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DFS Furniture Group Leather Policy

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Version Control

Version	Last Modified By	Change Description	Last Modified On
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Reviewers

Version	Reviewer Name	Reviewer Role	Review Date
V1	Liz McDonald	General Counsel & Company Secretary	March 2023
V2	GLT	Group Leadership Team	October 23

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Authorised by

Version	Approver Name	Approver Role	Approved Date
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Related Policies

Document Name	Document Location
Environmental Policy	Policies & Statements (dfscorporate.co.uk)
Group Timber Policy	
Group Water Policy	
Group Code of Conduct	
Sustainable Sourcing Policy	
Group Human Rights Policy	

1. Context

1.1. 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 aware of the value that forests add to all our lives and the critical role they will play in our future and that of generations to come.

1.2. Our value chain is highly connected with the forests. Animal-derived materials, such as leather, are extensively used throughout the homeware industry; hence, these materials must be sourced responsibly. As the market-leading sofa retailer, DFS Furniture PLC (“DFS Group”) recognises its responsibility to uphold stringent standards in the leather production process throughout our supply chain.

1.3 We also recognise that it is our responsibility to ensure that we help maintain the world’s forest cover.

1.4. This policy should be read in conjunction with the [Related Policies](#) and forms part of the DFS Group’s Environmental, Social and Governance Programme, which we report annually in our Annual Report. This programme is subject to third-party audits.

1.5. This policy will be reviewed annually (at minimum) for accuracy, completeness, and relevance.

2. Scope

2.1. This policy applies to all products containing leather purchased by the DFS Group, whether for sale to our customers or use in our business.

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

3. Our Commitment

3.1. Natural leather is a beautiful, hard-wearing, and desirable material used widely in the DFS Group’s products. DFS Group recognises that good practice throughout the leather sourcing and production process is essential to uphold animal welfare standards, avoid deforestation and conversion and uphold respect for human rights and local community rights.

3.2. All leather used in DFS Group products must come from animal skins, which are a by-product of the meat industry.

3.3. We endeavour to mitigate water pollution through the processes involved in the tanning and colouring of hides.

3.4. We ensure that we do not contribute to deforestation through our supply chain, including no human-induced forest degradation or conversion of natural forest. We use globally recognised tools to determine the areas and ecosystems that must be protected from deforestation and conversion for each of these commodity sectors, within the ecologically sensitive landscapes identified through credible multi-stakeholder processes, including the Deforestation-free and Conversion-free (DCF) Regional Guidance applicable in the Brazilian Amazon and Cerrado and the Gran Chaco of Argentina and Paraguay.

3.5 The cut-off date after which deforestation or conversion is considered non-compliant with this policy is 2008 for the Amazon Biome and 2020 for other biomes.

3.6. We respect human rights across our leather supply chain, in line with our Human Rights Policy and Sustainable Sourcing Policy.

4. Our Approach

Our approach to responsible sourcing ensures that we maintain ethical standards whilst providing our customers with the best products, as set out below:

4.1. Sourcing all our leather from supply chains which meet our Leather Minimum Performance Requirements, as set out in our Sustainable Sourcing Policy.

4.2. All leather used in DFS Group products must come from animal skins, which are a by-product of the meat industry.

4.3. Animal skins used in leather production for DFS Group products must not be obtained from aborted or live animals or endangered species (including any species listed on the three CITES Appendices).

4.4. The Supplying partner must declare the species of animal and country of slaughter for all products containing leather – before the production for the DFS Group.

4.5. The DFS Group will require evidence from its supplying partners to demonstrate that their leather supply chains do not contribute to deforestation, including human-induced forest degradation or conversion of natural forest. To implement and demonstrate progress toward our commitments, we will:

1. Assess deforestation and conversion within supply chains and prioritise interventions in areas or with suppliers that are not low risk. We establish a monitoring mechanism with a third-party expert to track implementation and results.
2. We follow a risk assessment process to determine if the materials may be at risk of non-compliance with our policies. The risk level will help determine the degree of traceability information and the extent of the supply chain mapping we undertake.

5. Risk management procedure

All suppliers of products containing leather are subject to the below procedure:

5.1. We seek to develop and maintain mutually beneficial and longstanding relationships with all our supplying partners, supporting trusted and efficient communication between parties in risk assessment.

5.2. We regularly visit Suppliers. During those visits, we will communicate the requirements of this Policy and make it clear that it applies to every link in each leather supply chain. We make it clear that our leather specification includes full traceability from product to animal origin, which applies to every link in each leather supply chain.

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

5.4. The DFS Group conducts risk assessments annually (at minimum) to establish and review risk indicators for leather products and the associated supply chains (e.g., species, country of slaughter, purchase volume supplier). Supplying partners undergo an annual audit against the DFS Sustainable Sourcing Policy, where leather is traced from product to animal origin. From this, the DFS Group can identify product/supply chain risks based on the assessed levels of risk and the extent to which those risks are mitigated by requested documentary evidence demonstrating compliance with this Policy.

5.5. The DFS Group has a robust Risk Monitoring system for all leather products.

- a) **For supply chains rated as High Risk**, we assess policy compliance for each product range. We will only continue to buy leather products from high risk supply chains for a specified period, which will be set by the DFSS Group and agreed upon by all parties. During that period, the supplier must address the aspects identified as the specified risk by supplying additional evidentiary support or resourcing the specified high risk parties in the supply chain. At the end of that period, if the supplying partners' supply chains and products are still rated as High Risk, we will cease trading with the related Supplier.
- b) **For supply chains rated as Low Risk**, we will undertake due diligence annually. Risk Monitoring includes
 - i) Working with suppliers to create supply chain diagrams (mapping their sources of supply as far back as possible – in some cases to farm level).
 - ii) Collect documentary evidence of policy compliance from the businesses shown in the Supply Chain Diagram.
 - iii) Requiring species and country of slaughter disclosure for each product. Suppliers may be instructed to conduct additional third-party due diligence at their expense and share findings with DFS Group to help monitor and assess risk.
 - iv) DFS Group is committed to establishing best practices within the leather industry and expects all leather wet blue/curer and tanneries/ finishers within a manufacturer's supply chain to be Leather Working Group certified.

An example of evidence requested for each risk level can be found in [Appendix 1](#)

5.6. We have a clear Risk Mitigation plan for leather products:

- a) Leather products supplied to our products must be sourced from tanneries that meet Leather Working Group (“LWG”) standards.
- b) Supplying partners must supply the information required to support our assessment process within the agreed timetable.

6. 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

Appendix 1: Example of evidentiary document to support product traceability.

Country Risk*)	Evidence	Minimum requirements to achieve low risk rating	Minimum requirements to achieve specified risk rating
Value chain:	Tanning / Tanneries		
High Risk countries: India (Tamil Nadu), Bangladesh, Pakistan	Certification	Leather Working Group (“LWG”)	LWG
Value chain:	Farm to Tannery (wet blue)		
Low Risk Countries, defined (CPI > 50)	Information	Details of processors from the tannery to the exporter	Details of Exporter
	Documents	<ul style="list-style-type: none"> • Invoice or delivery documents from the tannery to the exporter • Certificate of origin 	Certificate of origin
	Certification	LWG	LWG
Medium Risk Countries (CPI 0-49, with exception**)	Information	Details of processors from slaughter through to exporter	Details of processors from wet blue tannery through to exporter
	Documents	<ul style="list-style-type: none"> • Invoice or delivery documents from the slaughterhouse to the exporter • Certificate of origin 	<ul style="list-style-type: none"> • Invoice or delivery documents from the tannery to the exporter • Certificate of origin
	Certification	LWG	LWG
Value chain:	Farm		
High Risk countries: Brazil, Bolivia, Columbia, Paraguay, Argentina	Information	<ul style="list-style-type: none"> • Details of farm (which includes farm registration (i.e. CAR in Brazil) and geolocation coordinates) • Details of all processors to Exporter. 	<ul style="list-style-type: none"> • Details of farm (which includes farm registration (i.e. CAR in Brazil) and geolocation coordinates) • Details of all processors to Exporter.
	Documents	<ul style="list-style-type: none"> • Invoice or delivery documents from farm to exporter • Certificate of origin 	<ul style="list-style-type: none"> • Invoice or delivery documents from farm to exporter • Certificate of origin
	Certification	LWG	LWG

*) The specific risks surrounding the country are assessed using Transparency International's Corruption Perception Index (CPI) and the World Justice Project Index Report: Absence of Corruption scores, plus robust articles and NGO reports concerning the country, region, and material.

***) Exception to the medium risk countries: India (Tamil Nadu), Bangladesh, Pakistan, Brazil, Bolivia, Columbia, Paraguay, Argentina

Appendix 2 - Definitions

Cadastro Ambiental Rural (CAR) is a mandatory electronic public registry for all rural properties in Brazil. It aims to integrate environmental information on the status of permanent preservation areas, legal reserves, forests, remnants of native vegetation, restricted use areas, and consolidated areas of rural properties and possessions in the country ([link](#)).

Corruption Perception Index (CPI) is an annual index that ranks countries and territories worldwide based on their perceived levels of public sector corruption. The index is compiled by Transparency International, and scores range from 0 (highly corrupt) to 100 (very clean).

Deforestation refers to the loss of natural forest due to conversion to agriculture or other non-forest land use, conversion to a tree plantation, or severe and sustained degradation.

Due diligence: A risk management process implemented by a company to identify, prevent, mitigate, and account for how it addresses environmental and social risks and impacts in its operations, supply chains, and investments