
MODERN SLAVERY STATEMENT 2018-19

INTRODUCTION

This is our third Modern Slavery Statement published in accordance with the Modern Slavery Act 2015 (MSA) and the California Transparency in Supply Chains Act 2010 (CTA).

One of the key principles of Clarks' Code of Business Ethics (for employees) and Clarks' Code of Practice (for suppliers) is to treat everyone fairly and with dignity and respect. This includes everyone from within our business and also, importantly, everyone within our supply chain.

This Statement is made pursuant to the MSA and CTA. The statement is made by C&J Clark Limited as parent company of the subsidiaries listed in Appendix I and includes the activities of those subsidiaries. It outlines the measures Clarks has taken to assess and reduce the risk of slavery and human trafficking occurring in our business or supply chains during the financial year 2018/19. The statement also outlines our commitments to continue to mitigate risk in the year 2019/20.

CLARKS OVERVIEW – ORGANISATIONAL STRUCTURE

C&J Clark Limited is a privately-owned limited liability company registered in England and Wales. The term "Clarks" as used in this statement refers collectively to C&J Clarks Limited and its subsidiaries as listed in Appendix I.

Clarks has been a shoemaker since 1825. Nearly 200 years later, Clarks designs, develops, sources and sells footwear and accessories globally, operating in over 95 countries. Clarks' products are sold through our own retail and outlet stores as well as through stores operated by our franchise partners, licensees, joint venture partners and wholesale customers. Clarks sell products online via our digital platforms and third-party digital marketplaces. As of the year ending, 2nd February 2019, Clarks employed in the region of 11,700 people including part time employees.

Clarks' commercial operating model is structured across three regions - Europe, Americas and Asia Pacific. Each region is supported by corporate functions providing services in Human Resources, Finance, IT, Legal, Compliance, Marketing 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 with several locations in Asia, including China, Vietnam and India.

OUR SUPPLY CHAINS

Clarks undertake the design and development of our products but outsource the manufacturing. In most factories, the facilities are shared with production for other brands.

Most of Clarks' footwear products are sourced through suppliers overseen by the Clarks' Sourcing Operations team. The Chief Supply Chain Officer is accountable for managing the Clarks' supply chain and part of that role is ensuring Clarks' business aspires to good ethical and environmentally sustainable practices.

Approximately 85% of Clarks' footwear is sourced through direct managed factories meaning they are managed by our own sourcing operations teams. A further 12% is sourced through four non-direct managed factories. The final 3% is sourced through specialist agents who also source for other companies and consolidate our orders with others to buy in large volumes. Clarks pay a fee but ensure that appropriate due diligence is carried out to determine that both the agents, and their suppliers, work to required standards.

Clarks have long standing relationships with many of our suppliers and more than 80% of our footwear is produced by suppliers Clarks have been working with for over 5 years.

In 2018, Clarks sourced most of our footwear from suppliers based in Asia (Vietnam, China, Cambodia, India and Indonesia), with small volumes from Bangladesh and Laos. Clarks also source small quantities from within Europe. Production was undertaken through 59 factories producing finished shoes. In India there are 33 stitching units producing partly made uppers, which work in tandem with the factories. This enables them to

focus on specific skills. There can be as many as 4 stitching units working with a factory. There are 2 stitching units in Vietnam.

For footwear sourced from direct managed factories, Clarks nominates who is to supply key materials and components. This includes the tanneries supplying the leather, the 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 Clarks' business, representing approximately 2% of total revenues. These are all sourced through specialist agents for each product type. The production of these goods takes place mainly within China and India with some specialist goods produced in Vietnam, Guatemala and the United States.

As at the date of this statement, Clarks has no issues with any of its suppliers, trade unions or other bodies representing workers that it considers should be disclosed in the context of the MSA.

Further information can be found in our Corporate Responsibility pages on www.Clarks.com.

OUR POLICIES: ADDRESSING THE RISKS

Clarks has several policies which support the fight against modern slavery and trafficking.

Code of Business Ethics (Employees)

Our Code of Business Ethics outlines the global values and principles that help shape the way Clarks work and describes our internal accountability, standards and expectations. It is primarily aimed at employees and Clarks encourage our business partners, including suppliers, franchise and joint venture partners, to adopt and apply the Code of Business Ethics wherever they represent or promote the Clarks' brand. Clarks attach real importance to the welfare of our employees and those employed by our suppliers. The key principles include:

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

As part of a periodic review in 2018, the Code of Business Ethics was updated to incorporate our understanding and management of the risks of modern slavery and human trafficking within our own business and our supply chains. It includes a link to the International Labour Office's (ILO) Indicators of Forced Labour for further guidance. The 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" and includes indicators and warning signals that employees should be alert to in helping prevent such issues. It details the various reporting channels available to employees to report any concerns the Code of Business Ethics may be being ignored. This includes an externally provided whistleblowing channel. The Code of Business Ethics is communicated on an annual basis to all employees and training records retained.

Our Code of Business Ethics can be found [here](#)

Code of Practice for Suppliers

All suppliers are expected to sign up to our Code of Practice as part of their contract. Clarks' Code of Practice states the minimum standards for working conditions that Clarks expect our suppliers to adhere to in the production of all Clarks' products.

The Code is subject to ongoing review and an updated version was distributed in April 2019. This update included the Consumer Goods Forum priority industry principles of forced labour. The Consumer Goods Forum is a global, parity-based industry network, driven by its members who come from over 70 countries and reflect the diversity of the industry in geography, size, product category and format. It is the only organisation that brings consumer goods retailers and manufacturers together globally to collaborate, alongside other key stakeholders, to secure consumer trust and drive positive change, including greater efficiency. The Forum devised 3 key principles relating to slavery and working conditions which they encourage their members to include within their Code of Practice, namely:

- "1. Every worker should have freedom of movement – the ability of workers to move freely should not be restricted by the employer through physical restriction, abuse, threats and practices such as retention of passports and valuable possessions;
2. No worker should pay for a job – fees and costs associated with recruitment and employment should be paid by the employer, not the employee; and
3. No worker should be indebted or coerced to work – Workers should work freely, aware of the terms and conditions of their work in advance and paid regularly as agreed.
- All workers should be provided free and unrestricted access to potable water and clean toilet facilities."

These principles have been included within our Code of Practice as well as requirements to:

- comply with all local legal and regulatory requirements of the country in which the facility is located; and
- to recognise international standards and to uphold the core labour conventions of the ILO.

Where there is any conflict between these Clarks expect the higher standard to be achieved. The Code contains specific requirements which underpin the principles including "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 involuntary prison labour".

The Code must be applied to all suppliers regardless of which tier they are within the supply chain.

The Responsible Sourcing Goods for Resale Committee (chaired by the Chief Supply Chain Officer) monitors the application of the Code to ensure conformance and reports to our Executive Committee. In addition, six monthly reports from the Group Head of Supplier Working Conditions are required by and reviewed by Clarks' Audit Committee.

The Code of Practice for suppliers can be found [here](#)

Supplier Working Conditions Manual

Audits are a requirement within our Code of Practice. The Supplier Working Conditions Manual clearly defines the supplier factory audit programme. Areas covered include:

- Scope;
- Approach;
- Risk assessment;
- Tiering;
- Criteria;
- Scheduling and planning;
- Reporting;
- Governance;
- Action plans; and
- Training and development.

Speak-Up Policy

The Speak-Up/ Whistleblowing Policy is reviewed, updated where necessary and re-communicated every year to all employees. Training records are retained. It outlines the different methods available for reporting. The options are:

- Line management;
- ethics@clarks.com (an email to the Head of Compliance);
- An external reporting company which gives webpage, phone and email options (all anonymous and accessed by Compliance personnel within Clarks); and

- Globalauditchair@clarks.com (an email which goes directly and only to the Chair of Clarks' Audit Committee).

The policy also includes information on Clarks' commitment to zero tolerance of any retaliation.

Summary reports from our global external whistle blowing service are provided to our Group Head of Compliance and subsequently reported to the Chief Legal Officer, the Group Director of Risk Management & Internal Audit and the Audit Committee. The Audit Committee has responsibility for reviewing ' policies and processes with regards to whistleblowing and legal compliance. As well as employees the facility is available to our Joint Venture partners and is being introduced to our franchise partners over the next twelve months.

As at the date of this statement, Clarks has received no disclosures with regards MSA issues.

Procurement Policy

The Clarks Procurement Policy exists to ensure accountable, efficient, transparent, and ethical practices are used to acquire products and services.

The procurement team considers the legal and ethical responsibilities of Clarks (including those of modern slavery) in aspects of supplier sourcing and management including; supplier contracts, tender and purchasing processes, auditing and compliance actions. Due diligence is completed before engaging with a supplier, in the context of a manufacturer would include a requirement for a site visit and audit of working conditions.

Our policy is reviewed and communicated annually, and training records retained.

Breaches and Non-compliance

Clarks will not tolerate forced labour, slavery or human trafficking within our direct operations or supply chains. Where any non-compliance is identified, Clarks expect and support suppliers to act to address it. Clarks actively work with them to make necessary improvements and any affected supplier will be given the opportunity to produce an improvement action plan to address issues identified. 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.

Governance

Responsibility for the preparation of our Modern Slavery statement sits with the Board of Directors.

The following departments are responsible for carrying out implementation of policies and procedures that support Clarks' human rights responsibilities: Legal Department, Procurement Department, Supply Chain and the Group Head of Supplier Working Conditions.

DUE DILIGENCE

Due Diligence

Clarks use supplier onboarding packs to communicate and certify our requirements on forced labour and modern slavery to manufacturers and suppliers. Suppliers are required to sign a copy of the Code of Practice to confirm that they have received, reviewed and understand it, and that they are in, or working towards, full compliance with its requirements. Where appropriate and based on the level of risk, audits are conducted of any potential new supplier prior to any purchase order for bulk production being placed.

Clarks strives to ensure that compliance with the Code of Practice forms part of the terms and conditions of all purchase orders.

Clarks have updated our Supplier Working Conditions Manual to incorporate forced labour and modern slavery requirements and are working with non-direct managed factories to introduce a facility authorisation process to ensure Clarks have input into all and any facilities being used, and the associated working conditions. Clarks have also introduced a Grievance mechanism into the direct managed factories and our intention is to introduce this into non-direct managed factories by the end of the year and include within audits.

Risk Assessment and Management

Clarks currently trades, operates and sources in many countries and across borders where the risk of modern slavery is perceived to be high. The evidence shows that whilst modern slavery is illegal in every country in the world, it still occurs.

Our supply chains are global and complex especially below the first tier of suppliers. To ensure Clarks utilise our resources effectively in monitoring compliance with our Code of Practice, Clarks uses a geographic assessment of risk as an initial indicator.

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.

Clarks approach to risk assessment comprises of research, supply chain mapping, auditing, training and stakeholder engagement. Most of Clarks' manufacturing takes place within the Asia Pacific region and this is where according to the 2017 ILO's Report 62% of modern slavery is believed to exist. Manufacturing is regarded to be a high risk activity and accounts for 15% of those individuals in modern slavery. Therefore, Clarks works with a number of stakeholders who help us to ensure Clarks are continuously reviewing and mitigating our risk in the supply chain. Clarks have had a formal risk assessment completed and are working on the recommendations from this.

The following have been identified as vulnerable to the risks of modern slavery:

- migrant workers;
- minority groups;
- homeworkers; and
- contract, agency, temporary or outsourced workers.

The following indicators have been identified as potential indicators of modern slavery and have been included within our Code of Business Ethics and training materials to raise awareness:

- someone who does not have their own passport, ID or travel documents;
- someone who always allows others to speak for them or talks as though being instructed or coached by someone else;
- someone who may be withdrawn or appear frightened and may have injuries;
- a person who has limited social interaction and may always be dropped off or collected from work (they may not be able to contact friends or family freely);
- a person with very few possessions or who lives in a very poorly maintained, overcrowded place (and is often overcharged for this);
- a person who has little control over their finances or no access to a bank account;
- recruitment fees and labour agents;
- cash in hand payments;
- no unions; and/or
- no access to grievance mechanisms.

These are not conclusive evidence but are all warning signs.

Stakeholders

Supplier Working Conditions Team

There are 5 auditors working within the Clarks' Supplier Working Conditions team across both direct managed and non-direct managed factories in China, India and Vietnam. In all other locations Clarks use reputable third party auditors to conduct audits within the factories. Each employee is salaried and is not incentivised on audit results. The companies providing the audits undergo due diligence checks as part of their onboarding. Clarks are working on a facility authorisation process which will require non-direct managed suppliers to provide us with a recent audit report before Clarks do business with them. This will be implemented this year.

Supplier Relationships

The Chief Supply Officer is accountable for supplier relationships. The Senior Vice President of Global Sourcing Operations is responsible for the relationships with the direct managed factories. Product buyers are responsible for the relationships within their specific product division. If there are concerns over performance these individuals decide whether to continue to do business.

Over the last year Clarks have been working with the **Mekong Club** to improve our understanding of forced labour and modern slavery and how to identify and prevent, which has included trialing their Apprise mobile phone application which helps us to identify indicators of forced labour when conducting worker interviews as part of our audit.

Clarks have, and will continue to, support the **Pacific Links Foundation** in the delivery of their Factory Awareness to Counter Trafficking (FACT) programme. It is a part of the Pacific Links Foundation's wider efforts to counter trafficking in Vietnam by increasing access to education, providing shelter and reintegration services, and enabling economic opportunities. Clarks have used their programme as the basis for education and awareness within our sites in Vietnam. Further information on the [Pacific Links Foundation](#) and the FACT programme can be found on their website.

Clarks have signed up to membership with **Slave Free Alliance** to gain further insight into all aspects of modern slavery and trafficking and how Clarks can continue to mitigate risks.

Clarks work closely with the **Institute of Business Ethics** to ensure that ethics are at the core of our policies and practices.

Audit Programme

Audits are conducted either by our in-house Supplier Working Conditions team or by independent and reputable third-party service providers on our behalf. As well as conducting scheduled audits Clarks also introduced semi-announced audit (where Clarks notify the factory a fortnight prior to the audit) and unannounced visits which encourage our suppliers to continue to meet standards. A factory that has historically shown a high standard of working conditions and good management systems will have an audit at least every 18 months. Others are received more frequently.

Our 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 licenses and relevant documentation, interviews with management and workers and an inspection of all areas of the facility site. Auditors also look for ILO indicators of forced labour and modern slavery.

For existing suppliers, Clarks use a tiered approach to determine the frequency of any audits based on their compliance performance and management capability including the balanced scorecard, which incorporates audit results and improvement action undertaken. Clarks assign a compliance level and risk rating to each facility and scorecard results as part of our criteria for sourcing allocation and those factories which score better receive more orders.

In the first instance, Clarks 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.

Clarks do not use any footwear supplier with the lowest compliance level (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. Supplies from these has increased from 63% in 2012 to 97% at the end of 2017 and has remained at this level over the last twelve months. The improvement was a result of both improved conditions in some existing facilities and the reallocation of production to countries and facilities with better working conditions.

In 2018 factories producing over 99% of our footwear were all audited. In addition to audits at finished goods facilities, Clarks undertook audits of second tier material and component suppliers. These audits

covered tanneries and sole suppliers that supplied at least 90% of the volume of these materials from Clarks' nominated suppliers as well as other component and material suppliers.

KEY PERFORMANCE INDICATORS

Over the course of the last year Clarks have redefined ongoing KPIs and now report on these on a seasonal (six monthly) rather than annual basis. KPIs Clarks use are:

- Audit results
- Balanced scorecard
- Training compliance
- Whistleblowing reports

TRAINING

Clarks have undertaken activities to support greater awareness and mitigation towards modern slavery and trafficking. These include:

Internal (employees)

- Implementing corporate training on modern slavery to raise awareness as to what to look out for and to ensure employees their responsibilities; and
- Annual communication of this statement to all corporate employees.

External

- 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. The FACT program offers a series of workshops for factory managers and workers to raise awareness about trafficking prevention.
- Clarks worked with the Mekong Club, which is a leader at uniting and mobilising the private sector for a common cause - to disrupt and end modern slavery. They provide training materials which help raise awareness when used in the workplace. Clarks have used aspects of this within our internal training.

During 2019 Clarks will continue to work to increase awareness of risks and reporting channels, including specific training on modern slavery and human trafficking for all corporate employees, as well as franchisees and contractors.

Clarks remain committed to tackling the root causes of modern slavery through raising awareness and engaging with stakeholders on policy and legislation and ensuring ongoing monitoring of activity. It is essential that Clarks continue to develop and adapt our approach to encompass emerging issues. Clarks continue to work with industries towards combatting modern slavery within our supply chain and operations.

This Statement has been approved by the Board of C & J Clark Limited on 27th June 2019.

Giorgio Presca
Chief Executive Officer,
27th June 2019



Appendix I

The following companies are commercial organisations which are part of the group of companies ultimately owned by C&J Clark Limited and which carry on business in the UK, where (i) business gives rise to global

turnover of more than £36 million or (ii) which retail in California and have annual worldwide gross receipts exceeding US \$100,000,000.

C&J Clark (No 1) Limited

C&J Clark Americas, Inc

C.&J. Clark (Holdings) Limited

C.&J. Clark International Limited