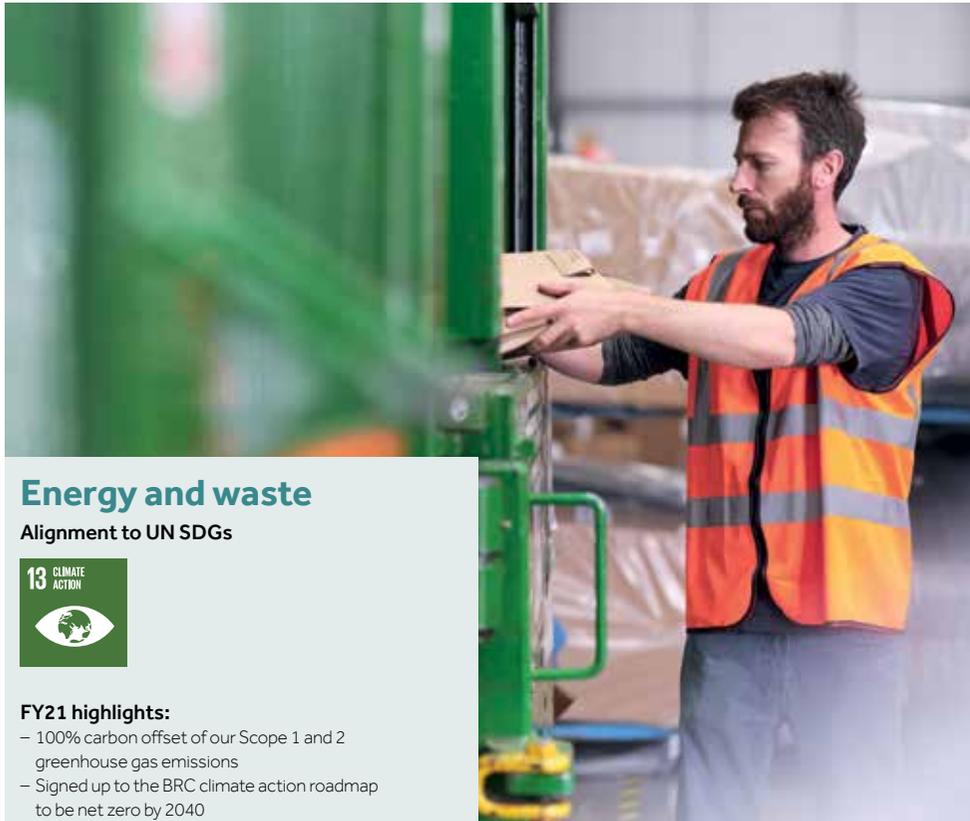


Responsibility & sustainability report continued



Energy and waste

Alignment to UN SDGs



FY21 highlights:

- 100% carbon offset of our Scope 1 and 2 greenhouse gas emissions
- Signed up to the BRC climate action roadmap to be net zero by 2040

Focus for FY22:

- Engage a Carbon specialist to understand our Scope 3 emissions
- Set robust science-based targets

Our targets:

- ISO14001 – Environmental Management from December 2021
- We will achieve 100% carbon offset by December 2020
- Science-based targets approved by SBTi by July 2022
- We will reduce our CO₂ emissions with Sofa Delivery Company by a minimum of 10% by 2023

BACKGROUND

We deliver over 800,000 upholstery orders per year and our objective is to minimise the energy consumed across the product life cycle and reduce waste. We produce 19,620 TCO₂e of Scope 1 and 2 greenhouse gas emissions across our internal manufacturing operations, sales channels, warehouse and delivery operations and head offices.

Risks associated with our energy and waste consumption:

- Increased pricing of greenhouse gas emissions or end of product life charges (levied on the vendor or disposer) leading to an increase in operating costs or an extension to the sofa replacement cycle
- Costs to transition to lower emission technologies

We see the opportunity to address these risks through use of lower-emission energy sources and new technologies that could lead to a competitive cost advantage.

ENERGY USAGE

We are committed to reducing our energy consumption. Our Environmental Management System has achieved ISO14001 certification across the Group, an internationally agreed standard with a set of requirements that helps organisations improve their environmental performance through more efficient use of resources and reduction of waste.

Alongside over sixty leading retailers we have signed up to the BRC climate action roadmap which is a



commitment to net zero by 2040. To help us achieve this goal we are working with a Carbon specialist to create a dynamic Scope 3 emissions model with supplier participation and we will use the information from it to set robust science-based targets to be approved by the SBTi by July 2022.

We have signed up to BRC climate action roadmap to reach net zero:

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

All of our showrooms, central distribution centres and manufacturing sites are now using 100% green energy and we are committed to removing gas boilers from our showrooms. We have also launched an energy reduction initiative on a trial set of showrooms to improve heating efficiency and are anticipating an estimated 25% average reduction in energy consumption. If the trials are successful we will roll out across the Group.

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.

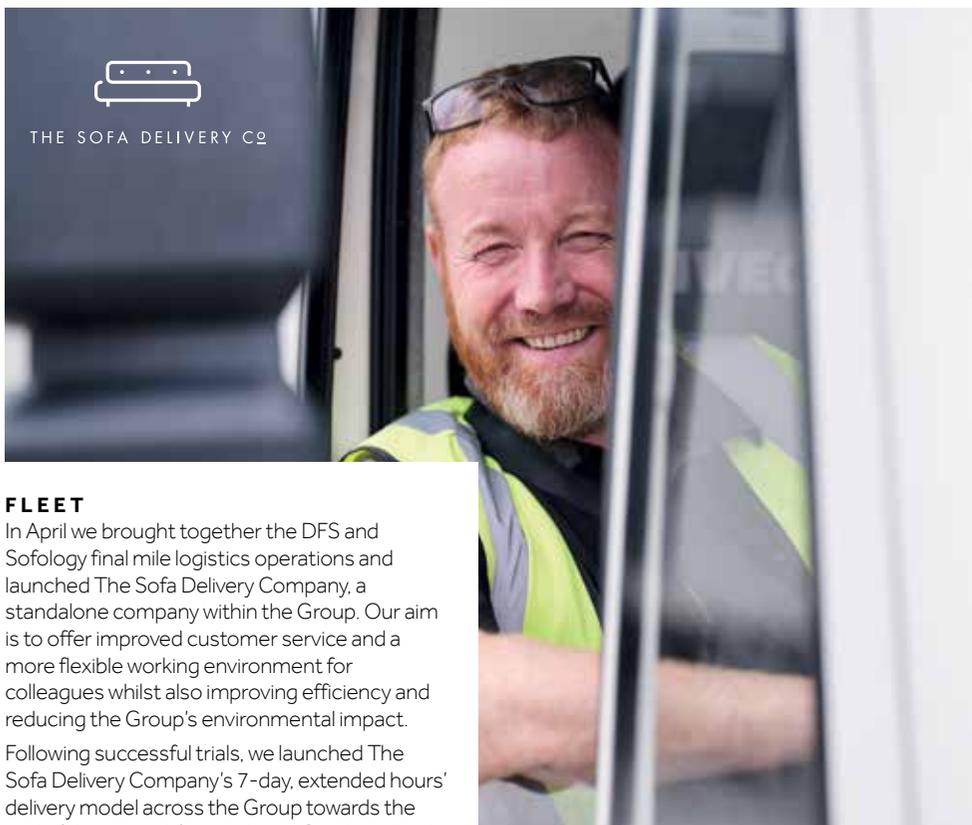


The Sofology PlanTree campaign was set up in the previous financial year and DFS has introduced its Planting Promise in March 2020. We plant a tree in the UK for every sofa order delivered, as part of accredited reforestation schemes run by the Woodland Trust.

To mitigate our carbon emissions during 2021, the Group also planted over 94,000 trees in the UK through the Woodland Trust's Carbon scheme.



Responsibility & sustainability report continued



FLEET

In April we brought together the DFS and Sofology final mile logistics operations and launched The Sofa Delivery Company, a standalone company within the Group. 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.

Following successful trials, we launched The Sofa Delivery Company's 7-day, extended hours' delivery model across the Group towards the end of the current financial year. Combined with other DFS initiatives such as 'Track My Order' and eco-friendly delivery slots, The Sofa Delivery Company has a compelling proposition to meet our customers' busy lifestyles.

The benefits of our consolidated final mile delivery network will be a reduction in miles driven due to tighter delivery radials (aided by our Apollo smart routing technology) and an overall reduction in the number of DFS Group delivery fleet vehicles following the introduction of new shift patterns.

The Group will continue to look at ways to further reduce our fleet emissions, and we intend to introduce electric 3.5t vehicles from 2023 in London distribution centres to test and learn how it affects our operating model.

We also changed our policy on our company car fleet to only include hybrid or electric vehicles.

ENERGY AND TRANSPORT FUEL CONSUMED

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.

We have changed our emissions intensity ratio from Tonnes CO₂ per employee as disclosed in previous years to Tonnes CO₂ per £m of gross sales as we believe it will provide a more appropriate measure in light of our strategic growth plans.

Total emissions per £m of gross sales have decreased by 51.4% year-on-year mainly due to the reduction in Scope 2 emissions during the period after successfully transitioning all our UK mainland sites' electricity supply to 100% renewable sources from October 2020.

	TCO ₂ e			TCO ₂ e per £m of gross sales		
	2021	2020	% increase/ (decrease)	2021	2020	% increase/ (decrease)
Direct emissions Scope 1	18,261	20,434	(10.6)	13.3	21.9	(39.9)
Indirect emissions Scope 2	1,359	7,054	(80.7)	1.0	7.5	(86.0)
Group Total	19,620	27,488	(28.6)	14.3	29.4	(51.4)

	FY21 MWh	FY20 MWh
Group	114,830	100,556

Responsibility & sustainability report continued

PACKAGING AND WASTE MANAGEMENT



Our targets:

- Ensure 100% of the plastic packaging we use is recyclable by December 2020.
- 85% of all our sofa packaging will be recycled by December 2020.
- 100% of all our sofa packaging will be recycled by December 2022.
- Zero polystyrene in product packaging by December 2024.

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 we deliver our own products, we are in a position to increase the level of recycling. At the end of the first half of the financial year we met our target to ensure 85% of our sofa packaging is recycled. However due to unforeseen complications with our suppliers we have experienced difficulties in ensuring 100% of our plastic packaging is recyclable. Currently over 90% of our suppliers are using 100% recyclable plastic and we continue to work with our remaining suppliers to ensure all plastic packaging is recycled.

The home category, with fragile materials such as marble and glass, will continue to be a challenge and require bespoke solutions. As such, the Group has employed an expert to work across the supplier base to find suitable alternatives.



SOFA RESCUE

The 'Sofa Rescue' initiative, developed in partnership with Clearabee, ensures sofas can be disposed of in an eco-friendly, responsible way through collecting products from customers' houses when they are no longer needed and recycling as many components as possible. This has saved over 100,000 pieces of furniture from landfill to date.

Using an integrated service model, our teams can arrange collections of old sofas the day before delivering a new order to a customer's home. Clearabee's fleet utilises an extensive network of waste transfer stations to ensure at least 90% of upholstery items collected are diverted from landfill. In addition, Clearabee also carbon offset all emissions from their fleet through reforestation.

The Sofa Rescue initiative is still in its early stages. We are committed to researching additional partnerships within the waste industry in order to help drive the goal of circularity and reduction of carbon emissions at the end of the product life cycle.

