



DEICHMANN

At Deichmann responsible business is firmly anchored in our corporate philosophy. As a global company with local roots, Deichmann's foundation is our integrity and we are committed to working to ensure a positive impact in the communities and marketplaces in which we operate. Accordingly, we fully recognise both our moral, and legal, responsibility in preventing modern slavery in all its forms.

The following disclosure statement details the actions we are committed to taking in order to identify, understand and address the risks of modern slavery and human trafficking. Significantly, Deichmann will not only be compliant with all applicable laws and regulations, we will continue to set the standard for ethical behaviour, wherever we work. Moreover, Deichmann respects and supports the international principles of human rights, such as those detailed in the United Nation's Declaration of Human Rights¹, the United Nations Global Compact Principles², Women's Empowerment Principles³ and the UK Government's Modern Slavery Act 2015⁴. Our support for these fundamental principles is embodied in our policies and conduct towards our employees, customers and suppliers, together with the wider communities and countries in which we operate.

Deichmann SE is a privately-held company and the parent of Deichmann's UK legal entities. Deichmann Shoes UK Ltd. is the primary trading entity operating in the UK and is a limited company registered in England and Wales. The following disclosure statement is made on behalf of Deichmann Shoes UK Ltd. (Deichmann) pursuant to Section 51 (1) of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement for the year ending 31 December 2018.

Chris Holden - Director
Deichmann-Shoes UK Ltd

March 2019

¹ United Nation's Declaration of Human Rights <http://www.un.org/en/universal-declaration-human-rights/>

² United Nation's Global Compact Principles <https://www.unglobalcompact.org/what-is-gc/mission/principles>

³ The Women's Empowerment Principles <http://www.weprinciples.org/>

⁴ UK Government's Modern Slavery Act 2015 <http://www.legislation.gov.uk/ukpga/2015/30/contents/enacted>

The UK Government Modern Slavery Act requires Deichmann to disclose a statement containing information such as the following:

- a) the organisation's structure, its business and its supply chains;
- b) its policies in relation to slavery and human trafficking;
- c) its due diligence processes in relation to slavery and human trafficking in its business and supply chains;
- d) the parts of its business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk;
- e) its effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate;
- f) the training about slavery and human trafficking available to its staff.

About Us

As a family business, Deichmann truly recognises the importance of generational sustainability. Founded in 1913, Deichmann is firmly established as Europe's principal footwear retailer, employing approximately 38,000 people worldwide and operating a network of branches in 25 countries internationally, including the UK. Deichmann is renowned for offering a large selection of models and brands for women, men and children, as well as for sport – fashionable, quality footwear at affordable prices. As a shoe retailer, DEICHMANN develops its collections largely independently and buys very large volumes directly from producers in around 40 countries. Our suppliers develop the designs, which enables key oversight of the product development process from the outset. Moreover, the company has longstanding relationships with its select network of direct suppliers and purchases from producers in around 40 countries, thereby allowing us to maintain close working relationships with our suppliers and enabling us to work in partnership to consistently deliver quality products that adhere to strict environmental and social standards.

Our Modern Slavery and Human Trafficking Policy

The continuing prevalence of contemporary slavery and human trafficking is a serious global problem with millions of victims. Consequently, Deichmann will not tolerate modern slavery within our organisation or supply chain. As a company, responsible business is a key component of our core strategy and, consequently, we fundamentally oppose modern slavery in all of its forms and are strongly committed to preventing exploitation, or human trafficking, across any part of our business and supply chains. Deichmann will not tolerate forced labour, the exploitation of children or other vulnerable groups, fraudulent activity, deception,

corruption, or any other means of coercion or abuse of power. Our zero-tolerance approach to modern slavery embodies our commitment to acting ethically, and with integrity, throughout our operations and to implementing effective governance systems to prevent slavery and human trafficking in our supply chains. Moreover, our business ethics and code of conduct outlines the rigorous standards of ethical behaviour we expect from our suppliers. In addition, suppliers are required to demonstrate that they adhere to robust ethical standards through routine assessment.

Fundamentally, the prevention, detection and reporting of modern slavery in any part of our business or supply chains is the responsibility of all those working for us, or with us. Our zero-tolerance approach to modern slavery is clearly communicated to all of our business partners and reinforced as appropriate thereafter.

Supply Chain Management

As a shoe retailer, Deichmann develops its own collections and purchases large quantities of product directly from our international supply base. Therefore, we are committed to ensuring that our products are manufactured in a way which is environmentally conscious, safe and with social responsibility. Deichmann attaches great importance to the adherence of social and environmental standards and, therefore, this is clearly outlined in our policies and procedures for suppliers, which detail the values, expectations and strict standards that we require our suppliers to meet. Crucially, our Code of Conduct underpins our supply chain management process and is based on the conventions of the International Labour Organisation (ILO) and seeks to endorse internationally recognised standards of labour practice. Furthermore, our Code of Conduct obliges suppliers to implement appropriate systems to ensure the protection of their employee's health, safety and wellbeing, as well as the environment. These requirements not only cover modern slavery, but also our wider expectations concerning responsible sourcing and manufacturing. Significantly, this Code of Conduct is a binding component of our supplier contracts. Additionally, we work closely with our suppliers to ensure that they understand and meet our social and environmental requirements. Lastly, we have a dedicated Global Social Responsibility team working to ensure a positive impact in the communities and marketplaces in which we operate.

Supply Chain Assurance

At European level, Deichmann is a member of the Business Social Compliance Initiative (BSCI)⁵. BSCI is a leading European business-oriented initiative for companies committed to

⁵ Business Social Compliance Initiative <http://www.bsci-intl.org/>

improving working conditions in their global supply chains. In essence, BSCI provides a uniform social monitoring and performance appraisal platform with the aim of fostering continuous improvement in working conditions in factories worldwide. All Deichmann suppliers are routinely audited against the BSCI benchmark by independent assessors, at least biennially. In many cases, audits are unannounced. Significantly, if non-conformances are identified during the audit inspection, a corrective action plan will be instituted, culminating in a revisit to the facility. Reassessments will continue periodically until the non-conformance is satisfactorily resolved. Approximately 80-100 audits are conducted annually.

We have also started to work on the material supplier level especially on the wet processes as Leather, coated Textiles (e.g. PU), Textiles and Paper. Deichmann has been an active member of the Leather Working Group (LWG) since 2012⁶. The Leather Working Group is a multi-stakeholder group, comprising brands, retailers, leather manufacturers and suppliers. Since its inception in 2005, the LWG's principal objective is to promote environmental stewardship in leather manufacturing. To this end, the Leather Working Group has developed a standardised environmental auditing process to cover all of the essential elements of environmental best practice management in a leather tannery. This environmental protocol includes an auditing tool, reporting mechanism and assessment structure. Significantly, our leather is sourced from LWG Rated tanneries. Whilst LWG is specifically focussed on environmental improvement, it affords valuable supply chain visibility.

We have initiated a PU-Project in China in close cooperation with our business partners. We developed an internal audit protocol with our local partners (Nanjing University and PFI) and have already conducted environmental and social audits in 17 PU-factories. The next step is to review the findings and working on related remediation plans. This remediation includes face-to face meetings with our local team, shoe factory's management and responsible persons of PU-factories.

Supply Chain Visibility

In order to bolster our due diligence systems, we have initiated a supply chain mapping initiative, beginning with wet process suppliers. This is particularly important for those raw material value chains, such as textiles and leather, where industry practices and wider societal factors converge to create an environment in which there is a potential for poor environmental and social performance. The transparency afforded by this exercise is critical in underpinning our efforts in averting modern slavery across our operations and supply chain. Therefore, we

⁶ Leather Working Group www.leatherworkinggroup.com

are committed to extending the coverage of our supply chain mapping initiative as part of our wider due diligence efforts.

Due Diligence and Risk Assessment

As outlined above, existing due diligence measures relating to ethical conduct and social performance underpin our current supply chain management process. By operating a robust programme of supplier assessment against a framework of ethical and social measures, we are able to support our suppliers in developing and enhancing their practices. Additionally, Deichmann has instituted a comprehensive Business Integrity policy, which details the standards and procedures by which we should treat fellow employees. This includes transparent behaviour, such as protecting human rights, together with compliance with appropriate legislation, particularly with regard to fundamental rights at work.

Understandably, poor labour and social standards in certain consumer goods supply chains continue to be a focus for NGOs and the media. Consequently, where issues are highlighted in certain regions, or supply chains, we commit to investigating them.

In an effort to augment our existing due diligence processes in relation to modern slavery and human trafficking, we have improved the following internal governance procedures at operational and senior management level:

- Amending standard procurement and due diligence processes to reflect the requirements of the UK Modern Slavery Act.
- Undertaking risk assessments on a prioritised and proportionate basis to identify supply chains and/or areas of potential risk in relation to social and ethical performance.
- Identifying high risk supply chains and/or areas particularly susceptible to modern slavery issues.
- Communicating our expectations around modern slavery to ensure our supply chain fully understands the standards that Deichmann applies.
- Terminating business relationships with suppliers, or other offending parties, who knowingly violate our modern slavery policy and refuse to collaborate with us in implementing improvement plans.
- Continuing with our supplier assessment programme and conducting appropriate investigative and remedial actions if issues are identified.
- Recognising the limitations of certain ethical auditing protocols and, where appropriate, undertaking additional supplier visits and assessments.

Finally, we also commit to continually reviewing and enhancing our due diligence and risk assessment processes on an annual basis.

Training our Employees and Suppliers on Modern Slavery

Stakeholder engagement is fundamental to ensuring our suppliers and other partners are committed to supporting our efforts concerning modern slavery. To this end, we have carried out a training briefing for key staff in procurement and compliance in order to raise awareness regarding the practical issues of embedding effective ethical sourcing and responsible manufacturing standards. In addition, this briefing will outline Deichmann's obligations under the UK Modern Slavery Act. Significantly, we have already instituted this training for buyers and local technicians.

We have disseminated our Modern Slavery and Anti-Human Trafficking Disclosure Statement to our direct suppliers and provide clear practical guidance to ensure they understand the significance of adherence with Deichmann's Code of Conduct. In addition, we have also updated our procurement code of conduct to reflect our commitment to tackling modern slavery and human trafficking.

Monitoring Performance

The following graphic summarises the key areas of activity for assessing the effectiveness of our efforts in preventing modern slavery, against our wider commitment to driving improvements in ethical and environmental performance.



Visibility

Mapping our supply chain to extend our visibility of key raw material suppliers, particularly leather and textiles



Governance

Bolstering our internal governance procedures at operational and senior management level in relation to Modern Slavery



Engaging

Communicating our ethical and environmental standards to our supply base and maintaining our robust verification programme



Reporting

Reporting on the effectiveness of our due diligence systems in promoting, and verifying adherence with, our ethical and environmental standards