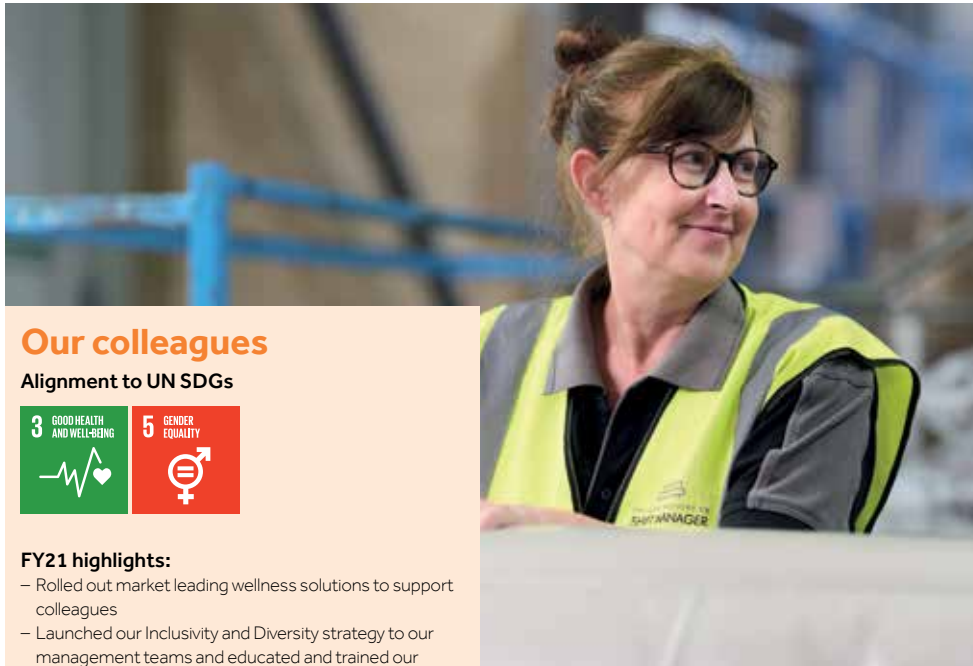


Responsibility & sustainability report continued



Our colleagues

Alignment to UN SDGs



FY21 highlights:

- Rolled out market leading wellness solutions to support colleagues
- Launched our Inclusivity and Diversity strategy to our management teams and educated and trained our managers
- Financially supported our employees through our Coronavirus Absence Pay Scheme ("CAPS")

Focus for FY22:

- Build our understanding of colleague demographics, analyse and develop actions to improve inclusivity and diversity
- Education program for our wider workforce on the importance of inclusion and diversity to our business
- Continue to build our 'Giving Back', charity strategy

Our targets:

- All Group apprenticeship programmes will have at least 50% female representation from 2020
- All Group Management development programmes will have at least 50% female representation from 2020
- A minimum 50% of showroom managers will be female by December 2024

BACKGROUND

We employ over 5,000 people across our head office, manufacturing, warehousing, logistics, sales and service teams. 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 businesses history of innovation in the sector and our market leading position.

Risks associated with our colleagues include:

- Loss of skilled specialist workforce (e.g. in our manufacturing operations) resulting in incremental training costs and/or reduction in quality of products
- Reduced engagement levels impacting innovation and our market leading position
- Under-representation across various demographics, impacting our ability to think more broadly and reflect our customer base
- Health and safety incidents that impact our reputation and result in financial penalties

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 AND DIVERSITY

It is our firm view that inclusive and 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 treated equally and fairly day-to-day and in the opportunities they are given and we expect all colleagues to treat each other and our customers with equal respect. We believe in this not just because it is morally right, but as an organisation that more appropriately reflects the communities where we work and the customers we serve, we will be able to better serve our customers.

Our focus in recent years has been on gender equality. This year we have kick started the conversation around other forms of inclusion and diversity with internal education and engagement activity, alongside the creation of longer-term plans across our brands, operating teams and central offices to make a measurable difference to the makeup of our workforce.

We have worked with expert advisors (such as Stonewall, an LGBTQ+ charity) to obtain expert guidance and emphasised through our appointment to the Board of Loraine Martins OBE an expert on inclusion, diversity and equality. Loraine will provide broad support and guide our plans going forward.

Working with our partners we have launched an LGBTQ+ Allyship network. This provides networks open to all of our colleagues to join, allowing individuals to educate themselves, support and provide solidarity to the LGBTQ+ community as well as driving and promoting behaviours that support inclusion and challenging those that do not.

Responsibility & sustainability report continued

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.

We have held Inclusive Leaders training across our management population which incorporates real-life scenarios from our business to drive engagement.

We are in the process of developing our onboarding module to highlight the importance of diversity and inclusion to the business.

2

Engage

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

We set up our Inclusion Council in the year which focuses on a shared goal: to create a workplace where everyone is equal, listened to and respected. A collection of colleagues from across the business are dedicated to creating change and are personally invested in building a more inclusive future for everyone in the Group. The council, chaired by the Group CEO, published an inclusion special version of our internal magazine 'Crafted' to help educate and engage our colleagues on the importance of diversity and inclusion to our business. Outputs from this Group are reviewed at our Group Leadership Team meetings and our Group Board.



Our calendar is full of activities celebrating events throughout the year and providing a means for individuals to personally connect and learn about each other – examples include:

International Women's Day: A selection of Sofology female leaders held virtual sessions for college students, explaining their journeys into the world of work and the challenges they faced as aspiring leaders in their early years. This gave the college students a real understanding of career pathways and how they may map their own using the advice and examples given in these sessions.

Black History Month: In October we shared stories, ideas and content to promote and celebrate Black contributions to British society, and create a better understanding of Black history.



Pride: We encouraged all our teams across the business to show their support for Pride to ensure all team members irrespective of their sexual orientation feel welcome in the Group and the comments and photos showing support across our workplace social media platform was phenomenal.

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.

Across the business, our teams are working on initiatives and collaborating with others to drive change. For example, to remove the risk of unconscious bias we have tasked recruiters to remove names from job applications and the Sofology brand ran inclusive recruiting workshops.

We have developed a number of family friendly policies internally that go well beyond the statutory requirements and give flexible alternatives to our colleagues on maternity, paternity, parental and adoption leave.

Sofology's Next Generation programme which is designed to give colleagues the opportunity to apply for in-house development and support to reach the next steps in their career path has a minimum 50% female representation on each intake.

Responsibility & sustainability report continued

It is clear that in order to focus our efforts, we need to gather better data and insights on our workforce. DFS has launched 'Everyone Counts' and Sofology the 'SoForAll' campaign, encouraging colleagues to share more demographic information about themselves and these campaigns are beginning to make a difference.

We are conscious that given historical sector specific dynamics such as a predominantly male-dominated warehousing and delivery workforce and our colleague turnover levels, it may take time to achieve a better balance; however we intend to set more targets in the future to track our progress. We will also start to include questions covering diversity and inclusiveness in our colleague surveys so we can understand how colleagues perceive our efforts to drive positive change and set a benchmark to measure progress against.

The Group also recognises the right of every colleague to work in an environment free of discrimination and harassment. We have a formal policy for what constitutes harassment and bullying inside and outside the workplace and we have a grievance procedure which outlines how these instances are resolved.

40%
OF EMPLOYEES > 5 YEARS SERVICE
(FY20: 39%)

PROGRESS AGAINST TARGETS

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

	Male	Female
FY21	38%	62%
FY20	45%	55%

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

	Male	Female
FY21	40%	60%
FY20	57%	43%

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

	Male	Female
FY21	74%	26%
FY20	78%	22%

Gender diversity of the Group 27 June 2021

Directors

	Male	Female
FY21	4 (50%)	4 (50%)
FY20	4 (57%)	3 (43%)

Group Leadership Team

	Male	Female
FY21	4 (67%)	2 (33%)
FY20	6 (67%)	3 (33%)

Senior managers

	Male	Female
FY21	17 (68%)	8 (32%)
FY20	17 (68%)	8 (32%)

All colleagues

	Male	Female
FY21	3,361 (64%)	1,856 (36%)
FY20	3,437 (64%)	1,935 (36%)

Details of our most recent gender pay gap report can be found on page 111 in the Directors' Remuneration Report.

TALENT & DEVELOPMENT & EARLY CAREERS

Developing and retaining talent is 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 for all our colleagues, at whatever stage of their career. We provided over 100,000 training hours to our colleagues ranging from leadership development to ongoing induction and role specific training.

During the pandemic we utilised our digital technology to deliver a range of virtual learning solutions, ensuring we continued to support all our colleagues offering bite-sized development with particular emphasis on wellbeing, virtual leadership, and 'thriving through change'. The success of these virtual learning sessions will enable us to continue to offer support and development to all our colleagues well into the future.

We seek to promote internally and 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 into our business for early careers work experience and offer learning which supports students in their transition from school to work.

Our apprenticeship scheme offers support not only to young participants to achieve formal qualifications in their chosen field, but also underpins our career pathways offering Advanced and Higher Apprenticeships to existing colleagues wanting to further their professional development.

Work experience opportunities this year were severely impacted by Covid-19 during the year but are anticipated to return to normality in the coming year.

Responsibility & sustainability report continued



COLLEAGUE ENGAGEMENT

Creating highly engaged teams is a cornerstone of our success. We listen to our colleagues' feedback and ideas in many ways, including our partnership with Best Companies in DFS and Happiness Index in Sofology. We believe 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. The Forum meets regularly to keep informed with what is happening across the Group, to collaborate and share best practices. This included a special Inclusion focused Forum during the year

- Workplace by Facebook is a leading digital platform that allows colleagues to connect and collaborate with each other, 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, which enables 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
- As noted last year, Jane Bednall has been appointed as the Group's designated Non-Executive Director for workforce engagement. Jane, together with the Chairman and other members of the Board, has continued communication with colleagues through regular employee channels in addition to engagement through our dedicated employee Voice Forum. The Forum takes place twice a year, with a broad and diverse range of employees represented. Topics are selected by both employees and the Board, and have resulted in lively and engaging sessions with genuine two-way engagement between the Board and the wider workforce.
- We have a network of 'Sustainability Champions' led by our Group Leadership Team and who help to drive sustainability across all areas of the Group, providing insight to the ESG Committees on potential energy/resource saving initiatives and social matters across the business

HEALTH, SAFETY AND WELLBEING



Our targets:

- ISO45001 – Health & Safety from December 2021.

Our commitment

Our people are critical to our business and we recognise the importance of promoting safe working and preventing work-related injuries or ill health in all forms. We seek to minimise the risk of a negative impact resulting from our operations on the health, safety and wellbeing of our colleagues and to provide a working environment that our colleagues can thrive in.

Our policy 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.

We have a number of mandatory training modules including an introduction to Health and Safety which is completed by new starters to manual handling modules specific to each area of the business. We also run IOSH Managing Safety courses for managers and supervisors.

Risk assessments are reviewed annually for each business area and if required following an accident.

Our ISO45001 occupational health management system has been recertified following the latest round of audits in May and both DFS and Sofology achieved the RoSPA (Royal Society for the Prevention of Accidents) Gold Award for excellence in H&S.

“I began the apprenticeship in January 2020 and I'm now a year into my dream job. I'm still excited to come into work every day, learn something new, put it to the test, and develop skills which provide me a career for life.”

DYLAN ATKINSON
JUNIOR DEVELOPER APPRENTICE –
DUE TO COMPLETE LEVEL 4 IN
SOFTWARE DEVELOPMENT

Responsibility & sustainability report continued

Covid-19 response

Across the Group we have continued to follow Covid-19 guidelines and the Covid-19 response plan set out in last year's annual report and prioritise the health and safety of our colleagues and customers. We have introduced 'Golden Rules' safety protocols, have testing procedures in place for our delivery and manufacturing teams and continued to operate a work from home policy for the vast majority of our head office colleagues. We have an internal process which ensures a member of our Health and Safety team calls all colleagues who have tested positive for Covid-19 to help identify any close contacts in order to isolate them and reduce the risk of an outbreak at our sites.

Given our strong trading performance we decided not to draw upon the Coronavirus Job Retention Scheme. Instead we amended our sick pay policy to take account of Covid-19 risks through the introduction of the Group's Coronavirus Absence Pay Scheme ("CAPS") to ensure that all colleagues in the business had peace of mind that they would be supported if they were absent from work because they were ill with the virus or could not work for Covid-related reasons. Colleagues were paid 80% base pay for the duration of that absence.

During the year we launched a 'Supporting You: Working Remotely' module to provide practical advice and wellbeing support to our colleagues who were working from home and we developed an online course 'thrive during change' which enabled colleagues working remotely to build their own personal strategies to develop and progress during this period.

In an effort to maintain employee interaction and keep morale high during the periods of lockdown we ran a range of virtual events hosted by the Group Leadership Team ranging from cocktail making masterclasses to online yoga.

Mental wellbeing

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 mental health first aiders working across the Group and have increased our network by around 20% during the year in response to the pandemic.

We launched an 'Understanding Mental Health in the Workplace' training course in October 2020 which is mandatory for all new and existing managers.

Peppy

Across the DFS Group, we want to create a culture where everyone feels welcome. We believe a big part of making this happen is supporting our colleagues to lead happy, healthy lives at every stage. During the year we have provided a new healthcare benefit that is now available to all our colleagues through a market-leading solution, Peppy.

Peppy offers support through some of life's more challenging transitions – like parenthood, the menopause and male specific health issues. We will be developing our partnership over the next few months and years, but to begin with we're focusing on support for the menopause.

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. Our aim over the next 12 months is to achieve recognition as one of the first accredited Menopause Friendly Employers in the UK.



Peakon Survey



We are currently trialling the Peakon survey across head office colleagues. The survey enables us to capture how colleagues are feeling, any concerns they have and how they are being supported by the company. Colleagues are surveyed at regular intervals (every 8 weeks) as a 'pulse check' and to help us capture engagement and responses to projects as they are landing. This market-leading tool will enable better insight and intelligence from our employees and the use of Peakon surveys will be particularly useful to support our transition to hybrid working.

Fika

To support our colleagues' mental wellbeing we have not only attempted to encourage colleagues to discuss the issues they are facing with us and our mental health first aiders but we are trialling a specialist tool that attempts to help our colleagues build their mental fitness. Fika is a Mental Fitness app for colleagues to access short courses and training materials which help people improve their mental fitness by working on seven key skills: confidence, connection, motivation, stress, focus, positivity and meaning. The purpose is to emphasise that we all need to do exercises to maintain our mental fitness in the same way we do physical fitness to prevent future mental health decline. These tools, techniques and coping mechanisms aim to help individuals become more mentally fit and as a result more resilient to everyday life work stresses.



Flexible/hybrid working

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
- 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