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## **DFS Furniture Group Sustainable Sourcing Policy**

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**Section 1: Responsible Sourcing Principles** - These are high-level principles which suppliers comply with to establish and maintain a business relationship with DFS;

**Section 2: Mandatory Requirements** - These are minimum requirements that suppliers of key materials must meet;

**Section 3: Implementation Guidelines** - Provides guidance to assist suppliers and DFS employees in implementing the SSP principles and requirements throughout the supply chain.

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#### Reviewers

Reviewers			
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#### Authorised by

Authorised by			
V1	RSC	Responsible & Sustainable Business Committee	09/3/2023
V2	RSC	Responsible & Sustainable Business Committee	09/11/2023

## Related Documents

- [Group Code of Conduct;](#)
- [Supplier Code of Practice;](#)
- [Environmental policy;](#)
- [Anti-slavery and human trafficking policy;](#)
- [Group Timber Policy](#)
- [Group Leather Policy](#)
- [Group Water Policy](#)

# DFS Group - Sustainable Sourcing Policy

## Summary

Running our business in line with our values is incredibly important to us. It is a priority for DFS Group ('DFS') to ensure that we trade ethically, source responsibly and work to prevent negative sustainability impacts throughout our organisation and supply chain. To achieve this, DFS is committed to maintaining the highest ethical standards and behaviours and ensuring suppliers meet or go beyond applicable laws and regulations.

This Sustainable Sourcing Policy ('SSP') sets out our commitment to work with our suppliers towards a long-term, sustainable and successful future. The SSP sets out high-level principles for suppliers to follow and to inform DFS' approach to sourcing.

The SSP is not intended to be a comprehensive rulebook and cannot address every situation. The SSP provides a set of key principles that underpin the minimum standards we expect from suppliers and their subsidiaries, partners and subcontractors who provide goods or services to us.

The SSP applies to our entire supply chain globally. This includes all direct/Tier 1 suppliers and distributors manufacturing on behalf of DFS, raw and packaging material suppliers, service providers, vendors, traders, agents, contractors, joint venture partners, and third parties, including their employees, agents and other representatives. Hereinafter referred to as 'suppliers.'

We expect our suppliers to exceed the mandatory requirements set out in the SSP and use the implementation guidance (Section 3) to demonstrate continuous improvement. DFS is committed to supporting suppliers on this journey and will provide further guidance where it is needed to meet or exceed the mandatory requirements of the SSP.

## Scope and application

All suppliers and distributors are expected to:

- Comply with all applicable laws and regulations;
- Comply with the SSP principles and associated guidance;
- Promote the SSP principles within their own upstream and downstream supply chain

All DFS's employees have shared responsibility for integrating the provisions of this policy into their decision-making. The Sustainability Team has overall accountability for developing a coordinated and integrated approach to implementing this policy across DFS.

Kate Wright, Sustainability Director is responsible for distributing this policy, monitoring compliance, and assisting suppliers with implementing its requirements.

The SSP will be reviewed and approved on an annual basis by the Responsible and Sustainable Business Committee and the Group CEO.

#### Other relevant policies

Issues that are outside of the direct scope of this SSP may arise. Further guidance for employees and suppliers can be found in the following supporting policies:

- [Group Code of Conduct](#)
- [Supplier Code of Practice](#)
- [Anti-bribery policy](#)
- [Whistleblowing policy](#)
- [Diversity and Inclusivity Policy](#)
- [Environmental Polic](#)
- [Anti-slavery and human trafficking policy](#)
- [Group Corporate Criminal Offence Policy](#)
- [Group Timber Policy](#)
- [Group Leather Policy](#)

### **Section 1: Responsible sourcing principles**

DFS is committed to acting in accordance with seven sustainable sourcing principles ('The Principles') which DFS employees and suppliers are expected to adhere to when conducting business.

The Principles are informed by the values and principles set out in the following international standards and guidance:

- [ILO Core Conventions ILO Declaration on Fundamental Principles and Rights at Work and the ILO core conventions](#)
- [Ethical Trading Initiative Base Code](#)
- [United Nations Guiding Principles](#)
- [The Children's Rights and Business Principles](#)
- [Universal Declaration of Human Rights](#)
- [The UN Sustainable Development Goals](#)

Principle I	
Act in an ethical manner	<p>Business must be conducted with honesty and integrity in DFS' internal operations and throughout the entire supply chain.</p> <p>This also includes upholding good corporate governance, including and maintaining: full compliance with the law including anti-bribery and corruption legislation; sound accounting and financial management; strong Board oversight; accurate business records; respect for data protection, privacy and corporate security; health and safety standards; protection of the environment; non-discrimination and observance of human rights.</p> <p>Employees and suppliers can find further information on DFS' ethical principles within the Supplier Code of Conduct.</p>
Principle II	
Protect Human rights	<p>DFS is committed to acting ethically and with integrity in all our business dealings and relationships and to implementing and enforcing effective systems and controls to ensure human rights violations are not taking place in our own business or in any of our supply chains.</p> <p>Where actual or potential human rights impacts arise, effective remediation must take place to mitigate and make good any negative human rights impacts. This aligns with DFS' expectation that employees and suppliers will uphold the corporate responsibility to respect human rights as set out in the <a href="#">United Nations Guiding Principles (UNGPs) on Business and Human Rights</a>.</p> <p>Basic human rights are those expressed in the <a href="#">Universal Declaration of Human Rights</a> and in the <a href="#">International Labour Organisation's (ILO) Core Conventions</a>.</p> <p>For more information, refer to <a href="#">DFS Human Rights Policy</a></p>
Principle III	
Support our suppliers and partners	<p>We work with trusted suppliers to design and make our products to the highest standard, provide the showrooms through which we store, sell, and display our products and provide the other essential services we need to operate our business. Our suppliers rely on us to generate revenue and employment for them.</p>

	<p>We are committed to 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.</p>
<p>Principle IV</p>	
<p>Deliver value to our customers and shareholders</p>	<p>Our purpose is to bring great design and comfort to our customers, in an affordable, responsible, and sustainable manner.</p> <p>We rely on our shareholders and providers of debt funding as essential sources of capital to further our business objectives. They rely on us to protect and manage their investments responsibly to generate value for them over the long term. We are therefore dedicated to providing innovative, attractive, design-led, high-quality products to our customers in line with our purpose.</p>
<p>Principle V</p>	
<p>Take responsibility for impact on the environment</p>	<p>DFS strives to be an environmental leader.</p> <p>Our products will be designed and sourced so our customers can be confident we're taking care of environmental issues across every part of our products' lives.</p> <p>Taking responsibility for environmental issues is essential to operating in a sustainable and resilient way. We'll improve the environmental performance of our operations year-on-year, focusing on:</p> <ul style="list-style-type: none"> <li>● Energy</li> <li>● Reducing waste</li> <li>● Managing climate change risks.</li> <li>● Strive to ensure that we do not contribute to deforestation through our supply chain</li> </ul> <p>We work hard to reduce the impacts of our distribution by optimising travel and freight.</p> <p>For more information refer to our <a href="#">Environmental Policy</a></p>
<p>Principle VI</p>	
<p>Will be fair and transparent with suppliers, including how information is used</p>	<p>We maintain long-standing, trusted relationships with our suppliers, and we intend to bring our suppliers with us on our sustainability journey. To achieve this, we will engage regularly with suppliers and maintain channels for suppliers and their employees to raise concerns to DFS.</p>

	<p>Where suppliers are asked to participate in DFS due diligence programmes, we are committed to maintaining open and honest communication, including where collaboration is required to implement corrective actions.</p> <p>The confidentiality of information exchanged during business must be respected.</p>
<p>Principle VII</p>	
<p>Champion innovation within the upholstery industry and work towards building circular economy solutions to address waste and resource scarcity issues</p>	<p>As natural resources continue to deplete, developing alternative approaches to manage resources and waste 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.</p> <p>DFS encourages our employees and suppliers to seek out and promote opportunities for collaboration such as multistakeholder initiatives within the upholstery industry to promote the circular economy.</p>

Supply chain due diligence

The SSP protects business integrity, human rights and the environment by requiring and supporting supply chain due diligence procedures that cover the entire supply chain.

In the context of sustainable sourcing, supply chain due diligence refers to an ongoing risk management process, used to understand and manage how a company human rights and environmental impacts that may arise, caused directly or indirectly by its own operations or by those in its supply chain.

DFS suppliers and distributors are expected to undertake:

- Risk assessments to identify the actual and potential risks to negative business integrity, human rights or environmental impacts that may happen.
- Prioritise focus on the supply chains containing the materials/locations/industries where the risk of adverse impact is highest.
- Implement measures to prevent and mitigate actual or potential negative impacts and provide clear strategic roadmaps to any measures which are not immediate.
- Communicate due diligence strategy to workers and provide a complaints procedure accessible to all workers.
- Provide grievance channels for rights holders to raise concerns, and respond accordingly to concerns, including full cooperation with the remediation process and agreeing remedies where appropriate.



- Communicate to stakeholders about the risks and the business' responses to any negative impacts.
- Implement internal monitoring procedures to measure effectiveness and continually improve due diligence processes.

## **Section 2: Mandatory Requirements**

We commit to sourcing all our materials from supply chains that meet our Minimum Performance Requirements (see below) and to continuously improve and report our sourcing performance – year on year – via our Environmental Social Governance (ESG) Programme.

### Environment

The DFS Environmental Management System (EMS) is an integral part of our operating policies and Integrated Management System (IMS). There is a commitment and recognition from all colleagues within DFS and the Leadership team to ensure the effectiveness of all policies and procedures in line with our ISO14001 commitments.

Suppliers will be required to disclose details about their business, manufacturing materials, methods and practices and all tiers of their supply chains for all materials.

Suppliers will be expected to engage in the Groups efforts to reduce carbon footprint and overall environmental impact (including deforestation, forest degradation or conversion of natural forest). Suppliers will also be required to respond to requests within a reasonable timeframe with data and/or comply with corrective action requests which align with the policies in this document.

Suppliers will be expected to assist DFS in complying with any due diligence requirements under the Environment Act 2021.

See the Environmental Policy for further details.

### Timber

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 recognises that as users of timber and timber products, it is our responsibility to ensure that we help protect this precious natural resource.

#### Minimum Performance Requirements:

- All timber will be responsibly sourced and fully traceable from forest to DFS with evidentiary material provided to support verification
- No use of any illegal sources or contravention of the [CITES index](#)
- Comply Timber and Timber Products Placing on the Market Regulations (UKTR) within the UK and across all points of the supply chain
- Only use FSC or PEFC certified suppliers by 2025
- Contribute to a positive and restorative impact on our forests
- Ensure supply chains are monitored for human rights and protect indigenous communities

DFS has a robust risk monitoring system for all timber products. For supply chains that are classed as higher risk, we may assess policy compliance for each shipment. If a timber supplier fails to implement measures to address this risk within an agreed timeframe, we will cease trade with that supplier.

#### Leather

DFS recognises that good practice throughout the leather production process is essential to avoid deforestation and conversion and uphold respect for human rights and local community rights. We will endeavour to reduce or mitigate any pollution of water through the processes involved in the tanning and colouring of the hides.

#### Minimum performance requirements:

- Will only source hides from fully traceable sources and supply chains with evidentiary material provided to support verification (including a species and country of slaughter disclosure for each product)
- Will only source leather from sources that do not contribute to deforestation, including no human-induced forest degradation or conversion of natural forest
- Will only source hides from regions where cattle are reared responsibly - both for the environment and the animal welfare
- Will only use hides sourced as a waste product from the meat industry (no animal should be killed for its hide)
- Actors in the supply chain must manage chemicals and waste responsibly
- All tanneries/wet blue processors must be Leather Working Group certified by 2024
- All supply chains will ensure their supply chains are monitored for human rights and protect indigenous communities

## Animal Welfare

DFS is committed to ensuring that all animal-derived materials used in our products are sourced from suppliers that treat animals, workers and the environment with care and respect and that none of our animal-derived materials are sourced from banned or animal-derived materials that breach the law.

### Minimum performance requirements:

- No products in the manufacturing of materials or finished goods should be tested on animals
- Materials sourced for our products from animals will be sourced ethically and responsibly
- All animal-derived materials must be fully traceable with evidentiary material to support traceability

## Textiles

Our key textile materials (cotton, viscose, polyester, wool, and feathers) pose a potentially enhanced risk to human rights and the environment. As such, we have devised specific minimum performance requirements for each of these materials.

### Cotton minimum performance requirements:

- All cotton must be OEKO-TEX STeP certified by December 2022 (body fabric only)
- All cotton should be BCI certified (Better Cotton Initiative) by July 2024 (body fabric only)
- No cotton sourced should come from supply chains using forced labour
- Should be grown and processed using responsible water practices

### Viscose minimum performance requirements:

- Should only be manufactured using responsibly sourced fibres (ideally from waste or recycled material)
- Should be OEKO-TEX STeP certified by July 2023 (body fabric only)

### Polyester minimum performance requirements:

- Should be OEKO-TEX STeP certified by July 2024 (body fabric only)

### Wool minimum performance requirements:

- Must be sourced ethically and responsibly
- Must be fully traceable with evidentiary material to support traceability
- Must not use any chemicals that contravene DFS's chemical policy

Feathers minimum performance requirements:

- All feather and down material should be certified by Responsible Down Standard (RDS)
- All feathers must be a by-product of the meat industry
- Feathers and down must be fully traceable with evidentiary material to support traceability
- Must not use any chemicals that contravene DFS's chemical policy

Packaging

Managing the impacts of product packaging is a priority for DFS and initiatives have been adopted to work with suppliers to remove any materials that are difficult to recycle or damaging to the environment.

General minimum performance requirements:

- All packaging should include disposal and safety information to DFS specifications
- Suppliers should aim to reduce packaging content without compromising on the quality of the product during transit and delivery
- All packaging should be recyclable through the current DFS waste network
- All packaging must be designed to limit risk to human health and in line with our chemical policy

Upholstery packaging minimum performance requirements:

- All packaging materials, volumes and supply chains should be declared and evidence provided upon request
- No upholstery product should include polystyrene packaging
- All plastic should include minimum 30% recycled content - supported by evidence
- All cardboard packaging should be sourced from traceable and responsible timber sources

Furniture and other goods packaging minimum performance requirements:

- No furniture should include Polystyrene packaging by Dec 2024
- All plastic should include minimum 30% recycled content - supported by evidence
- All cardboard packaging should be sourced from traceable and responsible timber sources

## Chemicals

DFS is committed to implementing business practices that minimise the impact of our operations, products and services on the people and the environment, including impacts associated with the use of hazardous substances and the production of waste.

### Minimum performance requirements:

- All fire retardancy application to upholstery will be bromide-free by Dec 2025
- All chemicals are sourced responsibly and fully traceable
- All chemicals used within the supply chain must be handled responsibly and with systems in place to protect the welfare of employees and the environment
- DFS must comply at all times with UK REACH and EU suppliers with the EU REACH Regulation
- DFS expects suppliers to have an understanding of our responsibilities to REACH
- DFS require 6 monthly detailed declarations from all UK suppliers and the same from non-UK suppliers with the addition of test report evidence
- DFS must comply at all times with the GB Biocidal Products Regulation and EU suppliers with the EU Biocidal Products Regulation
- DFS expect suppliers to have an understanding of our responsibilities to Biocides
- DFS requires 6 monthly detailed declarations from all UK suppliers and the same from non-UK suppliers with the addition of test report evidence.

As part of DFS's due diligence, all supplier products will be checked by DFS to ensure our responsibilities as a responsible importer and retailer are satisfied. DFS will support innovation and promote the use of sustainable chemicals in the manufacturing of products.

## Water

Water is not only essential for life on earth but also for many industry sectors of the global economy and is facing additional pressure from climate change-related challenges. Suppliers may operate in water-scarce regions, where there is an increased risk of impacting on people and businesses.

### Minimum performance requirements:

- Water used throughout supply chains should be treated as a precious and scarce resource
- All suppliers should ensure responsible and ethical practices to dispose of wastewater
- Water usage, quality and discharges throughout the supply chain should be monitored
- Take steps to reduce water risks of sites in water-scarce areas or areas threatened by water scarcity.

## **Section 3: Implementation Guidelines**

### DFS Due Diligence measures

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.

It is the supplier's responsibility to ensure the requirements of this SSP are effectively communicated to their suppliers and to obtain the information requested by us as part of our due diligence procedures.

For suppliers of timber-based products, DFS conducts an annual (at a minimum but it may be more frequent) Risk Assessment process to establish and review risk indicators for products and the associated supply chains. In addition, supplying partners undergo an annual audit against the DFS Code of Practice. From this, DFS can identify product/supply chain risks based on assessed levels of risk and the extent to which those risks are mitigated by requested documentary evidence (that demonstrates compliance with DFS Policies).

DFS will conduct regular visits to supplier's sites. During these visits, DFS will communicate the requirements of the SSP and other relevant policies.

DFS have specific risk monitoring measures in place for suppliers, including:

- Working with Suppliers to create Supply Chain Diagrams (mapping their sources of supply as far back as possible);
- Collecting Documentary Evidence of Policy compliance from the businesses shown in the Supply Chain Diagram;
- Requiring suppliers to participate in DFS risk assessment and due diligence surveys, including forced labour and modern slavery assessments.

We will not accept production from supplying partners where the information required to assess the level of risk is not provided within the agreed timetable.

### Continuous improvement

DFS recognises that incorporating the sustainable sourcing principles laid out in this SSP into operations is a journey of continuous improvement. The SSP sets out the minimum mandatory

requirements which all suppliers must meet to be able to establish and maintain a business relationship with DFS. Moving beyond these mandatory minimum requirements, DFS expects suppliers to continually improve their business integrity, human rights and environmental supply chain due diligence. Below are a set of recommendations on how suppliers can advance to good practice, and achieve and maintain best practice, in line with this policy's responsible sourcing principles. These are not intended to be prescriptive requirements but can be used as a point of reference for suppliers and DFS employees engaging with suppliers.

Responsible Business Practices	To implement mandatory requirements	To advance to good practice	To achieve and maintain best practice
Act in an ethical manner	Procedures to ensure that all applicable laws and regulations are complied with (proportionate to the supplier's size and risk profile)	Reflect elements covered in this policy in own Code of Conduct, guidelines, policies and / or training	Consult with key stakeholders in the continuous review of the effectiveness of policies
	A regular risk assessment undertaken to identify key compliance risks	Take preventative and remedial measures to address any adverse impacts that are directly linked to your own operations or products	Be prepared to take a public position on ethical issues and engage in collective action
	A clear ethical policy commitment and guidance for employees on ethical behaviour	Executive management and leadership are held accountable for compliance and conducting business with integrity	Engaging with stakeholders to ensure that Grievance mechanisms are accessible, fair, legitimate and transparent
	Grievance channels in place. Prevent retaliation and protect the anonymity of persons wishing to raise concerns	Workers have multiple grievance channels available to them	

Responsible Business Practices	To implement mandatory requirements	To advance to good practice	To achieve and maintain best practice
Protect Human rights	Clear policy commitment to respect human rights and remedy negative human rights impacts	Ensure that management and leadership are adequately trained to prevent and mitigate negative human rights impacts	Regularly review policies, procedures and training to ensure that they are effective in preventing human rights abuses
	Provide workers with terms and conditions of employment contracts are in a language understood by the worker and are explained verbally if required	A system for due diligence is in place to uncover and disclose risks and human rights impacts, for example to communities related to land issues	Include communities and rights holders in discussions on potential environmental and human rights issues
	Implement policies and training to prevent discrimination, harassment or abuse	Analyse records to ensure that equality is achieved in practice	Programmes addressing the needs of the most vulnerable workers, such as provisions for female workers to return to work following maternity leave
	Clear policies, procedures and training of workers and managers to ensure freedom of association is permitted	To the extent possible, workers are hired directly and transparently, or only through trusted recruitment agencies	There is a living wage approach to fair compensation which encompasses a system to periodically assess if wages are sufficient to meet the basic needs of the worker
	Clear and effective policies and procedures are in place for occupational health and safety and are updated periodically	Working time arrangements allow for a work–life balance	



Responsible Business Practices	To implement mandatory requirements	To advance to good practice	To achieve and maintain best practice
Take responsibility for impact on the environment	Environmental management policies and procedures are in place regarding water, energy, hazardous materials, air quality and emissions, deforestation, waste and other significant risks	Ensure environmental transparency by reporting publicly on environmental impacts and efforts to address them	Align environmental strategy and reporting to internationally recognized frameworks such as the SDGs
	Assigning internal responsibility for environmental issues at a senior level	Provide adequate training on environmental legislation, guidelines and policies to ensure compliance	Regularly review sustainability practices, with support from conservation experts.
	Conducting periodic reviews of environmental impacts and the effectiveness of measures to address them	Have a business plan that includes clear environmental performance targets	Monitor environmental impacts and ensure KPIs are developed

### Compliance and monitoring

DFS employees, suppliers, and their employees, are expected to comply with the SSP at all times. Any concern or failure to comply with the SSP should be reported to the DFS team as soon as possible. DFS seeks to encourage a culture of speaking up amongst our suppliers and employees. All parties have a duty to report any known or suspected violation of the SSP, including any violation of related laws, rules, regulations, or policies. Any supplier employee who knows of or suspects a violation of the SSP, shall immediately report the conduct to a supervisor.

Genuine and reasonable concerns should be reported to the Human Resources Department by phone (+44 (0)1302 573 437) or by email (peopleteam@dfs.co.uk). At this stage the Chief Operating Officer will be informed. The concern will be thoroughly investigated, and every

attempt will be made to resolve the problem as far as reasonably possible to the satisfaction of all parties.

UK law provides that an employer must not victimise a worker for disclosing allegations of wrongdoing within its operation. The law applies to people at work raising genuine and reasonable concerns. DFS will take all reasonable steps to protect any employee who raises concerns regarding any wrongdoing of which he or she is aware and will respect their right to confidentiality if this is desired.

See [DFS Whistleblowing Policy](#) for further details.

Questions or concerns arising from this policy should be raised with [sustainability@dfs.co.uk](mailto:sustainability@dfs.co.uk).

Any concern raised will be investigated and findings will be discussed with the supplier and internal stakeholders. Suppliers will be expected to assist in the investigation and provide information where reasonably requested.

To monitor compliance with the SSP, we may request information from new and existing suppliers or arrange for the audit of suppliers' facilities. If we discover a violation of the SSP, we respond in a manner commensurate with the nature and extent of the violation. "Critical violations" are considered serious enough to require immediate and decisive remedial action and may result in the termination of the business relationship. For the majority of violations, we will allow the supplier a reasonable time to develop and implement a plan for remediation. In those instances, we will conduct follow-up checks to monitor progress.

#### Our commitment to suppliers

DFS is committed to working with suppliers when remediation is required and will help to devise and implement corrective action plans to resolve policy breaches. To the extent that capacity building is required for suppliers to fulfil corrective actions, DFS will offer suppliers proportionate support.

#### 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 is not part of any employee's employment contract, and we may amend it at any time.

9 November 2023