

# SHEIN

## Canadian *Supply Chains Act* Report

### 1. Reporting Entity

This Report is submitted pursuant to the requirements of the ***Fighting Against Forced Labour and Child Labour in Supply Chains Act*** (the "Act") on behalf of SHEIN Distribution Canada Limited ("SHEIN Canada"). This report covers the financial reporting period from 01 January 2023 to 31 December 2023.

SHEIN Canada is a member of the SHEIN group of companies (collectively, "SHEIN"), and a subsidiary of Roadget Business Pte. Ltd., a Singapore incorporated company.

### 2. Structure, Operations, Supply Chains and Risks

SHEIN is a global e-commerce group that sells a wide range of products, including clothing, footwear, accessories, beauty products, pet products and home décor, in more than 150 countries and/or territories. It has operating entities and affiliates around the world.

SHEIN Canada is a Canadian company with an office in Markham, Ontario. SHEIN Canada uses the [ca.shein.com](http://ca.shein.com) and [ca.romwe.com](http://ca.romwe.com) websites and related mobile applications to sell products to consumers in Canada. SHEIN Canada is an importer and vendor of consumer products to customers in Canada.

As an online retailer, SHEIN Canada sells SHEIN branded products which are manufactured by third-party manufacturing partners as well as non-SHEIN branded products from finished product vendors.

SHEIN's global supply chain includes raw material suppliers, textile suppliers, manufacturing partners and finished product vendors. SHEIN sources products from various suppliers, manufacturers, and distributors around the world, primarily from China, but also from the United States, Mexico, Australia, Türkiye, Brazil, among other countries.

SHEIN acknowledges that the sectors and industries in which it operates carry risk of forced labour and child labour. The International Labour Organisation (ILO) and other non-governmental organisations have documented these risks in the textile and garment industry, for which global supply chains are long, complex and often fragmented. SHEIN recognizes that these risks could be present across our value chain, and extending beyond Tier 1 suppliers to raw material, yarn, fabric, finishings and embellishments suppliers. We thus recognize the importance of supply chain transparency, and of exercising robust due diligence on our network of third-party suppliers. As an organization, SHEIN is committed to addressing potential human rights abuses, including those related to forced labour and child labour.

### **3. SHEIN's Policies and Due Diligence Processes**

While SHEIN does not have direct ownership of production facilities, SHEIN recognizes that its responsibilities extend throughout its supply chains. SHEIN expects its suppliers to share its commitment to ethical practices and human rights. Taking guidance from international standards such as the United Nations' Universal Declaration of Human Rights (UDHR), the core conventions of the International Labour Organisation ("ILO"), and the United Nations Guiding Principles on Business and Human Rights (UNGPs), as well as industry best practices, SHEIN has developed and implemented a robust set of supply chain management policies and programs. Through these mechanisms, we enforce stringent requirements on our suppliers to comply with health and safety, labour and social welfare, and environmental standards, as well as applicable laws and regulations.

SHEIN's policies and programs strictly prohibit the use of forced labour and child labour, and establish clear due diligence processes to identify and resolve any such violations in the supply chain. SHEIN Canada abides by SHEIN policies and processes, including those related to supply chain governance.

#### **a) SHEIN's Code of Ethics and Human Rights Policy**

As part of its Code of Ethics (<https://sheingroup.com/code-of-ethics/>), SHEIN is committed to doing business only with suppliers that strictly prohibit the use of forced labour and child labour in their supply chains.

SHEIN has also established a Human Rights Policy (<https://sheingroup.com/human-rights-policy/>) which outlines its commitment to operating responsibly and ethically, and to protecting the human rights of its employees and those that work in its supply chains. SHEIN rejects forced labour and child labour, harassment, discrimination, and unsafe working conditions for its employees and suppliers' workers.

SHEIN Canada requires all its employees follow SHEIN's Global Code of Ethics & Business Conduct and other SHEIN Global Policies contained in its Employees Handbook, which is provided to all new employees to review and sign before their start date.

#### **b) SHEIN's Supplier Code of Conduct**

To work with SHEIN, all suppliers of products that are sold by SHEIN Canada must sign and agree to abide fully by the SHEIN Supplier Code of Conduct ("SCoC") (<https://www.sheingroup.com/pdfs/supplier-code-of-conduct-2/>). By signing the SCoC, suppliers also agree to hold their third-party agents or brokers and subcontractors to the same standards. The SCoC is informed by the core conventions of the ILO and UDHR and prohibits the use of forced labour or child labour as core principles.

With respect to forced labour, the SCoC specifies unacceptable labour practices such as prison or bonded labour, trafficking or exploiting workers by means of threat, force, coercion, abduction or fraud, collecting recruitment, hiring, agents' or brokers' fees, or requiring workers to surrender government issued identification, passports or work permits as a condition of working. SHEIN requires that employment and any hours worked must be voluntary.

With respect to child labour, the SCoC specifies that suppliers must not hire minors under the age of 16, and that if the supplier employs individuals older than 16 years of age, but under 18 years of age, that

they must be provided with certain protections and not given work that is potentially harmful. The SCoC also outlines other requirements for suppliers related to the payment of wages, workplace health and safety, labour and social welfare, and environmental standards.

### **c) Supplier Responsibility Standards**

The SCoC is complemented by a set of comprehensive Supplier Responsibility Standards, which SHEIN published in 2023 (<https://www.sheingroup.com/pdfs/5781/>). This document details the standards SHEIN expects from suppliers across its global supply chain, in areas such as labour rights, health and safety, environment, and ethics.

For example, the standards require that suppliers respect an employee's right to voluntary employment, including: the right to refuse overtime work without facing punitive measures (such as salary deductions or threat of dismissal), workers' the right to freedom of movement around supplier-controlled premises, the right to leave employment at-will, as well as the right to at least one day off every 7 days, in alignment with ILO standards.

The standards also specify that suppliers should establish written policies to prohibit the use of child labour and implement appropriate mechanisms to verify the age of prospective and existing workers. If prohibited child labour is discovered, the standards require that the child's employment ceased immediately, and also provide guidance for suppliers to take actions to ensure the safety, health, education and development of the child, such as funding a medical examination for the child, paying the child no less than the local minimum wage for work that was completed prior to termination, and delivering the child safely to their parent or guardian, with the cost of transportation, food and lodging borne by the supplier.

The Supplier Responsibility Standards also specify requirements for the protection of young workers, who are above the age of 16 but under 18, such as the prohibition for young workers to perform work that may jeopardise their health or safety, including night work and overtime work.

In addition to addressing forced labour and child labour issues, the standards also contain provisions regarding special protection for women in the workplace such as the identification of positions that are hazardous for pregnant and nursing workers and elimination of workplace health and safety risks to such workers. Finally, the standards require that suppliers implement grievance and feedback channels that allow for the submission of anonymous complaints and appeals, including complaints that can be submitted directly to SHEIN.

### **d) SHEIN Responsible Sourcing ("SRS") Policy**

SHEIN enforces supplier compliance with its SCoC, through the SRS Policy. This policy establishes clear definitions and penalties for violations of the SCoC and provides for regular supplier audits by in-house auditors and third-party verification agencies.

The third-party verification agencies that SHEIN works with are internationally-renowned firms from the Association of Professional Social Compliance Auditors (APSCA), and SHEIN continually sources new partners to support the continued strengthening of its SRS program. In 2023, SHEIN brought QIMA on-board as a new third-party audit partner, bolstering its existing collaboration with Bureau Veritas, Intertek, Openview, SGS, and TÜV Rheinland. SHEIN's in-house auditors undergo training developed by TUV Rheinland, and attend courses on labour topics, including forced labour and child labour, through platforms such as the UN Global Compact (UNGC) Academy and ILO Academy.

Under the SRS Policy, all new suppliers must undergo an audit assessment as part of the onboarding process with SHEIN. Prospective suppliers that are found to use forced labour and child labour are not approved to work with SHEIN. Existing suppliers undergo SRS assessments regularly thereafter, and failure to cooperate with these audits will result in termination.

Such audits are a critical part of SHEIN's efforts to address human rights risks within the supply chain. Auditors are vigilant in assessing risk factors for child labour and forced labour during SRS audits, and any violations found are treated with utmost seriousness.

Since October 2023, forced labour and child labour are classified as Immediate Termination Violations ("ITVs") under the SRS Policy, and SHEIN will immediately proceed to terminate its business relationship with any suppliers found with such violations. Nevertheless, even for suppliers that SHEIN has decided to terminate, SHEIN will send them action plans with guidance on how to remediate their practices, to educate and empower the suppliers to take steps to improve conditions in their facilities.

SHEIN's Environmental, Social, and Governance ("ESG") operations team provides monthly updates on SRS audit findings to key members of its executive leadership, including the Executive Chairman and CEO. This ensures consistent high-level oversight over the implementation of compliance programs.

#### **e) Grievance Mechanisms**

SHEIN encourages all employees, contractors, and stakeholders to report any suspicions or concerns regarding potential forced labour and child labour. Acting on its commitment to empower workers, SHEIN ensures that they have the right to raise grievances and make their voices heard. Discriminating against whistleblowers is strictly prohibited under SHEIN's policies, including the Human Rights Policy and Supplier Responsibility Standards.

To facilitate open communication, SHEIN maintains a multichannel feedback system for reporting concerns via email, call or text. SHEIN requires suppliers to put up posters in their factories publicizing these channels. To further raise awareness, auditors have begun to hand out grievance cards during their audits, with information on how to submit complaints to SHEIN. Workers can anonymously submit complaints, feedback and suggestions to SHEIN's ESG team, which is trained in managing worker grievance cases.

#### **f) Supplier Empowerment**

SHEIN firmly believes that to improve standards across the supply chain, it needs to invest in uplifting its supplier partners and enabling them to operate effectively and responsibly. SHEIN prioritises building long-term relationships with its supplier partners, and pairs enforcement with empowerment to create a stronger and more resilient supply chain that upholds human rights and ensures the well-being of workers.

As a responsible business partner, SHEIN is committed to paying its suppliers in a timely manner. All of SHEIN's supplier partners are paid within 30 days, and some are even paid on a weekly or biweekly basis. This ensures that the businesses SHEIN works with, many of whom are small- and medium-sized enterprises, have steady cashflows and the financial resources to pay their workers on time and maintain healthy conditions in their facilities.

Through the Supplier Community Empowerment Program (SCEP), to which SHEIN has committed USD\$70 million over five years, SHEIN has also been implementing long-term initiatives to uplift its suppliers and their workers across several key pillars, including facilities enhancement, technology innovation, training and upskilling, and services for the community. Key highlights include:

- **Facilities Enhancements:** As of the end of 2023, SHEIN has modernised more than 160 suppliers' facilities with facility upgrades and expansion, transforming over 407,000 square metres of workspace. In 2023, SHEIN also completed the upgrading of canteens, dormitories and multi-purpose recreational spaces amounting to 10,486 square metres of space across 23 facilities.
- **Training and Upskilling:** In 2023, SHEIN conducted 620 training sessions for supply chain workers, exceeding its initial target of completing 480 training sessions within the year. These sessions covered various topics, including business and operational processes, the latest technologies in garment production, certification courses focusing on quality inspections and assurance, and national vocational skill level certifications.
- **Childcare Centres:** To support workers in the supply chain who balance working with childcare responsibilities, SHEIN provides financial support for suppliers to create childcare centres near factories or within their own premises, where workers' children can study and play after school and during breaks. In 2023, SHEIN invested over US\$150,000 to launch childcare centres across 10 facilities.
- **SHEIN Spotlight Program:** The SHEIN Spotlight Program offers financial support to suppliers' workers experiencing financial hardship. The funding is designed to help pay medical bills, keep workers' children in school, and cover other similar needs. The SHEIN Spotlight Program is available to factories who have worked with SHEIN for at least one year, and to their workers who have been working with them for at least six months. Workers can submit grant application forms, which are evaluated by an internal grant committee in SHEIN that conducts a comprehensive needs-based assessment to determine the amount of support to be awarded, taking into consideration household income and financial needs. Since the program's inception, SHEIN has disbursed over US\$460,000, supporting 385 families and 723 school-aged children from these families. In 2023 alone, 165 families received assistance, with a total of over US\$185,000 disbursed.

#### 4. Training and Capacity Building

SHEIN holds regular workshops and training for suppliers on social compliance, covering forced labour and child labour prevention among other topics. External trainers from third-party verification agencies conduct regular "SRS Management Specialist Certification Workshops" for our suppliers, and this is complemented by additional topic-specific workshops and one-on-one training sessions conducted by SHEIN's internal SRS team.

In 2023, SHEIN organized a total of 133 group SRS workshops and 276 one-on-one SRS training sessions for suppliers, with participant numbers totaling over 5,200. Through these interactive sessions, suppliers sharpened their understanding of SHEIN's supply chain governance policies, learned best practices for compliance with local labour laws and gained a better understanding of compliance risks in their own

operations, including in relation to forced labour and child labour. They also deepened their knowledge on specific topics such as wages and working hours, fire safety, and occupational health and safety.

While the SRS program is managed by the ESG team, SHEIN also trains employees from other departments, such as procurement, on key supply chain actions to inspire a culture of shared responsibility. 20 such training sessions were conducted for SHEIN employees in 2023, with 674 participants in total.

## **5. Assessing SHEIN's Actions and Measures**

### **a) 2023 Audit Results and Remediation Measures**

SHEIN has been steadily expanding its SRS audit coverage, in line with a risk-based sampling approach that prioritises SHEIN's largest suppliers by procurement value. In 2023, a total of 3,990 on-site SRS audits were conducted on SHEIN's suppliers based in China. 92% of these audits were performed by third-party verification agencies. 3,365 of the SRS audits were conducted on 2,796 contract manufacturers that represent approximately 95% of SHEIN-branded products by procurement value in 2023. The other 625 SRS audits were of textile suppliers, packaging suppliers and subcontractors of our finished goods suppliers.

SHEIN saw better performance on SRS audits overall across its suppliers in 2023. Based on suppliers' performance in their annual SRS audits, the proportion of SRS audits where suppliers received an A or B grade increased from 18% in 2022 to 29% in 2023, while the proportion of audits where suppliers received a D or E grade decreased from 35% in 2022 to 20% in 2023.

Should any instance of labour practices that do not meet SHEIN's standards be uncovered, SHEIN undertakes, investigates and takes action in accordance with SHEIN's SRS Policy. Such action requires suppliers to undertake appropriate remediation measures within stipulated timeframes. Remediation measures taken have included strengthening suppliers' internal controls and policies, ensuring that required reparations were made to workers affected (e.g. payment of outstanding wages), and providing additional training for suppliers to improve their practices.

SHEIN's grievance channel also supported the uncovering and remediation of violations in its supply chain. For example, in June 2023, SHEIN received a complaint from workers of a supplier that they had yet to receive their wages for the month of April. SHEIN promptly launched investigations into the complaint and uncovered that the supplier had delayed payments to some workers due to cashflow problems. While workers were informed verbally that there would be delays in their wage payments, they did not receive any written notification or commitment that the supplier would pay the outstanding wages. Following SHEIN's intervention, the supplier signed written agreements with the workers who had not been paid, committing to disburse outstanding wages, and by 12 June 2023, SHEIN verified that the affected workers had received all wages owed.

### **b) Evaluation and Improvement to Measures**

SHEIN is committed to identifying improvement areas in its existing measures to prevent and further detect new instances of forced labour and child labour. It regularly reviews and enhances its policies and programs to ensure they are effective in addressing risks of forced labour and child labour in its supply chain, and to ensure that they continue to apply against new regulatory requirements.

In 2023, SHEIN strengthened the language in its SCoC regarding the prohibition of forced labour by specifying unacceptable labour practices such as collecting recruitment fees and requiring workers to surrender government-issued identification, and tightening restrictions on subcontracting.

SHEIN also updated its SRS Policy to take a firmer stance against the most severe category of violations, which include forced labour and child labour, as well as other ethical issues such as bribery. Suppliers found with such violations will be immediately terminated by SHEIN. This contrasts with the previous approach of suspending orders from the errant supplier and giving them 30 days to remediate their practice, failing which SHEIN would terminate the business relationship.

Finally, SHEIN also introduced and published the Supplier Responsibility Standards to provide more detailed guidance to its suppliers on the standards expected in areas such as labour rights.

## 6. Conclusion

SHEIN Canada is committed to combating forced labour and child labour and upholding ethical practices within its operations and supply chains. Through its robust governance policies and due diligence programs, SHEIN will continue striving to actively identify and address risks of forced labour and child labour, and to promote responsible behaviour.

## 7. Attestation

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for SHEIN Distribution Canada Limited. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

*I have the authority to bind SHEIN Distribution Canada Limited.*



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Tengyi Zhong  
Director

May 31, 2024

SHEIN Distribution Canada Limited