

RAPHA RACING LTD MODERN SLAVERY & TRANSPARENCY IN SUPPLY CHAINS STATEMENT

This statement has been published in accordance with the UK Modern Slavery Act 2015, the Australian Commonwealth Modern Slavery Act 2018, and the California Transparency in Supply Chains Act 2012. It sets out the steps taken by Rapha Racing Ltd (Rapha) during the financial year ending 31st January 2023 to prevent modern slavery and human trafficking in its business and supply chain. This is the 6th iteration of this report, approved by Daniel Blumire and Francois Convergence and the board of directors on 24/07/2023.

INTRODUCTION TO RAPHA

Rapha was established in 2004 as an online retail company with a mission to inspire the world to live life by bike. Rapha has since expanded to include physical retail spaces known as Clubhouses, which can currently be found in 23 vibrant cycling locations around the world, as well as temporary Pop-Ups and Mobile Clubhouses out on the road.

At Rapha, we have built a reputation for maintaining the highest possible quality and the most technically advanced production techniques in cycling apparel manufacturing, with a nod to the nostalgia and culture of road cycling. To achieve consistent high standards, Rapha works only with the best in the industry, delivering products ranging from performance Trailwear to WorldTour-winning racing apparel.

Rapha created the Rapha Cycling Club – a global community of over 22,000 passionate, active cyclists that come together for weekly led group rides and organised challenge events.

In 2019 Rapha created the Rapha Foundation, which has provided over \$4 million in grants to organisations around the world committed to inspiring, empowering and supporting the next generation of riders and racers. Since 2021, 60% of these grants have been allocated to groups under-represented in cycling - women, and people of colour.

Rapha is headquartered in London, where it was founded, and has a regional office in Bentonville, USA. In 2022 Rapha operated from three global distribution centres in the US, UK and Hong Kong, but during Q1 of 2023 moved to one central distribution centre in the UK with a new 3PL partner. Rapha has 480 employees. The company is privately owned by Carpegna Ltd (UK registered), which owns 100% of the share capital of Rapha Racing Ltd. The company is owned by a number of private shareholders and companies, the ultimate controlling party being Lawrence Classics LLC, incorporated in the USA. Rapha's board consists of five directors: Simon Mottram, Nicholas Evans, Matthew Tarver, Sean Clarke and, Stuart Walton, and one non-executive director, Dave Cheesewright.

TRANSPARENCY WITHIN RAPHA'S OPERATIONS AND SUPPLY CHAIN

For this period, Rapha worked directly with 31 tier 1 (finished goods) suppliers globally, including 44 supplier owned facilities and 22 subcontractor facilities, in 17 countries; Australia, Cambodia, China, Indonesia, Italy, Japan, Philippines, Portugal, Romania, South Korea, Spain, Sweden, Taiwan, Thailand, UK, USA, and Vietnam.

Rapha worked with 97 nominated tier 2 (textile and component formation) suppliers across the globe including 179 facilities, in 18 Countries; Australia, Canada, China, Denmark, France, Germany, Hong Kong, Italy, Japan, Poland, Portugal, South Korea, Spain, Switzerland, Taiwan, Thailand, USA, and Vietnam. In the year leading up to January 2023, we continued to map our tier 2 supply chain including subcontractors and local source suppliers of our tier 1 suppliers. We have added an additional 81 local source suppliers across 9 countries: China, Hong Kong, Italy, Portugal, South Korea, Taiwan and Vietnam. Our suppliers represent leaders in their field and are an integral and valued part of realising our product vision. Our suppliers typically provide excellent working conditions for their employees, due to their reputation and high standards of workmanship. We recorded 36,513 workers in our tier 1 supply chain, and 90,022 in tier 2 – these numbers have increased since last year as we have put efforts into mapping our supply chain further. We also continued internal reporting using a dashboard scoring suppliers by social and environmental performance. This includes monitoring the percentage of business Rapha makes up with each supplier, because we recognise that as our volumes grow, our level of responsibility increases. This knowledge empowers us to understand the impact our purchasing practice has on our suppliers' ability to protect the welfare of their workforce.

SOURCING COUNTRY RISK	% 2023 Spend
High	0.00%
Medium	84.37%
Medium/ Low	2.19%
Low	13.73%

We understand that specific modern slavery risks are attached to groups of workers in each country. To help identify where the salient risks are in our tier 1 and 2 supply chain, in 2020 we began mapping the gender split, number of migrant and home workers. During 2021, we recorded that 81% of our tier 1 production workers were female and aim to continue mapping other vulnerable worker groups.

Outside of our product supply chain, Rapha also uses a network of ‘non-stock’ suppliers, providing services such as cleaning and maintenance in our offices, distribution centres and clubhouses, and legal advice. In 2021 we began mapping our non-stock supply chain, starting with our Rapha repairs partners.

2022 Salient Risks Identified

In this period it was widely reported that forced labour took place in global cotton supply chains.

The cotton supply chain is broad and complex, and gaining transparency is widely recognised to be challenging. Rapha does not directly source cotton at tier 4, or farm level, however we understand that to gain visibility and control over our cotton we must work with nominated, trusted tier 2 suppliers. In 2022, we published our first [Cotton Sourcing Policy](#), which detailed our plans to move to GOTS organic certified cotton by 2023, and through our nominated tier 2 partners, we have been able to hit impact commitment for 2023 production season. GOTS certification enables transparency of supply, and through organic status, minimum social and labour standards as set out by the ILO, including no forced labour, are met.

At tier 1 and 2 there have been no instances of forced labour in any of our sourcing countries, which we are monitoring closely with our social and labour verification partner Elevate.

SUPPLY CHAIN VALUES AND PROCESS

The human rights due diligence process

At Rapha, we insist that our suppliers share our fundamental ethics and values. These values are presented in our [Code of Conduct](#), which is in line with the **Ethical Trading Initiative’s (ETI) Base Code**, and the conventions of the International Labour Organisation (ILO), including the ILO Indicators of Forced Labour. All our suppliers and subcontractors are asked to sign this document during the initial on-boarding process, along with an annual refresh. It covers but is not limited to Rapha’s expectations of Anti-Bribery, Worker Discrimination, Working Hours, Freedom of Association and Child Labour.

Before committing to production with a new supplier or facility, we ask them to carry out a social and labour self-assessment through the Higg Index FSLM, which we aim to verify in the first year via our verification partner Elevate. We then work closely with our suppliers to ensure these high levels of working standards are maintained.

During this period we continued to roll out our Master Service Agreement to all tier 1 suppliers. The Master Service agreement was built on an assessment of our existing policies related to Modern Slavery, in conjunction with legal consultation. This Master Service Agreement expands on and strengthens our Code of Conduct and enforces our position on conditions and working practices related to Modern Slavery. It has been designed to give support and stability to our suppliers, including delivery lead times and cost agreements. By return, it specifies that subcontracting must be approved by Rapha; supporting our efforts to map all our tier 1 and 2 subcontractors. This document is now integral to our ongoing supplier partnerships and in the rare instance that a Rapha supplier would not be willing to agree to this document, we will mutually agree a time to part ways.

In 2019, we identified an opportunity to conduct an in-depth review of our supply base, to identify potential human rights and modern slavery risks. Building on our increasing knowledge and learnings, we redesigned our social audit process from the ground up. During the audit standard selection process, we designed a methodology to assess the major social audit standards, based on their thoroughness and accuracy in assessing suppliers’ abilities to meet the ETI Base Code and ILO Conventions. We conducted interviews with each audit standard, to understand how audit teams were structured, and how

audits were carried out including the number of days taken and quality of information gathered. We recognise that to rely on data gathered by a third-party auditor, the integrity of the information must be assessed to prevent cognitive bias influencing the result.

We concluded that the best method to proceed with is a self-assessment tool that suppliers use to gather information, which can then be collated and used by brands to conduct their own analysis. This method frees factories up from fulfilling multiple different audit standards required by individual brands and allows more time to focus on remedial action and capacity building. The tool used is the Facility Social Labour Module (FSLM) – part of the Worldly (formally called Higg Index) suite of tools, which is provided to Rapha through its membership to the Sustainable Apparel Coalition (SAC), which we became full members of during 2019. The FSLM is based on the Converged Assessment Framework (CAF) developed by the independent organisation the Social Labour Convergence Program (SLCP) whose mission is to generate comparable, high-quality and verified data. An FSLM is completed once a year. An independent, announced verification of the self-assessment is conducted by our third-party partner Elevate, called a vFSLM. This provides us with a list of flagged critical action points, which are added to a Critical Action Plan which the supplier must then work to remediate. The resolution of the critical action is verified by the following year's vFSLM.

In the 2020 financial year, we began to onboard strategic suppliers and centralise social audits through this platform. Once complete, Rapha will harness this data to build a picture of supply chain human rights risks and carry out remedial action and capacity building where necessary.

For the 2023 production seasons, which were sourced during the 2022 financial year, 15 of our Tier 1 supplier facilities reported on the Higg Index FSLM, representing 85.7% of units produced, up from 76% in the previous period.

We have rolled out the FSLM and FEM at tier 2 to 21 facilities, which represents 67% of 2023 business volume.

Rapha works with a small number of strategic tier 1 suppliers, and a number of collaboration partners for special product releases. During the previous period we identified a need to define and strengthen our onboarding process for collaboration partners, to ensure our code of conduct is upheld. This included defining a social and labour check list, which requests whether the brand has a Supplier Code of Conduct based on the ILO conventions, a formal social responsibility process, a supply chain transparency process, a public modern slavery statement, and awareness of the UN Global Compact. We defined a requirement for long term collaboration partners to onboard their suppliers making Rapha product to onboard their tier 1 suppliers on to the Higg FSLM, and one-off suppliers to provide either a Higg FSLM or a social audit that Rapha approves based on its adherence to the ILO conventions, and whether it is recognised as a reputable sustainability standard by the [ITC Sustainability Map](#). Rapha will vet potential new collaboration partners based on their social and labour compliance check list prior to sending POs, to avoid entering into a relationship with any brand that does not uphold our values.

Training

During this period we designed and conducted Responsible Purchasing training with an external expert recommended to us by the Ethical Trading Initiative. We trained every team member involved in the buying process in the finance, merchandising, supply chain and product operations functions, delivering 6 hours of training each. The training covered ethical trade, a practical awareness of risk including modern slavery in supply chains and how to deal with it, as well as the role of purchasing practices and how buying decisions can affect suppliers, exploring good practice when dealing with suppliers and how to embed ethical trade as part of everyday practice across the business.

One member of Supply Chain Sustainability team attended a week-long training course to become SA8000 accredited Lead Auditors. This training gave them valuable knowledge and insights into the SA8000 standard, including a detailed section on how child and forced labour occurs in modern supply chains.

Public Commitments & accountability

During 2020, we published our goal to use the Higg Index FSLM to measure more than 90% of our annual production volume by 2023, via our [Impact and Sustainability](#) webpage and are on track to meet our goal of 90% of annual production volume with Higg FSLM by the end of 2023. We publicly committed to reaching 'Leader' Member Level within the Sustainable Apparel Coalition, using the full range of Higg Index tools to measure our impact on both people and planet.

We committed to ensuring the wellbeing and long-term development of all people in our company and our supply chain, and to do so by sharing how our products are made in a transparent and accessible format. During 2021 we published [our Code of Conduct](#) and our [Tier 1 Supplier List](#) for 97.65% of our 2023 volume, using [the ODSAS guidance](#) for best practice on supply chain disclosure.

We pledged to hold ourselves accountable to these targets by planning to publish an annual 'Impact Report' starting in 2022. The 2022 Impact Report can be found here ["Rapha Impact Report 2022"](#) and the 2023 Impact Report will be published later this year.

Rapha became foundation members of the Ethical Trading Initiative in Q1 2022. ETI are recognised leaders in driving human rights best practice. We will undertake a full human rights risk assessment of our operations, identify salient risks, and outline a plan for improvements. We will formalise this into a Human Rights Due Diligence policy and implement a grievance mechanism in our supply chain. To measure the effectiveness of our actions, we will identify supply chain KPIs related to modern slavery and set goals for improvements, harnessing our increasingly broad data from vFSLM assessments.

Supplier Relationships

Rapha has shared a working relationship with many suppliers since the formation of the company. To maintain relationship integrity, wherever possible, we encourage face to face communication between our staff and suppliers at all levels of seniority. We send regular forecasts to enable our suppliers to effectively plan capacity and staffing levels and update our suppliers on changes to the wider business model, and Rapha's projected growth. We encourage open discussion with our suppliers to avoid unrealistic cost targets and lead times; factors which may cause or contribute to modern slavery. We are working towards standardising our ways of working in purchasing across all product streams, to provide better transparency on buying practices. Our staff regularly visit our suppliers in person, touring the factory and its facilities. This allows us to assess first-hand the conditions of the facility on a regular basis. Our staff are acutely aware of the standards we deem acceptable and their feedback following a visit contributes to the ongoing assessment of our suppliers. During this period, some Covid-19 travel restrictions meant we were unable to conduct all of the supplier travel. Instead, we focused on making progress towards our vFSLM targets to ensure local auditors would be able to visit facilities on our behalf and worked on maintaining close contact with our suppliers via video call. To date, there have been no instances of exiting a factory due to poor working conditions.

To further improve engagement and accountability, communication with our tier 1 and 2 suppliers is divided between the members of our Supply Chain Team. This ensures that all orders, quality inspections and social audits are requested and received by the same individual, giving them a holistic understanding of a supplier's performance and any grievances they may have. This depth of relationship allows for the highest quality of communication. It also gives us the capacity to adopt new and more effective ways of working.

To gain feedback on our ways of working, we conduct an annual supplier survey with tier 1. In this period, we expanded this to include our nominated tier 2 partners. The results allow us to track our performance year on year, and identify processes that negatively impact suppliers, such as order lead times and amendments. Based on the Better Buying Initiative methodology, the survey invites suppliers to assess Rapha across the following categories:

- Planning and Forecasting
- Design and Development
- Cost and Cost Negotiation
- Sourcing and Order Placement
- Payment and Terms
- Management of the Purchasing Process
- Win-Win Sustainable Partnership

As Rapha grows as a business, we are committed to acknowledging our responsibility as a manufacturer. In the last year our Director of Supply Chain was promoted to Director of Supply Chain & Sustainability, who is supported by the Sustainability Manager and the Supply Chain Sustainability Lead as well as other members of the wider Supply Chain team.

LOOKING FORWARD

As we became members of the ETI at the beginning of 2022, we are still working our way through the ETI's Learning and Implementation Community (LIC) with the goal to have graduated from this programme within the next 1-2 years.

During 2022, we were able to re-commence supplier travel, with trips to a number of our tier 1 strategic suppliers continuing to strengthen the relationships with our key partners and our accredited SA8000 lead auditor within the Supply Chain Sustainability team were able to visit 2 of our Vietnamese suppliers.

As of writing this statement we are at Progressive Plus level with the SAC on public commitments & accountability.



Daniel Blumire and Francois Convergencey, Co-Managing Directors