

DFS GROUP ESG STRATEGY

2020 SUSTAINABILITY
UPDATE

SEPTEMBER 2020



dfs

sofology®

dwell

WHAT YOU WILL SEE TODAY

WHY IS ESG
IMPORTANT
TO US?

WHAT'S OUR
APPROACH?

WHERE ARE
WE IN 2020?

WHAT'S
NEXT?



TODAY

WHY IS ESG
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MAKING SOFAS MORE COMFORTABLE - IN EVERY WAY

A MORAL, ETHICAL AND COMMERCIAL IMPERATIVE

We care about doing
the right thing



Customers, colleagues
and stakeholders
expect it of us



As market leader we
want to take the lead



ESG commitment
ensures continued
growth and mitigates
risks



And can drive profile
and preference



THE IMPORTANCE OF E, S AND G

GOVERNANCE

Shareholder rights

Risk management

Tax transparency

Anti corruption

SOCIAL

Ethical supplier behaviour

Treating colleagues fairly

Developing colleagues

Our role in society

ENVIRONMENT

Overall emissions

Use of energy & resources

Sustainable sourcing

Transport

Waste & recycling

UPDATE CONTINUED PROGRESS ON S&G DURING 2021

**OUR PRIORITY FOR 2020 &
THE FOCUS OF THIS UPDATE**

TODAY

WHY IS ESG
IMPORTANT
TO US?

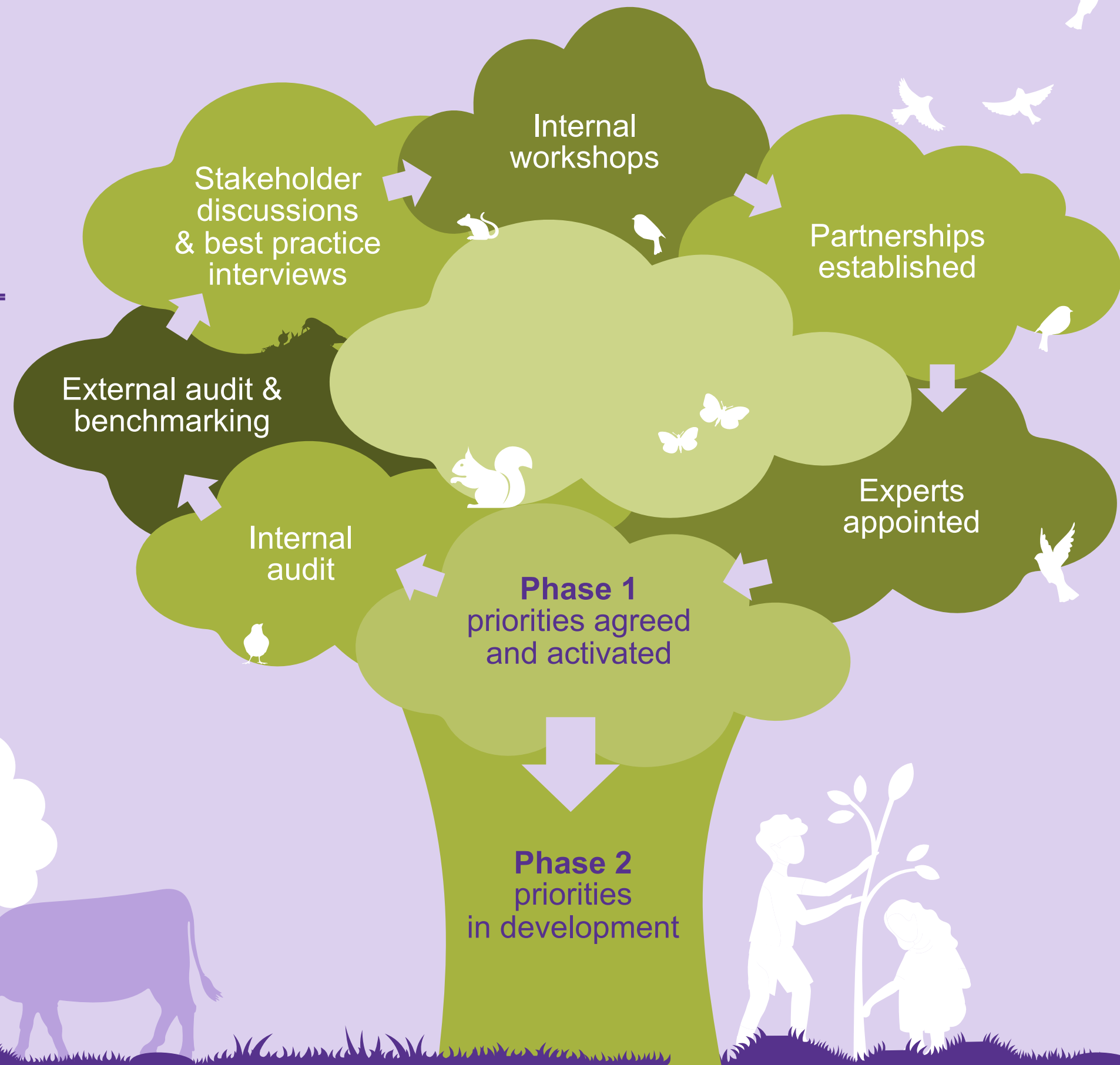
WHAT'S OUR
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THE LAST 12 MONTHS

2020 FOCUS: ENVIRONMENT



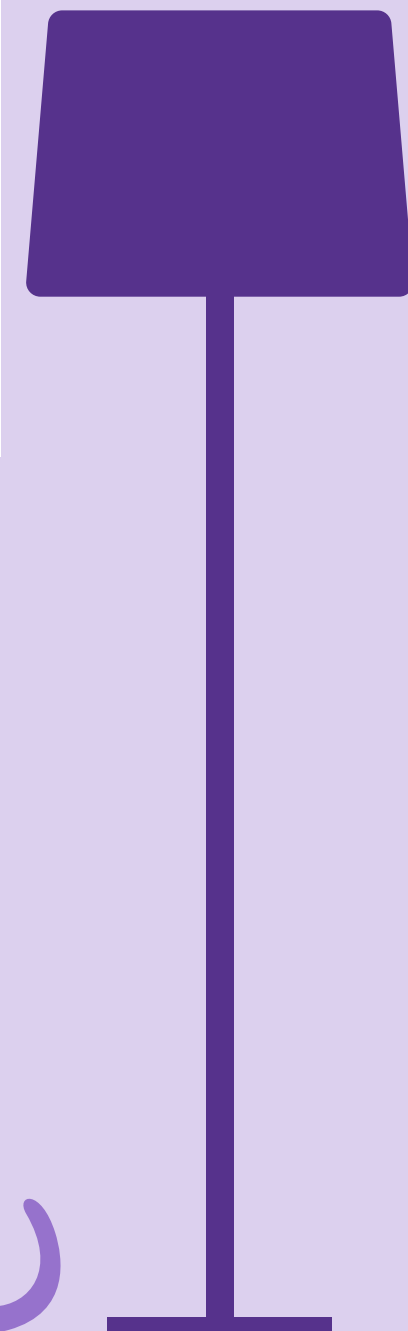
WHAT WE OBSERVED

Sofa-selling companies vary greatly in how much effort and ambition they are putting into ESG

No-one is really focusing on sofa-specific ESG

‘New sustainability’ is circular

Much ESG is behind-the-scenes but leading brands create distinctive consumer-facing initiatives to set the agenda



OUR GUIDING PRINCIPLES

1

Treat ESG as an **opportunity, not just an obligation**

2

Embed ESG in the business's **growth strategy**

3

Think circular: sustainable production as well as disposal

4

Flagship initiatives and **Foundation programmes**

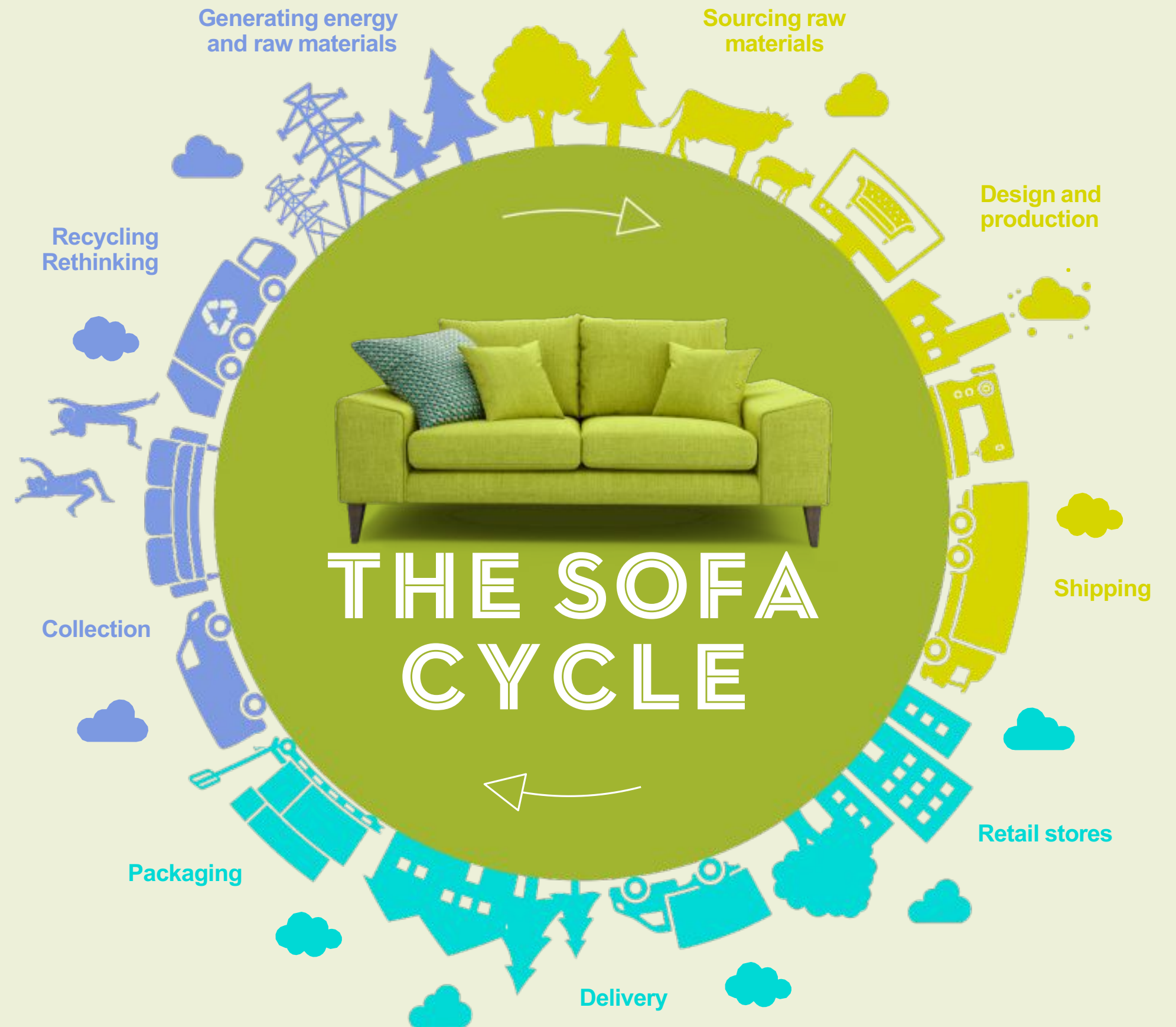
5

Use **partnerships and experts** to move faster and more effectively

OUR FRAMEWORK

Key to colours

- Sourcing and making
- Selling and delivering
- Reusing and recycling



THE SOFA CYCLE IN PRACTICE

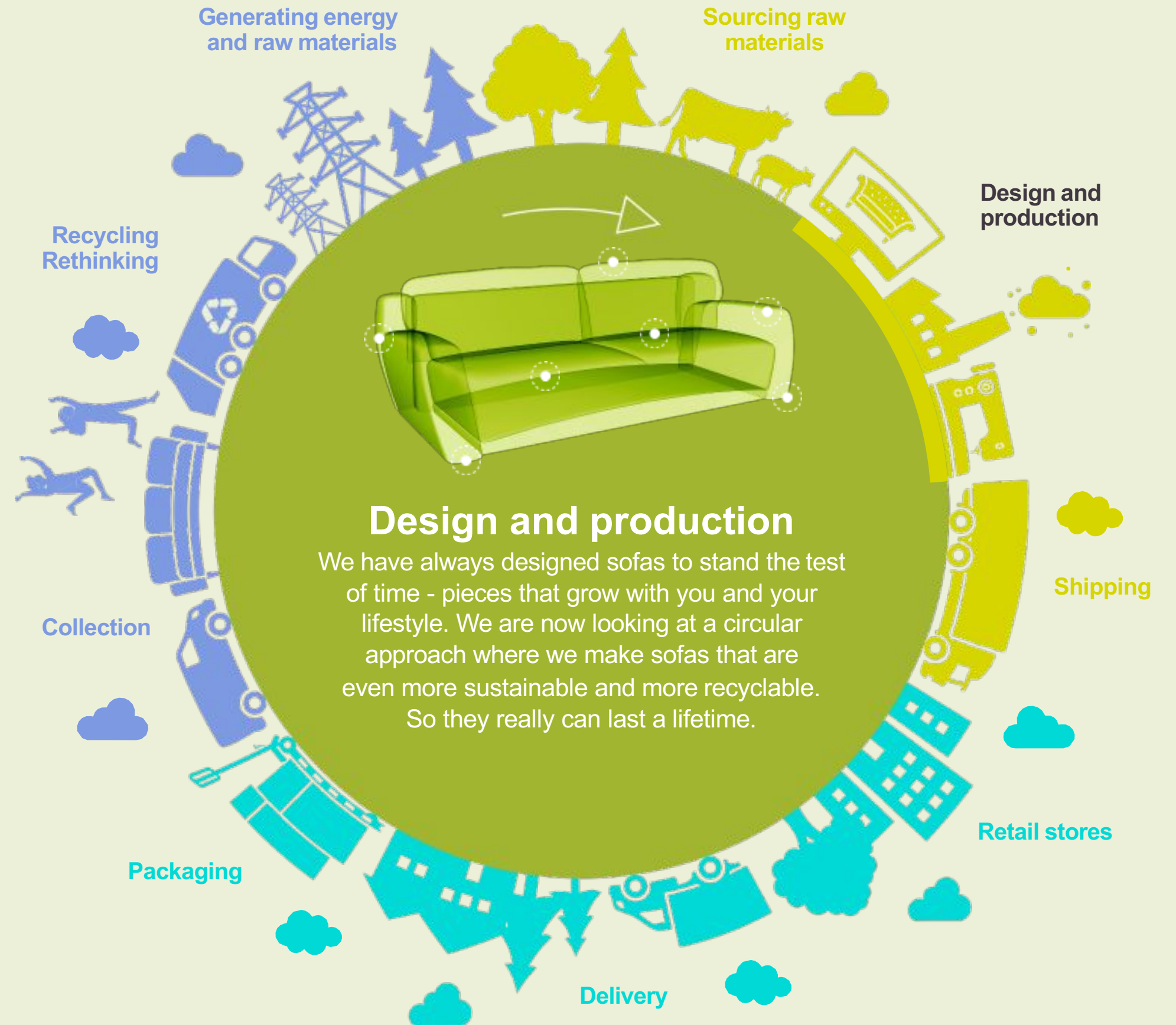
100%

FSC Certified sofa supply chain by 2025.



THE SOFA CYCLE IN PRACTICE

Sofables



THE SOFA CYCLE IN PRACTICE

10% REDUCTION IN UK INBOUND HAULAGE MILES BY 2022

We are working to reduce inland haulage miles by selecting the most efficient shipping route and port to match CDC destinations.



THE SOFA CYCLE IN PRACTICE

10%

minimum reduction in CO₂ emissions
from our delivery fleet by 2023.



THE SOFA CYCLE IN PRACTICE

85%

of all sofa packaging will be recycled by December 2020.



THE SOFA CYCLE IN PRACTICE

50,000

sofas expected to be collected by our
Sofa Rescue service during 2020.



THE SOFA CYCLE IN PRACTICE



Pioneer sofa designed using recycled and recyclable materials



Recycling and rethinking

We are working on ways we can extend the life of our sofas. In Phase 2 of our ESG strategy, in 2021 we have an ambitious plan - to launch a more-sustainable sofa range that complements our approach to the circular economy.

TODAY

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WHERE ARE WE IN 2020?

FOUNDATION ACTIVITIES

The environmental issues we tackle throughout
all aspects of our business every day



CO₂ MITIGATION

DFS Group offsets its Scope 1 and Scope 2 CO₂ emissions by planting trees through The Woodland Trust. The trees remove CO₂ from the atmosphere, in effect compensating for the gases the company emits in its day-to-day business.

In addition, the new woodland will provide new habitats for nature, and places for people and families to visit. DFS Group is The Woodland Trust's largest UK carbon mitigation partnership.

94,572

native trees will be planted in partnership with The Woodland Trust

23,643

tonnes of CO₂ will be offset by Group tree planting initiatives

146

acres of native woodland will be planted in year 1 across the UK



FOUNDATION ACTIVITIES

2020 PROGRESS

TRANSPORT

Transport emissions

By 2023, we will reduce the CO₂ emissions from our sofa delivery company by at least 10%.



22%

Better CO₂ performance than UK national average for new registrations.



PACKAGING

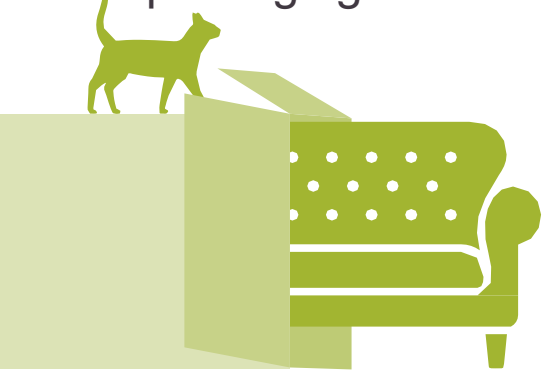
Plastic packaging

By December 2020, we'll ensure all the plastic packaging we use is recyclable



Sofa packaging

By December 2020, we will recycle 85% of our sofa packaging. By December 2022, we will recycle all our sofa packaging



WOOD & LEATHER

Wood sourcing

By 2025, we will build all our sofas using 100% FSC-certified wood



Leather sourcing

By December 2021, the leather we use will not cause deforestation in the Amazon or anywhere else



FOUNDATION ACTIVITIES

PROGRESS AND TARGETS

ENVIRONMENT PHASE 1 FOUNDATION TARGETS

SECTION	KPI	TARGET	DFS	SOFOLGY	DWELL
Environmental Wood Sourcing	All aspects of Timber Sourcing for sofa manufacture from FSC certified sources. Publish timber sourcing policy for sofa by brands.	100% FSC Certified by 2025	Dec - 2025	Dec - 2025	Dec - 2025
Environmental Leather Sourcing	Leather sourcing does not cause deforestation in Amazon or elsewhere. Publish leather sourcing policy by brand	Leather sourcing does not cause deforestation in Amazon or elsewhere	Dec - 2021	Dec - 2021	Dec - 2021
Environmental Packaging	100% sofa packaging recyclable by Dec 2020. Policy statement published.	100% sofa plastic packaging recyclable by Dec 2020	Dec - 2020	Dec - 2020	Dec - 2020
Environmental Sofa packaging	85% sofa packaging collected by brand vehicle recycled by Dec 2022	85% sofa packaging recycled by Dec 2020, 100% by 2022	Dec - 2020	Dec - 2020	Dec - 2020
Environmental C02 Reduction	Agree staged carbon reduction target from Jan 2021, publish review of transport options for SDC* annually	TBD post CT data end Jan 2021 - x% reduction by 2025	Dec - 2025	Dec - 2025	Dec - 2025
Environmental C02 Reduction	SDC - fuel saving contribution to C02 reduction	10% C02 reduction from SDC by 2023	Dec - 2023	Dec - 2023	Dec - 2023
Environmental C02 Offset	100% carbon offset	100% Carbon offset by Dec 2020	2020	2020	2020
Environmental Water and waste management	Measure, monitor & conserve, agree improvement targets for 2021	TBD	TBD	TBD	TBD

* Sofa Delivery Company

WHERE ARE WE IN 2020?
FLAGSHIP INITIATIVES



SOFA
RESCUE

Customers
struggle to get rid
of old sofas

Many end up
in landfill

So we now offer to
collect unwanted
sofas and break
them down for
reuse, recycling or
the production of
new green energy



SofaRescue

at sofology

Sustainable, responsible sofa collection

in partnership with **Clearabee** 

WHERE ARE WE IN 2020?
FLAGSHIP INITIATIVES



SOFA
RESCUE

6,000
sofas collected,
from 2867
customers,
in August 2020

50,000
sofas expected
to be collected
during 2020

10%
Up to 10% of
customers
choosing
to have their old
sofa collected



WHERE ARE WE IN 2020?
FLAGSHIP INITIATIVES

PLAN TREE

Deforestation is a massive global problem

While we source wood as sustainably as possible, we want to go further and contribute to reforestation

For every sofa order at Sofology we will plant a tree in the UK, as part of accredited schemes run by the Woodland Trust: being rolled out across the Group



PLAN TREE IN ACTION



For Black Friday 2019 Sofology pledged to plant a tree for every order received that week



Almost 2 hectares of new woodland will be planted as a result



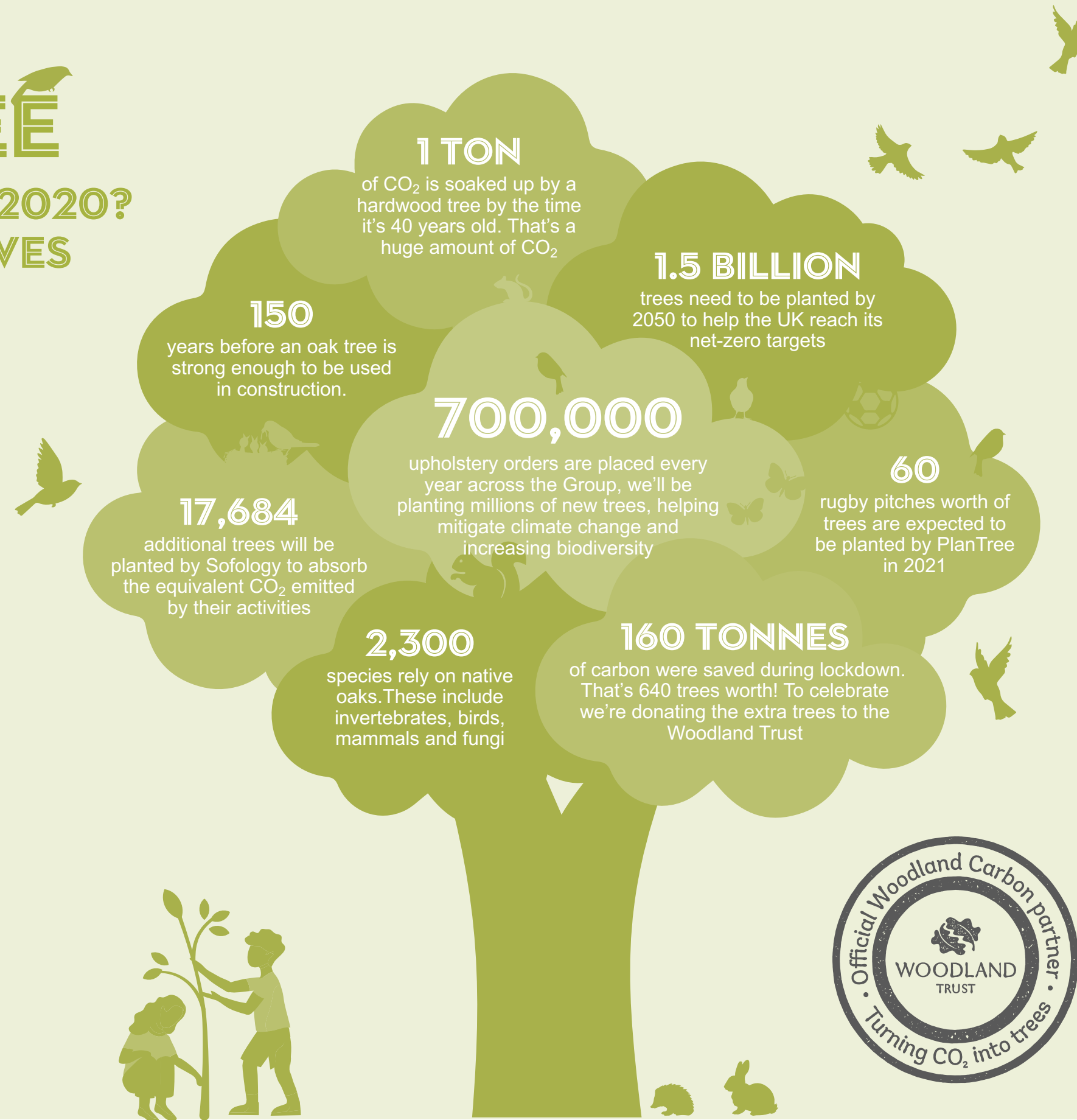
Plan Tree now Sofology's permanent reforestation initiative in partnership with the Woodland Trust



100,000 trees will be planted through Sofology's PlanTree initiative in the UK during 2020. DFS and Dwell launching similar programmes for 2021

PLAN TREE

WHERE ARE WE IN 2020? FLAGSHIP INITIATIVES





Green
Friday
at sofology®

TODAY

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WHAT'S NEXT?

Our main aim is to never stop improving. We're working towards the foundation targets we've set for phase 1 and will continue those efforts. But we're already into research & development for phase 2, and after that will come a third and fourth phase



LOOKING FURTHER INTO LEATHER

With leather, there are issues other than deforestation, such as the amount of water used in processing. We need more detail on this, and are looking for our suppliers to source from where this water use is well-regulated in how much water is allowed, and how it is disposed of



FRESH FEET

Sofa feet need to be made of hardwood to take the weight pressure, but it is difficult to find FSC hardwood as it grows so slowly. We are looking into alternatives such as polymer injections to strengthen softwood

FABRIC AND FOAM

Fire regulations are important and save lives, but the chemicals used mean much foam and fabric is almost unrecyclable other than as filler. So in Phase 2 we will investigate the sourcing of other fabric and foam materials that will give us more options for recycling and reusing this part of our sofas

WOOD FURNITURE

We'll need to ensure all our cabinet furniture complies with FSC standards

HIGH-QUALITY PART-TIME WORK

With two Flagship campaigns based on Product, our next Flagship will focus on People, aiming to help address any inequalities in our workplace. For example, high-quality part-time work can support gender and age diversity by addressing a number of issues. We'll also identify where there is more we can do in other forms of diversity such as ethnicity and disability

SOFA RESCUE 2.0

Building on Sofa Rescue, we're now developing a sofa that's completely recyclable and looking at options for rentable sofas. Currently we have a sofa ready to launch in late 2020 that's 94% recyclable (all but the feet)

PHASE 1 ESG TARGETS

ESG PHASE 1 FOUNDATION TARGETS

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Social Gender Mix	Diversity, gender mix	All Group Apprenticeship programmes 50% minimum female intake by Dec 19	Dec - 2019	Dec – 2019	Dec - 2019
Social Gender Mix	Diversity, gender mix	All internal management development programme 50% minimum female intake from January 2020	2020	2020	2020
Social Diversity	Diversity, gender mix	Minimum 50% female store managers by Dec 2024	Dec - 2024	Jul - 2023	Jul - 2021
Social Modern Slavery	Ethical audit to cover modern slavery	All suppliers audited annually by independent company by Dec 2021	Dec - 2021	Dec - 2021	Dec - 2021
Social Charity Community	Volunteering No of Days	All colleagues entitled to paid time off to give back to the community	500 colleague days from 2021	500 colleague days per year from 2020	150 colleague days per year from 2020
Governance ISO	ISO45001 - H&S	By end 2021	Dec - 2020	Apr - 2019	Dec - 2021
Governance ISO	ISO14001 - Environmental Management	By end 2021	Dec - 2020	Dec - 2019	Dec - 2020

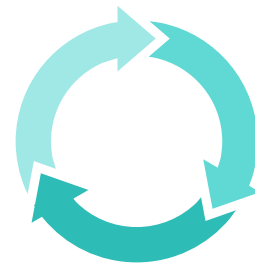
* Sofa Delivery Company

IN SUMMARY

**Opportunity, not
Obligation**



**Thinking and acting
Circular**



**Foundations and
Flagships**



**Phase 1 not cost
Additive**



**Being more
Transparent**



FOR FURTHER INFORMATION

Please download the investors pack on the DFS
Group corporate website and learn more about our
ESG Foundations and Flagships

Email philip.hutchinson@dfs.co.uk



THANK YOU

