

FATFACE

**MODERN SLAVERY
STATEMENT 2018/2019**





OVERVIEW OF OUR BUSINESS

Founded in 1988, FatFace is a UK lifestyle clothing brand with over 233 retail stores in the UK & ROI and 19 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.

OUR COMMITMENT

As a new leader of this business, I am pleased to see that we have taken a strong stance 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.

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.

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
- 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
- I am confident that the approach we use not only identifies any risks that are present in our supply chain, but also takes a robust approach to resolving any issues that we find.

LIZ EVANS
Chief Executive Officer, FatFace.

July 2019

OUR VISION

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

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 Responsible Sourcing team, led by Nick Stevenson, Director of Merchandising, who sits on our Operational Board.

We report on our Modern Slavery responsibilities as part of our sustainability KPIs, which are reviewed every two months by our senior management team and annually 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 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.



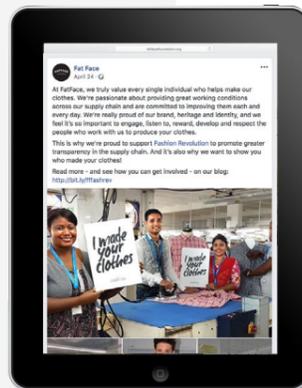


OVERVIEW OF OUR CORE PRODUCT SUPPLY CHAIN

FatFace sources, clothing, footwear and accessories from over 150 trusted and well-integrated sourcing partners across thirteen 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.

Since selling our first t-shirt in 1988, FatFace has built particularly strong relationships with our core product sourcing partners. Our top ten suppliers have worked with FatFace for twelve years on average, and our top 20 suppliers have a combined relationship with FatFace of over 218 years, and account for 78% of our product intake by value (2018-2019 financial year).

We know that our product mix and ability to ensure continued high quality is dependent our working relationships with our 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 AND RESPONDING TO RISKS

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 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 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 third party audits are in place for 99% of our first-tier factories, and undertaking more in-depth FatFace Verification Assessments in seventeen factories in these countries, where we have identified a degree of risk. Many of these factories have received multiple visits, in line with our updated Verification Assessment follow up and Root Cause Analysis process, as outlined below.

Our preferred 3rd party assessment standard specifically includes 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 this standard relate to management systems and policy development. We expect more detailed findings in these areas as auditors become more accustomed to checking and reporting on performance against these standards.

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. 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 and 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 relate to workers that are contracted to the factories through agencies, for example security staff or cleaners. Our assessments highlight issues where workers have been required to lodge their ID papers with their employers or pay deposits for uniforms. As these workers are not directly employed by the factory our action involves influencing their employer to return the papers and reimburse workers. Our actions are then to follow up with the factory to verify that action has been taken through record checks and worker interviews.



Our Responsible Sourcing programme includes scope for workers to contact the FatFace team and our assessment partners about issues that they face. We have had one such incident over the financial year, which we are still actively remediating. The issue relates to overtime hours and annual leave, and our assessment team have visited the site to assess the allegations and establish a programme of improvements with the factory. The factory management and supplier are engaged in this programme and we continue to support and assess the implementation of the agreed improvement programme. In accordance with our approach to Responsible Sourcing and risk management we will not exit a facility while work to improve issues is continuing and we are pleased with the engagement of our supply chain partners in this programme.

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 had one instance of a commercial relationship being terminated due to rights issues last year, when two under-age workers were found during a Verification Assessment. FatFace responded quickly to work with the supplier to create a proper remediation plan for the children and

implement suitable HR systems at the factory to prevent future instances of child labour. However, despite these efforts the parents of the children, along with the factory management, refused to engage. It was due to this refusal to engage that FatFace took the difficult decision to exit the factory and re-source the product elsewhere.

We 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.



SUPPLIER ENGAGEMENT AND DELIVERING IMPROVEMENTS

In addition to our in-depth Verification Assessments, we have established 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 eighteen follow up visits at thirteen different sites.

Seven of these sites have also been included in a Root Cause Analysis or special factory improvement programme, which seek to identify why labour rights issues are occurring within the factories

where we work. We seek the origin of non-compliances and identify solutions with the aim to improve working conditions for all workers. 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 deeper conversation about how their business is run and the more general challenges that they face. Some examples of Root Causes include production team capacity being low and this impacting on product flow and therefore housekeeping in facilities, and supply chain management issues causing production delays and therefore overtime.

The Root Cause Analysis programmes are still in the early stages at all facilities, so overall outcomes are not yet known. However, we have positive feedback from all of the stakeholders involved and have seen some material improvements in working conditions, especially housekeeping and physical safety issues at some sites.

In addition to the Verification Assessment and follow up activity that we undertake, we have implemented an improvement programme at our top India supplier's factory to improve working conditions and promote investment in a new facility to allow the factory to grow sustainably with us. The key focus of the first phase of the programme was to improve health and safety practices and quality management to reduce costs for the factory. The first phase resulted in an increase in output capacity of 8%, with a recorded reduction in working hours. This delivers on our aim of mutually beneficial growth with our suppliers, and coupled with an incentive scheme should result in improved livelihoods and working conditions for workers as well.

We are now working into our second phase of this programme, which is focused on production methods, planning, efficiency. The supplier we're working with is also investing in a new production facility and will transfer the lessons from this programme to that new facility when it starts accepting orders in the coming year.

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

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 two 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 annual 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. Our annual ETI report for 2018 commended FatFace for our activity around Buying Responsibly and our focus on continuous improvements with suppliers.

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. Our first-year survey had a 48.6% response rate giving us an initial read but scope to improve engagement from our suppliers next year. Our first Purchasing Practices Report (2019) provided FatFace with an overall rating which was higher than the industry average. The report has highlighted key areas of our buying behaviour which can directly impact the conditions for workers and has recommended a focus area within 'Sourcing and Order Placement'. The amalgamated report of all Better Buying participants' scoring will be made public later in 2019.

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 DEVELOPMENT

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

In the past year we have improved and updated this training to reflect the progress we have made in both our due diligence process and our engagement with suppliers on solutions to labour rights issues. Our Introduction to Responsible Sourcing module has been added to the new starter induction process for the buying team and we are developing more advanced modules for more experienced colleagues to further develop their knowledge. These more advanced modules will definitely cover more detailed information about our purchasing practices, building on the feedback that we receive from our supply chain through our engagement with the Better Buying initiative. We also include information about our sustainable cotton commitment, which partners with organisations that seek to improve labour and human rights in cotton supply chains, in our new starter induction process for buyers.

To further improve our product teams' understanding of the realities facing our supply chain partners, we initiated an exchange programme with one of our top suppliers in India. In the previous

reporting year, two members of our Design and Buying team spent a week with our 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 that stage of the programme was enormously positive and was shared amongst colleagues through informal briefings. In this financial year we hosted two members of the supplier's account management and technical teams. Both spent a week in head office attending buying, fitting and trade meetings to better understand how FatFace manages our business and what we seek from our products and suppliers. The whole process has been hugely beneficial to both parties and has further strengthened the relationship that we have with a partner we have been working with for almost twenty years.

In addition to this focused engagement, we held two supplier conferences in Hong Kong and Delhi, India to engage with our supply chain more broadly. These



conferences focused on our business and sourcing strategy and our focus on quality product and mutually beneficial growth. We also briefed our suppliers on our updated Responsible Sourcing programme and sustainable raw materials commitments, and brought in external speakers from The Re:Assurance Network, Impactt Limited and the Better Cotton Initiative to illustrate to all of our suppliers the potential improvements and partnerships that we would seek to achieve with them. The feedback from the conferences was excellent.

FATFACE

Unit 1 Ridgway, Havant, Hampshire PO9 1QJ

023 9244 1100 | fatface.com