

Arcadia

Modern Slavery Statement

2017/18

Arcadia Group is committed to reducing the risk of slavery, servitude, forced or compulsory labour within our business and supply chain.

This is Arcadia Group's third 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 ("Arcadia Group") during the financial year September 2017 - August 2018 to prevent modern slavery in its business operations and supply chain. This report is written in reference to the Home Office document Transparency in Supply Chains etc. A practical guide updated 22 October 2018.

Our commitment to preventing modern slavery is embedded in Arcadia Group's fashion footprint programme which improves the ethical, social and environmental impacts of our business.

Arcadia's business and supply chain

Arcadia's business

Arcadia Group is an international retail business comprising eight brands: Burton, Dorothy Perkins, Evans, Miss Selfridge, Outfit, Topman, Topshop and Wallis.

We have 2,659 outlets across the globe, consisting of owned stores, concessions and international franchise stores, as well as all our e-commerce websites. We employ over 19,000 people globally and have four distribution centres in the UK, two in the United States and one in Singapore.

Our [fashion footprint](#) programme underpins our responsible business activities, from retail waste reduction to improving workers' lives in our supply chain.

Arcadia's supply chain

Arcadia sources from 47 countries worldwide and three quarters of the items we sell are made in five countries.

We do not own or operate any factories. Despite rarely being the dominant brand in any one factory, we have long-standing relationships with our network of international suppliers, 55% of which have worked with us for three years or more.

Key sourcing facts

- We buy from 663 suppliers and 975 factories.
- Our top 20 suppliers provide 48% of our goods.
- Our top 10 countries account for 90% of the items we sold.
- In 2018 our top sourcing countries were Turkey, China, Romania, Vietnam and India.

First tier supply chain

Our first tier supply chain can be downloaded on our website [here](#) and will be available on the [Open Apparel Registry](#) later in 2019.

Since August 2017 Arcadia records the GPS coordinates for all first-tier factories and declared subcontracted facilities. Arcadia Group has also invested in a system upgrade that will allow even greater visibility beyond Tier 1 from 2019.



The Open Apparel Registry

Risk assessment

We assess the risk of potential modern slavery at each tier of our supply chain, and also review the influence we have over our suppliers and factories. The first risk assessment was carried out in 2015 and was updated in 2018.

A. Products produced for sale by Arcadia Group

Tier	Process	Arcadia Influence	Modern Slavery Risk
1	Factories where primary manufacturing processes take place e.g. cutting, linking, or sewing.	High	High
2	Facilities where secondary manufacturing processes take place e.g. embroidery printing or washing.	Medium	High
3	Manufacturing sites that produce fabric e.g. ginning, spinning, weaving, knitting and dyeing.	Low	Medium
4	Raw material production e.g. cotton, wool, or polyester.	Low	High

Unapproved subcontracting

An area of identified risk in our product supply is subcontracting by suppliers or factories without our approval. This kind of activity puts workers at an increased risk of exploitation, as we cannot verify the ethical trade standards at unauthorised sites. As a result, Arcadia Group has terms in our Conditions of Trading that require any subcontracting to be approved. We also have a detailed subcontracting policy. Using unapproved subcontractors is seen as a breach of our Conditions of Trading and if discovered a review of the suppliers' business with Arcadia will be undertaken.

B. Goods produced by third party brands and sold by Arcadia Group (such as Adidas)

We consider products sold on behalf of branded companies with their own ethical trade programmes to be lower risk, and we do not ask those suppliers to submit factory audits. We also detail our ethical trade requirements in our Conditions of Trading.

D. Services supplied to Arcadia Group

Arcadia uses cleaners, catering and employs agency staff at our distribution centres, especially during seasonal peak demand. We work with these providers to ensure the correct processes are in place to protect and support workers. For example, we do not offer any zero hours contracts, and we have updated contracts with suppliers to include a clause relating to modern slavery.

Our UK distribution centres 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

C. Goods not for resale

Arcadia purchases goods for our use but not sold by any of our brands like IT equipment, office furniture or store fittings. Our risk assessment shows these to be of low risk, and our influence over these suppliers is relatively low.

Implementing our strategy

Our modern slavery strategy consists of:

- A. Due diligence audit programme
- B. Projects to tackle areas of increased risk
- C. Stakeholder engagement
- D. Internal and supplier training

A. Due diligence audit programme

We require all Tier 1 factories we use to have a valid third-party ethical audit. Audits must be conducted using the **SMETA methodology** (Sedex Members Ethical Trade Audit). SMETA helps suppliers to share one audit with multiple customers, reducing duplication in ethical auditing.

All new audits are carried out on a semi-announced or unannounced basis. To help reduce audit fatigue, we accept SMETA audits from Arcadia-approved audit firms, produced for us or any other retailer. We also accept audits carried out by other retailers with recognised ethical trade programmes. We grade factories using a simple traffic light system: red, orange or green.

If we find a red issue at a factory, we will not allow any orders to be placed until the issue has been resolved. Red issues include serious breaches of our Code of Conduct and local laws, such as not paying the minimum wage or locked fire exits.

Issues at orange-graded factories are often complex and we allow factories a maximum of six months to resolve them. 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.

Issues at green graded factories are lower risk and therefore only require annual audits to ensure standards are improving.

Ethical audit system

Our ethical audit system Valid8 helps our ethical trade team to manage audits, corrective actions and supplier communication. Over 1,000 users access Valid8, from Arcadia commercial teams, product technologists, auditing bodies, and suppliers. In 2017/18 we have updated the system to add GPS location information for every factory and added an interactive dashboard that flags expiring audits.

Evaluating progress

The table below shows factory grades for 924^[1] factories who submitted an audit to us between 1 September 2017 and 31 August 2018. While during this period 61 factories submitted audits with red graded non-compliances, all were resolved before we raised any further orders and these factories were subsequently graded orange or green (which is reflected in the figures below). We believe we have a responsibility towards workers in our supply chain to help factories resolve critical issues rather than walk away and leave problems unaddressed and workers potentially at risk.

Factory Grade	2015/16	2016/17	2017/18
Green (low risk)	79.1%	81.8%	82.5%
Orange (high risk)	19.9%	17.7%	17.5%
Red (Critical risk)	1%	0.5%	0%

¹During this period we sourced from 51 factories through branded suppliers not required to submit ethical trade audits.

B. Projects

Where an increased level of scrutiny is required, or where there is a higher risk of modern slavery, we develop projects or join collaborative initiatives.

UK manufacturing

In 2018 we increased our focus on Leicester because of the heightened risk of worker exploitation in the city. This included:

- Quarterly visits by our ethical trade team to higher risk factories in order to assess the risk of worker exploitation that could lead to modern slavery. This includes visiting Tier 1 and Tier 2 sites unannounced and also checking that the products we expect to be in those sites have not been subcontracted without our approval.
- An increased level of scrutiny of the relationships between different Leicester suppliers to reduce the risk of unapproved subcontracting between them.
- Co-ordination with other UK retailers when we have queries about a supplier or factory, or sharing key information that could help others uncover problems or highlight potential (future) issues.

ACT initiative

The Arcadia Group supports collective bargaining in order to reduce the risk of worker exploitation in garment factories. To achieve this aim Arcadia is part of the ACT initiative, a collaboration between international brands and the Global Union Federation IndustriALL.

ACT members recognise that wages in many garment-producing countries are too low and that in order to achieve change, systematic changes are needed. For the first time, a group of international brands and IndustriALL is working together on this problem.

The initiative's goal is the payment of living wages in the garment, textile and footwear sector through national collective bargaining agreements at industry level supported by improved purchasing practices on the part of collaborating brands.

In 2018 ACT held workshops attended by Cambodian and Turkish suppliers to Arcadia.

Raw materials sourcing

Product sold by Arcadia Group brands includes raw materials from countries all around the world. While we cannot know the provenance of every raw material in our products, we can identify particular risks and require that suppliers and factories avoid certain raw materials such as Uzbek or Turkmenistan cotton, which we do not allow due to concerns about forced and child labour during cotton harvesting.

Cotton represents a higher modern slavery risk, but tracing the supply of cotton in Tier 4 of our supply chain can be complex and challenging. We address these issues through the Better Cotton Initiative (BCI). During 2018, working with BCI enabled us to support a long term change across global cotton production, something we would not be able to achieve on our own. BCI Farmers commit to International Labour Organisation (ILO)

Decent Work principles including provisions for the avoidance of modern slavery and child labour, and BCI does not operate in countries where forced labour is orchestrated by the government.

C. Stakeholder engagement

Apparel and General Merchandise Public and Private Protocol

We recognise that we cannot solve the issues of worker exploitation and modern slavery risk in Leicester and the UK alone, and have signed the [Apparel and General Merchandise Public and Private Protocol](#) which commits signatories to work together to eradicate slavery and exploitation in textile supply chains. Signatories have pledged to raise awareness to prevent worker exploitation, protect vulnerable and exploited workers and disrupt exploitative practices and help bring criminals to justice. The protocol is supported by government agencies, the British Retail Consortium, the UK Fashion and Textile Association, and auditing programme Fast Forward.

House of Lords Modern Slavery: Identifying and addressing shared risks in the apparel sector

Arcadia Group participated in the CEO forum at the House of Lords for an open discussion on Modern Day Slavery: Identifying and addressing shared risks in the apparel sector. The event, chaired by Baroness Young, resulted in a developed and renewed focus on collaboration between all brands involved and an increased overall awareness through training.

**Environmental Audit Committee (EAC):
Sustainability of the fashion industry inquiry**

We have submitted written and oral evidence for the EAC inquiry, including information on how we increase the number of workers paid the living wage, ensure child labour is not used in our supply chain, and how we reduce the social impact of the products we sell. Our written evidence can be downloaded [here](#).

D. Training

Employee training

All employees directly involved in supply chain management and sourcing are required to attend training covering our Code of Conduct requirements. This includes human trafficking and modern slavery, particularly with respect to identifying and mitigating those risks within the supply chain. In 2018, 350 new employees attended this training.

Supplier training

All new suppliers and new employees of suppliers are invited to training at our distribution centres which includes a section on ethical trade and modern slavery.

Modern slavery policies and governance

Policies

All our product suppliers, including goods produced by third party brands, are subject to our **Code of Conduct** which forms part of our Conditions of Trading.

Arcadia Group's Code of Conduct communicates our minimum expectations to our suppliers. It is based on the International Labour Organisation (ILO) conventions and recommendations and includes strict prohibition of forced labour.

Our Code of Conduct includes specific provisions to protect the people who are most vulnerable to modern slavery, including for sub-contracting, homeworkers and child labour.

Alongside our Code of Conduct, we have produced a guidebook which has been translated into Chinese, Hindi and Turkish. The guidebook comes in four parts, three of which have relevance for modern slavery.

Part one describes the process of setting up new factories and our auditing requirements.

Part two explains our minimum ethical trading standards and how to achieve them.

Part four provides in-depth working practices on selected strategic labour topics, such as migrant workers.

To support our Code of Conduct, 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, we also have a whistleblowing phone 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.

Governance

A Modern Slavery Committee and a Modern Slavery Working Group were formed in 2016 comprising of senior members from functions across the business.

Modern slavery also falls under the ethical trade responsibilities of our sustainability programme fashion footprint. fashion footprint is governed by a steering group comprised of senior members of our business. The group meets regularly to provide governance, guidance and risk assessment across all our social and environmental responsibilities and ensure these activities remain integral to Arcadia's strategy.

Future plans

We remain committed to driving continuous improvement of standards within our business supply chain, in 2018/19 our activities are focused on

- **Due diligence:** Further strengthening our audit programme and mapping of our supply chain to improve traceability.
- **Policies:** Ensure our policies relating to modern slavery reflect the evolving challenges within our industry, including a comprehensive review of our Code of Conduct and guidebook.
- **Training:** Provide on-going guidance and support to staff and suppliers in identifying and dealing with modern slavery concerns.
- **Collaboration:** Our focus for collaboration for 2018/2019 will include Leicester, where we will work with government agencies, retailers and community organisations.

We will provide an update on further progress in our fourth modern slavery statement in 2020.



Approved on 04 March 2019

Signed on behalf of the Board of Directors
by Ian Grabiner CEO