

Arcadia

Modern Slavery Statement

2018/19

Arcadia Group Limited and its subsidiaries ("Arcadia Group") is 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.

This is Arcadia Group's fourth annual Modern Slavery Statement and it has been published in accordance with the Modern Slavery Act 2015. It sets out the steps taken by Arcadia Group during the financial year September 2018 - August 2019 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 seeks to improve the ethical, social and environmental impacts of our business. Arcadia's Code of Conduct clearly communicates our minimum expectations to our suppliers, and through our Ethical Trading programme monitors and improves working conditions in the factories that our suppliers use to manufacture goods for us.

1. Arcadia's business and supply chain

Arcadia's business

Arcadia Group began life in the early 1900s and is now an international retail business comprising eight brands: Burton Menswear London, Dorothy Perkins, Evans, Miss Selfridge, Outfit, Topman, Topshop and Wallis.

We have 2,400 outlets across the globe, consisting of owned stores, concessions and international franchise stores, as well as all our e-commerce websites. We employ over 17,500 people globally and have four distribution centres in the UK and one in Singapore.

Our Fashion Footprint programme underpins our responsible business activities, from reducing our environmental impact to improving workers' lives in our supply chain.

Arcadia's supply chain

Arcadia sources from 44 countries worldwide and three quarters of the items we sell are made in five countries.

We do not own or operate any factories and are rarely dominant 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 506 suppliers and 864 factories.
- Our top 20 suppliers provide 48% of our goods.
- Our top 10 countries account for 90% of the items we sold.
- In 2019 our top sourcing countries were China, Turkey, Romania, Vietnam and Bangladesh.

First tier supply chain

Our first tier supply chain list can be downloaded on our website [here](#) and is also available on the [Open Apparel Registry](#), a source for identifying global apparel factories. These are the factories where our primary manufacturing processes take place (e.g. cutting, linking or sewing). This year we have added the product category and number of workers to the list as part of our commitment to the transparency pledge.

During 2018 we began mapping suppliers beyond tier 1 to tiers 2 and 3 (recognising the importance of transparency in our supply chains,) in 2019 we upgraded our product information system to allow suppliers to input details of tier 2 and tier 3 units related to specific product lines. Where possible we have included these facilities on our supply chain list and will continue to map and publish details of these lower tiers as more information is collected.

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



The Open Apparel Registry

2. Risk assessment

A. 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. Third party brands and concession partners

Arcadia Group sells products made by third party brands (e.g. Adidas) and works with concession partners who produce and sell their products in our stores.

We require concession partners and branded suppliers to comply with our Code of Conduct.

This year, in an effort to better understand how our branded suppliers and concession partners manage and monitor ethical trade, we produced a self-assessment questionnaire for them to complete. We asked for information on various areas including:

- Ethical compliance and monitoring
- Modern slavery
- Sustainability
- Animal Welfare
- Chemical compliance
- Public transparency
- Any associated projects they might participate in.

The questionnaire was sent to 65 concession partners and branded suppliers during the initial roll-out. Over the next 12 months we will continue to engage with

these suppliers as well as ensuring all new branded suppliers and concession partners participate. The results of this questionnaire will be used to identify higher risk suppliers and enable the ethical team to prioritise where support should be given to ensure suppliers are aware of and minimise the risk of modern slavery within their own supply chains.

C. Goods not for resale (GNFR)

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 lower risk, and our influence over these suppliers is relatively low. In 2019-2020 we will be engaging with these suppliers and finding out more about what they do to combat modern slavery. We will issue a similar self-assessment questionnaire to these suppliers. The questionnaire will generate a risk rating for each supplier which will be used to identify which suppliers in the GNFR supply chain need support.

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 allow suppliers to 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. The sites are managed across a combination of Arcadia and DHL, who are equally committed to the elimination of all forms of modern slavery.

3. Implementing our strategy

Our strategy to combat modern slavery 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 annually using the **SMETA** (Sedex Members Ethical Trade Audit) methodology. 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 within the last 12 months. We also accept audits carried out by selected 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, locked fire exits, or bullying/ sexual harassment. 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.

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.

Evaluating progress

The table below shows factory grades for 864 factories who submitted an audit to us between 1 September 2018 and 31 August 2019. While during this period 46 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 depending on pending non-compliances (which is reflected in the figures below). Our policy is to always grade factories in line with the most serious open non-compliance. The table below shows an increase in higher-risk (orange) non-compliances for the past year as a result of our lower tolerance of excessive overtime working hours.

This year we have focused on reducing overtime; supporting suppliers and factories to identify the root causes of excessive working and implementing improvement plans to correct them. We will continue to monitor this area over the next year.

We remain committed to helping factories resolve critical issues, believing a hard exit from a factory leaves problems unaddressed and workers potentially at further risk.

Factory Grade	2016/17	2017/18	2018/19
Green (low risk)	81.8%	82.5%	70.8%
Orange (high risk)	17.7%	17.5%	29.1%
Red (Critical risk)	0.5%	0%	0%

Case study: Protecting worker independence in the UAE SAIF zone.

Our audit program allows us to continually hold our suppliers and factories to account for any new or outstanding social issues. During an audit of a factory in the UAE Saif zone, it was found that factory management was holding passports of migrant workers. This is a common occurrence across all industries in the SAIF zone, where workers often live in less-secure, dormitory style housing. However, it is not a practice that Arcadia condones; we believe all workers should have free access to personal documents at all times.

Once we were notified of this issue by an audit body, we contacted the supplier to ask for a meeting to discuss the seriousness of the matter. We also identified and contacted other retailers using the factory in order to establish a collaborative approach to remediation.

During conversations with the other retailers, the supplier and factory management we agreed a solution. Workers now keep their passports in individual lockers which they have access to at all times. We continue to monitor this to ensure access is never restricted.

This solution provided reassurance to workers that their passport was stored safely, but also guaranteed that

right to access the documents was never restricted.

Bangladesh

We recognise that the Bangladesh manufacturing sector has numerous challenges which we cannot tackle alone and this is the reason for joining the Bangladesh Accord in 2013. We continue to work with factories to improve the health and safety of Bangladeshi factory workers and welcome the creation of the RSC (Ready Made Garment Steering Committee) that will continue the work of the Accord.

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

Throughout 2019 we have continued our efforts to focus on worker rights in Leicester because of the persistent risk of worker exploitation in the city. This included:

- Regular unannounced visits by our Ethical Trade team to factories; all Leicester factories have been visited at least once in the last 12 months, in addition to their annual audit. As part of these visits, the team spot check product on the line to ensure none of it has been subcontracted. We also review health and safety, working hour records, pay records, and other documents to verify the findings submitted in the annual audit reports.
- In an effort to increase due diligence we collaborated with other UK retailers to share information on both suppliers and factories. Where necessary we shared findings in relation to problems that were found or potential future risk areas that were identified.
- This year we have introduced a Worker Voice Project which aims to educate the work force within our factories on their basic worker rights. Information cards, translated into English, Hindi, Punjabi, Gujarati, Romanian and Bulgarian, have been handed out in half of our Leicester factories. The card provides information and contact information for third party

organisations and an internal Arcadia grievance email address. As a result of this project (and our audit programme) we have identified issues such as high working hours, consecutive working days and one instance of a juvenile worker present within a factory which breaches our Code of Conduct. Where issues are identified we work with the supplier, factory management and other retailers to remediate the issue, for the benefit of the workers. At each of the factories where the cards have been handed out, we now require the factory management to keep them displayed on worker notice boards. Over the next year we will continue to distribute these cards and resolve any issues we identify.

Outside of Leicester we have a small number of factories in the greater London area. These tend to be small units used to produce premium products. As these units are small and 'family run' they do not have a SMETA audit. Therefore, before these units are used for production, the Ethical Trade team visits the factory to perform an ethical appraisal. This includes checks to ensure all health and safety, business and worker documentation is in place before Arcadia Group will use the factory.

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.

Over the past year, Arcadia Group has begun moving from conventional fibres to more sustainable alternatives (for example organic or recycled cotton, recycled polyester or sustainably sourced viscose). We require all suppliers offering sustainable product to provide third party certification that the fibres are sustainable. We monitor this through programs such as GOTS (Global Organic Textile Standard) and GRS (Global Recycled Standard). This certification programme has further helped to increase the visibility and knowledge of our fibre/ fabric supply chain.

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 having previously 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, we continue to be committed to resolving these issues. 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 including HMRC, the British Retail Consortium, the UK Fashion and Textile Association and the auditing programme Fast Forward.

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

This year, Arcadia Group participated in an open discussion at the House of Lords on Modern Day Slavery: Identifying and addressing shared risks in the apparel sector. We will continue to show support for such collaborative efforts.

Arcadia Group participated in the inaugural meeting of the All Party Parliamentary Group on Sustainable Fashion chaired by Ann Main MP.

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.

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.

4 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

In the forthcoming year, the Modern Slavery Steering Group members will meet to discuss progress against our strategic goals on a quarterly basis. 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 Directors and senior members of our business. The group meets quarterly to provide governance, guidance and risk assessment across all our social and environmental responsibilities and ensure these activities remain integral to Arcadia's strategy.

5. Future plans

We remain committed to driving continuous improvement of standards within our business supply chain. In 2019/20 our activities will include focusing on:

- Due diligence: Further strengthening our audit programme and mapping of our supply chain to improve traceability.
- Where more serious non-compliances are found during the audit, if required, we will support suppliers and factories to take the necessary steps to remediate the issue. This can include helping them to identify root causes of problems and production an action plan
- Training: Providing on-going guidance and support to staff and suppliers in identifying and dealing with modern slavery concerns.
- Collaboration: Our focus for collaboration will be on Leicester, as vulnerable workers are at risk of exploitation, and we will work with retailers, government agencies, the local authorities and community organisations to minimise the occurrence of these issues in the Leicester garment sector.

We also welcome the findings of the Independent Review of the Modern Slavery Act 2015 and look forward to reading the Government's response.

We will provide an update on further progress in our fifth modern slavery statement in 2021.



Approved on 26th February 2020

Signed on behalf of the Board of Directors of Arcadia Group Limited by Ian Grabiner (CEO)