

UK Modern Slavery Act statement 2018

31 May 2018

Our commitment to responsibility and sustainability

We believe responsible corporate practices are critical for the success of our company to protect our brand and advance better social and environmental conditions in global supply chains. Our commitment to responsibility and sustainability is anchored in our values and our policy framework.

In particular, it is of the outmost concern that all Flying Tiger Copenhagen products are produced responsibly, and in respect of international social, environmental and ethical standards. This commitment to responsible sourcing translates in both collaboration and stringent requirements towards our suppliers to ensure they can uphold our requirements.

Our Corporate Responsibility framework is divided into five focus areas and is shared publicly on our website: <http://corporate.flyingtiger.com/csr> and in our latest annual report.

It's about caring



People: Respect the rights of our employees and build a fair, safe, inspiring workplace.

Planet: Protect the planet and reduce our footprint through environmental stewardship.

Products: Ensure fun, safe and inspiring products and ensure responsible production and sourcing.

Partnerships: Strengthen communities through partnerships to support good causes locally and globally.

Policies: Conduct Business with honesty, integrity and in compliance with the law wherever we operate.

We commit to respecting internationally recognised human rights and to fight forced labour, slavery and trafficking in our supply chain. This is spelled out in our [Human rights policy](#) and our [Supplier Code of Conduct](#).

Our Supplier Code of Conduct requires that all our suppliers respect internationally recognised human rights and implement policies and due diligence procedures to detect, prevent and mitigate any adverse impacts on human rights. Particularly, we expect all our suppliers to ensure that no forms of forced labour, slavery or trafficking, take place in their operations. This is a zero-tolerance issue in our Supplier Code of Conduct and our Social Compliance Auditing tools and procedures are designed to stringently follow-up on this requirement.



Forced labour Zero tolerance



Employment must be freely chosen. Suppliers shall not engage in or support the use of forced, bonded, prison, or involuntary labour or human trafficking. All employees must have written and legal employment letters and not be subject to recruitment fees or deposits, forced overtime, lodging of personal documents by the employer, limited freedom of movement.

Our supply chain and due diligence activities

We offer a broad product assortment and in 2017, we purchased products from app. 400 suppliers worldwide. Approximately 77 percent of these are based in China; approximately 20 percent are based in the EU and the remaining 3 percent are spread in Asia. Most of our purchasing is done through trading companies who source our products from a range of different factories, which they often do not own. Through our social compliance process, we work to ensure that factories selected for production on our behalf can meet our requirements and that the people producing our products are treated with respect and provided with fair working conditions, of which voluntary labour is a primary condition.

We have an ongoing focus on continuously improving social compliance process and our performance. In 2017, we have focused on strengthening our due diligence process by introducing an audit management tool linked to our product compliance process, allowing for a systematic and more thorough process. The process consists of 3 main steps as detailed below.

1. Commitment to the Zebra Supplier Code of Conduct

- All product suppliers sign the Supplier Code of Conduct. The Code is based on the Universal Declaration of Human Rights, the Core Conventions of the International Labour Organisation (ILO) including Convention 29 on Forced Labour, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises, and incorporates clear expectations on forced labour. The Code is supported by additional policies that suppliers also are required to comply with, such as the Child Labour and Young Workers Policy and the Homeworkers Policy that detail requirements of the Code.
- No orders or purchases can take place without a valid Code in place. Commitment to the Code must be renewed every 2nd year in writing. Suppliers have an obligation to extend the requirements of the Code to their own suppliers and subcontractors and disclose all manufacturing sites, which can be audited at Zebra's wish.

2. Risk assessment and factory audits

- Our audit management tool is linked to the Bill of Material (BOM) process where each product goes through an approval process to ensure that no hazardous and dangerous materials form part of the product. Via the audit management tool, each factory and product are assessed in a 2-stepped process:
 - 1) Factory information for all items is gathered from the BOM tool and items are automatically assigned a risk rating based on: i) country of production; ii) purchase volume; iii) product category.
 - 2) The automatic risk rating is combined with a manual process looking at: i) brand exposure of product; ii) audit history and performance of factory, including sub-contracting practices.
- Items rated high-risk are selected for audit. Factory audits are conducted by a combination of an internal audit team based in China and an external provider, specialised in social compliance.
- All audits follow the Zebra Audit protocol which consists of 115 questions which assess practices in the areas of ethics, sub-supplier management, human rights, labour practices, and the environment. Audits include a combination of site assessment, documentation review, management interviews and anonymous workers'



interviews. Transparency is a key indicator of compliance and we strictly review record keeping and management systems, particularly on employment practices.

- We assess the risk and presence of forms of forced labour through dedicated indicators and counter-verification during anonymous workers' interviews. Our audit protocol includes questions on the use of labour agencies and their recruitment and employment practices. Flagrant use of forced labour in any form is a critical zero-tolerance issue which leads to the factory being deselected and with potential commercial consequences for the primary trader.
- All factories are evaluated from A (compliant) to E (Zero-tolerance) and provided with a Corrective Action Plan (CAP) as part of the audit.

3. Improvement and remediation

- All factories, apart from A rated factories, must implement a corrective action plan (CAP) within a defined timeline. The CAP is reviewed regularly until closure by the Zebra Social Compliance teams in China and Denmark, and the factory must go through a re-audit to verify improvements. Re-audits are semi-announced or unannounced.
- Factories that present severe zero-tolerance issues are rejected (e.g. use of child labour, forced labour, severe safety and human rights issues, attempted bribery of auditor). In some cases, where good faith and procedural errors can be verified, the factory is put through a requalification process which includes training, a strictly monitored improvement plan and a re-audit.

In 2017 our strategic auditing programme included 344 audits and re-audits at our suppliers' factories in China, India, Nepal and Turkey. During three of these audits, we detected practices that we categorised as non-compliances of our requirements on forced and bonded labour. These include: inappropriate withholding of wages; lack of adequate monitoring system for sub-contracted workers; and inappropriate payment of a worker uniform. All three cases have prompted the necessary remediation actions. No other forms of forced and bonded labour were found at our suppliers' factories or at the sub-suppliers we visited.

Our capability building programme and effectiveness measures to prevent forced labour

Our strategic audit programme is critical to ensure compliance with the standards of our Supplier Code of Conduct. During our programme, however, we have learned that a crucial root cause to many of the non-compliances we find is a lack of sufficient knowledge and competencies among our suppliers and their factories to comply with our standards.

To drive genuine improvements, we have therefore started an impactful capability building programme, both linked to auditing activities and supplier management, as well as to our own corporate sourcing processes. The programme involves a set of different activities, as detailed below.

In 2017, we repeated a week of intensive product compliance, quality and social compliance training in Shanghai. This year we invited 30 of our key suppliers, responsible for a large amount of our annual procurement. The training included practical instructions on our requirements within product compliance, quality and social compliance as well as guidance on how to build management systems to monitor and promote performance among their core suppliers. We believe this cascading of capacity building and management systems is a precondition for sustainable change, and as such a strong supplement to verification via Zebra audits and controls.



This training is complemented with individual dialogue with our absolute top 4 suppliers through-out the year. The dialogue involves training, workshopping, review of internal systems, and stringent follow-up to ensure progress. We will gradually enhance the scope of this dialogue to include more of our key traders.

The capability building of the traders is combined with factory training of their strategic suppliers, applying both e-learning as well as in-house training. Labour standards and our requirements on forced labour have been and will continue to be part of the curriculum in 2018. Factory training is increasingly becoming integrated into our audit follow-up, realising that some factories need to learn about social compliance and our standards before being able to improve their performance.

Our capability building programme is also targeted our own procurement and all procurement staff are subject to training. The training curriculum includes notions of social compliance and ethical standards, how to identify supply chain risks and supplier engagement on social compliance. Avoiding and detecting forced and bonded labour, including modern forms of slavery, forms an integral part of the training.

About Zebra A/S

Flying Tiger Copenhagen is the brand name of the Danish retailer Zebra A/S, based in Copenhagen, Denmark. Our concept is to sell quirky design products of great quality at favourable prices, through our own 800+ stores across Europe, North America and Asia. Our assortment covers more than 7.000 decorative, practical and colourful items.

Signed by:

Zebra A/S

A handwritten signature in blue ink, appearing to read "Mette Maix".

Mette Maix (CEO)

Zebra A/S

A handwritten signature in blue ink, appearing to read "Carsten Fensholt".

Carsten Fensholt (CFO & EVP of Business Support)

