

David Hachfeld

Von: [REDACTED]
Gesendet: Freitag, 12. April 2024 18:57
An: Oliver Classen
Cc: David Hachfeld; [REDACTED]
Betreff: Response from SHEIN to your recent queries

Dear Oliver,

Thank you for bringing your findings to us. We are glad to have the opportunity to respond and to provide our views and full context on the issues that you have raised. It is very important to us that you have the material you need to take a fact-based, objective approach to reporting on these issues, which are complex and nuanced.

SHEIN works with a network of third-party contract manufacturers globally. We are fully committed to managing our supply chain responsibly, and to supporting our supplier partners in providing working conditions that meet international standards for health and safety, labour and social welfare.

Like all our industry peers, we recognise that there is still much to be done to raise conditions across the manufacturing supply chain. While no one company can solve these issues alone, we are committed to playing our part, and working with other industry stakeholders, to address these challenges.

Our approach to enhancing conditions across the supply chain is based on:

- **Building long-term, relationships with suppliers:** The majority of our sourcing today is in China, and we have recently started to diversify our supply chain to new geographies such as Brazil and Türkiye. In China, we have been successfully leveraging our mature, long-term relationship with suppliers to strengthen their understanding of, and compliance with, our robust governance and product quality requirements. Over time, our suppliers have scaled up their businesses with us and have in tandem scaled up their own governance and compliance capabilities.
- **Implementing programs with our suppliers that pair enforcement and empowerment:** These programs are strengthening conditions across our supply chain, as reflected in better performance on SRS audits across our supply chain in 2023.

Since your first report was published in 2021, we have made significant progress in strengthening our supply chain governance and raising standards across our supplier network. Key improvements include:

- **Enhanced policy frameworks:** We have strengthened provisions in our Supplier Code of Conduct (SCoC) on critical issues, progressively tightened penalties against severe labour violations in our SHEIN Responsible Sourcing (SRS) Policy; and published a comprehensive set of Supplier Responsibility Standards in 2023 that details standards we expect of our suppliers in areas such as labour rights, health and safety, environment, and ethics.
- **Increased audit coverage:** We have steadily expanded the coverage of supplier social compliance audits, the majority of which are conducted by third-party verification agencies (namely Bureau Veritas, Intertek, Openview, SGS, TÜV Rheinland and QIMA). From fewer than 700 audits conducted in 2021, we conducted 3,990 on-site audits on suppliers in China in 2023, covering contract manufacturers that represent approximately 95% of SHEIN-branded products by procurement value.
- **Expanded training and education for suppliers:** We have invested significantly in training our suppliers to meet social compliance standards. These include general training sessions for suppliers on SHEIN's policy frameworks and requirements, and targeted workshops focused on critical topics such as wages and working hours, fire safety and occupational health and safety. In

2023, we organized 133 group workshops and 276 one-on-one training sessions for suppliers, with participant numbers totaling over 5,200.

We have also continued providing broader support for our suppliers through the SHEIN Supplier Community Empowerment (SCEP). This is because SHEIN firmly believes that to improve standards across our supply chain, we need to invest in uplifting our supplier partners and enabling them to operate effectively and responsibly.

- We have increased investments in long-term initiatives to empower our partners in factory enhancement, accommodation and lifestyle facilities upgrades, technology innovation, training support and community engagement.
- In April 2023, we announced plans to allocate up to US\$70 million for programs under the SCEP over the next five years.

Below we will address in detail the findings that you have cited from your latest research.

1. Working Hours and Wages

Long working hours in the manufacturing sector are a known, long-term issue globally. This is a common challenge that brands, manufacturers, and other ecosystem players must work together to address, as manufacturing supply chains are deeply intertwined, and manufacturers typically cooperate with a wide range of different brands. (Note that our suppliers are not tied to exclusive relationships with SHEIN – many of them also produce for many other global brands.)

As such, it would be disingenuous to portray this issue as unique to SHEIN, or attributable to working methods or requirements that are specific to SHEIN. Nevertheless, we are committed to playing our part to improve the situation in our own supply chain.

First, we believe it is important that workers are compensated fairly for the work that they do, and that they earn a decent wage.

Within our supply chain governance policies, we have established clear and transparent requirements on suppliers' wages and working hours.

- Under the SCoC, suppliers are fundamentally required to ensure that they adhere to all local laws and regulations governing wages and working hours.
- Our Supplier Responsibility Standards further stipulate that employees: a) should be paid at least the local minimum wage, with overtime work to be compensated at the legal premium rate; b) may not work more than 60 hours per week (including overtime); c) shall have at least one day off every seven days; d) have the right to refuse overtime work; and e) should not have wages withheld or delayed.

We enforce compliance with these policy requirements through our SRS audits.

- We require suppliers to establish and maintain employees' paylips and attendance records. During SRS audits, our auditors collect samples of workers' paylips and timesheets, and interview workers to examine compliance with our policies.
- Where violations are found, we take firm action. Our SRS policy framework lays out clear penalties and remediation requirements for violations, differentiated by severity. Violations involving wages paid below the local minimum wage or delayed payment of wages are treated most severely, and

suppliers have 30 days to remediate the violations, or face termination of the business relationship. For other violations, suppliers are required to resolve the issues within 90 days.

We also invest in training and education of our suppliers, with targeted interventions to improve their wages and working hours practices.

- We conduct dedicated training sessions for suppliers on these issues, where we reinforce requirements under local laws and SHEIN's policies, teach them how to properly calculate wages and working hours, help them establish more effective systems for data management, and share best practices to improve wages and working hours.
- Where suppliers report any concerns on their wages and working hours through the dedicated supplier worker grievance channels that we have established, we take firm action to investigate and address complaints.

We have also been conducting regular audits and salary investigations focused on ensuring that workers at our suppliers are being compensated fairly for the work that they do and are earning a decent wage.

As a result of the efforts outlined above, our audits show consistent improvement in wage conditions in SHEIN's supplier facilities. The last wage benchmarking analysis conducted by SHEIN studied samples collected from the unannounced audits conducted by Bureau Veritas, Intertek, Openview, SGS and TÜV Rheinland between April 2022 and June 2023.

Based off the samples analyzed, workers at SHEIN's manufacturing supplier facilities, on average, earned basic salaries that were more than double the average local minimum wage, and is much higher than the living wage in Shenzhen, as defined by the Global Living Wage Coalition.

We will continue to work on improving wage and working hour conditions in our supply chain, and strengthening our benchmarking against living wage standards, including in collaboration with third-party industry experts and NGOs .

2. Surveillance cameras

SHEIN's suppliers make their own decision to install cameras in their facilities, for purposes such as ensuring workplace safety and security, and facility management. For purposes of quality control and assurance, some suppliers have also installed cameras at the quality inspection stations, with the consent of the workers who will be filmed. These cameras are also positioned to capture certain actions during the production process as

part of the quality control process. We do not make any requirements for our suppliers to install cameras in other areas.

To clarify, SHEIN does not have access to suppliers' security camera feeds or footage. We have also not received any complaints from workers through grievance channels on how the cameras are used; if we did, we would take action to investigate accordingly.

3. Underaged in factories

We strictly do not tolerate child labour.

We treat any violations with utmost severity. Under our SRS policy, any such violations found would result in the immediate termination of our business relationship with the supplier.

We require suppliers to have clear policies and procedures to verify the ages of their employees, e.g., by checking and keeping records of their IDs, and we also prohibit minors to be present in factory production areas / work spaces, which we check during audits.

Through our due diligence measures, we are actively reducing the already low occurrence of such violations.

In our 2022 supplier audits, we identified age violations (i.e. the presence of workers or persons in the workplace under the age of 16) at 0.3% of conducted audits, down from 1.8% in 2021. That ratio fell further in 2023, when we identified only two such cases in total, which comprised <0.1% of conducted audits.

Nevertheless, if you have documented evidence that child workers are employed in our facilities, please share with us and we will investigate thoroughly.

The observation you made regarding the presence of toddlers and teenagers in suppliers' facilities reflects a very real challenge that suppliers' workers often face, and one of which we are well aware – that workers have

to balance their work and childcare responsibilities. This can result in workers bringing their children to their workplace, especially during summer breaks.

Being aware of this, we provide financial support for suppliers to create childcare centers within or near their premises, where workers' children can study and play after school and during breaks.

- In 2023, we invested >US\$150,000 to launch 10 childcare centers.
- In 2024, we target to help build 25 more childcare centers.
- We also organise summer camps for the children of suppliers' workers, to keep them meaningfully occupied while their parents are working. In 2023, we held five such camps with a total of 289 children participating. Activities included outdoor games, field trips and educational courses.

These efforts reflect our commitment to working with suppliers to addressing issues of concern to their workers and provide a base for us to work on expanding and improving on these programs in the years ahead.

4. Fire safety

Under our SRS policy, we consider employees smoking or using open flames in work areas, warehouses or dormitories as severe violations, and suppliers have 30 days to remediate their practices or face termination of the business relationship.

As part of the assessment checklist used by auditors, they also check to ensure that the factory has implemented smoking control measures (e.g. no smoking signs, designated smoking areas, daily reminders).

Other fire safety violations we treat seriously include: (i) insufficient/locked emergency exits; and (ii) charging of electric vehicles or their batteries; for all such violations, suppliers likewise have 30 days to remediate their practices or face termination.

5. Quality requirements and rework

As a responsible retailer, we set high standards for product quality and safety.

We conduct thorough quality control spot checks on products delivered by suppliers, which are not only limited to the look and feel of the garment, but also test for other important factors such as durability and chemical safety.

We provide close support to help suppliers meet our robust quality standards.

- This includes working with their quality assurance managers on ways to strengthen quality monitoring and control on the production floor, equipping them with innovative systems and tools to enhance

quality control checks, and providing their quality control teams with training that is fully subsidized by SHEIN.

- Where finished products fail SHEIN’s quality inspection tests, we do return these defective products to the respective suppliers and request that they deliver new pieces that meet our requirements.
- We help suppliers to understand why the defective products are not in line with SHEIN’s requirements, and support them in implementing improvements, such as by providing additional training on production techniques or quality assurance to their workers.

It is important to note that suppliers are still required to pay their workers for pieces that needed to be re-worked. Furthermore, SHEIN’s Supplier Responsibility Standards do not permit wage deductions as a disciplinary measure.

6. Demands on photographers, photo editors, and pattern designers

As with all workers employed by our suppliers, photographers, photo editors, and pattern designers are covered by the same standards regarding wages and working hours as employees in other roles within the factories, such as sewers and cutters. We understand that suppliers may set targets for employees in these roles, however, SHEIN does not make such requirements or demands for suppliers’ workers themselves.

Allow us to also respond to your other questions:

A. Supplier Factory Wage Investigation Audit 2022

Regarding the “different versions”

We conducted two salary surveys – an initial investigation with fewer samples collected over a shorter period of time (April to June 2022), and a second survey that included samples dated over a longer course of time (April 2022 and June 2023). Our intention was that results for both surveys would be displayed on our website. However, during a recent website update, due to a technical error one of the surveys was inadvertently removed. We thank you for bringing this to our attention, and we have [restored to the site the survey](#) that was inadvertently removed.

Regarding context of salary studies

To date, with our supplier wage studies we have focused on understanding and benchmarking the wages of our suppliers’ workers, as our objective is to ensure that workers are earning decent wages for work that they perform voluntarily.

As mentioned earlier, under SHEIN’s Supplier Responsibility Standards workers must be compensated at the legal premium rate for overtime work, and must have the right to refuse overtime work. SHEIN’s supply chain

governance policies strictly prohibit forced labour, which include coercive practices such as the withholding of workers' documents.

We are exploring conducting future studies of our supply chain that take into account wages earned by suppliers' workers as well as their total working hours.

B. CSR-Reports and Supply chain transparency

Regarding reports on our website

We are redesigning the sustainability section of our website in advance of the launch of our 2023 sustainability report in the coming months. In the interim, we are glad to share copies of past reports and invite anyone who wishes to receive them to email us at [REDACTED].

Regarding list of suppliers

We do not currently disclose our list of suppliers, due to business confidentiality reasons.

C. Supplier Community Empowerment Program

Regarding list of suppliers aided by SCEP

While we are unable to share the list of facilities that have been supported through our SCEP given that we do not have a policy of disclosing our suppliers, we are able to state that through the SCEP, we have modernised more than 160 suppliers' facilities, which includes establishing childcare centers at 10 facilities.

D. Company structure and financials

As a Singapore-headquartered private company we are committed to compliance with our disclosure and reporting requirements, and filings for our local business units are submitted as required.

It is worth noting that SHEIN is a large global business and, as with any company of our size and scale, local corporate filings for any one of our business units in isolation would not give an accurate or complete picture of the overall company.

As such, we encourage you not to rely on such filings to extrapolate conclusions about the overall business.

I hope the above is helpful. Should you have any questions or require any clarifications, I'm at your disposal.

Best regards,

[REDACTED]