

nickskali
L I M I T E D



Modern Slavery Statement 2022

Modern Slavery Statement

Year Ended 30 June 2022

Overview

Nick Scali Limited (the “Company”) recognises that modern slavery is a complex issue which directly impacts over 40 million people around the world, and includes human trafficking, slavery, servitude, forced marriage, forced labour, debt bondage, deceptive recruiting for labour and child labour.

The Company does not tolerate any form of modern slavery anywhere in its business, and is committed to ensuring that modern slavery does not exist within its business operations and associated supply chain.

This statement, which outlines the business operations of the Company, the potential risks of modern slavery within the business and the steps taken by the Company to address the identified risks, is made under section 14 of the Modern Slavery Act 2018 (Cth) for the year ended 30 June 2022.

Reporting entity

Nick Scali Limited (ABN 82 000 403 896) is the parent company of Plush-Think Sofas Pty Limited (ABN 55 080 012 595). References to the “Company” in this statement include both Nick Scali Limited and Plush-Think Sofas Pty Limited.

The Company consulted with the relevant entities that it owns or controls in the preparation of this statement. The relevant entities operate under common Management and Board control. Procurement processes are performed through a centralised function for Nick Scali Limited and Plush-Think Sofas Pty Limited. Uniform standards and compliance protocols apply for Nick Scali Limited and Plush-Think Sofas Pty Limited.

For completeness, Nick Scali Limited is also the parent company of a wholly owned international subsidiary Nick Scali (New Zealand) Limited.

Business structure and operations

Founded in 1962, Nick Scali Limited is a public company listed on the ASX and operates retail operations in Australia and New Zealand under the Nick Scali and Plush-Think Sofas brands. The Company specialises in selling custom-made lounges and other items of furniture which it imports directly from some of the world’s largest furniture manufacturers.

The Company’s supply chains include the procurement of finished home furnishings, principally lounges, which are manufactured overseas and brought to Australia on behalf of the Company by international freight shipping suppliers.

The Company maintains strong relationships with a small selection of well established furniture manufacturers in Asia and imports products from Vietnam, China, Malaysia and India.

Within Australia and New Zealand, the Company operates 108 retail showrooms, a head office and 7 distribution centres, employing over 770 people across a wide range of roles. The Company uses third party suppliers in Australia for the provision goods and services not for resale including provision of premises (rent and related occupancy costs), media and advertising, IT services and communications. The Company also obtains outsourced labour services not for resale in the Philippines. These services include call centre, sales order processing, dispatch and back office accounting functions.

The Company uses third party contractors in Australia to deliver, install and service home furnishings.

Risks of modern slavery

The Company acknowledges that there are inherent risks of modern slavery within international supply chains and has performed risk assessments to identify other aspects of the business and its supply chains that are at risk from modern slavery. For these purposes modern slavery refers to enslavement of vulnerable people whose freedom is impacted by exploitation including threats, violence and coercion, abuse of power or deception. Practices that constitute modern slavery can include: human trafficking, slavery, servitude, forced labour, debt bondage, forced marriage, and child labour.

In assessing risk of modern slavery in the Company's supply chain the Company:

1. Identified suppliers of goods and services to the Company
2. Considered the country where the supplier operates, the industry and sector in which the suppliers operate, the product or service the supplier provides and the information the Company has specific to each supplier.

The Company determined that the international supply chain and the Company's engagement of manufacturers in Asia represented the greatest risk of modern slavery. The information the Company has specific to each supplier in this category was considered in determining the risk rating for each overseas supplier, specifically:

- a) the relatively small number of suppliers engaged by the Company, with one addition in the year ended 30 June 2022
- b) the diligence applied in selecting and onboarding new suppliers, including site visits by the Company's executives and directors which have recommenced in 2022 following the Covid-19 pandemic disruption to international travel
- c) the engagement of established and respected manufacturers; and
- d) the close working relationships that the Company maintains with its manufacturers.

The overseas outsourced back-office functions in the Philippines are obtained via one Australian company who source, screen, and test talent for the Company's role specifications. Actual hiring decision and management of individuals work, and performance is performed by the Company. Full transparency is provided to the Company of remuneration for each member of the outsource team. Company senior management regularly visit the work location and the outsource teams act as extensions of the Australia based teams under Australian management. Due to these supplier specific factors the Company has assessed risk of modern slavery in the supplier of overseas outsourced services as low.

The Company has assessed and identified risk of modern slavery in the use of Australian third party contractors for services such as delivery, cleaning, and repairs and maintenance in its showrooms and distribution centres. These risks are assessed as lower than the risk in the international supply of manufactured goods.

Actions taken to manage risks of modern slavery

Throughout the year, the Company has maintained the following measures to mitigate the risk of modern slavery.

Modern Slavery Policy

During the year ended 30 June 2020, the Company issued a policy on modern slavery that applies to all directors, officers and employees. The policy requires that any suspected instances of modern slavery be reported under the Company's Whistleblower Policy.

These policies remained in place throughout the year ended 30 June 2022, and copies of both the Modern Slavery Policy and the Whistleblower Policy are available at <http://www.nickscali.com.au/corporate-governance>.

International Supplier Employment Standards

The Company has close working relationships with its international manufacturing suppliers, and these relationships have enabled the Company to establish a satisfactory level of confidence in the business practices of its international suppliers. Senior managers of Nick Scali Limited conduct regular site visits which assist in determining that employment conditions meet appropriate standards. As a result of the Covid-19 pandemic, site visits were suspended in February 2020 and recommenced in 2022.

International Supplier Self-Assessment

The Company operates on on-going supplier self assessment and declaration process that requires all suppliers to attest to their compliance with Australian and international modern slavery laws, as well as all relevant local legislation, and to identify the names and locations of all vendors who supply parts and materials that are used in products sold to the Company.

At 30 June 2021, all of the Company's fifteen international suppliers had completed the self assessment process and provided the Company with a declaration acknowledging the Company's zero tolerance for modern slavery, and confirming that they are not aware of any instances, or suspected instances, of modern slavery within their business or its supply chain.

At 30 June 2022 one new international supplier engaged in the year also completed the required self assessment and declaration process.

Local Supplier Risk Assessment

During the year the Company extended its international supplier self-assessment and declaration process to suppliers of freight services to the company.

During the year the Company performed a further risk diagnostic across other local suppliers considering factors including whether they have issued of their own modern slavery statements, sector in which they operate and ownership. As a result of this diagnostic assessment, certain local suppliers were selected for participation in the Company's supplier self-assessment and declaration programme for completion in the next financial year and the remaining local suppliers were assessed as low risk based on specific factors considered.

Management Training and Reporting Framework

The Company provides training program that raises the awareness of the potential risks of modern slavery within the Company. In 2021 this training was delivered to the Company's executives and senior managers as well as all other employees with sourcing and purchasing responsibilities. The training leverages the Company's Modern Slavery Policy and emphasises that compliance with the Policy is a requirement of all employees.

In January 2022 online training was provided to all employees with participation in the supply chain and all new employees with participation in the supply chain are required to complete the training as part of their induction process.

Consideration of a third-party ethical sourcing audit program

During the year ended 30 June 2022 the Company reviewed two potential providers of third-party ethical sourcing audits. At 30 June 2022 these services remain under consideration and it is expected in the next financial year a determination will be reached on the effectiveness in managing modern slavery risks in the Company's supply chain.

Effectiveness of actions taken to address modern slavery

The Company is not aware of any instances of modern slavery anywhere within its business; however, it recognises the importance of continuously assessing the effectiveness of its actions to ensure that modern slavery does not infiltrate its business or its supply chains.

The Company has minimum KPIs relating to:

- Percentage of international manufacturing suppliers to complete and provide to the Company self- assessment and declarations
- Percentage of local suppliers assessed at above low risk, based on specific factors, to complete and provide to the Company self- assessment and declarations
- Percentage completion of on-line training on the risks of modern slavery and the Company's Modern Slavery Policy by all employees who participate in the Company's supply chain
- All reports of suspicions of breaches of the Company's Modern Slavery Policy, including those made under the Company's Whistleblower Policy, are reported to the Audit and Risk Committee of the Board

Over subsequent periods the Company will continue to review and enhance these KPIs and add further metrics identified as assisting in assessing the effectiveness of our actions, in line with continuous improvement.

Future commitment

The Company is committed to continuously improving its approach to managing the risks of modern slavery, through regular risk assessments and the continuous improvement of its risk management programs.

In the next financial year, the Company is committed to maintaining the measures currently in place to address the risks of modern slavery, and intends to undertake the following further initiatives:

- a) continue to review its Modern Slavery Policy in line with the Company's policy of reviewing all policies on a regular basis.
- b) continuously review the KPIs to monitor the effectiveness of the actions taken by the Company to address the risk of modern slavery and augment where applicable.
- c) conclude on the effectiveness of a third-party ethical sourcing audit program; and
- d) expand the Company's Supplier Self-Assessment program to include suppliers assessed as in lower risk categories.

This statement has been approved by the Board of Directors of Nick Scali Limited



John Ingram
Chairman
20 December 202



Anthony Scali
Managing Director