



DFS Furniture PLC

Modern Slavery and Human Trafficking Statement

Year Ending 30 June 2020

This statement is made in compliance with section 54 of the UK Modern Slavery Act 2015 (“the MSA”). It sets out the actions of DFS Furniture PLC to understand all potential modern slavery risks related to its business and to put in place steps that are aimed at ensuring that there is no slavery or human trafficking in its own business or its supply chains.

This statement relates to actions and activities during the financial year from 1 July 2019, ending 30 June 2020. For the purposes of this statement “DFS Group” refers to all companies constituting DFS Furniture PLC, including: DFS Trading Limited; Sofology Limited; and Coin Furniture Limited, trading as Dwell. Individual subsidiary companies within the DFS Group have their own processes and procedures for ensuring compliance with the legislation. DFS Group has an ongoing commitment to prevent human rights abuses, protect vulnerable and exploited workers, and disrupt exploitative practices. This statement can be found [here](#), at the bottom of the webpage.

COVID-19 IMPACT

Similarly to other retail businesses with suppliers throughout Asia and Europe, DFS Group was impacted by COVID-19 from the beginning of the pandemic. DFS Group also had to adapt its working practices in its operations to meet COVID-19 health and safety requirements and to protect its workforce.

Our usual approach is for members of the DFS Group Leadership team, the quality teams, and the buying and merchandising teams, to visit our suppliers throughout the year in order to carry out inspections of their facilities. However, this has been prevented due to the restrictions in place as a result of the pandemic.



Despite the temporary closure of suppliers' manufacturing sites, no permanent changes to the supplier base or workforce profile have been made. The most significant impact that the pandemic had on tackling modern slavery risk was the impact of travel restrictions, which prevented any audits or unannounced site visits. Site visits have been a cornerstone of the DFS Group's due diligence and risk assessment procedures and DFS Group has had to adapt to using desktop auditing during the pandemic. This has, however, had a positive impact on determining how to strengthen the current approach to an audit-led due diligence and risk assessment model in order to incorporate other measures to provide a continuous improvement programme.

The impact of COVID-19 also led to management taking increased time to ensure that business function was as close to normal as possible, thereby causing a delay in obtaining information to update this modern slavery statement.

To address the impact of COVID-19, DFS Group took the following steps:

- Re-drafted the Supplier Code of Practice to include COVID-19 considerations.
- Set up regular quality calls with suppliers to discuss measures to protect workers during the pandemic.
- Ensured that social distancing, testing and sick pay for those having to isolate was put in place at DFS manufacturing sites.
- Facilitated regular communication via the 'Workplace' platform to keep employees aware of any important safety information and to allow them to voice any concerns.
- Implemented an additional COVID-19 risk assessment and managers communicated 'Golden Rules' to employees to ensure their safety.
- An online course with [Ardea International](#) ("Ardea") took place during the pandemic. This facilitated discussion about protecting vulnerable workers during the pandemic.

GOVERNANCE

Modern slavery is a relevant consideration for the whole of the DFS Group. The DFS Board of Directors has overall responsibility for corporate governance, including any anti-slavery initiatives. We have a Governance Committee made up of members of our Group Leadership teams and chaired by our Chief Financial Officer. The Company Secretary reports to the Group Leadership Team and the DFS Group Board on modern slavery issues. The DFS Group Board has approved this statement.

The Group Leadership Team accepts responsibility for the implementation of any policy in relation to this matter and for ensuring the provision of adequate resources to ensure that we comply fully with our obligations.



Our approach to addressing modern slavery sits within our wider Environmental, Social and Governance (ESG) agenda and our commitment to independent ethical audits of our supply chain by December 2021 is a key target in our Phase 1 Group ESG Targets, as set out in our [Annual Report 2020](#).

OUR COMMITMENT TO TACKLING MODERN SLAVERY

The culture and ethos across the DFS Group is all about doing the right thing. We set clear standards for conduct, which we expect colleagues and suppliers to adhere to, including a zero-tolerance approach to bribery, corruption and infringement of human rights, including any form of slavery, servitude, forced labour or human trafficking, whether within our own business or within our wider supply chain, and whether in the UK or overseas. We maintain long-standing relationships with our suppliers, ensuring the high quality and rigorous safety standards of all the materials and components that we use.

We are committed to acting ethically and will continue to take steps to assess the risk of modern slavery taking place in our operations and supply chain. Furthermore, we expect our suppliers and business partners to comply with our Supplier Code of Practice and to take their own pro-active steps to ensure compliance with the MSA within their own businesses and supply chains. Suppliers of goods and services to the DFS Group must comply with all relevant legislation and international standards as relevant to their industry, including those relating to child labour, forced labour, health and safety of workers, non-discrimination, employment law, human rights, fraud, anti-bribery and corruption.

OUR BUSINESS

The DFS Group is the UK's leading retailer of upholstered furniture. We design, manufacture, sell, deliver and install an extensive range of upholstered and other furniture products for our customers under our DFS, Sofology and Dwell brands. Most of our upholstered products are handmade to order, a large proportion of which are manufactured in our three DFS upholstery factories and two wood mills here in the UK.

The business operates a network of upholstered furniture showrooms throughout the UK, the Republic of Ireland, Spain and the Netherlands, together with an online channel. These have been established and developed gradually over 50 years of operating history. DFS Group employs over 5000 people across our 3 retail brands in the UK, the Republic of Ireland, Spain and the Netherlands. Our people are employed in our showrooms, group support centre, and manufacturing and distribution sites.



According to the U.S. Department of Labour, the manufacturing sector as a whole is high risk in terms of the number of imported commodities linked to forced or child labour. This risk is heightened in the case of global supply chains, as we may have less visibility of suppliers beyond the first tier. Furthermore, as natural materials including cotton, leather and timber are commonly used in manufacture of DFS products, there is an enhanced risk. As an organisation, we recognise that there is a risk of modern slavery in any area of our business where there:

- Is migrant labour (country to country or within a country);
- Is a high presence of refugees;
- Are young workers and a risk of child labour;
- Are contract and agency workers.

It is with these points in mind that the DFS Group approaches risk identification and management in a targeted manner to ensure that risks are mitigated to the greatest extent possible. Further detail on the steps that we intend to take in this regard are set out in the next steps section below.

OUR SUPPLY CHAIN

The DFS Group has long term relationships with the majority of its suppliers of both finished goods and raw materials both in the UK and overseas. With regard to upholstered products, and aside from our own UK-based internal manufacturing operations, the vast majority of the DFS Group externally-sourced upholstered products come from our top five manufacturing partners in continental Europe and Asia. We have long-standing relationships with these well established suppliers.

DFS, Sofology and Dwell also sell an extended range of furniture, including bedroom furniture, dining room furniture and accessories which we source from a small number of trusted wholesalers. Raw materials for use in internal manufacturing of upholstered furniture, including foam, fabric and wood, are sourced directly from our suppliers.

Our distribution is primarily managed and operated in-house by The Sofa Delivery Company Limited, a DFS Group company. We directly employ delivery drivers, crew and warehouse operatives who work out of our own UK-based distribution centres and warehouses. Our shipping is outsourced to a small number of highly regarded multinational shipping companies.



Our goods that are not for resale are procured through our internal procurement team. This is governed by the DFS Procurement Policy which sets out high-level principles that must be adhered to for all goods and services not for resale, including integrating ethical evaluation criteria into the procurement processes.

OUR POLICIES IN RELATION TO SLAVERY AND HUMAN TRAFFICKING

The DFS Group takes seriously any allegations that human rights are not being respected within the business or the supply chain. We strive to act with integrity at all times and there are several internal policies and practices already in place that set out our approach to the identification of modern slavery risks and steps to be taken to prevent slavery and human trafficking in our operations:

- **[Anti-Slavery and Human Trafficking Policy](#) and procedure:** This reiterates our stance against all forms of modern slavery and outlines our procedures and processes which are designed to guard against the occurrence of modern slavery or human trafficking in our business operations and supply chains.
- **Modern Slavery Guidance for Managers:** In our work context, the most likely type of modern slavery would be forced labour. This guide helps managers to understand the signs which may indicate whether a person is a victim of modern slavery and how to respond if a potential victim is identified.
- **[Whistleblowing Policy](#) and procedure:** This encourages our employees to report any concerns relating to the direct activities or the supply chains of the DFS Group. This includes any circumstances that may give rise to a risk of slavery or human trafficking. Our independently-provided whistleblowing hotline provides an easy and confidential means for concerns and allegations to be raised. We investigate every whistleblowing case and seek to achieve resolution within the shortest possible timescales.
- **Employee Assistance Programme:** This provides an external and confidential telephone support service through which advice and information are imparted to employees on a wide range of topics.
- **[Supplier Code of Practice](#):** DFS Group insists on ethical standards from all of our suppliers. Suppliers are required to confirm that they provide safe working conditions where necessary, treat workers with dignity and respect, and act ethically and within the law in their use of labour.
- **[Group Code of Conduct](#):** This reflects our commitment to acting ethically and with integrity in all our business relationships, and implementing and enforcing effective systems and controls to ensure that slavery and human trafficking is not taking place anywhere in our supply chains.



- **Recruitment policy and procedure:** DFS Group operates a preferred supplier list and works only with recruitment agencies which share our commitment towards anti-slavery and the prevention of human trafficking.
- **Sustainability Strategy: Resourceful Responsible:** This outlines our ambitious approach to sustainability, embodying our commitment to helping to solve the UK's waste challenge and ensuring our business is fit for purpose over the critical years ahead.

DUE DILIGENCE PROCESSES AND RISK ASSESSMENT FOR SLAVERY AND HUMAN TRAFFICKING

We acknowledge that there is a risk of exposure to modern slavery in our supply chain. We have a number of external suppliers and wholesalers who supply DFS with both upholstered and non-upholstered furniture, raw materials and home accessories.

As part of our initiative to identify and mitigate risk, we have systems in place to:

- Identify and assess potential risk areas in our supply chains.
- Mitigate the risk of slavery and human trafficking occurring in our supply chains.
- Monitor potential risk areas in our supply chains.
- Protect whistleblowers.

We expect all of our employees, suppliers, customers, business partners, the general public and any relevant third party to raise any concerns or suspicions that they have about any of our procurement processes in complete confidence. Concerns can be reported confidentially to the Human Resources Department by phone, pursuant to the DFS Whistleblowing Policy.

As part of managing the risk of modern slavery, we have a supply chain compliance programme in place. We are also strengthening our approach to managing the risk of modern slavery by introducing further risk assessment and due diligence during 2021, as explained in our next steps below.

SUPPLIER ADHERENCE TO OUR VALUES AND ETHICS

To ensure that all those in our supply chain and all contractors adhere to our values, we have a supply chain compliance programme in place. As a principle, we have a zero tolerance approach to slavery and human trafficking, but we recognise that there are circumstances where it will be appropriate to support our suppliers to rectify any non-conformity with our Supplier Code of Practice. This consists of requiring suppliers to confirm in writing that they:

- Sign up to our Anti-Slavery and Human Trafficking Policy.



- Comply with our Supplier Code of Practice.
- Accept our standards and our right to audit their factories to ensure compliance.
- Review their own supply chains to ensure that they comply with the MSA.

In the previous reporting period, we ceased trading with a supplier that breached local employment law. This was identified through our audit of the factory. We worked with the supplier to resolve the matter and the supplier was not permitted to supply us with any products until the issue was rectified.

TRAINING AND RAISING AWARENESS

To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chains and our business, we provide training to our key staff in the form of an internal online training module. Our commitment to addressing any instances or risks of modern slavery is communicated to all suppliers and other business partners when entering into new or renewed contracts with them. Training has been prioritised in the areas of our business operations where the risk of modern slavery practices has been assessed to be the greatest.

Our training initiatives include:

- General training and raising awareness of modern slavery for line managers, team leaders and supervisors.
- We developed an e-learning module on modern slavery and deployed it to senior and middle managers across the DFS Group. The training provides guidance on spotting the signs of different types of modern slavery and how to report concerns. The training also includes an assessment that needs to be passed in order to successfully complete the training.
- During the year, we launched our Group Code of Conduct online training package for employees across the DFS Group which makes our approach to modern slavery clear.
- Additionally, several key employees undertook an in-depth accredited 6 week 'END Slavery' course that was provided by Ardea, a specialist sustainability, business and human rights consultancy with expertise in modern slavery. This equipped participants to identify modern slavery and to manage the risk within the supply chain. The training covered key topics such as modern slavery risk identification, due diligence and remediation.



DURING THE YEAR WE:

- Launched our online training on our Group Code of Conduct, raising awareness of modern slavery and encouraging all employees to report any concerns.
- Commissioned Ardea to evaluate our response to the requirement to address modern slavery risk, to identify any potential gaps in policies and procedures, and to ensure that the company is fulfilling the reporting requirements of the UK MSA.
- Commissioned Ardea to deliver a bespoke masterclass to senior leaders within the business in order to provide participants with the opportunity to understand more about modern slavery risk and how to do something about it within their own area of expertise.
- Continued to work with our Tier 1 suppliers and manufacturers to ensure compliance with our policies in relation to human rights.
- Rolled out our Supplier Code of Practice to all remaining suppliers.
- Developed our 3rd party audit programme.
- Implemented a full audit programme for our UK logistic contractors.
- Continued to monitor developments in best practice.
- A group-wide team has commenced work on reviewing the recommendations from the gap analysis report, several of which will be merged into the wider work currently being undertaken by the DFS Group as part of its ESG strategy.

MEASURING EFFECTIVENESS

- 6 (40%) of our supplier partners have completed Sedex Members Ethical Trade Audits (SMETA audits) during the reporting period.
- 9 (47%) of our supplier partners are booked in for SMETA audits in Q1 of 2021.
- The remaining 3 (13%) of our supplier partners will have SMETA audits booked by the end of 2021.
- As part of the audit process, 40% of supplier partners have been assessed for compliance to the Supplier Code of Practice. All suppliers assessed achieved a satisfactory score.

NEXT STEPS:

In the next 12 months we will:

- Continue to work with our Tier 1 suppliers and manufacturers to ensure compliance with our policies in relation to human rights.
- Organise a supplier ESG summit, hosted by Sofology, that will include discussions around modern slavery facilitated by Ardea.



- Develop initial Key Performance Indicators (KPIs) to introduce and measure effectiveness of measures to address modern slavery.
- Continue to assess our training requirements to ensure that they are ‘fit for purpose’ as required by the MSA and deliver training based on this assessment.
- Implement the proposed gaps highlighted in the Ardea gap analysis report to strengthen our policies and procedures.
- Strengthen due diligence processes by undertaking risk mapping and identifying modern slavery risk through procurement.
- Develop and strengthen our approach to remediation, including grievance procedures, internal remediation and whistleblowing.
- Review the Group Code of Conduct and update the Supplier Code of Practice to ensure compliance with international legislation and best practice standards.
- Ensure that any new on-boarding supplier completes a Supplier Code of Practice audit and has SMETA/SEDEX audits in place or booked before the DFS Group agrees to proceed with shop floor display orders.
- We have also launched two new projects to address specific risk areas: manufacturing suppliers and onsite audits. More detail on these is provided below.

Manufacturing Suppliers

We have identified our global manufacturing supplier base as an area of risk and are taking a number of steps to address this. The audit approach proposed has been designed by Ardea, following their gap analysis assessment of DFS Group in 2020 and has been somewhat determined by the travel restrictions in place during the pandemic. Working in partnership with Track Record Global (TRG) and Ardea, DFS Group will undertake a multi-tier desktop audit.

The tiered approach is as follows:

1	Assess inherent risk based on supplier location, performance, sector and other factors.
2	Gather specific mitigating evidence such as data, certificates, and 2nd and 3rd party documents.
3	Estimate the residual risk based on contributing factors of initial assessment and mitigating evidence.



The mitigating evidence requirements will vary based on the assessed level of inherent risk. For example, a supplier with mid-level inherent risk would be required to submit ISO audit documentation, government records and salary payments to demonstrate a fair wage. A supplier with high-level inherent risk would require third-party onsite audits and worker interviews as mitigating evidence.

The key elements of this approach are:

- Management of due diligence tailored to address modern slavery.
- Assessment of forced labour risk.
- The process and findings are to feed into mandatory reporting frameworks.
- Identification of corrective actions.
- Management of corrective actions.

The audit will be conducted in two-phases, grouped by category and value.

- Phase 1: Upholstery manufacturers across all brands.
- Phase 2: Suppliers of furniture, beds and accessory categories.

In 2020, DFS Furniture issued a new Supplier Code of Practice to their key manufacturing partners, incorporating specific criteria to address modern slavery requirements. The Supplier Code of Practice specified the requirement for a SEDEX/SMETA ethical trade audit. Designed to manage data on labour practices within a supply chain, the protocol reviews performance against: the right to work of migrant workers; management systems and implementation; sub-contracting; home working; and environmental issues. This evidence will support the desktop audit conducted by TRG.

The majority of suppliers have either completed or booked their audit in Q1 2021. Dwell and Sofology will now adopt the same approach.

Onsite Audits

For the duration of the pandemic, travel restrictions are inhibiting our ability to address perceived areas of risk through onsite visits. Within China, the DFS Group works with a Quality Auditor who will receive modern slavery training in order to provide some additional support in the country. During 2021, we will review how we can work with external audits across our supplier base to ensure that we can inspect our manufacturing sites wherever they are, in addition to carrying out desktop audits.



BOARD OF DIRECTORS APPROVAL

DFS Group companies will never knowingly enter into a business relationship with any organisation involved with slavery, servitude or human trafficking.

This statement has been approved by the Board of Directors of DFS Furniture PLC on the 26th of February 2021 and signed by the Group Chief Executive Officer of DFS.

Tim Stacey

Group CEO

Date: 26 February 2021