

<h1>SHEIN</h1>	<b>SHEIN Responsible Sourcing Policy</b>	
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## 1. Purpose

SHEIN advocates commercially ethical and responsible approaches of sourcing products and works with suppliers to fulfil social responsibilities and sustainable development in our operations and production. With this mission in mind, SHEIN has implemented our Supplier Code of Conduct and Supplier Responsibility Standards, based on which we have developed the SHEIN Responsible Sourcing (SRS) management system. It aims to safeguard the employees in the supply chain are treated with respect and dignity, to promote a safe, healthy and comfortable working environment and minimize the environmental impact.

This policy was formulated to ensure the Supplier Code of Conduct and SHEIN Supplier Responsibility Standard are properly followed and a sound implementation of SHEIN SRS management system across the supply chain.

## 2. Scope

This policy applies to Tier 1 suppliers that - directly or indirectly, produce products of SHEIN brand and sub-brands (including but not limited to ROMWE, MOTF, LUVLETTE, DAZY, CUCCOO, EMERY ROSE, GLOWMODE, SHEGLAM, PETSIN, SLOW SUNDAY), and Tier 2 suppliers of materials and/or components, subcontractors as well as other service providers (collectively, “suppliers”).

## 3. Definition

### 3.1 SHEIN Supplier Code of Conduct (CoC)

SHEIN Supplier Code of Conduct (refer to Annex 1) defines the underlying requirements with respect to labor rights and interests, safety and health, environmental compliance, and ethics for suppliers that supply products, materials, or services to follow.

### 3.2 SHEIN Supplier Responsible Sourcing (SRS)

SHEIN Responsibility Standards (see Annex II) elaborates on the standards and requirements for suppliers in the aspects of labor rights and interests, safety and health, environmental protection, ethics and management system. SHEIN Responsibility Standards is the explanations and expansion of the CoC that sets higher expectations of sustainable development for its

suppliers.

### **3.3 SRS Management System**

SHEIN Responsible Sourcing Management System, namely SRS program, is a set of tools, methodology and procedures used to evaluate and improve suppliers' performance in labor practice, safe and healthy working environment, environmental compliance and ethics. SRS rating is an essential indicator regarding a supplier's performance in social responsibilities and operational sustainability.

### **3.4 Zero Tolerance Violation (ZTV)**

Zero Tolerance Violation (ZTV) means any act or presence in serious violation against the principles set out by the SHEIN Supplier Code of Conduct. Any ZTV found with a supplier will result in a termination of cooperation.

As defined in SHEIN Responsible Management System, ZTV includes but is not limited to:

- 3.4.1** Violation against ethics and transparency principle where a supplier refuses to take and/or bribes SHEIN's assessor to evade an SRS assessment conducted by SHEIN.
- 3.4.2** Child labor where a supplier hires workers who are under the statutory working age in respective countries/regions.
- 3.4.3** Violation against the principle of voluntary employment, such as:
  - Forced, bonded (including debt bondage), indentured labor, involuntary or exploitative prison labor, slavery or human trafficking;
  - Recruitment by means of threat, violence, coercion, abduction or fraud, forcing individuals to work against their will;
  - Employers or their agents require employees (including foreign workers) to pay deposits, security, or recruitment fees;
  - Possess or otherwise destroy, conceal, or confiscate employee identification or immigration documents, such as government-issued identification, passports, or work permits, in order to coerce employees into work.

### **3.5 Critical Violation (CV)**

Critical violation means any act or presence in serious violation against fundamental

requirements set out in the SHEIN Supplier Code of Conduct. If any CV is verified regarding labor rights and interest, safety and health, environmental compliance, SHEIN is entitled to request the supplier involved to undertake a complete remediation.

Critical violations are identified as, including but not limited to:

- 3.5.1** Violations of labor practice: unethical behavior such as discrimination, harassment, and rough treatment in the workplace; preventing or interfering with employees' legal establishment of unions or employee organizations.
- 3.5.2** Serious violation of salary payment requirements: employees' wages in normal working hours are lower than the local legal minimum; severe delay of salary payment and other misconducts.
- 3.5.3** Endangering people's lives or causing serious injuries, causing significant fire hazards, or serious and long-term detriment to the health of employees, including but not limited to: employee dormitories are located in the same building as plants and warehouses; emergency exits of workshops or dormitories are locked; employees smoke in the workshop or there is an open flame in the workshop; the building does not have sufficient emergency exits to enable timely evacuation; risk of death or serious injury from falling from high altitude in the workplace; cracking and subsidence of walls in plants or dormitories that may lead to building collapse.
- 3.5.4** Serious environmental pollution: Dumping hazardous wastes into the environment, emitting or discharging wastewater and/or gas into the environment without permission.

### **3.6 Supplier Tiers**

“Tier 1 supplier” refers to the supplier directly with SHEIN produce finished products including apparels, bags, accessories and beauty products, etc.

“Tier 2 supplier” refers to the material supplier, including but not limited to textile, printing, dyeing, zipper, button factories, and subcontractors of the above mentioned “Tier 1 suppliers”.

## 4. SRS “Iron Triangle” Management Model

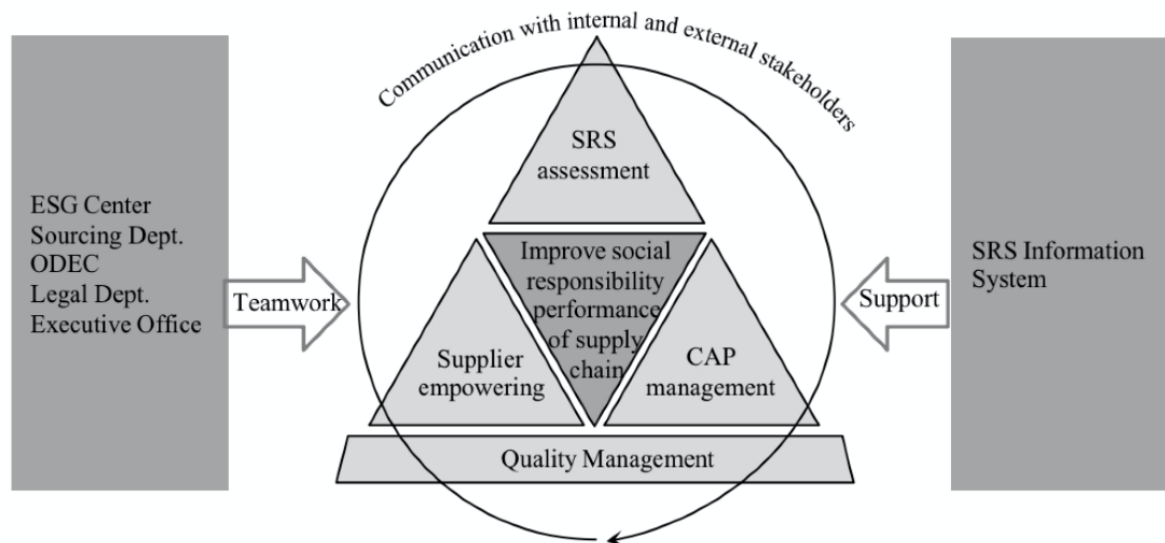


Chart 1: SRS “Iron Triangle” management model

### 4.1 SRS follows the PDCA (Plan-Do-Check-Act) principle

- 4.1.1 Implement SRS assessments along the supply chain to identify social responsibility risks (identify issues).
- 4.1.2 Utilize CAP (Corrective Action Plan) management tool to track and remedy issues and request suppliers to take mitigation or eradicate social responsibility risks (address issues).
- 4.1.3 Continue to advance supplier capacity building and enable their self-management of social responsibilities (empower suppliers).

4.2 By launching the SRS information system, SHEIN introduces digitalized management of SRS assessment reports and CAP implementation, thus ensuring SRS-related data are transparent and traceable.

4.3 SHEIN’s ESG team collaborates with internal and external stakeholders to manage social responsibility risks of suppliers in a bid to improve the social responsibility performance of SHEIN’s supply chain.

## 5. SRS Policy Requirements

### 5.1 Key requirements of SRS Assessment

- 5.1.1 SHEIN may conduct SRS assessments - “with prior notice” or “without prior

notice” of the assessment date on different suppliers, with the former applying to new suppliers and the latter applying to existing suppliers.

**5.1.2** The SRS assessment team is consisted of accredited internal assessors and/or auditors of third-party audit agencies authorized by SHEIN. An eligible third-party auditor must obtain APSCA certification (Association for Professional Social Compliance Auditors).

**5.1.3** SRS assessments are carried out under integrity and transparency where suppliers are expected to agree to and cooperate during the assessment, including allowing assessors the right to a full inspection, access to any and all area of their factories, right to review all files and documentation in relation to SRS management, as well as right to have private conversations with their employees.

## 5.2 SRS Score and Rating

**5.2.1** Supplier may be classified as A, B, C, D, and E - based on their SRS assessment results.

Table 1: SHEIN SRS Rating Standard

SRS Rating	SRS Point (P)
A	$P \geq 90$
B	$75 \leq P < 90$
C	$60 \leq P < 75$
D	$0 < P < 60$
E	$P \leq 0$

**5.2.2** As provided by SRS assessment tools and corresponding rating standard, any “ZTV” or “CV” will cause a supplier to be classified as “E”.

**5.2.3** SRS assessment scores and ratings are important indicators of supplier overall performance. Suppliers with a higher rating, for example, will be entitled to more business opportunities including receiving premium branded products, co-branded licensing products, early production orders of evoluSHEIN products, etc.

### 5.3 Measures and Requirements for New Suppliers

- 5.3.1 Any new supplier applicant requesting to join in SHEIN supply chain as a Tier 1 suppliers or a Tier 2 supplier shall undergo an SRS assessment. No admission for suppliers rated “E”.
- 5.3.2 New supplier applicant on-boarding SRS assessment may vary in forms including on-site SRS full assessment, on-site ZTV and CV inspection, remote ZTV and CV inspection.
- 5.3.3 New Supplier applicant receiving an “E” in the initial assessment is entitled to two additional assessments.

### 5.4 Measures and Requirements for Existing Suppliers

- 5.4.1 Tier 1 existing suppliers and Tier 2 existing suppliers shall undergo an on-site SRS full assessment at least once a year. **Suppliers rated “D” or “E” will be required to have the re-annual SRS assessment in the same year.**
- 5.4.2 In the case that a supplier is rated “E”, coupled with any “ZTV”, the ESG shall inform and align with business, legal, customs department in 24 hours. In such a case, SHEIN will immediately terminate the cooperation with the supplier.
- 5.4.3 In the case that a supplier is rated “E” and found with any violation of voluntary employment as laid out in 3.4.3 of this Policy, SHEIN will immediately terminate the cooperation with the supplier and meanwhile, update with customs department and head of tax as well as inform the Director of Trade Compliance of the US market, the information and documentation of goods produced by the supplier - regardless of whether the goods are in transit or arriving at the destination country, and suspend exporting, and dispose of the goods concerned in an environmental friendly manner such as reclaim and recycling.
- 5.4.4 In the case that a supplier is rated “E” coupled with any CV, the supplier then must remediate all identified “CV” in 30 days from the date of SRS assessment or facing immediate termination of cooperation from SHEIN.
- 5.4.5 In the case that a supplier is rated “E” for two consecutive times, SHEIN will immediately terminate the cooperation with the supplier.
- 5.4.6 In the case that a supplier is rated “D” or below three times (including two “D”, one “E”) within 24 months, SHEIN will immediately terminate the cooperation with the supplier.



- 5.4.7 Suppliers that have been terminated from cooperation due to any violation of this Policy shall not be re-admitted in the next 12 months.

## 5.5 Subcontractor SRS Management

- 5.5.1 Tier 1 suppliers shall register the information with SHEIN the information of their contractors (if any), including sub-branches, sub-contractors, such as name, address, zip code, legal representative, responsible person, and information as requested by SHEIN.
- 5.5.2 Suppliers shall ensure their subcontractors' compliance with the SHEIN Supplier Code of Conduct. They are obligated to audit and supervise their subcontractors by utilizing the SRS tools and report back to SHEIN the assessment results, to which SHEIN may randomly check for authenticity.

## 6. CAP Management

- 6.1 SHEIN has put into effect the SRS CV Remediation Guidance targeting existing suppliers found with CV during an SRS assessment. By following this guidance, such a supplier must rectify all of the CV in 30 days and submit a CV Remediation Report to include cause analysis, remedial measures, long-term prevention scheme, owner, date of completion, and evidence of rectification.
- 6.2 For the other types of violations (major/medium/minor) found in an SRS assessment, the supplier shall be requested to take remediations within 90 days.

## 7. Supplier Empowerment

- 7.1 During supplier selection, SHEIN will communicate with new suppliers the Supplier Code of Conduct and SRS policy and provide appropriate training to support them establishing an awareness of social responsibility compliance and adhering to the SHEIN responsible sourcing standards.
- 7.2 SHEIN will hold regular "SRS assessment and policy briefing meetings" to deliver the requirements of the Supplier Code of Conduct and SRS policy, procedures of SRS assessments, and share compliance practices in the industry to enhance suppliers' social responsibility awareness and elaborate the SRS assessment process.

7.3 SHEIN works with world leading training service providers to host face-to-face “Supplier SRS Management Personnel Accreditation Workshop” with a view to empowering their self-management in the social responsibility aspect. This workshop covers a variety of themes, such as SRS policy interpretation, awareness and management training of labor rights, occupational health and safety and environmental compliance. The attendee supplier personnel will receive an SRS specialist certificate upon passing relevant exams.

7.4 To manage high-risk and common violations revealed in SRS assessment results, SHEIN will carry out targeted knowledge and skill training for suppliers, therefore reducing risks and uplifting social responsibility performance and development sustainability within SHEIN supply chain.

## 8. Annex

Annex 1: SHEIN Supplier Code of Conduct

Annex 2: SHEIN Supplier Responsibility Standards

## 9. Effectiveness

This policy is effective on Oct 1<sup>st</sup>, 2023 in a non-retrospective way.

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## Appendix – Version History

No.	Version	Name	Creation Revision Revocation	Change	Author	Owner	Approver	Effective date
1	1.0	SHEIN Responsible Sourcing (SRS) Policy	Creation	Release	Lisa Zhang	Stone Wang	Tony Ren	Immediate
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3	3.0	SHEIN Responsible Sourcing (SRS) Policy	Revision	Addition & Revision	Stone Wang	Lin Leonard	Sky Xu	Date of issuance