



Modern Slavery Act 2015

Slavery and Human Trafficking Statement for the financial year ended 28 December 2019

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 (the "Act") and constitutes our slavery and human trafficking statement for the financial year ended 28 December 2019. It sets out the steps that Superdrug Stores plc ("Superdrug") has taken and will continue to take to prevent modern slavery or human trafficking from taking place within our business and supply chain. This statement relates to business activity during the financial year ended 28 December 2019 and builds on our modern slavery statements for the years 2016, 2017 and 2018.

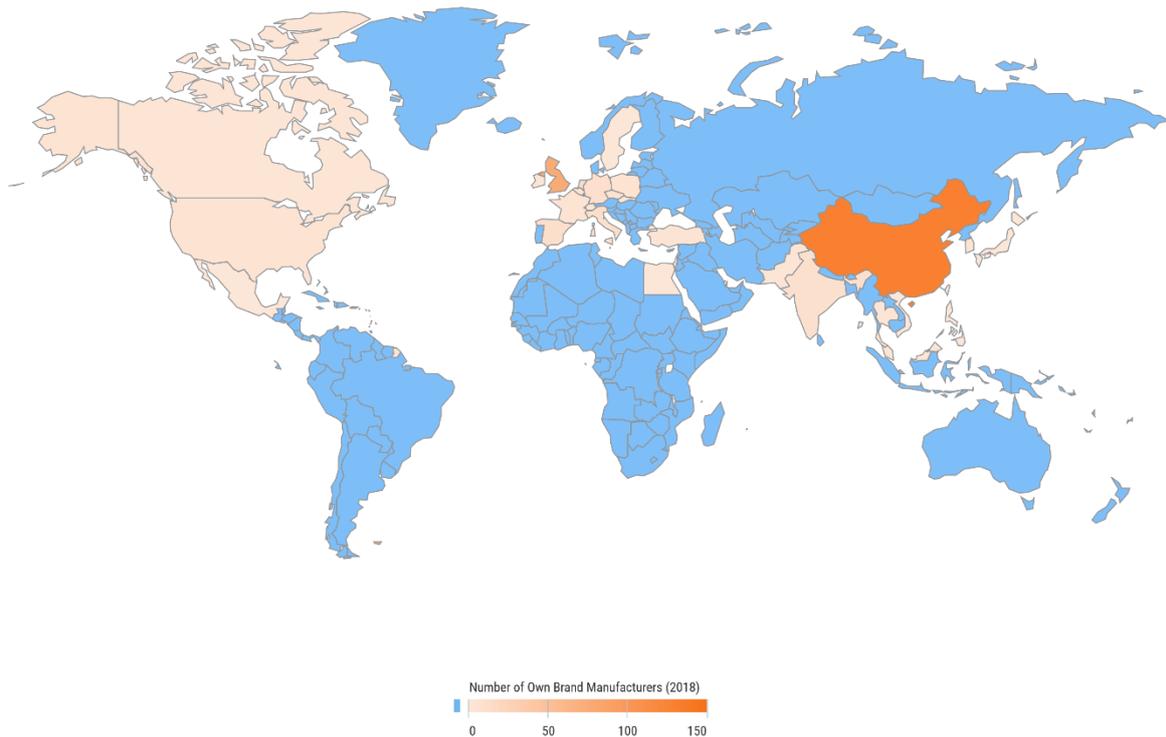
Group Structure

Founded in 1964, Superdrug is one of the UK's leading health and beauty retailers and is a wholly-owned subsidiary of A.S. Watson (Health & Beauty UK) Limited ("ASWHBUK"), which is a member of the A.S. Watson Group, ultimately controlled by CK Hutchison Holdings Limited, listed on The Stock Exchange of Hong Kong Limited.

Business

Superdrug has approximately 800 stores across the UK and the Republic of Ireland, including 205 in-store pharmacies, employing up to 14,000 people.

Our UK Own Brand Team source products from over 100 suppliers, which manufacture their products in over 270 manufacturing sites across 30 different countries. Over 100 of these manufacturing sites are in countries that we have identified as being a potential risk country and are therefore subject to regular independent ethical audits. In addition, we have suppliers whose products are sourced via the A.S. Watson Group Sourcing Team based in Hong Kong, which has similar standards and audit requirements in place. The below map displays the spread of locations of our Own Brand suppliers:



Modern Slavery Strategy and Due Diligence

Our Modern Slavery Taskforce (the “Taskforce”) consists of representatives from across ASWHBUK, including representatives from Superdrug, and continues to build on the work that has been carried out since 2016.

The Taskforce is responsible for:

- monitoring, reviewing and reporting on activities and initiatives that are underway to help mitigate modern slavery risk areas that have already been identified; and
- developing our modern slavery strategy and implementation plan, by continuing to review our business operations and supply chain and assess any potential areas that could be exposed to a modern slavery risk.

A.S. Watson Group continues to be an active member of The Mekong Club (<http://themekongclub.org/>), an independent NGO engaged to help global companies in developing awareness and training toolkits on modern slavery for staff and suppliers.

In 2017, A.S. Watson Group strengthened its commitment to work collaboratively with The Mekong Club by being its first member to sign up to its Business Pledge Against Modern Slavery.

In 2018, The Mekong Club finalised their Modern Slavery Awareness Toolkit, and A.S. Watson Group launched an internal online awareness campaign to its employees engaged in suppliers’ negotiations and contracts, across 24 markets, which included Superdrug, to coincide with the United Nations’

World Day Against Child Labour.

Our Policies

We are committed to continuing to develop and deepen our understanding of the risks in our business, so that we can prevent exploitation and human trafficking from taking place in our business operations and supply chain.

The AS Watson Health and Beauty UK Code of Conduct is applicable to all our employees and sets out the principles we uphold for our business. Transparent, honest and ethical behaviours continue to be the pillars we hold at the forefront of our business, as well as countering bribery and corruption.

Our HR policies supplement and complement the ASWHBUK Code of Conduct. In 2018 our Customer and People Team developed the expansion of the use of our confidential hotline so that employees can report any concerns directly to the Superdrug Head Office via telephone or email. The hotline re-launched during the first half of 2019 and is widely publicised by internal communications.

Since 2008, the A.S. Watson Group, including Superdrug, has been an active member of amfori's Business Social Compliance Initiative ("BSCI") which is a leading business driven initiative for companies committed to improving working conditions in the global supply chain. We follow the BSCI Code of Conduct (the "BSCI Code"), which covers key principles such as ethical business behaviour, no bonded labour or child labour, decent working hours and fair remuneration, as well as requirements for auditing, remediation and training of suppliers located in risk countries. The latest BSCI Code is integrated into our trading contracts and where possible we conduct regular compliance assessments against the BSCI Code. In 2018, the A.S. Watson Group Sourcing Team carried out over 470 BSCI audits (including re-audits) in factories manufacturing products sold in A.S. Watson Group's retail stores, including in Superdrug, with a similar number of audits being carried out over the course of 2019.

As part of our Corporate Social Responsibility Roadmap we set out the following targets for our approach to prevent modern slavery, which specifically relate to sourcing of UK Own Brand products.

- 1) By the end of 2020, 100% of Own Brand suppliers will have an ethical assessment either via an independent ethical audit or via completion of a self-assessment questionnaire.
- 2) By the end of 2020, we will only accept 'C' scores or above on independent audits conducted on our direct suppliers in risk countries. A 'C' score is measured as 'acceptable' in the BSCI scoring methodology of A to E scores.

Direct Operations

In our previous modern slavery statements we addressed the steps we have taken to minimise the potential risk of modern slavery in the provision of temporary labour by third parties which continues to include:

- contractual controls to ensure that the third party labour providers are committed to complying with the Act and that non-compliance will result in contract termination;

- ensuring that the third party labour providers have in place adequate internal mechanisms through which agency workers can raise any grievances or concerns and that any issues are addressed and escalated as appropriate to the ASWHBUK Customer and People Team; and
- checking that the third party labour providers hold a current certification with a recognised licencing scheme, such as the Gangmasters and Labour Abuse Authority.

Additionally, our distribution network colleagues complete online training modules to provide wider understanding of Modern Slavery practices and to follow measures to escalate any concerns to management and the People Team. This training is mandatory for all team members and is conducted in line with the Code of Conduct.

Supply Chain

Own Brand products:

We recognise that there is a risk of modern slavery within parts of our Own Brand supply chain. We are therefore continually committed to strengthening the high standards of ethical compliance as an integrated part of the Superdrug sourcing process for Own Brand products. In our previous modern slavery statements we reported on our audit policies, which are an embedded part of our processes. In 2018 we broadened the responsibilities of ethical compliance by extending this process to second-tier suppliers.

Ethical audits are currently carried out against all high-risk countries, and during 2020 we will request all of our Own Brand suppliers, irrespective of location, to either submit an existing ethical audit or to provide a completed self-assessment questionnaire.

Suppliers that carry out manufacturing in risk countries are not approved to supply Own Brand products until an appropriate independent ethical audit is submitted for our review. If the results of ongoing audits identify issues, we work with our suppliers to ensure that appropriate corrective actions are put in place, and if this cannot be achieved, alternative suppliers are engaged in a timely manner.

Beauty services:

Superdrug has a large offering of beauty services, which have in the past been largely facilitated by engaging with external providers via concession arrangements. We have been taking steps to bring more of these services in-house: 380 of our stores offer brow and lash services, of which 60 are in house. 130 of these stores now have a Superdrug operated nail bar. We have an increasing number of beauty services staff who are now employed directly by Superdrug and this means that we have a much greater degree of control over recruitment, reducing the modern slavery risk associated with the beauty services market.

In light of the identification of our external brow bar services providers as a potential risk area within the beauty services market, we carry out annual checks on each provider to ensure that they have reviewed and understood the values in the BSCI Code and that their employees have completed training modules provided by The Mekong Club. We also have specific modern slavery contractual clauses included in our contracts with any new providers.

Training

As we continue our partnership with The Mekong Club, education and raising awareness of Modern Slavery remains a key focus. As part of our corporate induction all employees have online training modules to complete. We will continue to track the compliance of modules in 2020.

This statement is approved by the Board of Directors of Superdrug Stores plc and signed on its behalf by:



Peter Macnab
Director of Superdrug Stores plc

Date: 7th July 2020