SHEIN Response to Globalworks Articles

3 Dec 2024

SHEIN recognises that our company's global operations impact many lives within our own business and supply chain, and that we have a responsibility to uphold and advance human rights through responsible business practices. We are committed to adhering to all relevant laws and regulations concerning the upholding of labour and human rights and to treating individuals fairly and ethically, whether they are engaged in our own operations or our supply chain.

Our governance of our own workforce and supply chain are underpinned by robust policies, including our Code of Ethics, Human Rights Policy, Supplier Code of Conduct (CoC), Supplier Responsibility Standards, and SHEIN Responsible Sourcing (SRS) Policy. These policies were developed taking guidance from international standards such as the United Nations' Universal Declaration of Human Rights and the core conventions of the International Labour Organization, industry best practices, as well as applicable local laws and regulations.

We are committed to addressing any potential human rights abuses within our operations and supply chain, and taking concrete steps to understand, identify and respond to such risks. Where there are credible allegations made against us or our value chain partners, we take them seriously and are prepared to address them robustly, by initiating necessary investigations and taking action to remediate any issues found. We have reported transparently on progress made through our annual sustainability and social impact reports, and are open in acknowledging the areas that we have more to do and improve on, which we will continue to work on.

SHEIN acknowledges that the material issues raised by Globalworks are important and warrant consideration. However, we do not recognise many of the allegations presented in their reports.

The methodology employed by Globalworks calls into question the veracity of their claims given its reliance on selective examples of potentially biased social media posts. Many allegations also appear to be based on only a small sample of social media posts or specific instances – while all voices are important, this small sample size should be seen in the context of our comprehensive ongoing process to continually improve our policies and practices, which involves engaging with the tens of thousands of individuals, including employees, suppliers, and their workers, across our ecosystem. We are also unable to verify if the individuals featured in the videos are employed within SHEIN's supply chain or if they are connected to SHEIN at all.

We note that, to our knowledge, Globalworks did not attempt to engage directly with SHEIN for clarification of their findings or to obtain further information of our company policies and processes. Had they done so, we would have welcomed the opportunity to investigate the specific allegations raised in their findings and provide additional information to support them in taking a fact-based, objective approach to reporting on these issues, which are complex and nuanced, and cannot be fairly represented by generalisations.

Below we will address in greater detail our policies and practices with respect to our suppliers; our third-party sellers; and the staffing of our own operations and our warehouses.

(A) Our Suppliers

SHEIN does not own or operate any of our own manufacturing facilities, and works with a network of third-party suppliers globally, including in China, Brazil and Türkiye, to manufacture SHEIN-branded products. With our scale, SHEIN is fully committed to managing our supply chain responsibly, and to supporting our suppliers in further improving working conditions in their facilities.

We prioritise building long-term relationships with suppliers, pairing enforcement with empowerment. We are deeply committed to helping uplift our suppliers, many of whom are small to medium-sized enterprises who do not produce exclusively for SHEIN, and enabling them to operate effectively and responsibly.

Enforcement

SHEIN complies with laws and regulations in the markets we operate in, partnering with independent organisations like TÜV Rheinland, SGS, Intertek and Oritain to support this work.

SHEIN has implemented a comprehensive suite of measures to identify and rectify any human rights risks within our supplier network, and enforce our required standards for responsible behaviour:

- We have developed and implemented robust supply chain governance policies. These include the Supplier CoC, which all suppliers of SHEIN-branded products must sign and agree to abide by, and a comprehensive set of Supplier Responsibility Standards. Our policies strictly prohibit the use of forced labour and child labour as core principles, and outline other requirements for suppliers related to the payment of wages, working hours, workplace health and safety, and labour and social welfare.

- Key requirements include:
    - Providing all employees with a written employment agreement in a language understood by them, that defines the terms and conditions of their employment.
    - Adhering to all local laws and regulations governing wages and working hours.
    - Providing social benefits in line with local laws and regulations, including medical insurance where applicable.
    - Respecting employees' freedom of association and the right to collective bargaining between employees and management.

- We regularly review and enhance these policies to ensure they are effective in addressing key risks. For example, in 2023, we strengthened the language in the Supplier CoC 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 tightened restrictions on subcontracting.

- To enforce compliance with these policies, we work with international third-party verification agencies such as Bureau Veritas, Intertek, Openview, SGS, TÜV Rheinland and QIMA, all of which are member firms of the Association of Professional Social Compliance Auditors (APSCA), to conduct regular unannounced on-site audits. We have steadily expanded the coverage of these

audits, covering suppliers that represented approximately 95% of the procurement value of SHEIN-branded products in 2023.

- Where suppliers commit severe violations and/or fail to remediate issues identified within required timelines, we have terminated our business relationships with them in line with our policies. In 2023, we terminated five suppliers for contravening our SRS Policy.

- We provide supply chain workers with access to grievance mechanisms for reporting of concerns to SHEIN, and have clear policies prohibiting retaliation against whistleblowers.

- Finally, SHEIN regularly conducts introductory and refresher training sessions that detail and explain the standards within the CoC, providing clear examples, outlining steps for remediation and penalties in cases of non-compliance. In 2023, SHEIN organised 133 group SRS workshops, and 276 one-on-one SRS training sessions, with participant numbers totalling 5,200.

As part of SHEIN's continuous efforts to ensure that manufacturing suppliers are providing their workers with fair and competitive compensation, we work with our independent audit partners to conduct wage investigations. The findings show that workers at SHEIN's manufacturing supplier facilities earned basic salaries that are, on average, more than double that of the local minimum wage released by China's National Bureau of Statistics. It is also almost 50% higher than the living wage in Shenzhen, as defined by the Global Living Wage Coalition.

SHEIN also recognises that such risks extend to any subcontractors that our suppliers work with, and have undertaken measures to address this as well.

- Under the Supplier CoC, suppliers commit to seeking SHEIN's consent before subcontracting production to any third parties. Suppliers also agree to ensure their sub-contractor(s)' compliance with the CoC's requirements, including through audit and supervision.

- Compliance with these requirements is assessed through annual SRS audits. Our auditors collect information on the suppliers' subcontractors via on-site observation, document review, and management interviews. Suppliers are made to provide evidence (e.g. system screenshots, emails, message records etc.) to prove that they have informed SHEIN of all their subcontracting facilities.

These efforts have helped us raise standards across our network of third-party suppliers and their subcontractors. We have seen improved grades on compliance audits: based on annual SRS audits conducted, in 2022, 18% of audited suppliers and subcontractors received an A or B grade, while 35% received a D or E. In 2023, the proportion of SRS audits with an A or B grade was 29%, and the proportion of audits with a D or E grade was 20%. Importantly, we have also seen decreasing incidence of severe labour violations. SRS auditors found no incidents of forced labour in SHEIN's supply chain in 2023. Two incidents of underaged labour were uncovered, but both cases were investigated and resolved swiftly, with remediation steps including terminating contracts with underaged employees, ensuring the payment of any outstanding wages, arranging medical checkups and facilitating repatriation to parents/legal guardians as needed. SHEIN also ensured the contract manufacturers strengthened their processes for screening new hires, such as checking and maintaining records of all employees' IDs. Severe wage violations (e.g. delayed wage payments and failure to pay minimum wage) were found in 0.5% of annual SRS audits in 2023 (compared to 2.3% in 2022), and in all cases, errant practices found were remediated within required timelines.

Empowerment

While SHEIN enforces strict standards on our suppliers across product quality, social compliance and environmental management, we also invest substantially in uplifting our suppliers, so that they are equipped with the infrastructure, knowledge and ability to meet these standards and operate effectively and responsibly.

- SHEIN has earmarked a total of US$70 million for our Supplier Community Empowerment Program (SCEP) till 2028. This investment is split across various initiatives that continuously transform traditional production models with technology advancements, provide upskilling initiatives for workers, facilities enhancements, as well as services for the communities within the supplier ecosystem.

- We recognise that for many traditional garment manufacturers, being onboarded onto our digitalised supply chain and having to learn new systems and processes may require a period of adjustment. We are committed to supporting our suppliers on this journey, and investing in their skills and technology to make them compatible with, and take full advantage of, our business model.

- SHEIN runs a Centre of Innovation for Garment Manufacturing (CIGM) that develops waste-saving and efficiency-optimising technologies which can be scaled across SHEIN's supply chain, with the goal of creating a modern and agile garment manufacturing ecosystem. Through the CIGM, we share latest technologies and techniques with our suppliers, including on product quality, organisational management and workplace experience, and offer consultancy services on factory site selection, facility design and layout. In 2023, the CIGM carried out over 380 training sessions for over 5,000 suppliers across our supply chain. SHEIN has also established a training hub offering on-the-job skills training to garment industry workers, with the aim of developing a skilled workforce that will contribute towards the revitalisation of rural industries.

- SHEIN also supports the modernisation of suppliers' facilities, which helps strengthen their operations and enhance the overall work environment. In 2023, we successfully upgraded over 407,000 sq metres (over 4.4 million sq ft) of workspace across 132 factories. We also supported our suppliers in upgrading canteens, dormitories and multi-purpose recreational spaces amounting to 10,486 square metres of space (more than 112,000 sq ft) across 23 facilities. As of April 2024, we have already disbursed more than US$7 million for factory upgrading and expansion works in Southern China.

We also believe in being a responsible business partner to our suppliers. We are therefore firmly committed to paying all our suppliers in a timely manner. All of SHEIN's contract manufacturers are paid within 30 days, and some are even paid on a weekly or biweekly basis. This ensures that the businesses we work 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. We also enable centralised purchasing of materials, lowering costs for contract manufacturers due to our scale.

How suppliers work with us

- SHEIN's business model is built on the premise of reduced production waste and on-demand manufacturing. We promote our unique, on-demand model and work with suppliers that share the same vision.

- Unlike many of our industry peers, SHEIN does not operate brick-and-mortar retail stores that would all need to be stocked with new products, of which only a certain percentage will meet the taste of customers. Our on-demand model means that we are able to identify trends and anticipate consumer demands with greater accuracy than traditional forecasting models. SHEIN places a first order with a supplier for an ultra-small batch of each style (100-200 pieces). We then gauge market response in real-time and respond with a larger-scale order to meet demand only if warranted. Additionally, our digital supplier management system provides suppliers with real-time product performance insights, to help them make more accurate production and inventory management decisions. SHEIN has consistently kept its excess inventory levels in the low single digits, compared to the general industry which averages around 20% of unsold inventory.

- As a responsible retailer, SHEIN also sets 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 tested for other important factors such as durability and chemical safety.

- We provide close support to help our 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 subsidised by SHEIN.
    - Where finished products fail SHEIN's quality inspection tests, we return these defective products to the respective suppliers and request that they deliver new pieces that meet our requirements.
    - We help suppliers 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.

- Suppliers are still required to pay their workers for pieces that needed to be reworked, and SHEIN's Supplier CoC prohibits disciplinary deductions from wages.

(B) Our Third-Party Sellers

SHEIN continues to promote our on-demand model, including to third-party sellers on SHEIN's platform. We comply with local laws and regulations in our management of such sellers. We share best practices on on-demand supply models to more accurately match actual customer demand, as well as how to leverage small-batch ordering and agile response to changes in market demand for better inventory management. This is further supported by SHEIN's proprietary backend system that provides them with real-time insights on product performance insights to help them make decisions on their inventory management.

SHEIN Marketplace supports the growth of third-party sellers, including many small and independent businesses, by connecting them to our extensive global market and equipping them with the tools to succeed. By bringing new sellers onto SHEIN Marketplace, we seek to maximise value for our customers while also enabling local businesses to grow with us.

In joining our platform, third-party sellers are able to:

- Leverage SHEIN's digital marketing and social media expertise to strengthen brand recognition.
- Gain access to performance dashboards that provide real-time insights on market demand, enabling them to make business decisions in an accurate and agile way.
- Utilise SHEIN's global logistics and distribution ecosystem, including distribution centers and warehouses, for efficient order fulfillment.
- Participate in training sessions and workshops to learn tools and strategies to boost performance.

SHEIN provides a variety of cooperative business models for third-party brands and sellers, which take into consideration differences in the operating capabilities of sellers, empowering sellers to make their decisions on sale strategies that best match their own business needs.

We are committed to creating a fair and transparent platform, and have formulated clear and comprehensive rules and guidelines for third-party sellers, in accordance with local laws and regulations. To promote good business practices and provide consumers with a variety of high-quality and innovative products, we have developed a comprehensive growth plan for sellers to help them better conduct sales activities on the platform. These growth resources cover all areas that sellers may be involved in daily business activities, including digital merchant management back-office, systematic business training, logistics warehousing resource support, and so on, and most of these resources are currently free for sellers to leverage.

- For example, we are providing 90 days of continuous training to new merchants, including graphics courses, video courses, and livestreams, covering a wide range of questions, including business issues, how to win customers, how to promote sales, how to better carry out sales activities in festivals, advanced marketing methodology, etc. We also provide proprietary platform operator coaching, and best practices for successful sellers to help them succeed. These types of training and exclusive resources support for the growth of sellers will also be provided as needed beyond the first 90 days.

- Outside of platform and sales-based training, SHEIN continues to promote its on-demand model to sellers, sharing best practices around leveraging real-time product performance insights to produce in-demand products on demand for reduced production waste and better managed / lower product inventory.

Through SHEIN's support and efforts, sellers have achieved success in their sales, for example, one seller reportedly increased their annual sales from US$500,000 to US$3.42 million. We are also seeing large numbers of sellers who have achieved multi-fold growth of their business on SHEIN.

(C) Our Staffing

SHEIN Employees

SHEIN complies with the laws and regulations in each market we operate in, including manpower and labour laws.

SHEIN's holistic performance system, utilising objective-setting methodologies for goal alignment twice a year, drives engagement and recognises exceptional performance with promotions and rewards. Our compensation plan, ensuring fair global salaries and accompanied by performance-based bonuses, is reviewed annually to maintain competitiveness and support employee wellbeing.

Career growth at SHEIN includes biannual promotions for grade progression and career advancement to maintain fairness and objectivity. In 2023, over 5,100 of our employees across the globe received promotions and corresponding salary adjustments.

SHEIN believes in supporting our employees to reach their full potential, and equipping them with the necessary resources and training to advance in their careers. In 2023, SHEIN invested approximately US$2.36 million in training and upskilling initiatives for our employees. We organised approximately 3,500 training sessions covering nearly 16,000 employees across our global offices, with a cumulative total of 170,073 training hours and an average of 11 training hours per person.

SHEIN is committed to creating and maintaining working environments that respect individuals' dignity and values. We strongly believe that everyone should feel safe at work. We do not tolerate sexual or other forms of harassment, discrimination, or retaliation either by our employees or by our suppliers. This is embedded in our Code of Ethics (CoE) which sets out clearly our ethical commitments, for our employees, contractors, suppliers, and other SHEIN related parties. Every employee undergoes training on the CoE and agrees to be bound by its requirements throughout their employment with the company.

SHEIN takes any allegation of misconduct seriously. Should there be suspicions of violations of the CoE, SHEIN maintains a multilingual dedicated Ethics and Compliance channel for employees and our suppliers' employees to raise concerns.

- The channel allows for anonymous complaints and each complaint is investigated by our human resources or internal audit teams. We conduct local training sessions in key markets to ensure that our employees are aware of the Ethics and Compliance channel, and any employees conducting investigations do so effectively and in accordance with applicable laws, the CoE and industry best practices. If persons are found to have violated the CoE upon investigation, SHEIN may take disciplinary actions, up to and including termination.

- In 2023, 46 complaints were received, of which 27 cases were confirmed as violations of the CoE. Actions taken included termination of employment and legal proceedings.

SHEIN is committed to providing a healthy and safety work environment for all our employees, and to safeguarding workers' rights under the law of the countries where it operates. We offer annual health checkups, business insurance, various employee resource groups and a flexible, collaborative work environment to enhance employee wellbeing and experience. Our employees are also covered under

extensive leave policies that accommodate various life situations in accordance with local laws and regulations, including annual, sick, parental care, bereavement, unpaid and special leaves.

Warehouse Staffing

SHEIN's warehouses are staffed by both SHEIN employees, as well as outsourced workers. Our practices are aligned with industry standards and comply with local laws and regulations, and we require that all warehouse partners comply with local laws and regulations.

We pay all our value chain workers and partners competitive rates. Salary records indicate that junior warehouse workers earn around CNY 7,000 per month while senior workers earn above CNY 12,000 per month on average. This is almost double to triple that of the 2023 living wage for Shenzhen, as published by the Global Living Wage Coalition.

Guided by our Workplace Health and Safety Statement, we also adopt a range of risk management measures and interventions to protect workplace health and safety at SHEIN-operated facilities, including our warehouses. These include conducting health and safety risk assessments and developing safe operating standard operating procedures based on workstations, conducting safety-related training for new employees, facility managers and operational teams, holding monthly cross-departmental safety inspections and regular safety meetings, and maintaining reporting channels for employees to flag potential safety hazards.

In 2024, we worked with our third-party verification agencies, TÜV Rheinland and Openview, to conduct comprehensive SRS audits at 22 SHEIN-operated warehouse facilities in China, with one receiving a B grade while all others received an A grade. We continue to remain diligent in upholding strong social and environmental standards in our facilities.

SHEIN is firmly and genuinely committed to the continuous improvement of labour conditions across our value chain, in collaboration with our partners and stakeholders. Given that manufacturing supply chains are often complex and deeply intertwined, we recognise that this must be an industry-wide effort, and are prepared to work with other ecosystem players to address common challenges and uplift overall industry standards. We welcome constructive and informed dialogue, so that we can take concrete steps to strengthen our policies and processes, and progress towards a more desirable and sustainable future for all.

* * * * *