

Responsibility & sustainability report



Twelve months ago we launched our ESG strategy which is aligned to our Group purpose, values and our Group strategy.

At the outset we emphasised that as a market leader we have the ambition to lead the sector in driving positive change within the upholstery market and we also recognised that we were unable to address our entire ESG agenda at once. Last year we made a conscious effort to prioritise sustainability in our ESG strategy and this year we have both expanded our sustainability approach whilst placing a greater emphasis on social factors.

Our approach has been to ensure we address all the wide range of matters covered by our targets, while also focusing efforts to drive rapid, tangible progress in key areas. I am pleased with the progress the Group has made in FY21 which I highlight below, along with our plans for FY22.

PROGRESS DURING THE YEAR

Our initial focus in the year was on our finished products and the resources used in manufacturing them. We have driven positive change, particularly in relation to the sustainable sourcing of wood and leather, some of the key materials in our sofas. We have also set some new challenging 'Phase 2' targets, expanding our focus to cover additional materials, as well as setting a plan to limit the risk of modern slavery occurring across our supply chain.

We are committed to working with leading industry experts in each field to ensure we have the best in class knowledge and expertise to drive change, demonstrated by individual partners for each material certification, FSC (wood), LWG (leather), OEKO-TEX (fabrics), and the Peppy, Henpicked and Fika collaborations across our social space.

To help us achieve a number of our targets we recognise it is essential that we bring our suppliers with us on our journey. We held our inaugural ESG Supplier Conference in Spring 2021 during which we outlined the stages in our sustainability roadmap, allowing our supplier base to understand what we need from them as well as the long-term benefits to our partnerships.

In addition to the continued development of our sustainability strategy, in the second half of the year we launched our diversity and inclusion strategy. Building a workforce that is both diverse and operating within a culture of inclusiveness is critical to the future success of this business. We launched a number of initiatives to both educate our colleagues and drive change which has been led by our Inclusion Council.

Our appointment to the Board of Loraine Martins OBE, an expert on inclusion, diversity and equality, will also help drive and challenge our thinking in these areas.

As it became evident through the autumn that the pandemic would continue to disrupt society, we reflected on the likely impacts on our stakeholder groups. We recognised that it was likely that many of our colleagues would be affected so we ensured that we conducted regular pulse surveys to listen to our colleagues, extended the coverage of our sickness policies to protect those who were ill or isolating and stepped up our investment in positive mental wellbeing.

Given ESG is a rapidly advancing topic and requiring a significant and growing amount of Board time, at the end of the year we took the decision to establish a Responsible and Sustainable Business Committee that will first meet in early FY22 to provide dedicated focus and governance. We have also embedded both environmental and social elements into management remuneration targets across the Group.



To validate the focus of our ESG strategy in a developing landscape, we have also conducted a materiality assessment supported by a third party specialist. The topics considered have been ranked based on the relevance to the business and importance to stakeholders and are discussed in more detail, see page 54. Greenhouse gas emissions and the sustainable and ethical sourcing of the materials used in our products ranked highest and we have set ourselves targets that we will report our progress against. We have also taken steps to start to align our reporting with the Task Force on Climate-related Financial Disclosures ("TCFD").

PLANS FOR FY22 AND BEYOND

Our focus for FY22 is to build a better understanding of our Scope 3 carbon emissions and then set targets approved by the Science Based Targets initiative ("SBTi") to support our BRC climate action commitment to reach net zero by 2040. We will then conduct scenario analysis to build our knowledge and understanding of how our strategy may be impacted by climate change, allowing us to be better positioned to respond.

Achieving our net zero ambition will likely require more forward thinking regarding circularity in the Sofa Cycle. This will require additional research and development to deliver closed-loop and carbon positive solutions which we will both seek to lead where we can and participate in other stakeholders' research where appropriate.

We will also continue our focus on achieving our current ESG-related targets, set challenging new ones and build a better understanding of our workforce and initiatives to create an environment where everyone is welcome.

Alison Hutchinson

Chair of the Responsible and Sustainable Business Committee