

Responsibility & sustainability report continued

HOW WE EMBED ESG IN OUR BUSINESS

We believe that driving sustainable business behaviours is best achieved when it is embedded throughout the business. To help achieve this all colleagues are encouraged to share ideas and consider the environmental and social implications relevant to their decision-making; from capital investments to procurement decisions and product development to recruitment. We encourage our colleagues to consider both the potential risks (and options to minimise) and opportunities (and options to maximise) when considering matters with potential ESG implications. For FY22 we are now also including relevant and stretching ESG targets in our management grade roles and above.

We have a number of committees and councils set up to help drive our ESG agenda forward. The illustration below describes how we intend to govern through our FY22 financial year.

Board oversight and Responsible and Sustainable Business Committee ("RSC")

The Board has oversight of the various ESG-related risks and opportunities that may have an impact on the company and how these are being managed, ensuring our strategy remains fit for purpose, for approving any associated policies as well as ensuring compliance with relevant laws. In conjunction with the Leadership Team, the Board provides direction on which ESG areas present the most significant risk or opportunity and should be prioritised. Given the frequency and time dedicated in Board meetings to ESG topics, we are establishing a new sub-committee – the Responsible and Sustainable Business Committee ("RSC") – that will include the Group CEO and three other Board members and will meet at least three times a year.

Sustainability Steering meetings

The Group CEO, Group Chief Operating Officer, Transformation Director and ESG lead along with invited department heads and experts meet quarterly to review progress on strategic objectives and discuss future plans. This meeting is intended to ensure business resilience and agility within the sustainability roadmap and that the right level of investment is provided where needed.

Inclusion Steering meetings

The Group CEO, Group People Director, Loraine Martins (Non-Executive Director) and two Inclusion Council members meet monthly to review progress on initiatives to deliver our inclusion strategy and discuss future plans and investment requirements.

Group Leadership Team – ESG Transformation

Group Leadership Team members have all been assigned an ESG-related topic for which they are responsible and have been allocated specific targets for FY22 which form part of their bonus structure. The team meets on a monthly basis, assesses the progress made in achieving our ESG targets and looks to ensure that relevant sustainability and responsibility matters are being considered in the day-to-day operations of the business. Additionally, the team provides the link between the Board and the brand and operating segment committees, ensuring that the Board has sufficient oversight of the progress being made by these committees while also ensuring the brand and operating segments have the guidance, support and resources available to achieve their goals.

Brand and operating segment ESG meetings

These meetings comprise brand and operating segment leads who review their progress against targets and provide status updates to the Group Leadership Team. The knowledge and understanding these individuals possess, combined with the external input from experts in a variety of different fields, contribute innovative solutions to the challenges and potential opportunities across the Group.

Sustainability & Responsibility Champions and our Inclusion Council

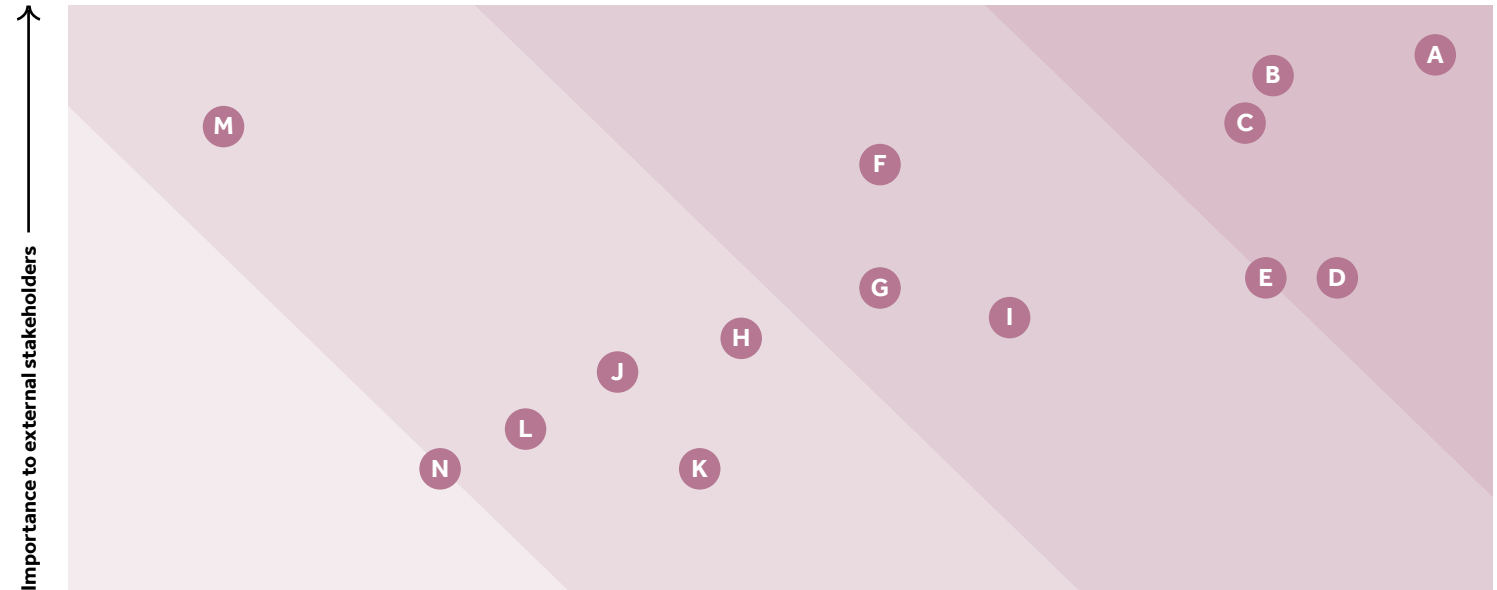
We want to empower our colleagues to drive change and improvements in both environmental and social areas. The goal of our Responsibility Champions and our Inclusion Council which both include individuals from across the business is to promote engagement and communication across the business and to generate ideas.

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OUR FOCUS

To help ensure our ESG strategy remains fit for purpose, we recently conducted a materiality assessment across the Group which was facilitated by a third party specialist. The process involved in-depth meetings with stakeholders from across the various Group operating functions, brands and with senior management as well as incorporating the views of external stakeholders. The draft results identified a number of high priority issues including greenhouse gas ("GHG") emissions, deforestation and biodiversity, customer satisfaction and product quality, sustainable sourcing, and material usage. The exercise provided us with confidence our efforts remain focused on the risks and opportunities that are most significant to our business and our stakeholders.

In the remainder of this report we pay particular attention to those items deemed more material to the Group and its stakeholders, highlighting the risks and opportunities associated with each, the initiatives underway or delivered and, where applicable, the targets we have set.



Area	Definition	Area	Definition
A GHG emissions (Scope 1, 2, 3)	The amount of GHG produced by the activities and operations of DFS and of the movement of resources in the supply chain.	H Inclusion & diversity	Creating an inclusive environment where everyone is welcome, ensuring employees are treated with the respect and have equal opportunities.
B Deforestation & Biodiversity	Protection and restoration of the forests which have been impacted by the wood use in products and production of leather.	I Data protection and cyber risk	Ensuring current regulations on GDPR and the protection of customer data are followed, while continuing to review procedures and systems to reduce the risk and exposure to potential cyber attacks.
C Customer satisfaction & product quality	The measurement used to determine how satisfied customers are with its products and service.	J Colleague engagement	Creating a working environment where all colleagues of DFS care about their work, the goals, values and performance of the Group and enhancing colleague wellbeing.
D Material usage	As resources continue to deplete, companies will be challenged to increase the efficiency in which they use materials in their products and to ensure re-use where possible.	K Talent & development	Ensuring procedures are in place to attract talent and facilitate the continuous development of colleagues' knowledge to create a more skilled and accomplished workforce.
E A circular approach	As resources continue to deplete, developing alternative approaches to manage waste and resources will become ever more important. The circular economy has emerged as a way of thinking to design out waste and pollution, keep products and materials in use, with the ultimate goal of regenerating natural systems.	L Health, safety & wellbeing	Programmes, guidelines and procedures in place to protect the safety, welfare and health of any person engaged in work or employment.
F Sustainable sourcing	Selecting and working with suppliers to obtain the materials, products, and services DFS requires that are socially and environmentally responsible, while still being economically sound.	M Plastics, packaging & waste	Limiting the waste created in DFS operations, including plastics and packaging, and increasing efficiency of recycling and reuse to minimise environmental impact.
G Supply chain traceability & transparency	The reporting and disclosure around upstream operations both internally and externally. There is an increasing expectation from stakeholders for companies to be transparent in their use of suppliers.	N Community engagement & investment	Investments, charitable donations and volunteering in activities with the aim of bringing about an improvement in quality of life for the local residents.

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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.

Environmental

		Target Date	Status	Reference
Phase 1				
Wood sourcing	All our sofas will be built of 100% FSC Certified Wood	Dec 2025	Underway	See page 58
Leather sourcing	The leather we use will not lead to deforestation in Amazon regions or elsewhere	Dec 2021	Underway	See page 58
Packaging	Ensure 100% of the plastic packaging we use is recyclable	Dec 2020	Not met	See page 62
Sofa packaging	85% of all our sofa packaging will be recycled	Dec 2020	Met	See page 62
Sofa packaging	100% of all our sofa packaging will be recycled	Dec 2022	Underway	See page 62
CO₂ reduction	We will reduce our Scope 1 CO ₂ emissions with Sofa Delivery Company by a minimum of 10%	Dec 2023	Underway	See page 60
CO₂ offset	We will offset 100% of our Scope 1 and Scope 2 carbon emissions	Dec 2020	Met	See page 60
Phase 2				
Wood sourcing	FSC Certified Wood used in all products	Dec 2025	Newly announced	See page 58
Leather sourcing	All leather used on upholstery will be sourced from suppliers with LWG certification	Dec 2024	Newly announced	See page 58
Textile sourcing	OEKO-TEX STeP certification for upholstery ranges for Cotton, Viscose and Polyester	July 2022, 2023 & 2024 respectively	Newly announced	See page 58
Carbon reduction	Science-based targets approved by SBTi	July 2022	Newly announced	See page 60
Packaging	Zero polystyrene in product packaging	Dec 2024	Newly announced	See page 62

Social: our colleagues and our communities

Inclusion and diversity	All Group apprenticeship programmes will have at least 50% female representation	Dec 2020	Met	See page 63
Inclusion and diversity	All Group Management development programmes will have at least 50% female representation	Dec 2020	Met	See page 63
Inclusion and diversity	A minimum 50% of showroom management will be female	Dec 2024	Underway	See page 63
Charity community	Volunteering Days – everyone can have paid time off to give back to their community Target a minimum of 1,150 Volunteering days	Dec 2021	Underway	See page 68

Governance: how we manage what we do

Phase 1				
ISO	ISO45001 – Health & Safety	Dec 2021	Met	See page 66
ISO	ISO14001 – Environmental Management	Dec 2021	Met	See page 60
Modern slavery audits	Independent ethical audits of our manufacturing supply chain	Dec 2021	Underway	See page 56
Phase 2				
Modern slavery audits	Top 250 of non-manufacturing suppliers by £ spend risk assessed	Dec 2022	Newly announced	See page 56