

## Arcadia Group Ltd

### Modern Slavery Act – Transparency Statement 2015/16

#### About this statement

We are committed to sourcing our products in an ethical, legal and responsible manner. We do not tolerate forced, bonded or involuntary labour, human trafficking or any forms of slavery and are committed to taking the necessary steps to prevent it within our operations and supply chain.

Our Fashion Footprint programme continues to monitor and manage the ethical, social and environmental impacts of our business. Arcadia's Code of Conduct clearly communicates our minimum expectations to our suppliers, and our Ethical Trading programmes monitor and improve working conditions in the factories that our suppliers use to manufacture goods for us.

This statement has been published in accordance with the Modern Slavery Act 2015. It sets out the steps taken by Arcadia Group Limited and its subsidiaries, during their financial year September 2015 – August 2016, to prevent modern slavery in their business operations and supply chains. It has been approved by the Board of Arcadia Group Limited and signed by Ian Grabiner, CEO of Arcadia Group Limited.

#### About Arcadia

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

We have 2766 outlets across the globe, consisting of owned stores, concessions and international franchise stores, as well as all our various e-commerce websites. We employ over 24,000 people globally and have three main distribution centres in the UK.

We are proud of the improvements to working conditions that our Ethical Trading programme has achieved. More information on this can be found [here](#).

## Our supply chain

We have a global supply chain in which we do not own or operate factories and are rarely dominant in an individual factory. We recognise that we have a responsibility across our supply chain to ensure our goods are made in an ethical, legal and responsible manner. In order to support this we strive to form strong working relationships with our product suppliers and work together with them on compliance with our Code of Conduct. At present, 57% of our product suppliers have been with us for three years or more.

Our key 2016 sourcing facts:

- We sourced from 53 countries
- Our top 10 countries accounted for 91% of the goods we sold
- Our top 5 countries accounted for 73% of the goods we sold
- Our top sourcing countries were China, Turkey, Romania, India and Vietnam
- Our goods were manufactured in 1,034 factories, through 679 suppliers, with our top 20 suppliers providing 45% of our goods

These are our product suppliers' 'first tier' factories however, we recognise that our supply chains are complex and go beyond this first tier, including those who supply our raw materials. We are currently strengthening our work in this area. One example of how we are striving to improve traceability beyond the first tier of our supply chain is our membership of the Better Cotton Initiative (BCI). You can read more about our training of employees and BCI target [here](#).

Our supply chain also includes suppliers of goods and services not for resale. We continue our work to map and prioritise these suppliers.

## Our policies and compliance

We have a rigorous Ethical Trading programme to evaluate and address risks in our direct supply chain, including the risk of modern slavery in all its forms. We have an Ethical Trading team of professionals dedicated to responsible sourcing and we work together with independent accredited partners to support various aspects of our programme, including conducting factory inspections, verification of audits and remediation programmes.

All of our product suppliers are subject to our Conditions of Trading and within these we include the requirement to adhere to our [Code of Conduct](#). As well as this, suppliers are contractually required to comply with all of the country of manufacture's laws, which includes labour laws. Each of our brands also conducts Supplier

Performance Reviews annually where they score suppliers based on their performance across a number of areas, including Ethical Trade. This is an additional opportunity for us to communicate our expectations to the supplier in a productive environment.

Our Code of Conduct applies to our product suppliers and manufacturers and clearly sets out our requirements. It is based on the International Labour Organisation (ILO) conventions and recommendations and includes strict prohibition of forced labour. It is supported by a series of Guidebooks, which are intended to provide practical guidance to suppliers and factories on how to improve labour standards based on our Code of Conduct. These are currently available in English, Chinese, Hindi and Turkish and we are exploring adding more languages. The Guidebooks cover all aspects of our Code of Conduct as well as the processes for factory set up and auditing, our minimum ethical standards and strategic labour subjects, such as migrant labour.

Our Code of Conduct requires our [Right to Organise](#) guarantee to be displayed, communicated and understood by all workers. We believe that workers have the right, without distinction, to join a union or form an organisation of their own choosing and to bargain collectively within the law of the land of the country concerned.

## Our approach to due diligence and auditing

We believe that the biggest risk of modern slavery is in our product supply chain and therefore this is where we have focused our resources to date. That is not to say we believe our goods not for resale and direct employment practices are without risk, we recognise that they are and we will continue to carry out further work in these areas.

We have a robust audit programme that aims to monitor these risks. All own brand product suppliers must submit an independent factory ethical audit no older than a year in order to receive a grading for a new factory set-up and apply for permission to use that factory to manufacture Arcadia Group product. In order to help reduce audit fatigue, we accept audit reports from other recognised initiatives and audit bodies on the condition that they are strictly independent, non-modifiable and were either unannounced or semi-announced.

In addition to this initial audit requirement, regular audits are conducted to monitor compliance with our Code of Conduct and local laws. At a minimum, all factories are independently audited at least annually and re-inspections are conducted more frequently when issues of non-compliance have been identified, to monitor and support remediation efforts and verify improvement.

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To carry out these audits, we work closely with a global network of independent audit partners whose ethical trade experts and local auditors are familiar with the complex issues relating to social compliance, the cultures and languages of workers, standard industry practices and the applicable laws and regulations. Their on-site monitoring services encompass observations, confidential employee interviews, record reviews and management feedback to assess each factory.

We believe in sustainable remediation and when issues of non-compliance are identified it is our practice to work together with suppliers until they comply with our Code of Conduct.

We operate a red, orange and green model to grade factory audits. If the audit is graded red, we will not allow any of our brands to use this factory until the issues have been resolved, irrespective of whether it is a new or existing factory. 'Red flags' include critical breaches of our Code of Conduct and local laws, such as non-payment of the minimum wage or locked fire exits. We have a zero-tolerance policy for critical 'red grade' breaches of our Code of Conduct including involuntary labour, human trafficking and child labour. If any of these findings are uncovered during an audit, we work with the factory to take immediate steps to resolve the issue and any new orders are immediately suspended until the factory has made the required improvements. Business relationships are only terminated as a last resort, when suppliers are unwilling to comply with our requirements despite our efforts to support them in addressing issues.

Orange grade issues are often quite complex so we provide suppliers with up to six months for remediation. However, our expectation continues that instances of non-compliance should be resolved as quickly as possible within the agreed corrective action timeframe. Green graded factories are audited annually.

We work with local specialists in our key sourcing countries to support our programmes and facilitate sustainable relationships with our product suppliers and their factories. Our ethical, technical and sourcing teams also travel regularly to visit factories with our suppliers and discuss workplace standards.

One area of particular risk in our supply chain 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 Code of Conduct that any sub-contracting must be declared to us and suppliers must gain written permission to proceed. Additionally, we require ethical audits for a sub-contractor undertaking any primary manufacturing processes. Using undeclared subcontractors is seen as a breach of our Code of Conduct and therefore taken very seriously.

## Evaluating our progress and engaging stakeholder groups

We continue to work towards 100% of our factories operating with a green rating.

We have made progress against our targets and do not place new orders with factories with out-of-date audits. 79% of our factories were graded green (low risk), 20% were graded orange (high risk) and 1% were graded red (critical risk). Overall during the year we reviewed 1,263 ethical audits for all of our brands. These figures are communicated to our Board on a periodic basis as part of our company-wide Board Report.

Modern slavery is a complex issue that we cannot tackle alone and our audit programme, although an important element of our Ethical Trade programme, is only one aspect of driving long-term change.

Therefore, we continue to update our high-risk country list and factory set-up criteria. We have a number of collaborative projects in our supply chain countries. These include our participation in the cross industry initiative ACT (Action Collaboration Transformation). This consortium includes leading retailers, brands and IndustriALL, the global union that represents millions of workers around the world. 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.

We also have projects in Myanmar, Pakistan, Turkey and the UK which focus on the most vulnerable workers within our supply chain, including migrant and home workers. You can read more about some of these [here](#).

## Training and governance

All Arcadia Group head office employees are contractually required to read and certify acceptance of our Legal Compliance Employee Handbook. The Handbook sets forth expectations and requires that all employees enforce our Code of Conduct when working with suppliers of Arcadia Group product. Among other expectations, employees are expected to act ethically and professionally and abide by all applicable laws where we do business. To support our Code of Conduct being upheld, it is important that our employees feel they can speak up if they are concerned about any procedures or practices that they observe. With this in mind, our internal Whistleblowing Policy encourages our employees to speak up by contacting a confidential helpline. Any failure to comply with our Legal Compliance Employee Handbook can result in corrective action, up to and including dismissal.

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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 and human trafficking and slavery, particularly with respect to identifying and mitigating those risks within the supply chain.

This year 221 of our Head Office new starters received training on our Ethical Trade programme, this now includes information on the risks of modern slavery.

All new suppliers are invited to attend a Supplier Day at one of our distribution centres. Part of this induction covers our Ethical Trading programme and factory set up requirements. 114 people attended our Supplier Days last year.

We employ a dedicated team of Ethical Trade professionals to make assessments and decisions regarding the social compliance status of new and existing factories, and suppliers proposed to produce goods for the Arcadia Group. The team sits independently from employees who are involved in purchasing goods.

We have a Fashion Footprint steering group, which meets regularly to provide governance, guidance and risk assessment across all our social and environmental responsibilities, including modern slavery. This group is comprised of senior members of our businesses, endorsed by our Group Chief Executive Officer, Ian Grabiner, and chaired by Alda Andreotti, our Group Supply Chain Director.

We are committed to driving continuous improvement of standards within our supply chain and will provide an update on our progress in next year's statement.



Signed on behalf of the Board of Directors by Ian Grabiner