



Dunelm Group plc

Slavery and Human Trafficking Statement for the Financial Year to 1 July 2017

ANY USE OF SLAVE OR TRAFFICKED LABOUR IS ABSOLUTELY ABHORRENT TO DUNELM. WE TAKE THE ISSUE VERY SERIOUSLY, AND WE ARE FULLY SUPPORTIVE OF ANY MEASURES TO ERADICATE THIS CRIMINAL ACTIVITY.

This statement is made pursuant to Section 54, Part 6 of the Modern Slavery Act 2015 and sets out the steps that Dunelm Group plc (the "Company") has taken to ensure that slavery and human trafficking is not taking place in our supply chain or in any part of our business.

Governance

Modern day slavery is a consideration for the whole of Dunelm's business: the premises from which we operate, the supply chain for the products which we sell and which we use, and the services which we outsource.

For this reason, our approach to modern day slavery is managed by a working party consisting of the Company Secretary, the Product Director, a People Business Partner and the Technology Manager, with valuable input from departments around the business.

The Company Secretary reports to the Executive Board and the Dunelm Group Board on modern day slavery issues.

The Dunelm Group Board has approved this statement and formally reviews policy and performance on ethical trading and modern slavery annually.

Company Structure

Dunelm is a homewares retailer based in Leicester, UK. We have more than 160 stores, the majority with a Pausa coffee shop facility. To support our business, we also have:

- A Store Support Centre (head office) in Leicester and a London satellite office
- Two warehouses in Stoke and distribution centres in Dartford, Bristol, Barnsley and Northampton
- A curtain and blind manufacturing centre in Leicester
- A customer service centre in Radcliffe, Manchester.

All of our operations are situated in the UK, plus we have one store in Jersey.

In November 2016, we acquired three new businesses, Worldstores, Kiddicare and Achica. In the UK, this includes an office in London, four distribution centres, and a "two man" home delivery operation (Dunelm Home Delivery Network).

Supply Chain Overview

Except for our made to measure curtains and blinds we do not manufacture any of our own products. We source the majority of the products which we sell from UK suppliers, although most of them are manufactured in the Far East. Food products in our coffee shop are manufactured in the UK but sourced worldwide. We outsource some of our support services, including delivery of stock to stores, deliveries to customers, and some service activities such as IT services, store refits, maintenance and cleaning.

What have we done so far?

We have assessed the risk of modern day slavery across our own operations and our supply chain for products and services. We updated our risk assessment following our acquisition of Worldstores, Kiddicare and Achica in November 2016.

During the risk assessment process, it has been assumed that modern day slavery is more likely if: the role is low skilled; communication isn't essential; less interaction with other groups is needed; positions are needed on a temporary/flexible basis.

Following the risk assessment our Executive Board approved an action plan in January 2016 and we have taken the actions described below.

Policy and raising awareness

We have adopted a specific policy on modern day slavery, which is attached. This policy supplements our Ethical Code of Conduct, which has been in place for some years, and is based on the Ethical Trading Initiative ('ETI') base code, but with a strengthened section on modern slavery.

We have developed an on-line training module which has been rolled out to our Senior Management Team and also to our management teams in store and at our other locations.

We asked Stronger2gether to provide a half day training session to management colleagues at our distribution centres and those of our distribution partners operating from that site.

Posters containing contact phone numbers have been designed and distributed to all of our stores and operating sites.

We have directed any colleague or worker who suspects that modern slavery is occurring to contact our whistleblowing helpline, and have implemented a process to follow on receipt of call of this nature.

Within Dunelm's own operations

Our risk assessment highlighted that Dunelm's biggest internal risk is the use of agency workers at our own premises, as we do not have direct control over the recruitment process. As a result we took the decision to eliminate the use of agency workers from our customer service centre and manufacturing centre, and to limit usage at our warehouse and distribution centres as far as possible.

At our warehouses in Stoke we carried out an audit of our own colleagues and use of agency workers. In addition we asked Stronger2gether to provide a half day training session to our management colleagues and those of our distribution partners to raise awareness. Our interview process now also includes some additional questions to ensure no-one has paid for a job. We have extended our employment terms and conditions and recruitment processes to the vast majority of our colleagues who worked for the businesses which we acquired in November 2016.

Outsourced service providers

We outsource the following activities in the UK:

- Delivery of stock to stores
- Delivery of products to customers (one man)
- Agency labour in our warehouses, distribution centres and drivers on the Dunelm Home Delivery Network
- Refit and maintenance
- Cleaning
- Security.

We consider all of these to be medium risk because they all operate within the UK and the majority of our partners are large and reputable companies.

We have asked all of our partners to commit to comply with our Ethical Code of Conduct.

We also involved partners operating at or from our Stoke distribution centres in our Stronger2gether training session and have provided details of the Stronger2gether.org website, which has useful toolkits and training courses to help businesses to understand and act on human trafficking and modern day slavery risks. We also checked that the companies providing security and cleaning services are paying at least the national minimum / living wage to their workers.

Stock supply chain

Dunelm has three core routes with complex supply chains, namely:

- Stock products, which are sold in our stores and online
- Pausa food and drink, sold in our coffee shops
- Non-stock products, to be used by the Company.

The risk assessment for each route considered the product, the materials and the country of origin. The largest non-UK factory base is for stock products. We assess all stock products sold under our own brands as "high risk" because the majority of them are manufactured in the Far East; in total we source from 1600 factories situated in 38 countries.

- ▷ Stock products supplied by a third party brand owner are generally assessed as "medium risk", because the brand owners conduct their own checks.
- ▷ We assess suppliers of food and drink products as generally "medium risk" because we source them from a small number of large UK or EU based suppliers who operate controls and checks down the supply chain.
- ▷ We assess non stock products as generally "low" or "medium risk".

What do we do?

Stock products

Effective management of human rights throughout our supply chain is built into our stock product procurement procedures. We have an in-house technology team with extensive experience of working with factories to assess and improve adherence to quality and ethical standards. Monitoring and working to improve human rights issues forms part of the factory management role carried out by our Far East sourcing partners on our behalf.

All suppliers and manufacturers with whom we trade directly and who supply us with products sold under our brands (including Dunelm, Dorma, Fogarty, Worldstores, Kiddicare and Achica) are required to sign up to our Ethical Code of Conduct. No new factory source is taken on without a satisfactory ethical audit being in place, and audits are repeated at least every two years.

Where non-compliance is discovered we have a formal procedure for working with a supplier to help them achieve compliance, within a reasonable timeframe. Critical non-conformances such as use of child labour, slavery / working against choice or absence of valid Building or Fire Certificate are escalated immediately, and supplies cease until the issue has been resolved. Ultimately if progress is inadequate we will cease to trade with the supplier.

We delivered specific presentations to highlight the risk of modern slavery to our stock product suppliers during the year as follows:

- Supplier Seminar in UK, February 2016 and September 2017
- Supplier Seminar in China, India, Bangladesh, May 2016.

Suppliers of branded products are required to sign our Ethical Code of Conduct (or provide evidence of an equivalent commitment).

Suppliers of food and drink products and non-stocked product

We have asked all of our suppliers of food and drink and non-stocked products with whom we spend £50,000 or more per annum to sign our Ethical Code of Conduct (or provide evidence of an equivalent commitment).

Effectiveness of Policies

We believe that we have clear policies and audit procedures in place that are in line with best practice and support our values and business principles, and our commitment to do what we can to eradicate slavery in our supply chain. However despite everyone's best efforts - retailers, suppliers, specialist auditors, the police, government, NGOs and others - determined and organised criminal activity can be very hard to detect, even in the UK, as illustrated by our experience in 2014.

We were made aware of allegations of people trafficking in the supply chain of one of our UK suppliers in May 2014 and immediately commissioned an independent SMETA audit by Intertek which did not uncover any evidence of this. This was followed up by our own visit to the factory in June 2014. Although we did not find any evidence of slavery or forced labour we decided to cease sourcing products from this supplier as we felt that their management did not demonstrate the commercial standards that we expect from our suppliers. Subsequently the supplier's directors were convicted of criminal slavery and human trafficking offences. In response to this we tightened our audit regime so that all suppliers are audited by an external recognised expert firm before they can start supplying to us. We have strengthened the modern slavery sections of our Ethical Code of Conduct and are widening our audit to cover business practices (see "what is next" below). We also have programmes in place to raise awareness of the issue throughout the business and our supplier base. We have not become aware of any incidents of modern slavery in our supply chain since 2014.

Achievements in the year to 1 July 2017

- Required all manufacturers of Dunelm, Dorma and Fogarty stocked product to be subject to a SMETA audit; this covers the traditional topics of labour standards and health and safety, with additional questions on environmental standards and business practices. This is to gain a more realistic view of the manufacturer and learn more about the ethical stance of the company.
- Introduced a factory profile questionnaire to be completed by potential new factories to learn more about their technical and ethical position before placing business with them.
- Assessed modern slavery risk in the Worldstores, Kiddicare and Achica businesses which we acquired in November 2017, and required all stock suppliers to sign our terms and conditions and Ethical Code of Conduct (or provide equivalent assurance)
- Began a supply chain mapping trial with a third party.

What's next?

In the next financial year we plan to:

- Complete the roll out of our audit requirements to suppliers of Worldstores, Kiddicare and Achica branded products - this includes specifying that any third party audits must be conducted by third parties whose practices meet our required standards.
- Review recruitment processes for all recruitment / employment agencies used across our business.
- Become a member of the Fast Forward project team, and use the Fast Forward audits (which have a greater focus on modern slavery) going forward for suppliers manufacturing in the UK.
- Start mapping our supply chain beyond tier 1 suppliers.
- Adapt our sourcing strategy to consider human rights by country / material.
- Focus on high risk sources: for example new focused audit of suppliers based in Turkey where there is a heightened risk of exploitation of Syrian refugees.
- Continue to monitor developments in best practice.



Will Adderley

Deputy Chairman

Approved by the Board of Dunelm Group plc
on 10 October 2017