

On Jan. 1, 2012, California enacted The California Transparency in Supply Chains Act (SB657) requiring retail sellers and manufacturers with annual worldwide gross receipts more than \$100 million doing business in California to publicly disclose the steps they are taking to eradicate slavery and human trafficking from their direct supply chains.

Highlighted below are the five disclosure requirements of the California Transparency in Supply Chains Act, followed by the actions L Brands is taking to address each one:

**1. Engages in verification of product supply chains to evaluate and address risks of human trafficking and slavery. The disclosure shall specify if the verification was not conducted by a third party.**

As part of the L Brands verification process, Independent Production Services (IPS), or a third-party auditing firm, conducts announced or unannounced audits of each of our approved factories at least annually to ensure compliance with SB657. The majority of these audits are conducted by IPS.

IPS is a function within L Brands that works with suppliers to ensure that our goods are sourced from factories that meet or exceed L Brands compliance standards. IPS has been supporting global compliance for nearly two decades, enabling improvements in working conditions, supply chain security, trade compliance and brand protection in our supply chain through monitoring, remediation, capacity building and training.

The company conducts more frequent reviews of factories located in countries designated as high risk by the U.S. State Department's Trafficking In Persons Report, or identified through the company's annual risk assessment process. The majority of these audits are conducted by a third-party auditing firm hired by L Brands.

**2. Conducts audits of suppliers to evaluate supplier compliance with company standards for trafficking and slavery in supply chains. The disclosure shall specify if the verification was not an independent, unannounced audit.**

Each supplier must agree to allow L Brands or an independent third-party hired by L Brands to conduct an audit of their factory without prior notice. IPS or a third-party auditing firm conducts announced or unannounced audits of each of our approved factories at least annually to ensure compliance. These audits cover all areas of the L Brands Code of Conduct, including the No Forced Labor code, which states "prison, indentured, bonded, involuntary, slave labor or labor obtained through human trafficking shall not be used." The ILO's *Guiding Principles to Combat Forced Labor* was used to develop the L Brands applicable standards.

**3. Requires direct suppliers to certify that materials incorporated into the product comply with the laws regarding slavery and human trafficking of the country or countries in which they are doing business.**

L Brands' suppliers are required to sign a Master Sourcing Agreement (MSA) that explicitly states that the supplier will comply with all applicable laws and policies. These policies include our Supplier Code of

Conduct and the IPS Compliance Guidebook that prohibit the use of “prison, indentured, bonded, involuntary, slave labor or labor obtained through human trafficking.”

These policies and relevant laws, regulations and conventions in all countries in which the supplier and factory operate must be observed.

#### **4. Maintains internal accountability standards and procedures for employees or contractors failing to meet company standards regarding slavery and trafficking.**

L Brands maintains policies and procedures that govern the consequences of non-compliance by associates and suppliers with L Brands’ sourcing and labor standards.

L Brands aligns only with suppliers that share our values and our commitment to ethical and responsible business practices. To ensure that our expectations are clear, our standards are specifically outlined in our L Brands Supplier Code of Conduct.

The IPS Compliance Guidebook is provided to all suppliers and factories. The purpose of the Guidebook is to provide additional clarification to supplier partners and their factories regarding a broad range of compliance standards and requirements, as well as actions for non-compliance that may include termination of business.

If we find our supplier is not in compliance with the L Brands Supplier Code of Conduct, we will require immediate corrective action. L Brands will not partner with suppliers and factories that are unwilling or unable to work with us to achieve our compliance standards.

L Brands also has an Associate Code of Conduct and Guide that outlines our standards and expectations, and also addresses the consequences of non-compliance.

#### **5. Provides company employees and management, who have direct responsibility for supply chain management, training on human trafficking and slavery, particularly with respect to mitigating risks within the supply chains of products.**

As L Brands continues to foster strategic relationships with suppliers, it maintains its commitment to supplier education. For suppliers, factory management and associates who have direct responsibility for supply chain management, the company hosts annual awareness and training sessions on all compliance standards in multiple countries around the world. The training includes human trafficking and forced labor awareness as well as steps to take to mitigate the risk within the supply chain of our products.

In addition, we use one-on-one training in conjunction with compliance reviews and corrective action plans to continuously educate our factories on the prevention of human trafficking and forced labor, and to reinforce our Code of Conduct which explicitly states “prison, indentured, bonded, involuntary, slave labor or labor obtained through human trafficking shall not be used.”

## California Transparency in Supply Chains Act

L Brands will be introducing on-line training to all associates responsible for supply chain management by the end of 2014 to further educate them on human trafficking and forced labor, how to mitigate risks and how to report any potential concerns of human trafficking or forced labor in L Brands supply chain.

Also, L Brands is piloting a training project with the Pacific Links Foundation called FACT (Factory Awareness to Counter Trafficking) for the purpose of educating factory management and workers in [Vietnam](#) on the prevention of human trafficking.