



ALISON HUTCHINSON
Chair of the Responsible and
Sustainable Business Committee

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RESPONSIBILITY AND SUSTAINABILITY REPORT

The past year has been one of progress, collaboration and reflection

As always, customers have been at the heart of our business – in our core values, how we shape our operations and, an important part of how we measure our success. Their feedback helps define our priorities, both today and in the future.

Alongside our Board, majority shareholders, suppliers, and colleagues, our customers were invited to give their views on the scale of impact of material topics to our Group, through our materiality assessment process. This approach helps us to consider all stakeholder views in our strategic planning and decision-making, and the outcome of the activity has enabled us to highlight key priorities to inform our ongoing ESG agenda. As such, we've adapted the governance around our commitments, forming a new ESG Committee with members from the GLT and senior management to work as a combined task force to address key issues, ensuring unwavering dedication and evolution towards our goals.

We know that customers share our care and concern for our people, and are confident that our ongoing focus on fair wages, topics of inclusion and diversity, and the wellbeing of our colleagues respond well to this. Activities that have taken place this year demonstrate this commitment, and are reflected in our ongoing plans.

We remain passionate about channelling our energy and resources into supporting our people, our communities, and our planet, despite the challenging economic climate, as we believe it is the right thing to do and delivers long term sustainable value.

Our people

We've continued to invest in our people through apprenticeship schemes and learning and development. This year, we launched three new academies across the Group, from leadership in our logistics team, through to finance, with over 650 managers taking part in at least one course. Our ongoing commitment to the health and happiness of our people is demonstrated by our strong wellbeing offering, with revisions during this year including a new aligned approach to enable better access to healthcare for all our colleagues, through to the creation of communities via our colleague networks.

Our inclusion and diversity ambitions are continuing to advance steadily. Accurate measurement of our impact relies on gathering baseline demographic data from our colleagues, and that will be a core focus for our teams over the next 12 months. This can only be achieved through effective engagement and education to ensure that colleagues trust the business with their sensitive information.

Our communities

Support for our communities continued through our Group Giving Back commitment to raise or donate up to 1% of profit before tax each year. Our DFS partnership with BBC Children in Need raised over £700,000 in donations, bringing the total raised since 2013 to £7.6m. The Sofa Delivery Company launched a new affiliation with Andy's Man Club, focused on raising awareness

RESPONSIBILITY AND SUSTAINABILITY REPORT CONTINUED

of men's mental health and Sofology customers have donated over £41,000 to their charity partner, Home-Start UK, via the Pennies scheme, which will go towards its Cost of Living Crisis Appeal. In addition to the donation, we have pledged to gift sofas to vulnerable families and families in crisis throughout the UK.

Our planet

We were delighted to be awarded the title of Climate Leader by the Financial Times this year. This is reflected in our accomplishments, where we exceeded our original Scope 1 reduction target of 10%. And, with the overwhelming support we received from suppliers for our 'In This Together' engagement campaign, we were able to submit our Net Zero strategy to the SBTi in June this year.

We are continually evolving our Net Zero strategy to adapt to new technologies and protocols. This year, we determined the scale of change and investment needed to meet our Net Zero ambition is not moving at the pace we anticipated, and we need more time. Therefore, we have redefined our ambition to reach Net Zero before 2050, aligned with the UK target, external factors, and climate science.

Our intention for the year ahead is to continue the momentum on our ESG agenda. We are forging ahead with product innovation as we strive for circularity, and our Net Zero ambitions will see us continuing to push boundaries with carbon reductions across all scopes. We continue to make steady progress when it comes to building a more diverse representation across our workforce and are proud to empower our people to support our communities through volunteering and fundraising.

Our commitment to leading by example across our industry stands firm, and our aspirations for an ethical, sustainable and better future for our community, our people, and our environment, will guide our journey into FY25.

ALISON HUTCHINSON

Chair of the Responsible and Sustainable Business Committee
Senior Independent Non-Executive Director

Highlights

83%

of colleagues agree or strongly agree that

“My manager is supportive of creating an environment where everyone is welcome”



We achieved over

14% reduction in Scope 1

emissions compared to our FY19 baseline



138

graduates of our Driver School since launching last year

Culture and Values

Our values run through everything we do. They guide our actions to create a sustainable and responsible business.

Think customer

We treat them as we would our own family and keep them at the forefront of our minds because they are the heart of our Group.

Be real

We bring our whole selves to work and are confident to speak up. We accept each other for who we are and respect each other as part of our family.

Aim high

We play to win for the same team, focused on our shared family ambition. We are bold, brave and welcome challenge as a chance to innovate.

Since 2013, DFS has raised

£7.6m

for charity partner BBC Children in Need



59%

of our Scope 3 emissions have a supplier commitment to create their own science-based target by 2029



Over

1,500













retail colleagues receiving training for

our new customer journey experience frameworks



RESPONSIBILITY AND SUSTAINABILITY REPORT CONTINUED

Our ESG targets


Our Targets		Target date	Status	Progress
 Sustainable sourcing Page 40	OEKO-TEX STeP certification for upholstery ranges for cotton, viscose and polyester	July 2022, 2023 & 2024	✗	Cotton  89% Viscose  89% Polyester  73%
 Sustainable sourcing Page 40	BCI certification is required on all cotton sources	July 2024	✗	FY24  37%
 Carbon reduction Page 43	20% of Scope 3 emissions have a supplier commitment to develop their own Net Zero Roadmap and report on it by 2029. 59% of Scope 3 emissions are covered by commitment.	June 2024	✓	FY24  59%
 People Page 37	A minimum of 50% of store management will be female	December 2023	✗	FY24  32%:68%
 Sustainable sourcing Page 39	90% sustainably sourced timber (certified FSC & PEFC) used in all products	December 2025	↑	FY24  83%
 Sustainable sourcing Page 39	All leather used on upholstery is sourced from supply chains with LWG certification	December 2024	↑	FY24  76%
 Sustainable sourcing Page 40	Zero polystyrene in product packaging	December 2024	↑	FY24  93%
 Carbon reduction Page 42	Reduce Scope 1 CO ₂ emissions	June 2025	NEW	CY23  13.6 tCO ₂ e
 Circularity Page 40	20% of all new textiles contain recycled content	June 2027	NEW	FY24  3.88%


Key


✓ Achieved


↑ In progress

✗ Missed

 Responsible sourcing certified materials

 Policy available (human rights, timber etc)

 Externally assured

 Bonus target

Please refer to our Basis for Reporting document for a full explanation for these targets and their methodologies www.dfscorporate.co.uk/media/69984/Basis-For-Reporting-FY-24.pdf

RESPONSIBILITY AND SUSTAINABILITY REPORT CONTINUED



OUR PEOPLE

Looking after our colleagues

KEY FIGURES

**Reduction in workplace related injuries
so far this calendar year**

22%

**Percentage of colleagues agree or
strongly agree with the statement
'I can bring my whole self to work'**

80%

**Completion rate Group-wide of our
Everyone Welcome LMS module**

87%

Our people are the heart of our business and our success stems from their happiness and wellbeing, both inside and outside of work. Our Everyone Welcome framework highlights the importance of building an inclusive workplace and illustrates how we approach wellbeing, learning and development to create opportunities for all.

The outcome of our materiality assessment reiterates the importance of putting our people first, and we know that topics of wellbeing, fair pay, and health and safety are as much of a priority to the customers considering our brand, as they are to us. We continue to ensure we keep our people at the centre of our strategic priorities with continuous improvement of the colleague experience.

Colleague wellbeing

We are committed to supporting our colleagues in leading healthy and fulfilling lives at every stage. Recognising the challenges that everyday life can present, we have developed a comprehensive wellbeing offering designed to provide meaningful support during these times, underpinned by our strong, supportive culture.

Our ongoing focus on mental health emphasises the importance of open communication and mutual support. In alignment with this, during Mental Health Week 2024, we revisited our Big Group Check-In initiative, which involved a leader-led social campaign encouraging colleagues to connect with their peers and extend acts of kindness.

We encourage our leaders to demonstrate vulnerability and empathy, particularly in times of change and challenge. As line managers often serve as the first point of contact for colleagues in distress, we equip them with resources and training to effectively support their teams and direct them to appropriate resources.



RESPONSIBILITY AND SUSTAINABILITY REPORT CONTINUED

This year, we have further enhanced our wellbeing proposition with the following initiatives:

- **Wealth Wise:** In partnership with Schroders Personal Wealth, we have introduced this financial wellbeing programme to address the impact of the cost of living crisis on our colleagues.
- **Aligned health benefits:** We have standardised health benefits across the Group to ensure equitable access to healthcare, including a reduced contribution rate for health cashback plans.
- **Menopause support:** Our continued partnership with Peppy offers specialised menopause support, which is also available to partners or loved ones of those directly affected.
- **Mental health first aid:** We have increased our investment in the training of mental health first aiders in collaboration with St John Ambulance, ensuring that more colleagues are available to provide support when needed.
- **Employee assistance programme:** Our 24/7 employee assistance programme, operated by Health Assured, remains accessible, with ongoing communication efforts to ensure colleagues are aware of available resources.
- **Andy's Man Club partnership:** We have launched an official partnership with Andy's Man Club, raising awareness of the importance of mental health and suicide prevention on International Men's Day.

Learning and development

Attracting and retaining skilled and diverse talent is essential to our success, driving creativity and innovation that propel our future growth. By investing in our colleagues, we empower them to reach their full potential, thereby contributing to our continuous improvement and progress.

DFS

This year, we focused on upskilling our Regional Managers, Branch General Managers, and Assistant Managers to ensure a consistent customer experience across our stores and online channels. Over 200 colleagues participated in face-to-face workshops, followed by a virtual workshop attended by more than 600 sales colleagues.

Sofology

At Sofology, we prioritised colleague growth by delivering face-to-face product training. Product specialists visited each of our 58 showrooms to conduct half-day workshops. Leaders were then responsible for further developing 420 Sofologists through interactive regional workshops.

The Sofa Delivery Company

The Sofa Delivery Company launched the Management Academy programme for all first-line managers, employing a blended learning approach. Over 150 colleagues participated in face-to-face and virtual workshops aimed at enhancing management capabilities. The programme included modules on Inclusion, Recruitment and Wellbeing, totalling 5,250 learning hours.

Group Support Centre

Since the launch of the Group Leadership Academy programme in January 2024, 300 leaders have engaged in monthly workshops covering a wide range of topics, from productivity and efficiency to commercial acumen. To build sector-specific skills, we introduced a new Finance Academy, offering colleagues access to online content and workshops led by subject matter experts.

Health and safety

Our ongoing strategy is focused on cultivating a proactive safety culture and mitigating risk across all levels of the organisation. Central to this strategy is continuous coaching and education, empowering colleagues with the knowledge and tools necessary to identify hazards and report potential risks. We are actively driving cultural change by promoting open communication and engagement, ensuring that safety is integrated into every aspect of our operations. Through regular safety audits, colleague feedback mechanisms, and innovative initiatives such as the Health & Safety league table within The Sofa Delivery Company, we are committed to making safety a shared responsibility and embedding it as a core organisational value.

The Health, Safety and Environment ('HSE') team is now fully qualified to conduct noise assessments, ergonomic evaluations, and Fire Risk Assessments. This enhanced capability allows us to support colleagues more effectively and cost-efficiently, providing greater flexibility to respond swiftly to changes, thus safeguarding our people and ensuring business continuity.



RESPONSIBILITY AND SUSTAINABILITY REPORT CONTINUED

Our focus on continuous improvement has resulted in a sustained decrease in workplace-related injuries, with a 22% reduction so far this calendar year compared to the same period in 2023.

The HSE team continued to demonstrate excellence by being commended at the SHE Excellence Awards in FY24, receiving recognition in the Safer Logistics Award category for ongoing risk improvements within the manufacturing transport yards.

Equity, diversity and inclusion

Enhancing diversity in leadership is pivotal to positively influencing our culture and fostering a workplace where all individuals feel genuinely welcome, particularly those from underrepresented groups. We remain committed to our long-term goal of reflecting the diversity of the customers we serve and the communities in which we operate. Our ongoing cultural transformation efforts continue to advance, with a strong focus on equality, diversity, and inclusion. Colleagues are actively engaged in understanding their roles in this important journey.

By leveraging data, we are able to identify areas requiring further attention while also celebrating the progress we have made.

Progress made to date:

- 80% of colleagues agree or strongly agree with the statement, "I can bring my whole self to work".
- 83% of colleagues agree or strongly agree that "My manager is supportive of creating an environment where everyone is welcome".

- Six active Colleague Networks.
- Achieved Bronze accreditation in the Inclusive Employers Standard.
- Year on year increase in colleagues disclosing their disabilities, reflecting strengthened psychological safety.
- 32% female representation in showroom management across the Group.
- 40% female representation in senior leadership roles.
- 87% completion rate across the Group for our bespoke 'Everyone Welcome' cinematic adventure LMS module.
- Face-to-face Inclusion workshops delivered to over 500 colleagues.

Future Objectives

Our ongoing efforts to achieve gender balance in showroom management across both brands remain a priority. We are also committed to achieving an equal gender split in our senior leadership population and are developing initiatives to enhance ethnic diversity within this group.

To facilitate change, we will introduce positive initiatives aimed at nurturing our future leaders, supported by a comprehensive review of our current policies and processes to ensure they are more inclusive and conducive to helping our people thrive. Our year on year objectives will be realistic, taking into account attrition rates, market challenges and the opportunities available.

Gender Mix by role

Board	Male		Female	
At 30 June 2024	3	43%	4	57%
At 25 June 2023	3	43%	4	57%
GLT*	Male		Female	
At 30 June 2024	3	60%	2	40%
At 25 June 2023	3	50%	3	50%
Senior Leaders	Male		Female	
At 30 June 2024	52	60%	34	40%
At 25 June 2023	56	60%	37	40%
Total	Male		Female	
At 30 June 2024	3,048	64%	1,682	36%
At 25 June 2023	3,435	65%	1,853	35%

* Excluding CEO and CFO





OUR COMMUNITIES

Supporting our communities

KEY FIGURES

Customers and colleagues raised for BBC Children in Need over

£700,000

Percentage of manufacturing partners having at least one on-site audit

100%

All senior leaders are required to complete modern slavery

training

We are proud of our unwavering commitment to supporting our communities and the active engagement of our colleagues in fulfilling our promises.

Giving Back programme

Launched in 2020, our Giving Back programme reflects our dedication to social responsibility. Through this initiative, we commit to raising and donating up to 1% of our profit before tax annually, offering each colleague one paid volunteering day, and donating up to 1% of our products (by volume) each year to charitable causes.

DFS remains a proud partner of BBC Children in Need. In FY24, our customers contributed over £670,000, with our colleagues raising an additional £34,000, bringing the total to just over £700,000. Since the inception of our partnership, the Group has raised over £7.6 million through the generous support of our customers. These funds provide crucial one-to-one support and specialist counselling for children and young people facing mental health challenges.

In FY24, Sofology customers and colleagues donated over £41,000 through Pennies to support their charity partner, Home-Start UK, particularly its Cost of Living Crisis Appeal.

We extend our sincere thanks to all our customers for their generous contributions to these important causes and acknowledge the dedication of our colleagues in making a tangible difference.

Beyond these financial contributions, the Group has donated over £35,000 worth of products to vulnerable families and those in crisis across the UK, as well as to various local communities and charities.

The Sofa Delivery Company officially launched its partnership with Andy's Man Club during this financial year. To support this vital cause, we conducted dedicated team meetings with all 1,300 colleagues to introduce the charity's mission and discuss suicide prevention. Remarkable stories emerged during International Men's Day, as colleagues across the Group collaborated to raise awareness of the charity both within and outside the organisation. In July 2024, our colleagues raised over £5,000 for the charity by supporting a team in The 3 Peaks Yorkshire Challenge.

Ethical supply chain

At DFS Group, our culture and values are firmly rooted in doing what is right. We set clear expectations for behaviour that all our colleagues and suppliers are required to follow. We are committed to upholding human rights across our business and supply chain, with zero tolerance for any form of modern slavery. For further details, please refer to our Modern Slavery and Human Trafficking Statement, which is available on our corporate website: www.dfscorporate.co.uk/esg/modern-slavery-and-human-trafficking-statement.

To support our colleagues in maintaining ethical standards and reporting concerns, we have implemented a clear whistleblowing policy and a confidential reporting hotline. As part of our commitment to managing the risk of modern slavery, all leaders and senior team members are required to complete mandatory training on identifying various forms of modern slavery and the appropriate reporting procedures.

We also hold our value chain partners to the highest ethical standards. We are committed to ongoing assessments of modern slavery risks within our supply chain and will continue to take proactive steps to address these issues.

All manufacturing partners within the Group are required to sign a Supplier Code of Practice, which outlines the framework for an annual on-site audit. This audit incorporates ethical criteria and due diligence measures to prevent modern slavery and forced labour.

In 2024, 100% of the Group's suppliers underwent at least one on-site audit, with no instances of unethical practices identified. Additionally, we mandate that every supplier obtains SMETA certification, which evaluates labour standards, health and safety, environmental performance, and ethics at the supplier site.

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

<https://www.dfscorporate.co.uk/media/63456/Group-Code-of-Conduct-revision.pdf>

<https://www.dfscorporate.co.uk/media/68866/DFS-Supplier-Code-of-Practice--V004--Live-.pdf>

“Our Group is a values driven business with people at the heart of everything we do.”

RESPONSIBILITY AND SUSTAINABILITY REPORT CONTINUED



OUR PLANET

Protecting our planet



KEY FIGURES

**Our total carbon footprint
(Scope 1, 2 and 3) in FY24 was**

216ktCO₂e

**Through our 'In This Together' campaign,
we've secured a supplier commitment to
develop a Net Zero Roadmap which covers**

59%

of our Scope 3 emissions

**Percentage of our products
made with certified timber**

Over 80%

Our Sofa Cycle framework, launched in 2020, ensures we take a holistic view of our business's environmental impact and establishes an ambition to become a circular business. The framework encompasses not only our operational impacts but also those of our value chain and end-of-life of our product. Using a circular framework, we highlight the impact of design, sourcing, and manufacturing decisions on the end-of-life of our products, logistics, and consumer use. This ensures we engage our entire value chain in addressing the environmental impact throughout every aspect of a product's journey.

Sustainable sourcing

Our commitment

We work closely with our manufacturing partners and value chain to ensure responsible and sustainable use of materials through transparency and traceability. We seek to support our suppliers by demonstrating best practices through our operations and manufacturing.

Our approach

Our Sustainable Sourcing Policy** is structured around seven core principles:

- Suppliers must act in an ethical manner.
- Protect human rights.
- Support our suppliers and partners.
- Deliver value to our customers and shareholders.
- Take responsibility for the impact on the environment.
- Be fair and transparent with suppliers, including how information is used.
- Champion sustainable innovation within the industry.

We have a number of targets for core materials, including certification in key areas of the value chain based on activity impact. As a target date expires, the requirements move from ambition to expectation. This approach provides fair warning, leaving suppliers sufficient time to consult and adapt.

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

** www.dfscorporate.co.uk/media/62843/DFSGroup-Sustainable-Sourcing-Policy-V1.pdf

Timber

Target: FSC®/PEFC-certified timber* is used in all our products by December 2025

Chain-of-custody certification models such as FSC® and PEFC ensure our full timber value chain is aware of its impact and sources of sustainable, certified timber. Paired with our full supply chain due diligence, we're protecting forests and nature for generations to come.

Progress: 83% of our products are made with certified FSC® or PEFC timber

Leather

Target: Leather will be sourced from Leather Working Group ('LWG') certified supply chains by December 2024

LWG is a global industry body established to set standards within the leather industry around social impact, water governance, and resource use. Our target is to ensure that the second and third actors within a leather supply chain operate to these standards. DFS is a member of the LWG Traceability Working Group and participated in a project with WWF to improve the traceability of leather hides back to farms to ensure deforestation-free supply chains. We updated our due diligence protocol in 2024, focusing on land conversion dates to ensure our supply chains are not linked to deforestation.

Progress: 76% of our leather is sourced from LWG supply chains

RESPONSIBILITY AND SUSTAINABILITY REPORT CONTINUED

Sustainable Sourcing continued

Textiles

Target: Textile mill OEKO-TEX STeP certification for all polyester, viscose and cotton textiles used on upholstery ranges by July 2024

DFS Group requests that all textile mills producing upholstery fabrics obtain OEKO-TEX STeP certification, a holistic audit that champions responsible production for people and the planet. Though we have made great strides, we did not meet our target by July this year as textiles are impacted by significant range changes. The certification process is multifaceted and requires resources and time. We allow suppliers 12 months to obtain OEKO-TEX STeP certification, which is now a requirement for all textiles.

Progress: 73% of our upholstery textiles are OEKO-TEX STeP certified

Textiles

Target: Better Cotton – All cotton upholstery fabric should be sourced from Better Cotton certified supply chains by July 2025

Cotton supply chains are known for the overuse of water in manufacturing and links to forced labour in some areas. Better Cotton seeks to address these issues by ensuring certified actors operate ethically and responsibly. Less than 9% of our fabrics feature cotton in the composition, so ensuring a chain of custody is in place without scale has proven challenging. Better Cotton is now a policy requirement for all cotton.

Outcome: 37% of our cotton upholstery fabrics are Better Cotton certified

Recycled textiles

Target: Recycled content in our new upholstery textiles by July 2027

At present, recycled textiles are significantly more expensive than virgin textiles and frequently have a poorer performance and feel, causing customers to reject them. This contradicts our ambitions to become a circular business, so by setting a requirement to introduce recycled textiles, we are encouraging our manufacturing partners to stimulate innovation in the upholstery textile industry.

Progress: New target for 2024

Bromide-free fire retardants

Target: All upholstery will be treated with bromide-free fire retardants by December 2024

UK legislation requires all domestic upholstery to be treated with fire retardants which use a variety of halogenated chemicals. We launched a target to move to a more sustainable fire-retardant treatment in all our upholstery textiles. However, the bromide-free treatments available on the market proved unstable and provided a poor customer experience, so we made a choice to remove this target in March 2024 but will continue to monitor innovations and developments.

Progress: Target removed

Packaging

Target: 50% of plastic packaging to contain 50% recycled content by July 2026

Single-use plastic is an important issue for our stakeholders, and this target is intended to ensure our suppliers support circular practices. While we transition all suppliers to at least 30% recycled content to alleviate the plastic packaging tax, we aim to go further and ensure at least 50% of our plastic packaging contains 50% recycled content.

Progress: 9.9% plastic packaging with 50% or more recycled content

Operational targets

Waste

FY24 – 8,500 tonnes total waste/ 5,053 tonnes recycled

Resource use and waste are critical areas to building a circular business. The majority of DFS Group waste is product packaging, which is removed from customers' homes at delivery. We recycle most of the packaging material but know we can improve, so we have launched a new waste target to improve landfill avoidance in the Sofa Delivery Company.

The first phase (FY25) is to ensure every site has the optimal infrastructure to support different types of waste and deliver an engagement plan with our teams. The targets will then be extended to other areas of the business.

Water

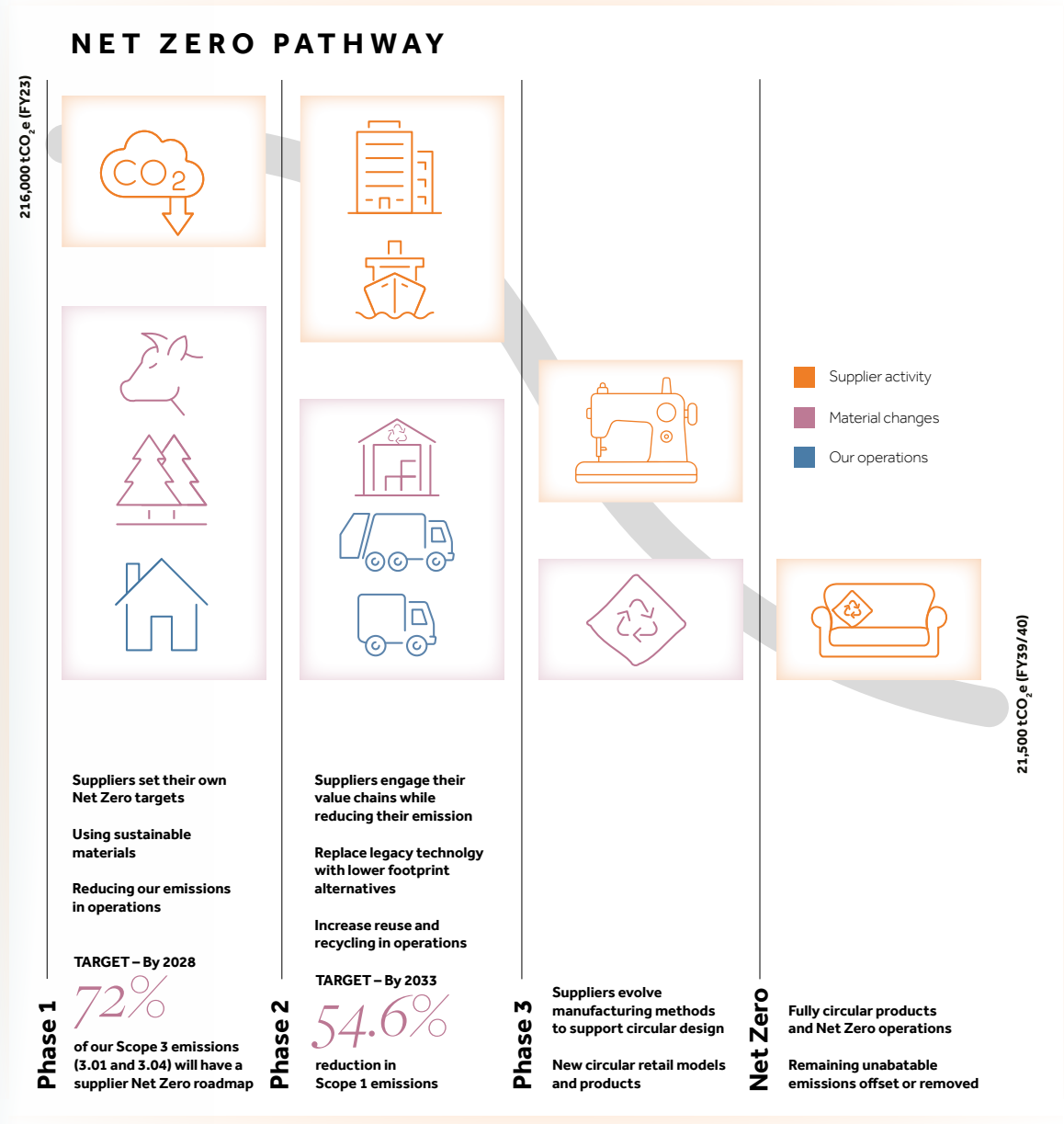
FY24 Water consumption – est. 47,979 litres

Our Group Water Policy, launched in FY24, acknowledges the need for water governance. Over the past 12 months, DFS Group has been working with our landlords and utility providers to install smart water meters across all sites. This has proved challenging in an industry that is less advanced in live monitoring than gas or electricity. However, at the end of FY24, over 30% of sites were metered. Over the next 12 months, we are committed to ensuring we have accurate data to create a baseline we can use to develop a robust strategy to improve water efficiency and reduce consumption, the pillars of good water governance.

Biodiversity

Recognising the wider impact of our value chain on natural capital is an important step in our biodiversity journey. Using the WWF biodiversity Risk Filter tool, we have mapped supply chains for potential high-impact materials (timber and leather) across our manufacturing partners and identified key areas for improvement. When possible, suppliers are working with the information provided to create changes.

Assessing the scale of our impact on biodiversity will take time, but we are committed to continuously reducing our impact and protecting natural resources.



Carbon

Carbon accounting

In accordance with SBTi and GHG Protocol accounting standards, we have shifted our carbon calculations from activity data supplied by our value chain to spend data audited by our audit partners, KPMG. This ensures accuracy and aligns with the methodology of our peers and value chain. However, industry-standard emission factors for furniture used are lower than our own activity calculations (which we were unable to validate across the complete supply chain), resulting in a year-on-year drop in reported Scope 3 emissions.

Our Net Zero strategy

DFS Group defines Net Zero as the absolute reduction of carbon emissions across all scopes by at least 90% compared to baseline year with the offset or removal of the remaining, unabatable emissions.

In FY23 we shared our Net Zero strategy, split into three phases with clear timelines. While our approach has not varied significantly, we recognised the innovation and investment needed, is not in place to support the timeline we originally planned. As such, we have shifted our timeline to *before* 2050 by extending Phase 2 and 3 to work concurrently, collaborating with our value chain to develop plans to decarbonise.

PHASE 1 – FY24-30

Initially concentrating on our own operations, we will adapt to lower-emission technologies throughout our estate and logistics infrastructure and introduce circular business models. We'll also engage our supply chain, support the development of their own Net Zero roadmaps, and specify lower-emission materials in our products.

PHASE 2 – FY30-40

We will encourage suppliers to reduce their emissions and engage their value chains in Net Zero planning. Internally, we'll continue material changes and finalise low carbon technology for our delivery fleet.

PHASE 3 – FY30-50

We aim to ensure all suppliers design and manufacture for repair, reuse and recycling to support a circular business model. Innovation in logistics, materials, and manufacturing is crucial, and we have clear short-term steps to achieve our long-term goals.

Creating a circular business model

Central to our Net Zero strategy is evolving DFS Group to a circular economy, ensuring products are designed, and manufactured for multiple lifecycles, extracting maximum use from the materials and enabling reuse, repurpose and recycling of those materials. In FY24, we launched a new Leadership Development programme in which senior leaders were tasked with developing circular commercial models to support our Net Zero ambition. Their proposed new commercial models are designed to prolong the lifecycle of our product and ensure its return to the Group for refresh, repair and resale, and will be developed further over the next 12 months. We also collaborated on research sprints with Imperial College, London, to develop new product designs with innovative material options, specifically designed to reduce the environmental impact of our product. All these concepts will require further testing and development to ensure viability and sustainable performance.

RESPONSIBILITY AND SUSTAINABILITY REPORT CONTINUED

Scope 1 progress

In 2024, we continued our reduction strategy by removing gas across the estate and transferring company cars and service vehicles to electric or hybrid options. We also trialled 7.5 tonne electric vehicles, however have yet to find a suitable solution to introduce at scale across the Group. Our emissions rose in the second half of the financial year due to increased delivery volumes from our successful Winter Sale and Easter promotions, which diminished the Scope 1 reductions achieved in our calendar year.

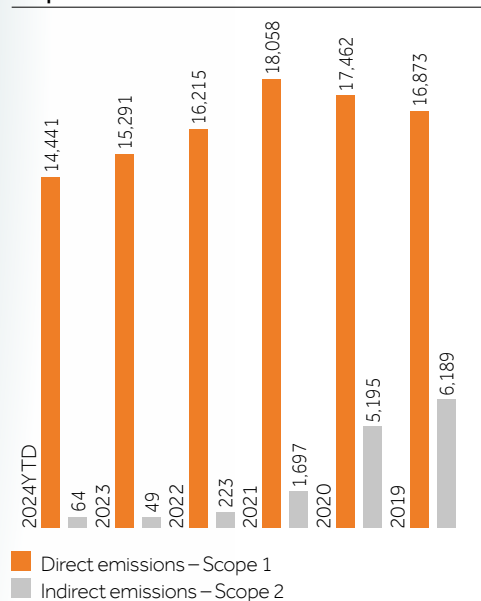
Scope 2 progress

We continue to utilise renewable sources. Our year-on-year market-based emissions have increased with the wider adoption of electric and hybrid company cars. Though charging at our operational sites or on company fuel cards is fully traceable to renewable sources, where we are unable to verify a source, we have assumed non-renewable energy for other EV charging.

DNV has externally assured our Scope 1 and 2 footprints.**

** www.dfscorporate.co.uk/media/64958/DFS-ARA-Assurance-statement.pdf

Scope 1 and 2 emissions



Scope 1 and 2 emissions

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.

	UK	Rest of the world (ROI)	Total FY24 kWh	UK	Rest of the world (ROI & NL)	Total FY23 kWh	% increase/ (decrease)
Scope 1							
Diesel and Kerosene	36,253,180.0	1,307,338.1	37,560,518.1	37,985,804.0	1,006,184.92	38,991,989.0	(3.67)
Natural gas	17,013,423.0	415,090.0	17,428,513.0	18,302,302.0	415,074.00	18,717,376.0	(6.89)
Petrol	4,237,034.8	66,217.9	4,303,252.7	5,539,165.4	3,797.52	5,542,962.9	(22.37)
Scope 2							
Electricity	25,929,697.0	599,872.0	26,529,569.0	26,170,487.6	578,708.15	26,749,195.7	(0.82)
Electric vehicles*	161,729.0	742.0	162,471.0	83,306.3	0.00	83,306.3	95.03
Total energy consumption	47,341,883.8	1,081,921.9	48,423,805.7	50,095,261.2	997,579.7	90,084,829.9	(46.25)

	Absolute emissions (tCO ₂ e)										
	UK	Rest of the world (ROI)	Total FY24 tCO ₂ e	UK	Rest of the World (ROI & NL)	Total FY23 tCO ₂ e	% Increase/ (decrease)	FY22	FY21	FY20	FY19
Scope 1 emissions	14,029.8	411.2	14,441.0	14,961.2	329.7	15,290.8	(5.6)	16,215	18,058	17,462	16,873
Scope 2 emissions											
Market based	64.0	0.0	64.0	38.8	10.4	49.3	29.9	223	1,697	5,195	6,189
Location based	5,369.0	160.0	5,529.0	5,531.4	122.0	5,653.4	(2.2)	5,828	5,797	5,195	6,189
Total Scope 1 and 2											
Market Based	14,093.8	571.2	14,505.0	20,531	462	20,993.5	(30.91)	16,438	19,755	22,657	23,062

Emission intensity (tCO₂e/£m gross sales)

	Emission intensity (tCO ₂ e/£m gross sales)						
	FY24	FY23	% Increase/ (decrease)	FY22	FY21	FY20	FY19
Scope 1 emissions	11.0	10.7	2.45	11.0	13.3	18.6	14.5
Scope 2 emissions							
Market based	0.05	0.07	(33.08)	0.2	1.2	5.6	5.3
Location based	4.2	4.0	5.56	4.0	4.3	5.6	5.3
Gross sales (£m)	1,311.8	1,423.6	(7.85)	1,474.6	1,359.4	935.0	1,165.0

* FY23 Electric vehicle energy consumption has been restated due to a calculation error.

RESPONSIBILITY AND SUSTAINABILITY REPORT CONTINUED

**Scope 3 progress**

Our value chains are a vital part of our business and contribute almost 93% of our Scope 3 emissions. Their support for our Net Zero journey and collaboration on our plan are critical to the success of our strategy. In FY23, an impact assessment of our manufacturing partners indicated only 40% had either set a Net Zero target or calculated their carbon footprint.

To address this, we launched our 'In This Together' campaign, engaging our partners in our Net Zero journey. Our request to suppliers was to commit to delivering the following by May 2029:

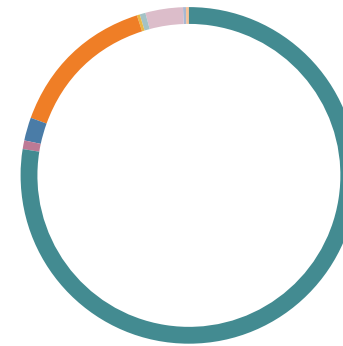
- Calculating their own full carbon footprint
- Developing their own Net Zero strategy aligned to climate science
- Publishing their plan and their progress against it

This approach mirrors the 'supplier engagement' target set out by the SBTi. We hoped to secure commitments which would cover 20% (88 tCO₂e) of our FY23 Scope 3 emissions, thereby endorsing our plans to submit to the SBTi.

Utilising our experiences to provide guidance and support, we encouraged suppliers on their own journeys. The campaign was successful, garnering commitments from manufacturing partners covering 49% of Scope 3 emissions and a further 10% from raw material suppliers and logistics partners.

Science Based Targets initiative (SBTi)

In June 24, we submitted our plan to the SBTi to reduce our carbon footprint by at least 54.6% on Scopes 1 and 2 by 2033 and Scope 3 by 90% or more before 2050. We hope to have the SBTi validate this plan very shortly.

2024 Scope 3 emissions by category – % of Scope 3 emissions

3.01 – Purchased goods and services – 78.39%
3.02 – Capital goods – 1.11%
3.03 – Fuel and energy related activities – 2.35%
3.04 – Upstream transportation and distribution – 14.02%
3.05 – Waste generate in operation – 0.16%
3.06 – Business travel – 0.38%
3.07 – Employee commuting – 3.40%
3.08 – Upstream leased assets – 0.01%
3.11 – Use of sold products – 0.17%
3.12 – End of life treatment of sold products – 0.01%

Scope 3 emissions*

	Absolute emissions (kt CO ₂ e)							Emission intensity (kt CO ₂ e/Em gross sales)						
	FY24	FY23	% increase/ (decrease)	FY22	FY21	FY20	FY19	FY24	FY23	% increase/ (decrease)	FY22	FY21	FY20	FY19
3.01 – Purchased goods and services	158.2	320.0	(50.56)	321.1	309.2	215.8	284.8	120.6	224.8	(46.35)	217.8	227.5	230.8	244.5
3.02 – Capital goods	2.2	3.7	(40.41)	17.4	15.1	10.3	8.2	1.7	2.6	(35.33)	11.8	11.1	11.0	7.0
3.03 – Fuel and energy related activities	4.7	5.2	(9.21)	4.0	4.2	4.0	3.9	3.6	3.6	(1.47)	2.7	3.1	4.3	3.3
3.04 – Upstream transportation and distribution	28.3	36.7	(22.98)	74.6	58.5	33.2	36.7	21.6	25.8	(16.42)	50.6	43.0	35.5	31.5
3.05 – Waste generate in operation	0.3	0.3	20.15	1.4	1.3	0.9	1.3	0.2	0.2	30.39	0.9	1.0	1.0	1.1
3.06 – Business travel	0.8	0.5	62.67	1.2	0.8	1.3	1.3	0.6	0.3	76.54	0.8	0.6	1.4	1.1
3.07 – Employee commuting**	6.9	7.6	(9.21)	4.7	4.1	4.5	5.4	5.3	5.3	(0.85)	3.2	3.0	4.8	4.6
3.08 – Upstream leased assets	0.0	0.6	(100.00)	4.0	3.2	3.1	2.5	0.0	0.4	(100.00)	2.7	2.4	3.3	2.1
3.11 – Use of sold products**	0.3	0.3	–	0.6	0.7	0.5	0.7	0.3	0.2	35.65	0.4	0.5	0.5	0.6
3.12 – End of life treatment of sold products	0.0	0.1	(75.88)	10.2	9.7	7.1	9.0	0.0	0.1	(73.83)	6.9	7.1	7.6	7.7
Total Scope 3 emission intensity	201.7	375.0	(46.20)	439.2	406.8	280.7	353.8	153.9	263.3	(41.60)	297.8	299.3	300.2	303.5

* 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 (FY24) figures unless otherwise stated.

** 3.07 – Employee commuting and 3.11 – Use of sold products were recalculated for FY23 as an error was found in the source data. The figures stated above are the revised calculations.

RESPONSIBILITY AND SUSTAINABILITY REPORT CONTINUED

TCFD

The reporting period of this disclosure was the hottest year recorded since records began. Climate-related risks are continuously evolving, as are the transition risks and opportunities. DFS Group is committed to building a sustainable business model in terms of our impact on the environment and preserving our long-term success as a Group.

As climate reporting continues to evolve along with the pressing nature of climate change issues, so does our performance and strategic reporting.

Summary

Our progress in FY24

1. Engaged suppliers in creating their own Net Zero strategy aligned to science-based targets, securing commitments covering 59% of all Scope 3 emissions.
2. Submitted our Net Zero strategy to Science Based Targets Initiative for validation in June 2024.
3. Confirmed a 14% reduction of Scope 1 emissions against FY19 baseline.
4. Introduced new policies for water and biodiversity and strengthened our deforestation requirements within our Sustainable Sourcing Policy.
5. Completed an updated materiality assessment.
6. Developed new commercial models to support our evolution to a circular business.

Areas of focus in FY25

1. Continue engaging and supporting our suppliers in developing their Net Zero strategy aligned to science based targets.
2. Secure SBTi validation for our Net Zero strategy.
3. Continue to integrate climate risk consideration into our business strategy and decision-making processes.
4. Develop our reporting capabilities for TPT and ISSB.
5. Continue to develop and test new commercial models to support circularity.

Compliance Statement

We have complied with the Financial Conduct Authority listing rule LR 9.8.6R by including climate-related financial disclosures consistent with all the TCFD recommendations and the recommended disclosures. In preparing these disclosures, we have considered Section C and E of the TCFD Annex: Implementing the recommendations of the TCFD. Note that this report reflects the listing rules as at the year end date.

Our approach

Scenarios

We assessed our risk and opportunity exposure in two scenarios.

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 CO₂ 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** – Shared Pathways 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 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.
- **NGFS (Network for Greening the Financial System) scenarios** – explore different assumptions for how climate policy, emissions, and temperatures evolve. The net zero 2050 limits global warming to 1.5°C through stringent climate policies and innovation, reaching global Net Zero CO₂ emissions around 2050. The NGFS 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.

We conducted a scenario analysis in 2022 with support from Willis Towers Watson and included geographic aspects of our value chain for manufacturing and core materials to enhance financial considerations.

Timeframes

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

Horizon	Years	Rationale
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 below summarises the transition risks and opportunities.

Net Zero strategy

DFS Group defines net zero as the absolute reduction of carbon emissions across all scopes by at least 90% compared to baseline year with the offset or removal of the remaining, unabatable emissions.

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 lifecycle – 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 on pages 46 to 48 details our response to the risks and opportunities identified in the scenario analysis exercise.

Risk management

In FY24, we updated our materiality assessment using the SASB framework and in-depth stakeholder engagement. The critical environmental topics for our business and stakeholders were material use, longevity, and circularity, followed by carbon emissions and plastic and packaging Waste.

Further 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 representatives were 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.

The exercise 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 (Environmental and sustainability 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 49 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 highlighted a number of metrics used to monitor our climate risks as described in Table 1 (column 'indicators'). We continuously quantify and measure those metrics internally.

Greenhouse gas measures

Engaging our suppliers in our Net Zero strategy is critical to our approach. This year, we used a new metric of 'Scope 3 emissions covered by a supplier commitment to develop a Net Zero strategy' to track the viability of our Net Zero strategy. The supplier engagement target was considered a performance metric and part of the bonus structure. See Director's Remuneration report page 81 for further details.

Please note, our Scope 3 calculation methodology in FY24 shifted to spend-based calculations, to ensure consistency with our industry and suppliers as well as using verified data which is audited by a third party.

We also use Scope 1 and 2 intensity metrics as our cross-industry metrics to track our progress in achieving our Net Zero ambition which are externally assured – see page 42.

RESPONSIBILITY AND SUSTAINABILITY REPORT CONTINUED

Risk type:

P Policy and legal
 T Technology
 M Market
 R Reputation
 Ph Physical

Scenarios:

↳ Transition risks – 1.5°
 ⚙️ Physical risks – 4°

Risk rating:

● High
 ● Medium
 ● Low

Table 1: Summary of our climate risks and opportunities

Short term risk and opportunities

Risk		
MANDATES AND REGULATION ON OUR PRODUCTS		
Risk type P ↳	Indicator Production cost.	Risk rating ●
Risk/opportunities description Regulatory pressure is applied to the materials used in the manufacturing of our products, leading to increasing production costs. This includes the possibility of introducing carbon footprint labelling, plastic taxes or bans on single-use plastics, and zero-net deforestation policies.		
Our response Our Sustainable Sourcing Policy is regularly reviewed to keep current with our regulatory obligations. 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 in our packaging and textiles. We align our supplier contracts with the supplier requirements within the Sustainable Sourcing Policy.		

Risk		
CARBON PRICING		
Risk type P R ↳ ⚙️	Indicator Direct operating cost.	Risk rating ●
Risk/opportunities description 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.		

Risk		
CLIMATE CHANGE LITIGATION		
Risk type P R ↳	Indicator Compliance cost/non-direct operating cost. Brand value.	Risk rating ●
Risk/opportunities description Investors, insurers, shareholders, and public interest organisations could bring climate-related litigation claims against DFS. 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 the legislative landscape to ensure compliance with the relevant disclosure requirements. We are aware that the sustainability reporting landscape is fast-evolving. In FY25 we intend to invest in training for our Sustainability team and legal counsel in the new ISSB framework and other standards.		

Risk		
BUILDING CODE REQUIREMENTS		
Risk type P ↳	Indicator Maintenance cost/capex/opex.	Risk rating ●
Risk/opportunities description Increased maintenance costs are associated with upgrading stores, distribution centres, and manufacturing sites to adhere to stringent building codes and guidelines.		
Our response All landlords are required to comply with building code requirements. 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 financial planning.		

RESPONSIBILITY AND SUSTAINABILITY REPORT CONTINUED

Risk type:

P Policy and legal
 T Technology
 M Market
 R Reputation
 Ph Physical

Scenarios:

→ Transition risks – 1.5°
 ⚙️ Physical risks – 4°

Risk rating:

● High
 ● Medium
 ● Low

Table 1: Summary of our climate risks and opportunities continued

Short term risk and opportunities continued

Risk

INVESTMENT RISK

Risk type	Indicator	Risk rating
R →	Cost of capital.	●

Risk/opportunities description

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.

Though we have not met every target this year we believe our targets and submission to the SBTi demonstrate we are ambitious and setting sufficiently challenging objectives.

Medium to long term risk and opportunities

Risk

TRANSITION TO LOWER EMISSION TECHNOLOGY AND MAINTAINING A CIRCULAR SYSTEM

Risk type	Indicator	Risk rating
T →	Capex to increase energy efficiency . Capex to increase recycling capability. Capex/opex for transitioning to electric vehicle fleet.	●

Risk/opportunities description

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 the four year financial plan.

Risk

INCREASED COST OF RAW MATERIALS AND PRODUCTS

Risk type	Indicator	Risk rating
M →	Production cost.	●

Risk/opportunities description

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.

Risk

SHIFT IN CUSTOMER/ CONSUMER VALUE

Risk type	Indicator	Risk rating
M →	Revenue.	●

Risk/opportunities description

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.

RESPONSIBILITY AND SUSTAINABILITY REPORT CONTINUED

Risk type:

- P Policy and legal
- T Technology
- M Market
- R Reputation
- Ph Physical

Scenarios:

- Transition risks – 1.5°
- ! Physical risks – 4°

Risk rating:

- High
- Medium
- Low

Table 1: Summary of our climate risks and opportunities continued

Medium to long term risk and opportunities

Risk

COST OF CAPITAL

Risk type	Indicator	Risk rating
M →	Cost of capital.	

Risk/opportunities description

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 inquiries and disclosures to third-party and credit rating agencies as well as engaging shareholders.

Risk

PHYSICAL RISK

Risk type	Indicator	Risk rating
Ph !	Asset value located in an area of material climate hazard intensity.	

Risk/opportunities description

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.

Risk

SUPPLY CHAIN

Risk type	Indicator	Risk rating
Ph !	% of supply from supplier facilities that are in high-risk areas.	

Risk/opportunities description

The climate hazards considered in our scenario analysis are: heat stress, flooding, drought, fire weather, and windstorm. 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 windstorm 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.

RESPONSIBILITY AND SUSTAINABILITY REPORT CONTINUED

Governance

See full corporate governance framework on page 55.

The Board recognises the crucial role of addressing climate change risks and opportunities for the Group's long-term success. We have established a clear governance framework for climate change and sustainability.

The Board holds overall responsibility for monitoring our progress towards climate-related goals and targets, and has designated the RSC.

The RSC meets at least three times per year to review and assess the Group's sustainability strategy, governance, and performance against targets, as well as review and approve policies related to our focus areas: our planet, our people, and our community.

Climate change remains a central topic in RSC and Board meetings, reflecting its importance in our strategic plan. The Committee's terms of reference are available on the Company's website.

In January 2024, the GLT completed a comprehensive materiality assessment.* The Group Board were independently interviewed as key stakeholders on their views of the topics which were summarised and shared as part of the process. Upon completion, the materiality assessment was presented to the Board and used throughout the Strategy Days held in April 2024.

Climate-related risk is monitored by the Audit and Risk Committee ('ARC') and the Board through regular meetings. The ARC also provides assurance on

non-financial metrics. In FY24, they conducted an internal audit of environmental data control systems.

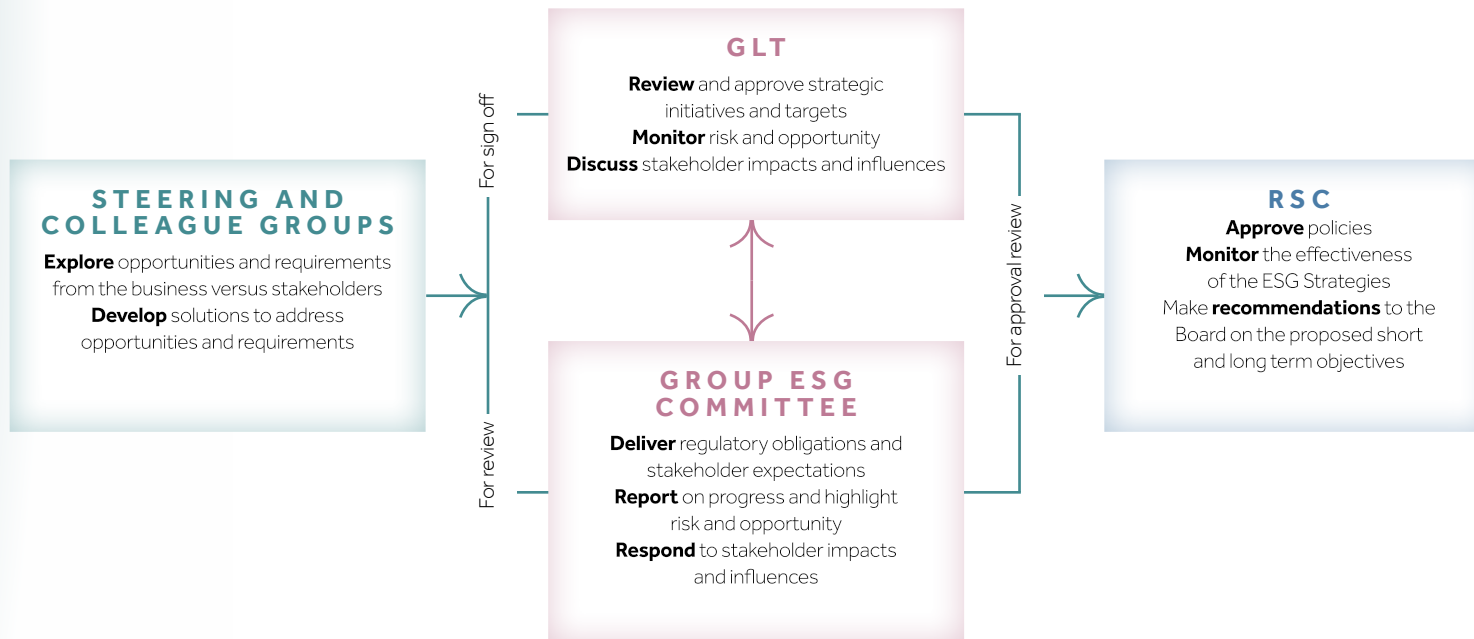
The ESG Committee meets six times per year and reports to the GLT and RSC. Senior management forms part of these forums to ensure they are influencing and monitoring the progress of the climate change objectives. Responsibilities include updating the RSC on climate change and sustainability developments 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 both internally and externally:

- Internally through regular updates from the ESG Committee and Sustainability team, who ensure governance, including risk management, strategy and implementation, and any financial implications are raised.
- Externally through input from sustainability experts and groups, to ensure our sustainability strategy is relevant and abreast of the continually changing reporting and regulatory landscape.
- Externally through collaboration with the industry bodies and non-profit organisations, such as FSC, Leather Working Group, Circular Change Council, Undaunted (formerly CCCI/Imperial College) and WWF to advocate for circularity, deforestation, and decarbonisation across industry.

* See our Materiality Disclosure at www.dfscorporate.co.uk/media/69987/Materiality-Disclosure.pdf

Governance framework



RESPONSIBILITY AND SUSTAINABILITY REPORT CONTINUED

Ethical business

Our commitment

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

We apply our policies across all of our operations, and also require all of our suppliers to commit to apply the same or equivalent policies. The Group does not operate in any tax havens or use any tax avoidance schemes.

Our Anti-Bribery Policy and our Tax Strategy are available on our website <https://www.dfscorporate.co.uk/governance/policies> and our key principles are stated below:

Bribery and corruption

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

What this means in practice:

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

Gifts and hospitality

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

What this means in practice:

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

Business transactions and information

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

What this means in practice:

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

Data Privacy Policy and cyber security

The Group's operations depend upon the continued availability and integrity of its IT systems, including the security of customer and other data held by the Group, and risk of attacks is ever increasing. Cyber security and data has been identified as a principal risk. See page 24 for further details on the procedures and system in place to mitigate the risks.

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

Human rights and modern slavery

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

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

As part of managing the risk of modern slavery, we have a supply chain compliance programme in place.

Our training initiatives include:

- An e-learning module on modern slavery which has been deployed to senior and middle managers across the Group. The training provides guidance on spotting the signs of different types of modern slavery and how to report concerns.

Our commitment

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

To help achieve this we will:

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

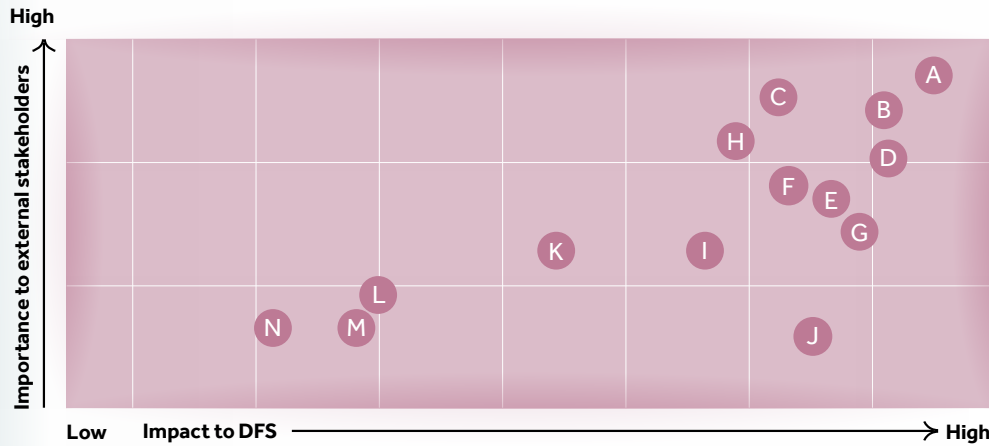
For more information please see our Group Code of Conduct and the Group's Supplier Code of Practice <https://www.dfscorporate.co.uk/media/46609/Group-Code-of-Conduct.pdf> <https://www.dfscorporate.co.uk/media/68866/DFS-Supplier-Code-of-Practice--V004--Live-.pdf>



RESPONSIBILITY AND SUSTAINABILITY REPORT CONTINUED

MATERIALITY ASSESSMENT

A materiality assessment is required under TCFD regulations but is also a useful tool to ensure the business includes all stakeholder perspectives in strategic planning and decision-making. In FY24, we refreshed our assessment by interviewing or surveying all stakeholder groups. Of note, there was a significant shift in priorities to social priorities such as fair wages and diversity and equality over environmental concerns. For more information, please see our Materiality Disclosure at www.dfscorporate.co.uk/media/69987/Materiality-Disclosure.pdf.



Topic	Definition
A Customer satisfaction and quality	Measurement used to determine how satisfied customers are with its products and services.
B Health, safety and wellbeing	Programmes, guidelines and procedures to protect the safety, welfare and health of any person engaged in work or employment.
C Data security and privacy	Protection of customer data and adhering to current regulations such as GDPR to reduce the risk and exposure to potential cyber attacks.
D Fair wages	An income earned during normal working hours that meets the basic needs of workers and their families, with some leftover for extra expenses and savings.
E Equality and diversity	Creating an inclusive environment where everyone is welcome, ensuring employees are treated respectfully and have equal opportunities.
F Material use, longevity and circularity	Responsible use of resources by improving the efficiency of materials in our products and re-use where possible while designing out waste by keeping products and materials in use for longer.
G Labour conditions	Labour conditions and workplace standards including human rights, fair wages and benefits, organised labour and freedom of association.

Topic	Definition
H Carbon emissions	GHG (Greenhouse Gas emissions) produced by the activities and operations and the movement of resources in the supply chain.
I Plastic packaging and waste	The efficiency and recyclability/ reusability to limit waste created in operations.
J Energy consumption	Overall energy efficiency and access to alternative energy sources.
K Deforestation and biodiversity loss	Protection and restoration of the natural capital and biodiversity impacted by harvesting, farming and production of raw materials.
L Environment tax	Tax imposed on activities that have a negative impact on the environment, such as carbon emissions, pollution, or resource depletion (e.g., carbon tax and plastic tax).
M Air pollution	Operational and supply chain activities contributing to air pollution.
N Water quality and drought	Water governance in operations (own and supply chain) to reduce consumption and protect quality.

LOOKING AHEAD

As climate-related considerations become more central to our business, we expect them to become 'business as usual' in our strategy and financial planning. We are developing commercial solutions to provide business resilience during the transition and capitalise on the opportunities highlighted. Investments needed to transition and manage potential impacts will continue to be integrated in financial planning going forward.

TCFD CONSISTENCY INDEX

Pillar	Recommended disclosures	Location within this report
Governance	(a) Board oversight of climate-related risks and opportunities	Page 49
	(b) Role of management in assessing and managing climate-related risks and opportunities	Page 49
Strategy	(a) Climate-related risks and opportunities	Page 45-48
	(b) Impact on the organisation's business, strategy and financial planning	Page 45-48
	(c) Resilience of strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Page 45
Risk management	(a) Processes for identifying and assessing climate-related risks	Page 25 and 45
	(b) Risk management process	Page 25 and 45
	(c) Integration into overall risk management	Page 25 and 45
Metrics and targets	(a) Metrics used to assess climate-related risks and opportunities in line with our strategy and risk management process	Page 42, 43 and 45
	(b) Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions	Page 42 and 43
	(c) Targets used to manage climate-related risks, opportunities and performance	Page 34, 41 and 45

This Strategic Report was approved by the Board on 25 September 2024.

On behalf of the Board.

TIM STACEY
Chief Executive Officer

JOHN FALLON
Chief Financial Officer