

Arco Modern Slavery & Human Trafficking Statement 2023

For the financial year ending
30 June 2023

Contents

- Introduction
- Governance, Reporting and Accountability
- Arco Structure and Business
- Our Commitments
- An Overview of Our Supply Chains
- Salient Human Right Risks
- Policies
- Continual Improvement,
- Risk Assessment,
- Summary
- Plans for 2024
- ETI Corporate transparency framework requirements



Introduction

Respect for human rights is fundamental to our business. Modern slavery can take many different forms and is a complex issue. It is one of the most prominent risks within global supply chains. We take our responsibility to respect human rights extremely seriously and we are committed to preventing and addressing any modern slavery risks we identify in our operations and, where we can, in our supply chain. Our culture and ethos are built on integrity and driven by our core goal of keeping people safe. To that end, we remain committed members of the Ethical Trading Initiative (ETI) and Supplier Ethical Data Exchange (Sedex), and leverage our memberships to support our ethical aims.

Our ongoing ethical programme continues to ensure that trading ethically and sourcing responsibly are key priorities and commitments for us. We continue to take every measure to identify where there could be areas of risk and continually work to eliminate these wherever possible. We are resolutely focused on ensuring that everyone who helps to make our products is treated with dignity and respect, in safe and fair workplaces.

Our Modern Slavery Statement provides detail on our continuing work to deliver on this, including how we identify and address modern slavery and labour exploitation risk in our business and supply chains, whilst enhancing our ability to support positive outcomes for victims. Strong supplier relationships based on mutual trust and respect remain at the heart of this activity and underpin our work to address modern slavery risk.

Ethical trading is a key element of our overall approach to sustainability and our supplier engagement goes well beyond modern slavery risks as we strive to ensure a transparent and sustainable supply chain. We remain committed to continually improving our processes and will continue to report our progress in an open and transparent way.

January 2023

Guy Bruce
CEO

This Modern Slavery Statement has been published in accordance with the UK Modern Slavery Act 2015 and was approved by the Board of Directors of Arco Limited.

Governance, Reporting and Accountability

Strong governance over how we manage and mitigate the risk of human rights abuses including modern slavery in supply chains providing goods and services is critical. We have established clear governance, responsibilities and accountabilities for the implementation of our policies and programmes. This helps ensure we are meeting and exceeding our responsibilities as a business, and the requirements of the Modern Slavery Act 2015

Overall accountability for the Modern Slavery Statement lies with the board which has delegated oversight of our ethical frameworks to the Environmental, Social, Governance committee (ESG), chaired by an independent non-executive director. The CEO is accountable for ensuring that our compliance frameworks are fit for purpose, are operating effectively, and are supported by suitable and risk-assessed processes. Day-to-day executive responsibility for our compliance frameworks lies with the general counsel. Our risk management processes are overseen by an internal audit function, which regularly engages directly with the audit committee and the chair of the ESG committee.

The compliance team reports directly to Arco’s general counsel and oversees our ethical compliance activity in our supply chain, monitors progress against our modern slavery commitments, and identifies any emerging risks. We review our risk profile at least annually, allowing us to ensure that we continue to focus our actions on areas where we perceive the greatest risk of modern slavery to be. We consider the full Arco business but, given its significance in terms of scale and risk, our primary focus is on our goods for resale supply chain. Additionally, routine risk management is undertaken by functions across the business supported by the Arco compliance and internal audit teams.

The compliance team continues to analyse human right abuses and non-compliances against the ETI Base Code and our code of conduct. Ethical reporting is reviewed monthly with the Executive team.

As part of its role in overseeing our ethical performance and reviewing this statement on behalf of the board, over the last year the ESG committee undertook a review of our ethical trade policies and the compliance frameworks that sit behind them.

The compliance team routinely engage with our product and procurement teams to share ethical data and to discuss action points. All supplier audits and self-assessments are reviewed by the compliance team and where required, remedial action plans are agreed between, and tracked by, the supplier, the product and procurement teams, and the compliance team. Our performance is measured against global and industry benchmarks conducted at similar factories. All areas of concern are investigated.

Our approach ensures we meet our commitments on tackling modern slavery in addition to managing broader human rights risk in our business and supply chains. It also aims to ensure that the company delivers its ambitions of achieving sustainable growth with a positive supply chain. The Arco Sustainability Report 2023 which is published on our website also supports this ambition and highlights the progress achieved.



Arco Structure and Business

Arco Limited specialises in the provision of health and safety equipment and services. Established in 1884, Arco works with all sizes and types of organisations in the supply of equipment, clothing, personal protective equipment, and professional services related to health and safety.

Arco operates across the UK and Ireland, with two primary operational sites: our National Distribution Centre (NDC) in Hull and Arco Clothing Centre (ACC) in Preston. We also have an international sourcing office in Xiamen, China. Sales for the financial year were £307 million.

Whilst we don't own the factories that produce our goods, we know we have a responsibility to ensure the people who make our products can access reputable work, with safe workspaces which are free from modern slavery. We seek to protect all workers from modern day slavery or human trafficking as well as promoting health, safety and welfare in our supply chain.



6

Safety Centres

30

Safety Stores

1

International Sourcing Office Xiamen

1

Head Office

1500

Colleagues

2

Operational Sites

Our Commitments

Our core purpose is to keep people safe at work. It extends to our colleagues, to all those who make our products in factories in the UK and across the planet, and to the communities in which we all live. We engage with a number of independent third parties to help ensure that we strive for the highest standards of ethical performance.

- >

In late 2022, we achieved the EcoVadis gold medal, which affirms companies’ commitment to social and environmentally responsible business practices. A gold rating ranks Arco in the top 5% of all companies assessed.

>

Achieving gold membership demonstrates our engagement with the Supply Chain Sustainability School and the use of their resources to further our awareness and understanding and to share our knowledge and experience with others.

>

We have been a member of the Ethical Trading Initiative (ETI) since 2007 and are committed to the principles of the ETI Base Code which are based on the standards of the International Labour Organisation (ILO).

>

Arco are proud members of Better Cotton. By sourcing cotton through Better Cotton we’re supporting this global initiative and contributing towards helping cotton communities survive and thrive, while protecting and restoring the environment.

>

We are regularly audited by an independent external auditor under the Labour Standards Assurance System (LSAS) scheme, which supports our engagement with the NHS. We scored 58 out of 60, being ranked as the highest ‘progressive’ rating in 14 of 15 elements.
- >

As a supplier to NHS Scotland, we are committed to the NHS code of conduct.

>

We are independently audited by BSI against ISO 45001 in respect of health and safety.

>

From our colleague induction programme, all Arco colleagues understand our commitment to ethical trade and how responsible procurement sits at the heart of our business. We provide additional, refresher and focussed training to colleagues where relevant.

>

As a Sedex member we are committed to sourcing responsibly and having an ethical and sustainable supply chain. The Sedex Radar (risk assessment tool) helps us to assess risks by combining inherent country and sector risks with supplier-specific information to highlight potential issues. During the year, we also completed the Sedex self-assessment questionnaire ahead of SMETA four-pillar audits scheduled for our two primary operating locations in Q3 2023 following the end of the period covered by this report.



An Overview of Our Supply Chains

Our procurement activities take place globally, with our supplier relationships built on trust and shared aims. We organise our suppliers into two groups: those who supply products and services for resale, and those who provide goods not for resale.

Products and services for resale

Approximately one third of our product sales are Arco own-brand products, manufactured at 94 factories located throughout 21 countries. With most of these factories, we've had long-standing relationships. Sixty factories producing own-brand products are in emerging markets, with 46 in China, five in Taiwan and four in India.

All our own-brand label manufacturers are encouraged to become Sedex members, which requires the completion of independent social and environmental audit reports that have been carried out by approved audit bodies. This has increased year on year to 63% of these suppliers now being Sedex members.

We have an office located in Xiamen, Fujian, China in which Arco has a team of eight employees, four of which have roles involving regular site inspections of our suppliers and one of which is a lead ethical auditor. The role of the lead ethical auditor is to help a factory develop their social systems, provide training and monitor progress. The Arco team seeks to understand any non-conformances arising from external audits, Arco site visits and internal audits, as well engaging more generally on any concerns regarding human rights (for example as a result of geographic or industry risk factors). The Xiamen-based team also shares any updated information on cultural issues and local law with the wider Arco business.

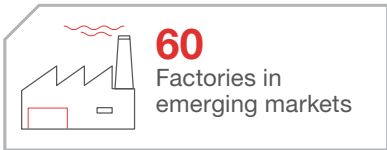
We also engage extensively with our significant base of proprietary suppliers to ensure that we work with reputable and ethical partners. However, our supply chain compliance focus is primarily addressed to those suppliers manufacturing on behalf of Arco.

Products and services not for resale

The Arco group also obtains goods and services from suppliers for business use. These are known as goods and services not for resale (GNFR). GNFR covers indirect procurement categories such as labour providers, professional services, travel, technology, software, human resource services, facilities management, logistics, utilities, consumables, marketing services, and capital goods. Our indirect procurement team is required to purchase goods and services are required to run our business from over 1000 local and national suppliers. All suppliers are required to complete Arco's due diligence documentation which is reviewed once finalised prior to engagement. Specific higher risk suppliers are required to meet additional standards as part of their contract with Arco. For example, our labour providers are required to maintain membership of Sedex, undertake regular SMETA audits and share audit findings and corrective action plans with Arco.

Improvement Area 1

As part of the retendering process for labour providers, we have strengthened our process and contractual terms. This now includes the introduction of twice-yearly audits being carried out by the Arco compliance team, in addition to any external audits of the provider (e.g. Sedex SMETA audits). The labour provider is approved as part of the onboarding process to the required standard GLAA (Gangmasters and Labour Abuse Authority) requirements, third party standards, customer requirements, ETI Base Code, SMETA and agency worker regulations) The audits then ensure compliance to the appropriate level. Any non-conformances raised are then monitored to ensure closure within agreed timescales. Although we operate in the UK where employee and worker protections are well developed, our continued focus will ensure any identified issues can be addressed quickly.



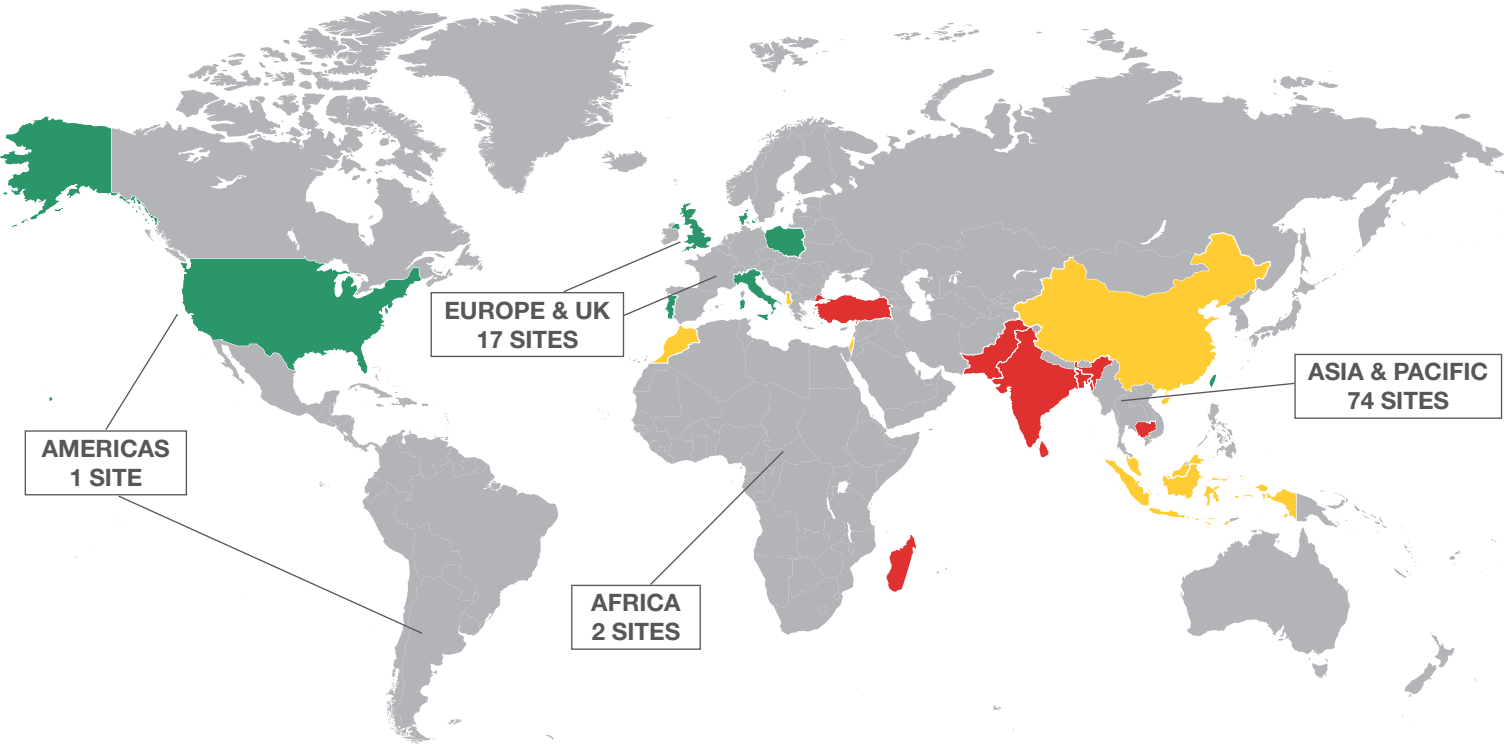
Our Own-Label Supply Chain

Our global supply chain security and integrity is a crucial part of our business. We have a diverse and complex supply chain, so ensuring we are doing everything we can to mitigate risks of modern slavery and human trafficking is essential to the continuity of our business and dignity of workers. As a result of the nature of our role in the supply chain and confidentiality commitments with a number of our suppliers, commercial sensitivity means that we do not disclose specific details of our own-brand suppliers. However, within this statement we provide a range of information on our supply chain based on typical risk factors.

The map on page eight illustrates our regional sourcing locations for tier-one manufacturing. Going forward, this mapping will also be expanded to include our tier-two suppliers. We take a risk-based approach in relation to our efforts to prevent modern slavery in our supply chain. In certain areas determined to be higher risk, we are increasing our understanding on tier-two suppliers to allow us to identify and track effective improvement actions where these are considered appropriate. An example could be garment manufacturing in particular high-risk territories. This is in addition to our expectations on tier-one suppliers to drive high standards through their own supply chain.



Our Own-Label Supply Chain



The vulnerability score is:

- 100-51 Red
- 50-26 Amber
- 25-1 Green

Country	Regional Prevalence Ranking	Regional Vulnerability %
ASIA & PACIFIC		
Pakistan	4	80
India	6	56
Bangladesh	9	58
Indonesia	10	49
Sri Lanka	11	56
Malaysia	12	37
Cambodia	16	58
China	19	46
Hong Kong	22	28
Taiwan	24	21
AMERICAS		
USA	21	25
EUROPE & UK		
Turkey	1	51
Albania	7	40
Poland	26	19
Portugal	31	6
Italy	34	22
UK	38	14
Denmark	42	6
Israel	32	35
AFRICA		
Madagascar	24	60
Morocco	46	44

Salient Human Right Risks

As our development of modern slavery information increases, we can use this data to further identify key risk areas and carry out in-depth assessments in these areas. We conduct research using existing external reports and sources publicly available containing credible information to build profiles on countries from which we source. This includes political, economic, social and legal analysis and risk mapping, as well as modern slavery risks. Analysis also considers sectoral risks across our key sectors: garments, footwear, Personal Protective Equipment (PPE). The different risk aspects or different data points can deliver different risk profiles which means our risk assessments of our supply chain activity are dynamic and evolve continually.

Our highest regional density of manufacturing sites is within Asia. The region hosts the largest number of people in modern slavery, with an estimated 15 million people in forced labour. This includes debt bondage among migrants exploited within the region, hereditary forms of bonded labour in South Asia, and state-imposed forced labour.

Refugees seeking protection in Bangladesh are facing increased risks of modern slavery as offenders prey on their extreme vulnerability, while families living in camps struggle to cope with food and economic insecurity, which, coupled with gender discrimination, has led to increased rates of child marriage. Bangladesh is also one of the most vulnerable countries to climate change. Extreme weather has been linked to child marriage to both minimise household expenses and protect daughters from the heightened risk of sexual violence.

In India, women and girls who belong to ethnic minority groups are often exploited in informal factories, which are sub-contracted by tier-one suppliers of global brands to produce garments. These garment workers do not earn a living wage and have no formal work agreements, while some work in conditions that amount to forced labour.

Africa has the highest vulnerability to modern slavery of all regions and is home to the four most vulnerable countries. There are only five countries in Africa where all children have access to birth registration systems and where over 95 per cent have a registered birth certificate. Morocco is one of these five countries.

Over the last year, media reports continued to show that modern slavery risks remained real even in perceived low-risk areas such as the UK. Although our priorities remain focussed on higher-risk regions and suppliers, we work to ensure that all our factories are working to our code of conduct and where non-conformances are identified during audits, we agree plans to tackle the issues.

An example of how we can segment our supply chain through risk profiling is shown below using the 2023 Global Slavery Index

published by Walk Free (recognising that there are limitations on any scoring of this type). The vulnerability score identifies where the risk of modern slavery is heightened because of other related factors. Those highlighted as red have a weighted score of 51-100, amber 26-50 and green 1-25. The prevalence rank shows a ranking based on the estimated population in modern slavery per 1,000 people. Those highlighted red fall into the bottom 50% of countries, amber 49-26%, and green 1-25%.

	Own-Brand Manufacturing Facilities (#)					Global Slavery Index*		
	Total	Footwear	Clothing	Gloves	Other	Prevalence Rank (out of 167)	Prevalence Incidence (per 1,000 population)	Vulnerability Score (normalised, weighted)
China	46	7	19	10	10	49	4.0	46
UK	9				9	18	1.8	14
Bangladesh	9		9			105	7.1	58
India	4	1	0	2	1	127	8.0	56
Taiwan	5				5	15	1.7	21
Pakistan	4	2		2		143	10.6	80
Malaysia	2			2		90	6.3	37
Cambodia	1		1			71	5.0	58
Portugal	1	1				48	3.8	6
Turkey	2	1			1	156	15.6	51
Albania	1	1				146	11.8	40
Madagascar	1		1			65	4.6	60
Morocco	1		1			24	2.3	44
Poland	1		1			81	5.5	19
Sri Lanka	1			1		95	6.5	56
USA	1			1		41	3.3	25
Denmark	1	1				3	0.6	6
Hong Kong	1				1	29	2.8	28
Indonesia	1	1				100	6.7	49
Israel	1				1	47	3.8	35
Italy	1	1				38	3.3	22

Policies

Respect for human rights and ethical trade are a key part of Arco's commitment. We pride ourselves on having an ethical supply policy and providing ethically sourced products. Our established policies and procedures cover our own operations and supply chains to ensure we conduct our business in a responsible manner, including aspects of modern slavery, human trafficking, forced labour and exploitation. These are aligned with our commitment to internationally recognised human rights and ethical standards including ILO, and encapsulate the ETI Base Code principles, as well as providing the framework in which we operate. Our policies form a critical part of our exploitation prevention plan and ensure that we have the proper controls in place to manage and monitor ethical compliance. We implement the ETI Base Code in our business through these policies and codes of conducts.

These policies are reviewed and updated as required, to ensure they are fit for purpose, align with international standards and best practice, as well as addressing the most salient risks within the supply chain. The Arco board has overall accountability for approving these policies and the ESG committee of the board provides regular oversight of our ethical and compliance activities.

We publish these policies on our website for our external stakeholders and on a dedicated compliance hub for ease of access for Arco colleagues.

- **Our anti-slavery policy**
<https://www.arco.co.uk/legal/modern-day-slavery>
- **Our human rights and ethics policy**
<https://www.arco.co.uk/legal/ethical>
- **Our responsible procurement policy**
<https://www.arco.co.uk/legal/responsible-procurement>

Our human resources policies, including our recruitment and selection policy and our right to work policy address modern slavery and human trafficking, providing both guidance for our recruitment teams and employees. These are available at all times to our colleagues through our HR portal.

We continue to complement our human rights and ethics policy with additional policies, including establishing clear standards for our suppliers to achieve. We ensure that suppliers clearly accept these standards as part of our onboarding process. The commitments are focused on key policy areas to ensure we act in line with relevant laws and regulations, industry standards and stakeholder expectations. For our own-brand suppliers, we use these standards as the basis against how we (and third parties we nominate) undertake ethical audits.



We require suppliers to comply with applicable law, and where applicable law and our supplier documents address the same topic, apply that provision which affords the greater protection to workers.

Our supplier documents are always available on our supplier portal, and we provide copies to suppliers directly where appropriate (such as when we are onboarding a new supplier).

➤ **Supplier code of conduct** - Arco's most important principles are summarised in our code of conduct (CoC). The CoC lists the basic requirements relating to all employees of our goods for resale (GFR) and goods not for resale (GNFR) suppliers and supplier factories. Our code of conduct is intended to set out a basic framework of standards reflecting the differences in laws, customs, and economic conditions around the world. We expect suppliers to ensure they always meet local and national laws; and consider what steps they can take to operate above the basic standards to demonstrate best practice. Arco wants to build long-term relationships with suppliers that want to lead the way in addressing responsible, sustainable and ethical trading. Our processes are intended to drive high standards through our supply chain. We require suppliers to agree to our supplier code of conduct which sets out our expectations in relation to ethical conduct. We will work with suppliers to promptly address identified failings and will be supportive of efforts to continuously improve

➤ **Arco ethical guide for suppliers** - A more detailed ethical guide for suppliers, which is aligned to the ETI Base Code and which we use with our own-brand suppliers. We use the ethical guide as the basis for our ethical audits of our own-brand suppliers, which we undertake using independent third-party suppliers and our dedicated ethical auditor based in our office in China

➤ **The Arco ethical compliance requirements for supplier approval** procedure clearly describes the process all stakeholders must complete for the Arco compliance team to approve a factory.

➤ We also have specific, more detailed **supplier standards** on particular topics including:

- **Homeworking** – Sets out Arco's requirement of its suppliers in relation to use of homeworkers and the steps taken to safeguard their legal, human and labour rights.
- **Child labour** – Details Arco's requirements of its suppliers in relation to the steps taken to protect children and young workers.

Improvement Area 2

In March 2023, we introduced a tool for direct engagement with our supply chain. This digital platform is designed to help us work more closely with suppliers around their own sustainability improvements (which includes ethics as well as environmental matters). We commenced our engagement with a sustainability assessment to understand more clearly how our suppliers address topics of relevance. For example, it enables us to understand how suppliers push ethical standards down to their suppliers and allows us to support suppliers who are setting science-based carbon targets in line with our own. We're learning what holds back some suppliers in the more challenging areas of ethical supply and therefore where we can help. Suppliers responsible for around 79% of our own-brand products now engage with us through our supplier platform. We aim to ensure that all suppliers participate and where they do not, we are prepared to end our relationship with them. This underpins our modern-day slavery approach and drives continual improvement. We can also use the tool to engage on specific topics of note as and when required, for example we are using the platform to interact with our suppliers in Bangladesh to confirm implementation of the new minimum wage. This digital platform will also be used to obtain more information from our tier-two.



Whistleblowing

We have a clear whistleblowing policy accessible to all colleagues and details of our Safecall whistle blowing hotline is included in our supplier code of conduct.

The whistleblowing policy details how colleagues can report any allegations of modern slavery, fraud, misconduct or wrongdoing and runs concurrently in line with company grievance policies.

The topics of whistleblowing and raising grievances are matters that are routinely covered during our audit programme, whether through external SMETA and Workplace Conditions Assessment (WCA) audits, or Arco's own site audits.

Our Safecall whistleblowing service is a free professional, confidential and secure service that encourages our colleagues, suppliers and their employees to raise any concerns that either Arco or our suppliers are not meeting the standards expected, including those set out in our supplier code of conduct. The external third-party hotline facilitates anonymous reporting in multiple languages.

We take steps to ensure that employees are protected from victimisation and any detrimental treatment arising from whistleblowing.

Continual Improvement, Training, Development and Capacity Building

Training and awareness programmes continue to be at the forefront of our approach to addressing modern slavery risk in our business and supply chains. By providing training to our colleagues and suppliers, we can build the capacity to effectively manage incidents in a way that supports positive outcomes.

The management team determines the competencies needed for modern slavery management roles and responsibilities and the awareness, knowledge, understanding, skills and experience needed to fulfil them. All colleagues are provided with ethical trade and modern slavery training relevant to their roles. Forms of training include internal and external classrooms, an online learning and development system, one-to-one coaching and conferences hosted by our ethical and sustainability partners. All new starters receive a company induction which includes an initial awareness of ethical compliance.

Arco is committed to ongoing and continual improvement, training and capacity building in 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 through which Arco is an active member of the ETI modern slavery working group.

Additional training provides by Arco learning & development team for relevant department e, g, compliance team, procurement. Arco undertakes training and capacity building with suppliers. (e.g. The ETI webinars – some of ETI members are Arco suppliers) and are continually looking at additional ways in which we can further develop our supply chain.

Our Xiamen team in China have a lead social compliance auditor who has completed the compliance practitioners initiative certified CSR (corporate social responsibility) lead auditor course. To increase our coverage of ethical issues, all members of our Xiamen product inspection team conduct ethical trade assessments within supplier factories when on-site. Our Xiamen colleagues continue to engage with our suppliers in China around modern slavery and forced labour issues. They maintain awareness of current and emerging issues through networks of local and regional experts including the ETI and Sedex.

We know that our ability to drive change alone is limited and therefore we recognise the benefit of participating in initiatives where we can leverage wider resources from both private and public sector. We routinely monitor ETI initiatives and projects for opportunities pertinent to Arco, where we can participate to address risks in our sector and supply chain.

Improvement Area 3

We are committed to being a real living wage employer, offering pay above and beyond the legally required National Living and National Minimum Wages. We also ensure apprentices, and those recruited as first-stage or early-stage career candidates (such as new graduates), are paid fairly as we believe unpaid internships create a disparity of opportunity for those from different socio-economic backgrounds. We review pay each year against independent external benchmarks by Willis Towers Watson to ensure we continue to pay our colleagues fairly and competitively for their roles and geographical location. Promoting a diverse and inclusive work environment with the recent appointment of our new chief people and culture officer, we are working on agreeing and sharing principles around what diversity and inclusion (D&I) means for Arco, both in the short and long term to ensure the sustainability of the organisation through our people. We will initially be gathering both qualitative and quantitative data to produce our diversity plan to enable measures to be designed with integrity, doing the right thing for individuals and the organisation. In 2023 we introduced an inclusion network. This colleague-led initiative was set up for colleagues to join in conversations as an ally, or simply to listen and broaden their awareness and understanding on different diversity and inclusion matters. They meet monthly to discuss topics important to them and promote a wellbeing calendar of events across the business. In 2024, we will focus on inclusion to facilitate leadership discussion on inclusion, thought leadership and inclusivity of thinking. We will work with a specialist D&I partner to shape this thinking and the plan is to be agreed and published by December 2023



Risk Assessment, Mitigation and Due Diligence

Arco has been a member of the ETI since 2007. We are committed to the ETI Base Code and support basic employment rights we believe should be universal. These include safe working conditions, freedom from child labour and payment of a living wage. Arco's full ETI membership reflects commitment to ensuring the highest standards of ethics and respect for workers' rights throughout our supply chain. As members of Sedex since 2015, we undertake and receive supply chain audits, offering the benefits of independent auditing of supplier ethical, safety and environmental performance to enable us to demonstrate our commitment. We're committed to maintaining a supply chain that's free from modern slavery and to implementing ethical standards along our supply chain by setting and auditing against these using our own and independent audit teams. Each year we are externally audited against LSAS, the framework we use to address modern slavery risks. In recognition of our efforts, we hold the EcoVadis Gold Medal. This is awarded only to the top five per cent of the over 100,000 rated companies assessed. EcoVadis assesses companies' policies and actions as well as their published reporting related to the environment, labour and human rights, ethics and sustainable procurement.

As part of our existing due diligence processes, regular assessments of new and existing factories are conducted. Higher risk Arco own-brand suppliers must accommodate a social compliance audit and resolve improvement areas to an agreed timeframe. This applies to tier-one sites and beyond when necessary. Suppliers are encouraged to establish and improve their own processes and assess risks within their supply chain. Lower-risk own-brand suppliers are screened using self-assessment questionnaires (SAQ) and other desktop tools with on-site audits implemented. Suppliers that carry out manufacturing activities for own-brand products are not approved to supply until

an appropriate independent ethical audit is submitted for our review and we are satisfied that any perceived modern slavery risks have been addressed. Once established as a supplier, they remain subject to regular ethical audits by independent third-party auditing organisations, such as Intertek. The audits are completed using either the SMETA or SA800 standards.

The procurement teams use their time during factory visits to identify signs of modern slavery and exploitation and consult with the ethical team on their observations. The quality control teams also use their time spent at factories to observe changes in both the demographics and culture and report back when necessary.

The Arco board receives a summary of audit results annually and reviews formally as part of the overall ESG and compliance management review. This took place at year end (2023) and recorded no adverse audit reports or individual grievances in relation to discrimination.

Improvement Area 4

We responded to the concerns of staff and customers who list mental health as a priority for action. For customers, we provide specialist guidance and strategy development from our Arco Professional Safety Services team. Internally, we have supported the development of a 97-strong network of mental health first-aiders (MHFA) for colleagues to engage with. In 2023 we delivered accredited MHFA two-day and one-day day refresher courses to over 50 colleagues to sustain our MHFA capability. A course on mental health and stress awareness for managers is embedded within a program of essential training for all our new people managers, with 17 completing the program in the last year. This is in addition to a suite of mental health and wellbeing digital learning available to all colleagues. We operate a calendar of mental health activities and a network where discussion and resource sharing can be passed between practitioners. Arco's employee assistance program, Health Assured means that our people have access to a professional 24-hour confidential helpline which can be used to support them through any of life's issues or problems, including mental health.

Freedom of Association

Arco respects workers' right to freedom of association, supports effective worker voice mechanisms and recognises and respects workers' rights to join trade unions. Our commitment is embedded in our human rights and ethics policy and our diversity and inclusion policy, as well as in our supplier code of conduct and our ethical guide for suppliers.

Trade unions play an important role in democracy and support their members to negotiate with their employees. We also recognise that not every worker in our supply chain wants to join a trade union, and in some cases union representation is not in place. Our suppliers are encouraged to support effective processes to give workers a voice and worker committees, whether or not trade union representation is available. Worker committees are evident at some supplier sites although this is more prevalent where trade unions are not currently involved at those sites.

Across our supply chain, our audit programme includes assessment of workers' rights to freedom of association and workers' means to engage with their employer, raise grievances and seek representation.

Within our business, our employment framework provides workers with significant rights and protections, often supplemental to those to which they are entitled by law, and no worker will be discriminated against as a result of being a trade union member. We devote significant effort to engaging with our colleagues across the business.

For example, during the year:-

- we completed our annual employee engagement survey to allow colleagues to provide their feedback on a range of issues. Following the survey, we identify trends and areas for improvements and create action plans and working groups to deliver them.
- colleagues across the business are represented on health and safety committees in every location, which meet regularly to consider matters that might impact the health and safety of colleagues and visitors.
- we have an established colleague representatives forum, Arco Voice, with nominated representatives from all areas of our business
- we facilitate an inclusion network as a safe and open forum for discussion about diversity and inclusion topics



Summary

The performance of our goods for resale supply chain continues to be reported to the highest level with the company. KPIs (key performance indicators) are built into the objectives of the procurement teams who work closely with the compliance team to identify and mitigate risks.

Arco have invested significant funds and time in a continuing program to help develop disadvantaged children by means of scholarship awards at a school in Datian, Fujian, China, a partnership in place since April 2019. Our team in Xiamen, China takes an active interest in the progress of students that we have supported through the program and each year we are able to attend awards ceremonies. Another 243 students were awarded scholarships last year, bringing the total to 1,607 over the life of our partnership.

During the year, we prepared for SMETA audits of our NDC and ACC, and these audits subsequently took place following the period of this report. The audit model replicates that conducted on our supply chain and ensures we meet the standards we expect of others.

In 2023, SGS, a global inspection company audited Arco against LSAS. LSAS evaluates a business against 15 defined areas (some of which include policy, roles and responsibilities and supply chain management) and measures maturity against each with Arco rated as ‘progressive’, the highest level, against 14 of 15 areas.

Within our previous statement, we set ourselves the following targets to achieve. Beneath each target is a brief update on progress.

Arco is 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 ETI 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.

Policies and procedures relating to modern slavery	Target
All policy documents relating to human rights to be reviewed and implemented.	Completed
Strengthen risk assessment and workflow processes for all suppliers, including services, goods for resale, goods not for resale.	Completed
Enhance the Arco website to include a supplier portal for access to key documents and information to help gain acceptance onto the approved supplier list.	Completed
Proactively engage with suppliers to ensure successful collaboration on Sedex platform. (Currently >60% own-brand suppliers have joined us on Sedex.)	Ongoing
Training relating to modern slavery	
Extend frequency and content of modern slavery awareness training across the organisation.	Completed
Salient risks	
Continue to collaborate with the ETI on different projects related to salient risks.	Ongoing
Recommend improvements based on the gender research within international supply chains (linked to the VSCF (Vulnerable Supply Chain Facility) project).	Ongoing
Community and collaboration	
Continue to invest funds and time at the school in Datian, Fujian, China.	Ongoing



Plans for 2024

During the financial year ending June 2024, we intend to:

- Continue to update training for the senior leadership team at head office and at our operational centres
- Further improve our internal modern slavery escalation process
- Continue to increase our visibility and data available of our tier-two suppliers
- Examine ways to reduce risk of modern slavery in our procurement process and for goods and services not for resale, working alongside the product and procurement team to understand how we can close gaps and evidence our controls for modern slavery
- Explore how we can further leverage our new supplier engagement tool to drive benefits from increased supplier involvement
- Consider further ways in which we can assess risk in our supply chain and how we can present risk profiles to our stakeholders

ETI Corporate Transparency Framework Requirements

As members of the ETI, we have committed to ensuring that our annual Modern Slavery Statement meets the ETI requirements save where we have obtained specific exemptions. We have highlighted below where the relevant information can be found in our statement.

ETI minimum requirements - checklist		Where you can find the information
1.1	Publish a statement articulating company's commitment to respect labour rights in its supply chain activities, in line with the ETI Base Code.	Page 4 Structure and Business Page 5 Our Commitments
1.2	Set out internal governance and accountability structures.	Page 3 Governance and Accountability
1.3.	Describe how you have identified and prioritised human rights risks in your operations or supply chains.	Page 13 Risk Assessment and Mitigation
1.4	Include a description of your supply chains [1], including the geographical spread of production and/or sourcing, and areas of highest risk; and a list [2] of tier-one [3] suppliers [4].	Page 7 & 8 Our Own-Label Supply Chain *Exemption applies
1.5	Describe the company's approach regarding respect for trade union rights including respect for freedom of association and collective bargaining.	Page 14 Trade Unions
1.6	Report on salient risks found and plans made to mitigate risk.	Page 9 Salient Risks

