Dunelm
The Home of Homes

Building sustainability into all that we do

DUNELM GROUP PLC
SUSTAINABILITY REPORT 2023

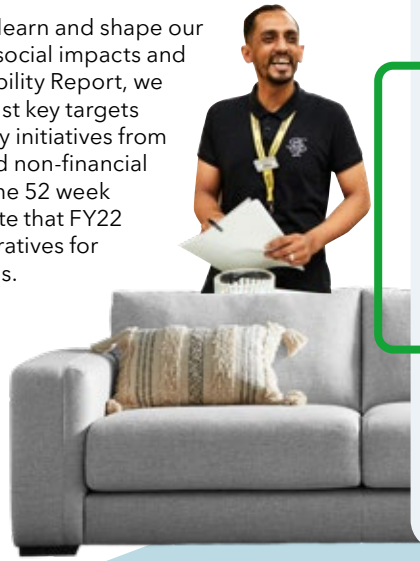
Welcome

As the UK's No. 1 homewares retailer, we remain as ambitious as ever about being a good company and building sustainability into all that we do.

About this report

As a business, we continue to listen, learn and shape our approach to our environmental and social impacts and opportunities. In this year's Sustainability Report, we share updates on our progress against key targets and highlight a range of sustainability initiatives from around our business. All financial and non-financial information in this report relates to the 52 week period ended 1 July 2023. Please note that FY22 was a 53 week period and all comparatives for FY22 are reported on a 53 week basis.

This report is complemented by information in our Annual Report 2023 and on our corporate website. corporate.dunelm.com



The fabric of our Clayton Cosy Weave Sofa range is 100% recycled polyester and the timber is responsibly sourced.

Together with other post-consumer waste, recycled textiles collected from our take-back service were remade into cushions and throws for our Conscious Choice[1] range.

1 See box on page 3 for our Conscious Choice product criteria.

In this report

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Our online tips and crafting range help inspire our customers to upcycle items and keep them in use.

Committed to our stakeholders

Customers
who shop in store and online and who use our products and services

See page 10

Colleagues
who work in our stores, sites and delivery operations

See page 13

Communities
within the local catchment areas served by our stores and sites

See page 21

Suppliers
who supply product components and finished products, or provide services

See page 23

Planet
that is home to us all

See page 27

Shareholders
financial institutions and private investors (including colleagues and Adderley family members)

See page 37

Building sustainability into all that we do

We continue to embed environmental and ethical thinking more routinely into our commercial processes, building our understanding, capabilities, resources and, importantly, our determination in these areas.

Doing the right thing

We remain as ambitious as ever about being a good company. This means 'doing the right thing' for all our stakeholders, wherever and however they interact with our business. It includes increasing the contribution we make in our communities and to wider society, and reducing our environmental impact on the planet.

It is always encouraging to reflect on what we have achieved over the year. My thanks go to all colleagues who have been involved in moving us forward – for their creativity, tenacity and enthusiasm in this hugely important work.

However, we still have much to do to be a more sustainable company and we are conscious that there is no end point to our work in this area. As a business in growth, our increasing level of sales and associated activity inevitably have an impact on the environment. Whilst our Scope 1 emissions decreased as a proportion of sales this year, our absolute carbon emissions (across all Scopes) increased against our FY19 baseline. We know that we must keep working on the best way to achieve our net zero commitment, and to refine our strategies to reduce impacts on our planet, including in areas such as water and nature.

Determined to take action at pace

We are taking more action in areas that we control in our supply chain: we design most of our products ourselves, we have our own UK manufacturing centre for made-to-measure curtains and blinds and we work with a trusted group of committed suppliers.

Furthermore, while our supply chains are global, we have a focused and advantaged business model, and expert colleagues. This means we can make changes relatively quickly – for example, by switching to lower-impact materials, introducing more efficient fuel and vehicles and helping our suppliers to improve ethical and environmental standards. We can also engage and inform our growing base of customers about the progress we are making as we introduce more sustainable products into our ranges.

> **Building sustainability into all that we do is far more than a nice-to-have; it is a business imperative that supports our vision to be the UK's most trusted and valuable brand in homewares and furniture.**

Nick Wilkinson
Chief Executive Officer

Extended guarantee

Our Egyptian Cotton towel collection uses more responsibly sourced cotton and comes with a five-year guarantee.

Conscious Choice – one year on

We launched our Conscious Choice product range in August 2022, making it easier for customers to find items that have a reduced environmental impact. To qualify, products must be made from at least 50% more sustainable materials (by weight) compared to conventional alternatives available from Dunelm. By FY23 year end, c.15% of our own-brand products were in our Conscious Choice range and we have plans to expand this further.

What is harder to control is the pace of change in national infrastructure, legislation and taxation – as well as industry challenges, such as theft and unacceptable behaviour towards our colleagues. We bear influence through advocacy with organisations such as the British Retail Consortium, Textiles 2030, Better Cotton, the Aldersgate Group and the Sustainable Logistics Forum and we are increasingly taking a stand on matters that are important to us.

Increasing customer choice

We can also help our customers by giving them a choice – for example, by offering affordable alternatives across key product categories in our Conscious Choice[1] range, and take-back services that are easy to use. During the year, we worked with one of our suppliers to rework recycled fibres from our popular textiles take-back programme (along with other post-consumer waste) into cushions and throws for our Remade range. The project was complex and there were many learnings along the way, but we now have our first range on the shelves – at an attractive price point – and this has given us the confidence and energy to pursue more opportunities in this space.

Taking a role in our communities

We believe that we can and should play a positive role in our communities, facilitating projects that are meaningful to colleagues and customers in and around our stores and sites. We open up space in our Pausa cafes to support local community groups, businesses and charities and our stores engage with their communities through our 1.1 million local Facebook followers. This year we also trialled our Home to Home project that rehouses pre-loved homewares items in local communities. In FY23, we raised over £800k for charities, including over £700k for Mind and its regional affiliates.

Engaging and supporting our colleagues

We continue to listen to and learn from our c.11,000 colleagues. In FY23, our employee net promoter score (eNPS) decreased by 5%pts, returning to its pre-pandemic high point. We have introduced a new colleague survey platform and recorded our highest participation rate (see page 17) and we now have an enhanced understanding of what we can do better to support our colleagues. During the year, we also developed our employer value proposition to help attract the best talent more effectively.

We remain committed to creating a workplace where everybody feels at home, supported and connected to our purpose. We have increased our mental and financial wellbeing support for colleagues, given ongoing cost-of-living pressures, and we are investing in colleague learning and development as part of our commitment to 'learning for life'. This is alongside mandatory business conduct training to protect people, ethics and data. Our four colleague networks (see page 20) are gaining in confidence, buoyed by seeing their ideas adopted in the business. Our National Colleague Voice representatives continue to share opinions openly and passionately from across the business and, as a Board, we review and act upon these (see page 18 in this report and pages 32, 71 and 118 in our Annual Report 2023.

Harnessing energy by 'doing the right thing'

All this work benefits our business. It makes us more distinctive and gives our stakeholders more reasons to shop with us, work for and with us, supply us and invest in us. Towards the end of FY23, we undertook our first materiality assessment to understand better how our stakeholders – including our financial community – perceive our key environmental, social and governance (ESG) risks and opportunities. This exercise raised awareness and inspired debate. We are using the outputs to map short-, medium- and longer-term ESG impacts on our business so we can further differentiate our approach.

As I mentioned above, there is a lot more to do. As we continue to grow we need to be even more organised and thoughtful about our approach. We must also continue to develop the right technology and capabilities to empower our fantastic colleagues and suppliers and to better serve our customers.

By 'doing the right thing' we create energy. By harnessing this energy we can think big. By thinking big, working together and learning and adapting we can create more long-term value and opportunities for Dunelm, whilst being conscious of our wider impact. Building sustainability into all that we do is not a nice-to-have; it is a business imperative that supports our vision to be the UK's most trusted and valuable brand in homewares and furniture.

Thank you

Nick

Nick Wilkinson
CEO

1 See box on the left for our Conscious Choice product criteria.

About us

No.1

market leader in UK homewares

£1.6bn

FY23 sales from our 'total retail system' (179 stores and dunelm.com)

c.70,000

products to suit every style and budget across our broad range of homewares and furniture categories

11,000+

committed colleagues who strive to deliver value and joy to help more UK customers create a home they love

Our vision: to build the UK's most trusted and valuable brand for homewares & furniture

Our purpose:

to help create the joy of truly feeling at home, now and for generations to come

Our purpose guides all business activities and decisions and helps us understand why people want to shop with us, work for us, supply to us and stay invested in us

Our shared values

Our shared values have evolved from our fundamental business principles developed more than a decade ago and reflect our attitudes and behaviours throughout Dunelm

- Stronger together
- Keep listening & learning
- Act like owners
- Long-term thinking

Our competitive advantages

- Well-known brand with broad appeal
- Product mastery credentials
- Strong colleague culture
- Cost-effective total retail system
- Financial strength
- Runway for growth

Information about our business model can be found in our Annual Report and Accounts 2023 on pages 8 and 9.

Delivering sustainably for all stakeholders

We are taking action to embed sustainability in the business and to give our stakeholders more information and choice.

Our progress in FY23

Customers

We have developed many more **sustainable choices** for customers, both across our product range and in other services we provide. In FY23, we:

- launched and grew our Conscious Choice[1] range to c.15% of own brand products by SKU and created an information hub on our website.
- increased focus on 'care and repair' and other upcycling options.
- collected c.70 tonnes a month of pre-loved textiles and used some of these in our Remade range.

Read more on page 10

Conscious Choice

Since its launch in August 2022, we have expanded our Conscious Choice[1] range to c.15% of own brand products, including our new teddy throws made from recycled polyester.

Colleagues

Our **learning-thriving-belonging** people strategy supports our commitment to making our colleagues feel 'at home' wherever they work. In FY23, we:

- invested in learning and development opportunities to strengthen our leadership capabilities and promote a 'learning for life' mindset.
- increased support on financial wellbeing given ongoing cost-of-living pressures.
- continued focus on colleague development and retention, which increased to 87%.[2]

Read more on page 13

REMADE

In May 2023, we launched a range of 21 Remade cushions and throws, which use recycled fibres, such as those collected through our textiles take-back services.

'Find your happy place' is the central slogan for our employer value proposition.

Communities

We continued to support communities in and around our stores through various **local initiatives** and **in-store** services. In FY23, we:

- collected and distributed c.62,000 gifts during our winter 'Delivering Joy' campaign (a threefold increase).
- welcomed small businesses and community groups to make use of space in our stores and Pausa cafes.
- raised over £800k for charities, including over £700k for our Group charity partner, Mind.

Read more on page 21

In aid of mind

1 See box on page 3 for our Conscious Choice product criteria.

2 Retention is the percentage of colleagues from the start of the financial year (July 2022) who remained employed until the end of the financial year (June 2023), excluding any planned leavers.

Delivering sustainably for all stakeholders continued

100% recycled glass

Our Pride and Joy table lamp uses recycled glass that saves energy during the production process when compared with virgin glass.

Suppliers

We reorganised our commercial processes so that **product quality** is reviewed alongside **ethical** and **environmental** supply chain standards, whilst increasing engagement with our suppliers. In FY23, we:

- joined Better Cotton, industry leaders in sustainably sourced cotton.
- engaged with key suppliers on 'Better Manufacturing', ethical and packaging standards.
- increased the number of unannounced ethical audits, resulting in corrective action, and further increased our visibility of supply chain participants.

Read more on page 23

1 Please see our corporate website for our full target wording.

Planet

Our **improve-innovate-advocate** approach helps us focus on things in our control, while collaborating with others in the industry to progress our net zero commitments. In FY23, we:

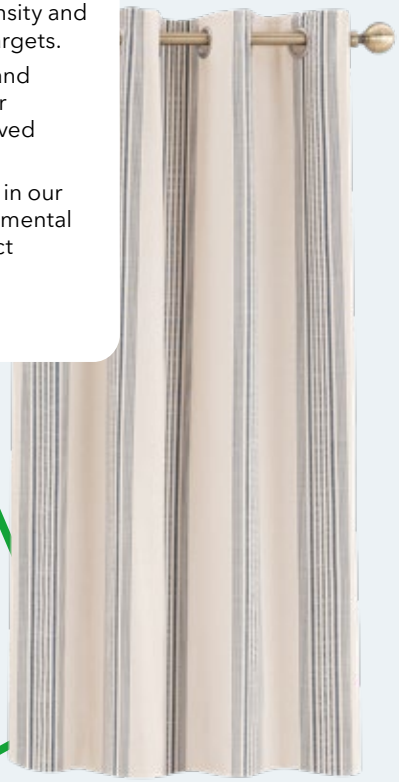
- reduced Scope 1 carbon intensity and plastic packaging, ahead of targets.
- submitted carbon reduction and net-zero targets to the SBTi for validation with approval received post year-end[1].
- used more recycled materials in our products to lower our environmental impact and to support product circularity.

Read more on page 27

A seat at the table

We continued our advocacy work with: Textiles 2030, Better Cotton, the Sustainable Logistics Forum, the British Retail Consortium, the Aldersgate Group, and we joined the Sustainable Apparel Coalition.

Textiles 2030 BRC



Protecting our business

Our strong corporate and ESG governance frameworks, holistic approach to risk management, raft of well-established codes of conduct and policies and Group-wide focus on health and safety help to protect our stakeholders and preserve value in our business. See pages 38 to 40.

Whilst the Board has overall responsibility for the Group's sustainability framework and strategy, responsibilities are delegated to the CEO and Executive Team, supported by steering groups as set out on page 42. This includes the Group's Risk and Resilience Committee, which helps to keep the Board and Audit Committee informed of new or emerging risks (including those related to sustainability) as they relate to the Group. There is also a continued emphasis at Dunelm on 'doing the right thing', guided by our purpose and consistent with our shared values.

Shareholders

We shared **our sustainable and ethical performance** with shareholders, rating agencies and banks to help them make more informed investment decisions. In FY23, we:

- undertook our first third party materiality assessment, gaining perspectives from key stakeholders – including investors and analysts – on material ESG areas.
- reviewed progress against ESG metrics linked to our loan facility (applicable only for FY23).
- continued to engage with ESG rating agencies.

Read more on page 37

Our sustainability targets

Striving to make a positive social and environmental impact in our stores, operations and supply chains by focusing on core metrics and targets.

Creating sustainable value for all stakeholders

Read more about our performance against these targets on pages 44 to 48.

Customers

Metric	Target
Net promoter score (NPS)	**Year-on-year increase %pts**
% of own brand products for which we offer an easy-to-use take-back service	**50% by FY24**

Colleagues

Metric	Target
Employee net promoter score (eNPS)	**Year-on-year increase %pts**
% of role-model leaders from an ethnically diverse background	**8% by FY26**

Communities

Metric	Target
Group and colleague fundraising and Group cash charity contributions	**Year-on-year increase**

Suppliers

Metric	Target
'More Responsibly Sourced' Cotton in own brand range	**80% by FY24 and 100% by FY25**
'More Responsibly Sourced' Timber in own brand range	**50% by FY25**
% of Tier 1 factory base with audits not more than two years old	**100%**
% of low- or medium-risk audits	**90%**

Shareholders

Metric	Target
Diluted earnings per share	**Year-on-year increase**

Planet

Metric	Target
Scope 1 CO_2e	**50% reduction by 2030**
Scope 1 CO_2e/£ Group revenue	**59.3% reduction by FY26**
Scope 3 CO_2e	**50% reduction by 2030**
Virgin plastic packaging used for own brand products by weight/£ sales	**30% reduction by FY25**
Aggregate water footprint in own brand textiles	**30% reduction by 2030**

Protecting our business

Metric	Target
Reportable accidents under RIDDOR[1]	**Year-on-year decrease**

1 Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.

Understanding stakeholder perception

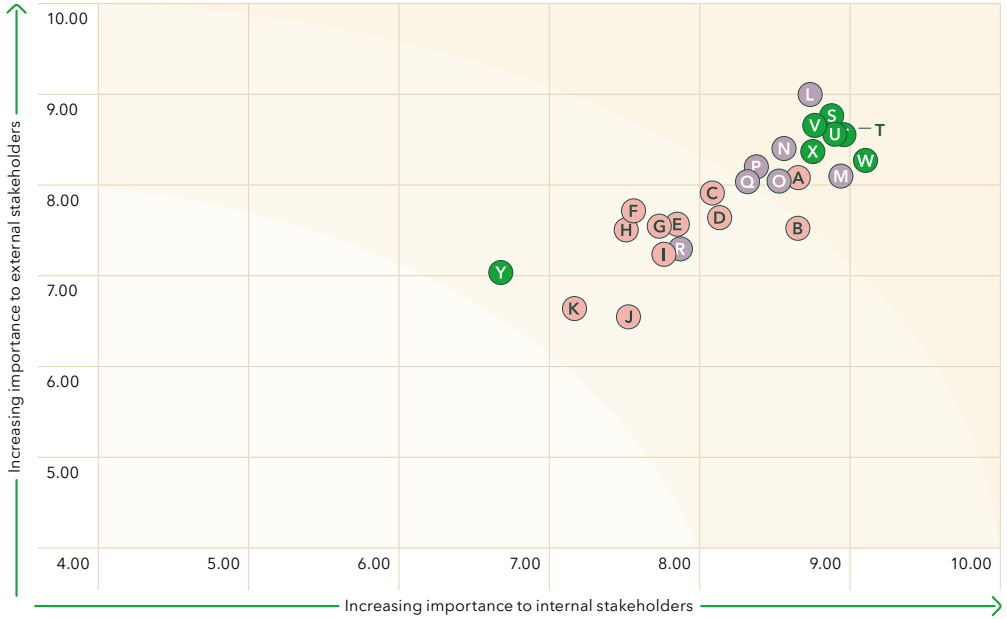
In FY23, we undertook a materiality assessment, working with an independent third party to understand the views of our stakeholders on our most material environmental, social and governance (ESG) topics.

We engage regularly with our key stakeholders and believe we have a fair understanding of what resonates with them. However, we also recognise the importance of applying a more structured approach to understanding how stakeholders view our ESG risks and opportunities. Given greater external scrutiny in this area and the emergence of more prescriptive sustainability reporting frameworks, in FY23 we carried out our first, externally-led materiality assessment.

The purpose of this exercise was to gain insight into stakeholder perceptions on how we manage our most material ESG risks and opportunities. We present a summary of the methodology in the table to the left and a representation of our findings to date in the matrix opposite.

While the research did not bring about any major surprises, it elicited debate and made us think more about why, how and when we might communicate more on these topics – internally and externally. Having completed the research in June 2023, our next task is to utilise this work to analyse further the potential impact of ESG risks and opportunities over the short, medium and long term, to review the metrics that we use and to consider how this work could shape the development of our overall sustainability framework and strategy.

Materiality matrix



Process overview

We outline the steps taken so far in our materiality exercise.

- Desktop audit
- Stakeholder identification
- Quantitative survey
- Qualitative interviews
- Findings report
- Ongoing work and next steps

More information about our process overview can be found in our Annual Report 2023

Environment

- A Responsible sourcing and traceability
- B Carbon footprint
- C Plastics and packaging
- D Energy use
- E Sustainability of product offering
- F Chemical safety
- G Waste management
- H Resource management
- I Climate change and decarbonisation
- J Water use
- K Biodiversity

Social

- L Customer engagement and satisfaction
- M Health, safety and wellbeing
- N Employee rights
- O Diversity, equity and inclusivity
- P Talent acquisition and development
- Q Employee engagement
- R Community engagement and investment

Governance

- S Product safety and quality
- T Financial performance
- U Data privacy and cyber security
- V Human rights and supply chain management
- W Business ethics
- X Corporate governance and risk management
- Y Industry engagement and public advocacy

Source: Buchanan Communications Ltd./Dunelm

Building sustainability into all that we do

Committed to our stakeholders

In this section

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Customers

We are committed to delivering value and joy to our customers – wherever and however they shop with us. This includes keeping our customers safe, engaging with them responsibly and, increasingly, offering them a wider choice of more sustainable products and services.

Customer 1st

We aim to deliver our purpose 'to help create the joy of truly feeing at home, now and for generations to come' by being *Customer 1st* and striving to improve our offer for our savvy home-lover customers. In FY23, the Board renewed our customer proposition, demonstrating our ongoing commitment to putting customers at the heart of our business. More information about our customer proposition, our business model and our strategy, can be found in the CEO's review on page 13 to 19 in our Annual Report 2023.

Value & choice

We will continue to offer customers relevant products with outstanding value and choice. Every customer has a different perception of what value means to them but we know our products must be practical, attractive, affordable and, increasingly, offer a sustainable reason to buy them.

Friendly & expert

Whether in store, at the end of a phone (or email) or making a delivery to a home, we train our colleagues to be friendly and helpful (and track how well our customers think they do). Our investment in technology and data gives them additional tools to advise on product choice and availability more efficiently.

Fast & convenient

We aim to provide an easy and seamless online and in-store customer shopping and delivery experience – personable, knowledgeable, efficient and glitch-free from start to finish. Information about our products and their attributes is transparent, including how to care for them and – if need be – how to return them effortlessly.

Good & circular

We are making it easier for our customers to make thoughtful choices by using more sustainable materials, by building circularity into our product design and by communicating these initiatives more clearly to our customers. This includes our commitment to treating our own colleagues and people in our supply chains fairly and with respect.

Customers continued

FY23 performance

Our key metric related to customers is net promoter score (NPS). In FY23, our overall score decreased by 0.9%pts (FY22: decrease of 4.2%pts). NPS was relatively stable during FY23. We saw similar or improved year-on-year scores in three of the four quarters, with service in the second quarter impacted by exceptional demand for our winter ranges.

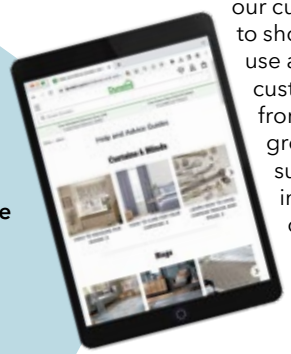
We also record the percentage of own brand products for which we offer an easy-to-use take-back service for our customers. This remained stable at 61% (FY22: 61%) and ahead of target.

Customer safety

We are responsible for making it as safe as possible for customers to shop with us – whether in store, in our Pausa cafes or online. In our 'Protecting our business' section on pages 38 to 40, we explain our approach to health and safety and food safety, how we respect data privacy for customers (and colleagues) and the measures we take to protect and improve the security of online payments made by our customers.

How to care for guides

We have a dedicated area on our customer website with advice on how to wash and care for curtains, bedding and towels as well as how to reduce food waste.
dunelm.com/info/help-and-advice-guides



Product safety and responsible marketing

We also have a responsibility to market and sell safe products. Our product safety standards are set out in our Quality Manual which is shared with our suppliers. These reflect the General Product Safety Regulations 2005, as set by the UK Government, other specific product-related legislation and our own requirements, for example on the use of sharp items in the manufacturing process to ensure that these do not end up in the finished product. If we decide to recall a product from sale as it does not meet our standards, we communicate this clearly in store and on our customer website dunelm.com. We get in touch with customers directly, where we have their contact details, and always provide a full refund. We have a policy on the use of price promotion claims to ensure that these are always made fairly and legally and we have specific guidelines on sustainability claims to ensure they are accurate and can be substantiated.

Customer engagement

We continue to build our capabilities in customer insight to inform our 'marketing eco-system' so that we can better serve our customers and give them more reasons to shop more frequently with us. We use a variety of methods to engage our customers and aim to do so responsibly – from feedback on our local Facebook group pages to regular customer surveys and our work with social media influencers. We also use this insight to create thriving communities in and around our stores (see pages 21 and 22).

More sustainable choices and communication

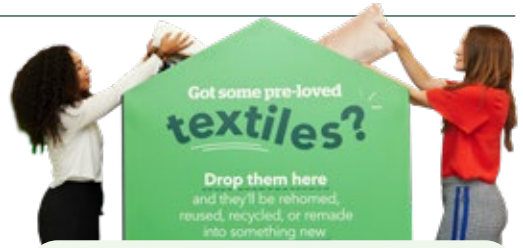
We raise awareness of our sustainability commitments with our customers in store and online and are expanding our 'good & circular' choices. In August 2022, we launched our Conscious Choice[1] range and we have now extended this to 15% of own brand products by SKU.

In FY23, we continued to expand our take-back options across key categories (see page 12) and are trialling ways to extend product life. For example, we increased our focus on sharing care and repair tips and life hacks with our customers on our customer website. We also continued to expand our crafting ranges (stencils, paints, knobs and handles) to encourage upcycling and, in our seasonal collection launch brochures, we feature examples of upcycled items alongside new products. We are currently investigating opportunities for new repair and rental services. (See also 'Product circularity' on pages 33 to 35).

FY24 focus

- Continue to widen the choice of sustainable products for our customers.
- Review and assess more 'good and circular' trials e.g. extend take-back and repair and rental services.

1 See box on page 3 for our Conscious Choice product criteria.



Textile take-back service

Our textile take-back service continues to be very popular with our customers. Following an initial trial in 18 stores in October 2021, we have rolled out the service to 172 stores and are now collecting an average of c.70 tonnes of textiles a month. Of the total textiles donated by our customers, around 70% is reused, and 30% is recycled. The total volume of textiles collected since our launch in October 2021 to FY23 year end is >1,120 tonnes.

We continue to review and refine our processes. We trialled and are now rolling out permanent metal collection containers to all stores and we have improved in-store signage and customer and internal communications. We aggregate textile collections at our depot in Stoke, where we have invested in a new baling machine to help optimise container fill and improve the efficiency and cost of onward distribution. This supports our aim to use even more recycled fibres from our textile take-back services in our product ranges.

Customers continued

Customer take-back services

We offer our customers take-back services across a range of product categories. This includes trial initiatives and services provided in conjunction with our partners. We currently have solutions for around 61% of our product categories by sales value (excluding trials) and are looking to extend our take-back service to other product areas.

Electrical items

Examples

All like-for-like electrical items purchased with us.

Approach

We work in partnership with the Recycle Your Electricals scheme, which we promote online, in store and via our Facebook community groups. Legal requirement as part of WEEE electricals recycling scheme.

Home decor and kitchenware

Examples

Trialling service for good quality, pre-loved items: cookware, dinnerware, glassware, tableware, bakeware and home decor.

Approach

Home to Home service, on trial in 22 stores, working with local community experts to repurpose items to people who need them most.

Home textiles

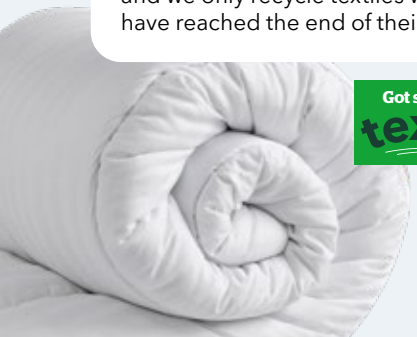
UNWANTED TEXTILES? WE'LL TAKE THEM!

Examples

Clean bed linen, duvets, pillows and bedding protection, throws and blankets, bath towels and mats, cushions and covers, fabric bathmats and shower curtains, tablecloths, runners and place mats, aprons, tea towels and curtains. In response to customer demand, we now take back clothing as an additional service.

Approach

Textile take-back services are available in 172 stores. All contributions are rehomed or recycled after a thorough inspection process. We aim to keep products in use for as long as possible, and we only recycle textiles when they have reached the end of their useful life.



Got some pre-loved textiles?

In partnership with British Heart Foundation

£275k raised for British Heart Foundation[1] in FY23 from take-back collections

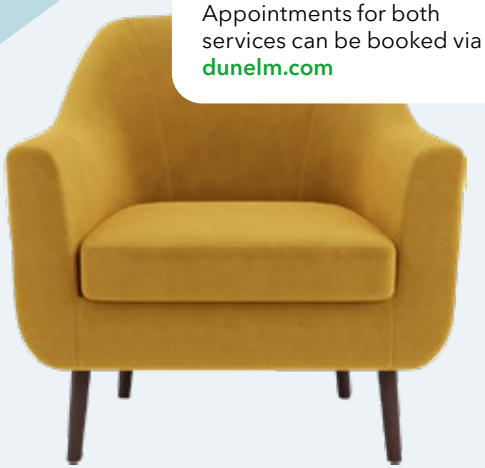
Furniture, beds and mattresses

Examples

Furniture, beds and unsoiled mattresses with fire safety labels.

Approach

British Heart Foundation collects good quality items free (by appointment). Clearabee will collect the above items in any condition for a fee (discounted with proof of Dunelm order). Appointments for both services can be booked via **dunelm.com**



Christmas decorations

Examples

Good quality, pre-loved items.

Approach

Redistributed to local homes for the elderly to bring them some Christmas cheer.

1 © British Heart Foundation. Logo reproduced with kind permission of the British Heart Foundation.

Colleagues

We are committed to making our colleagues feel welcome, engaged, safe and fairly rewarded wherever they work in our business and this commitment is underpinned by our people strategy (learning–thriving–belonging).

Our colleague focus

Learning

We aim to promote a culture of learning and development that supports business growth, while keeping our colleagues engaged and motivated.

Read more on page 13

Thriving

We apply pay principles based on reward that is 'fair, relevant and total' throughout the organisation. We also invest in additional colleague financial wellbeing support.

Read more on page 15

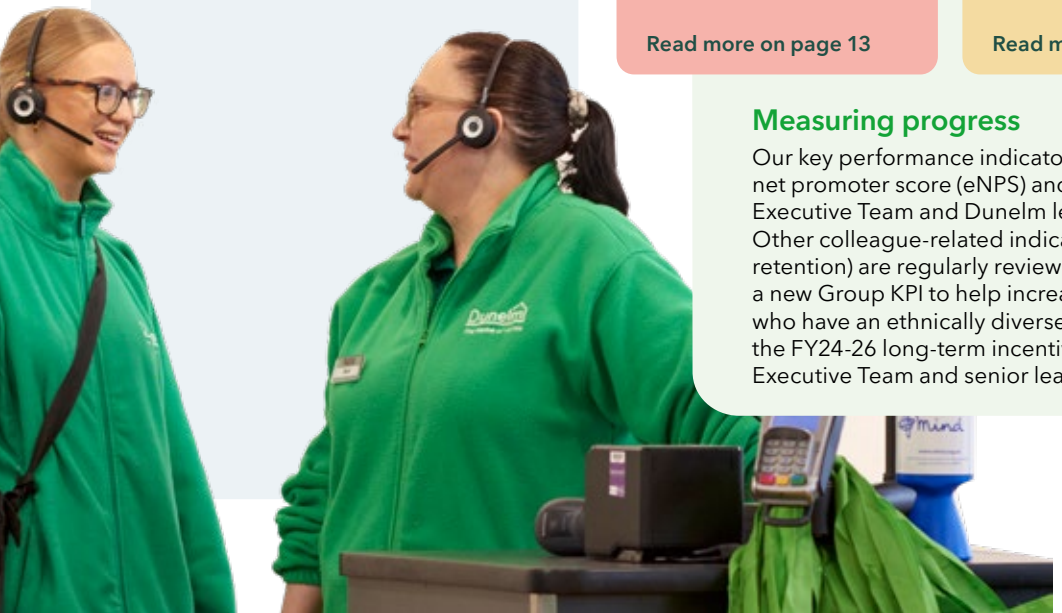
Belonging

We are committed to making our colleagues feel more connected to our business and shared values through improved engagement, health and wellbeing training and support, and a more strategic approach to diversity and inclusion.

Read more on page 17

Measuring progress

Our key performance indicator for all colleague activities is employee net promoter score (eNPS) and is considered within reviews of our Executive Team and Dunelm leadership team's personal objectives. Other colleague-related indicators (such as colleague turnover and retention) are regularly reviewed and discussed. In FY23, we introduced a new Group KPI to help increase the number of role-model leaders who have an ethnically diverse background. This is also included within the FY24-26 long-term incentive plan awards to be granted to our Executive Team and senior leadership.



Learning

Colleague learning and development

We launched our 'Know-Grow-Flow' campaign in FY22, starting with 'Know' to help untap hidden or unknown talent and aspirations in the business and to promote internal moves. In FY23, we focused on the 'Grow' element, creating a range of leadership programmes to upskill colleagues across the business and at different stages of their career development. These actions help widen our talent pool in a labour market that remains competitive. We also support talent 'Flow' (see page 14).

Monitoring success

We track three metrics internally as an indication of the success of our investment in learning and development: colleague engagement (see page 17), colleague retention and the percentage of home-grown talent (percentage of internal promotions). At the end of FY23, 70% of positions in the Dunelm Leadership Team and Heads of Department and 99% of store leadership vacancies had been filled internally.

87%

our colleague retention increased to 87% in FY23 (FY22: 82%)

Colleagues continued

Managing our talent pool

We support the 'Flow' of talent within the business to address skill gaps, engage colleagues and improve our succession planning. Since the creation of our Talent Committee in 2020, we have built more rhythm and routine into the processes. Our talent pool, for example, is reviewed formally twice a year (by colleague population and business area) at the Talent Forum, which comprises our people business partners. Results are shared with our Talent Committee (which includes members of the Executive Team). We continue to test and trial ways to give colleagues better visibility of all vacancies in the business – by involving them in projects that could help them develop new skills and trialling software tools that better map skills against roles that colleagues have shown an interest in pursuing.

9.1/10

average score (where 10 is extremely likely) in response to the question: "How likely are you to recommend the enterprise leadership development programme to colleagues?"

(Cohort 1, November 2022)

Early careers programmes

Our early careers programmes include graduate, apprenticeship, internship and placement opportunities. They have been developed to build leadership capabilities that support our long-term business growth aspirations by widening our talent pool. We continue to shape our programmes to make them more meaningful for our business.

Early careers programmes summary FY23

FY23	No. of colleagues
Graduates (total)	**10**
Functional	5
Business transformation	5
Apprenticeships (total)	**15**
Stores	9
Non-stores	6
Internships	**2**
Placements	**8**

No-CV recruitment

In FY22, we trialled 'no-CV' interviews in our Early Careers team, allowing hiring managers to focus on questions relating to our behavioural framework and shared values. This has now been rolled out successfully to all our Early Careers programmes. Additionally, in FY23 we introduced personality assessments in our apprenticeship recruitment process to further reduce any risk of bias during the interview process. This has been received very positively within the business, further supporting our commitment to making our recruitment as inclusive as possible.

Summary of Group-wide training opportunities FY23

Programmes	Focus	Description
Manager2Coach	All Store Coaches, rolling out to Deputy Store Coaches from September 2023.	Our store managers were renamed 'Store Coaches' to better reflect our shared values and culture. All Store Coaches are taking part in this programme to develop leadership capabilities and behaviours.
Enterprise leadership development programme	Potential Dunelm Leadership Team candidates.	Focused on our four core leadership capabilities, the programme consists of six full-day events over one year and aims to develop the skills needed to thrive in times of rapid change.
Inspire	Targets colleagues for potential head of department roles.	Launched in February 2023, this programme is weighted towards strategic leadership capabilities and helps develop our next layer of talent to take on head of department roles.
Development fund	Open to all colleagues on application. £424k worth of training drawn in FY23.	We set up this fund in August 2022 to support and promote a positive attitude to lifelong learning – not necessarily limited to skills needed for current or next jobs.
Developmental and mandatory training on Thrive	Open to all colleagues. 1.3 million views on Thrive in FY23.	Many of our online developmental workshops and training sessions are compiled and presented by in-house functional and technical experts, helping us to create content that is highly relevant to the business.

FY24 focus (Learning)

- Rolling out training programmes to promote a 'learning for life' mindset.
- Ongoing focus on apprenticeship opportunities.

Colleagues continued

Thriving

Pay and benefits

Our colleagues expect us to pay and incentivise them fairly. We apply pay principles based on giving reward that is 'fair, relevant and personalised' throughout the organisation from Board down, aiming for base pay to be competitive and set around median.

All colleagues are paid at least National Living Wage/Minimum Wage as set by the UK Government. We understand that the current environment is difficult for many of our colleagues. In FY23, we again implemented the annual pay review for our warehouse colleagues early, in October 2022, and for our other hourly-paid colleagues, we awarded a median increase of 9.6% in April 2023. For monthly-paid colleagues, the highest level of increases were awarded to colleagues on lower salaries and/or at more junior grades.

'Your benefits' hub

In FY23, we worked on a new 'your benefits' hub. This gives colleagues the opportunity to view all elements of their overall package (including benefits such as bonus, pension and death in service details) in one place on our *Home Comforts* intranet. By clearly communicating these elements, alongside salary information, colleagues can see the value of their 'personalised' reward.

Benefits include pension, colleague discount and a paid birthday day off. Via a third-party provider we offer access to a range of discounts, for example, on food, holiday, travel and insurance. All colleagues with minimum service (usually one month) are eligible to contribute to the annual Sharesave scheme, which allows shares to be bought after three years at a 20% discount to the share price at the start of the scheme.

Engaging on pay

We present pay gap metrics to the Board and these are used, together gender pay analysis feedback, to inform decisions during pay reviews. Through our National Colleague Voice (our employee engagement forum, see page 18), colleagues discuss fair reward and Board pay with Board members annually and their viewpoints are formally considered. More details can be found in our Annual Report 2023 on page 118.

Gender pay gap

We published our 2023 Gender Pay Gap Report in April 2023. This is available on our corporate website and a summary is provided in the tables below. The existence of our gender pay gap, which is a different measure to equal pay (see below), reflects the fact that c.70% of our colleagues are women, of whom c. 90% are in hourly-paid, predominantly store roles – a UK retail industry trend.

Whilst the gender balance of our Executive Team is 60:40 (60% women) we continue to focus on achieving diversity and gender balance across all levels of the organisation. We have worked, for example, with our gender equality colleague network (see page 20) to understand possible barriers and challenges to progression. This has led to us improving our parenthood offer as well as introducing new initiatives, such as support packages for different life events (for example, pregnancy loss and menopause).

Gender pay and bonus gap 2023

Median gender pay gap	4.3%
Mean gender pay gap	19.1%
Median gender bonus gap	0%
Mean gender bonus gap	64.2%
% men receiving bonus	59.1%
% women receiving bonus	59.3%

% women in each pay quartile

Top quartile	50.9%
Upper middle quartile	68.6%
Lower middle quartile	75.1%
Lower quartile	71.9%

Source: Dunelm Gender Pay Report 2023.

Gender identity

Gender pay regulations mean we must identify our colleagues as men and women. However we actively support our colleagues of all gender identities, working closely with our LGBTQ+ network to listen and learn and to uphold our commitment to being a truly inclusive business.

Gender pay equality

We are committed to 'equal pay for equal work' as mandated by UK legislation under the Equality Act 2010, which legally entitles men and women to be paid at the same rate for like work, work rated as equivalent, and work of equal value.

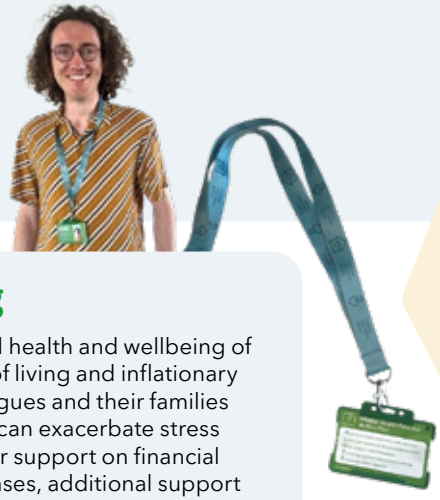
Ethnicity pay gap

We do not currently analyse pay data by ethnicity. However, this is something we will consider as we continue to build a more accurate profile of our colleague diversity; see page 50.

FY24 focus (Thriving)

- Focus on educating colleagues on importance of long-term thinking for pension schemes.
- Ongoing work with Gender Equality colleague network group to consider further initiatives to remove barriers for career progression.

Colleagues continued



Colleague wellbeing

Looking after the mental and financial health and wellbeing of our colleagues is a priority. The cost of living and inflationary price environment affect many colleagues and their families and we know that financial pressures can exacerbate stress and anxiety. In FY23, we increased our support on financial wellbeing with progressive pay increases, additional support funds and advice on a range of financial matters. We also continued to raise awareness of financial and mental health, investing in training and educating colleagues on how to access internal and external resources.

Mental health at work

In May 2023, we signed up to Mind's mental health at work commitment – a framework that we use to support and demonstrate our actions. We also hosted our first mental health forum, focusing on anxiety. This was chaired by a Dunelm Leadership Team member, and was the first in a series of 'Let's talk about…' topics, including bipolarity and belonging.

> **Let's talk about… mental and financial health**

Financial education, tips and discounts

We post monthly videos with financial tips on *Home Comforts* (our colleague intranet), with the cost of living post in January 2023 receiving 2,625 views. Through Retail Trust, colleagues can access tools to help them budget, remortgage and manage debt. We also partner with a third party that provides discounts with other retailers (including food retailers).

Colleague food fund

A stores-based initiative, with other sites offering subsidised meals or free teas and coffees depending on location.

Wellbeing buddies

In FY23, we linked up with Mental Health England to run a two-day mental health first aid training programme, covering anxiety, depression and suicide awareness and aiming to give our leaders the confidence to support our colleagues. We aim to have >450 wellbeing buddies (mental health first aiders) by the end of October 2023.

Domestic abuse support and awareness

Over 200 colleagues have been trained in domestic abuse support, including members of the Dunelm Leadership and People Teams. In January 2023, our Senior Belonging and Engagement Manager took part in a Retail Trust panel to discuss Dunelm's work in this area.

Colleague check-in

In FY23, all hourly-paid colleagues had two one-to-one wellbeing meetings to allow their line managers to understand financial concerns and direct colleagues to sources of support, if needed.

Early pay access and Salary Finance

Through third-party services, colleagues can draw pay before the end of the month, if needed, and access salary advances. In FY23, we removed the cost of this service.

Colleague Support Fund (CSF)

Our CSF supports colleagues financially with unexpected life events and hardship. Over 500 colleagues benefitted from the fund in FY23 with over £213k disbursed. Through this fund we can help colleagues with counselling sessions, irrespective of private insurance cover or pre-existing conditions, and support colleagues who are experiencing domestic abuse, for example, to buy a second mobile phone.

Employee Assistance Programme

Run by Retail Trust, services include a free 'virtual GP', legal advice, counselling and financial grants.

Colleagues continued

Belonging

Listening and learning

We continue to develop effective two-way colleague communication that is engaging and inclusive, with a culture of continuous feedback promoted by our leaders.

Colleague engagement

Listening and learning is one of our shared values and we undertake an annual colleague survey, followed by targeted pulse surveys, from which we derive an eNPS score. Although our year-on-year eNPS decreased by 5%pts in FY23, we recorded a participation rate of 82% (FY22: 78%), making it our most comprehensive survey to date and enabling us to take more targeted action.

From our survey in May 2023, two drivers of engagement were identified as key strengths for Dunelm: **growth** ("Working here, I feel that I'm growing my skills and experience") and **strategy** ("The overall business goals and strategies are taking Dunelm in the right direction"). For both areas, over 60% of all respondents scored a 9 or 10, making them 'promoters'. We know that these two elements are highly correlated with overall colleague engagement so, whilst action planning will be area-specific, relevant and personalised, we will also look to improve further these two experiences across the business.

Upgrading our colleague engagement platform

"Whilst our in-house colleague engagement process had been effective at providing useful insights at a strategic level, we knew that our one-size-fits-all approach meant we were missing out on the opportunity to flex engagement plans across different areas of our business."

"Having experienced high growth during and after the Covid-19 crisis and adapted working practices, we wondered if we were still asking the most relevant survey questions to help us take the best actions.

These considerations led us to look for an injection of energy into our process and to invest in a new platform to improve the quality of data and provide more targeted insights. We researched over 20 different companies and ended up selecting the Workday Peakon Employee Voice platform and the team behind it, who demonstrated a good 'fit', data science expertise, and the technical capability to scale up with us.

The new platform brings some great benefits, for example, to analyse results using many more criteria. The biggest difference, however, is that the user interface is 'two-way', meaning colleagues can post anonymous feedback during the survey and line managers can acknowledge comments and reply straight away or follow up later. As a business, we always recommend that colleagues discuss concerns with line managers personally. However, if a colleague prefers to remain anonymous throughout the two-way online conversation on our new platform, they can.

During the May 2023 engagement survey, we received over 58,000 comments from our colleagues – over four times higher than in the previous survey. Our line managers have been acknowledging and responding

to individual comments and feedback is that this insight is helping them already to shape their short- and longer-term action plans. By end of July 2023, for example, action plans based on the survey results had been created for all stores.

Through Workday Peakon's benchmarking database, we were able to confirm that Dunelm's participation rate of 82% sits in the top 10% of businesses they work with in the consumer retailing industry, and in the top 5% for responses from retail store operations. This gives us the confidence to use our data to deliver a better experience for our colleagues."

Vanisha Mistry
People Data and Analytics Manager, Colleague Experience

Colleagues continued

Colleague representation (Colleague Voice)

All colleagues are formally represented through our Local, Regional and National Colleague Voice structure which is summarised in the box opposite. This network has been operating in its current format since 2019 and we continue to evolve it to encourage colleagues to feel more confident in sharing views on behalf of their colleagues with senior leadership, including member of the Executive Team and Group Board. More information is available in the Annual Report 2023, including topics discussed at National Colleague Voice meetings (see pages 32, 71 and 118).

All colleagues, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively (as set out in our Colleague Code of Conduct, available on our corporate website). We have never received a request to enter into such a collective bargaining agreement.

	Local Colleague Voice (LCV)	Regional Colleague Voice (RCV)	National Colleague Voice (NCV)
Purpose	To represent opinions of store and site colleagues.	To represent collective colleague views of each region.	To represent collective colleague views from across the business and share at Group Board level.
Colleague representatives and meetings	Around 190 colleague representatives from stores, warehouses and other sites.	Typically, around 8 to 10 local representatives who attend monthly RCV meetings.	17 colleagues (elected at a regional level on a periodic basis) as follows: Stores (5), Customer Care Centre (2), Manufacturing centre (2), Home Delivery Network (1), Distribution centres (2), Support centres (5). Five NCV meetings held in FY23.
Engagement with Dunelm leadership	Each colleague representative works closely with their Store Coach or site manager.	Meetings run by regional Regional Coaches and People Partners.	Direct contact with: Non-Executive Directors (in particular, Marion Sears and William Reeve); Executive Team members (including Nick Wilkinson and Amanda Cox (People and Stores Director); and other members of the People Team, together with specific invitees depending on the topics being discussed.

More information is available on pages 32, 71 and 118 in the Annual Report 2023.

Colleague communications

In addition to our colleague engagement and NCV feedback channels, 'Nick's Note' (an email update from our CEO) is sent out every two weeks and colleagues are encouraged to feed back their views via our *Home Comforts* intranet where they can share how they feel and voice what is on their mind. Submitted questions are considered and answered by senior leadership and information is used to guide decision-making. We also have weekly/monthly colleague 'huddles' – typically led by our Store Coaches at every store and by departmental heads for other business areas.

Knowing our colleagues

We collect data and use it to inform decisions, priorities and engagement relating to our 11,000+ colleagues. More detailed colleague data by age, ethnicity and gender can be found on page 50.

Our employer value proposition (EVP)

Our new EVP allows us to talk more confidently and consistently about what it is like to work at Dunelm, making our recruitment process more effective. In FY23, we brought elements from our EVP work to life in our LinkedIn communications strategy, colleague imagery and our revamped careers website to motivate new joiners and colleagues alike to find their 'happy place' with us.

Colleagues continued

Diversity and inclusion (D&I)

Commitment to equality, diversity and inclusion

We want Dunelm to be an inclusive place for all. We aspire to achieve a colleague base reflective of society at all levels, providing opportunity for all, regardless of background, ethnicity, gender, sexual orientation, disability or age.

Strategic approach to D&I

We are starting to hone our D&I work and adopt a more strategic approach to make a greater impact in our business and for our colleagues. We are currently focusing on leadership opportunities for women and talent development for people from ethnic minorities. We also aim to capture better colleague data so we can measure and track the impact of our investments. This will be facilitated by our new employee engagement platform (see page 17). During the year we also updated several policies and manager guides (see below) and introduced initiatives, including those led by our growing colleague network groups (see page 20).

Diversity in Retail

We are one of over 100 retailers who have signed up to this organisation whose mission is 'to support companies across the retail industry to create diverse and inclusive environments and positively impact over one million employees globally by 2025'[1].

We were attracted in particular to Diversity in Retail's two education programmes – Women in leadership and Ethnic future talent – and have already nominated colleagues to attend the programmes. Each colleague has the opportunity to attend training sessions over six months with a cohort from different retailers and to receive 'reverse mentoring' from another retailer. Two Dunelm Executive Team members are involved in the reverse mentoring scheme.

We aim to select four colleagues a year (including two store colleagues) to take part in the Ethnic future talent programme. In addition, senior management colleagues represent Dunelm on four Diversity in Retail committees – accessibility, ethnicity and race, data and employee network – meeting every quarter to share best practice.

Policy additions and updates

During FY23, we updated our parenthood policies, standardising these across the business to 'wherever you work' and increasing our Maternity Policy by the equivalent of four months' extra pay. These changes combined represented an investment of around £65k. We also formalised our Menopause Policy (and signed up to the Menopause Workplace Pledge, see opposite), and are working on manager guides for gender identity and transition, and fertility support (proposing five days' paid leave for the latter).

Menopause Workplace Pledge

In March 2023, we signed up to the Menopause Workplace Pledge, committing to the creation of a supportive and understanding place for colleagues going through the menopause. This pledge followed the launch of our Menopause Policy in 2022 and our subsequent customer campaign that highlighted sleep-related issues. Our commitment extends to supporting affected colleagues and encouraging all colleagues to talk openly and respectfully about the menopause. We have 32 menopause buddies, trained to listen, offer a safe space and signpost colleagues to further help and support. All Dunelm Store Coaches have received dedicated menopause awareness training and e-learning modules are available to all colleagues. These include shared experiences to normalise talking about menopause in an open, supportive culture.

FY24 focus (Belonging)

- Acting on insights through new colleague engagement platform.
- Focus on ethnicity and gender leadership training through DiR.

1 Source: https://www.diversityinretail.com/home

Colleagues continued

Dunelm colleague networks

Our four colleague network were first set up in July 2021. Each network is sponsored by an Executive Team member. Co-chairs are voted in by other members and each network's vision, goals and other information, including a calendar of events and invitations to sign up, are updated on our *Home Comforts* intranet.

Our networks empower our colleagues who can see how they are making a difference to the business. Our colleague networks work together closely, recognising intersectionality and supporting each other to grow our overall colleague network membership. A summary of how our colleague network groups are influencing change is provided opposite.

Disability & neurodiversity

c.120 colleagues

Executive Team Sponsor
Faye Atkins, Director of Commercial and Supply Chain

Influencing change

- Customer quiet hours stores pilot extended to area trial
- Autism awareness events
- Trials of headsets and noise-cancelling headphones for colleagues with ADHD
- Business-approved tool for spelling and grammar, including more accessible fonts and training materials

"We were delighted to have doubled our member numbers. A big influence was the International Day of Persons with Disabilities panel talk we gave, alongside other events such as International Deaf Awareness and Cancer Survivors Day."

Luke Thompson, (he/him) Product Manager

LGBTQ+

c.65 colleagues

Executive Team Sponsor
Karen Witts, CFO

Influencing change

- Public-facing pride pin badges for colleague lanyards
- First live Q&A panel on 'The Power of Allyship'
- Parenthood Policy
- Official sponsor of Leicester's Pride event in September 2023

"Our vision is to be a safe space for LGBTQ+ colleagues and allies to connect and support one another. My observation is that Dunelm genuinely wants to help and not to do things that are tokenistic."

Ben Kear, (he/him) People Assistant

Ethnicity & race

c.70 colleagues

Executive Team Sponsor
John Gahagan, Chief Technology and Information Officer

Influencing change

- Optional phonetics on name badges and sign-offs #Not my name campaign
- Black History Month panel and guest speaker
- Celebrating and raising awareness of Diwali
- Published line manager guidance for Ramadan

"We focused on celebrations and awareness days, creating a calendar to make it easier to communicate upcoming events. We also attended external workshops, and brought knowledge back to the network."

Sara Rushton, (pronounced Sah-Ra) Supply Chain Leadership Graduate, Distribution Centre

Gender equality

c.85 colleagues

Executive Team Sponsor
Amanda Cox, Stores and People Director

Influencing change

- Menopause and parenthood policies
- International Men's Day panel on men's health and International Women's Day workshop
- Bi-monthly 'Spotlight on' sessions
- Free period products in office sites (being rolled out to stores)

"Our members poured time and passion into producing content for our International Women's and Men's Day activities. It highlighted how colleagues want to make positive change and the importance of allyship."

Daisy Baker, (she/her) Supply Chain Undergraduate
Chloe Fair, (she/her) Senior SEO Manager

Communities

We want to be known as the brand that puts community at the heart of its business to help people feel more at home, recognising the value of making meaningful connections to support thriving, purpose-driven communities in and around each of our stores and sites.

>1.1 m

Dunelm Community Facebook followers, allowing us to connect people in our communities to local causes and each other

Approach

We run a growing number of campaigns encouraging our customers to support their local communities and we are improving how we link up our resources and customer goodwill to increase our community impact.

FY23 performance

In FY23, Group and colleague fundraising and Group cash charity contributions amounted to £820k (FY22: £632k), up 29%.

We also monitor the number of people who follow our Community Facebook pages and in FY23, we had 1.1 million Facebook followers (FY22: >1 million).

c.62,000

gifts donated and distributed during our third Delivering Joy campaign

Delivering Joy campaign

We ran our third Delivering Joy campaign over the festive period in December 2022, achieving a threefold uplift in the number of donated gifts – from c.18, 000 in 2021 to c.62,000 in 2022. This UK-wide campaign helps people who may otherwise go without gifts or decorations over the festive period. Mindful of cost of living pressures, we gave customers the choice to donate brand-new items, good quality pre-loved decorations or home-made gifts. This helped to boost donations while supporting our efforts to rehome and repurpose pre-loved homewares items. Many hand-crafted items were made in our Knit & Stitch groups. We are already planning our fourth winter Delivering Joy campaign and investigating the use of digital donations to increase appeal and widen access.

Knit & Stitch Groups

Anyone can join our growing band of knitters and stitchers. We encourage new joiners by asking for donations of used balls of wool, so they can get going without incurring any cost. In March 2023, our 15 Knit & Stitch Groups joined forces with the charity Versus Arthritis, supporting their March Knitting challenge to raise money for people with arthritis and raising awareness of how knitting can be beneficial. Individual groups also make items for their local charities.

Pausa community hubs

We continued to promote our Pausa cafes as community hubs, opening them up free of charge to local groups who use them for activities from choir singing to games nights and Easter crafting. We also support small businesses in our stores and Pausa cafes. Between December 2022 and May 2023, 126 stores supported over 1,700 small businesses selling items such as pet portraits, winter wreaths, and decorative garlands. For businesses we charge a small fee which we donate to Mind.

SHOP SMALL SUPPORT LOCAL

Dunelm Community

Communities continued

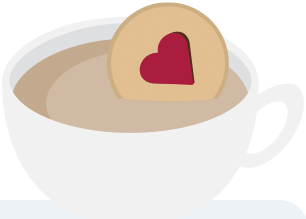
Pausa fundraising

Our Pausa cafes are one of the largest charity fundraising streams for Dunelm, raising money through a mix of donations and collections. In FY23, Pausa ran a series of seasonal campaigns. These included donating 5p to Mind for every hot drink sold, a 10p donation for hot drinks and jammy biscuits purchased during the 'Make Time for Tea' event and similar donations linked to coronation celebrations. We also encouraged customers to put small change in recycled jam jars on Pausa cafe tables (sometimes it is the simplest idea that works). In FY23, Pausa raised over £250k for Mind.

Group charity partner

We rotate our Group charity partner approximately every two years and our charity partners are shortlisted and voted on by colleagues. We have supported Mind partnership (comprising Mind in England and Wales, the Scottish Association for Mental Health (SAMH) in Scotland and Inspire in Northern Ireland) since 2021. In FY23, we raised over £700k for Mind and, since our partnership started, over £1 million.

In aid of Mind



Championing our cause

Our stores are split into ten regions and each region has appointed one Community Champion (two in some regions). This network facilitates the sharing of ideas and learnings and the cascade of information down to store level has proven to be highly motivating. We are trialling the use of dedicated hours for community work in some stores, as we appreciate that store workloads can peak at key times (e.g. sale) and are keen to maintain momentum. We will assess the impact of this approach on colleague motivation and performance.

We share our Community Leaderboard across our stores estate each month. This is a useful tool that tracks progress against our key initiatives and promotes friendly rivalry. Every colleague is able to take up one paid volunteering day each year. The number of volunteering days in FY23 was just slightly below the pre-lockdown level in FY19 and we continue to encourage a higher take-up by colleagues across the Group.

Airtasker

Following a successful trial with Airtasker in the Manchester area we are now increasing our collaboration. In FY23, we ran live events in store and shared information via Community Facebook to promote our involvement. Airtasker services are now active in 18 stores. The benefits are manifold: we can link customers to local people to get outstanding tasks and odd jobs done (including assembling Dunelm flat packs) as well as help people in our local store communities to become taskers and earn a little extra income.

Home to Home

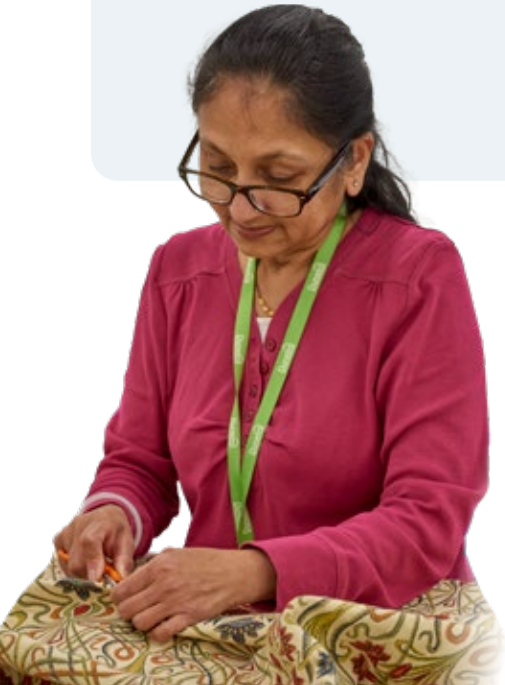
Currently available in 22 stores (as a preliminary trial), our Home to Home service allows customers to donate pre-loved and good quality homewares items, such as kitchenware, storage and home decorations. These are collated and redistributed via local charities to people who may be struggling to 'feel at home', for example, people living in temporary accommodation and refuges. We are currently working with Hubbub, an expert in environment, charity, redistribution and innovation, to help us expand our Home to Home service.

FY24 focus

- Review options to roll out the Home to Home scheme.
- Ongoing focus on growing community Facebook followers to support and promote local initiatives.

Suppliers

Supply chain transparency is the foundation of everything we do at Dunelm. Knowing where our products are made ensures that our quality, ethical and environmental standards can be monitored and continuously improved.



Responsible supply chains

Our approach

We consider the proof of high ethical standards – in particular human rights – to be the foundation of any commercial supplier relationship. We recognise that our collective ethical performance has a bearing on our brand and reputation, whilst also impacting financial performance, investor decisions and both our customers' and colleagues' expectations.

We require our suppliers to provide safe and legal working conditions for the people who work for them, and we do not accept any form of exploitation. We implement controls to identify and eradicate modern slavery and any other form of exploitation such as excessive working hours, child labour and poor safety standards, through compliance audit activity against our Ethical Code of Conduct for Suppliers and Partners (available on our corporate website). All Dunelm suppliers sign up to this code, which aligns to international labour standards and includes an enhanced section on modern day slavery. Ethical supply chain risks are a standing agenda item at our monthly Commercial Risk Forum, attended by Commercial Directors, and are central to our commercial decision-making. These are also discussed as appropriate at Risk and Resilience Committee meetings.

Scope and development

Our anti-slavery and ethical audit programme currently covers all Tier 1 own brand suppliers, all warehouses that hold stock of own brand product and selected Tier 2 sites. We use an independent third-party audit compliance expert, Verisio, to assess, grade and monitor the social and ethical performance of our supply chain against our Ethical Code of Conduct for both product and third-party service providers.

All Dunelm Tier 1 stock suppliers must provide an ethical audit report (less than two years old) and a valid building and fire safety report. The audits are logged against Dunelm's own stringent grading methodology and all new suppliers must be graded low- or medium-low risk before working with us. If any site is subsequently graded high-risk for two consecutive audit cycles they are required to have more frequent audits. We will always endeavour to work with a supplier in a responsible way to resolve issues before we stop placing orders. However, if action is not taken to address non-compliance within an acceptable time-frame we will formally implement our responsible disengagement strategy with suppliers, as we are not prepared to compromise supply chain integrity.

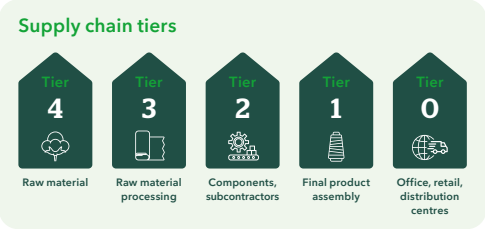
We have also broadened our anti-slavery ethical assessment programme for our non-stock suppliers, using desktop risk-based assessments for key service providers, such as logistics, cleaners and recruitment agencies.

Supply chain transparency

Our ethical, environmental, product quality and compliance standards go hand in hand. There is no 'either or'. We look for suppliers who align to our shared values, commit to our targets and can demonstrate supply chain transparency. This is fundamental to developing long-term supplier relationships and growing our businesses together.

Jeremy Mace
Head of Product Quality & Compliance

Suppliers continued



FY23 performance

In FY23, we reported an increase in the percentage of low- to medium-risk graded ethical audits of our Tier 1 supply base to 91% (FY22: 74%) against a target of 90%. 97% of audits were in date (FY22: 98%) against a target of 100%.

Audit focus

Our key product sourcing regions and Tier 1 stock supplier base are in China, India, Pakistan, Vietnam and the United Kingdom. In FY23, we concentrated our attention in particular on Tier 1 stock suppliers in China, as pandemic-related travel restrictions in FY21 and FY22 had resulted in reduced factory presence and visibility in this region. Using a risk-based methodology – in addition to our standard audit programme – we invested in a series of unannounced spot checks to assess standards against our Ethical Code of Conduct. We placed emphasis on the use of sub-contractors, having identified these as a potential high-risk area.

As a result of our unannounced audit initiative in China, we identified some evidence of sub-standard practices. We responded immediately and worked with the relevant suppliers concerned on a managed corrective action plan and carried out further checks on related supplier sites. This led us to disengage with a small number of manufacturing sites who fell below the required standard. In FY24, we aim to increase the number of in-person audits at our sourcing factories by c.20% to reinforce our supply chain visibility.

Tier 2 mapping process

We continued to increase our visibility of Tier 2 stock suppliers through our ongoing mapping process. This is a challenging exercise as we have over 2,000 Tier 2 sites, with many Tier 1 stock suppliers using multiple Tier 2 sites. At the end of FY23, we had mapped c.65% of our Tier 2 stock suppliers. Once completed, we aim to create a practical risk management framework to identify and grade suppliers based on industry, region, size and core components. This will improve our intelligence, prior to starting due diligence assessments of our Tier 2 stock suppliers to further align with our Tier 1 stock suppliers.

Internal protocols

In FY23, we tightened our protocol for non-compliance, introducing financial penalties and suspension of orders (pre-shipment) if improvements were not completed in time, with any monies received reinvested into our ethical auditing programme. Internally, any issues that have not been resolved satisfactorily within agreed timeframes are now logged via our commercial teams with our Risk and Resilience Committee and all new product development is immediately stopped until we receive proof of resolution.

Supplier engagement

We continue to raise awareness of the importance of anti-slavery and ethical practices and the key role that our stock and non-stock suppliers play in adopting these. In May 2023, we ran our annual ethical webinar over two sessions, engaging c. 200 stock suppliers and reinforcing two key messages: our ongoing focus on establishing proof of our supply chain transparency and the importance of suppliers having a regular physical presence in their factories.

We support our suppliers, encouraging direct engagement with our dedicated team and by giving access to shared resources, such as factory standards guidance and learnings and key checklists from recent audits. We also facilitate remote follow-up audits to accelerate the closure of non-compliance and the ability for suppliers to book their own spot checks with trained auditors.

Supplier whistleblowing

We have a whistleblowing phone and email helpline which is anonymous and run by an independent third party. We encourage colleagues to report any issues they may have, reinforcing that it is in everybody's interest to do so. We also promote this portal in our stock supplier factories. We aim to make this service more accessible by introducing a simple, multi-language reporting function. We recognise whistleblowing as an important part of our diligence process and continue to uncover and resolve supply chain issues based on concerns logged through this channel.

Modern day slavery training

As legally required, we update our Slavery and Human Trafficking Statement each year, and this is signed by our CEO and available on our corporate website. Modern day slavery e-learning modules are compulsory on induction and completed annually by all Dunelm colleagues working in our commercial teams, recruitment and people management. They are also a requirement for colleagues working in high-risk areas such as warehouses. Training attendance is tracked and our Ethical Manager refreshes content regularly.

Non-stock suppliers

We have a dedicated procurement function that engages with non-stock suppliers. Additionally, specialist Dunelm teams work with key service providers on specific sustainability projects, for example, packaging reduction with core packaging suppliers (see pages 30 and 31] and low-carbon infrastructure developments with third-party logistics suppliers (see page 32).

Supplier scorecards

Our ethical, environment and quality standards are inter-dependent and this information is recorded on our 'live' stock supplier scorecards. Our Commercial Team reviews master supplier scorecards every quarter, including the results of ethical factory audits, and uses these to inform commercial decision-making and supplier selection. In FY23, the number and frequency of suppliers engaging directly with our Ethical and Quality Managers to ask advice on how to improve scores increased. We consider this to be a positive step-change and welcome the increased direct supplier contact.

FY24 focus

- Increase scope of unannounced factory spot checks.
- Complete stock Tier 2 mapping and risk assessment, and develop due diligence assessments.
- Ongoing supplier engagement to encourage transparency and increase factory presence.

Suppliers continued

Better Manufacturing

We aim to source from responsible facilities and we are working with our largest suppliers initially to reduce carbon, water and waste.

Strategy and roadmap

In FY23, we stepped up our Better Manufacturing programme and created a roadmap to set out the key steps we need to take to reduce environmental impacts during the manufacturing process of our products (see graphic opposite). A key focus is on carbon reduction, as our latest modelling indicates that a significant proportion of our Scope 3 carbon emissions are generated during this production stage. The Better Manufacturing programme also allows us to mitigate wider environmental impacts associated with product manufacturing, such as waste, water and chemical use.

In FY23, we completed an initial assessment of manufacturing suppliers through our Better Manufacturing questionnaire, which was completed by c.80% of our Tier 1 suppliers. From the insights gathered we launched our first 'Introduction to net zero' supplier workshop which was attended by c.250 suppliers. During this workshop, we set out our targets and expectations of the standards that we require our suppliers to meet, and helped them to better understand the process for measuring and monitoring their performance. This covered, for example, how to define, calculate, track and report on Scope 1, 2 and 3 emissions and highlighted the importance of setting targets. We also encouraged our suppliers to develop their expertise and drive continuous improvement in their own supply chains in order to commit to, and achieve, net zero.

In time, we aim to use this approach for our Tier 2 suppliers (see page 24). Through our recent membership of the Sustainable Apparel Coalition (SAC), we can access the SAC's suite of Higg Index tools. These tools make it possible to measure and standardise our environmental and social impacts industry-wide. As a Candidate Member, we will look to use the Higg Index, which has been widely adopted by other retailers, to help reduce the survey burden for our suppliers and to further strengthen and drive collective industry transformation.

Sustainable Apparel Coalition

Better manufacturing supplier questionnaire topics

1. Supplier information
2. Environmental management
3. Energy management
4. Water management
5. Water waste management
6. Chemical management
7. Waste and recycling management

Roadmap to Better Manufacturing

Goal
Net zero

Target
Secure commitment from Tier 1 suppliers to be net zero by 2040.

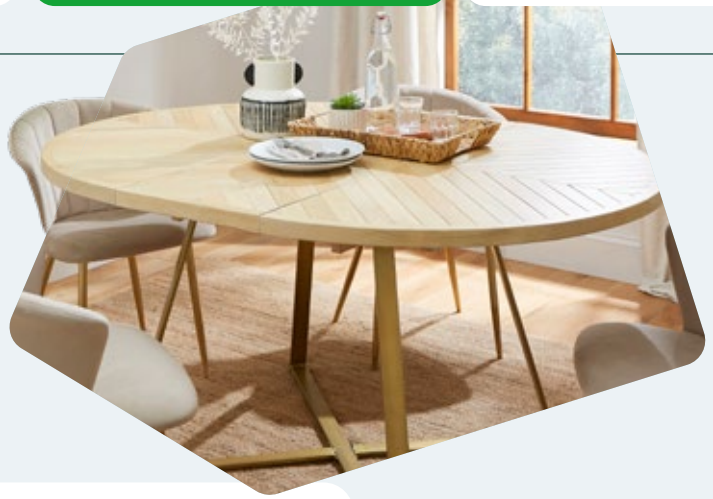
Measure
Monitor and benchmark suppliers (including via Higg Index tools).
Gather energy usage data from Tier 1 suppliers.

Act
Provide guidance, including 'Introduction to net zero' education sessions.
Create plans and share next steps.

> We are actively joining other industry organisations, think tanks and academic groups to help reduce the environmental impact of the textiles industry on the planet. We are proud to be part of the conversation and to share knowledge across the homewares and fashion industries.

Lisa Ly
Dunelm Senior Sustainability Manager

Suppliers continued



More responsible sourcing

We have high standards and policies in place to uphold our commitment to sourcing 'more responsibly' across our most material supply chains.

More Responsible Cotton

All suppliers of Dunelm own brand cotton products must meet minimum standards and commit to our higher standard by FY25 as set out in our Responsible Cotton Policy. As a minimum standard, cotton products are reviewed each season to ensure we are not sourcing from banned or high-risk regions (e.g. Xinjiang, China) where there are higher risks of slave labour or human rights violations. To meet our 'more responsibly sourced' standards, suppliers must, in addition, adhere to an industry-recognised cotton programme that promotes lower-impact and ethically sound cotton sourcing (e.g. Better Cotton, recycled and organic cotton). Our Responsible Cotton Policy is available on our corporate website.

Policy

FY23 focus and performance

Since joining Better Cotton in August 2022, our collaboration has led to an uplift in the number of our key suppliers procuring more responsibly sourced cotton. Better Cotton invests directly in continuous improvement at the farming level, and our involvement allows us to contribute indirectly to projects including empowering female entrepreneurs and improving children's education in key cotton growing regions, such as Pakistan. In FY23, 26% of our cotton adhered to our 'More Responsibly Sourced Cotton' standard as set out in our Responsible Cotton Policy. Due to this year being a transitional year, we expect this to increase significantly in FY24.

See page 46.

More Responsible Timber

All timber suppliers are required to provide full, transparent documentation to prove legal sourcing compliant with UKTR/EUTR regulations. Dunelm branded product suppliers must work towards the higher standard as set out in our Responsible Timber Policy. To meet the higher standard, suppliers must demonstrate that timber or paper sources come from a credible third-party certification scheme such as Forest Stewardship Council (FSC) or Programme for Endorsement of Forest Certification (PEFC). To demonstrate compliance, suppliers are required to provide information and supporting second- and third-party documentation for each material regarding: timber species, countries of harvest and manufacture, forest level and transport documents. Our Responsible Timber Policy is available on our corporate website.

Policy

FY23 focus and performance

We place high importance on improving information and traceability to better track progress against our responsible timber sourcing commitment, as data quality in some supply chain areas makes this challenging across the industry. To help counter this, in November 2022 we introduced process changes that oblige suppliers to prove regulatory compliance prior to shipping, as well as a tighter escalation process for non-timely submissions. We also created a new portal that makes it easier for suppliers to upload information and for our teams to view assessments. Alongside this we ran a targeted engagement campaign where we hosted webinars and held individual meetings with suppliers. These actions helped to improve our performance, with 19.9% of timber used in own brand products meeting our more responsibly sourced policy requirements in FY23 (FY22: 7.1%). In an effort to continuously improve, we will be reviewing and improving this reporting methodology and KPI next year.

See page 46.

Other sourcing policies

Information about our Responsible Animal Welfare Policy and food and drink standards is available on page 51.

Planet

We are committed to mitigating our environmental impacts in our operations and along supply chains to help protect our planet. We remain focused on the pressing issue of reducing our carbon emissions, while increasing our understanding of how to preserve nature and conserve water.

Carbon reduction

Our commitments

Our overarching goal is to reduce absolute greenhouse gas (GHG) emissions by 50% by 2030 against a FY19 baseline and to be net zero by 2040. We support the British Retail Consortium's Climate Action Roadmap and, as a partner, we have pledged to work towards Textiles 2030's targets. See page 35 for an update on our work with Textiles 2030.

FY23 measuring and methodology evolution

In FY23, we undertook a full review of our previous high-level FY19 baseline for our Scope 3 emissions and engaged an expert consultancy to support us with improving our measurement and reporting of greenhouse gas emissions. Our updated FY19 baseline is now fully compliant with the Greenhouse Gas Protocol. Our application for formal recognition of our targets by Science Based Targets initiative (SBTi) against our updated baseline was submitted for review in FY23 and we received confirmation of approval post year end. Given the iterative nature of data gathering and processes in this area, we will continue to refine, update and explain any changes in presented information.

During FY23, we continued to take action to reduce carbon emissions and our performance by Scope is summarised in the table below. For the first time, we reduced our absolute emissions in Scope 1, despite estate and business growth.

As a business, however, we manage our work practically using an improve, innovate and advocate approach. This enables us to communicate our actions more easily and authentically to colleagues and customers. In the roadmap and narrative that follow we cut across the Scopes, and report on progress by the key operational areas where we focus our resource.

Emissions tCO_2e summary

	FY19 (updated baseline)	FY23	FY23 total emissions %
Scope 1	7,059	**7,044**	**1%**
Scope 2 (market-based)	10,861	**27**	**0%**
Scope 3 (within target boundary)[1]	687,907	**893,918**	**99%**

1 Target boundary for Scope 3 excludes the indirect use of sold products.

See page 49 for a full breakdown of our Scope 3 emissions.

In FY23, we made significant progress in understanding how to measure and report our Scope 3 emissions. This included upskilling key colleagues through GHG protocol training, completing a full refresh of our FY19 baseline in line with this new learning and getting to grips with the data management journey we still need to undertake.

As part of our learning, we challenged ourselves to understand and set the most appropriate Scope 3 target boundary in line with both the GHG protocol and SBTi requirements. We concluded that emissions from the indirect use of products that we sell (e.g. how often customers wash their towels) should not fall within our target boundary. However, we have estimated and reported these (see page 49.

Nick Wilkinson
Chief Executive Officer

Planet continued

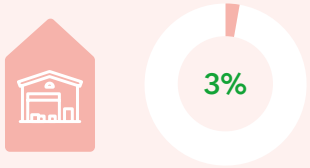
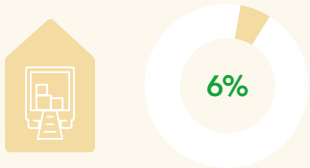
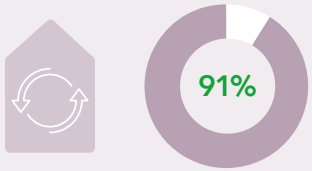
Carbon reduction roadmap

Our approach

We have a commitment to reduce our carbon emissions to net zero by 2040. To move towards this target we have adopted an **improve-innovate-advocate** approach. This helps us to focus on making improvements and being innovative where we can in our own operations, while linking up with other industry participants to accelerate change in other areas. Our work is iterative and we review and adapt our actions constantly as we learn more and as intelligence and technology at large develops.

We report FY23 carbon emissions as defined by the Greenhouse Gas Protocol in the TCFD section of our Annual Report 2023 on page 46. In our roadmap opposite we share in the pie charts a breakdown of our FY19 baseline carbon emissions by the most material areas of our operations.

FY19 — Our roadmap to Net Zero — 2040 — Goal Net Zero

FY19 carbon emissions (tCO_2e)	IMPROVE	INNOVATE	ADVOCATE
Stores and sites Focusing on being efficient in the stores and sites that we operate to save resources and cost. 	• Engaging colleagues to promote energy efficiency • Replacing gas-fired heating and refrigerants with lower carbon alternatives • Installing photovoltaic panels • Increasing recycling of waste	• Trialling lower-impact transit packaging • Reducing returns and damaged product through better packaging	• Advocating for greener grid via the Aldersgate Group and British Retail Consortium
Transport and distribution Working with logistics providers to trial new fuels and electric options where infrastructure allows and training drivers. 	• Electric-/hybrid-only company car options • Ongoing driver training to improve efficiency • E-commerce delivery efficiency programme	• Using bio-compressed natural gas (BIO-CNG) in home delivery network (HDN) fleet • Trialling first-to-market electric vehicles with logistic partners	• Advocating for low-emissions solutions via Sustainable Logistics Forum
Product circularity Moving from a linear to a circular mindset for product design, raw material sourcing, use-in-home, longevity and disposal. 	• Using lower-carbon raw materials • Embedding insights into design/ commercial decision-making • Using Sustainable Apparel Coalition's Higgs Index to monitor supplier performance • Extending Conscious Choice[1] range • Prolonging product life through product care, repair and upcycling tips	• Using lifecycle analysis and other tools to develop insights • Finding solutions to extend range of direct and indirect take-back services • Using recycled fibre from take-back service in Remade product ranges	• Working with Textiles 2030 on textile longevity innovations • Better Cotton member • Candidate member of Sustainable Apparel Coalition • TNFD forum member

1 See box on page 3 for our Conscious Choice product criteria.

Planet continued

Stores and sites

Focusing on being efficient in the stores and sites that we operate to save resources and cost.

In this section

- Gas, oil and refrigerant gases[1]
- Renewable energy[2]
- Operational waste
- Packaging (focus on transit packaging)

Scope and approach

Across our store estate and sites we have set decarbonisation plans and annualised internal targets to help us achieve our 2040 net zero target. In FY23, we added our Sunflex business (acquired May 2022) into our carbon reporting and tracking. As the majority of our stores and sites are leased, we engage with our landlords to help accelerate our plans where possible.

Gas, oil and refrigerant gases

We continue to replace gas-fired heating with electric heating run on purchased renewable energy. No gas installations are fitted in new stores and existing installations are removed during store refurbishments and refits. In FY23, 14 more stores moved to electric heating with a further two planned in FY24. We make existing gas-fired heating more efficient, prior to replacement, and we are reducing emissions from refrigeration gases by replacing them with lower emission gases. Overall, we reduced natural gas emissions in FY23 by 41.9% against our FY19 baseline (FY22: 29.8% reduction).

FY24 focus

- Continue to replace gas-fuelled heating.
- Ongoing industry advocacy work in grid renewable energy.
- Monitor results of Pausa 'too good to go' trial.

1 Scope 1.
2 Scope 2.

Renewable energy

Our indirect emissions are negligible under a market-based approach since we transitioned to Renewable Energy Guarantees of Origin (REGO) qualifying electricity sources for the majority of our sites in April 2019. We collaborate with the Aldersgate Group and other organisations to advocate to improve the availability of grid renewable energy.

Energy efficiency and saving

Through our Building Management System we manage and monitor our use of energy for lighting, heating and cooling. We engage colleagues across our business to accelerate energy saving. Regional store colleagues receive electricity and gas reports for their stores every month, which allow them to analyse consumption on a week-by-week basis.

We have installed photovoltaic (PV) panels at six of our freehold stores. We have plans to install panels in another 8 sites in FY24. Despite the expansion of our store portfolio, overall store electricity usage has decreased slightly since FY19 (0.1% decrease) with 99.7% of energy from renewable sources in FY23.

Operational waste

We aim to minimise generated waste, recycle where possible, and send to landfill sites as a last resort. In FY23, we reduced generated waste by 7.0% (see page 49), we recycled 80% of our operational waste (FY22: 79.8%) and we diverted 93.5% of waste from landfill (FY22: 96.2%). Our landfill performance was affected by operational issues as our waste partners commissioned a new waste-to-energy site (now fully operational). During FY23, we continued to educate and engage with colleagues and launched the second edition of our comprehensive Recycling Guide. Our in-store colleague recycling and waste champions continue to support progress against our waste management goals.

Reducing food waste

We run 152 Pausa cafes in stores and four Pausa restaurants for our colleagues. Our aim is for no food to be thrown away. We discount perishable items nearing end of life at key points during the day and continue to evaluate ways to share food with our local communities. In August 2023, we started a regional store trial with 'too good to go' – an app-based tool that allows people to collect food that may otherwise be discarded from their local Pausa cafes. Any food waste generated is recycled.

All Pausa cafes serving bean-to-cup coffee (currently 25) encourage customers to take coffee grounds home to use for compost. We will offer this customer service in all new store refits.

Planet continued

Packaging

Our approach

We cannot fully eliminate packaging – it serves to protect our products, colleagues and our customers. However, we are committed to analysing, evaluating and adopting 'better' packaging alternatives to help reduce our carbon footprint where it makes practical sense. There are inevitable trade-offs and industry challenges, such as the current shortage of recycled packaging. Our dedicated packaging team continues to review options, working closely with suppliers, packaging suppliers, waste management companies, the British Retail Consortium and compliance bodies.

> **We are constantly testing packaging, fixing issues, raising awareness, and training and coaching our colleagues and suppliers to optimise packaging and product protection.**

Gillian Cross
Technical Packaging Manager

FY23 performance

In FY23, we reported a 36.0% percentage decrease in the weight (g/£) of plastic used in own brand packaging versus our FY20 baseline[1]. We continue to pursue initiatives across our supply chain to use more recycled and recyclable content, with a focus on reducing virgin and single-use plastic.

Stretch film

In FY22, we trialled using thinner, pre-stretched film to wrap pallets and this virgin plastic film is now our new standard. In FY23, we evaluated using a film with 30% recycled content but were unhappy with the quality. We are currently working with a new supplier to review different sources, aiming to retrial film with recycled content in FY24.

Tape

We investigated replacing the plastic tape used for our e-commerce packaging with 100% paper tape. Unfortunately, the costs associated with machinery changes were prohibitive. However, through our research we found a more commercially-viable solution, and have now moved to a tape with 70% recycled content. We use over 7 million metres of tape each year and this step alone eliminated 12 tonnes of virgin plastic in FY23.

Bedding packaging

Following a successful trial last year, we have reduced the plastic content in packaging for all Dunelm-branded sheets, pillow cases, duvet covers and some curtains. This is being rolled out across the business and is expected to lower the volume of plastic used (by weight) by nearly 19%, with one of our main suppliers estimating an annual reduction of 35 tonnes of virgin plastic.

We have considered removing the plastic packaging for bedding products at our depots before delivering them to store. We concluded that the downsides (double-handling, poorer hygiene/product protection and in-store presentation and higher risk of damage) currently outweigh any potential plastic and carbon reduction.

Carrier bags

In FY23, we reviewed and rationalised our customer bag range to reduce plastic and promote reusability. We removed two single-use bags from our stores, replacing these with a reusable bag made from 90% recycled plastic and a new 'bag for life' made from recycled home appliances. Through our revised customer bag range we estimate this will remove 27 tonnes of plastic (of which 19 tonnes is virgin plastic).

Rug packaging

From July 2023, our largest rug supplier will supply rugs in plastic bags that have 100% recycled content, equating to a reduction of c.25 tonnes of virgin plastic on a rolling annual basis.

1 Basis of reporting for this metric is available at corporate.dunelm.com.

Revised customer bag range

90%
recycled plastic 'loop handle carrier bag'.
Launched May 2023

'bag for life'
made from recycled home appliances and launched in co-operation with Waste 2 Wear
Launched June 2023
Waste2Wear

c.27 tonnes
of plastic estimated to be removed through our revised customer bag range

Planet continued

Reducing damages and returns

We continue to target the use of more effective packaging to reduce damages and returns. In FY23, we started a significant project to reduce damages, stock loss and customer returns by analysing when, how and which products get damaged in transit and in store. To extend the life of more fragile products (for example, in our gallery and home décor categories) we have introduced higher-specification cardboard. Although in this instance, this increases the volume of packaging for specific items, this is more than offset by reducing the environmental impact of returning items to our warehouse and disposing of broken and unusable products. We have developed a strict R-A-G protocol that sets out approved materials and processes for any additional packaging to be used. If, for example, we need to reintroduce plastic materials to protect products, these must be recyclable.

Since October 2022, mandatory drop testing is carried out by our suppliers for breakable products, prior to shipping, to reduce damages and the unnecessary transit of damaged items at source. We are also working with one of our packaging suppliers to better understand the 'product journey' through our e-commerce systems and will use the results to fine-tune packaging regimes in FY24.

Our R-A-G protocol for additional packaging use

Red list (R)

Not to be used as cannot be recycled easily by customers at home

For example:
PVC; black plastic; any untraceable wood

Amber list (A)

Only to be used when green materials do not meet functional requirements. Controlled use only: up-front approval required from Technical Team

For example:
Silica gels; polyester fabric (if recycled only)

Green list (G)

Preferred as classed as recyclable within the UK

For example:
Firm plastics (only if transparent, containing at least 30% recycled content)

Update on UK plastic tax – one year on

We have now completed the first full year of quarterly plastic tax submissions. In FY23, >70% of plastics imported by Dunelm had >30% recycled content (and therefore were exempt from the plastic packaging tax). We are positive about the educational and standards-setting work we have undertaken with our import suppliers to increase the recycled content and reduce our costs.

Supplier engagement

We increased training for suppliers and colleagues to improve the quality of the data received for onward submission, including how and why we need documented evidence and certification. During the year we held webinars (recorded to facilitate on-demand access across different time zones) and created and sent out training videos. We continued to provide in-house training at our e-commerce sites and updated our packaging manual.

FY24 focus

- Ongoing data collection and refinement for UK plastic tax submissions (year two).
- Preparing first returns for the new extended producer responsibility, with data requirements starting in 2023.
- Continuing analysis of the role of optimal packaging to reduce damages and returns.

Pausa packaging

We have also worked to reduce plastic in our Pausa cafes. In FY23, we:

- Removed c.330k individual plastic wrappers from our fruited bread tea cake (one of our best sellers).
- Issued reusable cups to colleagues to reduce waste from disposable take-away cups.
- Worked with our coffee supplier to replace coffee bags with recyclable single-polymer packaging – a market first.
- Engaged with Pausa supplier network to align waste targets and to analyse further opportunities to minimise waste.

Planet continued

Transport and distribution

We look for carbon reduction and efficiency opportunities across all our logistics operations, whether run by Dunelm or our providers.

In this section

- Dunelm-operated fleets[1]
- Third-party logistics providers[2]

Own fleets

We operate Home Delivery (HDN), fitter van and company car fleets. Within our HDN fleet, c.40% of the emissions came from 44-tonne diesel HGV trunking vehicles that carry products to regional depots for onward distribution. In July 2023, we removed these diesel HGVs and introduced nine new tractor units that are fuelled on bio-compressed natural gas (BIO-CNG). Compared to fossil-fuel diesel, BIO-CNG carbon emissions are estimated to be c.85% lower.

We continue to train our HDN drivers, using data from telematics to promote best practice driving behaviours, fuel efficiency and safety. See also page 38. We also focus on optimising delivery routes and vehicle fill efficiency and continue to investigate opportunities to introduce CNG fuels in the rest of our vehicle fleets.

In FY23, we recorded a 22.5% reduction in CO_2e emissions per delivery by our HDN fleet, compared to our FY19 baseline (FY22: 21% versus FY19).

In FY23, we ran a three-month trial with an electric vehicle in our fitter fleet and we are using this data to assess operational feasibility, including charging and route planning.

Company cars

Since July 2021, our company car fleet options have been electric or hybrid only and we plan to phase out all other cars by FY25. We have 16 electric vehicle chargers at our support centre and other sites, with plans to add more at two sites in FY24.

1 Scope 1.
2 Scope 3.

Third-party logistics providers

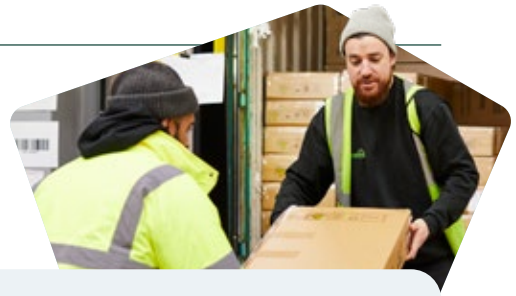
We continue to collaborate with our third-party logistics partners to support the development of low-carbon infrastructure and vehicles for our outsourced transportation and distribution. We advocate for lower-emissions logistics through the Sustainable Logistics Forum

We work with our shipping carriers to understand their commitment to developing more efficient ships and using low-carbon fuels in support of the industry's decarbonisation aims.

Finally, we continue to engage on best practice developments with our third-party parcel delivery partners, particularly at point of contract renewal when, for example, we ask for proof of investment in electric vehicles and their sustainability vision.

FY24 focus

- Ongoing trials of and investment in low-carbon HGV vehicles.
- Ongoing industry advocacy work to accelerate speed to market of low-emissions solutions.
- Review moving fitter van fleet to electric vehicles.



Reducing split deliveries

In FY23, we developed bespoke software and set up a system that automatically reduces unnecessary multiple deliveries. This benefits our customers by reducing the number of times they need to be at home to take receipt of deliveries and benefits our business by reducing fuel costs, packaging volumes and carbon emissions. We are rolling out this system across the whole business for all new products, starting with our latest seasonal launches.

EV tractor unit trial

We have been trialling a 44-tonne HGV tractor unit, powered by electricity with a 300-mile range. This is one of the first seven such vehicles available in the UK and we are working with our logistics partner, DHL, to evaluate the year-long trial. As UK infrastructure does not yet support HGV charging (due to a lack of chargers and/or lack of space for HGV charging in current forecourts), we have submitted plans and received landlord approval to install an EV HGV charger in our Stoke 2 warehouse.

Planet continued

Product circularity

Moving from a linear to a circular model for product design, raw material sourcing, product use, longevity and disposal.

In this section

- Raw material extraction and processing
- Product manufacturing
- Product use at home
- Product end of life

Scope and approach

The majority of our c.70,000 products are Dunelm-branded products and brands owned by Dunelm (Fogarty and Dorma, for example), and are designed either in house or exclusively for us. This high level of control allows us to develop more sustainable ranges, including in the choice of materials we use, how they are produced, and the increasing number of options for our products at end-of-life.

Upskilling and educating

Throughout FY23, we benefitted from our previous year's investment to expand our sustainability team. This has allowed us to dedicate resource to specific projects, advocate more at the industry level and to educate and support colleagues across the business. In particular, we have further embedded circular thinking in our product development processes at the commercial level. This means that product quality, environmental impacts, ethical standards and circular thinking are all considered formally in product development and launches.

Moving towards product circularity

Improving product design

Moving from a linear to a circular model involves changing mindsets and processes. We need to think more 'back-to-front'– considering the whole life cycle of a product from the outset and making quality, 'slow-fashion' products that last longer. In FY23, we designed and respecified products to meet our Conscious Choice[2] criteria and expanded 'the Edited Life' range which is designed purposefully to be durable and to outlast fashion trends.

UNWANTED TEXTILES? WE'LL TAKE THEM!

61%
of own label categories have take-back options available

c.15%
of own brand products in Conscious Choice[2] range

59%
recycled steel content in our new galley easy fit pendant light

the Edited life

25-year
guarantees for selected products in 'the Edited Life' range

Focus on
Better Manufacturing (see page 25)

1 Including take-back solutions to 'close the loop'.
2 See box on page 3 for our Conscious Choice product criteria.

Planet continued

Carbon budgeting tool

In FY23, we created an internal prototype carbon budgeting tool for our decorative accessories category. This category includes products that are often made from several materials (such as jute, metals, seagrass, resin, glass and ceramics) and which may require incremental adjustments across the range to improve overall carbon reductions. By inputting projected sales and the composition of product material, a carbon footprint is produced. This tool is helping our commercial teams to make sourcing decisions towards lower impact materials. We are also raising awareness of how small tweaks can make greater than expected impacts. We have identified a number of carbon-saving opportunities in this category, which we aim to launch in FY24 and plan to roll out across other non-textile categories.

We changed the base material of our popular see-hear-speak no evil monkey ornaments from resin to recycled aluminium to reduce their carbon footprint.

Sourcing lower-impact raw materials

Our latest modelling indicated that raw materials used in our products account for a significant proportion of our carbon footprint. We focus our efforts across both our textiles (towels, bedding, clothing etc.) and non-textiles 'hardlines' (products such as furniture and appliances) categories.

Textiles

We have committed to Textiles 2030's reduction targets for carbon, water and waste to help lower the impact that textiles have on the environment. In FY23, we continued to build our relationship with Textiles 2030 and collaborate cross-industry. A summary can be found on page 35.

Non-textiles (hardlines) raw materials

In FY23, we carried out top-line assessments of our non-textile materials by volume to establish the carbon impacts of each type across their life cycles. This formed the basis of our first internal hardlines sustainable materials guide which was issued in January 2023, in time for our development kick-off work for our Spring/Summer 24 product launches, complemented by in-person training for our commercial teams. We are now looking to make our analysis more specific to individual products and are working with an expert LCA consultancy, Dayrize, to analyse and index the environmental and social impact of a typical basket of Dunelm products which we can monitor over time.

Food and drink

We have identified that the majority of carbon emissions from our Pausa cafe operations are generated from our cow milk and coffee products. We continue to provide dairy-free milk alternatives for teas and coffees in our Pausa cafes, at no extra cost. We also always aim to offer at least one vegan and one vegetarian choice in our sandwich and wraps ranges. We now have 79 vegetarian or vegan products, including our vegan apple pie (one of our top five best-selling items). See also page 51.

Other areas

For non-stock purchases we work on a priority and risk basis. In FY23, we requested carbon data and reduction plans from our largest suppliers and our tender documentation includes specific questions on sustainability that form part of the contract award process. In our standard terms and conditions we require suppliers to commit to working with us to meet our sustainability targets and we consider the impacts of all large investments on our carbon reduction and sustainability plans.

Reducing impacts during manufacturing

A significant proportion of our carbon emissions come from the manufacturing of our products. A key project this year was the launch of our Better Manufacturing strategy and roadmap, which we report on in more detail on page 25.

Planet continued

Prolonging product life

Although we exclude the indirect use of sold products from our Scope 3 target boundary, we continue to focus on practical ways to improve our performance. We are, however, dependent on other factors to influence this positively, such as the UK's ambition to have a net zero electricity grid by 2035.

We share tips and life hacks on our customer website, for example, on how to repair products and to extend the life of textile products. We have expanded our paints and craft ranges and our choice of handles, knobs and knockers to encourage upcycling. We are working on projects to help keep products in use longer, including: standardised replacement components (e.g. chair legs) to make it easier for customers to update or repair products; extended guarantees across different price tiers and repair workshop trials.

Developing end-of-life solutions

In FY23, we trialled new customer 'take-back' services and our Home to Home initiative (see page 12 for the full range of services provided in conjunction with our partners, including Home to Home). We also launched our new Remade range, see page 11.

FY24 focus

- Ongoing analysis of lower-impact materials and increasing usage in new product development.
- Better Manufacturing programme supplier data collection.
- Ongoing internal education and upskilling on product circularity.

Textiles 2030

Textiles 2030 measurable targets

As a Textiles 2030 signatory (and now partner) we have signed up to the following:

Signatories will set individual targets, report on progress and collaborate to deliver group targets at national level, contributing to global priorities for the sector. Against a 2019 baseline, each signatory business placing products on the market will work towards the following targets by 2030:

- Reduce the aggregate greenhouse gas footprint of new products by 50%, sufficient to limit global warming to 1.5°C in line with the Paris Agreement on climate change and achieving Net Zero by 2050 at the latest.
- Reduce the aggregate water footprint of new products sold by 30%.

Source: https://wrap.org.uk/taking-action/textiles/initiatives/textiles-2030/the-signatory-commitment

Durability Research Project

We submitted Dunelm bedding and towels for textiles durability testing in a project run by Textiles 2030 and Leeds Institute of Textiles and Colour (LITAC). The aim of the durability research project is to expand the textile industry's understanding of physical and emotional durability. The results from the project will help to develop a world-first industry benchmark and testing protocol for durability, as well as industry-wide product-specific minimum durability standards.

Design for Recyclability Workshop

We also submitted two Dunelm products to test their recyclability at the first Design for Recyclability Workshop hosted by Textiles 2030, University of the Arts London (UAL) and the Circular Textiles Foundation. Apart from the zip of our sequinned cushion and the eyelets in our curtains, both products were able to be broken down completely by machine into recyclable fibres for re-use. We have shared these results internally with our Commercial and Category Directors to see how we could source alternative component parts to achieve full fibre-to-fibre recyclability in the future.

Planet continued

Nature

Nature frameworks and guidelines

We are members of the Taskforce on Nature-related Financial Disclosures (TNFD) forum (working group) and have been working with them to trial draft versions of the TNFD framework based on the recommended four-stage locate, evaluate, assess and prepare (LEAP) process. This is ahead of the framework's final release in September 2023.

By volume, our two most nature-intensive raw materials are cotton and timber. For both we have mapped likely sourcing locations, analysed our nature-related impacts and dependencies and made a baseline assessment of the 'state of nature'. We are using this preliminary work to assess the sourcing regions we should be targeting to preserve and protect longer-term business dependencies. To date, we are using a mix of publicly available intelligence, information obtained from our suppliers and assumptions, using datasets as recommended by TNFD. This is an iterative exercise; we shared early versions with TNFD throughout FY23 and are using their feedback to refine our approach.

Internally, we are using our insights to create a workable nature strategy and targets. In FY23, we also worked on establishing applicability for Science Based Targets initiative (SBTi) FLAG emissions (for forest, land and agricultural emissions) as part of our SBTi carbon targets application. We are gathering more granular data to establish if we are within scope and will progress this in FY24.

We continue to target nature-related impacts through our More Responsible Sourcing targets page 46.

> **I am applying the expertise developed through my PhD to the Dunelm business and sharing our learnings with the industry at large. It is rewarding to put ideas and theory into action and see them brought to life in our new product ranges and the business's long-term strategies.**

Max Rayner
Senior Sustainability Specialist, Sustainability team

Water

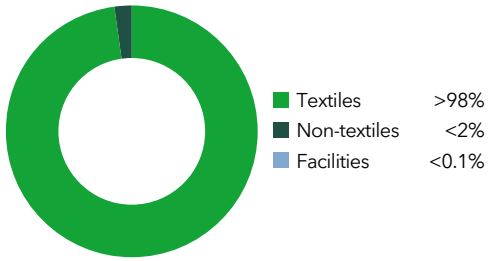
To improve our understanding of our environmental impacts beyond carbon, in FY23, we analysed water consumption in our own facilities and supply chains. Using lifecycle analysis software, Textiles 2030's footprinting tool and data from our facilities, we created our first total water consumption footprint for 2022. Over 98% of our water consumption is associated with our textiles products and this result supports our ongoing collaboration with Textiles 2030 (see page 35) to help us develop plans to reduce this. In FY23, we published a new Group commitment to reduce the aggregate water footprint of new products by 30% against a 2019 baseline, further aligning ourselves to Textiles 2030 industry target. In FY24, we will be progressing work on water reduction in our supply chain through the Higg Facility Environmental Module (FEM) data collection and our Better Manufacturing programme.

FY24 focus

- Continue engaging with the TNFD forum.
- Ongoing work to set our nature-related internal targets.
- Further develop and integrate actions into our sustainability strategy.

TNFD Forum Member

Water footprint 2022
Water consumption, %



Shareholders

We are committed to upholding our responsibility to present corporate information that is fair, balanced and understandable in a timely, transparent and unbiased manner to shareholders and potential investors.

Commitment

We help our shareholders and their representatives to have a good understanding of our business model, strategy, investment opportunities and culture, and we aim to be transparent and comply with shareholder governance requirements.

UK-listed company

Dunelm Group plc is headquartered in Leicester, United Kingdom, and has been listed on the London Stock Exchange since October 2006 (DNLM.L). At the end of FY23, it was a constituent of the FTSE 250 with a market capitalisation of approximately £2.3bn.

£1.1 bn

returned to shareholders through dividends over the last ten years

Corporate governance reporting

We have an ongoing commitment to best-in-class governance. In the Governance section of our Annual Report and Accounts 2023, we explain how we have applied the Principles of the UK Corporate Governance Code published in July 2018 (the 'Code'), which is available from the website of the Financial Reporting Council, www.frc.org.uk. The Board considers that it has complied in full with the Code during FY23.

Capital and Dividend Policy

Our focus on sustainable returns has led to progressive ordinary dividends and payment of special dividends (as appropriate). We have returned £1.1bn to shareholders through dividends over the last ten years. Key elements of our published capital and dividend policies include:

- Target average net debt of between 0.2x and 0.6x the last 12 months' EBITDA (post IFRS 16 basis).
- Ordinary dividend cover of between 1.75x and 2.25x earnings per share during the financial year to which the dividend relates.
- Return surplus cash if net debt consistently falls below the minimum target of 0.2x EBITDA.

Our Capital and Dividend Policy is available on our corporate website.

Board oversight of ESG

On page 42 we set out an overview of the Board governance structure, with additional information on page 41 about how we manage our operational sustainable activities.

How our Board engages on ESG

Increasingly, we disclose and discuss a wider range of non-financial matters with shareholders and analysts, with a significant focus on ESG. These discussions take place routinely through our results presentations, investor roadshows, our Annual General Meeting (AGM), and a range of other investor interactions through the year. Additionally, our Chair and Committee Chairs are available to shareholders and respond on matters relating to their responsibilities when requested. Our Board also regularly reviews investor roadshow feedback, AGM voting, shareholder comments and proxy reports.

Protecting our business

Consistent with our shared values and approach to governance, we are committed to acting legally, fairly, responsibly and honestly in all our business dealings and with our stakeholders.

Health and safety

Commitment

Our goal is to for colleagues, customers, contractors and visitors to stay safe – and this is a Group-wide focus. Our CEO has overall responsibility, supported by our health and safety (H&S) team who focus on developing competence, controls, communication and culture in this area. H&S is an agenda item at every Board meeting, complemented by a formal annual presentation. Monthly H&S audit reports, which include accidents, near misses and immediate and ongoing actions to remedy and improve processes, are shared with the Executive Team and at Risk and Resilience Committee meetings.

FY23 performance

In FY23, our number of reportable accidents under RIDDOR[1] was 18 (FY22:18).

FY23 focus areas

In October 2022, we updated our Health and Safety Policy which is set out in accordance with the Health and Safety Executive's[2] guidance HS(G) 65 'Managing for Health and Safety'. The policy documents the responsibilities of key individuals across each business area and includes contractor and visitor management. It is available on our corporate website. Policy

In May 2022, we acquired Sunflex. Throughout FY23, our H&S team focused on bringing Sunflex's H&S process and procedures in line with our standards and audit programme. This transition work included a risk review and the introduction of our training programme.

We continued to roll out racking bars in our double deep racking to reduce the risk of collapsed pallets causing personal injury and product wastage. Our ongoing focus to reduce forklift truck accidents led to us trialling artificial intelligence 'plug and play' technology that can slow down vehicles and trigger alarms automatically upon detection of human movements, or when moving into identified high-risk zones. We will install this technology across the whole Home Delivery Network distribution areas in FY24.

All Dunelm liveried vehicles are equipped with Lightfoot telematics technology. This helps to improve safe driving, by raising awareness of speed, braking, cornering and fuel efficiency. Depot managers review the data each week to inform training and communication. We also publish the top ten drivers every month to track and encourage improvement. Our current average driving performance score is 85%, up 5% on the previous year.

In line with UK Government focus on knife sales, we are moving towards removing all knives from displays and storing product at tills. We conduct age-restricted test purchases and recorded a rolling annual pass rate of 94.3% against an average industry pass rate of 90.7% (Source: ServeLegal Data).

H&S auditing

In FY23, we audited all sites (including all major refit projects) to monitor policy adherence and standards, using a mix of regular self-audits, additional regional store audits and full annual H&S audits. In FY23, our average audit performance was over 90%, with 11 retail stores attaining 100%.

H&S training

All new joiners undertake a mandatory H&S awareness training course on induction and colleagues can access H&S training updates via our online learning and development platform. Additional regular mandatory training is flexed by business function and based on risk assessments. Food safety, allergen and hygiene training is mandatory for all colleagues employed to work in our Pausa cafes.

Personal security

We continue to support the personal security of store colleagues to address aggressive verbal, and sometimes violent, public behaviour. For example, we operate a radio assistance system and issue body-worn cameras, with additional cameras for high-risk stores. Our focus on this area has increased during the course of FY23 and will continue to do so into FY24.

Food safety and labelling

All food sold has relevant legal allergen and calorific information that customers can access. In our Food Standards and Sourcing Manual we set out our food safety, hygiene and labelling requirements and further information on food handling and storage is provided in our Health and Safety Policy. In FY23, there were no reportable food safety incidents or public recalls (FY22: zero). See also page 51.

FY24 focus (health and safety)

- Install AED defibrillators in all stores over next three years.
- Roll out AI technology across HDN distribution centres.
- Launch 'Putting Safety First' safety campaign.

1 Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.
2 The Health and Safety Executive (HSE) is Britain's national regulator for workplace health and safety.

Protecting our business continued

Online safety and security

Commitment

Our customers, colleagues and all other individuals and businesses who engage with us trust Dunelm to keep their personal information safe, and to use it fairly and properly. We are committed to conducting our business in accordance with applicable data protection and privacy regulations, including the UK's Data Protection Act 2018. We also require all third parties with whom personal data may be shared to make this commitment.

Governance and oversight of information security is undertaken by our Tech Board, led by our Chief Information and Technology Officer, who is supported by our Head of Cyber Security. Responsibility for governance and oversight of data protection sits with our Group General Counsel and Company Secretary, who is our Data Protection Officer. She is supported by data protection and management specialists, as well as our legal team. Data protection and information security are standing agenda items at Risk and Resilience Committee meetings and Audit and Risk Committee meetings.

FY23 focus areas

IT, systems, data and cyber security remains a principal risk for the Group as set out in the 'Principal Risks and Uncertainties' section in our Annual Report 2023 and the potential impact has been deemed to have increased over the year. It was a key area of focus for Dunelm in FY23 and continues to be so into FY24.

Data protection

In October 2022, we published our updated Group Privacy and Data Protection Policy which is available to view on our corporate website. In this document, we set out the scope of our policy, key responsibilities, governance, data protection principles, compliance monitoring, location of external cookie and privacy notices and training requirements, among others. We also share the various measures we take to ensure the security of personal data, in line with relevant industry guidelines, including explaining to customers why and how we use their data, how we protect it,and their rights, including how to opt out of receiving marketing communication. We have a similar policy for our colleagues.

Policy

We have continued to develop our approach to monitoring, which includes assessing third parties engaged to handle customer or colleague data (as applicable) for good practices, and are committed to developing this further in the year ahead.

During FY23, we also commenced a review of our approach to retention across tech and non-tech systems, which has led to further discussions about the opportunity for greater efficiencies and streamlining of processes and also helped to embed accountability for the management of personal data even further within each business area.

Training

Mandatory training on induction (and annually thereafter) and awareness programmes on data protection and information security help keep colleagues informed. We see this as having three primary aims: (i) ensuring that colleagues continue to consider and assess the risks when undertaking new projects that involve, or could impact on, personal data, (ii) reducing the likelihood of an event occurring, and (iii) ensuring colleagues know what to do should an event occur. Further training and procedural guidance is available on Dunelm's online learning and development platform and on an ad hoc basis from the legal team.

Systems security, testing and resilience

Over the course of FY23, we have continued to invest and develop our roadmap for further investment in systems security.

We continue to carry out regular security testing of our systems, for example, formal penetration testing of high-risk assets at least once a year. Vulnerability assessments are carried out continuously, and in December 2022, we introduced a new vulnerability management tool that gives us increased capability to automatically patch systems.

We use cloud-based hosting infrastructure, which increases failover (back-up) options and improves resilience, and have comprehensive third-party support in place for relevant technologies. Disaster recovery plans are in place for all major systems and applications.

We actively monitor our threat environment and review our control measures to safeguard against increased threat of cyber attacks. In FY23, we made significant progress on decommissioning outdated applications, platforms, and infrastructure, which significantly reduces vulnerabilities. We have a security incident response process that is tested at least once each year, and a crisis management plan that would come into play in the event of any significant security breach.

Throughout FY23, we continued to conduct internal 'phishing' tests, and colleagues who failed were required to complete additional training. We have also made significant progress on our data leakage prevention strategy, tightening security across business devices, blocking non-approved platforms and implementing classification markers.

We have a third-party risk management framework in place for all new suppliers or suppliers undergoing contract renewal to assess the robustness of their security and data protection controls.

The security of payments made by customers online remains a priority. Point of sale end-to-end encryption is in place on our payment terminals and relevant software is updated continuously. We do not hold customer credit card data.

FY24 focus (online safety and security)

- Complete data retention review project.
- Undertake an independent review against ISO27001 controls.

Protecting our business continued

Business conduct

Codes of Conduct

We require our Board and all colleagues to comply with our Colleague Code of Conduct, which is primarily aimed at colleague behaviour, and our Code of Business Conduct, which is primarily aimed at the manner in which we conduct business. The principles set out in these Codes are embedded in our colleague terms and conditions, practices and shared values. A suite of policies sit beneath each of the Codes and complement legal requirements to which we are subject. These Codes can be found on our corporate website. Policy

'Speak up' programme

We encourage colleagues to raise concerns and every colleague should feel able to speak to their line manager in the first instance. We operate a policy of non-retaliation and colleagues will not be penalised, prejudiced nor otherwise incur reprisals for raising concerns in good faith. If a colleague or worker, however, wishes to report issues anonymously, they can do so via an independently-run reporting line which is available online or by telephone 24 hours a day, seven days a week. In FY23, 34 reports were received from colleagues (FY22: 44) and each was fully investigated as appropriate.

Training

Training is an important part of our overall learning and development programme. As well as keeping us 'legal' and safe, it improves our colleagues' understanding of their responsibilities and expected behaviours.

Examples of mandatory training modules that apply to all colleagues are: Equality & Diversity, Health & Safety, Data Protection and Cyber Security. We also have a series of additional mandatory training modules for colleagues in specific business areas, which may be provided face-to-face and tailored as appropriate. For example, our Environmental Claims training module is compulsory for commercial, marketing, social and editorial colleagues and our more in-depth Anti-corruption and Anti-bribery training is provided to colleagues in our commercial and procurement teams. Further ad hoc training is provided as needed or requested.

Mandatory training must be completed on joining Dunelm and annually thereafter. The Risk and Resilience Committee reviews completion figures.

Anti-corruption, anti-bribery and anti-tax evasion

We have a zero-tolerance approach to bribery, corruption, fraud and tax evasion. We apply our policies on these matters across all our operations and require our suppliers to commit to apply the same or equivalent policies. Business risks associated with non-compliance, together with our detailed procedures to comply with the Bribery Act 2010, are set out in our Anti-corruption and Anti-bribery Policy, available on our corporate website. Policy

Any instances of actual or suspected non-compliance with the policy are reported to the Risk and Resilience Committee and the Audit and Risk Committee.

To manage tax risk, we hold bi-annual tax risk reviews (conducted by our Tax Manager and Group Finance Director) with the key tax owners within the business, for example payroll and supply chain.

In FY23, we refreshed our fraud risk assessment and our fraud management working group continues to monitor applicable metrics and report on them on a monthly basis.

Responsible tax payments

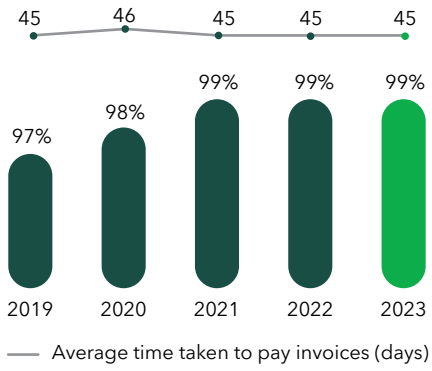
Dunelm is committed to full compliance with all statutory obligations and full disclosure to tax authorities. In FY23, our total tax contributions were £259.2m (FY22: £246.0m), as outlined in the table below. The Group's tax affairs are managed in a way that is consistent with the Group's commitment to high standards of governance and our shared values. The Board has established a set of principles that form the basis of the management philosophy and the tax policy of the Group. These principles can be found in full in our Group Tax Strategy which is published on our corporate website and reviewed each year. Our Group Tax Strategy sets out one shared vision within the Group of tax compliance and one view of performance. Policy

Tax contributions	FY23 £m	FY22 £m
Net VAT collected	**164.7**	163.3
Payroll taxes including National Insurance[1]	**56.2**	47.5
Corporation tax	**38.2**	35.2
Plastic packaging tax	**0.1**	–
Total tax contributions	**259.2**	246.0

Responsible supplier payments

We aim to deal with our suppliers in an open and honest way and require all our suppliers to sign our standard terms and conditions in advance of commencing trade, or otherwise enter into a bespoke agreement. Our twice-yearly payment information remains in the public domain and is summarised below. The average time taken to pay suppliers in the period was 45 days (FY22: 45 days), and we consistently paid 99% of our invoices within agreed terms (FY22: 99%).

Supplier payment statistics
Invoices paid within agreed terms, %



FY24 focus (business conduct)

- Review corporate criminal offence risk assessment and monitoring process.
- Review anti-bribery risk assessment and reporting procedures.

1 All Dunelm colleagues are based in the United Kingdom, except for 50 colleagues who work in our store in Jersey. Payroll taxes for FY22 have been restated.

Sustainability governance

As sustainability becomes increasingly central to our commercial operations we are evolving 'business as usual' protocols to support the governance of our non-financial performance.

Group Board oversight

Our Group Board receives a formal update from the Sustainability Team twice a year and from our People Team twice a year. Our Group General Counsel and Company Secretary updates the Group Board on legal and compliance matters, as appropriate, at every Board meeting, and also provides regulatory horizon-scanning updates. Many non-financial matters are also standing agenda items, such as health and safety and cyber security.

Principal risks and risk management

In our Annual Report 2023 on pages 48 to 54 we explain how our Board as a whole takes responsibility for the management of principal and emerging risks throughout the Group. We have a formal process for identifying, assessing, and reviewing risks. Our principal risks include matters related to sustainability.

Executive Team oversight

Our sustainability-linked working and steering groups meet regularly – for example, our Pathway to Zero steering group, chaired by our CEO, meets at least six times a year. Members of our Executive Team and other senior managers sit on the working groups and/or receive reports after each meeting.

As sustainability considerations become increasingly central to our commercial operations, we are developing 'business as usual' protocols within our strategy and financial planning teams. For example, we are looking to review our sustainability metrics and our ESG strategy on a quarterly basis during our Executive Team performance meetings. This will ensure that responsibility for our over-arching ESG strategy is shared by the Executive Team as a whole and will also ensure the right level of ongoing focus on (and debate about) our existing and emerging ESG-related risks and opportunities.

We continue to refine our operational processes and our reporting of non-financial information to ensure that our metrics and targets are understood across the business and externally, and that our progress against them is tracked in a robust and auditable manner.

Third-party assurance

Ernst & Young LLP provided limited assurance of four ESG metrics in relation to our Revolving Credit Facility, see page 54.

Our principal risks by key stakeholder groups

We list our principal risks in our Annual Report 2023. Below, we summarise how these map to our key stakeholder groups.

- **Customers**
  - Customer offer
  - Product reputation and trust
  - IT systems, data and cyber security
  - Business change
  - Regulatory and compliance
  - Supply chain resilience
  - Climate change and environment
- **Colleagues**
  - People and culture
  - IT systems, data and cyber security
  - Business change
  - Regulatory and compliance
  - Supply chain resilience
  - Climate change and environment
  - Finance and treasury
- **Communities**
  - Customer offer
- **Suppliers**
  - Customer offer
  - Product reputation and trust
  - Business change
  - Regulatory and compliance
  - Supply chain resilience
  - Climate change and environment
- **Planet**
  - Product reputation and trust
  - Regulatory and compliance
  - Climate change and environment
- **Shareholders**
  - Customer offer
  - People and culture
  - IT systems, data and cyber security
  - Business change
  - Supply chain resilience
  - Regulatory and compliance
  - Climate change and environment
  - Finance and treasury

Read more on pages 50 to 54 in our Annual Report 2023

Sustainability governance continued

How our sustainability work feeds into our overall governance framework

Group Board

Receives formal updates on sustainability at least twice a year. Some matters are standing agenda items, e.g. H&S, cyber security, colleague metrics,and governance items.

Board Committees

- Audit and Risk Committee
- Remuneration Committee
- Nominations Committee

Operational Committees

Chief Executive Officer

Executive Team
Review of sustainability metrics and initiatives at quarterly Performance Executive Team meetings from FY24

- Pathway to Zero Steering Group
- Risk and Resilience Committee
- Talent Committee

Our Operational Committees are supported by working groups that are led by members of the Executive Team and other senior managers

Key stakeholders and areas of focus

Customers
- Customer proposition
- Customer engagement and communication
- Take-back services

Colleagues
- Learning (learning and development, early careers programmes)
- Thriving (remuneration, wellbeing)
- Belonging (diversity and inclusion, engagement)

Communities
- Community engagement
- Local and national charity support and initiatives

Suppliers
- Ethical auditing
- Supplier engagement and education
- 'More responsible' sourcing
- Better manufacturing

Planet
- Carbon reduction
- Stores and sites (including operational waste and packaging)
- Transport and distribution
- Product circularity

Shareholders
- Dividends and capital allocation
- Board engagement on ESG

Protecting our business

Steering groups focused on higher-risk areas, such as health and safety, ethics and modern day slavery, food safety and data protection, bring together our subject matter experts with colleagues in operational roles. In addition, our Tech Board provides governance and oversight of all technology projects, including those relating to sustainability.

Building sustainability into all that we do

Tracking our performance

In this section

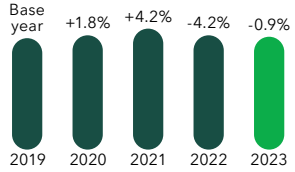
Our sustainability performance 44
Advocacy 52
ESG ratings and benchmarks 53
Independent assurance report 54

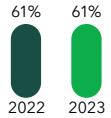
Our sustainability performance

Key: LTIP Remuneration metric used for long-term incentive plan | New Metric published for first time | Policy Available on our corporate website

Customers

Metric	Base year	Target	FY22 performance	FY23 performance	Performance
Net promoter score (NPS)	Annual	Year-on-year increase %pts	(4.2)%pts	(0.9)%pts	
	Why this measure is important: The NPS metric is a common business tool that measures how likely people would (or would not) be to recommend a product, service or company. At Dunelm we use this to measure how our customers rate their full experience with us.				
	Scope: We measure customer NPS across the different channels that our customers shop with us and the metric above is a weighted average.				
% of own brand products for which we offer an easy-to-use take-back service LTIP	Annual	50% by FY24	61%	61%	
	Why this measure is important: This measures supports our commitment to move towards a circular economy and to reduce our impact on the planet, our supply chain and local communities.				
	Scope: This metric covers own brand products sold in our stores. Further details are available in our basis of reporting document available online.				





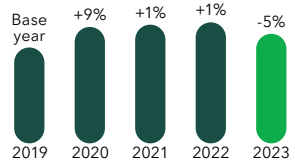
FY23 information

All financial and non-financial information in these performance tables relates to the 52 week period ended 1 July 2023. Please note that FY22 was a 53 week period and all comparatives for FY22 are reported on a 53 week basis.

Our sustainability performance continued

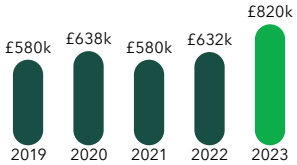
Colleagues

Metric	Base year	Target	FY22 performance	FY23 performance	Performance
Employee net promoter score (eNPS)	Annual	Year-on-year increase %pts	1%pt	(5)%pts	
	Why this measure is important: This measure rates our colleagues' experience with us. We collect information via our colleague engagement survey to help us understand where we need to improve.				
	Scope: We compare results from the May survey each year. However, due to Covid the May 2020 survey was postponed, and in FY20 we compared the November 2019 and November 2018 surveys, and in FY21 we compared the May 2021 and November 2019 surveys.				
% of role-model leaders from an ethnically diverse background New LTIP	Annual	8% by FY26	N/A	3.8%	
	Why this measure is important: At Dunelm we strive to be an inclusive organisation. We believe that having a colleague base that is representative of wider society will ultimately lead to a better proposition for our customers.				
	Scope: Our role-model leaders are defined as 'Heads of' and above and include our Regional and Store Coaches. We currently have nearly 300 of these roles across the organisation and we measure the proportion of these colleagues that come from ethnically diverse backgrounds.				
Policy	**Related policies:** Colleague Code of Conduct, Equality and Diversity Policy				



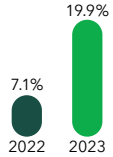
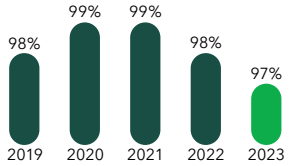
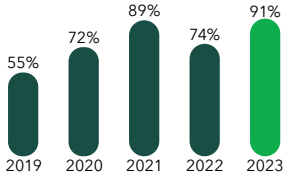
Communities

Metric	Base year	Target	FY22 performance	FY23 performance	Historical performance
Group and colleague fundraising and Group cash charity contributions	Annual	Year-on-year increase	£632k	£820k	
	Why this measure is important: This measure recognises the efforts and various initiatives made by our colleagues across the business.				
	Scope: This measures covers monies raised by colleagues in our stores and sites and any additional Group cash contributions that are made at the Executive Team's discretion.				
Policy	**Related policies:** Anti-Corruption and Anti-Bribery Policy				



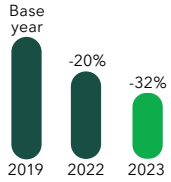
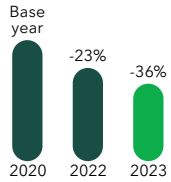
Our sustainability performance continued

Suppliers

Metric	Base year	Target	FY22 performance	FY23 performance	Performance
'More Responsibly Sourced Cotton' in own brand range LTIP	–	80% by FY24 and 100% by FY25	N/A	26%	
	Why this measure is important: There are both ethical and environmental considerations associated with cotton production, which our 'More Responsibly Sourced Cotton' standard addresses.				
	Scope: In FY23, we became Better Cotton members and moved to their verification for our Spring/Summer 2023 products. As Autumn/Winter 2022 was a transition season, these sales were excluded. This approach is for FY23 only. Further details are available in our basis of reporting document available online.				
'More Responsibly Sourced Timber' in own brand range	–	50% by FY25	7.1%	19.9%	
	Why this measure is important: This measure is important to us as there are both ethical and environmental considerations associated with timber logging, which our 'More Responsibly Sourced Timber' standard addresses.				
	Scope: This measures covers own brand products that contain timber.				
% of Tier 1 factory base with audits not more than two years old	–	100%	98%	97%	
	Why this measure is important: Requiring our Tier 1 factory base to have audits in this timeframe is a key control to ensure that our suppliers are providing safe and legal working conditions for the people who work for them.				
	Scope: All Tier 1 factories that supply Dunelm own brand products.				
% of low- or medium-risk audits	–	90%	74%	91%	
	Why this measure is important: Measuring the percentage of our Tier 1 factory base with low- to medium-risk graded audits is a key control to ensure that our suppliers are providing safe and legal working conditions for the people who work for them.				
	Scope: All Tier 1 factories that supply Dunelm own brand products, including all new suppliers prior to onboarding.				
Policy	**Related policies:** Responsible Cotton Policy, Responsible Timber Policy, Ethical Code of Conduct for Suppliers and Partners, Modern Slavery Policy				

Our sustainability performance continued

Planet

Metric	Base year	Target	FY22 performance	FY23 performance	Performance
Scope 1 CO_2e/£ Group revenue LTIP	FY19	24% reduction by FY24	20% reduction	32% reduction	
	Why this measure is important: This measure helps us to understand how successful we are in reducing our impact on the environment and achieving our long-term carbon reduction targets.				
	Scope/definition: This metric is for Scope 1 emissions only, and is calculated as absolute Scope 1 emissions divided by Group revenue. Further details are available in our basis of reporting document available online.				
Scope 1 CO_2e	FY19	50% reduction by 2030	13.4% increase	0.2% reduction	
Scope 3 CO_2e	FY19	50% reduction by 2030	Not reported in line with GHG protocol	30% increase	
	Scope: More detail about the Group's greenhouse gas emissions and definitions can be found on page 49.				
Virgin plastic packaging used for own brand products by weight/£ sales LTIP	FY20	24% reduction by FY24	23% reduction	36% reduction	
	Why this measure is important: This measure helps us to understand how successful we are in reducing our impact on the planet by reducing the amount of virgin plastic in our packaging.				
	Scope: This metric includes all plastic product packaging for own brand products (primary packaging) plus sales packaging (in-store carrier bags and web delivery packaging). Plastic that has a recycled content greater than 30% is classed as a removal of plastic. Further details are available in our basis of reporting document available online.				
Aggregate water footprint of new products New	2019 calendar year	30% reduction	N/A	N/A	
	Why this measure is important: The majority of our water footprint is from our textiles products. We have signed up to this commitment as a member of Textiles 2030 (see also page 35).				
	Scope: This metric includes own brand products containing textiles, that are within key textile categories.				
Policy	**Related policies:** Environmental Policy, Plastics and Packaging Policy				

Our sustainability performance continued

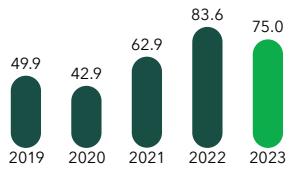
Shareholders

Metric	Base year	Target	FY22 performance	FY23 performance
Diluted earnings per share LTIP	–	Year-on-year increase	83.6 pence	75.0 pence

Why this measure is important: Earnings per share is a key measure for shareholders and one of the performance criteria for senior management remuneration.

Scope: FY22 included a 53rd week for statutory reporting purposes. On a comparative 52-week basis the FY22 EPS was 82.1 pence.

Performance



Policy

Related policies: Code of Business Conduct

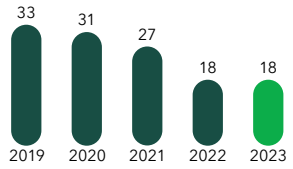
Protecting our business

Metric	Base year	Target	FY22 performance	FY23 performance
Reportable accidents under RIDDOR[1]	Annual	Year-on-year decrease	18	18

Why this measure is important: This measures our commitment to keeping our colleagues and customers safe in our day-to-day operations.

Scope: This metric covers all stores and sites and our home delivery network and made to measure operations.

Performance



Policy

Related policies: Code of Business Conduct

For further information on our long-term incentive plans, see Remuneration report in our Annual Report 2023. All policies are available on corporate.dunelm.com

1 Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.

Our sustainability performance continued

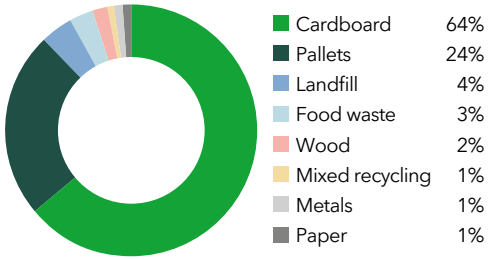
GHG table (tCO_2e)

	FY19 (updated) Emissions (tCO_2e)	FY20 Emissions (tCO_2e)	FY21 Emissions (tCO_2e)	FY22 Emissions (tCO_2e)	FY23 Emissions (tCO_2e)
Scope 1	7,059	7,108	8,633	7,902	7,044
Scope 2 (market-based)	10,861	8,757	268	21	27
Scope 3					
Purchased goods and services	449,762	N/A	N/A	N/A	557,924
Use of sold products (direct use phase only)	164,736	N/A	N/A	N/A	238,774
Upstream transportation and distribution	30,296	N/A	N/A	N/A	43,449
End-of-life treatment of sold products	26,873	N/A	N/A	N/A	33,986
All other categories combined[1]	16,240	N/A	N/A	N/A	19,785
Total Scope 3 within target boundary[2]	**687,907**	N/A	N/A	N/A	**893,918**
Total Scope 3 (including direct use phase of use of sold products)	1,012,190	N/A	N/A	N/A	1,385,312

1 All other categories includes capital goods, fuel & energy-related activities, waste generated in operations, business travel, employee commuting, upstream leased assets, downstream transportation & distribution, processing of sold products, downstream leased assets, franchises and investments.

2 Target boundary for Scope 3 excludes the indirect use of sold products.

Breakdown of waste generated by weight FY23 %



Source: Biffa Power BI, Smurfit Kappa reporting and internal Dunelm reports

In FY23, we generated 13,990 tonnes of waste (FY22: 15,048 tonnes), down 7.0% since the previous year. This reflects our ongoing focus to minimise waste generated in our operations and includes waste generated by our Sunflex business (acquired in May 2022) for the first time. There was no material year-on-year change to the type of waste generated.

In FY23, no hazardous waste was generated. As part of our new stores opening programme, any asbestos is removed from buildings that we acquire and handled by professional contractors, following HSE guidance.

Task Force on Climate-related Financial Disclosures (TCFD)

In FY23, we released our second full TCFD report and remain committed to improving disclosures in line with evolving requirements. This year, for example, we included an updated FY19 Scope 3 baseline which is Greenhouse Gas Protocol compliant and an estimated impact of mitigations in our climate scenario modelling for transition risks in line with our carbon reduction targets. We continue to consider the potential financial impacts of climate change in our cash flow scenario modelling. Our FY23 TCFD report is set out in full on pages 40 to 47 in the Annual Report 2023.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Our sustainability performance continued

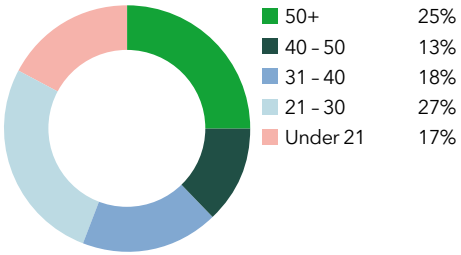
Colleague data

Gender breakdown, year-end FY23 versus year-end FY22

	Female			Male			Total FY23
	FY23	FY22	Change	FY23	FY22	Change	
Group Board	5	4	+1	6	7	-1	**11**
	45%	36%	+9%pts	55%	64%	-9%pts	
Senior management[1]	17	14	+3	17	17	0	**34**
	50%	45%	+5%pts	50%	55%	-5%pts	
Store colleagues	6,499	6,362	+137	2,351	2,237	+114	**8,850**
	73%	74%	-1%pt	27%	26%	+1%pt	
All colleagues	7,669	7,410	+259	3,828	3,614	+214	**11,497**
	67%	67%	0%pts	33%	33%	0%pts	

1 Senior management for these purposes means our Executive Team (excluding Executive Directors who sit on the Group Board) and members of our Dunelm leadership team.

Age split

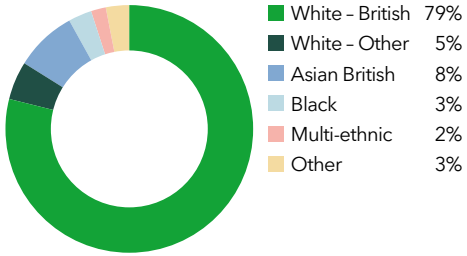


Note: The data covers 100% of colleagues.

Ethnicity breakdown data

	Group Board			Executive Team	
	Number of Board members	Percentage on the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Team	Percentage of Executive Team
White British or other white (including minority-white groups)	10	91%	4	8	100%
Mixed/multiple ethnic groups	–	–	–	–	–
Asian/Asian British	1	9%	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Ethnicity data



Note: The data covers 80% of colleagues.

Our sustainability performance continued

Responsible food and drink

Sip Sip Hooray!
All our Pausa Cafe breakfast tea and coffee is Rainforest Alliance Certified

We issue a comprehensive Pausa Food Standards and Sourcing Manual to all suppliers of branded and unbranded food sold in our Pausa cafes and Dunelm-branded food and gifting products sold in our stores. This manual complements the Dunelm Quality Manual which details the required ethical standards and the Dunelm Sustainable Packaging Manual, which outlines acceptable packaging materials and processes.

Ingredient	Requirement
Palm oil, palm kernel oil and derivatives	RSPO certified
Black and green teas	Rainforest Alliance certified
Coffee	Covered by one of the following: Rainforest Alliance, Fairtrade, Colombian Coffee Growers Federation (FNC)
Cocoa	From 31 December 2023, covered by one of the following: Rainforest Alliance/UTZ, Barry Callebaut, Cocoa Horizons, Cargill cocoa promise, Fairtrade
Eggs (whole or part form)	Free range only
Tuna	Caught using pole and line or purse seine nets on free schools (FAD-free) or other method in a fishery that is MSC certified
Hydrogenated fats and oils	Prohibited
Genetically modified organism (GMOs)	Prohibited
Ingredients subject to irradiation	Prohibited
Mechanically recovered/separate meat	Prohibited

Responsible animal welfare

Some materials in our furniture, quilts, pillows and upholstery products come from animals e.g. sheepskin, leather, down, feathers, wool and animal hair. For Dunelm products, we expect animal derived products to achieve Animal Welfare Five Freedoms as stated in our policy. We only use materials which are a by-product of the food industry and no real fur may be used (excluding wool on sheepskin, which must be a by-product from the food industry). No animal shall be slaughtered specifically for use in our products and no products shall be derived from endangered species, defined as those that appear on the CITES or the IUCN red list. We will seek alternative materials if possible. Our Responsible Animal Welfare Policy is available on our corporate website.

Policy

Advocacy

In line with our improve-innovate-advocate approach, we bear influence by engaging with industry and specialised organisations, where we can take a stand on matters that are important to us and work with others to accelerate change.

British Retail Consortium (BRC)

- Member since 2020
- CEO sits on Board of Climate Action Roadmap group
- Head of Health & Safety, Insurance & Environment sits on Health and Safety Advisory group
- Signatory of BRC's Diversity and Inclusion Charter

Diversity in Retail

- Colleagues represent DiR on four different working groups

Textiles 2030

- Signatory since 2021
- Became partner member in 2023

Better Cotton

- Signatory since July 2022

Sustainable Apparel Coalition (SAC)

- Joined as Candidate member in 2023

Sustainable Logistics Forum

- Involved since 2022
- Logistics team member attends meetings

Aldersgate Group

- Member since February 2022

Health and Safety Forum

- Head of Health and Safety, Environment & Insurance is a founding member and chair

United Nation's Sustainable Development Goals (SDGs)

- Although we do not formally report against the United Nation's SDGs, we support these globally recognised goals as a business through our sustainability work

Task Force on Climate-related Financial Disclosures (TCFD)

- TCFD supporter since 2021

Science-Based Targets initiative (SBTi)

- In FY23, we submitted our application for formal recognition of our carbon reduction targets by SBTi, with confirmation of their approval received in September 2023

The Taskforce on Nature-related Financial Disclosures (TNFD)

- TNFD Forum member since July 2022

ESG ratings and benchmarks

In FY23, we responded to various requests from ESG rating agencies and we share our latest assessment scores below.

MSCI

In 2023, Dunelm Group plc received a rating of AA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment.[1]

Sustainalytics

In September 2022, Dunelm Group plc received an ESG Risk Rating of 11.5 and was assessed by Morningstar Sustainalytics to be at low risk of experiencing material financial impacts from ESG factors. In no event the Risk Rating Company Report shall be construed as investment advice or expert opinion as defined by the applicable legislation.[2]

FTSE4Good

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Dunelm Group plc has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series.[3]

Overall ESG score of 4.3 (out of 5.0) at the June 2023 review (June 2022 review: 4.6).

Moody's

In January 2023, we received an overall ESG score of 47/100, up from 36/100 in 2022.

CDP

Levels of disclosure to CDP were increased in 2023, following Dunelm Group plc's initial submission in 2022.

ISS

ESG Rating C Performance 42.71 as at February 2023.

CCLA Corporate Mental Health Benchmark

In early 2023, Dunelm Group plc was independently assessed on its approach to workplace mental health by CCLA Investment Management. The findings were published in the CCLA Corporate Mental Health Benchmark – UK 100. Achieved performance Tier 3 in 2023, up from Tier 4 in 2022.

1 The use by Dunelm Group plc of any MSCI ESG Research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of Dunelm Group plc by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.

2 Copyright ©2023 Morningstar Sustainalytics. All rights reserved. This Sustainability Report contains information developed by Sustainalytics (www.sustainalytics.com). Such information and data are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data) and are provided for informational purposes only. They do not constitute an endorsement of any product or project, nor an investment advice and are not warranted to be complete, timely, accurate or suitable for a particular purpose. Their use is subject to conditions available at https://www.sustainalytics.com/legal-disclaimers.

3 Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

Independent assurance report to Dunelm Group plc (Dunelm) Management

Scope

We have been engaged by Dunelm (Soft Furnishings) Ltd on behalf of Dunelm Group plc to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on Dunelm Group plc's selected performance data (the "Subject Matter") namely:

- The percentage reduction in Scope 1 greenhouse gas emissions versus the FY19 base year on a Scope 1 tCO_2e/£1m Group revenue).
- The percentage of own brand cotton products which meet our 'More Responsibly Sourced' standard.
- The percentage reduction in virgin plastic packaging of own brand products (by weight g per £1 sales) versus the FY20 base year.
- The percentage of own brand products for which we offer and easy-to-use take-back service.

The Subject Matter is contained in Dunelm Group plc's (the "Company's") Sustainability Report 2023 for the period from 3rd July 2022 and 1st July 2023 (the "Report").

We have only sought evidence to support the FY23 performance data across the Subject Matter. We do not provide conclusions on any other data from prior years. Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Dunelm

In preparing the Subject Matter, Dunelm applied their Basis of Reporting documents published on their website and referenced on pages 30, 44, 46 and 47 of the Sustainability Report 2023 (collectively "the Criteria").

Dunelm's responsibilities

Dunelm's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000 (Revised)'), and the terms of reference for this engagement as agreed with Dunelm (Soft Furnishings) Ltd on 3rd May 2023.Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other appropriate procedures. Our procedures were based on our professional judgement and included:

1. Conducting interviews with relevant staff in order to understand the data reporting processes, the key sources of information and the boundaries used for reporting. We did this to obtain an understanding of the internal control environment for the data, performance of KPIs in the period and reporting processes both at a group and site level.

2. Completing a visit to Dunelm's headquarters to obtain a better understanding of Dunelm's business operations and reporting practices.

3. Checking a selection of management documentation and reporting tools, including guidance documents, to understand internal controls, reporting processes and policies to further inform our assurance approach and procedures.

Independent Assurance Statement to Dunelm Group plc ('Dunelm') Management continued

4. Identifying those data points (and associated data processes and systems), that are most material, in order to inform and target our testing procedures.

5. Confirming our understanding of the key risks to data integrity and the controls associated with the collection and collation of the data.

6. Reperforming calculations to check the accuracy of the data collation and KPIs reported.

7. Testing underlying documentation for a sample, based on professional judgement, of the Subject Matter to determine the accuracy and completeness of data within the data sets shared by Dunelm's management.

8. Challenging the accuracy of data aggregation for reporting purposes - including the use of any specific tools, systems or estimation methods.

9. Examining the Report for the appropriate presentation of the Subject Matter, including the discussion of limitations and assumptions relating to the data presented.

We also performed such other procedures as we considered necessary in the circumstances.

Emphasis of matter

In the calculation of the metrics:

1. 'Percentage reduction in virgin plastic packaging of own brand products (by weight g per £1 turnover) against the FY20 baseline': as disclosed (Page 47) in the Report,' Dunelm used the assumption, in the FY20 baseline, that all primary plastic packaging of own brand products was virgin plastic due to the lack of available data. Consequently, it is possible that a higher reduction percentage was achieved than if Dunelm had used actual virgin plastic packaging data. For more details, please refer to pages 30 and 47 of the Report.

2. 'Percentage of own brand cotton products which meet Dunelm's 'More Responsibly Sourced' standard': as disclosed (Page 46) in the Report, reflects a significant methodological change. In FY23, Dunelm became a Better Cotton member and subsequently transitioned to using Better Cotton mass balance verification with its suppliers. However, this change was implemented specifically for Spring Summer 2023 products (SS23). Therefore, it is important to note that the results of this metric are not directly comparable to the prior year's results since FY23, serving as a transition year, exclusively incorporated SS23 figures."

This does not affect our conclusion on the Report as set out below.

Conclusion

Based on our procedures performed and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter as of 1st July 2023 in order for it to be in accordance with the Criteria.

Use of our Assurance Statement

We disclaim any assumption of responsibility for any reliance on this assurance report or its conclusions to any persons other than Dunelm (Soft Furnishings) Ltd, or for any purpose other than that for which it was prepared.

Accordingly, we accept no liability whatsoever, whether in contract, tort or otherwise, to any third party for any consequences of the use or misuse of this assurance report or its conclusions.

Ernst & Young LLP
12th October 2023
London, United Kingdom

Notes

Disclaimer

This Sustainability Report contains certain forward-looking statements with respect to the financial condition, results, operations and business of Dunelm Group plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts.

Nothing in this Sustainability Report should be construed as a profit forecast. This document contains non-financial information and data. While reasonable steps have been taken to ensure that this is correct, it has not been externally audited or verified unless specifically stated in this document.

Dunelm

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