

# Responsibility & sustainability report

→ This section of the report focuses on our strategy to sustain our market leading position for the long-term in a responsible manner considering the environment we operate in and the interactions we have with our stakeholders.

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## → Responsibility and sustainability report

It's only been two years since we launched our Sustainability programme in the DFS Group and in that short time we've come a long way, not only in our environmental objectives but on our equally important Inclusion and Diversity agenda.

ESG is a fast moving space requiring strong oversight, so this year we established a new governance structure at board level – The Responsible and Sustainable Business Committee (RSC). Supporting me in the role of Chair is our Diversity & Inclusion expert Non-Executive Director Loraine Martins OBE and our employee representative Non-Executive Director, Jane Bednall.

The RSC is focused on four pillars – Our People, Our Planet, Our Customers and Our Community.

Our People pillar saw the launch of Everyone's Welcome, a framework to illustrate that everyone should always feel at home at DFS Group. We're committed to building a workforce which reflects the diverse society we live in while creating a culture of inclusivity. Wellbeing has also been a priority with the launch of mental health training and a menopause support programme available to all employees across the Group.

Whilst it's important to ensure we have the right structures in place, true change only occurs when the whole business is behind it. I'm delighted to see the efforts of our Inclusion and Sustainability Champions, volunteers from all levels and departments galvanise so much energy for an ethical and sustainable business and way of life for our teams.

However, we're not just looking at what we're doing as a business. The Committee sought external expertise to help guide our Planet agenda. We invited climate change expert James Cameron to the RSC, to provide insight and clarity following COP 26 and the IPCC reports, which illustrated the urgency of the climate crisis.

A lot of time and energy was dedicated this year to understanding our carbon footprint. Like most retailers, our Scope 3 emissions constitute over 90% of our carbon footprint. Using four years of data to build a dynamic carbon model, including primary data from our supply chains, we have identified the specific

challenges for our business and sector. To help address these challenges, we have joined the Centre for Climate Change Innovation (CCCI), part of the Royal Institute and Imperial College. We've also pledged to the Science Based Target Initiative (SBTi) to share our roadmap within the next 24 months. This is later than originally planned, but will provide us time to develop a credible roadmap to address those specific challenges, ensuring that we deliver on our emission reduction ambitions.

And lastly, the Customer and Community pillars have delivered fantastic results in the last twelve months, raising almost £1m for charities and saving over 110,000 items from landfill.

The year ahead is going to be busy as the teams work to bolster and embed these ESG pillars within their strategic plans, particularly in a challenging economic climate. We're committed to offering an industry-leading package for our employees and ensuring that all employees feel supported at DFS Group. This is particularly important against the backdrop of the cost of living crisis our employees are experiencing as well as the after-effects of the pandemic.

We'll continue driving our sustainability ambitions through our Sofa Cycle framework, developing our roadmap to Net-Zero and ensuring our supply chain is sourcing ethically and sustainably. However, most importantly, the teams will continue to build upon the fantastic product ranges such as Grand Designs, to ensure we provide customers not only beautiful comfortable and well-priced products but sustainable choices.

As leaders within our sector, we're committed to ensuring this business acts responsibly and sustainably, ensuring a better future for Our People, Our Planet, Our Community and most importantly Our Customers.



### Committee members:

Alison Hutchinson (Chair)

Tim Stacey

Jane Bednall

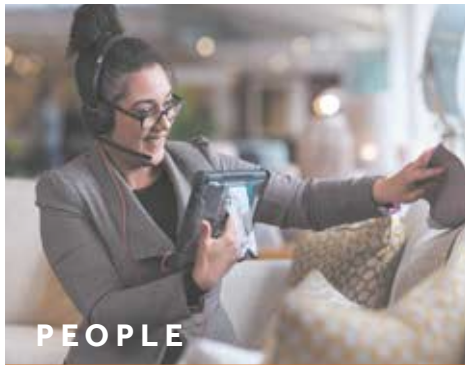
Loraine Martins

Liz McDonald (Group  
Company Secretary)

**ALISON HUTCHINSON**  
 Chair of the Responsible and  
 Sustainable Business Committee

→ Bio on page 77

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**PEOPLE**

**Our commitment**

Attracting, developing and retaining colleagues with the appropriate skill sets, behaviours, attitudes, motivation and from a variety of backgrounds is crucial to the success of the business.

**Key highlights**

Launch of the new health, safety and environment strategy.

Developed a package of offers tailored to support and educate our employees' wellbeing.

**Looking forward**

Encourage our employees to disclose protected characteristics to allow the business to set representative inclusion and diversity targets, see page 60.



**PLANET**

**Our commitment**

We are committed to reducing our environmental impact and our carbon footprint in order to reach Net Zero by 2040.

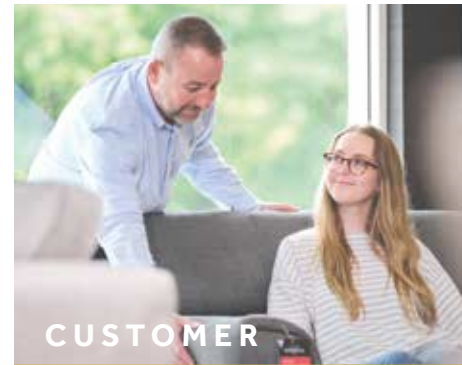
**Key highlights**

Complete detailed carbon model for four years (2019-2022) using primary data, where available, enabling us to fully understand our footprint and work towards a Net Zero roadmap.

Joined the Centre for Climate Change Innovation, part of Imperial College and the Royal Institute.

**Looking forward**

Create a credible carbon reduction roadmap to deliver our ambition to reach Net Zero by 2040, see page 65.



**CUSTOMER**

**Our commitment**

To ensure we act ethically and transparently while supporting our customer in making sustainable choices.

**Key highlights**

Over 110,000 items saved from landfill during the year and 210,000 since we commenced our Sofa Rescue programme.

Launched a number of sustainable ranges during the year including the Sustainability Edit and expanded our Grand Designs offer to include beds.

**Looking forward**

Continue to introduce sustainable focused ranges across the Group, see page 70.



**COMMUNITIES**

**Our commitment**

We are proud to be part of hundreds of communities across the UK and we are committed to helping each community thrive.

**Key highlights**

Over £750,000 raised for BBC Children in Need during the year, our largest total since we began our partnership in 2013.

Completed ethical audits on all of our manufacturing partners around the globe.

**Looking forward**

Enable non-operational colleagues to support their communities through paid volunteering, see page 72.

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**Governance**

It is our belief that driving sustainable business behaviours is best achieved when they are embedded throughout the business.



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### Our Group ESG targets

Below is a snapshot of our targets that we set twelve months ago (Phase 1) and our new (Phase 2) targets. With the integration of the Dwell operation into the DFS brand, the creation of Group operating platforms such as the Sofa Delivery Company and in order to simplify our reporting we have transitioned our targets from being brand-specific to Group targets.

### Our Planet

<b>Sustainable sourcing</b>	Sustainably sourced timber (certified FSC & PEFC) used in all products	Dec 2025	In progress	Target has been revised in line with our timber policy approved July 2022, see page 67 for more details
<b>Sustainable sourcing</b>	Ensure leather supply chains are not linked to deforestation of the Amazon Biome	Dec 2021	Partially met	All supply chains continually monitored, see full detail on page 67
<b>Sustainable sourcing</b>	All leather used on upholstery sourced from supply chains with LWG certification	Dec 2024	In progress	Currently 84% of our suppliers have at least one tannery LWG certified, see page 67 for more detail and revised targets
<b>Sustainable sourcing</b>	OEKO-TEX STeP certification for upholstery ranges for cotton, viscose and polyester	Dec 2022, July 2023 & July 2024 respectively	In progress	Extended the deadline for cotton certification to Dec 2022, see page 67 for more detail and revised targets
<b>Sustainable sourcing</b>	Zero polystyrene in product packaging	Dec 2024	In progress	Good progress against target however facing challenges within our Home category, see page 66 for more detail
<b>Carbon reduction</b>	Reduce Scope 1 CO <sub>2</sub> emissions by a minimum of 10% (baseline CY19)	Dec 2023	In progress	On track to meet this target, see our emissions breakdown on page 68
<b>Carbon reduction</b>	Science-based targets approved by SBTi	July 2022	Not met	Commitment made to SBTi made – roadmap will follow by June 2024. Additional time required to develop a credible plan which is likely to take industry-wide changes. See page 65 for full detail

### Our People

<b>Inclusion and diversity</b>	50% of employees engaged in data collection of protected characteristics in order to set more specific diversity targets	Dec 2023	New	In depth data collection to facilitate better understanding of the composition of our workforce and set relevant inclusion and diversity targets
<b>Inclusion and diversity</b>	A minimum 50% of showroom management will be female	Dec 2024	In progress	Strong progress being made against this target and on track to meet, see page 61 for more detail

### Our Community

<b>Modern slavery</b>	Top 250 of non-manufacturing suppliers by £ spend and sector risk assessed	Dec 2022	In progress	On track to be completed by December 2022, see page 73
<b>Charity</b>	15% of our non-operational colleagues will support community-based organisations through paid volunteering	Dec 2021	Not met	The pandemic restricted our ability to meet the original target deadline – New target to Dec 2023, see page 72 for details

## → Responsibility and sustainability report continued

## Our People

### Alignment to UN SDGs



### FY22 highlights:

- All Group apprenticeship programmes had at least 50% female representation
- All Group Management development programmes had at least 50% female representation
- Continued to advance our Inclusivity & Diversity programme
- Launch of the new health, safety and environment strategy.

### FY23 Targets:

#### Data Collection

**50% of employees engaged with data collection on protected characteristics in order to set more specific diversity targets by December 2023**

We need a clear understanding of the current demographic profile of our teams so we know where we need to improve.

### Gender

**A minimum 50% of showroom managers will be female by December 2024**

Gender parity in our teams is essential – see Group Gender Diversity.



Attracting, developing and retaining colleagues with the appropriate skill sets, behaviours, attitudes, motivation and from a variety of backgrounds is crucial to the success of the business.

We pride ourselves on cultivating an open environment for our colleagues in which everyone feels welcome and is encouraged to share their thoughts and ideas. We feel this, along with our values of Think Customer, Be Real and Aim High strongly contributes to the business' history of innovation in the sector and our market-leading position.

### Our commitment

- To attract, retain and develop our colleagues to their full potential and with fair remuneration
- Listen hard to our colleagues and value their opinions and involvement in how we improve as a business
- Promote an inclusive and diverse workforce across all areas of the business
- Provide equal opportunities and treat all colleagues fairly and with respect
- Provide opportunities for personal development and promote solely on merit
- To not tolerate any forms of bullying, harassment or discrimination
- Provide safe working environments that our colleagues can thrive in

### Inclusivity & Diversity

It is our firm view that diverse teams working within inclusive environments are more engaged, innovative and deliver better outcomes for our customers. We also believe that all our colleagues should feel valued and be treated equally and fairly. We expect all colleagues to treat each other and our customers with equal respect, not just because it is morally right, but as an organisation that reflects the communities we serve.

We launched our Diversity & Inclusion strategy last year and have continued to drive the conversation around other forms of inclusion and diversity, through internal education and engagement activities, with longer-term plans to make a measurable difference to the makeup of our workforce.



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**Talent, development and early careers**

Developing and retaining talent continues to be important to us and as such, we have a robust talent review process in place across the Group and a range of learning solutions to develop key skills, supporting career progression and role transitions.

We actively promote the benefits of further learning and development and providing self-led development opportunities to all colleagues whatever stage of their career. Our online learning platform is available for all, offering over 1,000+ e-learning courses and opportunities to book and attend a range of either virtual or classroom courses. We delivered over 200,000 training hours to our colleagues ranging across leadership development, team development, inclusion, induction, sales and service, product, systems and compliance.

We seek to promote internally, are committed to promoting employees solely on merit, and ensure individual achievements are a key consideration when determining remuneration levels. As a Group we are very proud to invest in the development of all our colleagues. We welcome students for early career work experience supporting their transition from school to work and have recruited over 40 young apprentices.

Our apprenticeship scheme supports young participants to achieve formal qualifications in their chosen field but also underpins further professional development for existing colleagues through Advanced and Higher Apprenticeships. Over 80 colleagues are currently progressing through these learning programmes.

**Colleague engagement**

Creating highly engaged teams is a cornerstone of our success. We listen to our colleagues' feedback and ideas in many ways, including through our various colleague networks and regular employee surveys.

A key part of colleague engagement is not only listening, but also acting on what our colleagues have to say, and in turn letting them know about the improvements and changes we make. We engage our colleagues through:

- Our Group Leadership Forum, consisting of senior leaders from across the Group, who meet regularly to stay informed, collaborate and share practice.
- Workplace by Meta is a leading digital platform that allows colleagues to connect and collaborate while keeping updated about key news from across the Group. Workplace also gives all of our colleagues direct and instant access to our Group Leadership Team, enabling great conversations about what matters most to our business.
- We keep our colleagues informed of performance and strategy through regular meetings led by the Group Leadership Team and updates via Workplace and Crafted, the Group-wide magazine.
- The Executive Directors attend key business meetings throughout the year, including regular trading performance review meetings, and present financial results to our colleagues in live "Town Hall" sessions which are streamed live via Workplace to give access to all colleagues
- Jane Bednall, the designated employee representative Non-Executive Director, attends meetings with our colleagues such as the Employee Voice Forum and engages directly with the workforce
- We have a network of 'Sustainability Champions' led by our Sustainability Director who help to drive sustainability across all areas of the Group, providing insight to the ESG Committees.

**Group gender diversity**

**Directors**

	Male	Female
22	<b>4 (50%)</b>	<b>4 (50%)</b>
21	4 (50%)	4 (50%)

**Group Leadership Team**

	Male	Female
22	<b>3 (60%)</b>	<b>2 (40%)</b>
21	6 (75%)	2 (25%)

**Senior managers**

	Male	Female
22	<b>14 (54%)</b>	<b>12 (46%)</b>
21	17 (68%)	8 (32%)

**All colleagues**

	Male	Female
22	<b>3,545 (65%)</b>	<b>1,928 (35%)</b>
21	3,361 (64%)	1,856 (36%)

All Group apprenticeship programmes will have at least 50% female representation from 2020.

**FY22 Male: 39% Female: 61%**

FY21 Male: 38% Female: 62%

All Group management development programmes will have at least 50% female representation from 2020:

**FY22 Male: 47% Female: 53%**

FY21 Male: 40% Female: 60%

A minimum 50% of showroom management will be female by December 2024

**FY22 Male: 71% Female: 29%**

FY21 Male: 76% Female: 24%

Details of our most recent gender pay gap report can be found on page 112 in the Directors' remuneration report.



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### Our approach to building a more inclusive and diversified workforce:

#### 1 Educate

**Supporting our colleagues, partners, suppliers and customers to learn why inclusion and diversity matters and allowing them to learn from each other.**

Education is key to building awareness and moving our strategy forward. We invested in developing a bespoke, cinematic adventure-learning module for all of our colleagues that will be launched during National Inclusion Week in October 2022. This module includes content around legal requirements and forms a base of understanding for Diversity, Equity & Inclusion (DE&I), whilst focusing on the cultural aspects of what inclusion looks and feels like on a daily basis in our workplace.

Additionally, we have continued to roll out our Inclusive Leader workshop across the Group with over 400+ leaders having now attended.

Our ongoing partnerships with Stonewall and Inclusive Employers mean that our colleagues have access to a series of educational webinars on topics ranging from 'Faith & Religion' to 'Hidden Disabilities'.

During Pride Month, we engaged Stonewall to record a bespoke webinar featuring our LGBTQ+ network chair and two senior leaders.

By continuing to listen to and learn from our Inclusion Council, we have seen ongoing value from this cohort and as a result, have embarked upon a Reverse Mentoring scheme. Council members are matched with our Group Leadership Team on a formal basis, enabling our leaders to benefit from understanding their perspective and lived experience to further their own education.

#### 2 Engage

**Recognising and celebrating our differences and getting to know each other better as individuals.**

National Inclusion Week in October 2021 was a key turning point for us as a Group, where we streamed a live event via our internal social network; Workplace. Facilitated by an external expert, and featuring panel discussions with colleagues, opening and closing sessions with our Executive Sponsors and a spotlight on our Non-Executive Director Loraine Martins OBE. This event allowed the entire business to connect with the subject of DE&I and following this, we saw heightened engagement with calendar events including Black History Month, International Men's Day, World Religion Day and International Day of Persons with Disabilities.

Groups of Inclusion Champions have developed across the business and the official inception of our LGBTQ+ & Allies Network came to life during Pride Month. The presence of senior leaders in that network has generated extra momentum and we can see a sense of community coming through. The intention is to organically develop networks for other marginalised groups as we progress our diversity and inclusion agenda, including people with disabilities.

Our inclusion conversation across the Group remains strong and self-sustaining, with calendar events creating opportunities to further the discussion and campaigns designed to drive engagement. However, we have just under 4,000 colleagues in our Everyone Welcome Workplace space and generate 1,200+ interactions per month from that group.

#### 3 Action

**Empowering and supporting our brands and operating functions to develop inclusion targets and plans, holding them accountable for change by monitoring their progress.**

We have taken steps to improve our policies and ways of working behind the scenes, in order to move us forward from a cultural perspective. Ongoing work includes consultative work from Inclusive Employers to develop our recruitment and resourcing to become more inclusive, including diverse interview panels, blind CVs and reasonable adjustments made at interview stage.

We continue to drive the data collection, with our overall capture hovering at around 40% and our target set for 50% by the end of 2023. We are confident our capture rate will increase as we have successfully established the context for the request to share sensitive information and are gaining the trust of our colleagues. Better data collection allows us to understand the composition of our workforce and focus our efforts in the most appropriate areas.





## → Responsibility and sustainability report continued

### Health, safety & wellbeing

The safety of our people, visitors and contractors who are on our sites is our utmost priority. We recognise the importance of providing a safe environment, promoting safe working and preventing work-related injuries or ill health, and seek to minimise the risk of a negative impact resulting from our operations.

Our code of conduct and health and safety policy emphasises the safety of our employees, partners and customers and is fully supported by the Group Leadership Team, who take responsibility for making sure it's communicated, understood and always acted upon across the Group.

Our ISO 45001 occupational health management system has been recertified following the latest round of audits in May.

### Monitoring health and safety performance

Historically at DFS Group, we have monitored health, safety and environmental performance using an indicator of the number of injuries.

The business has used an electronic reporting tool over several years which every employee has access to for event reporting. To provide improved accessibility to this tool in the last year we have introduced QR reporting codes across the whole business, which has significantly helped increase the level of reporting. As a result, the increased speed and accuracy of reporting allow us to identify trends, which we address through safety awareness campaigns and improvement activities. Additionally, we have implemented improved communications such as health, safety and environmental bulletins and alerts, which identify actions that the management teams are accountable for closing, where applicable to their business. The output of these events also helps inform the new risk profile and the level of residual risk.

### Health and safety improvements

There have been several improvement activities introduced in the past year helping to reduce risk. These include vehicle movement controls in our logistic business and health risk reduction improvements in our manufacturing facilities.

### Covid-19

Throughout 2021, we continued to work with our people to maintain a Covid-secure work environment allowing us to continue with our operations with minimum disruption. The health, safety and wellbeing of our workforce was prioritised at all times during the pandemic and we continue to closely monitor Covid-related absenteeism, any adverse trends and consequently identify tactical improvement measures to reduce the impact to our people and business as necessary.

### Employee wellbeing

Wellbeing support is increasingly important as we come out of the pandemic and colleagues face economic challenges. With this in mind at the end of January 2022, we launched our Wellbeing Strategy for the Group, with an ambition to:

'Prioritise colleague wellbeing, so everyone feels confident to have the conversation and access tailored support. Enabling every colleague to proactively live happy, healthy lives at every stage.'

Our wellbeing framework is made up of three key pillars: Mind, Body & Life. This provides consistency and an identity to our wellbeing offering, with key annual initiatives and targeted support.

### Flexible/Hybrid working

We continued the 'Supporting You: Working Remotely' module to provide practical advice and wellbeing support to our colleagues who work from home and we developed an online course 'Thrive During Change' which enables colleagues working remotely to build their own personal strategies to develop and progress.

We believe that flexible working can increase staff motivation, promote work-life balance, enrich colleagues' wellbeing and improve performance and productivity. Our policy gives eligible colleagues an opportunity to request a change to their working pattern and sets out our approach to flexible working requests.

We will:

- Support flexible working to improve business performance, retention and help our colleagues achieve an appropriate work-life balance

- Always consider flexible working options as part of our duty to make reasonable adjustments for disabled colleagues and job applicants under the Equality Act as required
- Seek to provide flexible working arrangements to all colleagues across the Group. All jobs will be considered for this range of flexibilities unless there is a clear, demonstrable, operational reason why it is not practicable
- Provide flexible options for colleagues returning from leave e.g. maternity or shared parental leave including a focus on providing part-time opportunities to appeal to a wider audience
- Give all requests for flexible working equal consideration
- Empower colleagues and managers to reach agreements locally within their team
- Respect the rights of employees to holiday and leisure time



## → Responsibility and sustainability report continued

**Mind**

**The Group is a passionate advocate for removing the stigma attached to poor mental health, actively creating a culture of openness and support.**

We have trained Mental Health First Aiders (MHFAs) across the Group and have increased our network by around 20% in response to the pandemic.

In March 2022 we launched a new and improved employee assistance programme (EAP) with Health Assured. The free and confidential support network is designed to help colleagues deal with any problems affecting their wellbeing. This includes specialist counselling (which family members can also access), advice and information, legal guidance and a handy digital app providing access to resources and proactive tools.

As part of our commitment to help colleagues lead happy, healthy lives, we partnered with Fika, a mental fitness training provider. Their purpose is to help individuals and teams to become more mentally fit, with emphasis that we need to maintain mental fitness through exercises in the same way we do physical fitness, to help prepare for challenges and prevent future mental health decline.

During the year, Fika delivered mental fitness workshops to our senior leaders across the business, helping them better understand the concept of proactive mental fitness and how this translates into building more resilient and productive teams.

**Body**

**To support our colleagues' physical wellbeing there are a variety of initiatives in place. This year we launched a new integrated benefits platform, which hosts a variety of tools and support, including online workouts, recipe ideas, discount gym memberships and access to the Cycle2Work scheme.**

We have partnered with Response Physiotherapy & Sports Massage who provide expert on-site consultations for colleagues at our Customer Distribution Centres, as well as offering instant access appointments for ongoing support and advice.

**Life**

**In 2021 we began our partnership with Peppy Health, a digital healthcare tool that provides free access to leading health experts to support through different stages in life, such as going through the menopause, male-specific health issues, struggling with fertility and having a baby.**

In FY22 we launched Peppy's menopause and men's health services and later this year we'll be launching baby and fertility support. It's a transferable benefit meaning Peppy is available to all our colleagues and their partners.

Alongside Peppy, we're also partnering with an organisation called Henpicked who support businesses like ours to become more aware of the symptoms and impacts that the menopause can have and our ambition is to achieve recognition as a Menopause Friendly Employer. Alongside creating menopause guidance for all colleagues, we introduced the 'Menopause Awareness for Managers' eLearning course in July 2021 to better educate our line managers on the effects of the menopause at work.

As the cost of living crisis continues to stretch the finances of millions in the UK, it has never been more important to offer our people financial wellbeing support. Earlier this year we launched a new benefits platform with 'Reward Gateway', providing one place for colleagues to access discounts at over 800 retailers, tools and resources such as financial calculators and information on the existing benefits available to them.

Our priorities for FY23 focus on consolidating and driving engagement in our wellbeing offering, enhancing our offering in some of the key areas whilst better educating leaders and colleagues.

## → Responsibility and sustainability report continued

### Our Planet

#### Alignment to UN SDGs



#### FY22 highlights:

- Calculated our Scope 3 emissions for FY19 to FY22
- 4% absolute reduction of Scope 1 CO<sub>2</sub> emissions (baseline FY18/19)

#### FY23 Targets:

##### Timber

**At least 90% of timber used in all products will be sustainably sourced (inc. FSC, PEFC) by Dec 2025**

##### Leather

**At least 90% leather used on upholstery will be sourced from supply chains with LWG certification by Dec 2024.**

##### Textiles

**At least 90% of textiles in upholstery ranges will be OEKO-TEX STeP certified for cotton, viscose and polyester by Dec 2022, July 2024 & July 2023 respectively.**

Our core material targets have been revised this year to reflect the fluid nature of our supply chains. We've also extended the scope of certification on timber and leather. See page 67 for more details.

#### Carbon reduction

**We will reduce our Scope 1 CO<sub>2</sub> emissions by a minimum of 10% by Dec 2023.**

An absolute reduction in our direct emissions is an essential first step to model the changes needed from our suppliers. We're on track to deliver a full 10% reduction by 2023.

#### Carbon roadmap

**Science-based targets submitted for approval by SBTi by July 2024.**

We have sent our commitment to SBTi but have delayed sharing our reduction roadmap for approval.

#### Packaging

**Zero polystyrene in product packaging by Dec 2024.**

Polystyrene has been traditionally used in our home category products due to the fragile nature of some materials. See packaging section on page 66 for detail.

The ambition of Our Planet pillar is to reduce our impact on the environment and create circularity within our business and the wider furniture industry. We've created the "Sofa Cycle" framework to support our teams' and supply chains' understanding of the scale of our ambition.

We've joined 60 or so other retailers as signatories to the BRC Climate Action Roadmap, establishing a commitment to become Net-Zero by 2040.

Therefore, it is critical that we establish a credible roadmap with short-term milestones that will guide us on a pathway to Net-Zero. We are and will continue to work tirelessly with our suppliers and external partners to find solutions to the various challenges we face across the value chain.

#### BRC Climate Action Roadmap commitment:

- Scope 1 by 2035
- Scope 2 by 2030
- Scope 3 by 2040

#### Carbon footprint

During the last twelve months, we built the first complete model of our full carbon footprint. The model was created for four years of data, starting with FY18/19 to ensure we had a strong understanding of trends and hot spots despite the disruption of the pandemic. We felt it imperative to have a robust baseline from which to benchmark progress.

We engaged Planety, part of OneTrust, to support us in building a dynamic model, which will enable us to continually refine the model, with speed and accuracy in years to come. Our methodology strictly adhered to the GHG protocol and used primary activity data where possible for key areas such as energy, logistics and product and supply chains. For other activities, we used activity data (e.g. waste, commuting) or spend-based data (e.g. water).

The full carbon model clearly illustrates that, like many businesses, the majority of our footprint sits within our Scope 3 emissions (~90%), specifically 3.01 Procured Goods and Services (over 70%). Within this,



our product emissions constitute over 85%, primarily from three key materials – foam, fabric and fibre. For full detail of our carbon emissions across the last four financial years, see page 69.

This highlights a clear and very specific challenge for our business and industry. While some recycled alternatives are available, we have seen a decrease in the availability of all recycled plastics in the last 12 months.

In last year's Annual Report, we stated our ambition to submit a roadmap to the SBTi by July 2022 but upon review of the model and the scale and nature of the changes needed, felt we could not provide a tenable roadmap to deliver the absolute reductions we are aiming to achieve. Therefore, we made a commitment to the SBTi to submit within the next 24 months and will use that time to develop a credible, robust and practical carbon reduction pathway.

In the interim, we are proud to be working with the Centre for Climate Change innovation who is partnering with us on this specific challenge to develop new materials in our products.

Some of the clearer pathways to carbon reduction have already been implemented. All of our showrooms, central distribution centres and manufacturing sites are now using 100% green energy and we are committed to removing all gas boilers from our showrooms by 2025. The Group has undertaken a project to introduce smart connected infrastructure using machine-learning algorithms linked to our heating, cooling and lighting assets to reduce the carbon footprint of our estate in excess of 25%. This has been rolled out to over 100 sites and a further 35 sites are still to be completed.

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**PlanTree and Our Planting Promise**

While we aim to ensure FSC certified wood is used in all our products, we want to go further, and contribute significantly to reforestation.

The DFS Planting Promise and Sofology PlanTree campaigns ensure that for every sofa order delivered we will plant a tree in the UK, as part of accredited reforestation schemes run by the Woodland Trust.

To mitigate the Scope 1 & 2 emissions of the Group from the previous financial year over 88,000 trees have been planted in the UK through the Woodland Trust's Carbon scheme.

**Fleet**

The establishment of the Sofa Delivery Company, in the previous financial year, increased transparency and accountability for our delivery proposition.

Our aim is to offer improved customer service and a more flexible working environment for colleagues whilst also improving efficiency and reducing the Group's environmental impact. Our company car fleet policy only includes hybrid or electric vehicles.

**Packaging and waste management**

Packaging is one of the most visible sustainability reference points for a customer due to the volume, presence within their home and apparent single-use application.

As a Group, we ensure 100% of the plastic packaging we use is recyclable and at least 85% of all sofa packaging is currently recycled. We are on track to ensure this is increased to 100% by the end of 2022. The Home category, with fragile materials such as marble and glass, will continue to be a challenge and require bespoke solutions in order to remove polystyrene from our supply chain by the end of 2023.

**Supply chain assurance****Our commitment**

We believe the long-term success of our sustainability goals relies upon collaboration throughout our supply chain. We maintain long-standing, trusted relationships with our suppliers and are committed to bringing our suppliers with us on our sustainability journey. Significant progress has been made since we held our supplier conference in 2021 and we have noted a considerable change in the appetite of our suppliers to establish the procedures and processes required to meet our challenging sustainability agenda.

Supply chain due diligence is essential and we rely on expert audit partners to assist with transparency and traceability within our supply chain. The audit approach is based on assessing and mitigating risk through the use of evidentiary material such as invoices and shipping notes for materials and employee records and business policies for modern slavery. Where evidentiary material has been impossible to source for leather supply chains, a secondary audit has been conducted using geo-location mapping. This process enables us to not only trace materials from source, but engenders conversations to drive sustainable sourcing at every level of the supply chain.

Our suppliers have needed to adapt to market circumstances and new suppliers may not initially meet our specific requirements. By moving to 90% target, we are reinforcing our commitment to material certification but with a pragmatic approach.

**Material certification**

By establishing third-party certification requirements for our core materials, we aim to add value into our suppliers' value chain and provide clear, universal standards as well as potentially providing our suppliers with a commercial advantage as the demand from customers for increasingly sustainable products increases. We have chosen material-specific certifications that are the most widely recognised not only within their industry but also by customers, in order to provide assurance of our sustainable sourcing practices.



## → Responsibility and sustainability report continued



### Timber

#### Our commitment

To source all our timber from supply chains which meet our Timber Minimum Performance Requirements (see Group Timber Policy on our corporate website for more details<sup>1</sup>).

Our upholstery suppliers made significant progress during the year with 63% (CY20: 29%) of upholstery suppliers now certified and we have completed timber audits across 100% of our upholstery partners and home category partners.

The conflict in Ukraine has created an ongoing challenge within the timber market, particularly sourcing FSC-certified timber as all Ukrainian licences have been suspended. The scarcity of FSC-certified material has resulted in several ranges being changed back to uncertified timber. In light of this, we've broadened the scope of certification to include PEFC, widening opportunities to source in more markets including Northern America. We've also updated our timber policy to enable sourcing tropical timbers such as mango, acacia wood, and fast-growing hardwoods to be accepted. Although certification would be our first preference, our robust due diligence process, with full supply chain mapping and traceability audits ensures that we only use sustainably sourced timber.



### Leather

#### Our commitment

Ensure all leather hides used in our products are sourced responsibly – using waste from the meat industry and not linked to deforestation of the Amazon biome region (see Group Leather Policy on our corporate website for more details<sup>2</sup>).

All our leather supply chains have been audited or mapped against deforestation locations by BLC (leading experts in the leather industry) and our suppliers have made changes in high-risk supply chains throughout the year to ensure we are delivering on our commitment. We review the exclusion zones around the Amazon biome based on new data available from Global Forest Watch and adjust our parameters to reflect these changes. Full traceability within the leather industry is particularly challenging and we are working with the Leather Working Group (LWG) to implement a new traceability protocol as part of the certification process.

LWG certification is awarded to tanneries that demonstrate environmental best practices and performance in all areas of leather production, from chemical and water management to energy use, greenhouse gas emissions, waste management and hide traceability. 84% of suppliers have at least one tannery LWG certified.



### Textiles

#### Our commitment

Ensure all textiles used in upholstery are sourced from textile mills with strong environmental and social standards.

Textiles are widely used in our products and are chosen for their quality and durability. We recognise that progress needs to be made around the production of both natural and synthetic fabrics and we are continually working to improve and mitigate the environmental impact of both our textiles and fillings. For this reason, our suppliers are required to disclose the origin and composition of all fabrics used in our products.

OEKO-TEX STeP certification is a global holistic audit protocol, which can be applied to all textile types and ensures environmentally friendly production processes, social working conditions and optimum health and safety. Our initial target was focused on cotton, deemed the highest risk material due to labour and water risks. While this constituted less than 5% of the total textile range, it was a useful way to embed the requirements within our supply chain. Suppliers with larger volumes have achieved certification but smaller suppliers have struggled, therefore we have extended the deadline by an additional six months.

1. Group timber policy: <https://dfs.a.bigcontent.io/v1/static/31-DFS-Timber-Policy-170222>

2. Group leather policy: <https://www.dfscorporate.co.uk/media/57423/Group-Leather-Policy.pdf>

## → Responsibility and sustainability report continued

### Scope 1 & 2 emissions

The tables below show our energy use and associated greenhouse gas emissions in line with the UK Government Streamlined Energy and Carbon Reporting Requirements. Usage and emissions reported correspond with our financial year.

	FY22 MWh	FY21 MWh	% increase/ (decrease)
Electricity	28,930	27,020	7.1
Natural gas	23,405	33,208	(29.5)
Diesel	42,774	45,297	(3.0)
Petrol	3,164	1,709	85.2
<b>Total energy consumption</b>	<b>98,273</b>	107,234	(8.9)

	TCO <sub>2e</sub>					TCO <sub>2e</sub> per £m of gross sales				
	2022	2021	% increase/ (decrease)	2020	2019	2022	2021 <sup>3</sup>	% increase/ (decrease)	2020	2019 <sup>3</sup>
Direct emissions Scope 1	16,215 <sup>1</sup>	18,058	(10.2)	17,462	16,873	10.9	13.0	(19.7)	18.6	14.5
Indirect emissions Scope 2										
– market based	223 <sup>1</sup>	1,697	(86.9)	5,195	6,189	0.1	1.2	(91.7)	5.6	5.3
Indirect emissions Scope 2										
– location based	5,828 <sup>1</sup>	5,797	0.5	5,195	6,189	3.9	4.2	(7.1)	5.6	5.3
<b>Group total</b>	<b>16,438<sup>1</sup></b>	19,755	(16.8)	22,657	23,062	<b>11.0</b>	14.2	(25.7)	24.2	19.8
<b>Gross sales (£m)</b>						<b>1,487.7</b>	1,388.7	–	935.0	1,165.0

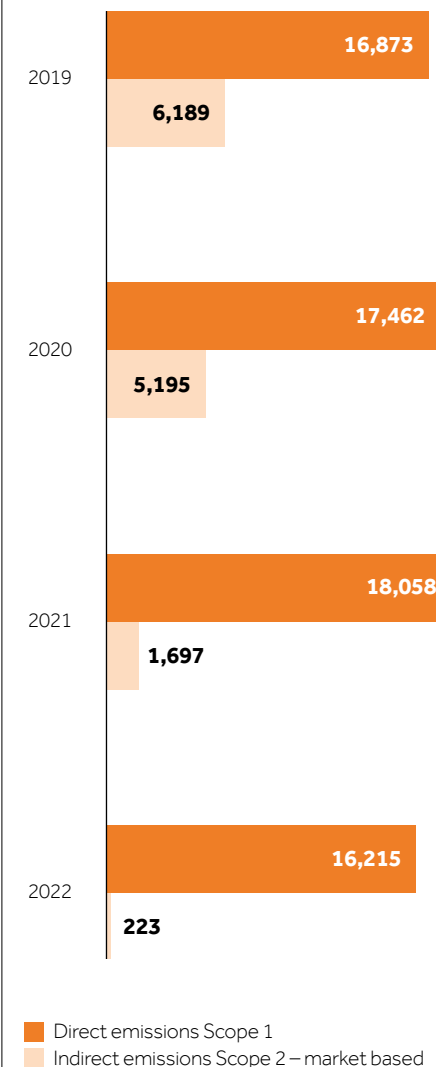
- This data was subject to external independent limited assurance by DNV for the year ended 26 June 2022. DNV's assurance report is available on our corporate website at <https://www.dfscorporate.co.uk/media/59327/DFS-DNV-Methodology-Report.pdf>.
- Prior year emissions have been recalculated and restated as the methodologies and data quality processes have been substantially improved as a result of our work with Planetly.
- Gross sales includes £11.3m in FY22 and £9.3m in FY21 in relation to discontinued operations and FY19 gross sales is the 52 week pro-forma period.

Total Scope 1 & 2 emissions have reduced 17% year-on-year in absolute terms and 23% against our £m of gross sales intensity metric. Our Scope 1 emissions comprise the gas heating in our buildings and our delivery fleet, the 10% reduction is predominantly a reflection of the positive strides we have made in removing the gas boilers from our showrooms. However our fleet emissions have remained consistent year-on-year despite the increase in delivered revenues; this is impacted by our increased use of subcontractors to meet the final mile demand in the backdrop of the industry driver shortages and these subcontractor emissions fall within our Scope 3 emissions.

Our Scope 2 emissions have reduced to 223 TCO<sub>2e</sub> as we successfully transitioned all our UK mainland sites' electricity supply to 100% renewable energy sources from October 2020.

During the year, we incorporated sustainability KPIs into our revolving credit facility (RCF) with a group of our relationship banks. These KPIs include Scope 1 emissions reduction, gender management in stores and material certification of both timber and leather, ensuring coverage across both environmental and social areas. This enables us to benefit from a lower interest rate if we deliver on our responsible business targets. The targets included within our sustainability-linked loan alongside our Scope 1 & 2 emissions have been externally assured by sustainability specialist DNV. Our first measurement period was December 2021 and all of our externally assured sustainability targets were achieved. See the reporting methodology on our corporate website<sup>1</sup>.

### Scope 1 & 2 emissions



→ **Responsibility and sustainability report** continued

**Scope 3 emissions**

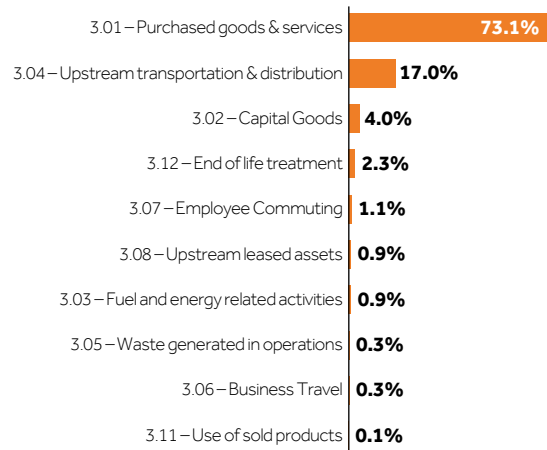
Scope 3 emissions by category	KTCO <sub>2</sub> e				KTCO <sub>2</sub> e per Ebn of gross sales				
	2022	2021	Movement in year	% increase / decrease	2020	2019	2022	2021	% increase / decrease
3.01 – Purchased goods & services	<b>321.1</b>	309.2	11.9	3.8	215.8	284.8	<b>217.6</b>	222.6	(3.1)
3.02 – Capital goods	<b>17.4</b>	15.1	2.3	15.2	10.3	8.2	<b>11.7</b>	10.9	7.3
3.03 – Fuel and energy related activities	<b>4.0</b>	4.2	(0.2)	(4.8)	4.0	3.9	<b>2.7</b>	3.0	(10.0)
3.04 – Upstream transportation & distribution	<b>74.6</b>	58.5	16.1	27.5	33.2	36.7	<b>50.1</b>	42.1	19.0
3.05 – Waste generated in operations	<b>1.4</b>	1.3	0.1	7.7	0.9	1.3	<b>0.9</b>	0.9	–
3.06 – Business travel	<b>1.2</b>	0.8	0.4	50.0	1.3	1.3	<b>0.8</b>	0.6	33.3
3.07 – Employee commuting	<b>4.7</b>	4.1	0.6	14.6	4.5	5.4	<b>3.2</b>	3.0	6.7
3.08 – Upstream leased assets	<b>4.0</b>	3.2	0.8	25.0	3.1	2.5	<b>2.7</b>	2.3	17.4
3.11 – Use of sold products	<b>0.6</b>	0.7	(0.1)	(14.3)	0.5	0.7	<b>0.4</b>	0.5	(20.0)
3.12 – End of life treatment of sold products	<b>10.2</b>	9.7	0.5	5.2	7.1	9.0	<b>6.9</b>	7.0	(1.4)
<b>Total Scope 3 emissions<sup>1</sup></b>	<b>439.2</b>	406.8	32.4	8.0	280.7	353.8	<b>297.0</b>	292.9	0.8

1. For further detail on each of the emissions categories and our calculation principles and methodologies, see the Emissions Methodology Report: <https://www.dfscorporate.co.uk/media/593330/DFS-Emission-Methodologies-Report.pdf>

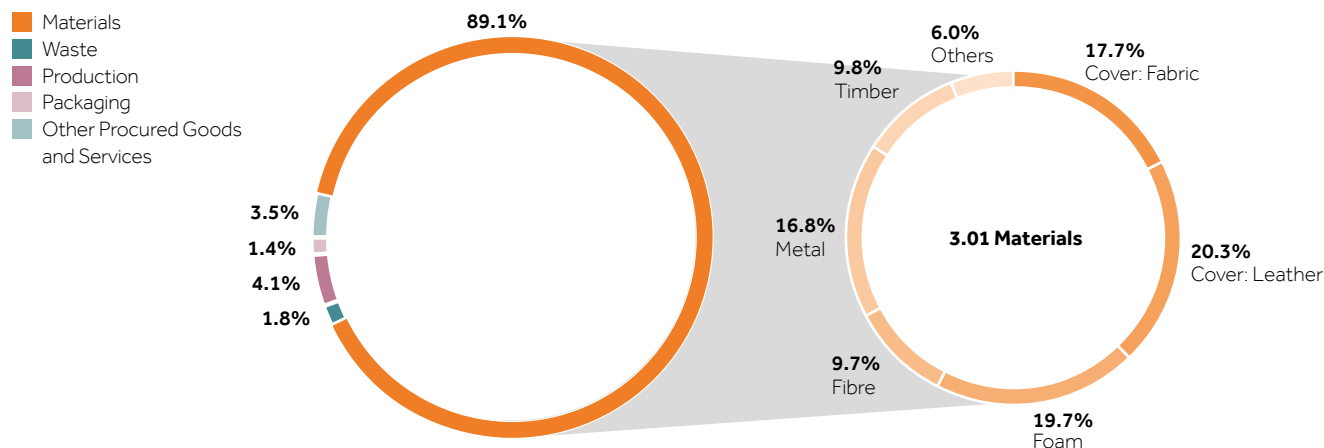
Similar to most retailers, the majority of our carbon emissions fall within Scope 3, primarily attributed to the product we sell (3.01) and upstream logistics (3.04). Within 3.01, our product emissions constitute over 85%, primarily from upholstery fillings, foam and fibre and covers made from fabric.

Using primary data from our largest suppliers, we created a detailed model of our product footprint, illustrating 'hot spots' within our materials – polyurethane foam, polyester fabric and polyester fibre. Changes in energy and materials types ensured the product footprint did not scale at the same rate as the volume of orders. Upstream transportation and distribution emissions (Scope 3.04) have also increased significantly predominantly due to the volume of orders. Business travel (3.06) and commuting (3.07) have increased but are still below pre-pandemic levels due to the increase in remote and flexible working within non-operational roles.

**FY22 Scope 3 emissions by category %**



**3.01 – Purchased goods and services breakdown**



## → Responsibility and sustainability report continued

## Our Customers

### Alignment to UN SDGs



#### FY22 highlights:

- Over 110,000 items saved from landfill during the year through our Sofa Rescue programme
- Sustainability Edit launched in Sofology and expanded our Grand Designs offer to include beds

#### FY23 Targets:

**We are committed to launching at least three new sustainably focused ranges across the Group in FY23**

As part of our ongoing research into materials and developing customer consideration, we will continue to develop sustainably focused ranges within each brand.



To ensure we deliver the highest levels of customer service we make a significant investment in training and developing our colleagues. Colleague performance and customer satisfaction are monitored through regular inspections, customer surveys and, for some of our brands, mystery shoppers carried out through an independent consumer research group.

Customer referral is a great indicator of customer satisfaction and we use Net Promoter Score ('NPS') as a measure of recommendation, which provides us with an internationally recognised predictor with proven links to business success. NPS forms a component of remuneration for colleagues throughout the business, including salespeople, management, head office teams and Executive Directors.

DFS Post-Purchase NPS score has remained consistent year-on-year at 86.3% (FY21 86.4%). DFS Established Customer NPS score in the current year has been heavily impacted by uncontrollable issues within the supply chain resulting in longer than envisaged lead times and has decreased to 11.7% (FY21 30.7%).

### Our Product

#### Our commitment

We want to bring great design and comfort into every living room and we want to do it in an affordable, responsible and sustainable manner.

We are committed to finding solutions and developing our product range in order to use our resources in more efficient ways, use more sustainable materials and reduce waste both during production and at the end of the product life cycle. Our long-standing relationships with our suppliers allow us to ensure the high quality and rigorous safety standards of all the materials and components that we use.

#### Quality of product

The Group has set up measures to help ensure we sell safe and reliable products.

These include:

- DFS products carry the British Standards Kitemark for furniture, which is an external quality standard and all product ranges are reviewed on a quarterly basis through our Quality Control procedures.
- A minimum 15-year frame guarantee.
- All electrical components carry UKCA compliance certification.

- Extensive fire tests: All products are tested by independent organisations such as FIRA (Furniture Industry Research Association) in many areas including fire safety.
- All certifications for nanomaterials are collected and collated bi-annually by Track Record Global to ensure all suppliers have the appropriate risk assessments and versions are maintained and recorded.
- REACH declarations obtained for applicable products (protection of human health and the environment from the risks that can be posed by chemicals).
- Physical testing is carried out including rub tests, stretch tests and frame stability.
- Confirmation from suppliers that there are no VOC's (Volatile Organic Compounds) emitted from the products.
- Over 200 technicians on the road dedicated to services and repairs.



## → Responsibility and sustainability report continued

### The Sustainability Edit

This collection of more environmentally friendly sofas includes ranges that use fabrics made from recycled pre and post-consumer waste, fillings that are recycled or recyclable to support a circular economy, as well as wooden frames from sustainable sources.

We are now the first sofa retailer in the UK to introduce a new, innovative seat option – Ultraflex Encore. This seat filling is a more sustainable foam alternative, offering all of the benefits of foam with a reduced environmental footprint as it is made from 20% recycled polyester with plastic bottle content.

### Grand Designs range

DFS announced the launch of Grand Designs beds during the year – an extension to the already successful Grand Designs sofa range. This new collection of three stylish beds is made using only the most innovative and sustainable materials including FSC-certified timber frames, interiors made from recycled plastics bottles and fabric made from 100% recycled yarn.

The collaboration between DFS and Grand Designs first launched in 2021 and pioneers DFS' broader commitment to building a sustainable business model rooted in the principles of the circular economy – where waste is designed out, and more environmentally friendly materials are sourced, recycled and kept in use.

### Sofa Rescue

The 'Sofa Rescue' initiative, ensures unwanted sofas can be disposed of in an eco-friendly, responsible way, collecting from customers' homes and recycling as many components as possible. This has saved over 110,000 pieces of furniture from landfill during the year and 210,000 items to date.

Using an integrated service model, our teams arrange collections of old sofas the day before delivering a new order to a customer's home. Utilising an extensive and selective network of waste transfer stations to ensure at least 85% of upholstery items collected are diverted from landfill. Additionally, all reverse logistics emissions to support Sofa Rescue are carbon offset.

### Data protection policy and cyber

The Group's operations depend upon the continued availability and integrity of its IT systems, including the security of customer and other data held by the Group, and risk of attacks is ever increasing. Cyber has been identified as a principal risk, see page 41 for further details on the procedures and system in place to mitigate the risks.

The Group will take all steps necessary to comply with the principals as set out in the GDPR and DPA 2018 and have a formal Data Protection policy.

### Anti-corruption, bribery and tax strategy

We are committed to conducting all of our business in an honest and ethical manner, acting professionally, fairly and with integrity in all our business dealings and relationships. We implement effective systems to counter the risk of bribery and corruption.

All potential or actual conflicts of interest should be declared and managed. This will ensure they never stop us from making objective decisions.

We apply our policies across all of our operations, and require all of our suppliers to commit to apply the same or equivalent policies. The Group does not operate in any tax havens or use any tax avoidance schemes.

Our anti-bribery policy and corruption, corporate criminal offence policy and tax strategy are available on our website<sup>1</sup>.



1. <https://www.dfscorporate.co.uk/governance/policies-statements>

## → Responsibility and sustainability report continued

### Our Communities

#### Alignment to UN SDGs



#### FY22 highlights:

- Over £750,000 raised for BBC Children in Need during the year, our largest total since we began our partnership in 2013
- 100% of manufacturing suppliers risk assessed by Dec 2021

#### FY23 Targets:

##### Volunteering

**15% of our non-operational colleagues will support community-based organisations through paid volunteering by June 2023.**

We're proud to support our communities through paid volunteer time however our ambitious goal of over 1,000 days served across the group was hampered by the pandemic.

The new target for FY23 focused on non-operational roles due to labour challenges in specific sectors.

##### Modern slavery

**Top 250 non-manufacturing suppliers by £ spend and sector risk assessed will complete ethical audits or training by December 2022.**

Modern slavery is higher risk in certain sectors, especially those with temporary workforce such as warehousing, logistics and property maintenance. We're working with our suppliers to ensure they are aware of the risk and have a process in place to mitigate it.



#### Our commitment

We are proud to be part of hundreds of communities across the UK and we are committed to helping each community thrive. There is a strong appetite among our colleagues to partake in volunteering opportunities however, the pandemic has severely limited the opportunities available and we have not been able to meet our original volunteering target. Since Covid restrictions have eased, more opportunities are starting to become available and we're seeing more colleagues taking their volunteering day.

#### Giving Back

It has been over a year since we launched Giving Back at DFS, an innovative new way for colleagues and the Company to make a difference to the communities where we live and work.

Our commitment is to raise and donate up to 1% of our Profit Before Tax every year, give every colleague one day's paid volunteering and donate up to 1% of our products (by volume) each year to charitable causes. From planting trees to helping at local homeless shelters, every one of our colleagues is encouraged to get out into their community and support a cause close to their heart.

#### DFS and BBC Children in Need

Since 2020, the money raised by colleagues and customers has helped to support nearly 6,500 children and young people with mental health issues to receive specialist counselling and this will be close to 10,000 children and young people in 2023.

2021/22 saw the Group raise over £786,700 for BBC Children in Need, our biggest annual total to date. Together with our customers, we have now raised over £6,200,000 since 2013. The funds have been raised through our in-store prize draw 'Give me Five', where customers donate £5 to be in with a chance of winning the cost of their order for free. Colleagues have raised money through staff sales, running the Virtual London Marathon and taking part in various fundraising activities throughout BBC Children in Need appeal week in November such as our 'Get your Strictly on' Fancy Dress.

In 2021, we partnered all our manufacturing and warehouse locations, offices and showrooms with a BBC Children in Need funded project within ten miles of their location to ensure a connection was established and to help drive local involvement. These relationships continue to go from strength to strength and sites are supporting their projects through volunteering, fundraising and product donations.

#### The Pennies Foundation

Sofology is now in the third year of its partnership with the registered charity "Pennies". Pennies allows customers to support local charities nominated by Sofology colleagues for each retail region. The charities selected predominantly work with children and young adults across the UK in a range of challenging situations. Sofology currently supports ten charities across the UK.

As well as supporting these charities through customer donations, over the past year Sofology colleagues have completed individual fundraising activities to raise extra funds, including one of our store managers spending a night in the cells to raise money for Teens Unite. Colleagues from our Stoke store taking part in the Continental Thunder Run, a challenging 24 hour race for Cancer Awareness for Teens & Twenties ('CATT's') as well as colleagues from our North Region climbing Pentland Hill and raising money for Children's Hospices Across Scotland ('CHAS') along the way.

We have also had numerous colleagues from our Cardiff store using their volunteer day to help with a team day at Velindre and colleagues from our North East Region again using their volunteer day to help out at the annual garden party for Grace House.

## → Responsibility and sustainability report continued

### Human rights and modern slavery

The culture and ethos across the DFS Group is about doing the right thing. We set clear standards for conduct, which we expect colleagues and suppliers to adhere to. We respect human rights in our business and our supply chain and do not tolerate modern slavery in any form as documented in our Modern Slavery and Human Trafficking Statement<sup>1</sup> on our corporate website. To assist our colleagues in doing the right thing and to raise any concerns or suspicions we have a clear whistleblowing policy and confidential reporting hotline.

We are committed to ensuring that our customers, employees, workers within our supply chain and the members of the local communities we operate in are treated with dignity and respect by upholding internationally recognised human rights principles.

Our approach is to implement the UN Guiding Principles on Business and Human Rights and to recognise and manage the risk of harm associated with human rights violations. Furthermore, our efforts include ongoing robust engagement with our business and major supply chain partners to mitigate potential human rights impacts beyond our direct control.

The modern slavery audits have been completed for all manufacturing partners. These audits enable us to address areas of risk and request changes within the manufacturing supply chains.

Of all manufacturing partners, 15% were deemed high risk and provided corrective action plans to address the key areas of concern. Follow up audits to ascertain whether those areas of risk have been addressed are in progress.

Non-manufacturing (GNFR) supplier audits are in progress and on track to be completed by December 2022. The suppliers were selected based on value and sector and low risk sections, such as finance and legal, were excluded.

We are committed to acting ethically and will continue to take steps to assess the risk of modern slavery taking place in our supply chain.

To help achieve this we will:

1. Regularly review human rights (and modern slavery) related risks associated with our business and supply chain. Our Anti-slavery and Human Trafficking policy sets out our approach.
2. Promote respect for human rights throughout the Group and embed this within the Group culture.
3. Promote the reporting of any human rights concerns throughout the DFS Group and Supply Chain, by providing sufficient ease of access to highlight any concerns, including the provision of an anonymous whistleblowing service as set out in our Whistleblowing Policy.
4. Continue to provide training through our Employee Code of Conduct e-learning modules, which are mandatory for all Group employees and in depth training on the risks of modern slavery in the wider supply chain for those employees who work most closely with our suppliers.
5. Our contracts require third parties to confirm that they comply with anti-corruption, and anti-slavery legislation and we have the right to terminate relationships with third parties where we find examples of breaches of those contractual obligations.
6. Continue to carry out rigorous due diligence to mitigate risks across our own operations and supply chain. We seek to address risks within the supply chain through our ethical sourcing commitments and through our Supplier Code of Practice.
7. Regularly monitor our performance and progress on key human rights issues indicators and report on this in our Modern Slavery Statement

For more detail, see our Group Human Rights Policy<sup>2</sup>



1 <https://www.dfscorporate.co.uk/esg/modern-slavery-and-human-trafficking-statement>

2 <https://www.dfscorporate.co.uk/media/57474/Group-Human-Rights-Policy-1-.pdf>

## → Responsibility and sustainability report continued

### Task Force on Climate-related Financial Disclosures (TCFD)

The Group recognises the importance and benefits of the TCFD framework in demonstrating to stakeholders our strategy, climate-related risks and opportunities and our proposed response.

Our disclosures are consistent with the recommendations and recommended disclosures of the TCFD, and have considered Section C of the TCFD Annex entitled "Guidance for all sectors". Our disclosures are in compliance with the requirements of LR 9.8.6R with the exception of detailed climate scenario analysis which we are committed to undertaking in FY23.

Significant progress has been made during the year to comply with the TCFD and we will continue to evolve our disclosures now the building blocks for reporting are in place.

### Governance

#### Board oversight

The Group has a clear governance structure in place for ESG related matters, see page 58 for the structure in place. Climate is one of the four pillars included in the RSC and we recognise that compared to the other more established pillars there is a greater level of resource and focus necessary in order to accomplish our longer-term goals. In order to evoke the level of change required in this area, a significant portion of time and resource has been dedicated to this area.

#### Role of senior management

Senior management form part of the Sustainability steering meetings and chair brand level ESG committees to ensure they are influencing and monitoring the progress of the ESG objectives. Responsibilities include updating the Board on ESG developments, driving the overall strategy of the business and the day-to-day management of the climate-related risks and opportunities of the business.

Since the announcement of our Sustainability strategy in September 2020 we are working with external consultants who specialise in sustainability, including:

- undertaking a climate-related materiality assessment with EY (completed FY21)
- calculating our Scope 3 emissions with Planety (ongoing, commenced FY22)
- assuring our key sustainability KPIs through DNV (ongoing, commenced FY22) and;
- conducting scenario analysis with Willis Tower Watson (commenced August 22 – to be completed in FY23)

Management are informed about climate-related matters both internally and externally.

- Internally through regular updates from the brand level ESG committees and Sustainability Champions, who ensure a clear voice for matters to be raised and escalated effectively and help to identify areas for improvement.
- Externally through input from sustainability experts, such as James Cameron, to ensure our sustainability strategy is relevant and abreast of the regularly changing reporting and regulatory landscape.

### Strategy and risk

We have used the understanding gained from the materiality assessment conducted in FY21 to identify and outline the risks and opportunities in relation to sustainability, see page 75. We are committed to performing scenario analysis with the guidance of Willis Tower Watson initiated in August 2022. Once completed, a more comprehensive list of risks and opportunities will be outlined.

We categorised the below risks and opportunities identified into the following time horizons.

#### Short term: 1-3 years

We perform detailed financial forecasting, including our viability reporting on a three-year cycle therefore we have aligned our short-term time horizon with this measure.

#### Medium term: 3-10 years

The significant strategic and operational changes needed to address our carbon footprint are expected to be embedded and monitored within this timeframe.

#### Long term: 10-30 years

Aligned with our Net-Zero ambition by 2040 and will include measures and investments, which look to fundamentally reshape our product portfolio and asset base to facilitate our transition.

The process for identifying climate-related risks has been integrated into our overall risk management process, see page 38.

Our materiality assessment performed last year, which involved in-depth meetings with stakeholders from across the Group and with senior management, has been further developed with input from the RSC and risk team to ensure material risks are identified and managed effectively.

ESG is a principal risk, which has the potential – to varying degrees – to impact our business in the short, medium and long-term. The process for assessing and identifying climate-related risks is the same for all principal risks, we prioritise principal risks through our Group risk register and risk heat map. The Board has overall responsibility for the Group's risk management and systems of internal control and this includes the climate-related risks we have identified.

Detailed within the risk management section, is how these risks could have a material financial impact on the organisation, the relevant significance of climate-related risks disclosed in relation to other organisational risks and the process used to determine the potential size and scope of the climate-related risks.

The integration of our climate-related risks ensures they are a consideration by both senior management and the Board when executing both strategic and business decisions and has sufficient influence on the Group's business strategy. We have set ambitious targets both in the short and medium term demonstrated by our ESG targets and in the long-term in relation to our 2040 Net-Zero ambition.

### Impact on planning and strategy

To meet these targets we are committed to investing in research and development over the coming years to grow our sustainable product portfolio, adapt our

supply chain and operations and reduce our emissions footprint.

The Group allocates funds to a separately managed, Board-approved, ESG budget, dedicated to responding to our climate-related risks and opportunities. This is critical even in the current market, which has seen inflationary pressures in our input costs. We acknowledge the long-term nature of our commitments and the foundations that must be established in the upcoming years in order to ensure these targets remain achievable.

### Scenario analysis

We have committed to completing our scenario analysis by the end of FY23 and intend to assess the resilience of our business strategy against a range of climate-related scenarios including both:

- Low Carbon World (high transition risk)
- Hot House World (high physical risk)

Assumptions will be gathered from sources including the IPCC, NGFS and IEA. The physical risk, assessed on the exposure of our assets, will be evaluated on future time horizons against the different scenarios using a bespoke modelling tool.

The transition risk will draw on published assumptions and engagement with key internal stakeholders to evaluate exposure. Once performed we will review the existing risks and opportunities identified and ensure any additional risks are included in our current processes.

### Metrics and targets

Our ESG frameworks and targets clearly outline the risks and opportunities and allows us track our performance against our sustainability goals over both the short and medium term. These include direct emission reductions, sustainable sourcing and modern slavery.

During the year we calculated our Scope 3 emissions for the last four financial years (FY19-FY22). See page 69 for the detailed breakdown.

We are committed to science-based reduction targets with the SBTi in the next two years. Additionally we have incorporated sustainability KPIs into our Revolving Credit Facility (see page 68 for more detail).

## → Responsibility and sustainability report continued

The below table summaries the key climate-related risks and opportunities identified that are considered to have the greatest impact on the business in the short, medium and long term.

	Description	Time horizon	Risks	Opportunities	Strategic response and resilience
Policy and legal	The financial performance of our business/industry could be adversely impacted as a result of current and emerging laws and regulations such as the introduction of carbon taxes and zero net deforestation policies	Current laws and legislation: Short-term Emerging laws and regulations: Medium/Long-term	Introduction of these policies could lead to an increase in input costs (raw materials, manufacturing, packaging etc.)	Opportunity through being proactive in our sustainability approach to gain an advantage over our competitors and avoid or reduce any impact of government taxes or sanctions.	We constantly review and reflect regulatory requirements and industry standards in our policies. Our suppliers have engaged with new standards and certifications, ensuring best practice and we will continue to amend these, as we deem appropriate.
Changing consumer preferences	As public concerns around climate change grow and the demand for sustainable product ranges increases it is essential our products align and respond to changes in customers' preferences.	Medium/Long-term	Reduction in demand and revenues over time if our products are perceived to be unsustainable by the general public.	By moving with or ahead of changing customer attitudes and preferences, we have an opportunity to appeal to a wider customer base through the development of more sustainable products.	We consider ourselves to be ahead of the current market in the sustainable products we have on offer. We will continue to invest in sustainable products and partnerships such as the Grand Designs and Sustainability Edit, ensuring that the ranges are affordable, comfortable and sustainable.
Transition to low carbon production and/or low emission technologies	Fossil fuels are a key component in our raw materials. In order to transition to renewable energy sources we are reliant on technological advancements such as 7.5 tonne electric vehicles within our direct emissions and engagement and willingness from our suppliers to transition to more sustainable practices.	Short/Medium-term	There are expected to be increased legislation and regulations introduced around carbon, which are likely to increase the overall production costs of our products, and could result in impairment of current assets in the future or significant investment required in new technologies.	Opportunities for reputational benefits and potential for lower energy use/operational savings from more efficient technology.	We have joined the Centre for Climate Change Innovation, a partnership which addresses specific material challenges in addition to working closely with our suppliers on the specification of materials on all new ranges. Additionally we are engaging in retail industry initiatives to address challenges such as electrified 7.5 tonne vehicles, being proactive rather than reactive and always pragmatic.  We have already made progress within our company car fleet. Only hybrid or electric vehicles are available within our company car policy.
Physical – acute	Our operations could be physically damaged by extreme weather events, including damage or loss to our owned property or inventory of products. Additionally, weather related events could lead to disruptions in our supply chain which influence the availability of raw materials or significant delays in manufacturing of products.	Medium/Long-term	Closure of showrooms and the unavailability of raw materials or significant delays in manufacturing of products leading to reduced revenues and reputational damage.	n/a	Operations throughout the UK and omnichannel platform limit overall impact to the business from any extreme weather conditions.  The pandemic demonstrated the Group's resilience during prolonged showroom closure and therefore we would anticipate limited financial impact as a result of climate-related events.  Manufacturing sites' due diligence and our fluid business model ensures we are not limited to a single point of risk within our supply chain.

This strategic report was approved by the Board on 15 September 2022.  
On behalf of the Board

**TIM STACEY**  
Chief Executive Officer

**MIKE SCHMIDT**  
Chief Financial Officer