



SHOP DIRECT

COP REPORT
2017



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–CEO COMMITMENT–

2017 was another year of strong progress at Shop Direct in our journey to becoming a world class digital retailer.

Our 2016/17 financial year, which ended in June, saw a good performance in a challenging retail market. We saw our fifth consecutive year of record sales, with group sales growth of 5.6% on a like-for-like basis, driven by sales growth of 14.6% to £1.26bn at Very.co.uk. This was followed by a strong Christmas trading period, with increased group revenue by 6.3% year-on-year for the seven weeks up to and including 22 December 2017.

Since joining in January 2004, we have continued to actively support the United Nations Global Compact and to abide by the ten principles in all of our business operations. We place a strong focus on lending responsibly to our customers, sourcing responsibly, reducing our environmental impact, engaging our colleagues and being the best citizen we can in the communities in which we operate.

Alongside our UN Global Compact membership, we remain members of the Ethical Trading Initiative, SEDEX, Fast Forward, the Bangladesh Accord and the Carbon Trust, all of which continue to drive and monitor our work in this area. This year, we also developed a new partnership with the MSP - the Community Sports

Partnership for the Merseyside region, dedicated to unlocking the power of sport and physical activity within the workplace to further our colleague health and wellbeing agenda.

We took the decision during the year to increase transparency of our supply chain by publishing a full list of our first-tier manufacturing sites on our corporate website, launched the 'we don't do rubbish' initiative across all colleague restaurants and raised £440,000 for a local children's hospital.

Over the next 12 months, we will continue working on numerous initiatives that will drive progress and we look forward to updating on those in 2018. In our next report, we aim to submit a more comprehensive report and report earlier to better align with our financial year end. In the meantime, below is our report on progress for the 2017 calendar year. The report provides an overview of key activities undertaken across the business during this period.

We hope you enjoy it and find it useful.

Derek Harding
Interim CEO (for the time period of the report)

–THE UNITED NATIONS GLOBAL COMPACT TEN PRINCIPLES–

The United Nations Global Compact (UNGC) is the world's largest voluntary corporate citizenship initiative. The UNGC issues Ten Principles on Human Rights, Labour Standards, the Environment and Corruption. Membership of the UNGC requires companies to issue a 'Communication on Progress' report annually.

This report is our ninth COP and outlines Shop Direct's activities in support of these ten principles.



Network UK
WE SUPPORT



HUMAN RIGHTS

Principle 1

Businesses should support and respect the protection of internationally-proclaimed human rights; and

Principle 2

Make sure that they are not complicit in human rights abuses.



LABOUR

Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4

The elimination of all forms of forced and compulsory labour;

Principle 5

The effective abolition of child labour; and

Principle 6

The elimination of discrimination in respect of employment and occupation.



ENVIRONMENT

Principle 7

Businesses should support a precautionary approach to environmental challenges;

Principle 8

Undertake initiatives to promote greater environmental responsibility; and

Principle 9

Encourage the development and diffusion of environmentally-friendly technologies.



ANTI-CORRUPTION

Principle 10

Businesses should work against all forms of corruption, including extortion and bribery.

–LABOUR, HUMAN RIGHTS AND SOURCING–

POLICIES

We maintain and abide by rigorous labour, human rights and sourcing policies across our supply chain. All suppliers must sign up to our code of conduct prior to doing business with us. Alongside this, we have worked hard to update and develop further policies to support our responsible sourcing programme and improve the knowledge and understanding of our suppliers. These include an updated young worker policy, as well as a migrant and contract labour policy, to support our factories in developing their own policies on these areas and adopting a best practice approach.

Over the last year, we have improved our ongoing verification of suppliers' conformance to our code of conduct by signing global agreements with three third party audit companies. This will allow us to ask for specific areas to be looked at in more depth if we have particular concerns at a supplier site. These audits are a crucial due diligence tool, allowing us to better assess our suppliers' level of knowledge and ability to comply with legal and ethical requirements.

This year, we also took the decision to increase transparency of our supply chain further by publishing a full list of our first tier manufacturing sites on our corporate website. This is updated every six months. We hope that sharing this data will support us in our efforts to better understand and make improvements within our supply chain.

PARTNERSHIPS

Alongside membership of the United Nations Global Compact, we are also members of the Ethical Trading Initiative, Fast Forward and SEDEX, and continue to be a signatory to the Bangladesh Accord on Fire and Building Safety. Our memberships of these organisations allow us to build and maintain strong relationships with a varied group of businesses, as well as trade unions and NGOs, and to share information and resources to better benefit workers in our supply chain. These partnerships, collaborations and shared learnings will continue to drive our work in this area.

SUMMARY OF PROGRESS AND MEASUREMENT OF OUTCOMES

We have a broad and varied supply chain, sourcing own brand clothing and footwear and home and living products from over 700 factories in 30 countries worldwide. These countries include China, India,

Bangladesh, Malaysia, Poland and Turkey, where we have in-country sourcing offices. We are aware that our supply chain remains complex and is constantly evolving, but we work in collaboration with our suppliers to ensure visibility of sites manufacturing our product through the use of the SEDEX system, an online platform for factory audit sharing.

Our dedicated responsible sourcing team, both in the UK and within key sourcing countries, continues to work hard to understand risks specific to our supply chain and the countries we source from. They utilise internal expertise and databases, as well as third party information including audits, ETI updates, trade union risk maps and NGO country reports. Certain countries within our operations may be deemed to be higher risk and this leads us to more closely monitor these areas through regular visits by our in-country teams. These teams offer additional support and guidance to ensure our suppliers are managing situations responsibly.

1. HUMAN RIGHTS

We continue to develop our responsible sourcing policies and due diligence approach as key aspects of our programme. Our human rights due diligence is based on the Ethical Trading Initiative's human rights due diligence framework and ensures that we have a holistic risk assessment in place. We look not only at risk, but also take into account our leverage and responsibilities, what we need to do to mitigate the risk and how we then ensure that we effectively monitor and review remediation efforts. This framework has led us to prioritise work in potential high-risk regions such as Turkey and Bangladesh, as well as looking more closely at regions such as Malaysia, where there is an increased risk of potential labour rights abuse due to the prevalence of migrant workers.

We continue to ensure that all factories producing Shop Direct own brand product are SEDEX-registered and have an appropriate ethical audit in place. Our team reviews and grades them, which is a crucial aspect of our due diligence programme and gives us an insight into the conditions at our factories, allowing us to better assess the potential risks. From these audits, we work in partnership with the supplier and factory to ensure effective remediation of any issues raised. We continue to not source from countries with international trade sanctions or embargoes and actively monitor the countries that we do source from to ensure that we are aware of any changes which may negatively impact human rights.

–LABOUR, HUMAN RIGHTS AND SOURCING–

2. FORCED LABOUR & THE MODERN SLAVERY ACT (2015)

Shop Direct's code of conduct, which is signed by all suppliers, states the following:

- There must be no form of forced labour, whether it be involuntary prison labour, indentured labour, bonded labour or otherwise.
- No employee should be obliged to work through force, financial pressure, intimidation or any other means.
- Workers are not required to lodge deposits or their identity papers with their employer and are free to leave their employment after reasonable notice.
- There must not be any form of social pressure, unpaid loans or other restrictions imposed by the employer that would restrict workers' freedom.

This year, our own brand factory monitoring programme found non-conformities related to our code of conduct point on 'employment is freely chosen'. These covered various areas including not having suitable policies in place on forced and bonded labour, toilet breaks being restricted and workers having to provide deposits for uniforms. Shop Direct's in-house team worked closely with the factories involved to implement improved practices that better respect the human rights of those workers involved. The solutions implemented were built in collaboration with peer group retailers and other ETI members and had been proven to work at other sites. We also found a consistent issue in Malaysia, where passports for migrants were being retained without the full consent of workers. We're now working with the factories on a suitable solution for this and will ensure that each worker has their own locker in which to safely store their passport. We will verify this through visits to the factories and worker interviews.

We will continue to work proactively with our suppliers, raising their awareness and giving them the tools they need to spot the signs of potential forced labour and modern slavery.

In line with the legislative requirement, we updated our **modern slavery statement** in December 2017.

3. SUPPLY CHAIN MONITORING

Alongside our audit programme, our strategy focuses on better supporting our factories to assist them in making sustainable improvements. Our in-country specialists work collaboratively with our internal teams and suppliers to resolve issues that are identified and deliver training to prevent issues occurring. Over the past 12 months, we have rolled out responsible sourcing training to over 100 factories in China, with a view to expanding this throughout the supply chain in the coming years.

We're partnering with a specialist ethical trade consultancy in China on a factory improvement programme aimed at giving our factories the tools to better assess, monitor and find solutions to their own risks. The training includes modules on health and safety, responsible recruitment, working hours and worker/management dialogue. The project is designed to move less compliant factories forward on their journey, promote sustainable improvement in factories, provide practical support to achieve scalable improvement, share good practice between factories and ensure that workers are more engaged with management on issues that arise.



PLANS FOR 2018

In 2018, we intend to increase our participation in the UNGC by becoming participants and joining the 'global decent work platform' as well as remaining strongly engaged with their UK working groups. We'll continue to proactively support the collaborations we're part of, and use these memberships to shape our program in tackling wider supply chain issues, in conjunction with other members.

We'll also look to align our work more closely with the UN sustainable development goals (SDGs), in particular looking at gender equality, decent work, climate action and economic growth and responsible production

and consumption. This will give us a framework to drive our agenda forward as well as allowing us to set specific targets.

We'll continue to develop our responsible sourcing strategy to focus on stronger partnerships and training, paying particular attention to key sourcing countries such as India, Bangladesh and Turkey, and looking to start projects on salient issues in these regions.

In line with the legislative requirement, we will update our modern slavery statement in December 2018.

–PEOPLE AND COLLEAGUE CULTURE–

POLICIES

Shop Direct is compliant with all UK employment law and we proactively look to integrate updates and improvements. Our people activity can be grouped under these policies:

- Shop Direct is a purpose and values-led business
- We aim to attract and retain world class talent
- We release our talent's full potential
- We inspire internal stakeholders through communications
- We focus on ways of working to ensure we are fit for world class

PARTNERSHIPS

We continue to seek full and open dialogue with our colleagues and their representatives through channels such as people forums, joint working parties, briefing groups and our collective bargaining approach with the USDAW and SATA trade unions. We keep colleagues updated on corporate and individual business unit objectives, trading performance, economic conditions and other relevant matters. They are also represented on our pension trustee boards.

SUMMARY OF PROGRESS AND MEASUREMENT OF OUTCOMES

Our people strategy aims to support our business goals by creating 'a digital place full of purpose and passion'. We want to build a truly customer-centric digital business and towards that goal, in 2017 we defined our priorities as:

- Developing an organisational structure focused on customer and business outcomes
- Creating a candidate experience that delivers high calibre multi-skilled digital talent at pace and scale
- Fostering the digital and customer-centric capability, mindset and skills our colleagues and leaders need
- Ensuring we have energised, engaged and productive colleagues at every step of our journey

The success of our recent initiatives was reflected in our world class colleague engagement score for 2017 of 84% – our seventh successive score above 80%. Key initiatives launched during the year included:

1. COLLEAGUE PERFORMANCE MANAGEMENT

We launched our new 'Perform' values and outcomes-driven performance management approach, focusing on ensuring that every colleague knows their purpose, priorities and progress.

2. COLLEAGUE REWARD

We enhanced transparency and fairness within our reward structure by moving from performance-based pay to a market-based approach.

3. LONDON HUB

In August 2017, we opened our London hub to support our head office. The space reflects our focus on tech and was planned with our shift towards collaborative working practices at its centre. The office hosts colleagues working across digital and product teams and includes a range of different collaboration spaces and product showrooms.

4. DIVERSITY AND INCLUSION

We appointed a head of diversity to drive our diversity and inclusion strategy and enhanced our maternity, paternity and adoption packages.

5. EARLY TALENT

We believe it's vital to build the strongest pipeline of talent possible, particularly in areas where skills are scarce and in demand. The introduction of the apprenticeship levy gave us the opportunity to focus on how we engage with early talent through degree apprenticeships across key strategic areas – which for 2017 included IT, data intelligence, and product.

84%

Our seventh successive world class engagement score

PLANS FOR 2018

To support our ambition to become a digital place full of purpose and passion, our people plan will evolve to focus on supporting the development of a more collaborative, customer-centric digital retailer and lender.

Our core values, originally created by our colleagues five years ago when we were still a catalogue business, will evolve to better reflect the digital leader we are today and the organisation we're aiming to be in the future.

We'll also continue to develop our diversity strategy, including publishing our first gender pay gap report, outlining commitments we'll make to drive progress.

-WELLBEING-

POLICIES

Our wellbeing ambition is 'we want our people to be the healthiest, happiest and most fulfilled they can be, we'll create opportunities for them to work, play, chill and revive, we believe that healthy people will delight and dazzle Miss Very.'

PARTNERSHIPS

We completed our first full year partnering with Baxter Storey, the UK's leading independent hospitality provider, who provide our colleagues with access to freshly produced food and refreshments and Nuffield Health, the UK's largest not for profit healthcare provider, who continue to support our wellbeing agenda. We also work with AXA and Retail Trust. We developed a new partnership with the MSP, the Community Sports Partnership for the Merseyside region, dedicated to unlocking the power of sport and physical activity within the workplace.

SUMMARY OF PROGRESS AND MEASUREMENT OF OUTCOMES

Our wellbeing activities this year supported a 9% improvement in our colleague wellbeing engagement score.

Wellbeing is now our number one influencer on overall colleague engagement. Activities this year included:

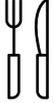
- Rolling out a consistent working from home and flexible working policy;
- Launching a new financial education portal to enable colleagues to manage their money better;
- Working with our strategic partners to deliver a calendar of events with activities focused under our seven pillars;
- Gym membership in our in-house gym within our head office surpassing 1,000 colleagues;
- Colleague roadshows delivered across all locations, giving our colleagues access to free health checks, as well as wellbeing advice and support;
- 850 flu vaccinations delivered through our annual programme of free flu vaccination for all colleagues;
- Large-scale events delivered including fitness challenges 'Cycle to the Moon' and 'Row to South Africa';
- Investing in training of 50 'physical activity champions' across the business (working with MSP), which led to the formation of various activities and groups, including running, dodgeball, table tennis and more.



PLANS FOR 2018

Within our wellbeing agenda, we will continue to grow and evolve the programme through empowering our physical activity champions.

We will also continue regular company events and campaigns including a plan to hold our very first Shop Direct Games.

  60 <small>TRAINED ACTIVITY CHAMPIONS</small>	 1000 <small>GYM MEMBERSHIPS</small>	 100 <small>PT/ADVICE SESSIONS</small>	<h2 style="margin: 0;">WELLBEING @SHOP DIRECT</h2> <p style="margin: 0;">SHOP DIRECT CARES ABOUT MY WELLBEING</p> <h1 style="margin: 0;">+82%</h1>	  850 <small>FLU VACCINATIONS</small>	 1036 <small>HEALTH CHECKS</small>	 4700 <small>WATER BOTTLES</small>		
  <small>WELLBEING COMMUNITY LAUNCHED</small>	 +39% <small>CORPORATE BEAUTY</small>	 BIGGEST <small>ROADSHOWS EVER</small>	  3000 <small>FREE FRUIT EACH MONTH</small>	 9000 <small>2-4-1 WATER EACH MONTH</small>	 HEALTHY ME <small>MEALS</small>	  403 <small>RETAIL TRUST SERVICE ENGAGEMENT</small>	  FLEX YOURSELF <small>FLEX YOURSELF LAUNCHED</small>	 WORLD MENTAL HEALTH DAY

–BODY IMAGE–

POLICIES

Shop Direct adheres to a body image policy which includes the following requirements to ensure we produce positive content for our customers:

- All adult models to be a minimum of 18 years old and models should look between 25 - 30 years when styled
- We use models that are a minimum female UK size 8 (for petite height models size 6-8) through to curve models up to a size 18
- Female height 5ft 8in to 5ft 11in, petite height 5ft 3 to 4in, male height generally 6ft to 6ft 3in
- All ethnicities and nationalities desirable to represent the diversity of our customer base
- All child models should appear within healthy body weight parameters in line with age-related expectations
- All models booked through established agencies to ensure any required visas and licences are in place
- Thorough casting process in place with regular studio castings held to enable face-to-face model reviews and digital images and video footage to assess model suitability

PARTNERSHIPS

We work with a number of external model agencies, all of which must adhere to our policies. We ensure that model agencies are informed of any body shape concerns we may have. In such cases the model will not be booked again until a new assessment (casting or digital imagery) is complete.

SUMMARY OF PROGRESS AND MEASUREMENT OF OUTCOMES

In 2017 we maintained the strict standards of our body image policy. We continued to implement research learnings that reflected consumer preferences towards model age, racial

mix and body shape to create more inclusive brand appeal across gallery and aspirational imagery.

We promoted diversity and inclusivity by increasing ethnic diversity within our signed off model pack from 30% (2016) to 54% (2017) and choosing a mixed race model to front our advertising in both summer and autumn 2017 campaigns. We sought out more shape diversity in our models, including the use of more athletic shapes within our branded sportswear. To promote brand inclusivity we also used standard, petite and plus ranges within brand content rather than segregating by body shape.

Through our branded lifestyle content we actively encourage a healthy lifestyle based around medical recommendations of exercise and consumption of healthy foods, and only comment positively on lifestyle and celebrity-related articles.

To SUPPORT, INSPIRE, CELEBRATE and EMPOWER women of all shapes, sizes and ethnicities, we presented our first International Women's Day influencer-led activity on Very.co.uk. Partnering with both established and emerging influencers, our International Celebrate Female Empowerment campaign promoted the setting of life goals and women supporting one another.



54%

PLANS
FOR 2018

In 2018, we aim to maintain our standards on body imagery, as well as the level of ethnic diversity across our model board. In line with customer research recommendations, we plan to constantly review brand imagery and model pitch. Specifically we will look to promote inclusivity by including models who have more achievable, realistic healthy body shapes and plus size male models, and to consider the use of models with disabilities.

Ethnic diversity within our model pack

–CHARITY–

POLICIES

Giving something back to the places where we live and work is important to us. We continue to play a positive role in our local communities through our charity programme. Through a business-wide colleague vote, our colleagues choose from three options to support a digitally-focused project that will deliver maximum impact in our local communities. The support is delivered through colleague fundraising activities as well as skill sharing.

The following policies underpin our approach:

- We match-fund colleague fundraising of up to £200 per activity
- We raise funds for our chosen charity partner through a biennial themed ball
- We donate our sample clothing to charity partners, which they sell to raise funds
- We offer payroll giving to enable colleagues to donate directly to their chosen charities
- We do not support any charities with political or religious links

PARTNERSHIPS

In October 2017, we completed our year-long partnership with Merseyside-based Claire House Children's Hospice. Our colleagues then voted to support the North West's leading homelessness charities, Whitechapel Centre in Liverpool and Booth Centre in Manchester. Charities Trust operates our matched giving scheme and administers our payroll giving scheme.

SUMMARY OF PROGRESS AND MEASUREMENT OF OUTCOMES

This year saw the culmination of our partnership with Claire House Children's Hospice, which helps seriously and terminally ill children and young people across the North West. We raised £440,000 for Claire House in just 12 months, exceeding our target of £400,000, to help the charity to digitally equip and futureproof its new, second site in Liverpool. Our corporate partnership was Claire

House's biggest to date, and enabled the charity to begin working on a substantial refurbishment and digital infrastructure programme to meet the needs of a modern children's hospice. We also formed an innovation board to help the charity define what a world class digital hospice was and to deliver the plans.

Activity across the partnership included:

- A stretching fundraising target per team or site
- Charity roadshows at all sites to drive engagement
- Regular group-wide communications
- A calendar of group-wide fundraising activities
- Samples sold through Claire House's network of 25 retail stores

In November 2017, our colleagues voted to support Booth and Whitechapel Centres, the North West's leading homelessness charities. We've committed to raising £600,000 across a two-year period to support the charities in delivering a multi-faceted approach to improve digital inclusion and employment for some of the area's most excluded and impoverished people.



PLANS FOR 2018

We'll continue to support and engage our colleagues to reach our target of £600,000 for Booth and Whitechapel Centres. This will be supported by our commitment to our shared innovation board to ensure we share our knowledge and expertise to drive the project.

In November 2018, we'll hold our biennial themed charity ball, hoping to raise in excess of £150,000 towards our fundraising target, through table sales and fundraising activities.



Raised for Claire House Children's Hospice

–ENVIRONMENT AND TRAVEL–

POLICIES

Shop Direct commits to strive to reduce our impact on the planet. Our policies comprise:

- Zero to landfill policy
- Reducing our carbon footprint
- Making recycling easy and convenient
- Committing to year-on-year energy reduction

PARTNERSHIPS

We continue to develop our strategic partnerships with our core facilities management suppliers, including Veolia, Statesman Travel, Engie and Inspired Energy. Veolia is a UK leader in environmental solutions, and key to our ambition to reduce our environmental impact. Statesman Travel remains our trusted travel provider, and in the last year has grown in capability and resource through partnering with USA-based Travel and Transport Statesman, giving improved global capability. We are midterm into our Engie partnership and, in the last 12 months, have been exploring demand side response opportunities, PV Solar panning and further LED lighting refresh opportunities. Inspired Energy (formerly STC Energy) is one of the UK's leading independent third-party intermediaries, and we continue work closely in our efforts to reduce energy consumption.

SUMMARY OF PROGRESS AND MEASUREMENT OF OUTCOMES

1. WASTE

- Our waste model treats waste as a resource and we continue to improve our recycle streams hierarchy to ensure our zero to landfill commitment
- Our waste supplier is a recycling company (not a waste collection company), which leads to a more transparent waste process
- We continue our investment in making recycling convenient for our staff via awareness campaigns and updating our internal waste streams
- Veolia commits to carbon footprint reduction by keeping the mileage low in the vehicles that pick up

our waste, processing waste locally to each of our different sites

- We carry out random DNA analysis on our waste streams to ensure behaviours have not changed and we're focusing on the right objectives
- We launched the 'we don't do rubbish' initiative across all colleague restaurants and the promotion of 'free' coffee grounds to be used as a natural fertiliser by our green-fingered colleagues

2. TRAVEL

- To ensure our travellers book responsibly, we continue to promote safe, cost-effective and responsible travel by working with our partner Statesman Travel
- In 2017, our Statesman Travel implant model became well established and Statesman Travel representatives formed good working relationships across our sites – bringing them closer to the business and therefore more aware of behaviours and trends within Shop Direct when delivering their bespoke service

3. ENERGY

- Inspired Energy is our partner for utility invoice validation, carbon reduction commitment and energy savings opportunity scheme
- We now have 100% automatic meter reads across all of our sites, feeding directly into Inspired Energy's web portal for easy access reviewing
- We have made a reduction in electricity consumption year-on-year of 3%
- We regularly review our energy consumption for both positive and negative expenditure
- We share best practice across our group for all innovations and best practices
- Water consumption is regularly reviewed and a number of assets have been replaced with more efficient types, such as taps, WCs and showers
- We remain certified to the Carbon Trust Standard for Carbon, recognising our best practice approach to managing and reducing greenhouse gas emissions



PLANS FOR 2018

Our focus for 2018 is to improve our carbon footprint through focusing on our waste hierarchy and further educating our colleagues on how we recycle.

We will continue to work closely with our frequent travellers through our implant team to make responsible travel easy, convenient and safe. Our focus remains on partnering with responsible airlines who are committed to reducing their environmental footprint.

Within our energy agenda, our focus is to continue the good work and downward trajectory in energy consumption and further educate colleagues on how they can play their part.

—ANTI-CORRUPTION—

POLICIES

Shop Direct maintains its zero tolerance approach to corruption, which is underpinned by a number of key policies and processes, including:

- Any gifts, hospitality and entertaining must be formally approved in advance and must be appropriate, proportionate and not have the ability to unduly influence decisions
- Any potential conflicts of interest must be declared and registered and potential mitigating action considered by the appropriate director
- A confidential whistleblowing line is in operation and is operated by a third party, with any reported incidents being investigated independently
- All new suppliers receive Shop Direct's code of conduct and a statement of our zero tolerance approach to bribery and corruption; existing suppliers also receive reinforcement communications periodically
- Bribery and corruption risks are reviewed on an annual basis and are factored into the audit planning process
- All employees are trained annually on the above key policies, including a knowledge check

- Conducting annual refresher training on key policies; the training module maintained levels of participation and engagement of 96%
- All internal policies were regularly reviewed as part of our ongoing assurance activity
- Our conflicts of interest policy and our gifts and hospitality policy were re-communicated to all relevant colleagues
- Bribery and corruption risks were considered within all relevant internal audits
- We also proactively considered the Corporate Criminal Offences legislation introduced in 2017, and held a risk workshop facilitated by a third party provider

PARTNERSHIPS

We manage our own policies through internal teams. Our confidential whistleblowing line is operated by our security partner, Cordant Security.

SUMMARY OF PROGRESS AND MEASUREMENT OF OUTCOMES

Specific areas of focus and development over the period included:



Colleague training participation



We will continue to progress in 2018, including:

- All relevant policies being reviewed and updated as appropriate
- Online training to be updated and refreshed for all colleagues; we will also further evaluate the use of technology to monitor potential bribery and corruption risks
- We will evaluate how additional supplier intelligence sources can be embedded in our supplier due diligence processes
- The key elements of our Corporate Criminal Offences legislation workshop will be included in our policy and within the annual training

DATA, SECURITY AND PRIVACY

POLICIES

At Shop Direct, we are committed to preserving the confidentiality, integrity and availability of all customer information from the threat of cyber attack. Our approach to the security of customer information is underpinned by a number of key policies and processes:

- Information and cyber security policy: we ensure that our customers' data is appropriately protected from unauthorised access, distribution, loss or corruption
- Privacy policy: our data privacy programmes and practices are focused on processing information appropriately and lawfully, ensuring it is in accordance with GDPR requirements
- Security awareness and education standards: we hold our colleagues accountable for complying with our internal policies on acceptable behaviour when handling customer data
- Secure configuration: establishing and actively maintaining the secure configuration of information and communications technology (ICT) by having policies and processes in place to develop secure baseline builds

PARTNERSHIPS

We work with leading security organisations to help us deliver a cyber-resilient service for our customers. These partnerships include:

- CESG – the UK government's National Technical Authority for Information Assurance, which advises organisations on how to protect their information and information systems against today's threats
- CERT – the UK's national Computer Emergency Response Team, which manages and prepares for national cyber security incidents
- ISF – the Information Security Forum, which is the world's leading authority on cyber, information security and risk management
- IBM – as a strategic partner, IBM provides enterprise-wide security intelligence and expertise

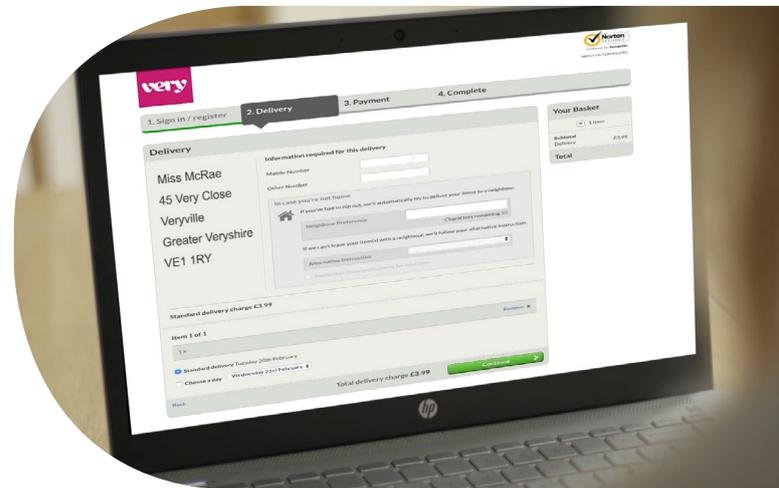
SUMMARY OF PROGRESS AND MEASUREMENT OF OUTCOMES

As part of our security transformation in 2017, we:

- As part of our three lines of defence approach to cyber security, formalised security into a structured information security management team
- Put in place a strategic education and awareness programme to run for the next three years across Shop Direct
- Reviewed and enhanced several of our technical controls across our estate

Delivered GDPR compliance, ensuring as a business we protect customers' personal data and privacy. We also identified a data protection officer who is responsible for ensuring Shop Direct processes the personal data of its staff, customers, providers or any other individuals (data subjects) in compliance with GDPR.

We regularly assess and measure our resilience to cyber threats by benchmarking our environments objectively using the ISF's benchmarking service. This allows us to measure and report upon the effectiveness and value of our security programme and security investments. We're also working towards independent certifications for our security measures to protect customers' financial and personal information.



PLANS FOR 2018

We will continue to progress with our bold and innovative security strategy in 2018, delivering on the following objectives:

- Continue to mature information security
- Increase our technical capability
- Meet our regulatory and CSR requirements
- Use information security to enable and enhance our business

We're building an approach that will ultimately lead to a cyber essentials certification. Cyber essentials is a government-backed cyber security

certification scheme that sets out a good baseline of cyber security suitable for our business. The scheme addresses five key controls that, when implemented correctly, can prevent around 80% of cyber attacks. Achieving certification will also help to address other compliance requirements, such as the EU General Data Protection Regulation.

Our technical capability to predict, prevent, detect and respond will also be greatly enhanced with further adoption of machine learning, automation and artificial intelligence techniques in 2018.

–FINANCIAL SERVICES–

POLICIES

Shop Direct monitors customers' financial wellbeing every month, both in terms of account performance and using external bureaux data in every credit decision.

Credit decisions are assessed through highly predictive automated scoring, which provides consistency and robust decision making.

As a responsible lender, Shop Direct refuses credit where we feel it is unaffordable for customers to sustain.

We use a wide range of controls to protect our customers and ourselves from fraud.

PARTNERSHIPS

Shop Direct Financial Services is the sole provider of credit facilities to support our retail offering. This enables customers to finance their purchases using easy to understand credit products. In addition, we partner with other responsible lenders to offer personal loan and credit card facilities to customers.

All credit facilities are provided in line with the Consumer Credit Directive 2010, and we comply with regulatory guidance and industry codes and practices, such

as the Finance and Leasing Association Lending Code.

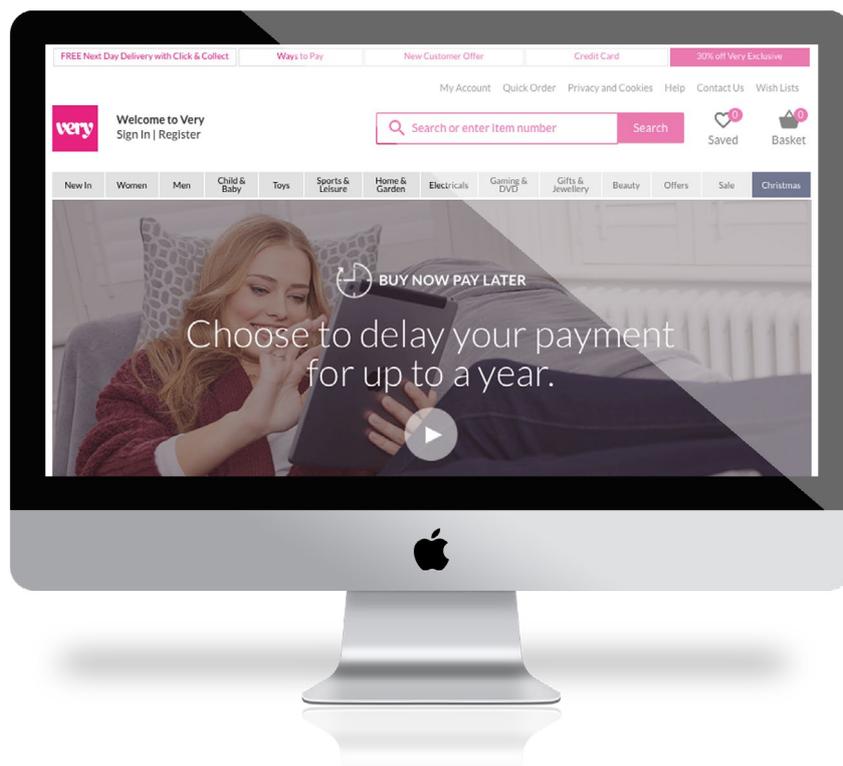
We are authorised and regulated by the Financial Conduct Authority.

We work closely with free debt advice charities, such as StepChange, as well as calling on expertise from leading charity Samaritans, to ensure customers have the most appropriate available options for support.

SUMMARY OF PROGRESS AND MEASUREMENT OF OUTCOMES

We are proud of the range of financial services products we offer and the role we play in our customers' lives. We have a variety of policies in place to ensure we bring good products within reach of our customers in a responsible way.

We have continued to ensure that we achieve the right customer outcomes with our credit decisions, refusing to approve new or further credit where we do not feel it is responsible to do so.



–FINANCIAL SERVICES–

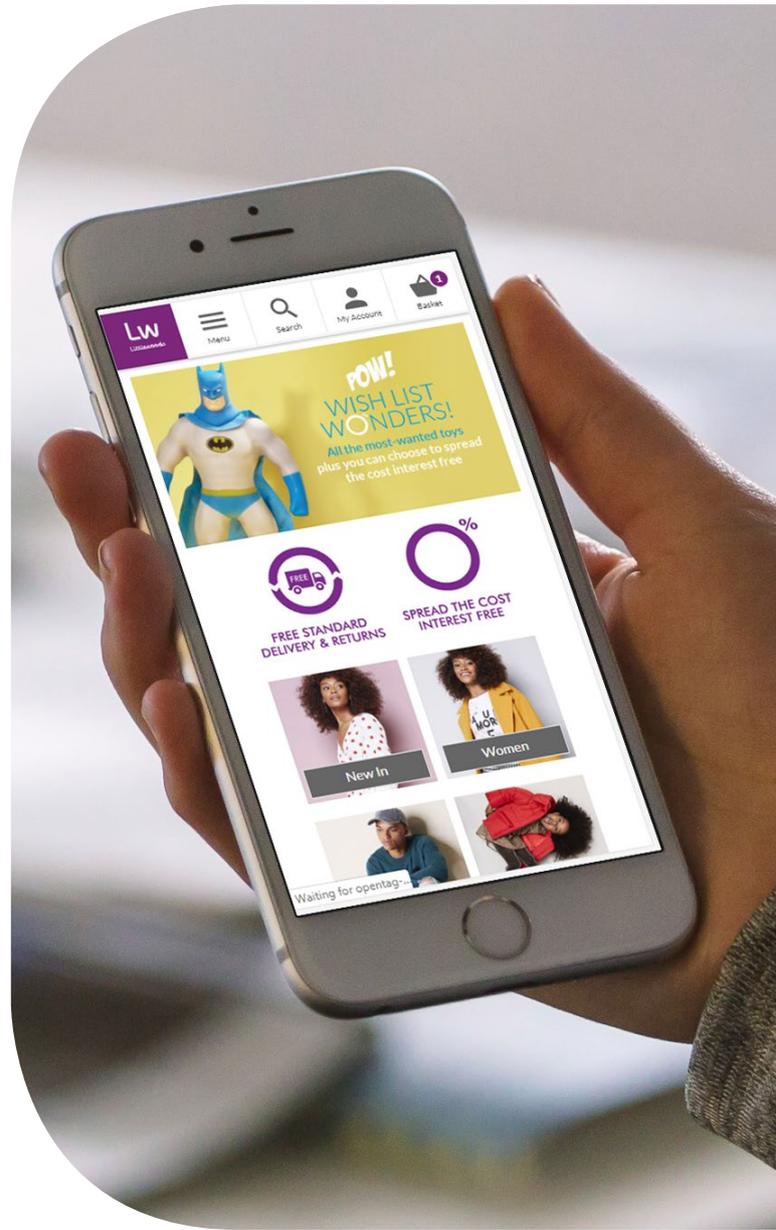
There are also times when our customers experience financial difficulty, for a variety of reasons. Whilst the vast majority of customers are able to resolve any difficulties, we sometimes have to increase the level of support we give. At such times, our colleagues work with customers to find appropriate short or longer-term solutions, taking a customer-centric approach including the customer's overall affordability to meet the proposed solution. If the customer is in broader financial difficulty, we make sure that we refer them for independent debt advice.

We continue to invest heavily in measures to prevent and detect criminal activity and lessen the effects this can have upon our customers and wider society. In addition to the fraud protection measures we undertake internally, we continue to educate our customers on fraud threats, such as phishing scams on the internet and the need to protect their personal data.

We continue to generate improvements in our capability to assess and understand customers' circumstances. We improved our data and decisioning capability once again this year, ensuring we continue to make the best and most responsible possible credit decisions for our customers.

We take a proactive approach to assessing the financial wellbeing of our customers. As an indication of impact in 2017:

- We accepted only around 31% of new credit applications
- We declined 12% of existing customer order requests for extending credit in order to protect against affordability issues or fraud
- We saw a continued reduction in fraud incurred



PLANS FOR 2018

During 2018, we will continue to enhance our credit decisioning and further strengthen the policies that are in place to assess creditworthiness and affordability.

We have commenced the roll-out of new technologies to enable our customers to interact when in arrears,

such as two-way SMS and webchat in line with our digital ambitions.

We will continue to monitor customers' financial wellbeing every month, both in terms of account performance and using external bureaux data in every credit decision.

-EXTERNAL RECOGNITION-

In 2017, Shop Direct won a number of awards in recognition of our continued progress. These included:



The OC&C Strategy Consultants pure play etailer of the year – Shop Direct



Best pureplay etailer – Over £50m turnover



Best use of mobile



Best eCommerce – Littlewoods Ireland



Business of the year (over 250 employees)



Tech. team of the year



Digital launch of the year – Very.co.uk's Very Assistant



Marketing initiative of the year - Very.co.uk's #LoveGiving campaign



–SUMMARY–

In this annual communication on progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations.

Throughout 2018, we will continue to drive CSR activities across Shop Direct and ensure we hold ourselves accountable for meeting our commitments.

We look forward to reporting on our progress next year.

