

Primark Stores Ltd. Modern Slavery Statement 2017

Our commitment to fighting modern slavery

Primark Stores Ltd.'s second Modern Slavery Act statement covers our activities in respect of the requirements under the UK Modern Slavery Act 2015 for the financial year ending September 2017. At Primark, we believe that business can be a force for good if it acts responsibly towards those within its supply chain. We consider modern slavery to be one of the most salient risks within the global garment and textile sector, and are committed to preventing and addressing modern slavery in line with the UN Guiding Principles on Business and Human Rights.

This statement encompasses all Primark goods and services and operations, including our retail operations and manufacturing supply chain. It details our policies, our due diligence process, areas of risk we have identified and how we are addressing those risks both directly, and in collaboration with other stakeholders and also outlines our training programmes. Oversight of Primark's ethical trade risks, including modern slavery, is led at Board level by both Primark and its parent company, Associated British Foods plc. (ABF). Accordingly, this statement has been reviewed and approved by both the Board of Primark and Paul Lister, ABF Director of Legal Services and Company Secretary, and signed by Paul Marchant, Chief Executive of Primark.



Paul Marchant, Chief Executive, Primark

Key progress highlights in 2017:

- Strengthening our existing programmes in key sourcing countries such as Turkey to enable us to better identify, respond and address risks in our supply chain
- Launching a supplier training programme to raise awareness of the risks of modern slavery which has now been successfully completed by 95 per cent of suppliers
- Continued collaboration with multiple stakeholders including brands, NGOs, international organisations such as the OECD and other modern slavery experts to help address modern slavery across the garment and textile industry.

Our business

Primark is a major retail group employing over 76,000 people. We operate 349 stores in the UK, Republic of Ireland, mainland Europe and the USA¹. We are headquartered in Dublin, Republic of Ireland, and Reading, UK. **Our operations and logistics** include warehouses and distribution centres and we recognise that there is a risk of modern slavery within these parts of our business and are [continuously] taking steps to strengthen our approach to this risk. We audit all warehouses and distribution centres, both those owned by Primark and those belonging to our suppliers.

We source our products from a range of countries including China, Bangladesh, India, Vietnam and Turkey and our business also sources goods not for sale, such as fittings and fixtures for our stores. We do not own the companies or factories that produce our goods but recognise that we have a role to play in ensuring that our products are made in good working conditions.

¹ Data to end December 2017

All Tier 1 factories producing for Primark must be audited annually against our Supplier Code of Conduct. In 2016, we carried out 2,994 such audits. Orders can only be placed with a factory once it is operating to a standard that meets the requirements set out in our Code of Conduct and it is approved by the Primark Ethical Trade team. Tier 1 suppliers are also required to apply our Supplier Code of Conduct to their own suppliers. These include Tier 2 ancillary factories that produce accessories and trims such as buttons and zips, Tier 3 wet processing sites such as dyeing units and spinning mills and finally, suppliers of raw materials such as cotton and leather.

Suppliers must ensure that they do not knowingly source materials for use in Primark products that are made using forced or trafficked labour. We recognise that modern slavery is equally or more likely to occur in the lower tiers of our supply chain, and that our leverage to address such issues decreases at this level due to the indirect nature of the relationship between Primark and these suppliers. We are taking additional steps to identify and address these risks, both directly and in collaboration with other stakeholders, by taking actions such as reviewing our approach to raw materials in our supply chain, like mica and leather, both of which carry a risk of modern slavery.

Global Sourcing Map

In 2018, we published our Global Sourcing Map which shows information about the factories which manufacture products for Primark. Details include factory names, addresses, the number of workers and gender split of the workforce. <https://www.primark.com/en/our-ethics/people-production/global-sourcing-map>

Our policies

Primark Supplier Code of Conduct Primark's Code of Conduct is a set of core principles that all suppliers must commit to meeting as a condition of doing business with us. The Code of Conduct applies across our entire supply chain, including the procurement of goods not for resale (such as store fittings), service providers, logistics, and transportation, and forms part of our General Terms and Conditions of Business. The Code is based upon international best practice, including the ETI Base Code and the ILO Declaration on Fundamental Principles and Rights at Work.

Clause 1 of the Code of Conduct states:

1. EMPLOYMENT IS FREELY CHOSEN

1.1 There is no forced or compulsory labour in any form, including bonded, trafficked, or prison labour.

1.2 Workers are not required to lodge "deposits" or their identity papers with their employer and are free to leave their employer after reasonable notice.

Primark's Supplier Code of Conduct is reviewed regularly to ensure it remains current and fit for purpose. We also benchmark the Supplier Code of Conduct against other relevant codes of practice and regularly consult with our internal and external stakeholders. The Code of Conduct clause on Forced Labour was last updated in 2014 through consultation with the ILO and expert stakeholders, following the adoption of the ILO Protocol on Forced Labour. The Boards of Primark and its parent company ABF have oversight and responsibility for the Code of Conduct. Primark's Ethical Trade and Sustainability Director has responsibility for its development and implementation and reports to both the ABF Director of Legal Services and Company Secretary, and the Chief Executive of Primark.

Implementation of the Code of Conduct We publish the Code in 40 languages and our local Primark Ethical Trade teams on the ground in key sourcing regions provide over 7000 hours of support and training annually to help suppliers understand the Code and how to implement it. <http://www.primark.com/en/our-ethics/workplace-rights/code-of-conduct>



The Primark Ethical Trade team audit every Tier 1 factory against the Code of Conduct prior to approving it for production. Only when a factory is approved by the Primark Ethical Trade team to a standard that meets our minimum requirements can orders for production be placed. Once a factory is approved, it is then subject to regular audits and monitoring to help the factory maintain compliance and continue to improve. Our Tier 1 suppliers are responsible for ensuring compliance and implementation across their own suppliers and contractors.

Helping workers understand the Supplier Code of Conduct It is important that the workers in our supply chain can understand the Code of Conduct as it sets out their rights in the workplace. In some countries we have found that imagery can be an effective way to make the different elements of our Code of Conduct clearer for workers. In partnership with local experts, NGOs and designers, we asked workers to design posters that visualise the code to help workers better understand it. These posters are available for factories to display for workers and use in training, and are available to download from the Primark website in English, Chinese, Tamil and Bangla. <https://www.primark.com/en/Our-Ethics/Resources/PeopleProduction>

Our Policy on Recruitment Practices Recruitment practices can present a particular risk to migrant and agency workers. We are reviewing our approach to recruitment practices within the supply chain to identify opportunities to strengthen this. In 2017, we held a workshop with external experts to map our current approach, looking at policy, training and awareness, implementation through auditing and monitoring, capacity building and tools. This identified a number of strengths, including our auditing and monitoring programme, and our Fair Hiring, Fair Labour Toolkits. Several opportunities to strengthen our programme further were also identified and we intend to work on these in 2018, including the addition of a statement in our Code of Conduct explicitly banning the payment of recruitment fees by workers.

Our Policy on Grievance Mechanisms It is important that people and organisations can raise grievances directly with us and alert us to potential breaches of our Code of Conduct. They can do this via several channels: (i) directly through the Primark website <https://www.help.primark.com/hc/en-gb> (ii) through our whistle-blowing facility which is available to all our employees, including casual or agency staff http://www.abf.co.uk/documents/pdfs/policies/cr_policies_whistle_blowing.pdf (iii) through confidential interviews with workers. These are a critical and mandatory part of our audit process. Interviews are always conducted in confidence and in a way that protects the worker and their testimony. During the interviews workers are informed that they can contact the Primark team at their discretion and are given direct contact details.

To strengthen our approach to grievance mechanisms we are reviewing our existing policies and processes to make it even easier for anyone affected to raise grievances and ensure that these are addressed effectively. In 2017:

- We analysed and benchmarked global grievance mechanism systems and technology solutions designed to help workers raise grievances. We are considering the results to determine whether this would be an effective and appropriate model for us to implement.
- We reviewed industry codes of conduct and practice relating to grievance mechanisms and recognise that our own Code of Conduct could be revised to include a requirement for suppliers to implement their own grievance mechanism at factory level. We will publish our updated Supplier Code of Conduct in 2018, following stakeholder consultation on proposed revisions.

We acknowledge the UN Guiding Principle that processes should complement and not be used to undermine the role of trade unions and collective bargaining processes. Primark is one of the founding members of the ACT on Living Wages initiative. ACT aims to formalise the role of trade unions within industry-wide collective bargaining, ensuring that trade unions play a vital role in receiving and addressing grievances both at the operational and industry level. Progress on ACT in key sourcing countries can be found on the ACT website www.actonlivingwages.com

Identifying the risk of modern slavery

We conduct regular due diligence across the full scope of our business operations to identify risks of modern slavery. Our process was developed in line with the UN Guiding Principles and OECD Due Diligence Guidance and was the result of in-depth benchmarking and consultation with human rights organisations. To identify risk, our due diligence process consists of four key components: information from credible external reports, Primark audits and information from the local Primark Ethical Trade team, stakeholder consultation and consultation with rights holders.

Research and analysis We conduct research using existing external reports and publicly available credible source information² to build a context assessment of every country from which we source. This includes political, economic, social, and legal analysis and risk mapping, including modern slavery risk, both in the garment and textile sector and other sectors in the country. This helps us to build a detailed picture of potential risk in our sourcing countries and to understand some of the root causes of modern slavery. It also helps us identify key stakeholders and initiatives with whom we may wish to partner or consult.

Analysis from our own internal data Primark's local Ethical Trade teams are one of our most important resources. Our team of over 90 experts has been recruited from a range of different organisations including other companies, development agencies and NGOs, and includes highly specialised individuals, including a former senior member of the Bangladesh fire service. They are our eyes and ears on the ground and work closely with external partners and stakeholders.

We also scrutinise key trends from our own audit data. Primark has conducted over 20,000 audits since 2007 and this information is held on our own database which allows us to interrogate the data in detail. It also enables us to check if our audits are identifying all the risks we would expect to find.

Stakeholder consultation External stakeholders are a vital source of information and guidance to help us understand the risk of modern slavery in our supply chains, how to identify it, and which groups may be most vulnerable. Their insight and knowledge is invaluable and feeds into our context assessment. External stakeholders also assist in the development of strategies and approaches to prevent or remediate issues. Among others, they include civil society groups, trade unions, governments, international agencies, multi-stakeholder initiatives, and legal experts.



² For example, the US Department of Labor's List of Goods Produced by Child Labor or Forced Labor, the US Department of State's Trafficking in Persons Report; ILO data, reports, observations, and other materials; The Global Slavery Index; The Danish Institute for Human Rights' Country Guides; The Business and Human Rights Resource Centre's records; reporting by international organisations including Human Rights Watch, Oxfam, Friedrich-Ebert-Stiftung, Amnesty International, and the World Bank.

Rights holder consultation The workers themselves are rights holders but are often excluded from the due diligence process or face obstacles in getting their voices and views heard. To address this, we launched a tool in 2016 called Drawing the Line (DTL) to help us conduct meaningful engagement with the workers in our supply chain. DTL is a participatory tool designed to obtain direct feedback from workers and can be extremely useful in highlighting the key risks and indicators of forced labour in areas such as recruitment practices, among others.

It was developed by an international NGO in collaboration with a local NGO in India and first implemented by Primark, together with our Indian NGO partner, in South India spinning mills as part of our programme to address modern slavery. We have since adapted the tool for Myanmar, with support from a local NGO, and we have implemented the tool in several factories as part of our due diligence there.

DTL engages groups of 10-15 workers in conversation about their understanding of their workplace rights, areas in the workplace where they feel satisfied and provided for, and areas they consider lacking and would like to see improve. The conversation and associated materials are informed by earlier stages of due diligence, including research and engagement with stakeholders, and audit findings. The conversation with workers is facilitated by a series of cards depicting workplace situations and rights and simple accompanying text. Workers select, discuss and rank each card to collectively agree a series of prioritised unmet needs. The process is overseen and managed by an experienced NGO facilitator and the Primark Ethical Trade team who ensures that everyone in the group participates and expresses views. At the end of the process the facilitator helps the group explore how they can work together to address their most important unmet needs. In 2018, we will launch the DTL programme in Turkey, focusing on the needs of Syrian workers in our supply chain.

Our Audit and Remediation Programme

Compliance with Primark's Supplier Code of Conduct forms part of our General Terms and Conditions of Business, and we require all our supplier Tier 1 factories to comply with the Primark Code of Conduct as a condition of doing business with us.

Primark audits are conducted by both our own Ethical Trade team, comprising over 90 dedicated staff based in key sourcing countries, and approved third party audit companies. Primark's Ethical Trade team on the ground is one of our most important resources. Our team has been recruited from a range of different organisations including other companies, development agencies, NGOs, and includes highly specialised individuals, including a former senior member of the Bangladesh fire service. They are our eyes and ears on the ground and work closely with external partners and stakeholders.

In 2016 we carried out 2,994 audits. Primark pays directly for all its audits. This enables us to retain control of the audit protocol, quality and integrity. It also allows us to more effectively address risk through the ability to adapt the audit process as required, for example, by introducing unannounced audits or additional indicators to monitor for modern slavery.

All new Tier 1 factories are audited against our Supplier Code of Conduct and must demonstrate that they meet the Code's requirements before they are approved to manufacture Primark products. For new factories, the initial audit is announced and the date agreed by both parties in order to build trust at the start of the new supplier relationship. This initial meeting also gives Primark the opportunity to explain our Supplier Code of Conduct and ethical trade standards. Once approved, the factory is subject to regular inspections to check the Supplier Code of Conduct is being applied. These subsequent audits are conducted on an unannounced basis, meaning the supplier does not receive advance warning of when the audit will take place. By conducting unannounced audits, we can ensure we are seeing a more accurate picture of the factory and workforce. Additional monitoring is carried out by Primark's Ethical Trade team for example, through unannounced 'spot checks' of factories or during discussions with workers in their communities. Confidential worker interviews are mandatory during the audit, and form a critical part of the audit process. These are always conducted in confidence and in a way as to protect the workers and their testimonies. During the interviews, workers are informed that they can contact the Primark team at their discretion whenever they wish and are given direct contact details. Any issues that present a severe and imminent threat to workers' lives or safety are prioritised for immediate remediation. Such issues would be assigned a red critical rating under our audit categorisation and the factory immediately suspended on our purchase order system until such time as the issue has been fully and appropriately remediated. In some cases, we partner with NGOs and other organisations for remediation.

All our audits include rigorous checks for forced and trafficked labour. For example, we prohibit the retention of any identity papers, including passports, the use of agency labour that does not meet national standards and any involuntary work. We require the use of transparent employment practices, wages to be paid regularly, on time and directly, including full legal and social security entitlements, freedom of movement, written contracts in employees' own languages with all terms and conditions explained clearly, and the worker's agreement obtained without coercion and suppliers to have policies on employment practices in place.

Our programmes and actions to address the risks

Audit Data and findings In 2016 we carried out 2,994 audits. Our audits identified a relatively small number of issues relating to forced labour, including the absence of a formal policy on forced labour and the retention of documents including identification cards and bank cards. In some cases, the indicators of forced labour can relate to other sections of our Supplier Code of Conduct, for example, withheld wages could be classified as a breach of clause 6: Living Wages shall be paid. We recognise that there is an opportunity to enhance and strengthen our audit protocols on Forced Labour and in 2018 we will review our audit indicators on Forced Labour against existing guidance such as the ILO Forced Labour Indicators.

Audit case study

An audit of a warehouse operated by a supplier in the Netherlands highlighted suspected breaches of our Supplier Code of Conduct. During confidential worker interviews, two workers recruited from Romania stated that deductions were taken from their salary for recruitment fees, transportation and accommodation. The accommodation provided was not chosen by them, was sub-standard and raised health and safety concerns. We investigated these claims with the supplier and the agency labour provider contracted by the supplier. The contracted agency labour provider had sub-contracted to a third party, who had in turn sub-contracted to a further party in Romania. This issue highlighted the need for more oversight and better due diligence by the supplier and their primary sub-contractor. Our team worked with the supplier and sub-contractors to address the issue. Full compensation was paid to the workers involved and an agency labour process and policy was implemented within the supplier's supply chain.

Undisclosed sub-contracting Undisclosed sub-contracting, where approved factories send our product orders to unapproved factories for manufacture without specific consent and approval from Primark, is expressly prohibited and constitutes a breach of our Supplier Code of Conduct and General Terms and Conditions of Business. Workers at unapproved sites engaging in this activity can be more at risk of exploitation, and for this reason we take any such breaches extremely seriously. When undisclosed sub-contracting is identified we suspend the supplier from our purchase order system. This means that no further orders can be placed until the supplier is able to demonstrate to us that they can manage and prevent further issues of sub-contracting. This approach has led to several whistle-blowers contacting us with information regarding undisclosed sub-contracting.

South India External reports³ have highlighted concerns about exploitative labour practices in spinning mills (Tier 3) in South India, which can equate to bonded or forced labour. Our influence and leverage to address these issues is lessened due to the indirect nature of the relationship between Primark and suppliers in this tier of the supply chain. Our actions are focused upon capacity building, building knowledge and awareness of the risks and developing tools and skills to help address these:

- We are a member and funder of the ETI TNMS programme which provides training for mill management and workers on worker rights and female health through the Nalam programme. The programme has been running since 2013 and has trained over 16,000 female workers in 31 workplaces⁴. Primark is a member of its Steering Group.
- Together with NGO Verite, we developed the Primark Fair Hiring Fair Labour toolkit to address issues relating to recruitment and employment. This was piloted in 2016 in mills supplying Primark. In 2017 we developed a holistic programme called the India Worker Empowerment Programme (iWEP) to

³ For example, Flawed Fabrics, SOMO; US Department of Labour Findings on the Worst Forms of Child Labour 2016

⁴ <https://www.ethicaltrade.org/resources/eti-annual-review-2016-2017>

address a number of systemic risks in the garment supply chains of South India. One component of iWEP builds on the Fair Hiring Fair Labour toolkit pilots. This new programme will help mid-level management and human resources staff to better understand, identify and manage the risks of forced and bonded labour within their recruitment and hiring practices. We will launch the programme in 2018.

- We founded an initiative with other leading brands to develop a sector wide approach focusing upon due diligence. The OECD is providing technical support for this initiative and we plan to report more fully on this in 2018.

Uzbekistan and Turkmenistan Cotton There have been wide-spread reports of state-sponsored forced and child labour within the cotton production industry in Uzbekistan and Turkmenistan.⁵

- We banned cotton from Uzbekistan (2015) and Turkmenistan (2016) and are a signatory to the Responsible Sourcing Network Cotton Pledge. <https://www.sourcingnetwork.org/the-cotton-pledge>.
- We require our suppliers to declare the country of origin of any cotton in products.
- We set up a programme of due diligence to verify the ban is effective and that suppliers are not using cotton from Uzbekistan or Turkmenistan in our products. We began our inspections in Bangladesh in 2016, visiting spinning mills and checking on cotton bale country of origin. We will continue the programme throughout 2018, and will also look to extend it to other countries.

Turkey Following conflict in Syria and neighbouring regions, refugees from Syria and other countries including Afghanistan, Iraq and Iran, have fled to Turkey. Primark has identified refugees within its supply chain in Turkey and is taking steps to ensure that no modern slavery is taking place and that workers are not being exploited. We are focused on gaining better visibility of the supply chain, and providing expert remediation and support for refugees in the workplace. In 2017:

- We increased our resources on the ground in Turkey to four full time employees.
- We increased our audit frequency to a minimum of every 6 months. 100% of sites have been audited bi-annually
- We increased the number of spot checks (111 in 2017).
- We extended our auditing and monitoring programme to strategic Tier 2 sites.
- We set up a programme with two expert Turkish NGOs to provide remediation and support for Syrian refugees identified in our supply chain, including securing work permits and Turkish language lessons for Syrian workers. Workers remain in employment while permits are sought.
- We collaborated with other stakeholders on advocacy to the Turkish government to improve the process for gaining work permits. We continue to engage with stakeholders and the Turkish government through the ETI Turkey Platform.
- In 2018, we will launch our Drawing the Line programme in Turkey. This will allow us to better understand the most pressing needs of Syrian workers in our supply chain.

UK and ROI Our work in the UK and ROI focuses on protecting vulnerable workers, including those with migrant status. Many workers pay fees to agents, either for travel to the UK or for job arrangements. This can lead to indebtedness that creates a bond with exploitative work conditions. In 2017:

- We audited 100% of Tier 1 factories within the UK and ROI.
- We increased our resources to two full time auditors for the UK and ROI who focus on remediation and challenging cases.
- We have focused specifically on third party UK warehouses and distribution centres, where the use of agency labour is more common.

⁵ For example, reports from the ILO on monitoring of the cotton harvest in Uzbekistan, 2017

- We have identified and remediated issues relating to agency labour which are in breach of our Supplier Code of Conduct, such as financial deductions for lateness, employment contracts not in workers' native language and cases of forced overtime. These findings have fed into our Agency Labour Policy, which we will publish in 2018.
- We worked with the Modern Slavery Helpline on two specific cases in the UK where we suspected forced labour.
- We provided training to all our UK and ROI suppliers on the risks of using agency labour, significantly raising awareness of these risks among suppliers. In 2017, we held three workshops with an external expert which were attended by 70 suppliers, and also provided additional webinars.
- Stakeholder engagement is vital, and we continue to engage and work with experts including the ETI, Stronger Together, the UK Home Office, the Gangmasters Licensing Authority, and Unseen. Engagement helps us better understand the risks across a wider range of sectors.

Raw materials We are conducting further due diligence on the use of raw materials such as leather and mica in our supply chain to identify those potentially at risk of modern slavery. In December 2017, we created a new role, the Sustainable Materials Manager, whose responsibility it is to drive this work. We will report further on our actions in this area in 2018, and on materials where we have identified the greatest risk of modern slavery.

Partnerships and Collaboration

Collaborating with other stakeholders on the issues facing the garment and textile industry enables us to increase our leverage and make lasting, sustainable changes. Building on existing collaborations and creating new alliances is critical if we are to make a lasting impact, particularly on complex issues such as modern slavery. Examples of our collaborations and partnerships are set out below and a full list is available on the Partners page of the Primark website <https://www.primark.com/en/our-ethics/partners>

Primark is a member of the Advisory Panel of the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector. The Guidance, which was approved in 2017, outlines the process of identifying and addressing issues in the garment and footwear sector, including forced labour. The guidance was developed to be practical, and emphasises the need for collaborative constructive approaches to complex challenges. We are continuing to work with the OECD in 2018 on tools to help companies assess and align their own due diligence programmes with the guidance. <http://mneguidelines.oecd.org/oecd-due-diligence-guidance-garment-footwear.pdf>

Primark is a founder member of an initiative of major global brands and retailers which aims to contribute towards the prevention and mitigation of harmful impacts on the workers in the spinning mill industry in South India, and particularly in Tamil Nadu. The OECD is collaborating on this initiative and providing technical assistance as part of its sector work on due diligence and responsible business conduct within the garment and footwear sector.

Primark has been a member of the Ethical Trading Initiative (ETI) since 2006, and has held leader status since June 2011. Katharine Stewart, Director of Ethical Trade at Primark, is a member of the ETI Board (<http://www.ethicaltrade.org/>). The ETI has played an important role in calling for improved enforcement and regulation on modern slavery. Primark is also a member of the Steering Committee of the ETI's Tamil Nadu Multi Stakeholder Programme (TNMS).

Primark joined the German Partnership for Sustainable Textiles (Bündnis für nachhaltige Textilien) in March 2016. The Partnership is a multi-stakeholder initiative with the objective of achieving social, ecological and economic improvements all along the textile supply chain. Eradicating forced labour in the textiles supply chain is one of the aims of the Bündnis.

Training

In 2017, we prioritised training as a key part of our commitment to preventing and addressing modern slavery.

Supplier training In 2017 we launched a new mandatory training programme for suppliers on the risk of forced and trafficked labour. The programme was developed with international experts and based on ILO content for employers and businesses. During 2017, 95 per cent of suppliers successfully completed the course. In 2018, we will develop and launch more supplier training modules that focus on specific issues and indicators of modern slavery, including in recruitment practices.

Employee training In 2017, we re-launched our employee training programme on ethical trade and sustainability. During 2017, 180 members of Primark's commercial team were trained on the potential risk of modern slavery and made aware of the resources available within the business to help them make informed buying and sourcing decisions.

Ends