

Primark Stores Ltd. Modern Slavery Statement 2016

Our commitment to fighting modern slavery

Primark is a major retail group employing over 65,000 people. We operate stores in the UK, Republic of Ireland, mainland Europe and the USA. Our business directly contributes to the employment of around 730,000 workers across four continents and our annual revenue for our financial year ending 12 September 2015 was £5,347m. Buying and Merchandising teams in Dublin (Republic of Ireland) and Reading (UK) source and buy fashion items that best reflect each season's key fashion trends. Primark's range includes womenswear, lingerie, childrenswear, menswear, footwear, accessories, hosiery and homeware.

We believe that business can be a force for good if it acts responsibly towards those within its supply chain. As such, ensuring that workers' rights are respected, and that we are able to affect positive change in line with the UN Guiding Principles on Business and Human Rights, our Code of Conduct, and OECD Guidance on Due Diligence are the primary objectives of our Ethical Trade & Sustainability programme.

The UN Guiding Principles require businesses to address actual and potential adverse human rights impacts, prioritising those that are most severe or where a delayed response would make them irremediable. Forced and trafficked labour is one of the most adverse human rights impacts, and this has been reflected in the increase in, and revision of regulation that attempts to address the issue, including: the California Transparency in Supply Chains Act, EU regulations on reporting, the UK Modern Slavery Act 2015, and the ILO Protocol on Forced Labour.

Primark and its parent company Associated British Foods plc. (ABF) publicly supported the development of the UK Modern Slavery Act within Parliament, and addressing forced and trafficked labour forms a significant cornerstone of Primark's Ethical Trade & Sustainability Strategic Objectives and roadmap. Our Strategic Objectives are supported by extensive stakeholder consultation and engagement, and focus upon global risk and priority 'hotspots' for action, as identified through our due diligence process.

Oversight of Primark's ethical trade risks, including modern slavery, is led at Board level by both Primark and ABF. We will review and report on our progress annually.

This statement covers all of Primark's operations, whether internally or within our supply chain. The statement includes:

- Our Policies
- How We Identify Risk
- Our Supply Chain
- Our Audit and Remediation Programme
- Our Training on the Risk of Modern Slavery
- Where the Risks Are

Our Policies

The UN Guiding Principles require business enterprises to have in place policies and processes appropriate to their size and circumstances in order to embed their responsibilities to human rights.

Code of Conduct

Primark's Code of Conduct is underpinned by the ETI Base Code and the ILO Declaration on Fundamental Principles and Rights at Work that seek to ensure workplace rights are afforded and respected, including provisions around forced and trafficked labour in line with ILO Convention 29. The ILO adopted a new Protocol on Forced Labour in July 2014 designed to strengthen global efforts to eliminate forced labour, and to address practices such as human trafficking. Primark updated its own Code of Conduct accordingly to reflect this, in consultation with stakeholders including the ILO and NGOs. The Code is available in 39 languages, and is published on our website.

<http://www.primark.com/en/our-ethics/workplace-rights/code-of-conduct>

Our Code of Conduct applies across our supply chain, including the procurement of goods not for resale (such as store fittings), service providers, logistics, and transportation. The Code of Conduct applies equally to all workers in the supply chain, including those who may be more vulnerable to exploitation, such as migrant workers and agency and contracted labour.

Grievance Mechanisms

The UN Guiding Principles state that business enterprises should establish and participate in effective operational-level grievance mechanisms for individuals and communities who may be adversely impacted, to make it possible for grievances to be addressed early and remediated directly, and that these mechanisms should complement and not be used to undermine the role of trade unions and collective bargaining processes.

We are addressing this requirement in three ways:

1. We have a formal whistle-blowing facility as per the link below, available for all our employees, including casual or agency staff
http://www.abf.co.uk/documents/pdfs/policies/cr_policies_whistle_blowing.pdf
2. In light of the UN Guiding Principles statement that grievance mechanisms should not undermine the role of legitimate trade unions in addressing labour-related disputes, stakeholder consultation has pinpointed the importance of the ACT (Action, Collaboration, Transformation) initiative, which 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. Primark is a founding member of ACT along with

Recruitment Practices

Recognising that **recruitment practices** within the supply chain can present a particular risk for migrant and agency workers, Primark is working with experts to develop detailed guidance and toolkits on ethical recruitment, hiring, agency and migrant labour for our suppliers. Primark is also developing a dedicated supply chain recruitment agency policy for the UK.

As with all amendments to our ethical trade policies, the recruitment agency policy will be benchmarked against industry best practice, and we will engage with stakeholders with relevant expertise, including the ILO, trade unions, and civil society.

other global retailers, and IndustriALL trade union.

http://www.primark.com/~media/ourethics/annual%20performance/ACT_factsheet_July2015.ashx

3. Our audit protocol includes mandatory confidential worker interviews. During the interviews workers are informed that they can contact the Primark team at their discretion, and whenever they wish to do so, and are given direct contact details.

Ensuring that we provide effective grievance mechanisms for workers is part of our Ethical Trade & Sustainability Strategic Objectives, and we have committed to review our existing approach within this context with relevant stakeholders to see where the process can be strengthened further to protect those within our supply chain.

How We Identify Risk

The UN Guiding Principles require business enterprises to implement human rights due diligence in order to identify, prevent, mitigate and account for how they address their adverse human rights impacts.

- Our country-based Human Rights Due Diligence programme is aligned with the UN Guiding Principles and OECD Due Diligence Guidance, and was the result of in-depth benchmarking and stakeholder consultation with human rights organisations.
- We look at the (i) inherent and potential risks through our country-based Human Rights Due Diligence programme; and (ii) the actual risks at individual factory level through our audit programme, prior to approving factories for our production (see *Primark's Audit and Remediation Programme* on p.7 for further details), with the predominant sourcing function of each country (e.g. product type) taken into account.
- This enables us to evaluate the risk of human rights abuses, including the risk of forced or trafficked labour, in each actual or potential sourcing country. Our evaluation is informed by expert external analysis, and includes risk analysis using publicly available credible sources including: The US Department of Labor's List of Goods Produced by Child Labor or Forced Labor, and 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.
- Further input is included from Primark's own teams on the ground, and extensive stakeholder consultation. This approach enables Primark to assess inherent risks in the textile and garment sector of each and every country we source from.
- Where potential risks are high, or information is either unavailable or unreliable, we may choose to conduct on-the-ground impact assessments. Where there is a concern of potentially causing or contributing to severe or irremediable risks, Primark does not source from these countries until such risks can be prevented. An example of this is Primark's ban on cotton from Uzbekistan and Turkmenistan (see p.10).
- Supporting our entire ethical trade programme is a dedicated team of over 75 experts, mainly based in Primark's key sourcing regions. Our teams on the ground in our key sourcing regions are one of our most important resources in ensuring workers' rights are respected. They have been recruited from a range of different organisations including other companies, development agencies, NGOs, and include specialists such as a former senior member of the Bangladesh fire service, thereby ensuring we are resourced to address the risks in the supply base effectively. They function as our eyes and ears on the ground, and are able to build direct relationships with workers in our supply chain, as well as local stakeholders including NGOs and trade unions.

Stakeholder consultation and collaboration

In addition to our Due Diligence programme, our strategy, policies, and programmes are continually informed through extensive stakeholder engagement which includes the ILO, ETI, trade unions, NGOs, and civil society groups and governments. This also includes experts in forced and trafficked labour, including IOM, IHRB, Anti-Slavery International, the Freedom Fund, ICN, SOMO, Solidaridad, Stop the Traffik, Responsible Sourcing Network, and many others.

We also recognise the value of collaboration as a way of increasing leverage and impact, for example:

- 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 outlines the process of identifying, preventing and mitigating adverse impacts in supply chains in the garment and footwear sector, and assuring that the positive impacts of the sector are maximized. Forced Labour is one of the seven key social risks covered in detail in the OECD's Due Diligence Guidance for the 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 first clause of the ETI Base Code requires that employment is freely chosen, and 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) (see p.9).
- 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.

Building upon our existing collaborations, and creating new alliances is critical if we are to make lasting impact, particularly on complex issues such as modern slavery.

Our supply chain

We do not own the companies or factories that produce our goods, but we recognise our responsibility for the workers in those factories to ensure that our products are made in good working conditions.

The majority of our products are sourced from countries overseas such as China, Bangladesh, India, Vietnam and Turkey. We work with approximately 700 first-tier suppliers who produce goods to our specification and design. Approximately 98% of the first-tier factories we work with also produce goods for other retailers.

Undisclosed sub-contracting

Undisclosed sub-contracting, where approved factories send our products for manufacture to unapproved factories without specific consent and approval from Primark, is expressly prohibited and constitutes a breach of our Code of Conduct and General Terms and Conditions of Business. Workers in such unapproved sites can be more at risk of exploitation, and for this reason, we take any breaches extremely seriously.

All first-tier sites producing for Primark must be approved by the Primark Ethical Trade team prior to any orders being placed. In addition, as per our General Terms and Conditions of Business, suppliers need to apply the Code of Conduct to their own suppliers in all levels of production, and must ensure that they do not knowingly source materials for use in Primark products that are made using forced or trafficked labour.

We have increasing traceability of suppliers beyond the first tier, and this includes the mandatory disclosure of fabrics used in our products (country of origin and volume). From late 2016/2017, we will also require mandatory disclosure of all cotton and wool fibre, and the country of origin and volume of these raw materials used in our products. This information is used to ascertain risk in relation to issues including forced labour in specific commodities such as cotton.

Our Audit and Remediation Programme

Compliance with Primark's Code of Conduct forms part of our General Terms and Conditions of Business, and we require all our supplier 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 75 dedicated experts based in key sourcing countries, as well as by approved third party audit companies.

- **In 2015 we carried out 2,629 audits.** Primark pays directly for the cost of all its audits, and this enables us to retain control of the audit protocol, the quality, integrity, and also more effectively address risk by adapting the audit process as needed.
- **We audit every site prior to production.** All proposed factories are audited against the Code, and must demonstrate they meet these requirements before they are approved for production of Primark products. Once production has been approved, we continue to carry out frequent inspections to check that the Code of Conduct is being applied.
- **All our audits include rigorous checks for forced and trafficked labour.** For example, we prohibit: the retention of all identity papers including passports; the use of agency labour that does not meet national standards; and any involuntary work. We require: 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 workers' assent obtained without coercion; and supplier policies on employment practices.
- **While the majority of our audits are semi-announced (almost 75 per cent in 2015), we conduct unannounced audits where our due diligence has showed that there is increased risk.** For example in Turkey, all our audits are unannounced. This decision was made following the high number of refugees from Syria and other countries, who are potentially vulnerable to exploitation (see p.10).
- **Other monitoring is also carried out by the in-house Ethical Trade team if issues are raised concerning our supply chain.** For example this may take the form of unannounced 'spot checks' of factories, or 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 to do so, and are given direct contact details.
- **Any issues that present a severe and imminent threat to workers' lives or safety, including forced, trafficked, compulsory or prison labour, are prioritised for immediate remediation.** Such issues would be given a red critical rating under our audit categorisation which means that factories are immediately suspended on our purchase order system, until such time as the issue has been fully and appropriately remediated.
- **We partner with NGOs and other organisations for remediation.** We work directly with local NGOs and the relevant regulatory bodies through our teams on the ground (for example see the section on Turkey in on p.10) on remediation. In cases that have involved migrant workers, we have used our teams from the migrant worker's home country to support the audit process.

In one specific instance, our audit highlighted suspected breaches of our Code of Conduct's provisions on forced labour in a factory in UAE, in relation to employment and working conditions of workers from Pakistan. A team including our Senior Regional Manager from Pakistan conducted a

full investigation, including in-depth, extensive interviews with workers to understand their grievances. The investigation enabled us to confirm multiple breaches of our Code of Conduct and these were immediately addressed. Remediation included the repatriation of one worker, the costs for which were paid by the supplier.

Our Training on the Risk of Modern Slavery

We have prioritised training as a key part of our commitment.

In 2016/17 we will launch mandatory dedicated training on forced and trafficked labour for all relevant Primark staff including Buying, Merchandising and Sourcing teams, as well as all suppliers and factories. The training is being developed with international experts on forced and trafficked labour.

This supplements our existing training programme, which targets suppliers in key regions where our due diligence has identified potential risks. For example, in the UK and Ireland, we held a series of workshops to raise awareness of risks of forced labour and trafficking in the industry, delivered by Primark's Ethical Trade Team in collaboration with an expert on forced labour in the UK.

The workshops included information on how to identify and mitigate associated risks, with a special focus on labour provided through agencies. Five such training sessions have been delivered for Primark's UK and Ireland supply chain so far. Our work has identified gaps in suppliers' management systems that may expose them to the risk of Modern Slavery. The processes used to assess labour agencies and to ensure that legal and Code provisions are being met are in particular focus; an example being how to effectively verify Right To Work documentation.

In South India, (as described on p.10), suppliers needed further in-depth training and capacity building. Primark partnered with Verité to design a "Fair Hiring Fair Labour" toolkit to identify human rights and compliance-related risks around hiring and recruitment practices. This toolkit has been used in factories and mills in our South Indian supply chain to assess the management practices of factories with particular reference to recruitment and hiring, screening and managing brokers, and on-site management of workers.

Ensuring that workers can understand their rights at work is equally critical in preventing trafficking and forced labour. Awareness and training for workers on their rights forms one of our Ethical Trade & Sustainability Strategic Objectives, and we have a range of programmes that seeks to achieve this. We have a dedicated Project Controller and Project Team who manage these programmes, working closely with our local teams on the ground and NGOs and other organisations to design and deliver these programmes.

Information on the impact of all our trainings will be reported on in further updates to this statement.

Highlighted risks and mitigation action

Our due diligence has highlighted risks within the lower tiers of the supply chain, including cotton from Uzbekistan and Turkmenistan, and the textile spinning industry in South India. Specific risks in the product supply chain have also been identified in Turkey and the UK.

We will map the risk level in our internal businesses - including throughout procurement of goods not for resale, service providers, logistics, and transportation - more thoroughly in 2016/17.

South India

In recent years, a number of NGOs have highlighted concerns about exploitative labour practices in South India which can equate to a lack of decent working conditions and even bonded or forced labour. Much of this occurs in spinning mills, where brands' influence and leverage is lessened due to the indirect nature of the relationship between brands and this tier of the supply chain.

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 sits on the ETI's Tamil Nadu Multi-Stakeholder (TNMS) Steering Committee and participates in the mills outreach programme, which is now focusing upon piloting a worker rights programme within spinning mills. Collaboration in TNMS enables us to reach a number of workers in Primark's supply chain, strengthening their capacity to address issues, and contributing to wider industry change.

Primark has also partnered with Verité to design a "Fair Hiring Fair Labour" (FHFL) toolkit to identify human-rights and compliance-related risks around hiring and recruitment practices. The toolkit provides additional support on implementing the Code of Conduct in relation to forced and trafficked labour, and is used to assess the management practices of factories with particular reference to recruitment and hiring, screening and managing brokers, and on-site management of workers.

How we Measure Performance

Primark has developed a monitoring and evaluation (M&E) framework for our Ethical Trade programmes, to enhance the quality of planning, monitoring and evaluation across our activities.

In developing our M&E framework we undertook consultations in UK, India and Bangladesh, which included government bodies, the ETI, and other local and international NGOs.

We monitor the coverage and effectiveness of the steps we take to combat forced labour by tracking the following indicators. These are reviewed yearly as part of our Ethical Trade and Sustainability Strategic Objectives:

- The impacts of specific initiatives to address highlighted risks, for example, in spinning mills in South India.
- Supplier training and awareness of forced and trafficked labour issues.
- Internal staff training and awareness of forced and trafficked labour issues.
- Actions taken as part of collaborative initiatives to address modern slavery.
- Our policies relating to forced and trafficked labour, and advocacy efforts we have undertaken to draw awareness to or address these risks.
- Supplier non-compliances with our Code of Conduct provisions that employment is freely chosen.
- Registered grievances in our supply chain relating to any form of forced labour.
- Investigative and remedial actions taken in response to any perceived instance of forced labour in our supply chain.

Uzbekistan and Turkmenistan Cotton

Uzbekistan is the fifth largest exporter of cotton worldwide. The Cotton Campaign, Responsible Sourcing Network and other watchdogs have long claimed that the government of Uzbekistan uses forced labour on an industry-wide scale. In 2015 the Uzbek government permitted the ILO to conduct monitoring of forced and child labour during the cotton harvest. Findings pointed to government-sponsored forced labour.

In 2015 Primark signed the Cotton Pledge, committing to not knowingly source Uzbek cotton for the manufacturing of any of our products until the Government of Uzbekistan ends the practice of forced child and adult labour in its cotton sector. In 2016 we extended this ban to Turkmenistan. As described on p.6, our suppliers will be required to disclose the country of origin and volume of all cotton and wool fibre used in our products from late 2016/2017.

Turkey

Following the conflict in Syria and neighbouring regions, UNHCR has registered 2.7 million Syrian refugees in Turkey, with others from Afghanistan, Iraq and Iran. The ILO and other stakeholders including Human Rights Watch have reported that refugees were found working in sectors including garments and agriculture, where they face a high risk of exploitation.

Primark has engaged through the ETI-convened working group to understand the situation in Turkey, to ensure that any Syrian workers found in the garment industry producing for ETI members are protected and afforded their rights.

Our additional diligence in-country has included doubling the frequency of our audits in Turkey, which now take place every six months, or more frequently where there is need for enhanced diligence. All of our follow-up audits in Turkey are now unannounced, meaning suppliers have no indication of when an audit may take place. We have also formalised partnerships with two Turkish-based local NGOs both of whom have experience and expertise in supporting Syrian refugees within the country, to assist us in the remediation of issues found in our supply chain - this includes translation support offered in Arabic for confidential worker interviews.

UK

Forced labour is a risk across the UK, particularly among flexible and temporary (often agency) workers. External reports have highlighted manufacturing as a key risk for trafficked workers in the UK.

While many of those exploited are vulnerable British workers, immigration plays a part; even where a migrant has full rights to work in the UK, migrant status can contribute to exploitability. 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 or ties the worker to accommodation.

We have been rolling out a training programme with our suppliers in the UK and ROI on the risk and implication of forced labour and trafficking in the UK workforce. This has been delivered by Primark and an expert on forced labour in the UK, and includes information on how to identify and mitigate this risk. Five such training sessions have been delivered for Primark's UK and Ireland supply chain so far. Primark is also developing a dedicated agency recruitment policy for the UK.

This statement was approved by the Board of Primark Stores Limited.