Alison Hutchinson
Chair of the Responsible and Sustainable Business Committee

→ Read Alison's profile on page 56

WELCOME TO THE REPORT OF THE RESPONSIBLE AND SUSTAINABLE BUSINESS COMMITTEE

When we talk to stakeholders, they often comment that our people are what make DFS Group so special and drive our success.

KEY ACTIVITIES FROM 2025

- Approval and progress review of carbon reduction targets (including bonus targets)
- Review of culture and inclusion strategy and progress to date
- Approval of updated policies, including Sustainable Sourcing, Timber and Leather
- Review of proposed legislative requirements, including ESPR, EUDR and ISSB
- Development and sponsorship of our Colleague Networks
- Continuation of our support for charity partners and new sponsorship of Doncaster Pride
- Emerging partnership with Diversity in Retail and associated development programmes

COMMITTEE MEMBERS DURING FY25

Alison Hutchinson (Chair)
Steve Johnson
Jo Boydell
Gill Barr
Tony Buffin (from 24 February 2025)
Bruce Marsh (from 1 August 2024)
Loraine Martins (to 31 July 2024)

RESPONSIBLE BUSINESS REPORT CONTINUED

Our unique culture is something that we have long recognised, and whenever I spend time with our teams, it is so inspirational and informative. We foster a culture of inclusivity, striving to ensure all colleagues can bring their whole selves to work and thrive. It means many of our talented colleagues stay with us for decades.

The past 18 months have brought global and economic uncertainty, and ESG has come under the spotlight. However, as a Board, we have collectively remained focused on progressing as a responsible, inclusive, and sustainable organisation. I am pleased to report that we have made solid progress against our goals.

OUR PEOPLE AND COMMUNITIES

Our 'Everyone Welcome' culture is an even bigger part of how we work, resulting in even better inclusion scores in this year's Your Say colleague survey.

171 colleagues celebrated 25 years or more of service with us in FY25, many of whom started their careers at DFS. It's a wonderful reflection of what it's like to work at the Group. Our culture is also reflected in our colleague turnover rate of just 15% which is remarkably low and unusual for the retail industry.

I have been heartened to see our Colleague Networks get even stronger, with more support from senior leaders to sponsor different networks. We have also maintained our partnership with Diversity in Retail, providing peer support and programmes to help future women and ethnic minority leaders develop - all essential to creating a more equitable, diverse and inclusive Company that represents the communities we're proud to be part of.

We have continued Giving Back, donating profit before tax and products to good causes, while offering colleagues time off to volunteer. We'd like to thank our customers for their continued support in fundraising efforts for the charities supported across the Group. Sofology continues to raise funds for Home Start in partnership with Pennies, The Sofa Delivery Company raises funds for Andy's Man Club and dfs and Group functions, with our customers, have now raised more than £8m since our partnership with BBC Children In Need started in 2013. I could not be prouder of everyone's efforts here – and of the endeavours of colleagues whose determination has raised money for other causes close to their hearts.

→ Read more on page 38

OUR ENVIRONMENT

We are still fully committed to reducing our impact on the environment and cutting our emissions to reach net zero before 2050. That is why having clear, science-based goals to guide us is so important.

I was therefore delighted that our 2050 and near-term decarbonisation targets submitted to the Science Based Targets initiative ('SBTi') last year, have now been validated.

Supported by our 'In This Together' campaign, we have continued to work with partners and suppliers to reduce our Scope 3 emissions, while also continuing our efforts in our own operations to support our Scope 1 and 2 reduction targets.

The Sofa Cycle remains at the heart of our strategy and net zero ambition, and we have made great progress by creating our first-ever Digital Product Passport ('DPP'), and developing our first Lifecycle Assessment – an invaluable tool to help us better understand the impact of our materials and processes.

→ Further information is available on page 41

LOOKING FORWARD

With so much to be encouraged by in FY25, I'd like to thank every one of our colleagues for their commitment, which is driving us forward. I'd also like to thank the Committee and welcome Tony Buffin and Bruce Marsh, bringing the RSC in line with our other Board Committees showing the importance we place on ESG. It's great to have their contribution to the Committee.

In FY26, we will continue to progress towards net zero and transition to a more circular business model. We will also stay focused on making DFS Group a more diverse and inclusive place to work, and supporting our local communities to flourish.

All this matters, not only because it's the right thing to do, but because it's key to our success as a business and the value we create for all our stakeholders.

Thank you to everyone who continues to work with us. I look forward to sharing more of our progress with you next year.

Alison Hutchinson
Chair of the Responsible and Sustainable Business Committee
Senior Independent Non-Executive Director
25 September 2025

OUR PEOPLE AND COMMUNITIES

As the leader in our market, we want to be the sofa specialist in the UK – and that includes being a great employer and helping the communities we are part of to thrive.

OVERVIEW

We are committed to creating a great place to work where everyone feels safe, respected and empowered to be themselves, develop and thrive. We are also proud to be part of hundreds of local communities, dedicated to helping each one flourish.

UN SDGS

Goal 5 - Gender Equality
→ Gender split page 39

Goal 8 - Decent Work and Economic Growth
→ L&D page 39

Goal 10 - Reduced inequalities
→ Culture & Inclusion page 39

Goal 01 - No Poverty
→ Home Start page 40

Goal 03 - Good Health and Well-being
→ Andy's man club page 40

KEY ACTIVITIES

We are ambitious by nature. One of our core values is Aim High but another is Be Real. So we have a set of clear ambitions with milestones every year. Here are some of the highlights:

1. Building an inclusive and supportive colleague experience.
2. Developing people-focused leaders.
3. Connecting our colleagues and prioritising their wellbeing.
4. Customers and colleagues have raised over £8m through our long-standing partnership with BBC Children in Need.
5. Our teams are making a meaningful difference in their communities and raising funds for charities close to their hearts.
6. We're proudly working alongside Andy's Man Club to raise awareness of the charity and help prevent men's suicide.

It means keeping our people and customers safe, supporting our colleagues' wellbeing, and investing in their learning and development.

It also means embedding our inclusive Everyone Welcome culture, being more representative of the customers we serve, and giving back to local communities while running the Group responsibly and ethically.

It is not just the right thing to do. It is fundamental to our business, our performance, and the value we create for all our stakeholders.

HEALTH AND SAFETY

Our Health and Safety Strategy is built on a simple but powerful vision: Everyone has the right to go home safely.

We take personal and collective responsibility to build a culture that reduces the health and safety risks of our activities, products and services. Our approach aligns with our Group Code of Conduct.

Leadership and culture are at the centre of the Group's Health and Safety Strategy. Our commitment to making safety a core value is championed by visible, engaged leadership across all levels of the Group. We have invested in NEBOSH Leading Safety Excellence training for all senior leaders, and bespoke safety leadership masterclasses for all managers and supervisors.

Other key components of our Group Health and Safety Strategy are proactive risk management, collaboration, driving continuous improvement through assurance, and developing colleagues' H&S skills and capability.

Making safety a core value ensures it remains integrated into our business decision making and processes.

In 2025, we were commended in the Best Use of Health and Safety Data to Lower Incident Rates category at the Safety and Health Excellence Awards.

COLLEAGUE WELLBEING

We know that everyday life can be challenging. To help our people be at their best, we are committed to supporting their mental, physical and financial wellbeing.

We focus on empathetic leadership and psychological safety at work, empowering managers to take an approach that puts people first.

In FY25, we continued to provide tools that allow us to signpost colleagues effectively and enable them to look after their wellbeing in ways that work for them. Our offer includes an employee assistance programme, Mental Health First Aiders, health checks, discounted gym membership and much more.

See our website for further information about colleague wellbeing.

Case study

REDUCING HAND AND FINGER INJURIES

When we noticed a rising trend in hand and finger injuries related to furniture handling, we took action, reduced incidents by 33%, and set a benchmark for continuous improvement.

Read more about our Health and Safety Strategy on our website **dfscorporate.co.uk**.

RESPONSIBLE BUSINESS REPORT CONTINUED

LEARNING AND DEVELOPMENT

We are also determined to invest in everyone who works for us, providing learning and development opportunities that help them – and our business – to succeed.

Building leadership capability, nurturing skills at all levels, and improving colleague experience through learning are all fundamental parts of our People Strategy.

Leadership capability

In FY25, 12 leaders completed our Senior Leadership Development Programme, with a further 21 taking part in the Spring cohort. More than 500 managers attended Group Leadership Academy workshops, and 244 leaders took part in our internal leadership virtual workshops.

We delivered over 2,500 learning hours through our academy for DFS store managers, while leaders at The Sofa Delivery Company completed more than 980 hours through their development programme.

Skills and capability

Apprenticeships provide people with the chance to learn, earn and develop new skills, while also building a pipeline of talent. In FY25, 42 colleagues took part in an apprenticeship programme, 36% of them working towards the higher Level 6 and 7 qualifications.

DFS launched a home learning hub with 8,500 modules completed by team members across all showrooms, building their knowledge of home products. Sofology launched its new ‘Glow and Grow’ learning offer, with over 180 online courses completed. Across the Group, colleagues worked through a total of 69,152 learning hub modules.

Learning hub modules worked through across the Group

69,152

Colleague experience

We launched a new onboarding and induction programme for dfs in FY25, linked to the brand’s sales model. Those taking part took an average of 27 days to get up to speed, and they gave it a Net Promoter Score of 60. This means 6 out of 10 would highly recommend the programme to others.

EQUITY, DIVERSITY AND INCLUSION – EVERYONE WELCOME

Embedding our Everyone Welcome culture is fundamental to our success at DFS Group and sits at the heart of our People Strategy.

We believe that every one of our colleagues should feel respected, supported and free to bring their whole self to work every day.

By ensuring inclusion is central to decision making, we believe we can attract, retain, and develop diverse talent, helping our teams – and business – to thrive.

Active colleague listening informs our approach to building on our inclusive culture, supported by developing our leaders, improving colleague experience for everyone, and using data to drive decision making and our overall strategy.

Improving representation

Representing the communities we are part of is key to creating a great place to work and supporting people from all backgrounds to succeed.

Since 2021, we have been working towards equal gender representation in showroom management. We are making steady progress towards our ambition to reach an equal gender split, and 33% of managers are now female.

Among our leadership team, we are working towards greater gender and ethnic representation, while being mindful of expected colleague turnover. Progress at this level has been limited in FY25 because of low attrition and restructuring across the Group.

Gender mix by role as at 29 June 2025

Board

■ **Male** FY25: 4 (50%), FY24: 3 (43%)
■ **Female** FY25: 4 (50%), FY24: 4 (57%)

GLT*

■ **Male** FY25: 3 (75%), FY24: 3 (60%)
■ **Female** FY25: 1 (25%), FY24: 2 (40%)

Senior Leaders

■ **Male** FY25: 51 (59%), FY24: 52 (60%)
■ **Female** FY25: 35 (41%), FY24: 34 (40%)

Total (ALL)

■ **Male** FY25: 2,966 (63%), FY24: 3,048 (64%)
■ **Female** FY25: 1,744 (37%), FY24: 1,682 (36%)

Colleague Networks

Our Colleague Networks bring like-minded people together to build a real sense of belonging. Key to our ‘always on’ listening, they provide qualitative insights to complement the quantitative data we gather to inform decision making.

Strategic community partnerships

Our external partnerships are further proof of our commitment to equity, diversity and inclusion. They extend our social impact, strengthen our employer brand, and help us to engage our colleagues.

Through a new relationship with Carers UK, we are better supporting team members with caring responsibilities, who make up around 10% of our workforce. Meanwhile, ongoing rollout of the Hidden Disabilities Sunflower means we are educating our people about non-visible disabilities and are confident in supporting both colleagues and customers.

Our ongoing partnership with Diversity in Retail (‘DiR’) enables peer-to-peer networking and benchmarking to drive continuous improvement. We are also supporting people through DiR’s Women’s and Ethnic Future Leaders programmes to develop our pipeline of future diverse talent.

Find out more about these partnerships, our Colleague Networks and our Everyone Welcome approach on our website.

* GLT excludes CEO and CFO.

RESPONSIBLE BUSINESS REPORT CONTINUED

Our progress in FY25

This year, we were pleased to see an increase in the two inclusion scores in our Your Say colleague survey. They rose to 83% and 86%, while a new question measuring belonging scored a strong 76%. At Group level, there were no significant dips in scores for colleagues from our minority communities.

In FY25, we also:

- engaged more than 60% of our people to provide data about their protected characteristics to inform our future Everyone Welcome plans;
- launched an accessibility widget on our careers sites to support candidates with disabilities;
- trained our internal team on inclusive hiring and launched a revised Recruitment Policy;
- strengthened Colleague Networks by embedding executive sponsorship of them all;
- designed and delivered a bespoke Leading for Inclusion module to Group Leadership Team and 70+ self-enrolled leaders; and
- saw 85% of colleagues across the Group complete our learning module on preventing sexual harassment in response to legislative change.

Looking ahead

We plan to expand our work to improve gender and ethnicity representation at leadership level to our most senior leaders.

To strengthen the foundations we have laid and improve colleague experience, we will continue our efforts with a particular focus on data, recruitment and leadership. We will track our progress via the three inclusion scores in the Your Say survey.

We will sponsor eight more colleagues to join Diversity in Retail and continue to support it to provide leaders with allyship opportunities and minority groups with development programmes.

Finally, colleague network insights will continue to drive other partnerships and initiatives, such as Doncaster Pride sponsorship and our affiliation with Carers UK.

Ethical supply chain and business practices

We are committed to eradicating all forms of modern slavery and human trafficking. We continue to take action to tackle the issue and we report our progress annually in our Modern Slavery Statement. Our Modern Slavery Policy has been issued to all our colleagues, suppliers, and partners. It clearly states the actions to take if a case of modern slavery is discovered or suspected. We work with our suppliers to ensure they take appropriate steps and manage risks within their own supply chains.

We have a robust governance structure in place to ensure we conduct ourselves honestly, ethically and sustainably.

→ See Sustainable Governance on page 46 for further details

→ Read more in our Modern Slavery Statement

→ Read more in our Modern Slavery Policy

COMMUNITY IMPACT

As well as striving to represent the hundreds of local communities we are part of, we are committed to supporting them to thrive through our Giving Back commitments and charity partnerships.

Giving Back is our way to support local charities and organisations to make a positive difference by:

- donating up to 1% of our profit before tax to charitable causes (including money we donate to charity partners and sums donated through matched giving);
- giving away up to 1% of our products a year to charities and organisations who need them most; and
- our in-store prize draw 'Give me Five', where customers donate £5 to BBC Children in Need for a chance of winning their order for free.

BBC Children in Need

dfs and our Group functions have partnered with BBC Children in Need since 2013, raising over £8.1m since then. In FY25, our customers raised £566,707 and colleagues £37,282.

We are on a mission to help Children in Need fund over 140 trusted adults to talk to 15,000 youngsters early and help them to manage and prevent mental health difficulties.

Home-Start UK

Sofology is partnered with Home-Start UK, a local community network of trained volunteers and expert support, helping families with young children through challenging times. It works in 71% of local authority areas across the UK.

In FY25, Sofology customers raised £20,043 and colleagues £473. This money will help to fund vital training for Home-Start's volunteers.

Andy's Man Club

The Sofa Delivery Company has been supporting this men's suicide prevention charity since 2023 – a strong fit for the predominantly male workforce. Colleagues have taken part in a range of activities to raise both money and awareness. They collected a total of £13,627 in FY25.

Our charity partnerships are powered by generous customers and team members taking part in fundraising and personal challenges. To support them, our matched giving schemes provide additional funding, adding a total of £9,740 to the sums raised in FY25.

Our product donations to worthy causes totalled £33,248 this year. One example is Homewards in Aberdeen. Working alongside local furniture suppliers, it has launched a pilot to donate essential items for around 30 properties, supporting people moving on from homelessness. We are providing sofas and bed bases.

Total raised for BBC Children in Need since 2013

£8.1m

Case study

OUR COLLEAGUES IN ACTION

From sky-dives and hikes to runs and mountain challenges, determined team members from across the DFS Group push themselves every year to raise funds for the charities close to their hearts.

Read some of their stories and more about our charity partnerships on our website.

OUR ENVIRONMENT

We are determined to improve environmental impact across our supply chain and operations to help safeguard resources for future generations.

OVERVIEW

We are committed to reducing our environmental impact across our supply chain and operations to safeguard resources for future generations.

UN SDGS

Goal 12 - Responsible consumption and production
→ Our product page 43

Goal 13 - Climate Action
→ Path to net zero page 42

Goal 15 - Life on Land
→ Our product page 43

KEY ACTIVITIES

We have a set of clear ambitions with milestones every year. Our FY25 roadmap covered all aspects of the Sofa Cycle, with different stakeholders contributing to our success. Here are some of the highlights:

1. Net Zero and near-term emissions reduction targets approved by Science Based Targets initiative
2. Over 90% of our timber and leather comes from certified sources
3. Biodiversity assessments completed across key UK sites

Our ambition is to reduce our greenhouse gas ('GHG') emissions and reach net zero before 2050 – and ultimately become a business built around the circular economy.

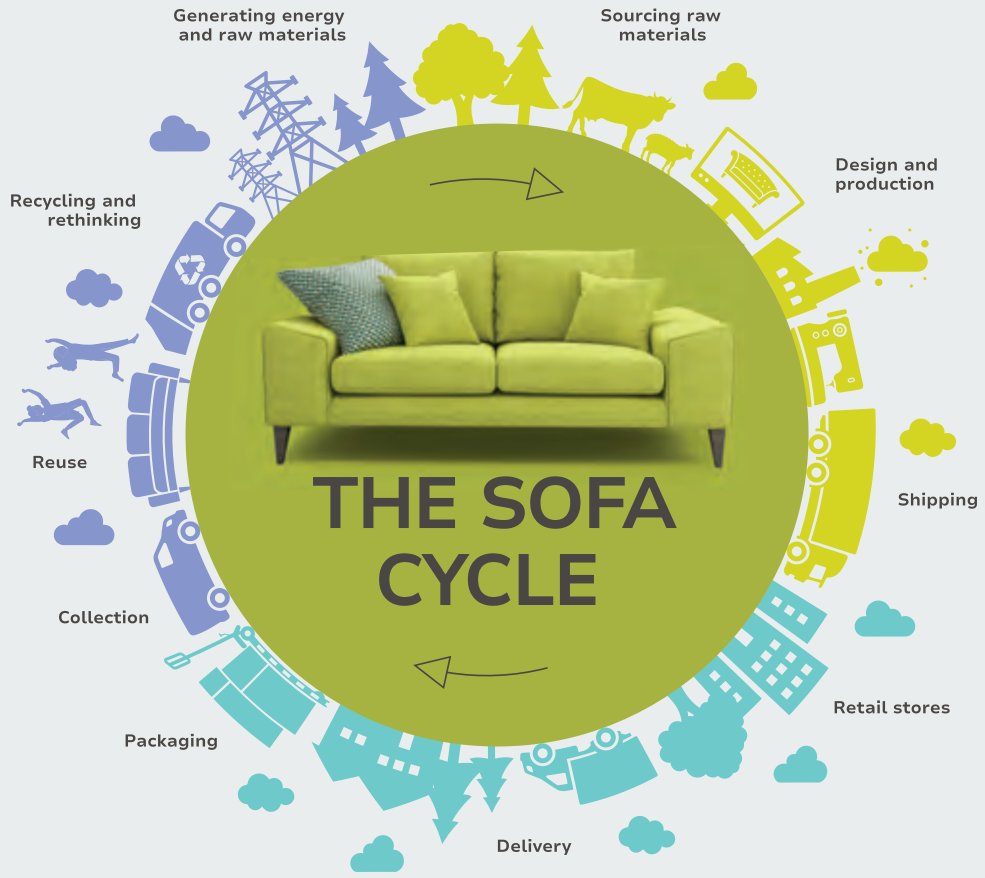
As we strive to make continued progress in these areas, we are guided by our Sofa Cycle framework.

THE SOFA CYCLE

Launched in 2020, The Sofa Cycle is our framework for assessing the impact of every part of our operations and value chain – from material extraction and responsible sourcing to the end of life of our products. It highlights how each stage of the product lifecycle is interconnected, starting with the raw materials we choose. Because materials have the biggest impact on both our carbon footprint and biodiversity, reducing material use through a circular approach is critical to achieving our net zero goals.

To lower this impact, we design and manufacture our products for longer lifespans and repeated reuse. We are also working to improve other key areas, including low-carbon upstream transport, reducing operational emissions, and using minimal but effective packaging. End of life processes for upholstery remain an industry-wide challenge, especially for legacy products that may contain restricted substances (POPs).

The Sofa Cycle framework underlines the complexity of the net zero journey. Many elements of the product lifecycle need to evolve, but tackling them in isolation can sometimes increase the footprint. Building a truly connected and integrated approach takes time – but we are making progress.



RESPONSIBLE BUSINESS REPORT CONTINUED

OUR CIRCULARITY AMBITION

Circularity is built on the principle of using materials responsibly. That means extracting maximum value by reusing and recycling them, ultimately reducing overall consumption.

Our products are currently not engineered to enable such reuse over multiple lifecycles. We will only be able to transition to a circular approach by redesigning our furniture and changing how it is made, what it is made from, and how it is used.

This will not be quick or simple because it requires collaboration – and innovation – throughout the entire value chain. However, we are taking our first steps on this journey and will be building the infrastructure we need in the near future, engaging stakeholders along the way.

We welcome the establishment of the Circular Economy Taskforce to help the government to create a circularity strategy for England. We also support the Department for Environment, Food & Rural Affairs ('DEFRA's') engagement with industry to understand what is needed to deliver this ambitious plan.

OUR NET ZERO STRATEGY VALIDATED

Setting clear targets based on climate science is fundamental to the achievement of our decarbonisation ambitions. Such is its importance that carbon reduction is a bonus target for our Executive Directors and Group Leadership Team.

→ See pages 80 and 81 for further information.

In November 2024, the Science Based Targets initiative ('SBTi') approved our net zero goal: to cut absolute Scope 1, 2 and 3 emissions by 90% before FY50, based on a 2023 baseline.

SBTi also validated our two near-term targets:

- to reduce our own absolute Scope 1 and 2 emissions by 54.6% by FY33; and
- to ensure that suppliers covering 73% of our Scope 3 emissions from purchased goods and services, and upstream transport, have developed and published their own science-based targets by FY28.

IN THIS TOGETHER

Before we submitted our targets to SBTi, our In This Together engagement campaign aimed to make sure suppliers are involved in our Net Zero journey by setting science-based targets of their own.

We asked them to sign a letter committing to the FY28 goal and sought their buy-in to cover 20% of our Scope 3 emissions. However, we surpassed this by achieving support for 59%.

Using resources including SME Climate Hub, we have since been working one to one with suppliers to help them with carbon accounting and explore what a path to net zero would look like for them. Everyone is different, as is their appetite and ability to make changes, but we are committed to partnering with them all to drive progress.

Last year only a handful of our manufacturing partners had calculated their Scope 1 and 2 carbon footprints. However, by June 2025 this had increased to more than 41%. Over 35% had calculated their Scope 3 emissions.

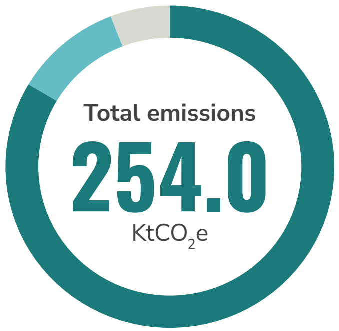
Scope 3 emissions*

	Absolute emissions ($KtCO_2e$)							
	FY25	FY24	% Increase/ (decrease)	FY23	FY22	FY21	FY20	FY19
3.01 – Purchased goods and services	**212.4**	158.2	34.3	219.2	321.1	309.2	215.8	284.8
3.02 – Capital goods	**1.3**	2.2	(42.1)	3.6	17.4	15.1	10.3	8.2
3.03 – Fuel and energy-related activities	**4.7**	4.8	(2.1)	5.2	4	4.2	4	3.9
3.04 – Upstream transportation and distribution	**27.1**	28.3	(4.3)	35.4	74.6	58.5	33.2	36.7
3.05 – Waste generated in operation	**0.2**	0.3	(22.4)	0.3	1.4	1.3	0.9	1.3
3.06 – Business travel	**1.1**	0.7	54.3	0.5	1.2	0.8	1.3	1.3
3.07 – Employee commuting*	**3.4**	3.5	(2.0)	3.7	4.7	4.1	4.5	5.4
3.08 – Upstream leased assets	**—**	—	—	0.6	4	3.2	3.1	2.5
3.11 – Use of sold products*	**0.3**	0.3	(8.7)	0.3	0.6	0.7	0.5	0.7
3.12 – End of life treatment of sold products	**3.5**	3.1	11.0	5.2	10.2	9.7	7.1	9
Total scope 3 emission	**254.0**	201.4	26.1	274.0	439.2	406.8	280.7	353.8

* Where data is shared by supplier partners, which is difficult to verify, it is reported in good faith. All information provided represents end-of-financial-year (FY25) figures unless otherwise stated.

The SBTi calculation methodology excludes aspects of certain sub-categories (3.06, 3.07 and 3.11). These are excluded from the table above and prior periods have been restated. The methodology applied is set out in the Basis for Reporting. FY23 onwards uses a spend-based calculation methodology for 3.01 to align to SBTi requirements. Emission prior to FY23 used an activity approach where possible for 3.01.

2025 Scope 3 emissions by category – % of Scope 3 emissions



	$KtCO_2e$	%
3.01 – Purchased goods and services	212.4	84%
3.04 – Upstream transportation and distribution	27.1	11%
All other categories	14.5	6%
Total Scope 3 emissions	**254.0**	

Scope 3.01 increased by 34% in FY25 due to the increased sales volume, but additionally, the inclusion of more detailed spend analysis of materials within our own manufacturing. Materials such as foam, fibre and polyester fabrics have a higher emission factor than generic household furniture, which we use for the majority of purchase goods for sale.

Spend-based calculations are used to ensure the veracity and auditable data, but we recognise that the emission factors do not accurately reflect the true impact of our spend. Verified activity data is the ideal and we plan to move to this methodology in future.

The increased sales volumes, especially in motion furniture ranges, are also reflected in Scope 3.12 end of life emissions.

Our capital goods emissions (3.02) reduced significantly due to the cost reduction programme, while business travel (3.06) has increased significantly, driven by a rise in employee flights related to supplier engagement activities, including product development and supplier quality audits.

RESPONSIBLE BUSINESS REPORT CONTINUED

Our products and value chain

In addition to working with our suppliers to reduce their carbon emissions, which in turn reduces our own, they are on a journey with us to create more sustainable products and utilise materials more sustainably. We also expect them to act ethically and protect human rights at all times.

OUR APPROACH

Our Sustainable Sourcing Policy sets out seven high-level principles for suppliers to follow, underpinning both the minimum standards we expect them to meet and our approach. It applies to our entire supply chain globally and covers:

- the requirement for suppliers to act ethically;
- protecting human rights;
- supporting our suppliers and partners;
- delivering value to our customers and shareholders;
- taking responsibility for our impact on the environment;
- being fair and transparent with suppliers, including how information is used; and
- championing sustainable innovation in our industry.

We regularly update the Sustainable Sourcing Policy and work closely with our Commercial and Quality teams to support suppliers on their journey. A copy of the Policy is available on our website.

→ For further information about our approach to human rights in the supply chain, see Sustainable Governance on page 46

SUPPLIER OPERATIONS

We have several targets for our value chain, focusing on the environmental impacts of the raw materials we use and their processing. We set dates by which we ask suppliers to meet these targets and, as the dates expire, our requirements move from ambition to expectation. This approach provides fair warning, leaving them sufficient time to consult and adapt.

All our timber and leather value chains are audited and risk assessed by our partner Track Record Global.

Timber

Requirement: Forest Stewardship Council (FSC®)* and Programme for the Endorsement of Forest Certification (PEFC)** accreditation to ensure timber is sourced from responsibly managed forests.

Target: FSC and PEFC-certified timber used in all products by December 2025.

FY25 progress: 93%.

* DFS Furniture PLC incorporating DFS Trading Ltd T/A DFS and Sofology Ltd T/A Sofology FSC® License holder FSC-C192921

** PEFC/16-44-2518

Textiles

Requirement: Textile mills with OEKO-TEX STeP certification so that we know they have responsible environmental management systems and ethical labour practices in place. The Global Recycled Standard (GRS) or equivalent, as we also strive for recycled material to be used in new textiles.

Target: 20% of all new textiles contain recycled content by June 2027.

FY25 progress: 4%.

Leather

Requirement: Leather Working Group (LWG) certification for all tanneries and curers to ensure they follow best practice in water and chemical management.

Target: Leather used in upholstery sourced from LWG-certified supply chains by December 2024.

FY25 progress: Achieved.

Packaging

Requirement: The Global Recycled Standard (GRS) or equivalent, given that single-use plastic is an important issue for the environment and our stakeholders.

Target: 50% of all plastic packaging contains 50% recycled content by June 2026.

FY25 progress: 14%.

Making progress

We conduct an annual impact assessment with our manufacturing partners to see how they are improving environmental and responsible sourcing standards in their own operations. The number of companies implementing an environmental management system has more than doubled in the last 12 months, ensuring they better understand their waste, water, and energy consumption. More than half now have the internationally recognised ISO 14001 certification.

See our website for more information about our approach to raw materials and sustainable sourcing. **dfscorporate.co.uk.**

BIODIVERSITY

With biodiversity loss an increasingly important issue, it is essential that we understand how our operations and value chain both impact and rely upon the natural world. Our work to address this is underway and we have honed our focus to make sure we have a meaningful impact.

We began by using the WWF Biodiversity Risk Filter, mapping our timber and leather supply chains to forests and farms respectively. However, the geographic spread and nature of their impact is so diverse that meaningfully tackling this at scale is challenging. That said, we shared the insights gathered with our key suppliers to enable the right conversations in their own value chains.

For now, we are focused on where we can make a direct impact: at our own sites in the UK. We have commissioned assessments from biodiversity specialists covering ten of our locations, and we are looking for opportunities to support biodiversity net gain through rewilding and habitat creation.

Moving forward, we intend to use the Taskforce on Nature-related Financial Disclosures ('TNFD') framework to enable comparable reporting and identify and report material financial risks associated with natural resources in our value chain.

RESPONSIBLE BUSINESS REPORT CONTINUED

Compared to our wider value chain, the environmental impact of our operations is relatively small, but we are taking steps to minimise it as much as possible.

This year, we again secured ISO 14001 accreditation for the Group – the internationally recognised standard that provides a framework for organisations to improve environmental performance.

Despite this achievement, we have continued to face challenges, such as heating large distribution centres and providing low-carbon HGVs when few solutions are available. However, we are trialling new technology where we can.

Understanding the impact of our operations is essential to ensuring the initiatives we deploy are effective. So is improving accuracy when we monitor our use of energy, fuel and water.

ACHIEVING NET ZERO IN OUR OPERATIONS

Our climate goals approved by the Science Based Targets initiative ('SBTi') in November 2024 include:

- reducing absolute Scope 1 and 2 emissions by 90% before FY50, with only the last 10% being offset or removed; and
- a near-term target to reduce absolute Scope 1 and 2 emissions by 54.6% by FY33.

Both these targets are compared to our FY23 baseline. To help us achieve them, we are focusing on moving to electric heating in our stores, warehouses and factories; decarbonising our vehicle fleet; and improving the energy efficiency and maintenance of our sites and vehicles.

FY25 PROGRESS

Over the past four years, we've switched our company car scheme to hybrid and electric vehicles only, fully replacing all petrol and diesel cars. We've also introduced hybrid and electric vans for our service managers. To help more colleagues make the switch to electric, we've launched a salary sacrifice leasing scheme and are installing more EV charging points across our sites – for our teams, visitors, and even the local community.

To reduce fuel consumption, we have continued to see the positive impact of postcode integration and geo-fencing in our logistics planning, which creates more efficient routes for our delivery teams.

Another priority is the continued implementation of our sites' decarbonisation strategy, linking it to store acquisitions and refits, and including installing better insulation and energy efficient lighting. As a result of our trading peaks, and the most viable time to implement these changes this has meant that much of the energy saving we achieved in FY25 occurred after the winter peak.

In two of our distribution centres, which are large and hard to keep warm, we have undertaken an infrared panel heating trial to 'heat the humans', rather than the cavernous space around them. This trial will continue throughout FY26.

Case study

ON THE ROAD TO NET ZERO

DFS Group is accelerating its journey to net zero by replacing all company cars and service manager vans with electric vehicles, expanding EV charging infrastructure, and optimising fleet efficiency.

Visit our website to read more about how we are decarbonising our vehicle fleet.

Scope 1 and 2 emissions in tCO_2e by region

The tables below show our energy use and associated greenhouse gas emissions in line with the UK government's Streamlined Energy and Carbon Reporting requirements.

Scope 1 and 2 have been externally assured by DNV Business Assurance UK Services Ltd https://www.dfscorporate.co.uk/responsible-business/our-environment/sustainable-governance/

	Absolute emissions (tCO_2e)							
	FY25 UK	FY25 Rest of world (ROI)	Total FY25 (tCO_2e)	FY24	% increase/ (decrease)	FY23	FY22	FY21
Scope 1 emissions	**13,469**	**544**	**14,013**	14,441	(3.0)	15,297	16,215	18,058
Scope 2 emissions								
Market based	**61**	**—**	**61**	64	(4.7)	104	223	1,697
Location based	**4,709**	**139**	**4,848**	5,529	(12.3)	5,684	5,828	5,797
Total Scope 1 and 2 market based	**13,530**	**544**	**14,074**	14,505	(3.0)	15,401	16,438	19,755

	Emission intensity (tCO_2e/£m gross sales)							
	FY25	FY24	% increase/ (decrease)	FY23	FY22	FY21	FY20	FY19
Scope 1 emissions	**10.1**	11.0	(9.1)	10.7	11.0	13.3	18.6	14.5
Scope 2 emissions								
Market based	**0.04**	0.05	(9.12)	0.07	0.2	1.2	5.6	5.3
Location based	**3.5**	4.2	(9.17)	4.0	4.0	4.3	5.6	5.3
Gross sales (£m)	**1,388.3**	1,311.8		1,423.6	1,474.6	1,359.4	935.0	1,165.0

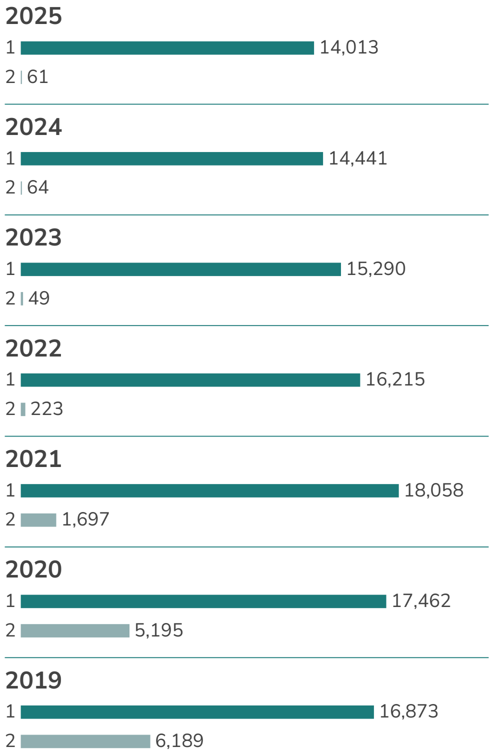
Energy consumption in MWh - by region

	UK	Rest of the world (ROI)	Total FY25 MWh	UK	Rest of the world (ROI)	FY24	% increase/ (decrease)
Scope 1							
Heating	**19,225.86**	**420.24**	**19,646.10**	17,013.42	415.09	17,428.51	12.72
Transport fuels	**36,709.59**	**1,768.81**	**38,478.40**	40,490.21	1,373.56	41,863.77	(8.09)
Scope 2							
Purchased electricity	**26,605.48**	**563.98**	**27,169.46**	26,091.43	600.61	26,692.04	1.79
Total energy consumption	**82,540.93**	**2,753.03**	**85,293.96**	83,595.06	2,389.26	85,984.32	(0.80)

RESPONSIBLE BUSINESS REPORT CONTINUED

ACHIEVING NET ZERO IN OUR OPERATIONS CONTINUED

Scope 1 and 2 emissions



■ Direct emissions - Scope 1
■ Indirect emissions - Scope 2

In FY25 we saw a small increase in gas consumption across a handful of sites due to adjustments for sporadic meter readings. In FY26 all locations will have fully automated meters to ensure real-time reporting. The reductions in mobile emissions are the continued result of efficiency initiatives, such as driver training, geo-fencing and postcode integration, coupled with wider adoption of EVs for company cars.

We recognise that our electricity consumption will increase as we move from gas heating to Heating, Ventilation and Air Conditioning ('HVAC') systems. In FY26, we are therefore investigating energy reduction initiatives, such as site monitoring and solar and battery solutions.

Water

Our operations do not contribute significantly to the Group's water use, but we recognise that freshwater is finite and good governance is essential and expected of us.

In FY25, our total water consumption was an estimated 67,352,000 litres.

To minimise water use in our direct operations, we are focusing on:

- using technology to continually monitor and assess our consumption;
- improving monitoring and setting reduction targets when we have a sufficiently robust baseline; and
- encouraging a water-saving mindset among colleagues to drive behaviour change.

More information about the data sources and methodology used in ARA FY25 is available in the Basis for Reporting document on our website.

Evolving the DFS Group to become a business built around the circular economy is key to our net zero strategy.

We know this will require new commercial and product models to:

- prolong the life of our furniture and ensure it is returned to us for refresh, repair and resale; and
- reduce our use of raw materials, extract maximum value from them, and enable their reuse, repurposing and recycling.

Making this transition is a mammoth task, so we are tackling it stage by stage, making sure that each step is operationally and commercially viable before moving ahead. Some of these steps may seem small, but they are culturally important and lay the foundations of the infrastructure we will need in the future.

WASTE

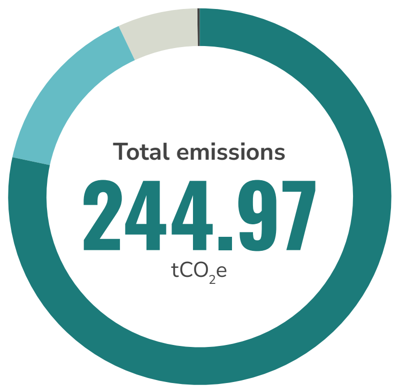
Addressing our use of resources and waste is also critical to building a circular DFS. In FY25, our total waste was 9,543 tonnes, 5,544 tonnes of which were recycled and 3,535 tonnes were converted to energy.

Most of our waste is product packaging which, to assist our customers, is removed from customers' homes at the point of delivery and responsibly recycled by our waste partner.

At The Sofa Delivery Company, we are developing a new waste management programme to reduce landfill waste. The first phase of this initiative – to make sure every site has the right infrastructure to support different types of waste – is now complete. Next, we will focus on engaging colleagues to ensure better compliance.

Working with external partners, we have also established a new Company-wide Waste & Packaging Working Group to look at the key drivers of waste, devise circular systems, and reduce the amount of material we use where possible.

Emissions (tCO_2e by waste outcome)



■ Landfill 192.18 tCO_2e
■ Recycled 36.01 tCO_2e
■ Incineration 16.57 tCO_2e
■ Anaerobic digestion 0.21 tCO_2e

Total waste

9,543 tonnes

SUSTAINABLE GOVERNANCE

We are committed to conducting all our business honestly, ethically and sustainably. That means acting professionally, fairly and with integrity in all our dealings and relationships.

CLIMATE-RELATED RISKS AND OPPORTUNITIES

The Board recognises that addressing climate change is critical to the Group's long-term success.

→ For information about our climate-related risks and opportunities – and their governance – see our TCFD disclosure on pages 47 to 52

The Responsible and Sustainable Business Committee ('RSC') is a committee of the Board and meets at least three times a year to:

- review and assess the Group's sustainability strategy and performance against it;
- review and approve policies related to our focus areas: Our People and Communities, and Our Planet; and
- ensure we meet our governance obligations, achieving the required legal, compliance, regulatory, ethical and reporting standards across the Group.

→ The RSC's terms of reference are available at **dfscorporate.co.uk**

The ESG Committee meets six times a year and reports to both the Group Leadership Team and the RSC. Its responsibilities include updating the RSC on sustainability developments, as well as driving the overall strategy of the business.

Our Steering Committees and Colleague Networks ensure we unite like-minded people to champion issues and help us to build on our inclusive Group culture. The Steering Committees involve key people, including the CEO and department heads, who help to shape our strategy and impact.

MATERIALITY

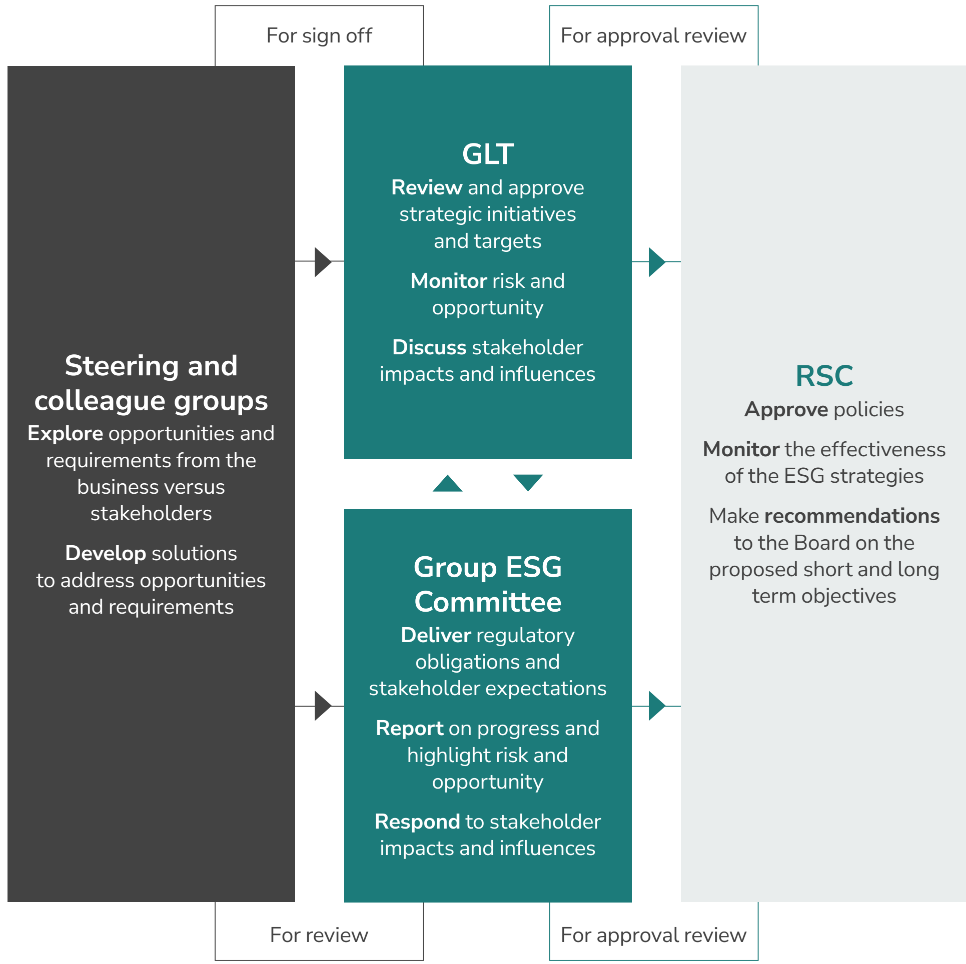
In 2024, we refreshed our 2021 materiality assessment, which informs our sustainability strategy and initiatives.

Further information is available in the Materiality Disclosure on our website.

GOVERNANCE FRAMEWORK

We have a clear governance framework in place to monitor our performance in this area and ensure we identify and address sustainability issues effectively.

→ See our full Corporate Governance Framework on page 58



Visit our website for the RSC Terms of Reference.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

TCFD

With the impact of climate change being felt around the world, we are committed to building a more sustainable business that limits our impact on the environment and ensures our long-term success.

SUMMARY

OUR PROGRESS IN FY25

1. Achieved verification of near-term and net zero targets from SBTi
2. Engaged the value chain in calculating their own carbon emissions
3. Created our first Lifecycle Assessment of our own manufactured product to support net zero strategy
4. Reviewed the property risk assessment approach
5. Conducted impact assessments across the operational property portfolio

AREAS OF FOCUS IN FY26

1. Establish more automated sustainability data collection
2. Continue to work with the value chain on carbon reduction planning
3. Update scenario analysis aligned to ISSB standards with additional focus on the value chain

In this year's disclosures, we have complied with the FCA's UKLR 6.6.6R (8). Our climate-related financial disclosures are considered to be consistent with the TCFD's recommendations and recommended disclosures.

Climate-related risks and opportunities continuously evolve, as do those associated with the transition to a lower-carbon economy. Managing them all effectively is therefore fundamental to our sustainability approach.

The purpose of this TCFD disclosure is to detail the climate-related risks and opportunities we face, as well as the financial impact they might have on our Company. It also outlines our responses to ensure we mitigate these risks and embrace the opportunities.

Monitoring, assessment and reporting continue to advance, along with the pressing nature of climate change issues. We note the integration of the TCFD framework into the International Sustainability Standards Board's ('ISSB') Financial Reporting Standards S1 and S2.

We are currently working on enhanced data gathering and gap analysis, and intend to report in alignment with the new framework and upcoming UK SRS in future.

OUR APPROACH

SCENARIOS

We conducted a scenario analysis in FY23 with support from Willis Towers Watson, incorporating geographic aspects of our value chain for manufacturing and core materials to enhance financial considerations. We plan to conduct a new scenario analysis in early 2026 to ensure our risk analysis reflects the most up-to-date climate scenarios and informs our mitigation strategy.

Low-carbon world scenario (1.5°C)

A low-carbon scenario assumes the implementation of policies and technologies that support circular economies, material efficiency strategies, and the promotion of alternative fuels and technologies within a reasonable timeframe to limit global warming to below 1.5°C. As a result, global net zero CO_2 emissions are expected to be achieved around 2050.

Hot-house world scenario (4°C)

A hot-house scenario assumes that policies and infrastructure to support sustainability are not effective. There is little to no adaptation of resource – and energy-intensive behaviours. As a result, economies fail to transition to a low-carbon world, and the physical impacts of climate change become increasingly severe.

The following sources informed the assumptions in the scenario analysis:

- **Intergovernmental Panel on Climate Change ('IPCC')** – Shared Pathways ('SSP') scenarios of projected global changes are used to derive greenhouse gas (GHG) emission scenarios associated with different worlds and forecasts on physical climate implications of GHG concentrations.
- **International Energy Agency ('IEA') scenarios** – focus on the consequences of different energy policies and investment choices. The net zero 2050 scenario (1.5°C) explores what is needed to ensure global emissions reach net zero by 2050.
- **Network for Greening the Financial System ('NGFS') scenarios** – explore different assumptions for how climate policy, emissions, and temperatures evolve. The net zero 2050 scenario limits global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero CO_2 emissions around 2050. The NGFS also considers various scenarios, adding two additional scenarios in 2023: the fragmented scenario, which considers divergent geopolitical approaches to climate change and the low demand scenario, in which enforceable legislative requirements are coupled with stringent carbon prices.

OUR APPROACH CONTINUED

NET ZERO STRATEGY

Our Sofa Cycle Framework underpins our net zero ambition and will be delivered by evolving the business to a circular model. We aim to achieve this by mitigating the environmental impact of each aspect of the product life cycle - from sustainable sourcing to end of life - by engaging our entire value chain in the journey.

→ See page 41 for more details

Engaging with our suppliers directly on our net zero strategy and climate-related issues gives us the resilience to mitigate and adapt to climate change issues as they evolve.

Table 1 details our response to the risks and opportunities identified in the scenario analysis exercise.

RISK MANAGEMENT

Climate-related risks were identified and assessed through the scenario analysis exercise in FY23. We involved various internal stakeholders in the process, and our wider value chain was consulted on the outcome. We applied a percentage of profit before tax as a benchmark to consider the materiality of the impact of climate change risks and opportunities.

Our materiality assessment in FY24 also considered the importance and impact of various contributing factors to climate change including carbon emissions, water scarcity, air pollution and resource use.

These exercises considered a shift in our stakeholders' values toward more sustainable products and services, existing and emerging regulatory requirements, and technology transition, reflected in the five risk types described in Table 1.

RISK MANAGEMENT FRAMEWORK

Climate change is included in our principal risks (ESG risk—PR6). The CFO owns the risk and is supported by the Sustainability Director and Risk Managers, who are closely related to each specific risk identified. The CFO is accountable for ensuring that the relevant controls and mitigation strategies are effective and in place, while the Board has oversight responsibility for principal risks.

We continuously monitor the risk factors and the effectiveness of the controls assigned to the risk. Climate change is currently rated a medium risk, requiring a quarterly review of the controls and mitigation effectiveness.

→ See page 52 for a detailed process on managing climate-related risks, including how the decisions to mitigate, transfer, accept, or control the risks are taken

METRICS AND TARGETS

The scenario analysis helped us identify several metrics used to monitor our climate risks, as described in Table 1 (column: Indicators). We continuously quantify and measure these metrics internally.

GREENHOUSE GAS METRICS

Addressing our carbon footprint and modelling best practice for our value chain is a priority for the Group. The Scope 1 carbon reduction target was considered a performance metric and part of the bonus structure. See Directors' Remuneration Report pages 80 and 81 for details. Our Scope 1 and 2 intensity metrics are externally assured – see page 44.

Please note that we are reporting our Scope 3 calculations to the SBTi framework, which varies slightly from the GHG standard. The exclusions are listed below and the full methodology is detailed in our Basis of Reporting at **www.dfscorporate.co.uk/media/xxdbqi4j/basis-for-reporting-fy25.pdf**. We use spend-based calculations to ensure consistency with our industry and suppliers as well as using verified data which a third party audits.

→ See page 42 for further details

TIMEFRAMES

Throughout our analysis, we have defined the time frames as follows:

Short
1-3 years
Aligned with our business strategy and financial forecasting.

Medium
3-10 years
Aligned to the strategic plan timeframe.

Long
10-30 years
Aligned with our Net-Zero Ambition by 2050.

Through this exercise, we identified ten material climate risks and opportunities. Table 1 on pages 48 to 51 summarises the transition risks and opportunities.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

Risk type: P Policy and legal · T Technology · M Market · R Reputation · Ph Physical

Scenarios: Transition risks – 1.5°C · Physical risks – 4°C

Risk rating: High · Medium · Low

Table 1: Summary of our climate risks and opportunities

Short-term risks and opportunities

Risks

MANDATES AND REGULATIONS ON OUR PRODUCTS

Risk type: P, Transition risks – 1.5°C

Risk rating: Medium

Indicator
Production cost and taxes

Risk/opportunity
Regulatory pressure is applied to the materials used in the manufacturing of our products, leading to increasing production and operational costs.

This includes the infrastructure for due diligence such as EUDR and taxes for packaging EPR as well as the possibility of introducing broader product design and disclosure requirements, carbon footprint labelling, plastic taxes or bans on single-use plastics.

Our response
Our Sustainable Sourcing Policy is regularly reviewed to ensure compliance with regulatory requirements. Furthermore, we set clear ambitions for our suppliers to continually improve upon the requirements to stay ahead of legislative changes such as increasing the volume of recycled content textiles and reviewing our packaging to minimise single-use plastics.

We align our supplier contracts with the supplier requirements within the Sustainable Sourcing Policy.

CARBON PRICING

Risk type: P, Transition risks – 1.5°C, Physical risks – 4°C

Risk rating: Low

Indicator
Direct operating cost

Risk/opportunity
Carbon pricing already exists in some of the jurisdictions where we operate. Under both scenarios, the pricing of GHG emissions is expected to increase, which could impact our direct operating costs.

Our response
We continue to monitor developments in this area.

CLIMATE CHANGE LITIGATION

Risk type: P, R, Transition risks – 1.5°C

Risk rating: Medium

Indicator
Compliance cost/non-direct operating cost
Brand value

Risk/opportunity
Investors, insurers, shareholders, and public interest organisations could bring climate-related litigation claims against DFS Group. Reasons for claims could include failure to adapt to climate change, greenwashing for overstating positive environmental impacts and understating risks, and insufficient disclosure on material financial risks.

Our response
We continuously monitor and refresh senior leadership's knowledge of the legislative landscape to ensure compliance with the relevant disclosure requirements. We are aware that the sustainability reporting landscape and disclosure requirements and expectations for each stakeholder group are maturing.

BUILDING CODE REQUIREMENTS

Risk type: P, Transition risks – 1.5°C

Risk rating: Medium

Indicator
Maintenance cost/CAPEX/OPEX

Risk/opportunity
Increased maintenance costs are associated with upgrading stores, distribution centres, and manufacturing sites to adhere to stringent building codes and guidelines.

Our response
The majority of our tenancy agreements will be reviewed prior to the 2030 deadline, ensuring we have the opportunity to factor compliance and opportunity costs into our financial planning. Our store decarbonisation budget has been transitioned from an OPEX cost to a planned CAPEX cost, integrated with other energy-saving opportunities during store refits.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

Risk type: P Policy and legal · T Technology · M Market · R Reputation · Ph Physical

Scenarios: Transition risks – 1.5°C · Physical risks – 4°C

Risk rating: High · Medium · Low

Table 1: Summary of our climate risks and opportunities continued

Short-term risks and opportunities continued

Risks continued

INVESTMENT RISK

Risk type: R, Transition risks – 1.5°C

Risk rating: Medium

Indicator
Cost of capital

Risk/opportunity
Failure to meet publicly stated sustainability targets or failure to meet disclosure requirements poses a risk to our business as customers and investors increasingly expect high levels of sustainability performance from organisations.

However, demonstrating a robust and deliverable strategy potentially opens the opportunity to access lower cost capital, such as sustainability-linked loans.

Our response
We incentivise teams and leadership as part of the employee bonus scheme to meet the publicly stated targets which are derived from our sustainability strategic objectives.

The targets we set are challenging objectives and frequently rely on availability of capital or strong supplier engagement - neither of which are guaranteed.

Medium to long-term risks and opportunities

Risks

TRANSITION TO LOWER EMISSION TECHNOLOGY AND MAINTAINING A CIRCULAR SYSTEM

Risk type: T, Transition risks – 1.5°C

Risk rating: Medium

Indicator
CAPEX to increase energy efficiency
CAPEX to increase recycling capability.
CAPEX/OPEX for transitioning to an electric vehicle fleet.

Risk/opportunity
Innovation, especially in technology, will be essential to achieving our net zero ambition.

The technology transition costs could include:

- energy infrastructure across our estate
- switching our logistics fleet to low-emission vehicles
- investing in technology to improve the lifecycle of products

Our response
We have developed integrated strategic planning to ensure the introduction of low carbon technology within our property, manufacturing and logistics aligned to our net zero trajectory. This includes the anticipated replacement cycles for legacy infrastructure and lifecycles of vehicles and projected costs are built into our budget. We have undertaken research with universities to explore new design and manufacturing approaches and continue to engage with our suppliers on product innovation.

INCREASED COST OF RAW MATERIALS AND PRODUCTS

Risk type: M, Transition risks – 1.5°C

Risk rating: Medium

Indicator
Production cost

Risk/opportunity
As our suppliers bear the effect of carbon pricing and other sustainability-driven impacts, they could pass on the cost to us, hence increasing our cost of raw materials and products.

Our response
Phased and adapted pricing and margin structure to accommodate cost changes. Supporting suppliers on their own carbon reduction journey will also help them mitigate potential impacts such as carbon pricing as well as driving operational efficiencies.

SHIFT IN CUSTOMER/ CONSUMER VALUE

Risk type: M, Transition risks – 1.5°C

Risk rating: Low

Indicator
Revenue

Risk/opportunity
Customers have demonstrated they will align themselves with brands that reflect their values. Failure to meet these shifting values could cause customers to switch to alternative products or competitors.

Growing awareness of climate issues and change in consumer priorities could provide an opportunity to widen our customer base, and increase revenues, profits and market share.

Our response
Customer satisfaction was ranked the top issue in our materiality assessment in 2024.

We conduct regular consumer monitoring on appetite and attitudes toward sustainable brands and products as well as our ongoing performance metrics such as NPS.

Additionally, we use customer research to validate our approach to circular models to ensure we are developing commercially viable solutions.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

Risk type: P Policy and legal · T Technology · M Market · R Reputation · Ph Physical

Scenarios: Transition risks – 1.5°C · Physical risks – 4°C

Risk rating: High · Medium · Low

Table 1: Summary of our climate risks and opportunities continued

Medium to long-term risks and opportunities continued

Risks continued

COST OF CAPITAL

Risk type
M, Transition risks – 1.5°C

Risk rating
Low

Indicator
Cost of capital

Risk/opportunity
As credit ratings begin to incorporate climate change considerations, there is a risk that the cost and availability of capital would increase/ decrease.

Our response
We support ESG enquiries and disclosures to third-party and credit rating agencies as well as engaging shareholders.

PHYSICAL RISK

Risk type
Ph, Physical risks – 4°C

Risk rating
Low

Indicator
Asset value located in an area of material climate hazard intensity.

Risk/opportunity
Damage or loss of value to our facilities due to climate hazards.

Our scenario analysis considers heat stress, flooding, drought, fire weather, and windstorms as climate hazards.

Our response
All our own facilities are located in the UK, which is not exposed to as many climate hazards as other countries. Therefore, the overall risk to our facility is considered low to moderate within the short to medium-term horizon. Our own facilities including manufacturing and distribution are leased with an average of five years remaining; they are unlikely to see long-term climate changes in 2050 unless renewed.

SUPPLY CHAIN

Risk type
Ph, Physical risks – 4°C

Risk rating
Medium

Indicator
% of supply from supplier facilities that are in high-risk areas.

Risk/opportunity
The climate hazards considered in our scenario analysis are: heat stress, flooding, drought, fire weather, and windstorms. Any of these hazards could cause disruption in our value chain and disrupt production and delivery.

Our response
Climate or geopolitical disruption of our supply chain is addressed in a similar approach.

Our supplier facilities are spread across the UK, Europe, and Asia. The overall exposure of drought, fire weather and windstorms to our suppliers' facilities is moderate, whilst the exposure of flooding is considered very high in Asia. We have addressed this with our key partners and have contingency plans in place.

GOVERNANCE OF CLIMATE RISKS AND OPPORTUNITIES

The Board recognises that addressing climate change is critical to the Group's long-term success and has overall responsibility for monitoring its progress towards climate-related goals and targets.

It has delegated responsibility to the Responsible and Sustainable Business Committee ('RSC'), which meets at least three times a year.

→ For further information about the RSC, including its terms of reference, see page 46

Climate-related risk is monitored by the Audit and Risk Committee ('ARC') and Board through regular meetings. The ARC also provides assurance on non-financial metrics. In FY25, the business conducted an internal review of environmental data control systems.

The ESG Committee meets six times a year and reports to the Group Leadership Team and RSC. Senior management forms part of these forums to ensure they are influencing and monitoring the progress of climate change objectives. Responsibilities include updating the RSC on climate change and sustainability developments, as well as driving the overall strategy of the business and managing its climate-related risks and opportunities.

Management is informed about climate-related matters:

- internally, through regular updates from the ESG Committee and the Sustainability team. They ensure governance – including risk management, strategy and implementation – is raised, along with any financial implications;
- externally through input from expert advisers and groups, to ensure our sustainability strategy is relevant and aligns with continually changing reporting and regulatory requirements; and
- externally, through collaboration with industry bodies and non-profit organisations, such as FSC, Leather Working Group, FIRA, BFC, Furniture Makers Company and others, to advocate for circularity, deforestation, and decarbonisation across industry.

LOOKING AHEAD

As climate-related considerations become more central to the Group, we expect them to become 'business as usual' in our strategy and financial planning. We are continuing to develop our policies and commercial solutions to ensure our business remains resilient in the face of climate-related challenges, and can capitalise on the opportunities highlighted. Investments needed to transition and manage potential impacts will continue to be integrated in financial planning going forward.

SUPPORTING DATA

SUSTAINABILITY GOVERNANCE

TCFD consistency index

Pillar	Recommended disclosures	Location within this report
Governance	(a) Board oversight of climate-related risks and opportunities	Page 46
	(b) Role of management in assessing and managing climate-related risks and opportunities	Page 52
Strategy	(a) Climate-related risks and opportunities	Page 47 to 51
	(b) Impact on the organisation's business, strategy and financial planning	Page 47 to 51
	(c) Resilience of strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Page 47
Risk Management	(a) Processes for identifying and assessing climate-related risks	Page 32 and 48
	(b) Risk management process	Page 32 and 48
	(c) Integration into overall risk management	Page 32 and 48
Metrics and Targets	(a) Metrics used to assess climate-related risks and opportunities in line with our strategy and risk management process	Page 42, 44 and 48
	(b) Scope 1, Scope 2, and, Scope 3 greenhouse gas ('GHG') emissions	Page 42 and 44 See **www.dfscorporate.co.uk** for our Basis of Reporting
	(c) Targets used to manage climate-related risks, opportunities and performance	Page 41, 42 and 48