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## **DFS Furniture Group Timber Policy**

# Timber Policy

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## Version Control

Version Control			
	R Bayles	Draft approved by the Board	17/02/2022

## Review History

Review History			
	K Wright	Reviewed and amended	04/07/2022

## Reviewers

Reviewers			
	Liz McDonald	General Counsel & Company Secretary	26/08/22

## Authorised by

Authorised by			
	RSC	Board of Directors	06/07/2022

## Related Documents

Related Documents	
Environmental Policy	DFS Corporate Website
Leather Policy	DFS Corporate Website
Group Code of Conduct	DFS Corporate Website

Last Reviewed:06/08/2022

Document Owner: L McDonald General Counsel

## Timber Policy

### DFS Group - Timber Policy

This Policy was issued on and will be reviewed at least annually for accuracy, completeness and relevance.

This Policy applies to all timber-based Products (hereinafter 'timber') purchased by DFS Furniture PLC (the "DFS Group") Group containing any amount of timber. This includes:

- Timber currently out of scope of the UK and European Timber Regulations;
- Wood composites (e.g. chipboard, particleboard, plywood and MDF);

This policy does not apply to:

- Wood used in man made cellulosic fabrics (MMCF) such as viscose
- Non-timber forest products such as leather (See Leather Policy).

This Policy forms part of DFS Group's Environmental, Social and Governance Programme, whereby we report our performance annually. This Programme is subject to annual third-party audits (see 'Risk Management Procedure' below).

The policy applies to DFS Group as well as all Suppliers, manufacturers, sub-contractors, agents and sourcing operations engaged in supplying DFS Group (hereafter, 'Suppliers'). Suppliers are also expected to cascade the principles of this Policy to their Suppliers encourage sustainable practices throughout the supply chain.

### Timber supply chains

Forests are essential to tackle climate change, provide crucial habitat for biodiversity and enhance water security. These are key ingredients for a sustainable world. We are keenly aware of the value that forests add to all our lives, the critical role they will play in our future and that of generations to come. DFS Group recognises that as users of timber and timber products, it is our responsibility to ensure that we help maintain the world's forest cover.

### Our commitment

We commit to sourcing all our timber from supply chains which meet our Timber Minimum Performance Requirements (see below) and to continuously improve and report our sourcing performance – year on year – via our Environmental Social Governance (ESG) Programme. See the [DFS Group Annual Reports](#) for more information on our targets and progress towards them.

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Document Owner: L McDonald General Counsel

## Timber Policy

Our aim is to work with our supply chain to ensure our products are made from sustainably sourced timbers such as FSC or PEFC certified sources by 2025.

DFS Group aims to contribute to zero net deforestation and forest degradation through our sourcing decisions. Manage our impact on timber production and contribute significantly to reforestation efforts. We currently do this by:

- Partnering with the Woodland Trust and planting trees for every sofa sold
- Auditing our supply chains to ensure all products are manufactured using sustainably sourced timber

### Legal Compliance

DFS Group and Suppliers must adhere to all relevant national and international legislation relating to forest management and timber trade, including but not limited to:

- Any relevant European Union, UN other sanctions on timber exports;
- National and international legislation relating to forest management and timber trade, including but not limited to requirements of the UK Timber Regulations 2020 (UKTR).
- FLEGT licensing system and CITES convention;
- Not sourcing timber harvested from or traded through supply chains tainted with 'conflict timber';

DFS Group is obliged under UKTR to work with a due diligence system to minimise the risk of putting illegal timber or derived product on the market. However, DFS Group is going beyond compliance, and wishes to secure sustainability for its supply chain where timber is involved. Suppliers are expected to go beyond compliance and demonstrate continuous improvement beyond the minimum requirements of legislation.

### Performance requirements

The following table summarises the standards to which Suppliers must adhere to and provides clear guidance on how progress can be made to achieve better practice:

## Timber Policy

<p>Minimum Performance Requirements</p>	<ol style="list-style-type: none"><li>1. All timber used in DFS Group products must come from sources that do not contribute to deforestation in any part of the supply chain involving our products.</li><li>2. DFS Group and Suppliers must comply with relevant legislation at all times (see Legal Compliance).</li><li>3. Timber used in timber manufactured products for DFS Group products must come from sources that are proven (via appropriate due diligence) legal sources.</li><li>4. The Supplier must declare the species, and country of harvest for all products containing timber and provide evidence demonstrating their timber supply chain.</li><li>5. All timber-containing products will be subject to DFS Group's Risk Management Procedure</li></ol> <p>Timber used in timber manufactured components or products for DFS Group products must not come from:</p> <ul style="list-style-type: none"><li>● Any species listed on the three CITES Appendices;</li><li>● Any species listed on the IUCN Red List as Critically Endangered, Endangered or Vulnerable;</li><li>● Any illegal sources;</li><li>● Forests managed or harvested in violation of traditional or human rights;</li><li>● Forests with high conservation values where harvesting negatively impacts on those values;</li><li>● Natural tropical rainforests or dry zone forests unless they are FSC or PEFC certified;</li><li>● Ancient or endangered or High Conservation Value forests;</li><li>● Areas logged in contravention of indigenous and local communities' rights, including the right to Free, Prior and Informed Consent.</li></ul> <p>Forest materials must not come from controversial sources. These include:</p> <ul style="list-style-type: none"><li>● Illegally logged forests;</li><li>● Forests containing threatened or endangered species;</li><li>● Plantation forests converted after 1994 from natural forests.</li></ul>
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## Timber Policy

<p>Good Practice (Responsible Sources)</p>	<p>In order to demonstrate good practice, Suppliers must meet all minimum performance requirements and also prove the following:</p> <ul style="list-style-type: none"> <li>● Identify risks relevant to country of harvest and mitigate risks;</li> <li>● Use timber material that is verified as recycled material;</li> <li>● Tropical timber (mango, rubber and acacia wood) used in manufactured products for DFS Trading Limited products must be only be sourced from plantations established prior to 1994 which must be evidenced with land titles and harvesting permits.</li> <li>● DFS Group will not accept timber from regions where issues surrounding deforestation have been identified.</li> <li>● Map out and identify high risk / controversial areas to ensure that material is not sourced from them.</li> <li>● Work with indigenous and local communities' to ensure that any concerns are heard and mitigated.</li> </ul>
<p>Best Practice (Certified Responsible Sources)</p>	<p>Ensure all timber in the goods for sale supply chain is FSC or PEFC certified</p> <p>In order to demonstrate best practice, Suppliers should:</p> <ul style="list-style-type: none"> <li>● Become members of trade associations such as the Timber Trade Federation;</li> <li>● FSC or PEFC certification claim and code to be present on the invoice and / or delivery note provided to DFS Group;</li> <li>● Source timber from an FSC certified forest with full chain-of-custody in place through to final product.</li> <li>● Ensure that all claims of certification are made legally and transparently.</li> </ul> <p>FSC and PEFC certification is to be promoted through the use of marketing by both DFS Group and Suppliers. The use of logo is strictly controlled so necessary permissions must be obtained prior to use.</p>

### DFS Trading Limited – Risk Management Procedure

All Suppliers of products containing timber are subject to our Risk Management Procedure:

- We seek to develop and maintain mutually beneficial and longstanding relationships with all our supplying partners, supporting trusted and efficient communication between parties in the Assessment of Risk
- We regularly visit our Suppliers. During those visits, we will clearly communicate the requirements of this Policy, and make it clear that it applies to every link in each timber supply chain

## Timber Policy

- It is the Suppliers responsibility to ensure the requirements of this Policy are effectively communicated to their Suppliers, and to obtain information requested by us as part of our risk management procedures
- DFS Group, with the support of third-party experts, conducts an annual (at a minimum but it may be more frequent if the structure or nature of the supply chain changes) Risk Assessment process to establish the degree of risk of illegally harvested timber entering the supply chain. DFS review risk indicators for timber products and the associated supply chains (e.g. species, country of harvest, purchase volume, Supplier). From this DFS Group will calculate product/supply chain risk Ratings (Suppliers can be classified as either 'Specified Risk' or 'Negligible Risk') based on the assessed risk indicators and the extent to which those risks are mitigated.
- Suppliers will be expected to provide evidence of risk mitigation in the form documentary evidence as requested by DFS Group to demonstrate compliance with DFS Group's Timber Policy. The higher the level of risk the more rigorous mitigation measures are needed.
- DFS Group has a robust Risk Monitoring system for all timber products. For supply chains that are rated as Specified Risk, we may assess Policy compliance for each shipment. We will only continue to buy timber products from Specified Risk supply chains for a specified period which will be set by DFS Group and agreed by all parties. If, at the end of that period, the Supplier's supply chains and products are still rated as Specified Risk, we will cease trade with that Supplier. For Negligible Risk supply chains, we will undertake due diligence annually.

Risk monitoring includes:

- Working with Suppliers to create Supply Chain Diagrams which will include the identification of all the links in the supply chain from the forest of harvest to DFS Group
  - Collecting mitigating Documentary Evidence of Policy compliance (proportionate to the Risk of non-compliance) from the businesses shown in the Supply Chain Diagram
- We have a clear Risk Mitigation plan for timber Products:
    - We will ask that our Suppliers source from FSC or PEFC certified forests and ensure timber components are delivered to DFS Group via FSC or PEFC certified Chains of Custody;
    - We will provide Suppliers with guidance and corrective actions on compliance with the law and DFS policies;
    - We will not accept production from Suppliers where information required to assess the Risk Rating is not provided with the agreed timetable.

### Claims and Declarations

DFS Group and its Suppliers must ensure that any claims and declarations made about products and services (e.g. recyclability, certifications or “carbon neutral” labels) are legal, honest, transparent and verifiable. When using third-party logos (e.g. FSC®, PEFC), the necessary licences and permissions must be obtained from the corresponding certification or licensing body prior to use in order to ensure accurate, verifiable, relevant and non-misleading use of third party logos and related claims.

### Supplier Transparency

- In line with the Minimum Performance Requirements set out above, Suppliers must be able to provide information and documentation when requested, on the:
  - Timber species
  - Country of harvest
  - Chain of custody details for products advertised as FSC certified
  - Forest level documents, e.g., a valid FSC Forest Management Certificate (by 2025), including where the factory or tier 1 Supplier is not themselves certified;
  - Transport documents
  - Other reasonably requested information to enable supply chain mapping by DFS Group

DFS Group reserves the right to select random samples of timber for testing to ensure that certification claims are valid. Products will be delisted and resourced where Suppliers are unwilling to provide the above information. We will actively support, encourage and work in partnership with our Suppliers in meeting the requirements of the policy, to ensure that we only procure products from a legal and sustainable source.

### Approval

This policy has been approved by the Responsible and Sustainable Business Committee, a committee of the Board of Directors’ of DFS Furniture PLC. It does not form part of any employee's contract of employment and we may amend it at any time.

Alison Hutchinson C.B.E  
Senior Independent Director & RSC Committee Chair, DFS Furniture PLC  
6 July 2022