

# Corporate Responsibility Statement

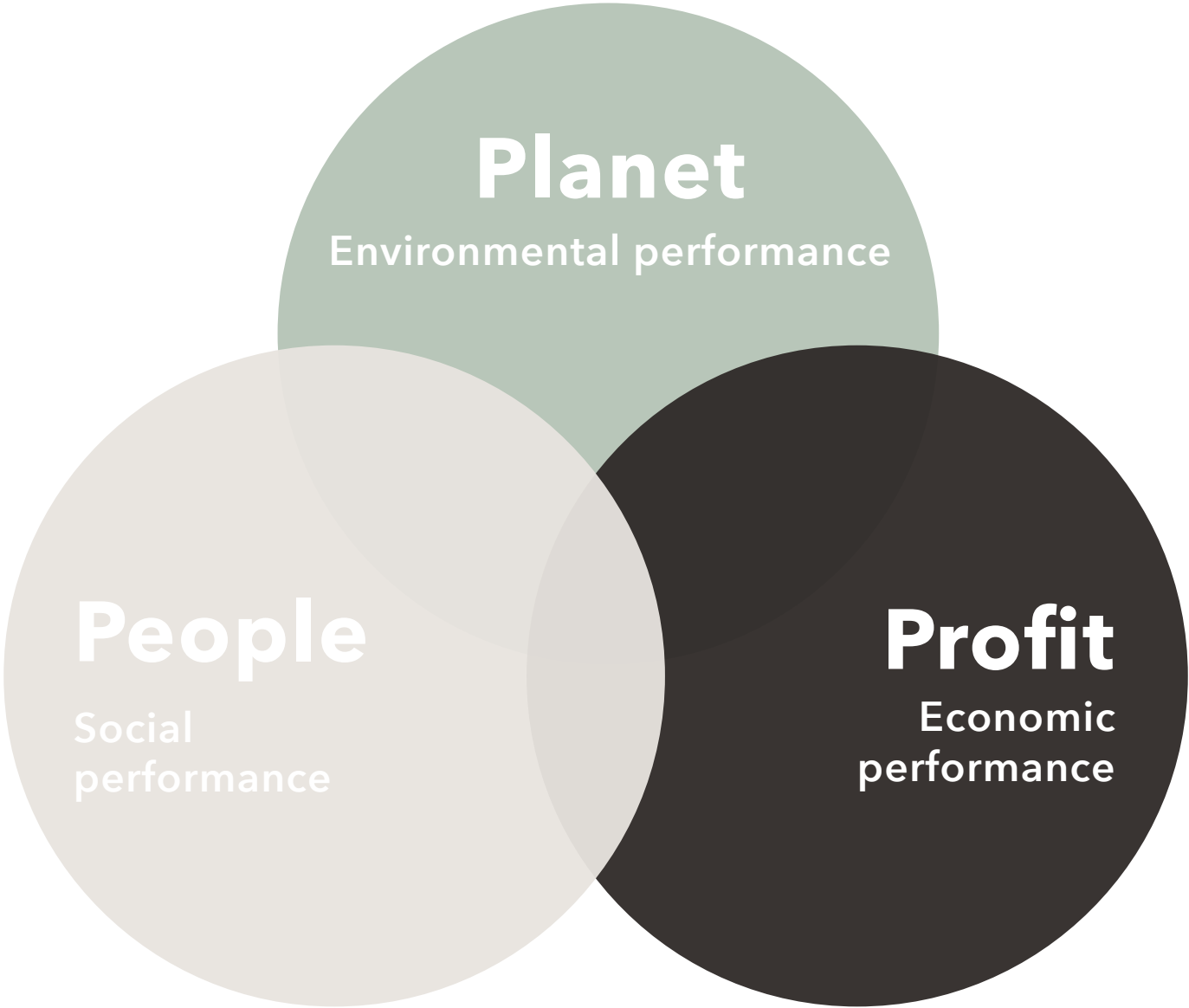
2023

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# Our Commitment



# Our People

Anyone affected by our business and products: employees, customers, suppliers, the general public – we're looking after you.



## Key areas for Our People;

**Our Employees** - We promote diversity and equal opportunities, and implement retention and engagement strategies, including more reactive benefits: flexible working, learning and development opportunities.

**Our Community** - We aim to give back by supporting local/regional charities with fundraising initiatives, sponsorship, and investment in local public projects.

**Our Globe** - We work closely with our supply chains to ensure safe and fair working environments and compliance with best working practices. We are members of the Ethical Trade Initiative and are committed to following the 'agreed ways of working' detailed in the Member Charter.

**Our Ways of Working** - Policies support anti-corruption, human rights, equal opportunities, diversity and health & safety. We regularly audit factories we work with and engage with NGOs to improve working standards.

# Our Values

At Smallworld Accessories, we are dedicated to upholding excellence in design and manufacturing, ensuring that our products are of the highest quality. We actively promote fairness, respect, and equality throughout our supply chain practices.

We prioritise building positive and long-lasting relationships with our raw material suppliers, manufacturers, retail partners, and consumers. Recognising our responsibility to respect human rights, we are proud members of the Ethical Trading Initiative since 2018. This membership allows us to collaborate with other retailers, manufacturers, trade unions, and NGOs to establish best practices and enhance working conditions. We have adopted the ETI Base Code as our standard across our supply chain.

Many of the workers involved in producing our products are employed by our tier 1 manufacturers. Our Smallworld Accessories Supplier Contract and Conditions of Purchase outline a shared responsibility with our tier 1 manufacturers to adhere to the principles outlined in the Smallworld Accessories Ethical Sourcing Policy. We are committed to complying with the International Labour Organisation's (ILO) standards, which prohibits the use of forced labour and modern slavery. Additionally, we ensure compliance with local and national legislation regarding working hours, working conditions, health and safety, wages, and terms of employment, while also observing minimum age requirements.

Our supply chains are complex and multi-tiered. All tier 1 manufacturers working with Smallworld Accessories are members of SEDEX and are required to complete the SAQ (Self-Assessment Questionnaire) to 100% and have it published alongside the annual third-party SMETA Ethical Audit. This platform serves as a crucial tool for managing ethical auditing and risk management within our supply chain. Conducting a detailed yearly audit provides valuable insights into our suppliers' working practices and helps identify potential risks to the workers in our supply chain.

To ensure the adherence to our Ethical Sourcing Policy, our Sourcing and Compliance team conducts yearly visits to each of our factories outside of the audit window. During these visits, we assess the performance of our factories and collaborate with NGOs and third-party consultants to implement remediation plans when non-compliance's are identified. We prioritise the well-being of at-risk workers and collaborate with our suppliers to develop and implement these plans. Additionally, we are committed to providing training opportunities that enable our suppliers to improve and protect workers' well-being, continuously striving for betterment within our supply chain.

We acknowledge that the risk of human rights violations, including forced labour and modern slavery, increases further down the supply chain. Our Subcontracting Policy assists suppliers in effectively communicating, monitoring, and maintaining our standards when subcontractors are involved. Our objective is to continually assess and map our tier 1 supply chain and, in the future, include tier 2 factories to identify the most vulnerable workers and areas of greatest risk.

We are also aware that our internal buying practices can impact workers' well-being. In 2024, we will be publishing our buying practices policy and actively seeking feedback from our suppliers to ensure alignment with ethical standards.

Our supplier contract and Ethical Sourcing Policy are translated into the relevant languages of the countries where we manufacture.

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# Our ETI Principles

As full members of the Ethical Trading Initiative, we partner with our suppliers to adhere to the ETI Base Code, an internationally recognised code of good labour practice.

We are committed to responsible sourcing and transparent manufacturing practices that respect the rights of workers.

Our factories are audited annually by accredited third-parties.

We build long-lasting, meaningful relationships with factory owners, worker representatives, and NGOs to ensure continuous improvement in our UK operation and within our supply chain.



## **Above all we care about:**

- Products that deliver profit for all.
- People that have a safe, fair working environment.
- Practices that help protect our planet.

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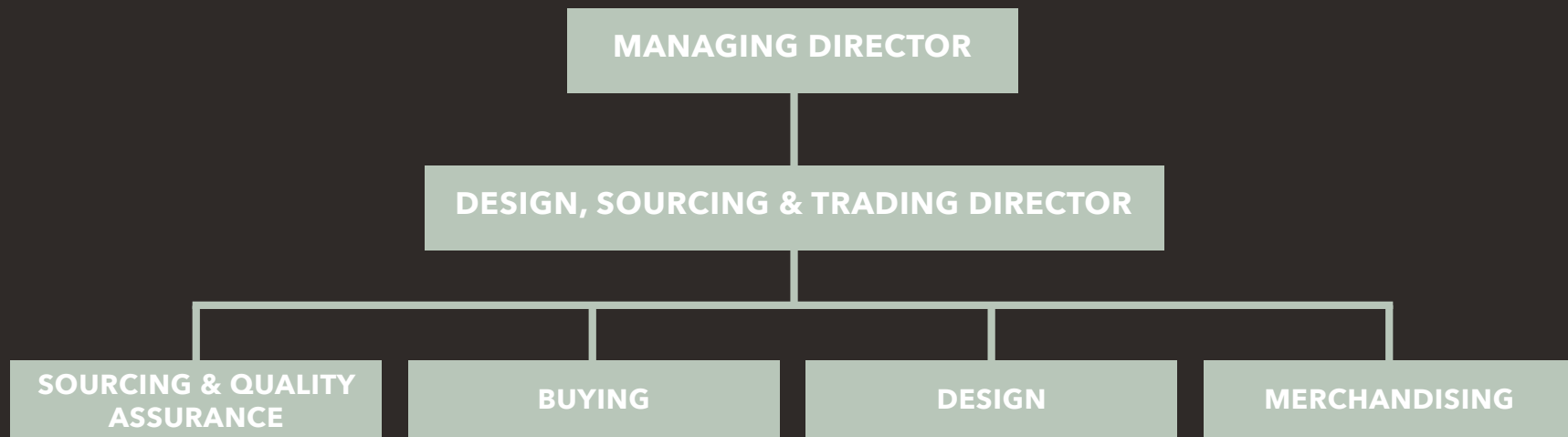
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# Supply chain governance and accountability

As a team we are well aware of the impact the decisions we make have on all our suppliers and the workers who make our products.

We adhere to good design and buying practises and advocate profit for all. Our open and honest way of working ensures we manage and reduce risk within our supply chain. We are committed and accountable for -

- Improving compliance by better understanding of the drivers of non-compliances
- Build more resilient supply chains, consolidating production to protect supplier turnover
- Working within a 'best buying practice' framework to ensure responsible procurement process.
- Save time and expense by co-creating new product with our suppliers and monitoring hit rate
- Protect workforce stability through annual forecasting for each of our suppliers



# Supply Chain

We embrace a collaborative approach with a select group of suppliers who share our values and demonstrate an unwavering commitment to sustainability and ethical manufacturing. By setting clear objectives, providing training and guidance, and implementing corrective actions when necessary, we foster strong and long-lasting relationships with our suppliers. We require all our suppliers to comply with our Ethical & Sourcing policy and adhere to the Ethical Trade Initiative (ETI) Base Code at all times. Transparency and openness are fundamental to our working relationship.

Our suppliers are carefully chosen based on their design and manufacturing capabilities, as well as their dedication to meeting our high-quality and ethical requirements.

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China serves as our primary sourcing country, accounting for over 80% of our manufacturing. Currently we work with 11 Tier 1 factories, including 8 in China, 1 in India, 1 in the UK, and 1 in Turkey. We conduct yearly reviews and risk assessments for each factory, either in person or through video conferences, to mitigate modern slavery risks.

All cutting, sewing, final assembly, and packing operations are carried out at tier 1 factories. We are actively collaborating with our suppliers to identify key tier 2 process manufacturing sites required for printing, plating, and machine embroidery. As a first step towards increasing scrutiny of our supply chain, we are conducting a sub-contractor mapping project. Currently, we are working with our suppliers and four of their sub-contractors. Our Tier 1 suppliers work closely with Smallworld to ensure sustainable, ethical, and responsible sourcing principles are upheld at every stage of our supply chain.

While historically most of our raw materials, fabrics, and components have been purchased at open markets due to their low fabric consumption, we are committed to using more recycled materials and increasing transparency in our supply chain. As a result, 70% of our materials are now sourced and traced from a GRS (Global Recycled Standard) certified fabric mill.

To ensure the integration of new suppliers aligns with our ethical standards, we have implemented a robust new supplier integration policy. Before partnering with a new supplier, we conduct site visits and review third-party audits to assess their compliance with our requirements. All factories are then supplied with our Ethical Sourcing Policy which details the ETI base code with respect to labour rights and freedom of association. Smallworld require that all factories respect the right to collective bargaining and freedom of association:

- Worker's representatives have access to carry out their representative functions in the workplace.
- Workers have the right to join or form trade unions
- The factory owner facilitates an open attitude towards the activities of trade unions.
- Where freedom of association and collective bargaining is restricted by law, the factory owners allow workers participate in independent means of collective bargaining

# Supply Chain

Supplier	Location
<b>A&amp;H QINGDAO</b>	Qingdao, Shandong, China
<b>DONGGUAN FENGHE SILK FLOWERS</b>	Dongguan City, Guangdong Province, China
<b>DONGGUAN YAYI CRAFT ORNAMENT</b>	Dongguan City, Guangdong Province, China
<b>GHE MODA</b>	İstanbul, Turkey.
<b>GOLDEN PROSPERITY PRINTING PACKAGING (HE YUAN)</b>	Heyuan City, China.
<b>KANIKA WORLDWIDE PVT LTD</b>	Faridabad, INDIA
<b>LUCKY DRAGON ENTERPRISE GROUP</b>	Dongguan City, Guangdong Province, China
<b>RA SMART LTD</b>	Macclesfield UK
<b>QINGDAO JINYUXIANGHE</b>	Qingdao, Shandong, China
<b>QINGDAO TESORINE</b>	Qingdao, Shandong, China
<b>XIEYUAN JEWELERY CO LTD</b>	Xianning City, Hubei Province, China





# Ongoing supply chain improvements

The Smallworld Accessories supplier strategy is underpinned with a good understanding of general supply chain issues and prioritises risks to human rights and social insurance compliance.

Identifying risks and monitoring supply chain improvement is a crucial aspect of our supplier strategy at Smallworld Accessories. Our sourcing and compliance team is responsible for identifying, reporting, and mitigating risks related to labour rights. We employ various tools to assess and prioritise risks in our supply chain:

- ETI Human Right Due Diligence Framework: We utilise this framework to comprehensively evaluate actual and potential labour rights risks.
- Country risk research: We conduct thorough research on the labour laws and standards of countries where we source our products. This includes both desktop research and relevant meetings to gain a deeper understanding of the local context.
- Stakeholder engagement: We engage in discussions with internal and external stakeholders, including trade unions, NGOs, and local communities, to gather insights and perspectives on potential risks.
- Workforce analysis: We consider the vulnerability of workers to identify specific risks and challenges they may face.
- Supply chain mapping: We map our supply chain, including second-tier suppliers, to identify potential risks and vulnerabilities at each stage of production.
- Volume and capacity monitoring: We monitor the volume and capacity of each factory to ensure they can meet our production requirements without compromising workers' rights.
- HR systems review: During in-factory visits and document reviews, we assess the effectiveness of the factories' HR systems to ensure compliance with labour rights standards.
- Direct and indirect impact assessment: We evaluate the relationship between Smallworld Accessories and the identified risks to understand the potential impact on workers and develop appropriate mitigation strategies.
- Audit review: We review audit reports and pay close attention to any instances of non-compliance to address them promptly.

We have identified ongoing risks as set out below. We are engaging with an independent advisor to support us and our factories to mitigate these risks in the future.

## **Excessive working hours**

Through our research, we can trace a pattern of excessive working hours with Large order volumes and short lead times in our china factories. Last minute product amendments can also lead to excessive working hours- these have now been eliminated in our best practice buying process. We are committed to working with our factories to understand better how we can plan and mitigate the need for overtime hours. This is an ongoing commitment between us and each factory. Through detailed discussions with factory management we have identified an action plan to reduce their reliance on overtime. We are working with our factories to improve operational efficiency by understanding the manufacturing process of each product/ category so we can support and plan accordingly.

## **Workers engagement with social insurances other than commercial insurance.**

All of our workers are covered by commercial (workplace injury ) insurance. Social insurance in China is complex as the system is constantly changing and varies from region to region. We are implementing an on-going training programme with our factories and their workers to ensure all workers understand the importance and benefits so that they are motivated to contribute.

# Prioritising supply chain risks

**To prioritise risks, we categorise them based on their level of severity:**

- High Risk: This includes sourcing from new countries where labour laws and standards may differ. In such cases, we conduct video calls with the factory, request the latest third-party audit report, and then visit the factory in person before establishing a partnership.
- High Risk (seasonal categories): Categories such as knitted cold weather products, sunglasses, and swimwear are considered high risk due to the likelihood of employing workers on an ad hoc or temporary basis during specific manufacturing seasons.
- High Risk (sub-contracting tier 2): We recognise the need to outsource certain processes to tier 2 suppliers for cost and logistical reasons. We work closely with our core tier 1 factories to consolidate and reduce risks in the supply chain. Currently, we are working with four tier 2 sites to identify and mitigate potential risks.
- Medium Risk: This category involves assessing workers' engagement with social insurances beyond commercial insurance. We ensure that all our workers are covered by commercial insurance and provide ongoing training to promote awareness and understanding of the importance and benefits of social insurance.
- Low Risk: Our purchasing practices are considered low risk as we prioritise fair and decent buying practices. We have implemented a longer critical path to allow factories ample time for production, reducing excessive working hours and safeguarding workers' well-being. Additionally, we have mapped the manufacturing process for each product/category, enabling us to allocate longer production time when necessary, especially when part of the process is outsourced. Regular communication and yearly reviews with suppliers facilitate feedback and continuous improvement in our working relationship.

We remain dedicated to ensuring a responsible and ethical supply chain, continuously assessing and improving our practices to protect the rights and well-being of workers involved in the production of Smallworld Accessories.

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# Our Planet

## Key areas of our environment performance;

Key to our corporate responsibility: resources and the natural world. Today, most of our products are made from recycled materials and our teams are always looking at innovative ways to provide affordable, sustainable, and environmentally friendly products.

We have downsized our office space by 30% and implemented an hybrid remote working business model. Consequently, car emissions on commutes to and from the offices every day will be reduced by up to 60%.

We have committed to reducing CO2 emissions by minimising product options and seasonal trends. We are working with our product and logistic suppliers to identify ways of implementing changes to our processes that will reduce carbon emissions.



# Our Profit

At Smallworld, we are committed to operating more sustainably. Despite the challenges – high costs on recycled materials, the implementation of processes to reduce and offset our carbon emissions – we are striving to provide the consumer with sustainable, affordable accessories.

Our fixed costs per line have reduced due to option reduction; therefore, buying power has increased and we can make conscious buying decisions that support our commitment to long-term sustainability.

We are not penalising people for protecting the planet. We have spent the last couple years reviewing how we can better source our materials to ensure we're supporting our customers and environment.

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# Our Key Figures

We currently stock in 1099 stores in the UK.



We have with 297 employees in the UK.  
79% with permanent contracts; 21%  
fixed term contracts.



15% of the women and 55% of the  
men work full time.



# Our Aims + Objectives by 2025



- Continuously improve sustainable practices, whilst not penalising the consumer.
- Acknowledge room for improvement – from materials to processes.
- Roll out sustainability strategy with stakeholders monitoring our commitment, policies, and processes.
- Review our product development process, measuring supplier environmental performance, and the overall environmental impact of our manufacturing.
- Support selected worldwide projects by working with third parties on the 17 Sustainable Development Goals (SDGs). We will pro actively engage with our employees and suppliers to develop projects aligned with these SDGs in 2024.
- Develop a programme to support local organisations in Sussex, as well as national campaigns.
- Commit to ensuring that the continuous development of our people and processes are underpinned and aligned with our sustainability strategy.

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