

Written evidence submitted by Victoria's Secret (L Brands) (FL0012)

Dear Mr Jones and Ms Ghani,

Thank you for the invitation to submit evidence to the Business, Energy and Industrial Strategy Committee. This is an important global issue and one which L Brands (doing business as Victoria's Secret) takes very seriously. We note that the Committee's Terms of Reference are focused on the extent to which businesses based in the UK are making use of the forced labour of Uyghurs in the Xinjiang Uyghur Autonomous Region (XUAR) of China. Victoria's Secret is a global business with global supply chains, which is reflected in the detailed responses below. We confirm that these responses are all directly applicable to the UK parts of the Victoria's Secret business. We regret that we are unable to join the oral hearing, but we have provided below the detailed responses that would have been given to the Committee in that format, which we hope are of assistance.

L Brands has a strict policy against the use of forced labour of any kind and will only work with suppliers that share our commitment to ethical and responsible business practices. We require all of our suppliers to certify that they have received, read and understand our no forced labour policy, including the prohibition on the use of cotton from the Xinjiang Uyghur Autonomous Region (XUAR), and any other form of forced labour and we conduct regular re-certification processes.

In 2019, we took immediate action to evaluate our factory database which confirmed that no production of our finished goods occurs in the XUAR. Through this certification process we learned that we obtained a de minimis amount of cotton yarn from one supplier who has ties to the XUAR. Out of an abundance of caution, we ended our relationship with that supplier earlier this year.

1. Do any of your organisation's value chains link directly or indirectly to the Xinjiang Uyghur Autonomous Region (XUAR) of China, and what steps are you taking to ensure that you have visibility of your entire value chain?

After a thorough review of our supply chain, we do not have any direct links to the XUAR, and to our knowledge, having conducted extensive diligence, we do not have indirect links to the XUAR. We recognise the risks associated with our global supply chain and remain vigilant for signs of violations of our [no forced labour policy](#).

The steps we are taking to ensure visibility to our supply chain are as follows:

- Since 2019, we have been using Sourcemap, a supply chain mapping software that enables us to trace our products to the source. That, combined with the fact that our finished goods suppliers must use our approved sub-suppliers, provides additional transparency into our apparel supply chain.
- We require all of our suppliers to certify that they have received, read and understand our no forced labour policy, including the prohibition on the use of cotton from the XUAR and any other form of forced labour and we conduct regular re-certification processes.
- We have a comprehensive forced labour audit procedure in our social compliance audit process to ensure we do not have any forced labour from the XUAR in any production factories through direct or indirect hiring, including workers who may have been transferred to other locations.

- A specialized risk assessment procedure has been developed to ensure any potential indicators of forced labour can be identified and addressed at the time of audit for factories with higher risks of human trafficking and forced labour, such as those with foreign and domestic migrant workers.

In addition, we have a separate online system to manage L Brands' social compliance program that allows our suppliers, auditors and associates to access critical information such as policies, guidance tools, supplier/factory information, audit reports, corrective action plans and remediation status at any time. We review this supplier/factory information with our sourcing partners on a regular basis to maintain visibility on sourcing strategies and facilitate areas where additional due diligence may be required to minimize risk.

2. Do you identify sourcing geographies for the delivery of services or the manufacturing of goods where there is a high risk of human rights abuse?

L Brands is fully committed to ensuring our products are ethically sourced. This commitment starts with our CEO and cascades throughout our organization. As part of that commitment, all associates are annually required to review and acknowledge our [Associate Code of Conduct](#). Based on our values, this Code defines behaviours that are acceptable and those that are not.

We hold ourselves and each other accountable to our values in all that we do. In that spirit, we strongly believe that the quality of our merchandise begins with the treatment of the people who create our products. L Brands only works with suppliers that share our commitment to ethical and responsible business practices. This commitment is embedded in the many measures by which we evaluate supplier partners and has been part of our comprehensive and proprietary approach to how we do business for decades.

L Brands has a Sourcing Risk Council comprised of senior executives from various company divisions and functions that meets quarterly. Executive representation includes:

- Chief Compliance Officer
- Communications
- Finance
- Government Affairs
- Independent Production Services (IPS)*
- Legal
- Logistics
- Regulatory and Quality Assurance
- Sourcing

The Sourcing Risk Council assesses current risks, including geopolitical, social compliance and associated supply risks, and sets policies related to responsible sourcing. The Sourcing Risk Council operates under the guidance and oversight of the L Brands Board of Directors' Audit Committee. The Chair of the Sourcing Risk Council reports to the Audit Committee on a regular basis, and the Audit Committee updates the Board of Directors.

Foreign Migrant Worker Policy

The [L Brands Supplier Code of Conduct](#) clearly states that prison, indentured, bonded, involuntary or slave labour or labour obtained through human trafficking shall not be used. Experts report that foreign migrant workers who travel across country borders to obtain employment are most at risk for human trafficking and forced labour and, therefore, we have established a Foreign Migrant Worker Policy to ensure that we reduce the risk of human trafficking or forced labour within our supply chain. In order to use a factory that employs foreign migrant workers, the sourcing team must obtain executive approval which can only be given if the factory receives positive results on a specialized audit developed in accordance with the [International Labour Organization's handbook on Combating Forced Labour](#). Factories that employ foreign migrant workers are closely monitored to ensure there are no forced labour violations, that workers have freedom of movement, are treated in accordance with the law and the factory must comply with the Employer Pays Principle.

Sourcing Country Policy

L Brands will not source product from any country prohibited or restricted by law as sanctioned by the Office of Foreign Assets Control of the U.S. Department of the Treasury (OFAC). In addition, some countries with potential geopolitical or social risks may pose a risk to our supply chain and, as a result, require pre-approval from L Brands Executive Leadership with compliance oversight. We have developed a Sourcing Country Policy to prevent the placement of production in an area where there are elevated human rights and supply chain risks. This policy helps ensure the additional due diligence is conducted with executive leadership oversight, providing visibility to sourcing strategies.

** Independent Production Services (IPS) is a compliance function within L Brands that works with suppliers to ensure goods are sourced from factories that meet or exceed L Brands compliance standards. IPS is responsible for monitoring and enforcement of L Brands' social compliance program and has been supporting global compliance for more than two decades, enabling improvement in working conditions, supply chain security, trade compliance and brand protection in our supply chain through monitoring, remediation, capacity building and training.*

3. What actions are you taking to prevent modern slavery and human rights abuses within your organisation and its value chains?

We have several policies in place to prevent modern slavery and human rights abuses within our supply chain:

L Brands suppliers are required to sign a Master Sourcing Agreement that explicitly states that the supplier and their factories will comply with all applicable laws and L Brands policies, including each of the policies and guidance listed below.

Supplier Code of Conduct

To ensure that our expectations are clear, our standards are specifically outlined in our [L Brands Supplier Code of Conduct](#).

Sourcing Country Policy

L Brands will not source product from any country prohibited or restricted by law as sanctioned by the Office of Foreign Assets Control of the U.S. Department of the Treasury (OFAC). In addition, some countries with potential geopolitical or social risks may pose a threat to our supply chain and, as a result, require pre-approval from L Brands executive leadership with compliance oversight. Any associate who violates this policy is subject to disciplinary action, including, but not limited to, termination of employment.

Foreign Migrant Worker Policy

The [L Brands Supplier Code of Conduct](#) clearly states that prison, indentured, bonded, involuntary or slave labour or labour obtained through human trafficking shall not be used. Experts report that foreign migrant workers who travel across country borders to obtain employment are most at risk for human trafficking and forced labour and, therefore, we have established a Foreign Migrant Worker Policy to ensure that we reduce the risk of human trafficking or forced labour within our supply chain. In order to use a factory that employs foreign migrant workers, the sourcing team must obtain executive approval which can only be given if the factory receives positive results on a specialized audit developed in accordance with the [International Labour Organization's handbook on Combating Forced Labour](#). Factories that employ foreign migrant workers are closely monitored to ensure there are no forced labour violations, that workers have freedom of movement, are treated in accordance with the law and the factory must comply with the Employer Pays Principle.

Uzbekistan and Turkmenistan Cotton Policy

L Brands is committed to ensuring that forced labour of any kind is not used in the manufacturing of our products. Because of the reports documenting the systemic use of forced labour (including the worst forms of child labour) in the harvest of cotton in both Uzbekistan and Turkmenistan, we have adopted a policy to prohibit the sourcing of Uzbek and Turkmen cotton for the manufacturing of any of our products until their respective governments end the practice of forced labour, including child labour, in the cotton sector. Until the elimination of these practices is independently verified, we will maintain this commitment and will collaborate with other stakeholders to raise awareness of this very serious concern and advocate for its elimination.

Conflict Minerals Policy

L Brands prohibits its suppliers from using conflict minerals which may directly or indirectly finance or benefit armed groups in the Democratic Republic of the Congo and its adjoining countries in accordance with the Dodd-Frank Conflict Minerals Provisions. Form SD and Conflict Minerals Reports previously filed by L Brands can be viewed as part of our [SEC filings](#).

Independent Production Services (IPS)* Compliance Guidebook

IPS, a compliance function within L Brands, publishes a Compliance Guidebook (Guidebook) annually and distributes it to all of our suppliers worldwide. The Guidebook is a collection of policies and standards with which our suppliers are expected and legally obligated to comply. The Guidebook provides additional clarification to suppliers and their factories regarding a

broad range of compliance standards and requirements that we are committed to as an enterprise and expect our suppliers to follow. Included in the Guidebook are the [L Brands Supplier Code of Conduct](#), compliance standards related to forced labour and human trafficking, the Uzbek and Turkmen cotton policy and the conflict minerals policy, among others.

The Guidebook is made available to all suppliers and associates involved in the production and purchasing process and outlines the requirements each must meet to work with L Brands. The expectation of adherence to our core values and always doing the right thing is emphasized by our CEO in his opening message to suppliers and associates.

In addition, we have robust procedures for monitoring, accountability and remediation, if necessary:

To ensure compliance with our [Supplier Code of Conduct](#) and supply chain standards, we have implemented an [internal audit process](#). To identify and evaluate the potential risks of human trafficking, slavery or violations of other local labour standards and/or those that may be unique to L Brands and our business, we conduct our own ongoing, internal verification of our product supply chain.

L Brands maintains policies and procedures for associates and suppliers that govern the [consequences of noncompliance](#) with L Brands' sourcing and labour standards.

If we find a supplier or factory is not in compliance with our [Supplier Code of Conduct](#) or supply chain standards, we will normally partner with them in an attempt to bring them into compliance unless the standard of non-compliance is serious, a repeat issue and/or fundamentally inconsistent with our values, where we may take legal action up to and including termination. L Brands has a robust remediation system where a corrective action plan (CAP) is automatically created for all non-compliance findings and suppliers are automatically notified when they need to complete a CAP. It is the supplier's responsibility to submit all CAPs within 30 days. All corrective actions are expected to be completed within 90 days of receiving notification. All corrective action correspondence and support evidence is thoroughly documented in the system.

During fiscal 2019, more than 18,937 labour standards and workplace conditions audit findings were evaluated across our supply chain through our standard auditing process, and approximately 9.5 percent of those findings required corrective action. Less than one percent of those were considered major violations, the majority of which concerned unauthorized use of subcontracting. The overwhelming majority of violations were successfully remediated by the factories in partnership with IPS, and those that were not resulted in the factory being removed from the L Brands approved factory list.

As L Brands continues to foster strategic relationships with suppliers, we maintain our commitment to [supplier education](#):

For suppliers, factory management and associates who have direct responsibility for supply chain management, we host annual awareness and training conferences - called Communication Sessions - in multiple countries around the world on all compliance standards. In addition, we

use one-on-one training in conjunction with compliance reviews and corrective action plans to continuously educate our factories and reinforce our [Supplier Code of Conduct](#).

We continuously engage in training and capacity building for suppliers on risks, policies and standards, particularly those associated with human trafficking and forced labour.

In 2019, more than 800 L Brands associates who influence decisions in L Brands' supply chain received a course called "Preventing Modern Slavery in Our Global Supply Chain" to ensure they are aware of the risks of modern slavery in our supply chain, can recognize the warning signs and know what tools are available to report any concerns of forced labour or human trafficking in the supply chain. The training was developed in alignment with the ILO Indicators of Forced Labour.

L Brands also has an established partnership with the [Pacific Links Foundation](#), focusing specifically on their scholarship and factory awareness programs. The Pacific Links Foundation leads counter-trafficking efforts in areas of highest risk in Vietnam, including industrial parks and along the bordering provinces of Cambodia, China and Laos, where victims are twice as likely to be trafficked than those in developed countries. Pacific Links seeks to prevent trafficking by empowering these most vulnerable populations by investing in and educating at-risk youth and helping survivors to build new lives.

In addition to supporting the Pacific Links' scholarship program, L Brands was the first partnering company to sponsor Pacific Links' [Factory Awareness to Counter Trafficking program](#) (FACT) and continues to actively support its expansion. The FACT program provides awareness and prevention workshops about trafficking among workers, managers and factory owners throughout the supply chain, helping to establish ethical practices in worker recruitment and retention and serving as a source for information and resources. L Brands remains one of the main supporters of the FACT program, positively impacting more than 38,000 factory workers and managers since 2013.

** Independent Production Services (IPS) is a compliance function within L Brands that works with suppliers to ensure goods are sourced from factories that meet or exceed L Brands compliance standards. IPS is responsible for monitoring and enforcement of L Brands' social compliance program and has been supporting global compliance for more than two decades, enabling improvement in working conditions, supply chain security, trade compliance and brand protection in our supply chain through monitoring, remediation, capacity building and training.*

4. What evidence can you supply of compliance with all applicable labour, procurement and anti-slavery laws?

To ensure that our expectations regarding compliance with all applicable laws are clear, our standards are specifically outlined in our [L Brands Supplier Code of Conduct](#).

Our Supplier Code of Conduct and all relevant laws, regulations and conventions in all countries in which the supplier and factory operate must be adhered to and must be communicated to all workers and posted prominently in the workplace in English and the native languages of factory employees who work with our products. Every factory is required to have a grievance process for its workers as outlined in our Compliance Guidebook (Guidebook) which is provided to all suppliers and

factories. The purpose of the Guidebook is to provide additional clarification to suppliers and their factories regarding a broad range of compliance standards and requirements that we are committed to as an enterprise and also expect our suppliers to follow.

To ensure compliance with our [Supplier Code of Conduct](#) and supply chain standards, we have implemented an internal audit process. To identify and evaluate the potential risks of human trafficking, slavery or violations of other local labour standards and/or those that may be unique to L Brands and our business, we conduct our own ongoing, internal verification of our product supply chain.

L Brands established Independent Production Services (IPS) as an independent compliance function to conduct an annual audit for all in-scope factories. IPS uses a combination of both announced and unannounced audits. Production locations for the following items are audited:

- all products sold in our stores, including promotional products
- non-merchandise items such as gift bags, boxes, price tickets and hangtags
- store fixtures
- components for our core branded products that are produced by key tier 2 and tier 3 facilities

Our audits are typically conducted by a pair of auditors and include a meeting with facility management, a factory tour (including warehouses and dormitories) and a review of relevant documents, including information on wages, benefit deductions, working hours, labour contracts, termination documents, recruitment agency contracts, training and grievance records.

IPS audits at least 90 percent of its in-scope factories annually and exceeded this goal in 2016, 2017 and 2018 by successfully auditing greater than 95 percent. In 2019, IPS audited 91 percent of its in-scope factories.

In addition to our normal audit process, 20 percent of our factories are selected annually for unannounced, intensive labour standards and workplace conditions audits that include worker interviews. These audits are conducted by specialized external auditors. Factories are selected based on an in-depth risk analysis conducted by IPS.

If we find a supplier or factory is not in compliance with our [Supplier Code of Conduct](#) or supply chain standards, we will normally partner with them in an attempt to bring them into compliance unless the standard of non-compliance is serious, a repeat issue and/or fundamentally inconsistent with our values, where we may take legal action up to and including termination. L Brands has a robust remediation system where a corrective action plan (CAP) is automatically created for all non-compliance findings and suppliers are automatically notified when they need to complete a CAP. It is the supplier's responsibility to submit all CAPs within 30 days. All corrective actions are expected to be completed within 90 days of receiving notification. All corrective action correspondence and support evidence is thoroughly documented in the system.

During fiscal 2019, more than 18,937 labour standards and workplace conditions audit findings were evaluated across our supply chain through our standard auditing process, and approximately 9.5 percent of those findings required corrective action. Less than one percent of those were considered major violations, the majority of which concerned unauthorized use of subcontracting.

The overwhelming majority of violations were successfully remediated by the factories in partnership with IPS, and those that were not resulted in the factory being removed from the L Brands approved factory list.

For major violations, IPS issues a warning letter and, in most cases, it includes a financial penalty. We provide the supplier with the option of waiving the penalty and continuing to work with us but only if they invest the money into building a robust and sustainable compliance program. If the factory agrees, we provide access to a third-party labour standards consultant who works in concert with the factory to identify the root cause of an issue and helps the factory build up their compliance program and management systems to ensure issues do not reoccur.

We have a dedicated corrective action management team that reviews CAP submissions daily. Once evidence has been provided to support full compliance or continuous improvement towards full compliance can be demonstrated, CAP submissions are approved.

If a factory does not make improvements in a timely manner, we have an escalation process in place which includes a warning letter to the supplier, reduction of business or ultimately loss of business. L Brands will not work with suppliers and factories that are unwilling or unable to work with us to achieve our compliance standards.

In many cases, IPS conducts unannounced follow-up visits to the factories to ensure the supplier has implemented all new procedures and processes accordingly.

The company also has a more accelerated escalation process to be used if a case of forced labour is suspected or identified so action can be taken immediately.

In 2017, we asked our suppliers to certify compliance with our no forced labour policy and the Countering Americas Adversaries through Sanctions Act. All suppliers confirmed understanding of the guidance and CAATSA law, and compliance. Within the last year, we have required all of our suppliers to re-certify that they have received, read and understand our no forced labour policy, including the prohibition on the use of cotton from the Xinjiang Uyghur Autonomous Region (XUAR), and any other form of forced labour.

In relation to the UK, we publish our [UK Modern Slavery Act](#) disclosure annually to share all policies, processes and procedures we are taking to ensure there is no forced labour in our supply chain.

5. What are your human rights due diligence processes in respect of your workers and value chains?

L Brands recognizes there are elevated risks of modern slavery in certain countries, factories and product categories. Therefore, L Brands conducts continuous risk assessments of all suppliers and factories to prevent involvement in high-risk business ventures.

We use resources such as the U.S. State Department's Trafficking in Persons report and the U.S. Department of Labour's reports on international child labour and forced labour to determine countries and product categories with heightened risks of human trafficking and forced labour.

L Brands also uses audits to assess risk. All new factories are audited and approved by IPS before production begins for L Brands. Factories with foreign migrant workers undergo a specialized risk

assessment to ensure workers have freely accepted the work, have not paid for their employment through recruitment fees and have freedom of movement by having access to their passport or identify documents.

In 2019, L Brands engaged Sourcemap to gain more visibility into our supply chain with the purpose of mapping suppliers upstream to raw materials and components. Our [tier 1 apparel supplier base](#) is published on our public website.

As L Brands continues to foster strategic relationships with suppliers, we maintain our commitment to [supplier education](#):

For suppliers, factory management and associates who have direct responsibility for supply chain management, we host annual awareness and training conferences – called Communication Sessions - in multiple countries around the world on all compliance standards. In addition, we use one-on-one training in conjunction with compliance reviews and corrective action plans to continuously educate our factories and reinforce our [Supplier Code of Conduct](#).

We continuously engage in training and capacity building for suppliers on risks, policies and standards, particularly those associated with human trafficking and forced labour.

In 2019, more than 800 L Brands associates who influence decisions in L Brands' supply chain received a course called "Preventing Modern Slavery in Our Global Supply Chain" to ensure they are aware of the risks of modern slavery in our supply chain, can recognize the warning signs and know what tools are available to report any concerns of forced labour or human trafficking in the supply chain. The training was developed in alignment with the ILO Indicators of Forced Labour.

L Brands also has an established partnership with the [Pacific Links Foundation](#), focusing specifically on their scholarship and factory awareness programs. The Pacific Links Foundation leads counter-trafficking efforts in areas of highest risk in Vietnam, including industrial parks and along the bordering provinces of Cambodia, China and Laos, where victims are twice as likely to be trafficked than those in developed countries. Pacific Links seeks to prevent trafficking by empowering these most vulnerable populations by investing in and educating at-risk youth and helping survivors to build new lives.

In addition to supporting the Pacific Links' scholarship program, L Brands was the first partnering company to sponsor Pacific Links' [Factory Awareness to Counter Trafficking program](#) (FACT) and continues to actively support its expansion. The FACT program provides awareness and prevention workshops about trafficking among workers, managers and factory owners throughout the supply chain, helping to establish ethical practices in worker recruitment and retention and serving as a source for information and resources. L Brands remains one of the main supporters of the FACT program, positively impacting more than 38,000 factory workers and managers since 2013.

6. What action does your organisation take - beyond publishing a Modern Slavery Statement and including contractual obligations with suppliers - to ensure modern slavery compliance in your value chain?

L Brands maintains policies and procedures for associates and suppliers that govern the consequences of noncompliance with L Brands' sourcing and labour standards. If we find a supplier or factory is not in compliance with our Supplier Code of Conduct or supply chain standards, we will partner with them in an attempt to bring them into compliance. Depending on the severity of the infraction, IPS may issue a warning letter and, impose a financial penalty, require a mandatory corrective action plan, or terminate the relationship. We may waive all or part of a financial if they invest the money into building a robust and sustainable compliance program. If a factory does not make improvements in a timely manner, we have an escalation process. L Brands will not work with suppliers and factories that are unwilling or unable to achieve our compliance standards.

Due Diligence Process

Modern slavery is a zero-tolerance violation. Our due diligence processes are as following:

- We continuously engage leadership, sourcing teams and suppliers to ensure awareness of the modern slavery risks and the zero-tolerance consequences of engaging in transactions that endanger workers.
- A specialized risk assessment procedure has been developed to ensure any potential indicators of forced labour can be identified and addressed at time of audit for factories with higher risks of human trafficking and forced labour, such as those with foreign and domestic migrant workers.
- We have a 24-hour notification policy where IPS and Sourcing must be immediately notified if there is any violation of our no forced labour policy.
- Action is immediately taken to address the issue, including issuance of a warning letter. A financial penalty may be issued to the supplier or orders suspend or decreased until the issue can be addressed. L Brands will not work with suppliers and factories that are unwilling or unable to achieve our compliance standards.

We hope that we have fully addressed your questions. We remain fully supportive of the goals of the inquiry and look forward to hearing the outcome of the Committee's deliberations.

October 2020