

ECCO Modern Slavery Statement 2017

This statement describes the steps ECCO has taken during 2017 to prevent modern slavery and human trafficking from taking place in ECCO's business and supply chains. The statement responds to the UK Modern Slavery Act 2015 and has been approved by ECCO's Group Managing Board.

INTRODUCTION

ECCO is aware that the issue of forced labour and human trafficking, in particular where work is conducted by migrant workers or other vulnerable workers, occurs across the world. Such abusive working conditions are unacceptable and ECCO welcomes the growing body of legislation that focuses on preventing modern slavery from occurring in the business and supply chains of companies.

ECCO'S BUSINESS AND SUPPLY CHAINS

ECCO is producing high-quality leather, footwear and accessories. ECCO is unique in the way that it owns and controls the vast majority of its leather and shoemaking process, from the tanning of hides, the production of shoes, to the sale of products to consumers. Although the majority of ECCO's tanning and shoe production is conducted in-house, ECCO does rely on suppliers to provide the company with services and materials, such as uppers, laces, inlay soles, machines, chemicals, finished products, and components used in connection with the manufacturing of ECCO products.

Due to ECCO's business model, the 'tiers' of the supply chain look different to those of many of its competitors and peers. 'Tier 1' are business units that manufacture the finished shoes or leather goods sold to the end-consumer. This mainly comprises of ECCO shoe factories (Indonesia, China, Thailand, Slovakia, and Portugal). For ECCO Accessories, this would include bags, wallets, belts and other small leather goods.

ECCO's 'tier 2' are business units that manufactures visible materials or components to tier 1. This mainly comprises of uppers from ECCO Vietnam, leather from ECCO tanneries (Indonesia, China, Thailand and Netherlands). In addition to these managed business units, we also source laces, logos, zippers and shoe boxes within tier 2.

ECCO also owns and operates some facilities at tier 3. 'Tier 3' are business units that is a sub-supplier to tier 2. This includes ECCO's beamhouse in the Netherlands. Further, it could include dyeing facilities, chemicals, latex and foam for sock lining.

To learn more about ECCO and how its shoes are made, please visit:
<https://group.ecco.com/en/about-us>

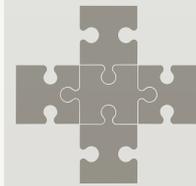
ECCO'S POLICIES

ECCO's Code of Conduct, <http://e.cco.to/coc>, which is signed by and overseen by the Group Managing Board, affirms ECCO's commitment to respect internationally recognised human rights. Day-to-day implementation of the Code is the responsibility of the Group Corporate Responsibility department.

The Code makes it clear that ECCO must provide employees with a workplace free of harassment and abuse, and it condemns any form of forced labour. The Code not only applies to all ECCO employees and business units, but also to all external suppliers and other business partners.

EMBEDDING ECCO'S POLICY

Training helps ECCO embed its policy throughout the business. ECCO provides training to all new employees on its Code, with a more in-depth training provided to employees with particular responsibilities that require a more in-depth knowledge of issues relating to modern slavery. ECCO knows that the risks are constantly evolving as the criminal activity of modern slavery becomes more sophisticated. ECCO continuously updates training materials to incorporate up-to-date information on the trends in modern slavery as well as specific case studies describing the red flags for modern slavery.



VALUES

HERITAGE
PASSION
INNOVATION
CARE
EXCELLENCE



HIGH QUALITY
FOOTWEAR, LEATHER &
ACCESSORIES



NET REVENUE 2017
EUR 1,276m



OPERATES IN
90
COUNTRIES



CHINA
USA
RUSSIA
GERMANY
SWEDEN

Recognising the risks of modern slavery in its supply chain, ECCO regularly provides trainings to its Code of Conduct auditors, who discuss how they can identify and address modern slavery. ECCO also seeks to work with its suppliers to help them understand the implications of modern slavery and related risks. A key forum used is the ECCO Code of Conduct Supplier Summit, which gathers over 90 of its global suppliers, creates the opportunity to share best practices and lessons learned amongst the participants. The Summit in 2018 will be the fourth ECCO Code of Conduct Supplier Summit.

Other measures are equally important to help ECCO embed its Code and ensure that it is understood and applied throughout the business. With regard to ECCO's **governance arrangements**, ECCO's Group Corporate Responsibility department, Global Vendor Management, and ECCO units all have a role to play in helping the company prevent modern slavery from taking place in the business and supply chains of ECCO. There is also a Corporate Responsibility Steering Committee, which meets four times a year. 'Risk Reporting' is a mandatory point on the agenda and the risk overview for Environment, Health & Safety, Compliance and Social-Labour are reviewed/updated.

Furthermore, ECCO's Supervisory Board, Group Managing Board, and Senior Management group have discussed the modern slavery risks of ECCO and further actions that could be taken as a business to minimise these risks.

Contractually, ECCO requires its suppliers and business partners as a minimum to comply with ECCO's Code of Conduct. Non-compliance is considered a material breach and may cause termination of the contract. ECCO's suppliers are required to ensure similar compliance by their sub-suppliers. In this way, ECCO seeks to cascade respect for labour rights into its supply chain, beyond the first tier, as this is where the majority of the modern slavery risks will reside. ECCO does, however, recognise that legal provisions are insufficient in themselves and there is a need to consider how the contractual terms can be accompanied by guidance to suppliers to convey more specifically what is expected. This will be included in a Business Partner Guide to ECCO's suppliers, which contains guidance on the full range of issues covered in the ECCO Code of Conduct.

DUE DILIGENCE PROCESSES IN RELATION TO SLAVERY AND HUMAN TRAFFICKING

Human rights due diligence is important to help ECCO identify, prevent, mitigate, and account for how ECCO addresses its adverse human rights impacts. ECCO's approach is based on the UN Guiding Principles on Business and Human Rights. ECCO seeks to prevent and mitigate potential impacts on people's human rights. To achieve this, ECCO is working to assess its actual and potential human rights risk and tackle issues uncovered. One way this is done is by conducting pre-screening on all new suppliers to assess compliance with the Code. This pre-screening takes place in the leather production, shoe production, and accessories division. Audits of suppliers are conducted by ECCO's internal Code of Conduct audit team, and findings are supplemented with audits from external auditors. Last year, approx. 130 audits were conducted across the supply chain. The process is structured so as to target those suppliers at highest risk of adverse human rights impacts. For instance, ECCO will prioritise audits of suppliers that use subcontractors as well as those with work-intensive production.

ECCO's audit programme is reviewed annually to strengthen its effectiveness over time. To learn more about the history and content of the audit programme, please see: ECCO's Modern Slavery Statement 2016, <http://e.cco.to/mss16>.

ECCO's tanneries are not only producing leather to ECCO – they also produce leather to external luxury brands. These customers frequently conduct strict audits at ECCO's tanneries and these audits also include human rights and modern slavery related topics.

ECCO is aware of the importance of complementing audits with other measures and processes, particularly in the area of modern slavery. In addition to a robust audit programme, ECCO has environment, safety, and health committees at its own factories to assist workers in voicing their concerns related to working conditions and other topics of concern. ECCO ensures that workers are empowered to report complaints without fear of reprisals. ECCO also seeks to assess whether its suppliers have such mechanisms in place in the course of its audits.



2,232
ECCO STORES



98%
OF OUR SHOES ARE PRODUCED
AT OWN FACTORIES



4 TANNERIES

OUR TANNERIES RANKED



BY THE LEATHER WORKING GROUP

AMONGST



TOP 5

PRODUCERS OF PREMIUM
LEATHER TO LUXURY BRANDS

ECCO uses a number of different indicators to assess whether labour rights are respected in its operations and supply chain. These include indicators related to audit findings, worker satisfaction, annual employee turnover, staff wellness, and number of strikes. One indicator alone will not provide an adequate measure and will need to be complemented by a range of indicators.

WHERE THERE IS A RISK OF SLAVERY AND HUMAN TRAFFICKING TAKING PLACE IN ECCO'S DIRECT OPERATIONS AND SUPPLY CHAIN

The most significant risk of modern slavery occurs where ECCO has less control: within the supply chain of suppliers that provide the company with services and materials, such as uppers, laces, inlay soles, machines, chemicals, finished products, and components used in connection with the manufacturing of ECCO products.

In the evaluation of how the approach to modern slavery could be strengthened, ECCO has identified its business model as a key strength in terms of its modern slavery risk profile. Operating its own R&D, production, and retail operations gives ECCO full control of the working conditions for its employees. Further, ECCO is bringing more production in-house, including more production of components.

ECCO competes on the superior quality of its shoes, rather than on cost of the product. ECCO has long-standing relationships with its suppliers who have strong capabilities in terms of product quality and labour standards. At the same time, ECCO has less insight into the labour practices that exist in the supply chain beyond the first tier. This is where ECCO deems the risks of modern slavery to be the highest. The risks are also high with other business partners, such as in cleaning companies and construction companies that build and service ECCO's tanneries, shoe factories, and retail stores. ECCO recognises that the risks exist in Europe and are not confined to only Asian countries. As described above, ECCO is extending its audit programme beyond the existing tiers to better understand the modern slavery risks, and ECCO will be complementing its findings with conversations and stakeholder engagement.

NEXT STEPS

In the coming year, ECCO plans to:

- Keep extending the selection pool for suppliers to be audited both horizontal and vertically, e.g. to suppliers responsible for the final treatment or disposal of hazardous waste.
- Conduct an in-depth human rights impact assessment to enhance ECCO's human rights due diligence and more fully understand its potential and actual impacts.
- Extend pre-screening of new suppliers to indirect suppliers, e.g. marketing.
- Continuously conduct 'refresher' training of internal key stakeholders, e.g. audit teams, procurement teams and Senior Managers.
- Work to develop a metrics to support key performance indicators in order to effectively track progress.
- Host the next Code of Conduct Supplier Summit.
- Continue to include Corporate Responsibility in communication in internal channels (e.g. ECCO's intranet, ECCO People Magazines) and external channels (e.g. ECCO Annual Report, group.ecco.com).

Steen Borgholm
Chief Executive Officer

Michel Krol
Executive Vice President, Global Sales

Panos Mytaros
Executive Vice President, Global Shoe Production



MORE THAN
21,000
EMPLOYEES WORLDWIDE
70% WOMEN, 30% MEN

60 NATIONALITIES

AUDITS
130 SUPPLIER AUDITS

¹ Definition of tier one suppliers: Business unit that manufactures the finished leather good sold to the end-consumer.