

Arco Limited
P.O. Box 21,
Waverley Street,
Hull HU1 2SJ

In UK
0330 390 2050 (local rate)
sales@support.arco.co.uk
www.arco.co.uk

Visit your nearest store,
find opening times, address detail and directions at
www.arco.co.uk/branchloc

In Ireland
01 409 5000
www.arcosafety.ie

Visit Arco Safety Centre Dublin
find more information at
www.arcosafety.ie/branchloc

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Modern Slavery & Human Trafficking

Statement 2018/2019



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Worker Welfare and Safety is at the heart of our business

It is Arco's Policy to protect all workers from modern slavery and human trafficking and promote Health, Safety and Welfare in our supply chain.

Hello,

The UK Modern Slavery Act 2015 is designed to tackle slavery in their own business and also in their supply chains. The act extends to England and Wales. From 29th October 2015 the Transparency in Supply Chain provisions requires businesses to publish an annual statement if they have an annual turnover above £36 million. The statement must confirm the steps taken to ensure that slavery and human trafficking are not taking place in the business or in their supply chain.

Arco published our first statement in 2016 which gave information on our policies, processes and focus areas. This statement is an update on the progress that we made, throughout the financial year 2017 /18, against those commitments.



Our key areas of activity in 2017 /18 were:

1. Continuous improvement across our business

Arco organised a Modern-Day Slavery risk assessment conducted by Hope For Justice in July 2018. Independent evaluation of our culture, processes and procedures is fundamental for continuous improvement (see page 6). Intertek and several customers also assessed our business during 2018.

2. Sharing our experience to widen knowledge across the UK

Arco shared our knowledge and experience of ethical trade with hundreds of companies, students and stakeholders by (see page 7) working with customers, Health and Safety Groups, universities and other organisations.

3. Collaboration with larger organisations

In July 2018, Arco joined the Co-op Bright Future programme (see page 7).

The statement concludes with an overview of the actions which make up our 2018/19 roadmap.

We're making good progress and recognise that there is still much to be done. We want to assure our customers that we take this issue very seriously and are committed to improving our robust processes even further. We shall continue to report in an open and transparent way about our progress.

David Evison Managing Director Arco

Our Organisation, Business and Supply Chain

Arco Limited (Arco, We Our) is a family owned organisation specialising in the provision of Health and 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 also provides professional services encompassing training, consultancy and site services.



Danny Hobson – Head of Ethics and Sustainability

Having worked for Arco for over 20 years, Danny has experience managing and supervising Arco’s business systems and supply chain. Following responsibility for the introduction of Arco’s renowned Product Assurance Laboratory, Danny now regularly visits manufacturers and factories in Arco’s supply base to ensure complete visibility across the supply chain and to educate colleagues.

Danny regularly speaks at customer conferences, responsible sourcing and industry events and to the health and safety media. He also represents Arco at several industry bodies.

Rick Guo – Ethical Auditor

To demonstrate our commitment to trading ethically, we have our own Ethical Auditor Rick who is based in our Xiamen Office in the Far East. Rick is responsible for the ethical auditing of suppliers and works to develop open communication with them. Added to this he conducts health and safety training with suppliers’ teams. Where necessary, he will develop, monitor and advise of corrective action plans and helps to implement them.



Arco and The Ethical Trading Initiative (ETI)

Arco has been a member of the ETI for twelve years and is committed to the principles of the ETI Base Code which are based on the standards of the International Labour Organisation.



Xiamen Office

Due to our significant footprint in China, Arco has a permanent office located in Xiamen, Fujian province. All 10 staff are directly employed by Arco and roles include Office Manager, Vendor Managers, Product Technicians, Quality Control Inspectors and an Ethical Auditor.

£280+ Million Sales



Products and Services for re-sale

Our procurement activities take place globally with over £287 million of sales primarily within the UK private and public sectors. Just under one-third of our product sales are Arco own brand products.

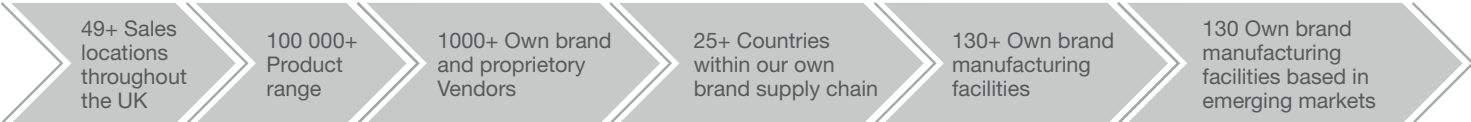
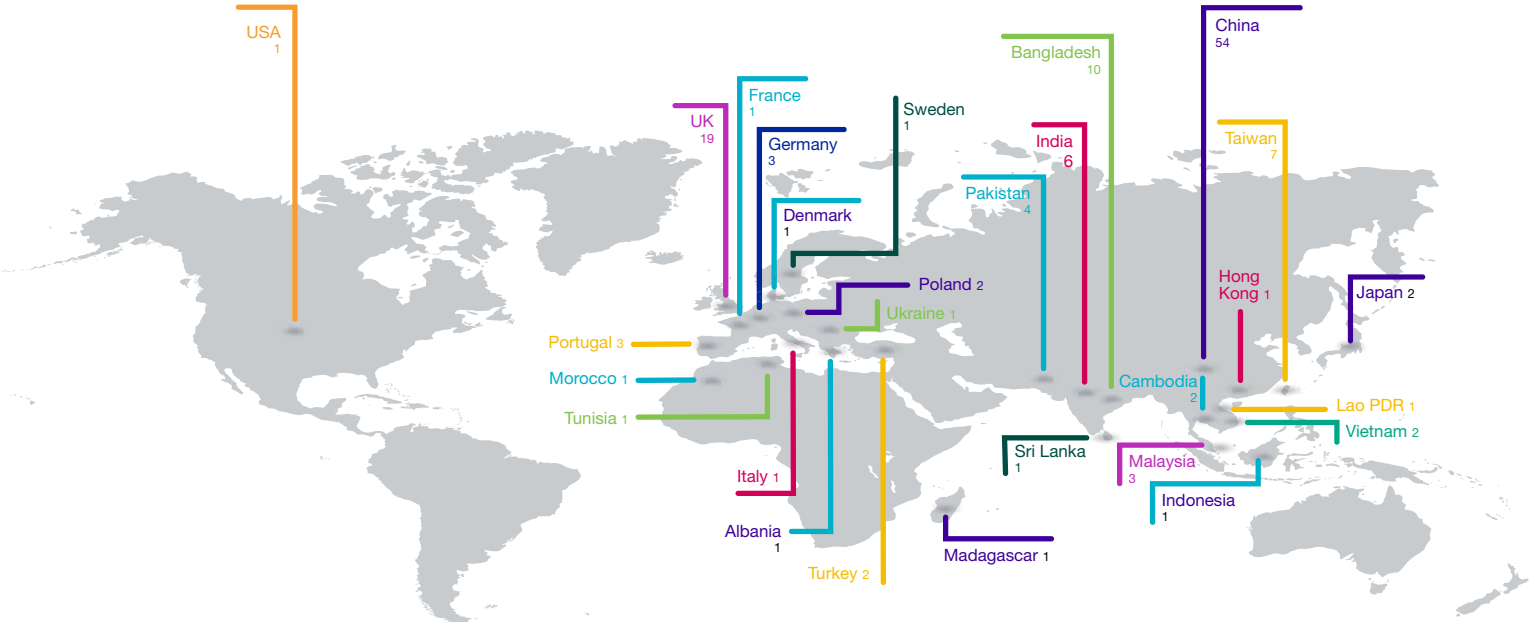
Products and Services not for re-sale

Our indirect procurement teams and departments purchase goods and services required to run our business from over 1,000 local and national suppliers.

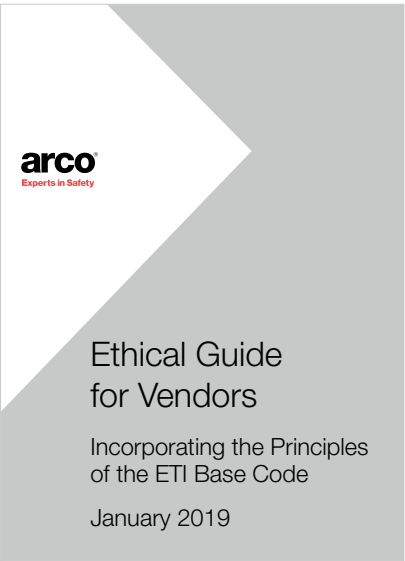


Arco has sales of over £287m and employs approximately 1,600 people in the UK. Headquartered in Hull with a Head Office, National Distribution Centre and Customer Engagement Centre. Nationwide there are four training facilities and a retail store network.

Arco sources from approximately 130 tier one manufacturing facilities located throughout 25+ countries. Over 90 of the 130 tier one factories are located in emerging markets, with over half in China.



How We Manage The Risk of Modern Slavery



Policies in relation to slavery and human trafficking.

The Arco Modern Slavery and Human Trafficking Policy and the Arco Ethical Guide for Vendors (www.arco.co.uk/startyours)

These documents 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.

The Arco Ethical Compliance Requirements

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.

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 One 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 own audits or complete an SAQ.

Training on the Modern Slavery Act is deployed to vendors, across all supply chains to raise awareness of the issue.

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

Arco raised organisational awareness through specific learning and development training for UK and China colleagues.

During 2018, specialised training was provided to Arco colleagues deemed most at risk demographically. The training received excellent feedback and will be extended to more colleagues.

Due diligence

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

During 2017/18, and in line with industry guidance to reduce the reliance on audit, we increased the remit of factory visits by our trained procurements and ethical teams. The teams are trained to recognise the signs of Modern Slavery and exploitation and consult with the ethical team on their observations.

Our quality control teams use time

spent at the factory 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 the audits reduces as trust develops between our organisations.

High risk vendors with a vulnerable workforce such as low-paid or high proportion of migrant workforce are given additional focus to ensure good practice is followed.

During 2019 we will consider a beyond audit approach for high risk vendors, collaborating with our ethical partners to work in the community on our behalf.



Independent auditing



In July 2018, Arco invited Hope for Justice, a charity specialising in Modern Slavery, to conduct a risk assessment at our National Distribution Centre in Hull.

The scope included our own operations and our Labour Agency provider. The experience was hugely positive and confirmed our operations to be low risk. Hope For Justice proposed several recommendations for improvement which are to be implemented during this financial year. The main risk to our business being the process to transfer an agency worker to permanent Arco employment.

Hope for Justice are a registered charity whose vision is 'to live in a world free from slavery.' They exist to bring an end to modern slavery by

- preventing exploitation
- restoring lives
- rescuing victims
- reforming society.



Intertek Group plc

Intertek Group plc is a multinational assurance, inspection, product testing and certification company. Arco commission Intertek to undertake independent assessments of some of the overseas factories that we use. They help us to ensure that our products meet quality and safety standards and ensure social accountability standards for the individual sites.

Training, Collaboration and Thought Leadership

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, one-to-one coaching and conferences hosted by our ethical and sustainability partners.

Arco are an active member of the Ethical Trade Initiative (ETI) Modern Slavery Working Group.

During 2019, further training is planned, with specific focus on responsible sourcing for our procurement and category teams and further modern slavery training for Arco colleagues.

Training provided for our vendors will continue throughout 2019 and we will continue to offer our vendors the chance to attend training sessions hosted by relevant providers.



Rick Guo delivering Health and Safety training to two of our factories in China

Thought leadership

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

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.



The Arco team accepts their award at the Northumbria Water Awards

Northumbria Water Group

The Northumbrian Water Supplier Recognition Programme aims to recognise and reward suppliers that are continuously driven to provide both an outstanding service and supply ethically procured goods. Arco was presented with two awards: Responsible Procurement Approach and Overall Supplier of the Year.



Newcastle University Award

Newcastle University

Arco were recognised at Newcastle University's Excellent Suppliers Awards 2018 for their contribution towards Ethical, Social and Environmental Responsibility.

Bright Future

Collaboration

The Co-Op Bright Future Programme

In April 2017 the Co-Op launched The Bright Future programme, which offered the opportunity of a paid work placement and a job in their food business to those who have been rescued from modern slavery. Bright Future is a new approach and is the first time a major UK business has offered work placements to survivors of modern slavery.

In July 2018, Arco were honoured to be invited to join the Co-op Bright Future programme. Working with the Co-op and several charities to offer the chance of legal paid work to those rescued from slavery is an initiative that we are proud to contribute.

Scottish Water Supplier Conference

Danny Hobson, Head of Ethics and Sustainability spoke at the Scottish Water Supplier Conference about Modern Slavery in supply chains to the utility sector.

Wilberforce World Freedom Summit

A highlight for Arco during 2017/18 was the opportunity to present at the Wilberforce World Freedom Summit. This gave Arco a platform to share our ethos and practical approach with experts, NGOs and government departments.

Thomas Martin presents at the Wilberforce World Freedom Summit



Effectiveness of our Policies and Processes



Arco Ethical Team follow up audit report

The Arco Main Board and Audit Committee receive 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 six measures relating to the International Labour Organization (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 and explanations submitted.

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 are considered, the removal of a vendor from the approved vendor list may be required. During 2018, unfortunately after several attempts at trying to resolve an issue, we were unsuccessful. Therefore, this action was deemed necessary for one vendor.

In December 2018, at the request of the Audit Committee, a second audit on the Arco National Distribution Centre will be conducted. The audit model replicates that conducted at our high-risk factory base and enables a direct comparison between the sites.

Continuous improvement is important and for transparency we have shared several of our targets for 2019 on page 10. The observations made by Hope for Justice have been incorporated into our action plans for 2019, along with extracts from our strategic plan.

Action Plans for 2019

Policies and Processes relating to modern slavery		Target
Enhance HR Policies to explicitly consider modern slavery		March 2019
Promote whistle blowing policy more widely across the organisation		March 2019
Improve procedure for transferring Agency worker to permanent staff to ensure full induction process is conducted		March 2019
Provide more detailed guidelines to staff on how to report modern slavery		March 2019
Training relating to modern slavery		
Extend modern slavery training to all agency workers on a regular basis		May 2019
Site supervisor and manager training to build on existing knowledge		May 2019
Refresher training for all employees		May 2019
Responsible Sourcing		
Procurement teams to receive training on ISO20400 delivered by Action Sustainability		February 2019
Modern slavery training continued to be rolled out to our top 300 goods not for resale vendors		December 2019
Completion of the roll out of self assessment questionnaires to our high-risk goods not for resale vendors		December 2019
Continue to report on goods for resale supply chain, ensuring KPIs remain in line with company strategy		December 2019
Implement new guidance document across all procurement teams to ensure whole life product costing is considered across the organisation		June 2019
Community and Collaboration		
Investment (funds and time) in a project in Asia, to educate and develop children and future workers in skills, laws and regulations		June 2019
Continue to drive thought leadership and awareness on Modern Slavery through talks to community groups, education bodies and Health and Safety Groups.		On-going