoring non-compliance with our supply chain code of conduct
- Monitoring risk beyond our first tier suppliers
- Tracking the number of cases of Modern Slavery reported and the remedial action taken
- Maintaining staff training levels, with a focus on those procuring product

ANTHONY THOMPSON
Chief Executive Officer, FatFace

July 2018

OUR VISION

ABSOLUTELY EVERYTHING WE DO IS DESIGNED TO BE LOVED BY ALL OUR CUSTOMERS FOR LIFE OUTSIDE 9-5

OUR STRUCTURE

In line with our values, we have developed 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 sustainability team, led by a member of the FatFace Board.

We report on our Modern Slavery responsibilities as part of our sustainability KPIs, quarterly through the FatFace Group Board Audit Committee. This means we regularly review our progress against KPIs, our strategic direction and, where necessary, any issues that arise. Our sustainability KPIs cover our supply chain due diligence activities, which is the main risk area for the business and through which modern slavery symptoms and risks are raised and escalated as business critical issues. All members of the Board are experienced in managing governance around sustainability and provide vigorous scrutiny of our approach and progress.





OVERVIEW OF OUR CORE PRODUCT SUPPLY CHAIN

FatFace sources, clothing, footwear and accessories from over 135 trusted and well-integrated sourcing partners across 14 countries globally. Our sourcing mix reflects the requirements and core principles of the FatFace brand, which prides itself on producing great quality products that our customers love outside the 9-5.

Since selling our first t-shirt in 1988, FatFace has built particularly strong relationships with our core product sourcing partners. Our top 10 suppliers have worked with FatFace for 12 years on average, and our top 20 suppliers have a combined relationship with FatFace of over 190 years, and account for 75% of our product intake by value (2017-2018 financial year).

We know that our product mix and ability to ensure continued high quality is dependent our working relationships with these suppliers, 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 & Human Trafficking concerns within the supply chain.

OUR POLICIES IN RELATION TO SLAVERY AND HUMAN TRAFFICKING

We have derived our definition of Modern Slavery from the UN guiding principles on 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 and supply chain experts such as The Re:Assurance Network and Impactt Ltd to achieve sustainable changes in working conditions and reduce the risk to our business of modern slavery occurring in our supply chain.

Over the past year we have continued to ensure that all suppliers are aware of our global supplier 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 standards such as the Ethical Trading Initiative (ETI) Base Code and the UN guiding principles on business and human rights, both of which cover Modern Slavery issues.

ASSESSING OUR RISKS AND DELIVERING SOLUTIONS

We have assessed our modern slavery risks and have determined that our greatest risk 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 though 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 years.

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 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 place for 99% of our first tier factories, and undertaking more in-depth FatFace Verification Assessments in 28% of factories in these countries, where we have identified a degree of risk.

Our preferred 3rd party assessment standard now specifically investigates human

rights issues such as land use and 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 the new aspects of this standard relate to management systems and policy development. We expect more detailed findings in the future as the assessment companies become accustomed to checking and reporting on performance in this area.

Our more in-depth Verification Assessments have identified occasional issues that could be symptoms of modern slavery, including the retention of ID papers and late-payment of wages. Where we find such issues, we continue to engage with suppliers to ensure that they are resolved as soon as possible. We have had success in providing a remedy to the workers involved in these cases, and in most cases we continue to work with the factories involved to try to address the root causes of the issues we encounter.

Many of the issues that we have encountered are examples of security staff who have been required to lodge their ID papers with their employers. Most of these workers are not directly employed by our factories, so our action involves influencing their employer to return the papers, and then following up with the factory to verify that action has been taken through record checks and worker interviews.

In the past 12 months, we have received and followed up on 1 whistleblowing incident regarding labour rights issues in the supply chain. The investigation that followed this incident uncovered



working conditions and business practices that were not aligned with FatFace's values, and unfortunately the supplier site was not willing to resolve their ways of working to achieve meaningful improvements. For this reason, we chose not to place future orders with this site, although we continue to monitor progress against the agreed corrective action plan.

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 have initiated 3 such actions in the past year, 2 in India and 1 in China.

We also recognise that human rights abuses can exist within our non-product operations. We have 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.

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 every 2 months to share this information with the senior leadership team, as well as reporting as part of our governance structure to the group board of Directors through the quarterly Audit Committee.

Our membership of the Ethical Trading Initiative (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 best to address these challenges. We also report to the ETI on our supply chain due

diligence activities and receive detailed feedback and guidance on improvements from the ETI Board, Secretariat and NGO and Trade Union members. This year the ETI improved their assessment of our overall responsible sourcing programme from 'Improver' to 'Achiever' and placed us 16th in a ranking of over 70 apparel and textile ETI members.

We have joined the Better Buying Initiative to allow our suppliers to assess our performance and share lessons for FatFace to improve our buying behaviour. The report of this assessment will ultimately be made public, which we know will encourage us to improve our buying practices and ensure that we are doing all we can to enable good working conditions in our supply chain. We are involved in the second cohort of brands to be assessed by suppliers, and so we expect our first feedback report in the first half of the coming financial year. The public reporting of this assessment will be available toward the end of our financial year.

We have a dedicated email address for suppliers to communicate concerns they may have about human rights abuses in our supply chain, and will seek to implement worker surveys in our supply chain in the future.

TRAINING AND CAPACITY BUILDING

All members of FatFace staff that are involved in core product procurement undergo 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.

We have been working to improve and update this training over the course of the past year and will implement new training sessions in the early part of our 2018-2019 financial year. We will also continue to send new or junior members of staff to a working factory in North London to ensure that they are exposed to the realities of garment manufacture and receive practical training on the management of production and people in a factory environment.

To further improve our own teams' understanding of the realities of operating in supply chains we have initiated an exchange programme with one of our top suppliers in India. So far 2 members of our Design and Buying team have spent a week with the supplier and factory in India to see first-hand how they manage our orders from technical specification stage all the way through sampling, planning, production and finally shipment. The feedback on this first stage of the programme has been enormously positive and we are eagerly awaiting the arrival of 2 supplier colleagues later on this calendar year.

We also hold supplier workshops in key sourcing countries regarding the implementation of relevant legislation, the expectations of our code of conduct and what this means for FatFace and

our sourcing partners. We'll be scheduling 3 conferences in the coming year to be held in our 2 key sourcing regions, and in our UK offices to cover those suppliers who are located closer to home for us.

We are implementing a working conditions improvement programme to work with supplier sites that have undergone a verification assessment. This programme seeks to offer advice that will help suppliers 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 us to reduce the risk of human rights abuses deeper in the supply chain. The programme has resulted in 21 follow up visits at 17 different sites. The ultimate outcomes of these visits will not be known for some months, but we have informal reports of stronger relationships between factory management and our assessment team, more transparency in record keeping and assessment and the closure of multiple working conditions issues. We will continue to focus these efforts on those supplier sites that are of importance to FatFace and are experiencing high risk or long-term issues that they are struggling to address without support.



We are also implementing an improvement programme at our top supplier's factory to improve working conditions and promote investment in a new facility to allow the factory to grow sustainably with us. This has already resulted in a request to collaborate with the consultancy firm involved to ensure that the new facility is set up in line with best practice principles in the areas of production planning, space management and recruitment.

We look forward to sharing more information about these programmes in future statements.



FATFACE

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