

# *Responsibility & sustainability report*



This section of the report focuses on our strategy to sustain our market leading position for the long-term in a responsible manner considering the environment we operate in and the interactions we have with our stakeholders.

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## 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

## 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.

## Responsibility & sustainability report continued

### 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
<b>A</b> 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.	<b>H</b> Inclusion & diversity	Creating an inclusive environment where everyone is welcome, ensuring employees are treated with the respect and have equal opportunities.
<b>B</b> Deforestation & Biodiversity	Protection and restoration of the forests which have been impacted by the wood use in products and production of leather.	<b>I</b> 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.
<b>C</b> Customer satisfaction & product quality	The measurement used to determine how satisfied customers are with its products and service.	<b>J</b> 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.
<b>D</b> 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.	<b>K</b> 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.
<b>E</b> 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.	<b>L</b> Health, safety & wellbeing	Programmes, guidelines and procedures in place to protect the safety, welfare and health of any person engaged in work or employment.
<b>F</b> 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.	<b>M</b> 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.
<b>G</b> 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.	<b>N</b> 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.

## Responsibility & sustainability report continued

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

### Social: our colleagues and our communities

<b>Inclusion and diversity</b>	All Group apprenticeship programmes will have at least 50% female representation	Dec 2020	Met	See page 63
<b>Inclusion and diversity</b>	All Group Management development programmes will have at least 50% female representation	Dec 2020	Met	See page 63
<b>Inclusion and diversity</b>	A minimum 50% of showroom management will be female	Dec 2024	Underway	See page 63
<b>Charity community</b>	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

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

## Responsibility & sustainability report continued



### Supply chain, sustainable sourcing and our products

#### Alignment to UN SDGs



#### FY21 highlights:

- Hosted our inaugural ESG Supplier Conference
- Audits underway to assess our manufacturing suppliers' compliance with our supplier code of conduct and alignment with our ESG strategy

#### Focus for FY22:

- Continue to work with our suppliers and bring them on our sustainability journey
- Identify and respond to any non-compliance identified from audits

#### Our targets:

- Independent ethical audits of our manufacturing supply chain by December 2021
- Top 250 of our non-manufacturing suppliers by £ spend risk assessed by December 2022

### Supply chain & sourcing BACKGROUND

Some 95% of Group sales currently relate to upholstery products. We currently work with a total of 29 upholstery finished goods suppliers across the UK, Europe and China. Our top five suppliers, with whom we have deep and long-standing relationships, supply 82% of our upholstered finished goods.

Upholstery supply chain transparency and traceability is centred upon the key natural materials: timber and leather.

Potential risks associated with our supply chain and sourcing:

- Depletion of natural materials (due to unsustainable practices or from the impact of climate change) may increase input costs.
- A growing appetite for sustainable products may shift demand to those best able to meet customer requirements.
- Sourcing from suppliers with poor human rights practices could result in reputational damage.

We see the opportunity to address these risks more comprehensively and/or sooner than our competitors as consistent with our purpose and values, as a means to create a competitive advantage through a relative cost benefit and by winning market share as well as decreasing the risk of potential reputational damage.

#### ENGAGEMENT WITH SUPPLIERS

We maintain long-standing, trusted relationships with our suppliers and we intend to bring our suppliers with us on our sustainability journey. In March 2021 we hosted our inaugural ESG Supplier Conference, which was attended by 96% of our finished goods supplier base, to set out our vision, mission and initial requirements with our suppliers. This was a great opportunity to engage our suppliers in why sustainability is so important to our business and our stakeholders, and to share with them our commitments and strategy going forward. We covered a broad range of topics from sustainable sourcing of materials to modern slavery with many of our suppliers indicating that we are their first customer to bring certification and other sustainable standards to the fore. We look forward to working collaboratively with them to help us achieve our ambitions.

#### Quotes from attendees of our supplier conference:

'I am sure it will inspire the supply chain to build on success and continue to innovate as we tackle the future issues together.'

'An excellent example of stakeholder engagement. I particularly liked the message of collaboration and partnership working while the objectives and rationale from DFS were clearly articulated'

'Really great to see such a great brand driving forward with ESG and setting a clear direction for the industry. Really enjoyed the conference and have come away invigorated and motivated to try and contribute.'



## Responsibility & sustainability report continued

### HUMAN RIGHTS AND MODERN SLAVERY

The culture and ethos across the DFS Group is about doing the right thing. We set clear standards for conduct, which we expect colleagues and suppliers to adhere to. We respect human rights in our business and our supply chain and do not tolerate modern slavery in any form as documented in our Modern Slavery and Human Trafficking Statement on our corporate website: [www.dfscorporate.co.uk/esg/modern-slavery-and-human-trafficking-statement](http://www.dfscorporate.co.uk/esg/modern-slavery-and-human-trafficking-statement)

To assist our colleagues in doing the right thing and to raise any concerns or suspicions we have a clear whistleblowing policy and confidential reporting hotline.

Last year we commissioned Ardea International, a specialist sustainability, business and human rights consultancy with expertise in modern slavery, to evaluate our response to the requirement to address modern slavery risk, to identify any potential gaps in policies and procedures, and to ensure that the company is fulfilling the reporting requirements of the UK Modern Slavery Act.

As part of managing the risk of modern slavery, we have a supply chain compliance programme in place. Our training initiatives include:

- An e-learning module on modern slavery which has been deployed to senior and middle managers across the DFS Group. The training provides guidance on spotting the signs of different types of modern slavery and how to report concerns.
- Additionally, several key employees undertook an in-depth accredited six week 'End Slavery' course that was provided by Ardea International. This equipped participants to identify modern slavery and to manage the risk within the supply chain.

### Our Commitment:

We are committed to acting ethically and will continue to take steps to assess the risk of modern slavery taking place in our supply chain.

To help achieve this we will:

- Continue working with our tier 1 suppliers and manufacturers to ensure compliance with our policies in relation to human rights.
- Organise a supplier ESG summit, that will include discussions around modern slavery and raise the focus and awareness of this risk, facilitated by Ardea International.
- Continue to assess our training requirements to ensure that they are fit for purpose and deliver training based on this assessment.
- Address any gaps highlighted in the Ardea gap analysis report to strengthen our policies and procedures.
- Strengthen our due diligence processes by undertaking risk mapping and identifying modern slavery risk through procurement.
- Ensure that any new supplier commits to the Group Code of Practice/SLA including SMETA (SEDEX Members Ethical Audits) certification.

### SUPPLY CHAIN ASSURANCE

Track Record Global ("TRG") has been retained as our audit partner to assist with transparency and traceability within our manufacturing supply chain.

The scope of their work includes timber and leather due diligence and new audit protocols for modern slavery, in partnership with Ardea International.

The TRG audit approach is based on assessing and mitigating risk through the use of evidentiary material such as invoices and shipping notes for materials and employee records and business policies for modern slavery. This process enables us to not only trace materials from source, but engenders conversations to drive sustainable sourcing at every level of the supply chain. We are able to communicate and educate our suppliers for instance through our ESG Supplier Conference and we see it as our responsibility as a market leader to support our suppliers by providing training and advice where required.

So far we have completed timber audits across 90% of our upholstery partners and 70% of our home category partners. The modern slavery audits will be completed for all manufacturing partners by December 2021. These audits enable us to address areas of risk and request changes within the manufacturing supply chains.

Where evidentiary material has been impossible to source for leather supply chains, a secondary audit has been conducted through Eurofins BLC using geo-location mapping.

### For more information please see our Group Code of Conduct and DFS Code of Practice

[www.dfscorporate.co.uk/media/53792/Group-Code-of-Conduct-November-2020.pdf](http://www.dfscorporate.co.uk/media/53792/Group-Code-of-Conduct-November-2020.pdf)

[www.dfscorporate.co.uk/media/46645/21-DFS-Code-of-Practice-Version-1-October-2019.pdf](http://www.dfscorporate.co.uk/media/46645/21-DFS-Code-of-Practice-Version-1-October-2019.pdf)



## Responsibility & sustainability report continued

### MATERIAL CERTIFICATION

We recognise that audit fatigue is an ongoing issue where suppliers work with a variety of customers. While necessary, many audits fail to add any value for the supplier but can drain resources and thus increase operating costs. By establishing third-party certification requirements for our core materials, we seek to add value into our suppliers' value chain and provide clear, universal standards as well as potentially providing our suppliers with a commercial advantage as more customers set out their sustainability agenda.

We have chosen material specific certifications that are the most widely recognised not only within their industry but also to customers, in order to provide assurance of our sustainable sourcing practices.



### Timber



#### Our targets:

- 100% FSC Certified Wood used in all products by Dec 2025

#### Our Commitment

To source all our timber from supply chains which meet our Timber Minimum Performance Requirements (see Group Timber Policy on our website for more details) and to continuously improve and report our sourcing performance year-on-year. We have extended our commitment to sourcing FSC certified wood to all our products in our Phase 2 targets, our Phase 1 target announced last year only applied to sofa products.

We have made significant progress during the year and are on track to meet this target, 23% (FY20: 16%) of all suppliers and 48% (FY20: 18%) of upholstery suppliers currently hold the FSC certification.

### Leather



#### Our targets:

- Leather sourcing does not cause deforestation in Amazon regions or elsewhere by December 2021
- All leather will be sourced from suppliers with LWG certification by December 2024

#### Our Commitment

Ensure that our products only contain leather hides where we understand and can evidence the "chain of custody" (i.e. from the farm or slaughterhouse to the manufacturer to us, the retailer). We, and our customers, can then be confident that the leather used is obtained from sources that do not contribute to deforestation.

All our leather suppliers have been audited by TRG or mapped against deforestation locations by Eurofins BLC (leading experts in the leather industry). We have made changes in high risk supply chains during the year to ensure we can deliver on our commitment.

LWG certification is awarded to tanneries that demonstrate environmental best practices and performance in all areas of leather production, from chemical and water management to energy use, waste management and hide traceability.

### Textiles



#### Our targets:

- OEKO-TEX STeP certification for Cotton, Viscose and Polyester by July 2022, 2023 and 2024 respectively

#### Our Commitment

Ensure all textiles used in upholstery are sourced from textile mills with strong environmental and social standards.

Textiles are widely used in our products and are chosen for their quality and durability. We recognise that progress needs to be made around the production of both natural and synthetic fabrics and we are continually working to improve and mitigate the environmental impact of both our textiles and fillings. For this reason, our suppliers are required to disclose the origin and composition of all fabrics used in our products.

OEKO-TEX STeP certification is a global holistic audit protocol that can be applied to all textile types and ensures environmentally friendly production processes, social working conditions and optimum health and safety. There are many different textile certifications in the market that focus on specific challenges within an area of textile production. OEKO-TEX Standard 100 is already a well-established chemical assurance audit while the STeP certification also incorporates quality, social and environmental standards, creating a robust but common framework which can be applied to all textile compositions. We are targeting all our suppliers to obtain the OEKO-TEX STeP certification.



## Responsibility & sustainability report continued

### Product

#### Our Commitment

We want to bring great design and comfort into every living room and we want to do it in an affordable, responsible and sustainable manner.

We are committed to finding solutions and developing our product range in order to use our resources in more efficient ways, use more sustainable materials and reduce waste both during production and at the end of the product life cycle.

Our long-standing relationships with our suppliers allow us to ensure the high quality and rigorous safety standards of all the materials and components that we use.

#### GRAND DESIGNS RANGE

DFS is proud to have partnered with Grand Designs to launch an exclusive new collection with a grand ambition: sofas that are stylish, comfortable and beautifully made using innovative and sustainable materials.

Each aspect of the range has been considered for its ability to reduce the impact on our environment and is either made of recycled materials, comes from sustainable sources, or is more easily recycled at the end of its life.



### LOOP

Sofology is in the process of trialling 'Loop' a flexible, sustainable upholstery rental service. Offering the choice of well designed pieces, at an affordable price, for as long as customers need them, Sofology's Loop initiative is an innovative new approach to truly sustainable furniture rental.

Launching with the new Virtue upholstery collection, each rentable sofa, armchair or footstool is manufactured in the UK from sustainably sourced materials. The fabric is made from an ocean plastic alternative, fibres are from recycled content and the wood is FSC certified. Once pieces are returned, to ensure nothing goes to landfill, each element, from springs to feet, will be removed and recycled. The metal frame, which has a 25-year life span, will then be rebuilt and reupholstered to create brand new pieces available to rent.



### QUALITY OF PRODUCT

The Group has set up measures to help ensure we sell safe and reliable products. These include:

- DFS products carry the British Standards Kitemark for furniture, which is an external quality standard and all product ranges are reviewed on a quarterly basis through our Quality Control procedures.
- A minimum 15-year frame guarantee.
- All electrical components carry CE compliance certification.
- Extensive fire tests: All products are tested by independent organisations such as FIRA (Furniture Industry Research Association) and TRG in many areas including fire safety.
- All certifications for nanomaterials are collected and collated bi-annually by Track Record Global to ensure all suppliers have the appropriate risk assessments and versions are maintained and recorded.
- REACH declarations obtained for applicable products (protection of human health and the environment from the risks that can be posed by chemicals).
- Physical testing is carried out including rub tests, stretch tests, frame stability.
- Confirmation from suppliers that there are no VOC's (Volatile organic compounds) emitted from the products.
- Over 200 technicians on the road dedicated to services and repairs.

## 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 CO<sub>2</sub> 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 TCO<sub>2</sub>e 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.

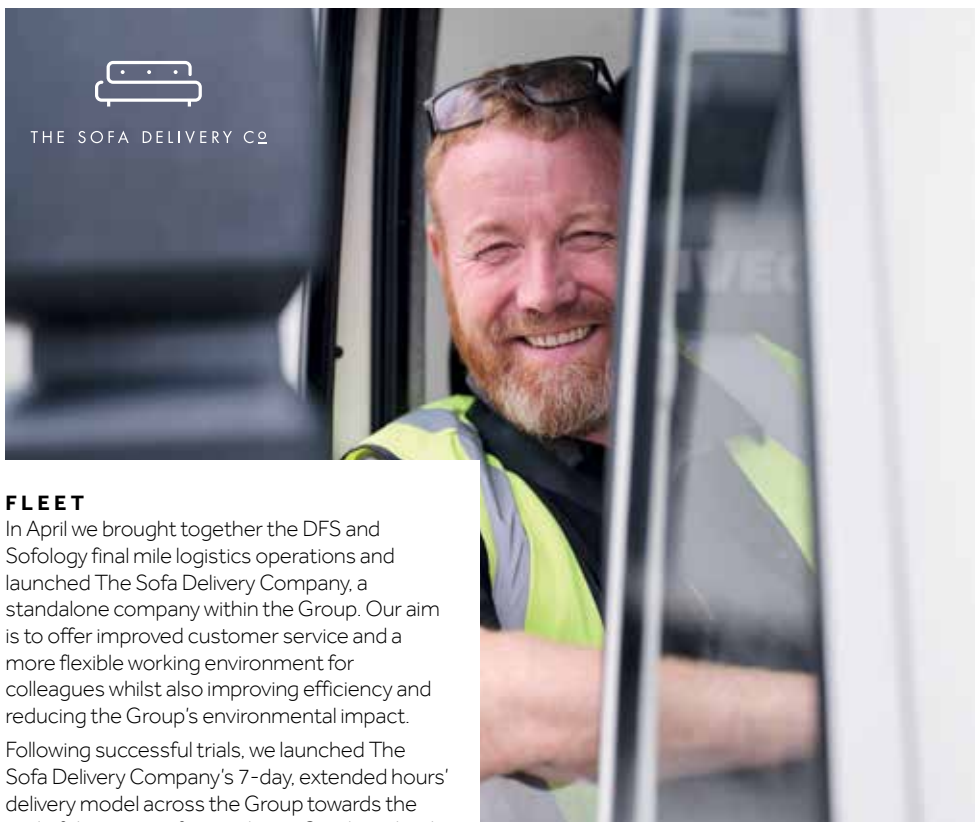


The Sofology PlanTree campaign was set up in the previous financial year and DFS has introduced its Planting Promise in March 2020. We plant a tree in the UK for every sofa order delivered, as part of accredited reforestation schemes run by the Woodland Trust.

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 CO<sub>2</sub> per employee as disclosed in previous years to Tonnes CO<sub>2</sub> 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 <sub>2</sub> e			TCO <sub>2</sub> e per £m of gross sales		
	2021	2020	% increase/ (decrease)	2021	2020	% increase/ (decrease)
Direct emissions Scope 1	<b>18,261</b>	20,434	(10.6)	<b>13.3</b>	21.9	(39.9)
Indirect emissions Scope 2	<b>1,359</b>	7,054	(80.7)	<b>1.0</b>	7.5	(86.0)
<b>Group Total</b>	<b>19,620</b>	27,488	(28.6)	<b>14.3</b>	29.4	(51.4)

	FY21 MWh	FY20 MWh
Group	<b>114,830</b>	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

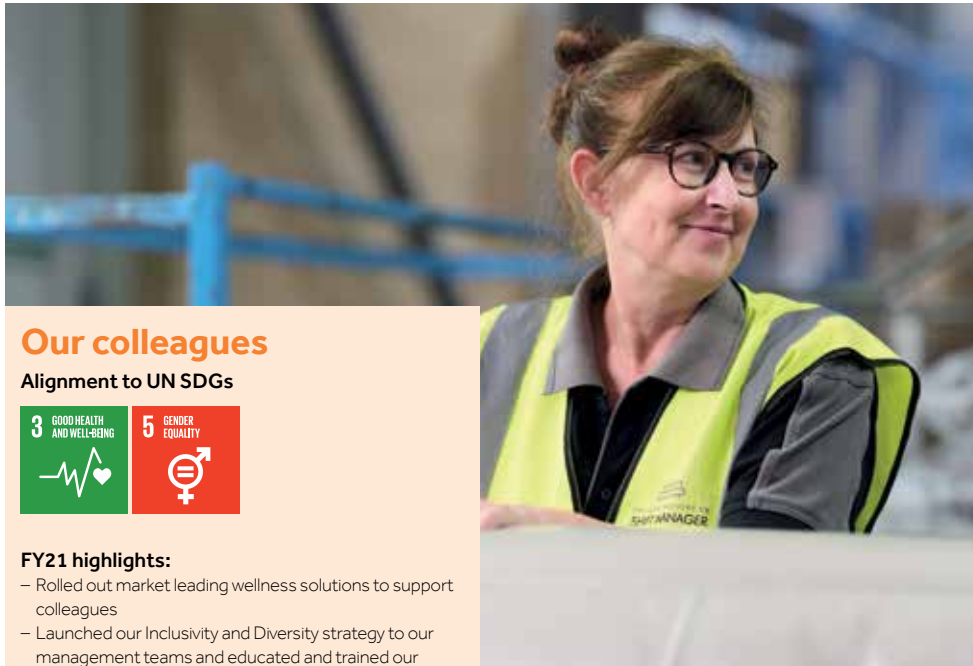
The 'Sofa Rescue' initiative, developed in partnership with Clearabee, ensures sofas can be disposed of in an eco-friendly, responsible way through collecting products from customers' houses when they are no longer needed and recycling as many components as possible. This has saved over 100,000 pieces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



## 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
<b>FY21</b>	<b>38%</b>	<b>62%</b>
FY20	45%	55%

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

	Male	Female
<b>FY21</b>	<b>40%</b>	<b>60%</b>
FY20	57%	43%

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

	Male	Female
<b>FY21</b>	<b>74%</b>	<b>26%</b>
FY20	78%	22%

### Gender diversity of the Group 27 June 2021

#### Directors

	Male	Female
<b>FY21</b>	<b>4 (50%)</b>	<b>4 (50%)</b>
FY20	4 (57%)	3 (43%)

#### Group Leadership Team

	Male	Female
<b>FY21</b>	<b>4 (67%)</b>	<b>2 (33%)</b>
FY20	6 (67%)	3 (33%)

#### Senior managers

	Male	Female
<b>FY21</b>	<b>17 (68%)</b>	<b>8 (32%)</b>
FY20	17 (68%)	8 (32%)

#### All colleagues

	Male	Female
<b>FY21</b>	<b>3,361 (64%)</b>	<b>1,856 (36%)</b>
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.

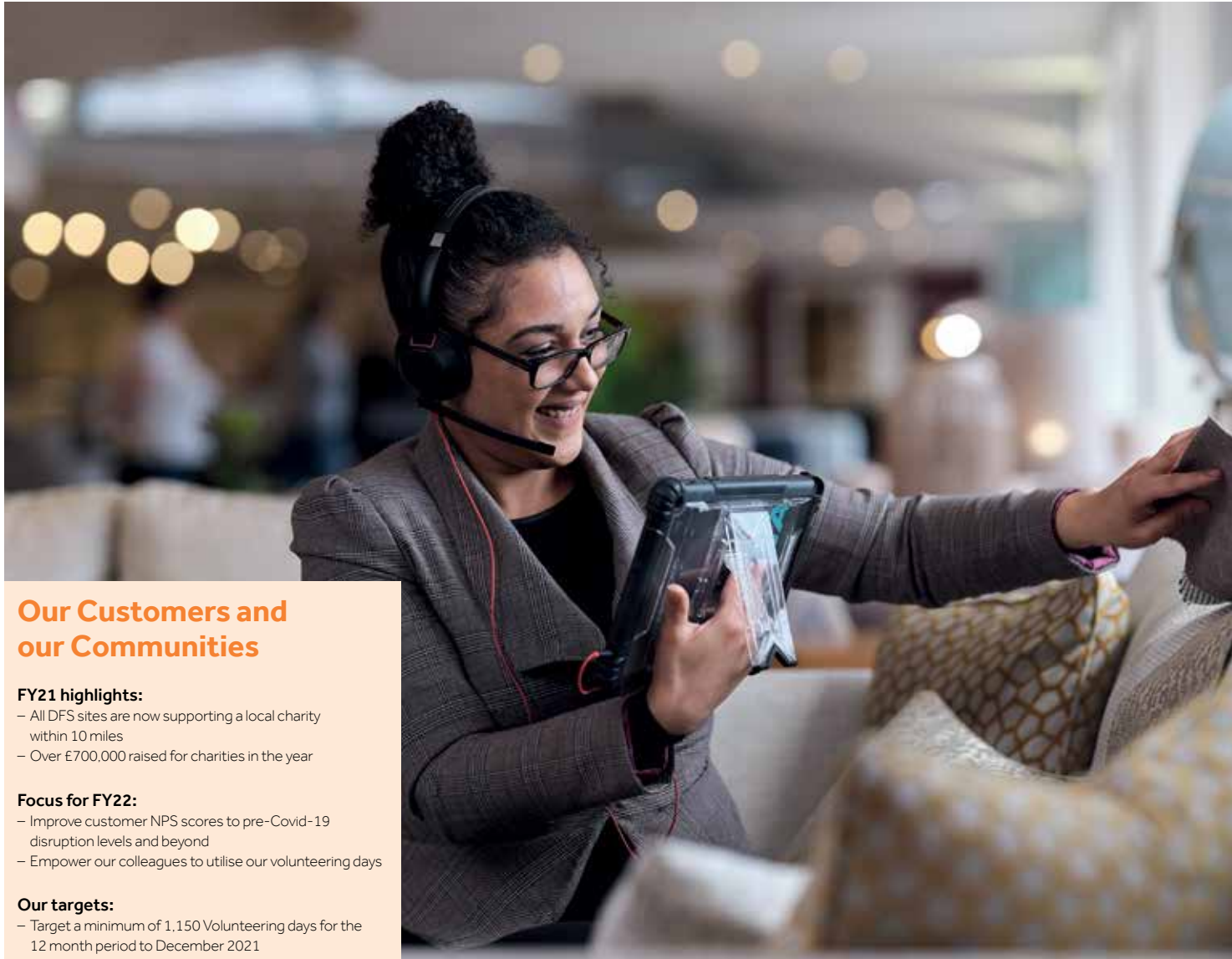


### Flexible/hybrid working

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

## Responsibility & sustainability report continued



### Our Customers and our Communities

#### FY21 highlights:

- All DFS sites are now supporting a local charity within 10 miles
- Over £700,000 raised for charities in the year

#### Focus for FY22:

- Improve customer NPS scores to pre-Covid-19 disruption levels and beyond
- Empower our colleagues to utilise our volunteering days

#### Our targets:

- Target a minimum of 1,150 Volunteering days for the 12 month period to December 2021

### Our customers

#### BACKGROUND

We sell sofas to approximately 800,000 customers per year across the UK, Ireland, Spain and the Netherlands.

We deem the key risk associated with our customers as the loss of reputation driven by poor quality products or service levels which has the potential to negatively impact our market share and future sales.

#### CUSTOMER SERVICE AND NPS

To ensure we deliver the highest levels of customer service we make significant investment in training and developing our colleagues. Colleague performance and customer satisfaction are monitored through regular inspections, customer surveys and, for some of our brands, mystery shoppers which are carried out through an independent consumer research group.

Customer referral is a great indicator of customer satisfaction and we use Net Promoter Score ("NPS") as a measure of recommendation, which provides us with an internationally recognised predictor with proven links to business success. NPS forms a component of remuneration for colleagues throughout the business, including salespeople, management, head office teams and Executive Directors.

DFS post-purchase NPS score has increased to 86.4% (FY20 85.7%). DFS established customer NPS score in the current year has been heavily impacted by the pandemic and uncontrollable issues within the supply chain resulting in longer than envisaged lead times and has decreased to 30.7% (FY20 42.9%).

## Responsibility & sustainability report continued

### Our Communities

#### BACKGROUND

We operate showrooms, manufacturing operations, distribution centres and head offices across c.200 locations in the UK and Ireland as well as six in the Netherlands and two in Spain providing local employment to many communities.

#### Our Commitment

We are proud to be part of hundreds of communities across the UK and we are committed to helping each community thrive.

#### GIVING BACK

It has been over a year since we launched Giving Back at DFS, an innovative new way for colleagues and the Company to make a difference to the communities where we live and work.

Through Giving Back, we have committed to raise and donate up to 1% of our Profit Before Tax every year, give every colleague one day's paid volunteering and donate up to 1% of our products (by volume) each year to charitable causes. From planting trees to helping at local homeless shelters, every one of our colleagues is encouraged to get out into their community and support a cause close to their heart.

We have seen significant interest from our colleagues around volunteering initiatives however the pandemic has severely limited the opportunities available during the year meaning we are likely to fall short of our target. However, appetite remains strong and volunteering levels have increased since lockdown restrictions were eased.

#### DFS and BBC Children in Need;

We renewed our partnership with BBC Children in Need last year after engaging with our colleagues, and over the next two years the money we raise will go towards providing one-to-one counselling and specialist support for 7,500 children and young people with mental health issues.



#### CASE STUDY

### The 'Big Night In' in support of BBC Children in Need.

In November we hosted The 'Big Night In', a night full of laughter and bad jokes all put together to help raise money for our charity partner: BBC Children in Need.

Streamed to all colleagues across our Workplace platform it was hosted by Justin Moorhouse and included stand-up routines from a range of comedians.

Employees from all areas did their bit to raise funds such as jumping in ice baths, getting dunked in baked beans and culminating in a dip in the North Sea.

In FY21 the Group raised over £637,000 for BBC Children in Need. Together with our customers we have now raised over £5,500,000 since 2013. We would like to thank all of our employees and customers for their efforts this year as we managed to exceed our pledge target despite showrooms being closed for 21 weeks of the year through Give me Five, Appeal week and our first 'Big Night In' in support of BBC Children in Need.

All our manufacturing and warehouse locations, offices and showrooms have partnered with a BBC Children in Need funded project within 10 miles of their location to ensure a connection is established and to help drive local involvement.

#### The Pennies Foundation

Sofology is now in the second year of its partnership with the registered charity "The Pennies Foundation". Pennies works with Sofology to allow customers to support local charities nominated by Sofology colleagues for each retail region. The charities selected predominantly work with children and young adults across the UK in a range of challenging situations.

As well as supporting these charities through customer donations, Sofology colleagues have completed individual fundraising activities to raise extra funds, including four members of the leadership team taking part in a skydive for PAPYRUS, the UK Charity for the prevention of young suicide. We held a talent competition for Children's Hospices Across Scotland ("CHAS"), and colleagues took part in a 28 day challenge in February to raise money for Grace House, a UK Charity supporting the lives of disabled children, young people and their families. During lockdown, Cancer Awareness for Teens & Twenties ("CATT's") ran workshops for colleagues that they could use their volunteering days for. We have also had colleagues help to paint the new offices for Teens Unite as well as undertaking a garden project.

#### Duke of Edinburgh's Award

The Group continues to benefit from our long-standing partnership with The Duke of Edinburgh's Award Scheme. DFS remains a Silver Partner of The Duke of Edinburgh's Award, with the focus of our partnership being to support young colleagues to develop new skills and gain valuable experience through our apprenticeship programme.

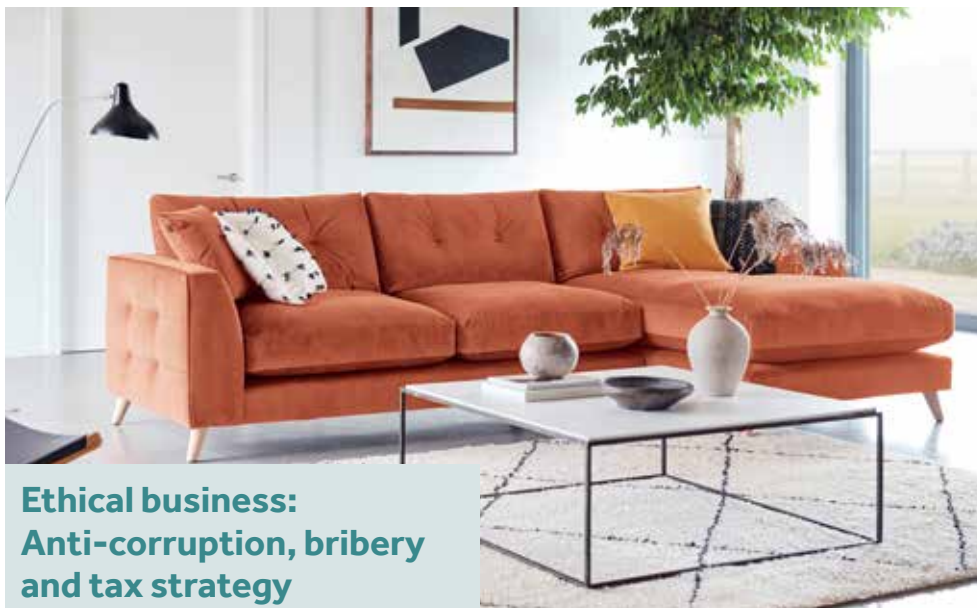
#### CASE STUDY

### Sofology Enterprise Advisors.

At Sofology we have three colleagues who are supporting the Greater Manchester Combined Authority in one of the Mayor for Greater Manchester's key pledges to invest in young people by bridging the gap between education and employment. These colleagues work with selected SMEs in schools and colleges to strategically guide and influence the development and implementation of an effective and innovative careers and employer engagement plan to ensure schools and young people are well networked and informed to achieve their full potential.

We have supported schools by running Science Technology English Maths ("STEM") sessions in which we have provided interactive workshops that link our business to the school curriculum. For example, we tasked pupils to design and create their own sofas using crib sheets with sizes, dimensions and prices on leathers, fabrics and interiors within a certain budget.

## Responsibility & sustainability report continued



### Ethical business: Anti-corruption, bribery and tax strategy

#### Our commitment

We are committed to conducting all of our business in an honest and ethical manner, acting professionally, fairly and with integrity in all our business dealings and relationships. We implement effective systems to counter the risk of bribery and corruption.

We apply our policies across all of our operations, and also require all of our suppliers to commit to apply the same or equivalent policies.

The Group does not operate in any tax havens or use any tax avoidance schemes.

Our anti-corruption and anti-bribery policy and our Tax Strategy are available on our website <https://www.dfscorporate.co.uk/governance/policies> and our key principles are stated below:

#### Bribery and Corruption

The principle: We will not accept bribery or corruption; in any form, or in any place and we do not offer, give, or take a bribe or inappropriate payment, either directly or indirectly.

What this means in practice:

- Offering, giving, taking or promising things that may influence, or affect an organisation or individual in order to gain business, or an advantage, is not allowed in any form
- Accepting or offering a bribe/kickback payment of any kind is prohibited; a bribe doesn't have to be successful to be corrupt
- We will never use our charity or sponsorship activities to gain an unfair advantage
- We expect all colleagues, partners and suppliers to report any breaches, or suspected bribes or corrupt behaviour

#### Gifts and Hospitality

The principle: Giving or accepting a gift or hospitality should only be done if it can be proved to be of small and modest value. They should never influence the decisions we take.

What this means in practice:

- We don't offer or accept gifts or hospitality as part of contract negotiations or sales transactions
- Any gifts given or received are modest in value and recorded appropriately

#### Conflicts of interest

The principle: All potential or actual conflicts of interest should be declared and managed. This will ensure they never stop us from making objective decisions.

What this means in practice:

- We don't put ourselves in a position where our knowledge or relationships compromise our decision
- All personal conflicts of interest are declared – even if they are potential in nature
- Insider trading, either direct or indirect, is strictly prohibited by law

#### Business transactions and information

The principle: All business records, information and transactions must be recorded accurately and honestly. We're steadfast in our approach to preventing any kind of fraud, embezzlement, money laundering or other financial crime.

What this means in practice:

- We have robust controls in place to prevent and detect any form of fraud or money laundering
- The records of our business dealings and finances are accurate and well maintained
- If we suspect any kind of irregularity in our finances, they are reported straight away to the management team

- Timesheets and expenses that are submitted for payment are accurate and timely

#### Data Protection Policy and Cyber

The Group's operations depend upon the continued availability and integrity of its IT systems, including the security of customer and other data held by the Group, and risk of attacks is ever increasing. Cyber has been identified as a principal risk, see page 40 for further details on the procedures and system in place to mitigate the risks.

The Group will take all steps necessary to comply with the principles as set out in the GDPR and DPA 2018 and have a formal Data Protection policy.

This Strategic report was approved by the Board on 23 September 2021.

On behalf of the Board

**Tim Stacey**

Chief Executive Officer

**Mike Schmidt**

Chief Financial Officer