



Arco Modern Slavery & Human Trafficking Statement 2020

For the financial
year ending
30th June 2020



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Worker welfare and safety is the heart of our business

1. Structure, business and supply chains

Arco Limited (**Arco, We or Our**) is a family owned organisation specialising in the provision of Health & Safety Equipment and Services, established in 1884. Arco works with all sizes and types of organisation in the supply of equipment, clothing, personal protective equipment and professional services related to health and safety.

It is Arco's policy to protect all workers from modern day slavery or human trafficking and promote Health, Safety and Welfare in its supply chain. Arco has been a member of the Ethical Trading Initiative (ETI) for eleven years and is committed to the principles of the ETI Base Code which are based on the standards of the International Labour Organisation (ILO).

Products and services for re-sale

Our procurement activities take place globally. Just under one-third of our product sales are Arco own brand products, manufactured at over 125 factories located throughout 25+ countries. Over 90 factories are located in emerging markets, with approximately half in China.

Due to our significant footprint in China, Arco have a permanent office located in Xiamen, Fujian province. All 8 staff are directly employed by Arco with roles including quality control inspectors and an ethical auditor. The role of the ethical auditor is to help a factory develop their social systems, provide training and monitor progress.

Sales value of £314+ Million



Products and services not for re-sale

Our indirect procurement teams and departments purchase goods and services required to run our business from over 1000 local and national suppliers.

2. Policies in relation to slavery and human trafficking

The Arco Modern Slavery and Human Trafficking Policy and Arco Ethical Guide for vendors (www.arco.co.uk/startyours) have been prepared in order to give guidance and instruction on the minimum and recommended standards acceptable to Arco in the manufacture of their products or procured services globally. Vendors are expected to comply with national and other applicable law and, where the provisions of law and the contents of this document address the same subject, to apply that provision which affords the greater protection.

Human Resources policies, including Recruitment and Selection policy, Whistle Blowing policy and Right to Work Policy address modern slavery and human trafficking, providing both guidance for our recruitment teams and employees.

The Arco Ethical Compliance Requirements for Vendor Approval procedure clearly describes the process all stakeholders must complete for the Arco Ethical Team to approve a factory.

Arco is committed to ongoing and continual improvement, training and capacity building in the area of ethical trade, with measurable targets set annually as part of its broader performance review and as a fundamental part of its commitment to ETI membership.

All Arco colleagues receive a company induction upon commencement of their employment. All colleagues attend the Arco Experience, which is a five-day introduction to the company and our values. The introduction explains our commitment to ethical trade and how responsible procurement sits at the heart of our business.

3. Risk assessment and mitigation

All vendors must agree to the principles of the Arco Ethical Guide for Vendors in all new contracts.

In line with the ETI Human Rights and Due Diligence Framework, Arco adopt several methods to assess and manage risk throughout our operations.

Risk categorisation primarily focuses on risk to vulnerable workers and considers country, region and industry using information published by global NGOs. Our priority is to those workers in high risk situations where we can make the biggest positive difference to their welfare.

High risk vendors must accommodate a social compliance audit and resolve improvement areas to an agreed timeframe. This applies to Tier 1 sites and beyond when necessary. Vendors are encouraged to establish and improve their own processes and assess risks within their supply chain.

Medium and low risk vendors must submit copies of their own audits or complete a Self-Assessment Questionnaire.

On-site health & safety training is conducted at high risk sites, primarily in China. We plan to extend the reach of the training to more countries.

Salient risks

Access to Remedy within the Malaysian gloves sector

In 2019, we became aware of potential risks of modern slavery within the Malaysian disposable glove market, particularly the treatment of migrant workers from Bangladesh, Myanmar and other countries. We collaborated closely with our own label suppliers to understand those risks. Our suppliers have shared in detail, the mitigating activities implemented throughout their organisation and with their labour providers. Arco and our suppliers have joined the ETI's Access to Remedy Programme to help improve the working conditions within their factories and throughout the region. Further information about the programme can be found within '7. Thought leadership and collaboration'.

Our Head of Ethics and Sustainability visited our suppliers during October 2019 to witness first-hand the mitigating activities including employment terms, safety improvements and better-quality accommodation. During 2020, our Malaysian suppliers took the lead within the industry to ensure new migrant workers are reimbursed for all recruitment related fees. Furthermore, our suppliers are collaborating closely with industry experts to locate workers no longer employed by the company. Our suppliers have improved accommodation made available to migrant workers. This includes constructing, purchasing and renting more modern buildings. As a short-term measure, the construction of temporary buildings was required but all have been removed and workers relocated to permanent accommodation.

COVID-19 pandemic

The COVID-19 pandemic has affected global supply chains and increased risks to workers throughout the world. Consumers have had to restrict purchases and change buying habits throughout the last 12 months. As a result, global supply chains needed to take actions to safeguard their businesses during the height of the pandemic as lack of cash flow continues to put the viability of businesses at risk. These actions have cascaded through the supply chain with traumatic effects felt by some of the poorest people in society, especially those working within developing nations. Reports of factory closures, widescale redundancies and workers forced to operate in unsafe conditions have not been uncommon.

Arco has played a leading role in the supply of products to protect people for the dangers of COVID-19. This could only be achieved successfully with the help, dedication and professionalism of our suppliers throughout the world. The pandemic increased the health and financial risks to workers within all supply chains. Our responsible procurement policies and processes tried to ensure that we did not allow ethical sourcing practices to fall short of our expected standards. Worker welfare remained at the heart of our decision making. We also avoided the cancellation of purchase orders to give factory owners confidence in future cash flows.

A summary of our interactions with the ETI and our suppliers is listed below.

- Arco hosted a webinar for members of the ETI to give advice on purchasing PPE to protect staff and suppliers.
- Arco reached out to factories within our supply chain in China, Bangladesh and other countries to offer guidance published by the ETI on Occupational Safety and Health to help factories establish and maintain a safe working environment.
- Arco reduced the number of scheduled audits to enable the factories to re-establish their businesses as quickly as possible which helped people get back to work safely.
- Arco formed trading relationships with new factories during the height of the pandemic to help fulfil the increased demands for PPE within the UK. Each new factory was assessed in-line with our ethical trade policies to ensure safe working conditions, worker welfare and compliant products.
- Arco reached out to factories to validate that our purchasing practices had not fallen short during the pandemic. In a build on the ETI's enhanced expectations, we issued a questionnaire to factories to create a forum for open and honest feedback. We wished to better understand if we had honoured our commitment to purchase orders, pricing and payments terms. The feedback was positive across all the suppliers we approached, with only one supplier airing a complaint.
- Workers within our China supply chain responded directly to a national ETI survey to gauge the impact of COVID-19 on workers.

Arco also collaborated with the ETI and 6 other ETI members to support vulnerable workers in Bangladesh by helping create a project to support the Bangladesh ready-made garment sector through the COVID-19 pandemic. Further information can be found in section '7. Thought leadership and collaboration'.

Reports of forced labour in Xinjiang, China

During 2020, the UK Government, media and other organisations reported concerns surrounding the use of forced labour in the Xinjiang province of China. Considering these reports, Arco's local office in Xiamen, China, immediately contacted relevant vendors to confirm and clarify trading relationships with businesses located in Xinjiang. We continue to work with our vendors to help further assess the situation and if necessary, help re-source the supply of materials to another province.

Only one risk was identified pertaining to the production of cotton within the region entering our supply chain. Cotton is a global commodity and traceability down through the different tiers of the supply chain can present a huge challenge. In line with our stance on ethical trade, we will continue to work with our vendors to do our best to ensure instances of forced labour are identified and eradicated.

4. Due diligence

As part of our existing due diligence processes, regular assessments of new and existing factories are conducted. Several methods are employed to conducted due diligence, with most resource given to higher risk supply chains.

Throughout 2018/19, and in line with industry guidance to reduce the reliance on auditing, our procurement team use their time during factory visits to identify signs of modern slavery and exploitation and consult with the ethical team on their observations.

Our quality control teams use their time spent at factories to observe changes in both the demographics and culture and report back when necessary.

High risk vendors, including those high spend and business critical vendors to Arco continue to receive regular audits. The frequency of audits reduces as compliance improves and trust develops between our organisations.

High risk vendors with a potentially vulnerable workforce (e.g. low-paid or high proportion of migrant workforce) are given additional focus to ensure good practice.

5. Effectiveness of our policies and processes

The Arco Main Board and Audit Committee receive regular reports detailing the performance of our supply chain and own business in relation to ethical trade, modern slavery and human trafficking.

The reports include performance against agreed Key Performance Indicators (KPIs) across 6 measures relating to the ILO Labour Standards. Granularity includes country and industry sector and by exception, individual factories should issues be identified. Our performance is measured against global and industry benchmarks conducted at similar factories. All areas of concern are investigated.

For specific high-risk issues, further investigation may be sanctioned, including further factory visits or audits. In extreme cases, and when all other courses of action considered, the removal of a vendor from the approved vendor list is required. During 2020, this action was not required. However, we continue to collaborate with a small number of factories to help them to implement a series of improvements.

In December 2018, at the request of the Audit Committee, a second audit on the Arco National Distribution Centre was conducted. The audit model replicated that conducted at our high-risk factory base and enables a direct comparison between the sites. The audit was successful, albeit several minor areas for improvement were identified. Remedial actions were put in place until a permanent solution could be agreed.

Within our previous statement, we set some clear ambitions for 2020. Happily, we completed many of those ambitions. However, several remain in progress, and a small number are postponed due to new initiatives taking priority.

Summary

Our Whistle Blowing Policy has been amended to specifically focus attention on modern slavery. The policy document is complete and released to all colleagues during 2020. Refresher training will be published to all colleagues during 2021.

The performance of our goods for resale supply chain continues to be reported to the highest level with the Company. KPIs are built into the objectives of the procurement teams who work closely with the Head of Ethics and Sustainability to identify and mitigate risks.

Arco have invested significant funds and time towards a five-year program to help develop disadvantaged children, by means of a scholarship award at a school in Datian, Fujian Province, China. The agreement was formally signed by Arco and School principals in April 2019, and we have now donated over £10,000 with over 350 students benefitting from the award.

Arco continue to support the wider community, to increase understanding and develop programmes to mitigate the risk of modern slavery.

In January 2020, SGS, a global inspection company, audited Arco against the Labour Standards Assurance System (LSAS). LSAS evaluates a business against 15 defined areas (some of which include Policy, Roles & Responsibilities and Supply Chain Management) and measures its maturity against each. Arco achieved Level 4 for the second consecutive year, the highest available, against all 15 areas. A copy of the report is available upon request.

Continuous improvement is important and for transparency we have shared several of our targets for 2021 in the table below.

Policies and procedures relating to modern slavery		Target
All policy documents relating to modern slavery to be reviewed		June 2021
Risk assessment and workflow processes to be reviewed and implemented		June 2021
Training relating to modern slavery (continue work from 2019)		
Extend frequency and content of modern slavery awareness training across the organisation		December 2021
Salient risks		
Continue to collaborate with suppliers and the ETI to deliver the Access to Remedy programme in Malaysia		On-going
Continue to collaborate with the ETI to deliver the DfID Vulnerable Supply Chain Facility (VSCF) project in Bangladesh		On-going
Recommend improvements based on the gender research within international supply chains (linked to the VSCF project)		On-going
Community and collaboration		
Continue to invest funds and time at the school in Datian, Fujian Province, China		On-going
Continue to drive thought leadership and awareness on modern slavery through talks to community groups, education bodies, H&S bodies		On-going

6. Training and capacity building

Arco are committed to continuous improvement through training. Arco colleagues are provided with Ethical Trade and Modern Slavery training relevant to their roles.

Forms of training include, internal and external classroom, on-line Learning and Development system, 1-2-1 coaching and conferences hosted by our ethical and sustainability partners.

Arco are an active member of the ETI Modern Slavery Working Group.

Training provided for our vendors will continue throughout 2021 and we will continue to offer our vendors the chance to attend training sessions hosted by relevant providers.

7. Thought leadership and collaboration

Arco are proud to take a leadership approach to our stakeholders and wider community. We firmly believe that sharing knowledge and experience of ethical trade and modern slavery raises awareness across all communities and is a key step in the path to its eradication.

On an ongoing basis we present our approach to modern slavery and ethical trade to organisations including customers, their suppliers, sustainability consortia and Health, Safety and Environmental Groups and have won several awards for Responsible Sourcing.

In our experience, influencing change within the supply chain can present challenges which are difficult for one business to overcome. However, with help from expert organisations in the field of ethical trade, both on a global and in-country basis, these challenges can become opportunities for our suppliers, the wider industrial sector and more importantly vulnerable workers within the supply chain. Our membership of the Ethical Trading Initiative facilitates this approach. The ETI's expertise and global partnerships provides members with a platform to collaborate with others to effect change and help businesses keep workers safe during challenging times.

Malaysia – Access to Remedy for vulnerable migrant workers

Migrant workers can be the most vulnerable of all workers. Potential issues include;

- Debt bondage due to high recruitment fees
- Passports or IDs confiscated upon arrival
- Restrictions from returning home or changing employers
- Unlawful deductions from wages
- Not paid minimum wage or overtime rates in accordance with local labour laws
- Housed in poor and crowded accommodation
- Do not understand the local language
- Lack of familiarity of local laws and labour rights

The ETI's Access to Remedy programme, supported by UK Government and ETI members, exists to support migrant workers susceptible to risks of modern slavery.

The aim of the project was to provide migrant workers with a technology tool to raise grievances in way which will not compromise their employment or expose them to further exploitation.

The project will also provide members, suppliers and local manufacturers with a commonly agreed set of principles which can be signed up to and which workers themselves have been involved in specifying.

The project is close to completion, with a technology app in place and is used and assessed by workers, and an agreed set of principles formulated. The app provides workers in Malaysia with information about their rights and how to access them. The app also enables workers to anonymously log workplace issues. These grievances are managed by a local NGO. The app is being monitored until the end of project on 31st March 2021, and iterative improvements will be implemented during that time. The set of principles will be published online.

Supporting the Bangladesh RMG sector through the COVID-19 crisis

The DFID Vulnerable Supply Chains Facility has partnered with expert organizations and leading UK businesses to improve working conditions and access to healthcare and health information for workers in Bangladesh and other key supplier countries. This will help make workplaces safer, meaning employees can return to work and supply chains can keep moving and become more resilient.

To this extent, the Ethical Trading Initiative (ETI) has partnered with 7 corporate members, including Arco, to quickly and effectively address the risks related to a safe return to work following the COVID-19 pandemic. The project will start its activities at the end of August 2020 and run until 31st July 2021.

Anticipated project achievements;

- 25,500 workers in 20 factories will have received digital tablet based OHS awareness raising training
- 6 factories will have strengthened their OHS capacity within the factory facilities to ensure safety and security in the workplace. One Arco factory has been chosen as one of the six factories
- 1,000 factory managers will have received comprehensive online OHS training
- An Expert Support Network made up of brand representatives and OHS expertise will be established to provide further support and scale up of activities
- Learning will be taken to other regions with a specific focus on South East Asia

The project is moving at pace and to date the following progress has been made at 21st December 2020.

- 20 factories provided with on-line training
- 5967 courses completed
- 2014 workers trained

Two factories manufacturing Arco products are directly involved in the project. Work undertaken at these factories during 2020 includes;

- Project kick-off meetings at each factory
- Baseline safety survey conducted with 39 workers
- On-site meetings to demonstrate and discuss the tab-based safety tool

Work conducted during 2021 will include;

- All 1300 workers to be trained using the tab-based tool
- OHS and COVID-19 response training for 100 managers and supervisors
- Training of trainers for up to 8 people
- Distribution of safety kits to workers
- Communication materials for each factory to mitigate COVID-19 including posters and audio clip for PA system



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