Shop Direct
modern slavery statement
July 2018 – June 2019
Introduction

At Shop Direct, we are determined to behave in a responsible manner, adhering to strong ethical and environmental standards. We continually invest in developing our ethical programmes to keep CSR at the heart of our business and we are committed to trading ethically, sourcing responsibly and working to find and tackle modern slavery and human trafficking throughout our organisation and in our supply chain.

Modern slavery takes many different forms: slavery, servitude, forced and compulsory labour, and human trafficking. It an incredibly complex issue. We accept our responsibility to drive transparency; to find and resolve problems; to regularly review our business practices; and to collaborate with others to protect the rights of workers, particularly those who are most vulnerable to exploitation such as modern slavery.

This statement summarises our relevant policies, processes and due diligence, highlights the key activities we have undertaken during the year and outlines our commitments moving forward.

This is Shop Direct’s fourth statement under the Modern Slavery Act 2015 Section 54 and constitutes our modern slavery statement for the 2018/2019 financial year.

Henry Birch
Group CEO
Shop Direct, the UK’s largest integrated pureplay digital retailer and financial services provider, is made up of Very.co.uk, Littlewoods.com and LittlewoodsIreland.ie.

We exist to make good things easily accessible to more people. With a multi-category range of famous brands, market-leading technology and data capabilities and unique financial services products offering flexible ways to pay, we’re well placed to deliver on that promise.

Headquartered in Liverpool, we also have an office in London and warehouses and call centres across the North West.
Key activities 2018/19

**SUPPLY CHAIN TRANSPARENCY**
- Tier 1* factory list updated biannually and published on our corporate website
- 700 audits carried out across 28 sourcing countries
- 100% of all Tier 1 factories manufacturing own brand product audited
- Tier 2** factories mapped in three key sourcing countries

**COLLABORATION**
- Active member of the Ethical Trading Initiative Malaysia working group supporting migrant workers
- Continued to support the retailer protocol for handling reported cases of modern slavery and the Apparel and General Merchandise Public/Private Protocol to tackle labour exploitation in the UK supply chain

**TRAINING AND AWARENESS**
- 200 factories trained on code of conduct, best practice and modern slavery
- Southern India spinning mill project raising awareness to workers, recruitment agents and mills on responsible recruitment practices
- Continued to publicise and promote modern slavery helpline across UK sites

**REMEDATION AND MITIGATION**
- CSR toolkits made available to suppliers through dedicated supplier website
- Incident management reports from third party audit partners

* Tier 1 refers to any factory delivering finished product to Shop Direct
** Tier 2 refers to any subcontractor or processor used in the production of a finished good
Governance and policies

Policies and contractual controls:
At Shop Direct, we have clear policies and processes in place to support our commitment to conducting business responsibly. These policies are reviewed and updated regularly as we learn from our experiences and industry best practice. They are designed to ensure that people are treated with dignity and respect in all areas of our business and supply chain, and are based on the principles laid out in the International Labour Organisation’s Declaration on Fundamental Principles and Rights at Work.

- **Shop Direct Modern Slavery and Human Rights Policy** outlines our company-wide stance on modern slavery and human rights. The policy is owned by the company’s people team and is publicly available on our website.

- **Shop Direct Bribery and Corruption Policy** establishes our position on preventing and prohibiting bribery, in accordance with the Bribery Act. The policy applies to all individuals working for Shop Direct, including senior managers, directors, employees, consultants, contractors, or any other person associated with the business.

- **Supplier Ethical Code of Conduct** is based on the International Labour Organisation’s core standards as well as the Ethical Trading Initiative Base Code. The document reflects best practice industry standards being applied globally by responsible retailers. All merchandise suppliers must sign this document prior to doing business with us.

- **Child Labour Remediation and Young Worker Policy** sets out the steps suppliers need to take to protect young workers and to make sure no children are involved in the manufacture of any of our products. If we discover child labour in our supply chain, the policy sets out our remediation process.

- **Migrant and Contract Worker Policy** sets out the steps suppliers and factories need to take to responsibly recruit migrant labour and ensure they receive the same rights and benefits as local workers. This policy also underlines the importance of the employer pays principle.

- **Syrian Refugee Remediation Policy** is designed to provide support and guidance to suppliers and factories in the event of hiring Syrian workers within our Turkish supply chain.

Governance:
In May, the business took the decision to move the CSR team to sit within our operations department, in order to develop a more holistic and strategised approach covering our entire business. The team now reports directly into an executive board director who takes responsibility for ensuring the strategy is delivered and we uphold our commitments to protecting and respecting human rights.
# People, operations and brands

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<tr>
<th>Area</th>
<th>Steps taken: July 18-June 19</th>
<th>Actions 19-20</th>
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</table>
| **People** | • Code of conduct and modern slavery training delivered in six offshore Shop Direct sourcing offices  
• Carried out due diligence of UK operations to understand areas of highest risk of modern slavery  
• Started developing mandatory e-learning training for all Shop Direct employees               | • Deliver mandatory training for all Shop Direct employees  
• Specialist training for new warehouse facilities on spotting signs of modern slavery       |
| **Logistics** | • Reviewed modern slavery statements of four key logistics partners to understand alignment to Shop Direct’s modern slavery principles | • Deliver workshops to support logistics partners in recognising and tackling modern slavery risks within their operations
• Conduct audits on recruitment policies and processes and implement remediation on any potential risks |
| **Brands**  | • Reviewed modern slavery statements of top 20 branded suppliers to understand alignment to Shop Direct’s modern slavery principles  
• Cross-referenced branded supplier codes of conduct against Shop Direct code of conduct to ensure alignment | • Brand gap analysis to categorise suppliers based on a human rights risk matrix  
• Develop self assessment questionnaire  
• Host workshop with branded suppliers to look at opportunities for collaboration  
• Develop a toolkit for third party brands to assist them in combating modern slavery risk |
At Shop Direct, we have a broad and varied supply chain, sourcing both own brand clothing and footwear and home and living products from over 700 factories in 28 countries worldwide. This includes key regions such as China, India, Bangladesh, Malaysia, Poland and Turkey. We are aware that our supply chain is complex and constantly evolving, so we work in collaboration with our suppliers to ensure visibility of factory sites.

In order to maintain transparency, we continue to publish a full list of our manufacturing sites and are working to include factories and processing plants in the lower tiers.

**Click here** to view our latest list

**Supplier and factory data:**
- 28 source countries
- 252 suppliers
- 616 Tier 1 factories
- 224,759 workers
Responsible sourcing approach

SHOP DIRECT’S RESPONSIBLE SOURCING APPROACH

**ETHICAL STANDARDS & POLICIES**
Code of conduct and specialist guidance documents based on industry best practice

**SUPPLIER & FACTORY DUE DILIGENCE**
Understanding, identifying and mitigating salient human rights risks in supply chain

**TRAINING & CAPACITY BUILDING**
Delivering additional capability with suppliers, factories and workers to support mitigation of human rights risks

**COLLABORATION**
Work with partners and like-minded businesses to increase leverage and tackle endemic supply chain issues

**ENABALING ENVIRONMENT**
Improving social dialogue within factories to support the prevention of modern slavery

**DELIVERED THROUGH**
- Robust supplier on-boarding process
- Third party audits
- In-country factory monitoring visits
- Organised workshops
- Targeted projects and training programmes
- Memberships of relevant organisations
- Engagement in industry-wide initiatives
- Worker training programmes
- Developing worker voice aids in factories
Due diligence

In order to effectively find and tackle issues of modern slavery and human trafficking within our supply chain, we recognise the need to take a holistic approach and work with our suppliers, factories and peers to tackle the root causes in order to achieve lasting change. Our due diligence approach encompasses several stages:

**Desk-based country assessments and supplier self-assessments** – carried out via the use of internal expertise and databases, Ethical Trading Initiatives (ETI) updates, trade union risk maps and NGO country reports. All suppliers are required to complete a self-assessment questionnaire related to their policies and processes around human rights.

**Third party factory audits** – we understand that audits only provide us with a snapshot in time at our manufacturing sites, however they remain a crucial part of our due diligence programme. Our audits are carried out by three third party audit companies against local law, our code of conduct and the ETI base code. These audits allow us to identify risks and enable our in-country teams to work with factories on improvement actions.

**In-country team visits** – our in-country experts carry out regular visits to our factories to offer advice and support on improving issues and implementing best practice.

**Training and capacity building** – where we recognise salient human rights risks or identify problems relating to specific issues within our supply chain, we work with partners to develop and deliver training to both factories and workers to mitigate and remediate these risks.

From our due diligence, we know that the following individuals are most at risk of modern slavery:

- Migrant workers
- Minority groups
- Homeworkers
- Contract, agency, and temporary workers
- Young workers

There is also an increased risk of modern slavery where the below conditions exist:

- Recruitment fees and labour agents
- Cash-in-hand payments
- No union presence
- No access to grievance mechanisms
- Accommodation tied to employment
- Poor working conditions
- Irregular work

Certain countries within our operations may have one or more of these risks and this leads us to more closely monitor these areas. Below we explain the actions we take in partnership with others to tackle these issues.
## Risk and actions

<table>
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<tr>
<th>Issue area</th>
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| **Recruitment practices of young women into Southern Indian textile mills** | • Ran community intervention sessions to increase awareness of employment rights to potential employees and their families  
• Set up village redressal committees to support workers and their families  
• Delivered confidence building and leadership training to young women to support their personal development  
• Best practice recruitment policies created and signed with 15 local agents  
• Training delivered on setting up and running appropriate grievance redressal mechanisms within mills  
• Life skill and critical thinking training delivered to workers at the mills | • Set up community centres to further support workers and their families by offering pre-departure training and legal advice  
• Training for mid-management and supervisors on behavioural skills and grievance redressal  
• Launch TIMBY app for addressing workers' grievances in the mills |
| **Migrant worker recruitment fee debts in Malaysia** | • Led the formation of the ETI Malaysia working group to partner with others tackling the broader issues of migrant recruitment in Malaysia  
• Worked with our factories to map their recruitment agents both in Malaysia and the workers' home countries, and understand the agreements currently in place and changes required going forward  
• Joined responsible recruitment forums and worked with extended networks to raise the profile of migrant worker challenges in Malaysia  
• Connected with 50eight to develop a pre and post-departure app for migrant workers looking to travel to Malaysia | • Test and pilot the 50eight app with one of our key partners in Malaysia, looking at the Nepal to Malaysia corridor  
• Support in the development of the app into other key migrant labour markets, such as Bangladesh  
• Continue to work with our factories to understand their workers' recruitment journeys and ensure that agreements include provisions around the employer pays principle |
### Risk and actions

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| Employment issues relating to refugees in Turkey | • Held a supplier conference to share best practice when it comes to hiring refugees in Turkey  
• Partnered with United Work to support Syrian workers through the process of applying for work permits  
• Worked with our factories to legitimately and inclusively integrate Syrian workers into their workforces – 33 Syrians now have permits and full-time employment  
• Facilitated a partnership between our factories and MUDEM, allowing both Syrian and local workers to access the worker support centre, a free online platform dedicated to improving the working conditions of Syrian garment industry workers  
• Collaborated with other brands to ensure effective remediation | • Roll out refresher training to factories on the responsible recruitment of refugees  
• Continue our partnership with United Work to ensure refugee workers are supported in accessing work permits  
• Further collaborate with MUDEM on the integration of refugees into our Turkish supply chain |
| Lack of effective worker voice for females in Bangladesh | • Worked in partnership with two of our key suppliers in Bangladesh and Impactt, a renowned ethical trade consultancy, to develop a programme aimed at building worker confidence and improved worker voice channels  
• Delivered three modules of worker training through a ‘train the trainer’ methodology, with topics including health and wellbeing, financial literacy and communication and leadership  
• Training rolled out to 2,200 workers across the two factories  
• Developed and delivered supervisor training on communication and leadership skills to enable better worker/manager dialogue | • Develop additional training for welfare officers around counselling skills and developing gender neutral workplaces to further support enhanced worker voice  
• Work with factories to improve internal committees and grievance mechanisms  
• Explore opportunities to improve workers’ access to information and support through the use of technology |
Case studies

Malaysia migrant workers

The Malaysian manufacturing sector is heavily biased towards migrant workers, with recent estimates suggesting that there are up to five million migrant workers in Malaysia (around 15% of the population). Migrant workers are a vulnerable group, often exposed to poor living and working conditions, facing discrimination and social exclusion, and lacking the power to negotiate. In Shop Direct’s Malaysian supply chain, migrant workers account for nearly 70% of the workforce.

Migrant workers in Malaysia regularly pay fees to unregistered and misleading recruitment agencies prior to gaining employment, leaving workers trapped in debt bondage. Alongside this, migrant workers are often not made aware of their rights or terms of employment. Through our third party audit programme, we identified these risks in our own supply chain and so conducted visits to supplier sites in Malaysia where we uncovered several key risks, specifically related to the recruitment and employment of migrant workers.

Since uncovering these issues, we have worked with suppliers on improving daily conditions for the workers, including ensuring improved health and safety and dormitory conditions, as well as translating contracts and pay slips into the workers’ local language. Last year, we hosted a responsible partnerships conference with all suppliers where we stressed the importance of the ‘Employer Pays’ principle – a commitment that ensures no worker pays for a job and all costs are borne by the employer.

There have been many political changes in Malaysia over the last 12 months, which have led to the main recruitment corridors from Nepal and Bangladesh being closed whilst new migration agreements are put in place. This has slowed our work in this area but has led us to move our focus to ensuring workers who migrate to Malaysia have the best possible information prior to making the decisions. Over the past six months, we have worked on the development of a pre and post-departure worker training app, which will allow workers to fully understand their recruitment journey. This will be piloted with one key supplier prior to being rolled out more widely.

We recognise the complexity of the issue and the value of collaboration in driving sustainable change so, alongside the work we are carrying out directly, we have joined the ETI Malaysia working group and are also working with businesses from other sectors on this issue.

Southern India mill recruitment

Over the past few years, there has been research and several reports highlighting severe labour rights violations around the practice of employing young women workers in Tamil Nadu spinning mills. These concerns are mainly focussed around labour violations, employment practices and working conditions in mills. At Shop Direct, we have a small supply chain in South India, however we recognised this as a salient human rights risk and understood the importance of trying to address these concerns.

With this in mind, we started a collaborative project with Next, Varner and local NGO SAVE. The project model agreed took a three-pronged approach, whereby the focus was on generating awareness and building mechanisms that bring positive change within the community, agents and mills.

At the community level, the aim was to increase awareness and build confidence within the family and broader society. At the agent level, we looked at ensuring fair recruitment practices, setting up agent coordination committees and having a preferred pool of ethical recruiting agents. At the mill level, we worked to ensure better worker management relationships, providing required trainings on behavioural and life skills, enhancing peer interaction, and raising awareness to resolve workers’ grievances.

Since the launch of the project, we have reached over 8,500 people in the communities through training and awareness, have agreed best practice recruitment guidelines with 15 local agents and have conducted grievance redressal and life skills training with 1,000 workers. These steps have ensured that workers and their families have better knowledge of labour rights, that agents understand the need for responsible recruitment, and that mills have improved relationships with both the agents and workers.

Going forward, we will continue to evolve this project with a view to setting up community centres in the villages to support worker pre-departure training. We will also launch an app allowing workers and their families to raise grievances and seek remedies.
Collaborations

ETHICAL TRADING INITIATIVE (ETI)

For more than 20 years, ETI and members have been a driving force in ethical trade. As a proactive member of the initiative, we have worked collaboratively on many projects since joining. Shop Direct actively participates in projects in the UK, Malaysia, India and Turkey to support workers in our global supply chain. Our membership of the ETI enables us to:

- Form alliances for joint action in our key sourcing countries
- Raise awareness and advocacy with governments and international labour agencies to influence policy and legislation
- Have the right to use to practical information and toolkits
- Gain leverage on issues where we would struggle to make a positive impact or change on our own

UN GLOBAL COMPACT (UNGC)

The UNGC is designed to help businesses drive change by understanding pressing social sustainability trends and putting human rights at the core of business practices.

As participants of the Compact, we understand our commitments to human rights, which include the future of work, climate justice, effective remedy and grievance mechanisms, migrant rights, gender equality, due diligence and tackling working poverty. We are also a member of the Global Compact Advisory Group, giving us the ability to shape strategy.

BRITISH RETAIL CONSORTIUM (BRC)

The BRC works with members to drive positive change and use their expertise and influence to create an economic and policy environment that enables retail businesses to thrive and consumers to benefit.

The early warning of change and ongoing updates from the BRC mean that we are able to effectively plan our response.

FAST FORWARD

Shop Direct joined the Fast Forward initiative in 2016 to ensure factories producing Very.co.uk-branded product in the UK are fully compliant with UK legal requirements and working towards achieving ethical and social compliance. The initiative is a collaborative approach, with high street and online retailers working together to address UK specific issues, such as non-payment of legal minimum wages, exploitative recruitment practices and illegal business operations. Fast Forward audits can detect indicators of modern slavery, however we have not found any instances of modern slavery through our audits so far.

MUDEM

The objective of MUDEM, which is a non-profit association, is to support refugees to access their basic rights and social rights by providing legal advice. Alongside this, MUDEM works to distribute aid for the urgent needs of refugees and asylum seekers and to strengthen communication between community organisations and public institutions on the issue of refugees.
Collaborations

PUBLIC PRIVATE PROTOCOL (PPP)
The Apparel and General Merchandise Public and Private Protocol commits signatories to work together to eradicate slavery and exploitation in UK textile supply chains. Shop Direct has pledged to raise awareness to prevent worker exploitation, protect vulnerable and exploited workers and disrupt exploitative practices by helping to bring criminals to justice.

BANGLADESH ACCORD
The Accord is an independent, legally binding agreement between brands and trade unions to work towards a safe and healthy garment and textile industry in Bangladesh. The Accord covers factories producing ready-made garments and, at the option of signatory companies, home textiles and fabric and knit accessories. Shop Direct produces from 13 factories in Bangladesh and has a permanent member of the CSR team in-country to ensure engaged factories are maintaining the compliance levels set out by the Accord. Shop Direct is committed to the work of the Accord and attends steering group meetings.

SEDEX
SEDEX works to improve working conditions in global supply chains by providing practical tools, services and a community network to help companies improve their responsible sourcing practices. Shop Direct has been an A (buyer) member of Sedex for the past five years. Sedex allows us to share audit reports with other retailers and supports in reducing audit fatigue at our factories.

IMPACTT
Impactt specialises in improving labour conditions and raising productivity in global supply chains in a way that benefits brands, sites and workers alike. They ‘bridge the gap’ between diverse stakeholders to develop robust, long-term, holistic solutions.

Shop Direct partnered with Impactt on two projects during the year – one in China looking at improving HR processes and social dialogue, and the other in Bangladesh focussing on HR, productivity and worker capacity building.

SOCIAL AWARENESS AND VOLUNTARY EDUCATION (SAVE)
Social Awareness and Voluntary Education (SAVE) is a non-profit societal reconstruction organisation. Founded by Mr. A. Aloysius in 1993, SAVE carries out developmental programmes towards uplift of socio-economically poor and marginalised communities. The organisation continues to work for the elimination of child labour, empowerment of women and youth, promotion of fair labour standards, and comprehensive development of both rural and urban poor community.

UNITED WORK
United Work functions as a non-profit organisation, offering complimentary search and selection services based on job descriptions that companies provide, organising interviews along with pre-job trainings focusing on enhancing soft skills, improving cultural learning and on social and work life adaptation and work permit consultancy. United Work is the one and only organisation that offers job seeking, placement, work permit consultancy and adaptation modules as a package under one roof.

SHOP DIRECT
## Ongoing commitments

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<tr>
<th>Due diligence – further development of our due diligence, including related human rights programmes, external ethical auditing and modern slavery risk mapping</th>
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<tbody>
<tr>
<td>• Continue our third party audit programme, covering 100% of Tier 1 factories</td>
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<tr>
<td>• Generate modern slavery country risk mapping profiles for our top 10 supplier countries</td>
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<tr>
<td>• Continue to map our own brand supply chain beyond Tier 1 in all sourcing countries</td>
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<td>• Develop self-assessment questionnaire for third party brands</td>
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<td>• Undertake an assessment of our purchasing practices</td>
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<tr>
<td>• Review current labour practices at our fulfilment centre and enhance our procurement due diligence process during supplier onboarding</td>
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<tr>
<th>Awareness – continue to develop and deliver training modules for key stakeholders</th>
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<tr>
<td>• 100% of UK Shop Direct staff to have completed modern slavery e-learning</td>
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<td>• Specialised training delivered to UK warehousing team on spotting the signs of modern slavery</td>
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<tr>
<td>• Deliver refresher training with sourcing office teams on modern slavery awareness</td>
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<tr>
<td>• Develop third party brand communications around modern slavery due diligence</td>
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<td>• Host workshops with branded suppliers</td>
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<tr>
<th>Remediation – build relevant mechanisms to allow for effective remediation of modern slavery risks</th>
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<tr>
<td>• Deliver refresher training to in-country sourcing teams on modern slavery impacts based on their sourcing strategy</td>
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<td>• Launch pre and post-departure migrant worker app in Nepal</td>
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<td>• Trial worker voice app in conjunction with the South India mill project</td>
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<th>Collaboration – continue to develop strategic collaborations, partnerships and initiatives to enhance our ability to find and tackle modern slavery</th>
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<tr>
<td>• Develop our engagement with UK-based public bodies that focus on the exploitation of workers</td>
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<td>• Maintain active membership of the ETI Malaysia working group, focussing on migrant workers’ rights</td>
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<tr>
<td>• Continue collaboration with other relevant industry and cross-industry organisations focussing on modern slavery prevention and remedy</td>
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<tr>
<td>• Continue delivering supply chain projects to support in the elimination of modern slavery risk and empower workers in our supply chain</td>
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