

## **C&J Clark Limited 2016 statement in accordance with the UK Modern Slavery Act 2015 and The California Transparency in Supply Chains Act of 2010**

This statement is made pursuant to Section 54 of the Modern Slavery Act 2015 (MSA) and The California Transparency in Supply Chains Act of 2010 (SB 657). It outlines the measures the Company has taken to assess and reduce the risk of slavery and human trafficking occurring in our business or supply chains during the financial year 2016/17.

### **ABOUT CLARKS – HOW OUR BUSINESS OPERATES AND IS STRUCTURED**

C & J Clark Limited is a privately owned United Kingdom limited liability company. C & J Clark Limited and its subsidiaries are located in the UK, USA and other countries throughout the world (Clarks).

Clarks have been shoemakers since 1825. Nearly 200 years later, Clarks designs, develops, sources and sells footwear and accessories globally, operating in over 75 countries. Clarks products are sold through our own retail and outlet stores as well as through stores operated by our franchise partners, by our wholesale customers and online via our digital platforms. At 31st January 2017, Clarks employed over 13,500 people including part time employees.

Clarks commercial operating model is structured by three regions - Europe, Americas, and Asia Pacific. Within each region the teams are focused on the specific commercial needs of their channels. These regions are supported by corporate functions providing services in Human Resources, Finance, IT, Legal and Supply Chain.

Our Brand hubs are located at Clarks headquarters in Somerset UK and Boston USA, focusing on product design, line management and creative and marketing activities. Development and sourcing activities are also located in the UK and USA along with several locations in Asia, including China, Vietnam and India.

### **Our Supply Chains**

While we undertake most of the design and development of our products ourselves, we outsource the manufacturing of all our products. In most factories, the facilities are shared with production for other footwear brands.

Most of Clarks footwear products are sourced through suppliers overseen by the Clarks business through our Sourcing Operations team. A small proportion is sourced through specialist agents. We have long standing relationships with many of our suppliers and have been working for over 5 years with those producing more than 80% of Clarks footwear.

In 2016, we sourced most of our footwear from suppliers based in Asia (Vietnam, China, Cambodia, India, Indonesia and Bangladesh) with small volumes from Nicaragua and within Europe. The production was undertaken through 59 factories producing finished shoes. These were supported by 41 stitching units producing partly made uppers, predominantly in India.

For the footwear sourced from directly overseen suppliers, Clarks nominates the suppliers for key materials and components. This includes the tanneries supplying the leather, factories supplying the sole units, packaging materials such as shoe boxes, tissue paper and transit cartons as well as some other non-leather materials.

Non-footwear products such as handbags and accessories make up a small part of the business, representing approximately 3% of total revenues. These are all sourced through specialist agents for each product type. The production of these products takes place mainly within China, India and Vietnam with some specialist products produced in Europe.

Further information can be found in our Corporate Responsibility pages on [www.Clarks.com](http://www.Clarks.com).

## **ADDRESSING THE RISKS OF MODERN SLAVERY AND HUMAN TRAFFICKING**

Clarks attaches real importance to the welfare of our employees and those employed by our suppliers. During 2016, we took steps to strengthen our understanding and management of the risks of modern slavery and human trafficking in our own business or our supply chains, building on our long-established Code of Business Ethics and Code of Practice for Suppliers. These steps included:

- Meeting with Kevin Hyland, the United Kingdom's first Independent Anti-Slavery Commissioner
- Holding an employee awareness-raising session, hosted by two of our Senior Leadership Team, on the prevalence of modern slavery and the Modern Slavery Act to highlight the issue and how we expect all employees to play their part.
- Supporting the Pacific Links Foundation in the delivery of their Factory Awareness to Counter Trafficking (FACT) program at some of our suppliers in Vietnam.
- Commissioning BSI to conduct a modern slavery risk assessment covering our direct operations and indirect business relationships including manufacture, logistics, retail and office support services.
- Reviewing our governance structures for responsible sourcing of Goods for Resale (GfR) and Goods Not for Resale (GNfR).

During 2017 onwards, Clarks will continue to build on these activities, considering the following areas in particular:

- Support for a modern slavery and human trafficking awareness tool being developed by Pacific Links Foundation in Vietnam;
- Implementation of action plans to further mitigate risks and drive improvement, using inputs from the external modern slavery risk assessment, NGO reports and best practice examples;
- Review of potential KPIs and monitoring;
- Options to strengthen implementation for higher risk Suppliers of Goods Not for Resale, including service providers;
- Training and awareness of risks and reporting channels.

## **OUR POLICIES RELATING TO MODERN SLAVERY AND HUMAN TRAFFICKING**

Clarks Code of Business Ethics and Clarks Code of Practice for Suppliers are publicly available via the Corporate Responsibility pages on [www.Clarks.com](http://www.Clarks.com).

### **Code of Business Ethics**

Clarks Code of Business Ethics outlines the global values and principles that help shape the way we work. It is primarily aimed at employees and we encourage our business partners, including suppliers, franchise and joint venture partners, to adopt and apply the Code wherever they represent or promote the Clarks brand. The key principles include:

- We treat all employees and each other fairly, with dignity and respect
- We operate with integrity and honesty
- We base our business relationships on respect; and expect the same from those that we do business with.

As part of a periodic review, Clarks Code of Business Ethics was updated in April 2017 taking into consideration new legislative developments such as the Modern Slavery Act and best practice guidance from the Institute of Business Ethics of which Clarks is a subscriber. The revised Code of Business Ethics specifically references that “No form of forced or compulsory labour or modern slavery is tolerated by Clarks within our own operations or those of our business partners”. It also provides a Q&A example of how this risk might present itself within the use of staffing agencies and clearly presents the reporting channels available to employees to report any concerns that the Code is being breached. This includes an externally provided whistleblowing channel.

### **Code of Practice for Suppliers**

Clarks Code of Practice summarises the minimum standards for working conditions that we expect our Suppliers to adhere to in the production of all Clarks products. The Code of Practice requires compliance with all local legal and regulatory requirements of the country in which the facility is located; to recognise International standards and to uphold the core labour conventions of the International Labour Organization. Where there is any conflict between these we expect the higher standard to be achieved.

It contains specific requirements related to forced labour as follows:

“All work must be conducted on a voluntary basis, and not under threat of any penalty or sanctions. The Supplier shall not use any form of forced, bonded, indentured, trafficked, slave or prison labour. Workers must not be required to lodge "deposits" or their identity papers with their employer. All workers should be provided free and unrestricted access to potable water and clean toilet facilities.”

As used in the Code of Practice the term “Supplier” includes but is not limited to vendors, agents, factories, sub-contractors and material & component suppliers.

Clarks strives to ensure that compliance with Clarks Code of Practice forms part of the terms and conditions for all purchase orders. Through our social audit program, suppliers are required to sign a copy of the Code of Practice as part of the audit process to acknowledge and confirm that they have received, reviewed and understand it, and that they are in or working towards full compliance with these standards.

The Code of Practice is reviewed periodically to ensure it remains relevant and fit for purpose. This was done most recently in 2016 and included benchmarking against standard codes, those of peer brands and retailers and review by an external organisation.

## **DUE DILIGENCE AND AUDITS OF SUPPLIERS**

### **Geographic Assessment**

Our supply chains are global and complex especially below the first tier of finished goods suppliers. To ensure we utilise our resources effectively in monitoring compliance with our Code of Practice (which includes the requirement that the Supplier shall not use any form of forced, bonded, indentured, trafficked, slave or prison labour), Clarks uses a geographic assessment of risk as an initial indicator.

Until the end of 2016 Clarks used the United Nations Human Development Index to support this assessment. The development quartile of the country where the actual production facility is located provides the initial indicator of the level of audit and scrutiny that is appropriate to be conducted. In developing and applying this approach there will be exceptions where either a more, or less rigorous audit approach is an appropriate response to the risk. Exceptions may be made based on geographic location, product type or for an individual supplier.

Following a review, in early 2017 Clarks adopted the British Standards Institute (BSI) SCREEN system threat ratings which provides a more comprehensive and granular geographic assessment. This includes information sources relevant to the use of forced labour in each country.

### **Audits of supplier working conditions – including forced labour**

Where appropriate based on the level of risk, audits are conducted of any potential new supplier prior to the acceptance of a purchase order for bulk production. For existing suppliers, we use a tiered approach to the frequency of audits based on their compliance performance and management capability.

In common with other brands, audits are conducted either by our in-house specialist audit team or by a third-party service provider on our behalf.

The audits are undertaken against criteria that assess the level of compliance by the facility to the working condition standards set out in Clarks Code of Practice. The audit process includes a review of business licences and relevant documentation, interviews with management and workers and an inspection of all areas of the facility site.

In the first instance, we want the information gathered through our audit program to be used by the factories to take action to improve conditions where necessary. It is also used to inform both operational and strategic sourcing decisions at all tiers of our supply chain. The audit results are incorporated in the Balanced Scorecard used for the performance monitoring of footwear suppliers.

## **OUTCOMES AND KPIS**

### **Non-compliance**

Clarks does not tolerate forced labour, slavery or human trafficking within our direct operations or supply chains. Where any non-compliance to Clarks Code of Practice for Suppliers is identified, we expect and support suppliers to take action to correct it. If a supplier does not take effective action in a timely manner withdrawing our business remains the final sanction. Employees who breach the principles set out in our Code of Business Ethics and related policies may be subject to disciplinary procedures.

### **Key performance indicators - Whistleblowing**

Summary reports from our global external whistle blowing service are provided to our Group Head of Legal in the first instance and subsequently reported on to the Group Director of Risk Management & Internal Audit and the Board Audit Committee. The Board Audit Committee has responsibility for reviewing the Company's policies and processes on whistleblowing and legal compliance. From 2017, we will specifically monitor the number of reported incidents to the whistleblowing service related to modern slavery, forced labour or human trafficking and report these in our future MSA statements.

### **Key performance indicators - Suppliers**

In 2016 the Clarks social audit program covered factories producing over 99% of our footwear.

In addition to audits at finished goods facilities Clarks undertakes social audits of second tier material and component suppliers. These audits currently cover tanneries and sole suppliers that supply at least 80% of the volume of these materials from Clarks nominated suppliers as well as some other component and material suppliers.

Based on the audit results we assign a compliance level and risk rating to each facility.

Since 2014 we have not used any footwear supplier with the lowest compliance level which is defined as a facility with critical issues including a lack of willingness and commitment by the senior factory management to engage and take appropriate corrective actions.

In 2012 Clarks set increasing targets for the proportion of footwear from supplier facilities with a risk rating of low or medium. This has increased from 63% at the end of 2012 to 98% at the end of 2016. The improvement was a result of both improved conditions with facilities and the reallocation of production to countries and facilities with better working conditions.

In 2016 the only issues related to modern slavery identified through our audit program were the lack of or inadequate polices and training within supplier facilities.

In the last 5 years, we have identified an isolated case of a facility withholding workers' documents and restricting their movement. Action was taken by the factory to address this.

There has been a small number of instances where workers have not had unrestricted access to potable water or toilet facilities through the use of permission cards. These were corrected by the factory removing the use of the permission card.

In 2016 Clarks undertook a governance review of all our Corporate Responsibility activities. From 2017 onwards, governance for the application of our Code of Practice to Goods for Resale Suppliers is provided via a newly established Responsible Sourcing GfR Committee chaired by Clarks Group Sourcing and Development Director, which in turn reports into a global Corporate Responsibility Committee comprised of our Senior Leadership Team and reporting into the Board. In addition, reports from the Group Head of Supplier Working Conditions are now also made directly to the Board Audit Committee.

During 2017 onwards, we will review options to develop additional KPIs and monitoring on modern slavery and forced labour.

## **TRAINING AND AWARENESS**

In 2016:

- Clarks supported the Pacific Links Foundation in the delivery of their Factory Awareness to Counter Trafficking (FACT) program at some of our suppliers in Vietnam. This support will be extended to additional suppliers during 2017. The FACT program offers a series of workshops for factory managers and workers to raise awareness about trafficking prevention. It is a part of the Pacific Links Foundation wider efforts to counter trafficking in Vietnam by increasing access to education, providing shelter and reintegration services, and enabling economic opportunities. Further information on the Pacific Links Foundation and the FACT programme can be found on their website.
- Our Chief People Officer and Group Sourcing and Development Director hosted an employee awareness-raising session on modern slavery to highlight the issue and how we expect all employees to play their part. A video of the session was made available globally on our intranet for employees to access.

Prior to this, training has previously been provided to Clarks own in country sourcing teams and in our supplier facilities on Clarks Code of Practice and working condition standards, which includes forced labour.

During 2017 onwards, we will work to increase awareness of risks and reporting channels, including specific training on modern slavery and human trafficking for in country sourcing teams.

Approved by the Board of C & J Clark Limited on 4<sup>th</sup> May 2017 and signed on its behalf by:



Mike Shearwood

Chief Executive Officer,

May 2017