



DFS Furniture PLC

Modern Slavery and Human Trafficking Statement

Year Ending 26 June 2022

ABOUT THIS STATEMENT

This statement is made by the Board of Directors of DFS Furniture PLC on behalf of itself and its subsidiary companies (together “the DFS Group”) pursuant to Section 54, Part 6 of the Modern Slavery Act 2015 (“the Act”). It covers the activities and actions undertaken by the DFS Group during the financial year ending 26 June 2022, to ensure that slavery and human trafficking is not taking place in any of our supply chains or in any part of our business. The DFS Group includes DFS Furniture PLC and its subsidiary companies, being:

DFS Trading Limited
Sofology Limited
Coin Furniture Limited (trading as Dwell)
The Sofa Delivery Company Limited

Read the DFS Group’s Human Rights Policy, Anti-Slavery and Human Trafficking Policy, Supplier Code of Practice and Whistleblowing Policy at <https://www.dfscorporate.co.uk/governance/policies-statements>



INTRODUCTION

The DFS Group fully supports the elimination of all forms of modern slavery. Modern slavery is a term used in policy and law to describe forms of exploitation that constitute serious violations of human rights, including slavery, servitude, human trafficking and forced labour. This type of exploitation is contrary to our values and our commitment to respecting the rights of our workforce and all those employed in our supply chain.

We are committed to putting effective systems and controls in place to prevent human rights abuses, protect vulnerable and exploited workers, and safeguard against any form of modern slavery taking place anywhere in our business or our supply chain. The DFS Group's Board of Directors ("the Board"), our Responsible and Sustainable Business Committee and our Governance and Risk Committee oversee work throughout the Group and the actions we take to prevent any form of modern slavery.

GOVERNANCE

Modern slavery is a relevant consideration for the whole of the DFS Group. The DFS Group Leadership Team, which reports to the Board, 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 suppliers of goods and services not for resale is a key target in our Phase 2 Group ESG Targets as set out in our Annual Report 2022 (a copy of which can be found here: <https://www.dfscorporate.co.uk/investors/annual-report-2022>). The Board has delegated its authority for our ESG agenda to our Responsible and Sustainable Business Committee which is chaired by Alison Hutchinson C.B.E, our Senior Non-Independent Director.

During the year we commenced work on our Phase 2 Group ESG Targets, which saw the DFS Group audit its Top 250 suppliers of goods not for resale, identified as those suppliers working in areas where there is the greatest potential risk of modern slavery occurring this audit was completed in December 2022 and aims to show transparency in our supply chains.

OUR COMMITMENT

As a UK company with over 50 years' experience manufacturing and retailing furniture in the UK, our culture has been built on doing the right thing.



We are committed to acting ethically. We set expectations for how our businesses conduct their activities, including through compliance with our Group Code of Conduct, Human Rights Policy, Anti-Slavery and Human Trafficking Policy and Supplier Code of Practice. Each of our businesses are required to conduct their activities in conformance with these expectations and manage the risks of modern slavery, as well as ensuring our suppliers and business partners comply with our Supplier Code of Practice and take their own steps to comply with the requirements of the Act, within their own businesses and supply chains.

All suppliers of goods and services to the DFS Group must comply with all relevant legislation and international standards 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. This requirement is backed up by a legal right to terminate any contract with any third party who fails to comply with the law and our policies.

OUR BUSINESS

The DFS Group is the UK's leading retailer of living room and 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 and the Republic of Ireland, together with an online channel. The DFS Group employs over 5000 people across the UK and the Republic of Ireland. Our people are employed in our showrooms, our group support centre, our factories and our customer distribution centres.

The DFS Group both manufactures upholstered furniture in the UK and imports furniture directly from manufacturers based in Europe and the Far East. We acknowledge that the manufacturing sector as a whole is considered 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 the raw materials, timber, textiles, and leather are commonly used in manufacture of our 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);



dwell



- 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.

COVID-19 IMPACT

The COVID-19 pandemic has continued to impact our ability of our own teams to carry out in-person, onsite labour rights and modern slavery assessments or oversight as travel bans have been implemented and access to sites has been restricted for safety reasons. We were again unable to visit our suppliers' factories in China due to the travel restrictions in that country. In order to ensure that these sites were audited we worked with HQTS a global company who provide supply chain assurance focussed on quality control and ethical / social audits for their clients. HQTS audited each of the 3 manufacturing partners we work with based in China on our behalf. They carried out a full audit of each site confirming their compliance with our requirements. We also re-commenced onsite visits to our manufacturers in the UK and Europe. Each site was audited by our own teams to ensure standards were still being met. Towards the end of the year our team visited potential new partners in other parts of South-East Asia where they conducted on-site, ethical audits on each potential new supplier.

In relation to lower risk suppliers of goods not for resale, we continued to carry out desktop audits. This included reviewing suppliers own modern slavery statements as well as requiring them to self-certify compliance with the legislation. We will recommence onsite audits for those manufacturing partners we have not be able to visit as soon as the remaining travel restrictions are removed and it is considered safe to do so.

OUR SUPPLY CHAIN

The DFS Group has long term relationships with the majority of its suppliers of both finished products 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 highly regarded 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. 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.

Once a contract is awarded, oversight of labour rights and modern slavery risks may include risk assessment, ongoing monitoring activities, contractor performance management and, as necessary, working with our business partners to resolve any issues, should they arise.

OUR POLICIES IN RELATION TO MODERN 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. We have a range of policies and procedures 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:

- **Group Anti-Slavery and Human Trafficking Policy** : The policy approved by the Board 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.
- **Human Rights Policy**: The policy approved by the Responsible and Sustainable Business Committee, reiterates our support for the UN Guiding Principles on Business and Human Rights to recognise and manage the risk of harm associated with human rights violations. We developed our updated Human Rights Policy, published in February 2022, by assessing our human rights commitments against evolving expectations and industry good practice.
- The updated Human Rights Policy sets out the DFS Group's commitment to respect internationally recognised human rights. It clarifies and explicitly states our commitment to respecting the human rights of vulnerable groups and to the International Labour Organization's (the UN



agency responsible for labour standards, policies and programmes promoting decent work for all women and men) core labour standards concerning the right of our workers to join trade unions and supporting the elimination of child and forced labour

- **Group Employee 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. We provide online training on our Code of Conduct, which underpins and reinforces elements of our human rights commitments.
- **Modern Slavery Guidance for Managers:** In our work context, the most likely type of modern slavery would be forced labour. This guide and specific online and face to face training we provide our managers in high risk areas such as purchasing and The Sofa Delivery Company helps managers to understand the signs which may indicate whether a person is a victim of modern slavery and how to respond if an employee believes they have identified a potential victim of modern slavery.
- **Whistleblowing Policy :** The policy 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 Group-wide, independently provided whistleblowing hotline allows concerns and allegations to be raised anonymously by employees, contractors or by any of our suppliers and report will be kept confidential to the fullest extent possible, consistent with law and good business practices. We investigate every whistleblowing case and seek to achieve resolution within the shortest possible timescales.
- **Supplier Code of Practice:** This refers to our labour rights and modern slavery principles. 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.
- **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.
- **Contractual Terms:** Our standard contract templates require contractors and suppliers to comply with the Act and to act consistently with our Supplier code of Practice.

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 chains. We have a number of external suppliers and wholesalers who supply the DFS Group with both upholstered and non-upholstered furniture, raw materials, and home accessories. As part of managing the risk of modern slavery, we have a supply chain compliance programme in place. We are also continuing to strengthen our approach to managing the risk of modern slavery by introducing further risk assessments and due diligence during 2023, as explained below.



During the year in addition to our existing supplier due diligence and human rights assessment process, we continued to work with Ardea International (“Ardea”) (who provide the DFS Group with sector expertise in auditing high risk suppliers of goods not for resale) and Track Record Global (“TRG”) who worked alongside Ardea to support our manufacturing audits

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.

All of our employees, suppliers, customers, business partners and any relevant third party may raise any concerns or suspicions that they have about any of our procurement processes in complete confidence. Concerns can be reported confidentially to the Whistleblowing hotline, details of which can be found in the DFS Group Whistleblowing Policy.

SUPPLIER ADHERENCE TO OUR VALUES AND ETHICS

To ensure that all those in our supply chains 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 standard contract terms including our right to audit their factories to ensure compliance;
- Review their own supply chains to ensure that they comply with modern slavery legislation.



We maintain long-standing, trusted relationships with our suppliers, and we intend to bring our suppliers with us on our sustainability journey. Some 90% of DFS Group sales currently relate to upholstery products. We currently work with a total of 16 upholstery suppliers across the UK, Europe, and China. Our top five suppliers, with whom we have deep and long-standing relationships, supply 80% of our upholstered products.

Across every level of the business from the Group Leadership Team down we continue to engage with our suppliers as to help them to understand their obligations. We have continued to work with Colleen Theron, the CEO of Ardea, who is a lawyer who specialises in working with businesses and Non-Government Organisations, providing training programmes on modern slavery and sustainability issues, advises the Group on modern slavery. Colleen is a fellow at the Centre for the Study of Modern Slavery, at St Mary's University. More information can be found about Ardea here: <https://www.ardeainternational.com/>

During the year Colleen worked with the business to develop a bespoke training course for The Sofa Delivery Company's management team, to help individuals identify the signs of forced labour or modern slavery here in the UK when working with sub-contractors who provide additional delivery services for our customers during our peak periods.

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 employees 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;
- An e-learning module on modern slavery. During the year 979 employees undertook self-directed online awareness - raising training on labour rights and modern slavery risk management during the year. The training is open to any DFS Group employee, although it is primarily aimed at people who work in operational roles, and in management functions.



- The module covers: awareness of labour rights, modern slavery and labour practices associated with increased worker vulnerability; how modern slavery risk indicators may occur in our industry or supply chains; and how to identify warning signs. It also provides information on how employees can help identify and manage the risks of modern slavery and guidance on what action should be taken if an individual believes that our policies or procedures have been breached.
- Bespoke face to face training for The Sofa Delivery Company Leadership Team on the risks around modern slavery in the logistics industry.

THIS YEAR WE:

- Reviewed and updated the Group Code of Conduct and the Supplier Code of Practice to ensure compliance with international legislation and best practice standards.
- Continued to address the opportunities that were identified by Ardea's analysis of our policies and procedures. Including the development of face to face training on identifying individuals working in our logistic operations who could be victims of forced labour.
- Refreshed our online mandatory training for all employees on our Group Code of Conduct, raising awareness of modern slavery and encouraging all employees to report any concerns.
- Continued to roll out our new on boarding supplier process ensuring all suppliers complete a Supplier Code of Practice audit and have SMETA/SEDEX audits in place or booked before the DFS Group agrees to proceed with orders.
- Continued to work with Ardea and TRG to audit all of our suppliers and manufacturers of goods for resale and our Top 250 suppliers of goods not for resale by value and risk, to ensure compliance with our policies in relation to human rights. TRG's expert team have helped the DFS Group to understand and mitigate the risks of modern slavery in our global supply chain. Any supplier who is not compliant has been given a 3-6-month window to comply with the corrective action plan. Corrective actions relate to suppliers not having the correct policies and procedures in place in relation to their workforce. There were no cases of modern slavery identified in any of our suppliers.
- Continued to monitor developments in best practice.

LOOKING FORWARD

We expect our approach to managing the risk of modern slavery to continue to evolve as we learn from our risk reviews, refine our practices, and continue to build capability in the DFS Group. We know that there is more work to do; where we encounter challenges we will do our best to resolve them, working collaboratively with others.



Over the coming year we intend to:

- Continue to map our supply chain suppliers to ensure all tiers within supply chains have robust policies and processes to combat modern slavery. Work with all our suppliers and manufacturers to ensure compliance with our policies in relation to human rights.
- Further develop our audit approach to ensure that we identify and understand human rights risks in key geographic sourcing regions.
- Continue to assess our training requirements to ensure that they are 'fit for purpose' as required by the Act and deliver training based on this assessment.
- Create a team of Modern Day Slavery Champions who will have in depth knowledge of the risks posed by modern slavery and forced labour. These champions will provide support to every area of our business.
- Continue to collaborate with our partners to review our assurance compliance programme and ensure continuous improvement.

BOARD OF DIRECTORS' APPROVAL

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

Tim Stacey

Group CEO

DFS Furniture PLC

Date: 19 January 2023

This statement has been approved by the board of directors of DFS Furniture PLC and of each of its relevant subsidiaries, in compliance with the Modern Slavery Act 2015. It was approved by the board on 19 of January 2023 and signed by the Group Chief Executive Officer of DFS. Our Modern Slavery Statement will be published on the UK Government's online modern slavery statement registry and will be available on all DFS Group websites. A hard copy is also available from the Company Secretary.