

Arcadia

# Modern Slavery Statement

2016 / 17

Arcadia Group is committed to taking the necessary steps to ensure there is no slavery, servitude, forced or compulsory labour and human trafficking within our business or supply chain.

This is Arcadia Group's second annual Modern Slavery Statement and has been published in accordance with section 54 of the Modern Slavery Act 2015. It sets out the steps taken by Arcadia Group Limited and its subsidiaries during the financial year September 2016 – August 2017 to prevent modern slavery in its business operations and supply chain.

For more details on information provided in this statement please see our [Fashion Footprint report](#). Fashion Footprint is Arcadia Group's programme that monitors and manages the social and environmental impacts of our business.

## About Arcadia Group

Arcadia Group started in the early 1900s and is now an international business comprising eight high street brands; Burton, Dorothy Perkins, Evans, Miss Selfridge, Outfit, Topman, Topshop and Wallis.

We have 3,006 outlets across the globe, consisting of owned stores, concessions and international franchise stores, as well as all our e-commerce websites. We employ over 22,000 people globally and have three distribution centres (DCs) in the UK, two in the United States and one in Singapore.

## Risk assessment

In 2015 we carried out an initial risk assessment for modern slavery in Arcadia Group's business operations and supply chains. This enabled us to focus our efforts in the areas with the greatest risk of modern slavery. In 2018 we will be conducting an updated risk assessment.

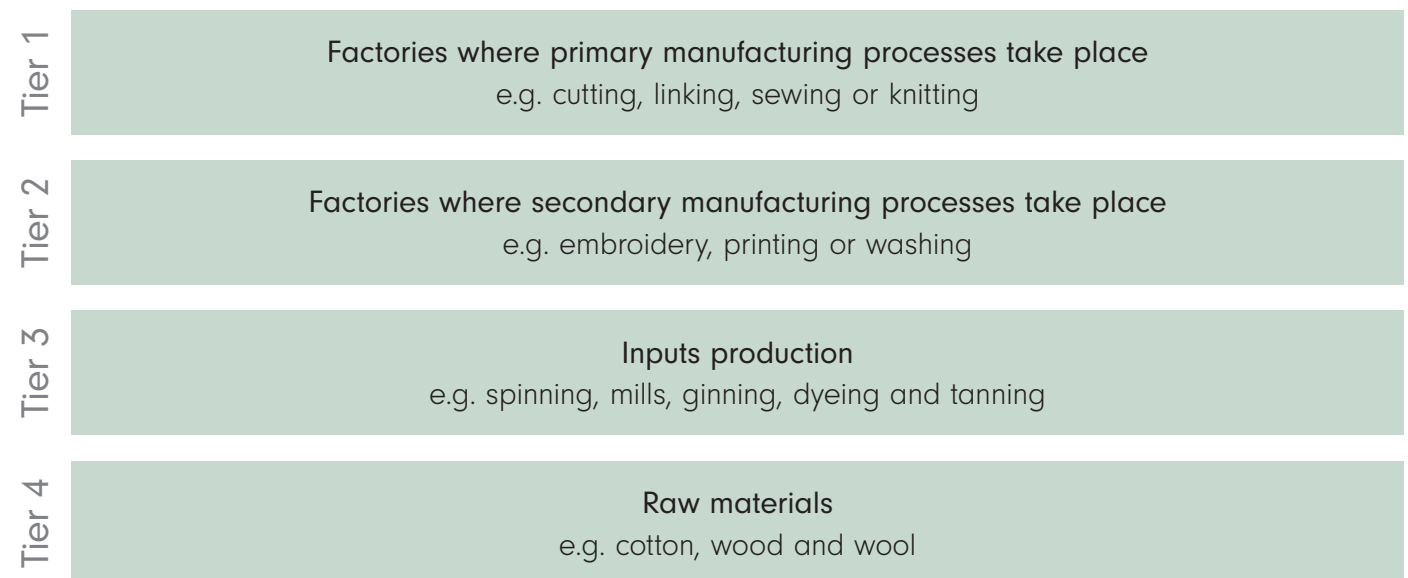
## Our supply chain

Our supply chain consists of four main areas:



We believe that the biggest risk of modern slavery in our supply chain lies within the products produced for sale by Arcadia Group.

This area is categorised into four tiers:



An area of particular risk in our product supply chain in tier 1 and 2 is undisclosed sub-contracting, where approved factories pass products for manufacture to unapproved factories without notifying us. Workers in these unapproved sites can be at increased risk of exploitation.

We have a sub-contracting policy and are clear in our Conditions of Trading that any sub-contracting must be declared to us and suppliers must gain written permission to use these factories. Additionally, we require ethical audits for a sub-contractor undertaking any primary manufacturing processes. Using undeclared subcontractors is seen as a breach of our Conditions of Trading and therefore taken very seriously.

We have mapped all tier 1 factories. Since August 2017 we require suppliers to declare the GPS location of their factories - this will provide increased transparency, assist us in mapping risk across our first tier supply chain and support our auditing processes. We will be updating our internal system to increase visibility throughout our supply chain tiers as we map beyond tier 1.

#### Key sourcing facts for 2016/17:

- We sourced from 48 countries.
- Our top 10 countries accounted for 91% of the goods we sold.
- Our top sourcing countries were China, Turkey, Romania, India and Vietnam and they accounted for 73% of the goods we sold.
- Our goods were manufactured in 1,080 factories, through 688 suppliers, with our top 20 suppliers providing 47% of our goods.
- 55% of our product suppliers have been with us for three years or more.

## Our policies and compliance

All of our product suppliers, including goods produced by 3rd party brands, are subject to our Conditions of Trading and within these we include the requirement to adhere to our [Code of Conduct](#). Arcadia Group's Code of Conduct clearly communicates our minimum expectations to our suppliers and our Ethical Trading programme monitors and improves working conditions in factories producing Arcadia Group goods. It is based on the International Labour Organisation (ILO) conventions and recommendations and includes strict prohibition of forced labour. Alongside our Code of Conduct we have produced [four guidebooks](#) to support its implementation.

Our Code of Conduct includes a number a specific provisions to protect the people who are most vulnerable to modern slavery, for example:

- Sub-contracting
- Migrant workers
- Homeworkers
- Child Labour

We also have a whistleblowing line and email address for UK Arcadia Group head office and retail staff to confidentially report or notify any concerns or malpractice to the Group Legal Compliance Team. Any reports are handled with integrity and respect for anonymity.

Arcadia Group believes that worker representation and dialogue with management is fundamental to empowering workers to improve their working conditions. Ensuring that freedom of association is guaranteed continues to be a significant challenge and only a small percentage of our suppliers' factories are known to have trade union presence. Our Code of Conduct requires our [Right to Organise](#) guarantee to be displayed, communicated and understood by all workers. As part of Arcadia's factory auditing process, if a factory is found to be actively preventing or limiting workers to join or form a union, this is considered a red (critical) issue and will be reported to our Ethical Trading team and immediately addressed with the relevant supplier.

## Our approach to due diligence and auditing

We do not own or operate any factories and Arcadia Group is rarely dominant within one individual factory. Under our ethical audit programme, our own brand suppliers must submit an independent third-party factory ethical audit, no older than a year, to receive a grading for a new factory set-up. No purchase orders can be raised until the audit is approved. These audits are semi-announced<sup>1</sup> or entirely unannounced.

In order to help reduce 'audit fatigue' we accept third-party audit reports from a limited number of recognised organisations and auditing companies as long as they are independent and non-modifiable. Our Ethical Trading team also work with independent accredited partners to support various aspects of our programme, including conducting additional factory inspections and implementing remediation programmes.

Our audits follow a traffic light grading system. If a factory audit is graded red we will not work with this factory until the red issues have been resolved. Red issues include serious breaches of our Code of Conduct and local laws, such as non-payment of the minimum wage or locked fire exits.

Orange rated issues are often complex and we allow factories a window of up to six-months for remediation. However, our expectation remains that non-compliances should be resolved as quickly as

possible and each non-compliance has its own specific timescale for remediation.

Green graded factories are low risk but still require annual audits to ensure ethical standards are being maintained.

We continue to look for opportunities to make improvements to our internal auditing system. This year we further streamlined processes, automating previously manual elements. Under strict criteria, our ethical audit system now auto-grades factories based on information entered on to our system, after compulsory verification by auditors and our technologists.

There are a number of controversial manufacturing processes that the Arcadia Group will not tolerate and are on our list of prohibited activities. This list includes the use of Uzbek cotton, which is banned due to concerns about forced and child labour during cotton harvesting.

<sup>1</sup>An audit can take place anytime over a two week window that is provided by the auditor.

## Evaluating our progress and engaging stakeholder groups

This year we reviewed 1,371 ethical audits for factories producing Arcadia products.

Rating	2015/16	2016/17
Green (low risk)	79.1%	81.8%
Orange (high risk)	19.9%	17.7%
Red (critical risk)	1.0%	0.5%

These figures are communicated to our Board on a regular basis.

In addition to ethical audits, all brands conduct annual Supplier Performance Reviews where suppliers are scored based on their performance across a number of areas, including Ethical Trade. This is an additional opportunity for us to communicate our expectations to suppliers in a productive environment.

We welcome support from the industry and collaborations with other retailers as well as Trade Unions and Non-Governmental Organisations to address the challenges in preventing modern slavery in our supply chain as these are often extremely complex issues. We participate in the multi-stakeholder initiative ACT (Action Collaboration Transformation).

This consortium includes leading retailers, brands and IndustriALL, the global union that represents millions of workers world-wide.

The initiative aims to improve wages in the industry by establishing collective bargaining in key garment and textile sourcing countries, supported by world class manufacturing standards and responsible purchasing practices.

Along with over 200 other brands and retailers we signed the Bangladesh Accord on Fire and Building Safety, which works to improve safety and sustainability within the Bangladesh Ready-Made Garment industry. One of the six key components is to create worker empowerment through an extensive training program, complaints mechanism and right to refuse unsafe work. This is key to ensure workers are not forced to work in unsafe conditions.

We also are members of The Better Cotton Initiative (BCI). Cotton is one of our top three fibre types. BCI Farmers commit to improve environmental management and to International Labour Organisation (ILO) Decent Work principles – conditions that support workers’ safety and wellbeing. The welfare of children and workers is always of paramount importance – both child and forced or compulsory labour, including bonded or trafficked labour, on cotton farms is completely unacceptable to BCI. If either is discovered where Better Cotton is produced, it is considered an incidence of non-conformity with BCI’s standard and is dealt with immediately. BCI does not operate in countries where forced labour is orchestrated by the government. Beyond tier 1 our supply chain can be complex and challenging to trace. Working with BCI enables us to support a long term change across global cotton production, which is something we would not be able to achieve on our own.

## Training and governance

In addition to our Fashion Footprint Steering Committee, in 2016 a Modern Slavery Committee was formed, comprising senior members of our business. It provides governance, guidance and risk assessment and oversees plans and progress around our responsibilities to ensure there is no modern slavery in our business and supply chains. We also have a Modern Slavery Working Group.

All employees directly involved in supply chain management and sourcing Arcadia Group product are required to attend Ethical Trading training that has been specifically designed to provide relevant information to sourcing professionals. The training covers our Code of Conduct requirements including human trafficking and slavery, particularly with respect to identifying and mitigating those risks within the supply chain.

This year a further 181 employees attended our Introduction to Ethical Trading training workshops as part of their induction. This training was updated in 2017 to provide more comprehensive information about modern slavery.

Arcadia issues a Legal Compliance Employee Handbook that sets forth expectations and requires all employees to enforce our Code of Conduct when working with suppliers to Arcadia Group. Employees are expected to act ethically and professionally and abide by all applicable laws in the countries where we do business. Arcadia Group head office employees are contractually required to read and certify acceptance of our Legal Compliance Employee Handbook.

All new suppliers are invited to attend a Supplier Day at one of our distribution centres. It includes an introduction to our Ethical Trading programme and factory set up requirements.

## Services and goods not for resale

Our biggest focus has been within our products produced for sale by Arcadia. However, we recognise that other areas of our business operations and supply chain do not come without risk. We work with our goods not for resale and service suppliers to ensure the correct processes are in place to protect and support workers. For example, we do not offer any zero hour contracts for agency workers. This year we have updated our goods not for resale supplier contracts and all new contracts now include a clause relating to modern slavery.

Our UK DCs employ up to 2,000 people each year and represent one of the highest volumes of agency workers in our business. They are managed by DHL, who are committed to the elimination of all forms of modern slavery. This year DHL carried out their own and independent audits on recruitment agencies and provided training to all managers on the risks associated with modern slavery. This training was communicated to all DC staff via their daily briefings.

## Going forward

We remain committed to driving continuous improvement of standards within our business and our supply chain and over the next year will be focussing on:

- **Due diligence:** Continue to make improvements and updates to key systems to further strengthen our approach to modern slavery through improved traceability.
- **Policies:** Ensure our policies relating to modern slavery reflect the evolving challenges within our industry.
- **Training:** Provide further guidance and support to staff and suppliers in identifying and dealing with concerns surrounding modern slavery.
- **Collaboration:** We will continue to work with key partners, retailers and service providers, as we recognise this is essential in tackling modern slavery challenges.

We will provide an update on further progress in our third modern slavery statement in 2019.



Signed on behalf of the Board of Directors by  
Ian Grabiner CEO, Arcadia Group Limited.

26th February 2018