Welcome

Sedex is a global membership owned organisation dedicated to driving improvements in ethical and responsible business practices across global supply chains.

As one of the world’s leading organisations for helping companies manage responsible sourcing, we operate a collaborative online platform that allows our members to collect and share responsible sourcing data and identify risks in their supply chain. Our collaborative approach helps buyers and suppliers to share and exchange data, helping to better manage their social and environmental performance and implement measures to protect people, the environment and their business.

We pride ourselves on being community-led, and our tools and services are used by nearly 50,000 members in over 150 countries. We work across 35 industry sectors, including food, agriculture, clothing and apparel, packaging, chemicals and construction. Sedex is also home to SMETA, one of the most widely used social audit methodologies in the world. Our four pillars of labour, health & safety, environment and business ethics guide our goal to protect human rights and enhance environmental sustainability.
Letter from the Chair

I am honoured to continue to chair the Sedex Board and would like to pay tribute to my fellow Board members, our elected Member Directors, the Executive Team and the Non-Executive Directors. But most of all to our highly talented Sedex team members who drive progress and who continue to enable our shared agenda with our members.

Sedex’s strength is through our members and I am pleased to report that at the beginning of 2018, we have reinforced our position with 20% growth in the past 12 months - the widest reach of any platform in our industry. The huge reach of our platform, the sheer number of sectors our members cover and the complexity of global supply chains, all lead to a great potential for impact.

We have continued to make considerable progress in the 2017 financial year, January – December 2017. We have revised SMETA, expanded our language base and made further improvements to Sedex Advance. Notably, the Sedex Stakeholder Forum Forced Labour Working Group devised the Forced Labour Indicator Reports. These provide a detailed, site-specific, high-level overview of the likelihood of forced labour being present in the supply chain and enable members to benchmark the performance of sites by country.

With increasing demands from stakeholders to provide more transparency and members seeking to improve performance and reduce risk within their supply chain, our aim at Sedex has never been clearer - to ensure sustainable supply chains globally. As we move into 2018, we are investing for the long term in our platform, capabilities and our people, as we extend our global reach to support member companies.

I would like to take this opportunity to thank all our members, stakeholders and the very dedicated Sedex team for their commitment to making it simpler to do business that’s good for everyone.

Steven Esom – Chair of the Board

About Steven

Steven is an experienced board member of consumer-facing businesses and chairs a number of boards. His current directorships include Cranswick Plc, The Rank Group, Advantage Travel Partnership, British Retailing Consortium and GB Boxing, responsible for developing potential Olympic medal athletes. His retail career included Executive Director at Marks & Spencer, responsible for food. Prior to that, Steven was Managing Director for Waitrose, rapidly expanding the business with two major acquisitions and leading the successful repositioning of Waitrose as a national fresh food retailer. Before joining the John Lewis Partnership, Steven spent most of his career at Sainsbury’s in senior commercial roles.
Highlights and Achievements

Over the past few years, Sedex has set and achieved new goals, across all fronts of the business. A key area was delivering enhanced supply chain technology and data reporting to our members across the world.

We have developed our Risk Assessment Tool, providing a more detailed breakdown of risk data. This is being used in our Data Monitor reports, helping to ensure members stay alert to their most current risks.

“We are committed to helping members achieve their sustainability goals, across all capacities. Our bespoke tools and training ensure we stand out from the crowd.” Dan Murray, Commercial Director

This was evident in our API integration work with Marks & Spencer and Kingfisher. We have continued to expand our bespoke reports, customising them to meet the specific needs of our members.

In April 2017, we launched SMETA 6.0. The updates in SMETA 6.0 were based on user feedback, and reflected the changing international landscape for the business. The first change was in relation to The United Nations Guiding Principles (UNGP) for Business and Human Rights.

There is an expectation that businesses will identify how their activities impact the human rights of people and communities. As a result, SMETA 6.0 includes an investigation into how Universal Rights are protected within global supply chains. SMETA 6.0 now also supports due diligence processes for modern slavery prevention, reflecting changes in guidance and legislation from various government bodies.
Over the past 12 months our online data exchange platform, Sedex Advance, has been constantly developed and updated, thanks to our dedicated Project Management Office and Developer teams.

We have been using a 'bucket' system, enabling us to improve over 100 smaller issues such as search functions, Self-Assessment Questionnaire (SAQ), audit workflow, signposting, user management, and the Sedex administrator functionality.

This has vastly enhanced the general user experience of our platform and members have given a great deal of positive feedback about the new and improved Sedex Advance functionality.

We have expanded our core SAQs to include three more languages: Polish, Hindi and Dutch, enhancing our communications globally. Within the SAQs we launched the new FSA modular SAQ, and a few bespoke modular SAQs for individual members.

In the summer of 2017, we launched our Forced Labour Indicator Reports. This suite of tools allows organisations to identify areas of risk in their supply chains and develop a proactive approach for managing and mitigating those risks. It also helps companies meet government legislation, such as the UK Modern Slavery Act 2015.

The Sedex Forced Labour Indicator reports’ operational indicators are aligned with United Nations guidance, ensuring operational practices are linked to the International Labour Organization’s (ILO) definition of forced labour. These reports help our members identify hot spots to investigate forced labour, a priority for any socially responsible business. To support this launch, we released a series of Forced Labour webinars for our members, and with record attendance, we ensured our members received the most out of this service.

"SMETA 6.0 has been designed to reflect the needs of all its users and it now allows for reporting against a company’s own code, as well as the established international standard of the ETI Base Code. In addition to encouraging more positive reporting, SMETA 6.0 gives more guidance on good examples."

Mark Sugden, Director of Marketing and Responsible Sourcing
The Sedex Stakeholder Forum

Sedex is unique in that it is a community-led organisation and members very much drive the conversation for the future needs of the industry. The Sedex Stakeholder Forum (SSF) brings together leaders from across the ethical trade and responsible sourcing industry to tackle the challenges they face and solve issues collaboratively.

The SSF is a successful group that enables brands, auditors and stakeholders to have a voice, and work together on root causes and industry-wide challenges. The SSF is a unique forum where various stakeholders convene to collaboratively push the boundaries of good practice in continuous improvement approaches.

David Lawrence, SSF Chair

The SSF has continued to expand and carry its momentum forward with new chair, David Lawrence. In line with a new global approach, the group took its Autumn biannual meeting out of London for the first time, to Manchester to launch the Sedex UK User group. SSF membership continues to increase with more than 150 Buyer (A), Buyer/Supplier (AB) and Supplier (B) members, auditors, stakeholders, industry specialists and guests.

During 2017, as well as creating and launching SMETA 6.0, the SSF (along with AIM Progress) developed and piloted the Worker Wellbeing Assessment. This is a new worker focused tool that measures and seeks to understand the impact of working conditions on workers. This helps buyers and employers to identify and address issues that may be affecting their workforce. The assessment consists of a survey that can we carried out with workers through a range of approaches, including mobile surveys, and includes guidance on methodology and a reporting framework.

The SSF also helped to launch the Forced Labour Indicator Reports. The reports analyse answers provided from the Sedex Self-Assessment Questionnaire (SAQ), together with non-compliances and observations raised in audits, and aligns them to the Forced Labour Indicators. Within this tool there are several different reports to suit the needs of the user.

Additionally, 2017 saw the launch of two new working groups – the UK User Group and the Auditor Network Group. The UK User Group aims to highlight, discuss and try to find solutions to issues which are specifically related to the UK. The Auditor Network Group meets to discuss all issues related to social auditing and SMETA, helping to evolve the Sedex auditor community and provides an opportunity for companies to feedback on improvements to the Sedex system in a formalised manner.
Sedex in Numbers

Global spread of Sedex members

Sedex members reach across the entire supply chain, with nearly 50,000 members in 150 countries. We have offices in London, Santiago, Shanghai, Sydney and Tokyo.

<table>
<thead>
<tr>
<th>Region</th>
<th>Members</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>21,307</td>
<td>44%</td>
</tr>
<tr>
<td>Europe</td>
<td>16,949</td>
<td>35%</td>
</tr>
<tr>
<td>North America</td>
<td>3,874</td>
<td>8%</td>
</tr>
<tr>
<td>South America</td>
<td>2,422</td>
<td>5%</td>
</tr>
<tr>
<td>Africa</td>
<td>2,421</td>
<td>5%</td>
</tr>
<tr>
<td>Oceania</td>
<td>1,453</td>
<td>3%</td>
</tr>
</tbody>
</table>

Sedex member represent over 35 industry sectors

1. Garments 13%
2. Produce 10%
3. Grocery 7%
4. Packaging 5%
5. Chemicals, metals and minerals 6%
6. Service providers 4%
7. Homeware 4%
8. Tools & Machinery 3%
9. Toys, Games & Hobbies 3%
10. Processed Foods 3%
11. Engineering 3%
12. Logistics 3%
13. IT, Telecom & Electrical 2%
14. Construction 2%
15. Publishing & Printing 2%
16. Textiles 2%
17. Accessories 2%
18. Drinks 2%
19. Stationery 2%
20. Dairy 2%
21. Pharmaceuticals 2%
22. Meat, Fish & Poultry 1%
23. Horticulture 1%
24. Agriculture 1%
25. Other 15%
Sedex Membership in Numbers:

(A)
Buyer (A) and Buyer/Supplier (AB) members: 849

(AB)
Supplier (B) members: 47,577

Average number of customers that companies are linked to on Sedex Advance: 3.74

Audit information in Numbers:

Total number of Audits on Sedex Advance: 159,690

Total number of Audits added from 1st January 2017 to 31st December 2017: 19,738

Total number of corrective actions added from 1st January 2017 to 31st December 2017: 36,347
Sedex around the globe

Top 10 countries for member sites in 2017
(number of new sites per country):

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Sites in 2017</th>
<th>Total Sites in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>3,361</td>
<td>3,001</td>
</tr>
<tr>
<td>India</td>
<td>791</td>
<td>928</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>763</td>
<td>740</td>
</tr>
<tr>
<td>Australia</td>
<td>428</td>
<td>412</td>
</tr>
<tr>
<td>United States</td>
<td>423</td>
<td>353</td>
</tr>
<tr>
<td>Italy</td>
<td>326</td>
<td>353</td>
</tr>
<tr>
<td>France</td>
<td>244</td>
<td>276</td>
</tr>
<tr>
<td>Mexico</td>
<td>241</td>
<td>94</td>
</tr>
<tr>
<td>Turkey</td>
<td>231</td>
<td>110</td>
</tr>
<tr>
<td>Netherlands</td>
<td>228</td>
<td>102</td>
</tr>
</tbody>
</table>

Top 10 countries uploading audits to the Sedex system in 2017
(number of new audits uploaded)

<table>
<thead>
<tr>
<th>Country</th>
<th>Audits 2017</th>
<th>Audits 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>7,087</td>
<td>7,213</td>
</tr>
<tr>
<td>India</td>
<td>2,327</td>
<td>2,368</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>773</td>
<td>874</td>
</tr>
<tr>
<td>Turkey</td>
<td>769</td>
<td>985</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>719</td>
<td>886</td>
</tr>
<tr>
<td>Thailand</td>
<td>420</td>
<td>400</td>
</tr>
<tr>
<td>Pakistan</td>
<td>333</td>
<td>427</td>
</tr>
<tr>
<td>Vietnam</td>
<td>333</td>
<td>304</td>
</tr>
<tr>
<td>Italy</td>
<td>306</td>
<td>227</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>291</td>
<td>348</td>
</tr>
</tbody>
</table>
### Top 5 Non-Compliance 2017

<table>
<thead>
<tr>
<th></th>
<th>Non-Compliance</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chemicals</td>
<td>8%</td>
</tr>
<tr>
<td>2</td>
<td>Overtime</td>
<td>7%</td>
</tr>
<tr>
<td>3</td>
<td>Machinery</td>
<td>7%</td>
</tr>
<tr>
<td>4</td>
<td>Benefits and Insurance</td>
<td>6%</td>
</tr>
<tr>
<td>5</td>
<td>Personal Protective Equipment/Clothing</td>
<td>5%</td>
</tr>
</tbody>
</table>

The top 5 non-compliances make up nearly one third of all non-compliances. To support the key non-compliances being resolved we provide our members with a range of guidance, tools, courses and e-Learning materials, available via the Sedex platform.
Looking forward to 2018

At Sedex, we are passionate about positive impact and the difference we bring every day to our members. The year ahead will see us continue to expand our tools and services for our members and go beyond compliance to significantly improve responsible sourcing and support the continuous improvement cycle.

Becoming globally fit for purpose

We will strengthen our global presence, with new Sedex offices in Australia and Chile, to support us in making our services globally “fit for purpose” for all our members. In line with this, we will continue to enhance Sedex Advance, to ensure a simpler, faster platform available to all members in all core languages. This includes implementing a KPI dashboard, increasing translations throughout the platform and improving connectivity.

New tools

In 2018, we will launch new tools and services to support our diverse membership, catering to all stages of the responsible sourcing journey. Sedex e-Learning, the Member Directory and the Worker Wellbeing Assessment will help members continually improve areas in their supply chain.

High quality data is what drives our members’ ability to make decisions about their responsible sourcing strategy. We will be undertaking an audit quality improvement programme, which includes making changes to auditor accounts and launching the Offline Audit Tool to improve data quality and offer a solution to capture data in remote areas without internet connection.

Collaborating with partners

Collaboration remains at the core of our work at Sedex. We are delighted 2018 will bring new Sedex partnerships with Clearview, Stronger2gether and CDP. Each collaboration will help Sedex and our members strengthen our ability to manage issues occurring in supply chains.

Being one of the few membership organisations in our industry, our members are at the centre of everything we do, and their voice is vital. In 2018 we will run a member survey, inviting members to influence the future strategy of Sedex. Additionally, we will use this feedback to continually improve our offering. In the second half of 2018, we will develop new reporting functions and update SMETA.
Sedex Tools and Services

We help members bring together many kinds of data, methodologies and certifications about their supply chain. This shared information is uploaded onto our platform, creating transparency about issues affecting their business practices. Companies can run reports to make better-informed business decisions, driving sustainability and continuous improvement across their supply chain at an international level.

Working across four pillars, we support our members to improve workers’ rights, environmental sustainability, health and safety and business ethics (such as anti-bribery and corruption) throughout each tier of their supply chain. Sedex provides tools that enable our members to easily gain visibility and report on their supply chain, manage risk and proactively tackle responsible sourcing issues. Our tools are based on our cycle of continuous improvement, which provides members with guidance for becoming a responsible business and continually make improvements.
● **Sedex Advance** is our online data exchange platform enabling buyers, suppliers and auditors to store, share and report on supply chain information.

● **Self-Assessment Questionnaire (SAQ)** is a set of questions that enables suppliers to complete a self-assessment of their site. A supplier will complete the questions with information about their company policies, safety standards, working conditions, and environmental, energy and waste management. The SAQ is industry specific. This means that a supplier can then share one questionnaire with multiple customers, reducing duplication.

● **Risk Assessment Tool and Forced Labour Indicator Report** provide companies with a risk score of the likelihood of risks in the supply chain and evaluate suppliers.

● **SMETA** is an ethical and social auditing methodology. It provides best practice guidance and ethical audit techniques, to help auditors conduct high quality audits for responsible business practice. SMETA provides a common audit report format and corrective action plan and is based on the ETI base code and local laws in the country the audit is conducted.

● **Sedex e-Learning** is an interactive online platform that gives members access to a wide range of sustainability resources and training modules. It provides flexible and easy to use educational tools and resources in one central location. This will help companies prepare for a site audit and understand their customers’ needs. Sedex e-Learning was launched in 2018 to replace the Knowledge Hub.

● **Data Monitor** provides bespoke reporting, allowing members to produce and export graphs, charts and reports about supply chain performance.

In 2018, we will be launching new tools, including the **Sedex Member Directory**, the **Worker Wellbeing Assessment** and the **Offline Audit Tool** for auditors.

**Sedex Services** provide members with support using our tools, connecting with suppliers and identifying areas of improvement to be a responsible and ethical business. Services include expert information, supplier engagement, ethical trade advisors, training, leading industry events and account management.
Financial Data

The summary income and expenditure information included on this page is taken from the Sedex Information Exchange Ltd audited financial statements for the year ending December 2017.

2017
The audited financial statements were approved by the Sedex Board of Directors on 17 July 2018.

<table>
<thead>
<tr>
<th></th>
<th>Exchange</th>
<th>Solutions</th>
<th>Shanghai</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£6,258,563</td>
<td>£2,457,922</td>
<td>£1,113,428</td>
<td>£9,829,913</td>
</tr>
<tr>
<td>Overheads</td>
<td>£5,591,139</td>
<td>£2,535,653</td>
<td>£826,749</td>
<td>£8,953,540</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>£667,424</td>
<td>(£77,730)</td>
<td>£286,679</td>
<td>£876,373</td>
</tr>
</tbody>
</table>

Fair review of the business
Sedex continues to deliver growth across all sectors of its membership, with a total of 48,426 members at 31 December 2017, a 20% increase compared with 2016. Sedex has successfully transitioned from UK centric to become a global business, and further strengthened its international management teams. In the past year Sedex has invested £8 million in new tools, services and data analytics, with four new technical services being developed for launch in 2018.

Board of Directors
The Sedex Board comprises up to fourteen Directors. These include nine elected Member Directors who together bring a wealth of experience on responsible sourcing, four independent Non-Executive Directors who bring additional expertise, and one Executive Director (the Sedex CEO). The nine elected Member Directors are drawn from each of the three membership groups and are elected by Sedex Members at the Annual General Meeting. The Member Directors are responsible for appointing up to four Independent Non-Executive Directors (one of who is the Chair of the Board) and the CEO.
Sedex’s Global Team

The Sedex team continued to expand during the 2017 financial year and as of 31st December 2017, included 75 employees: 61 located at Sedex’s European HQ in London and 14 at Sedex’s China office.