

Now and for generations to come



A welcome from our CEO

This Sustainability Report 2022 complements information in our Annual Report and Accounts 2022. This report goes into more detail about the progress towards our Pathway to Zero ambitions over the last year, and where we will focus in the coming year.



FOCUS AND APPROACH

In last year's Annual Report, I updated you on the launch of our Pathway to Zero strategy - a new way of organising our activities across three areas (Carbon reduction, Circular economy and Community). This strategy is designed to accelerate progress by allocating responsibility to Executive Board members who are best placed to drive the actions which will most effectively reduce our carbon emissions and other environmental impacts.

This activity sits alongside well-established processes, which ensure that our social and governance responsibilities for colleagues, health and safety, community, compliance and reputational matters are embedded into our day-to-day activities.

LONG-TERM THINKING

Sustainability can mean different things to different people and we continue to work hard to explain to our key stakeholders - customers, suppliers, colleagues, communities and shareholders - how we think about sustainability at Dunelm. I always use

our purpose as a starting point - **to help create the joy of truly feeling at home, now and for generations to come** - which makes us think about the long term and how we grow and develop our business in a sustainable way. Operating in a sustainable way also links to our ambition to 'be a good company', for example, the way we treat and reward our colleagues and how we aim to make a positive social and environmental impact in our communities. Acting responsibly and sustainably is also a competitive advantage - it underpins our brand and customer proposition, allows us to attract and retain customers and colleagues, strengthens our supplier partnerships and helps us to secure long-term investment and funding.

INCREASED COMMITMENT AND RESOURCE

In the past year, we have invested in new colleagues, bringing sustainability expertise into the business in areas such as carbon reduction, ethical supply chain and sustainable materials. We have also ensured that colleagues on our Pathway to Zero working groups are

given both time and resource to debate and implement their ideas. I hope I have also played my part in raising the profile of sustainability across the business by heading up the Pathway to Zero Steering Group and sharing my passion on this topic. We have also signalled our commitment to our financial community - linking sustainability metrics to long-term Director remuneration and to our Revolving Credit Facility.

IMPROVE-INNOVATE-ADVOCATE

We are committed to improving and innovating in our own operations and along our supply chains. However, it has become increasingly apparent that to meet our own net zero goals - and those of the UK Government - we must work with industry partners, suppliers and others to speed up the process. Our collaboration with Textiles 2030 this year has considerably improved our understanding of environmental impacts in our textile raw material sourcing, for example, and we also joined the Aldersgate Group, working with them to advocate for a greener grid. We have continued to work with the British Retail Consortium, fully supporting their Climate Action Roadmap.



LOOKING AFTER OUR COLLEAGUES

We are committed to making our colleagues feel welcome, engaged, safe and fairly rewarded, wherever they work in our business. The past year has seen an increase in the level of violence and abuse directed at shop workers and contact centre teams by members of the public. Senior management receives a weekly report and we have been shocked and concerned by the number and severity of incidents.

We have invested in training and protective measures to support our colleagues, such as increased security guarding and radio messaging systems, and have supported the British Retail Consortium's campaign for tougher policing and sanctions.

Looking after the mental and financial health and wellbeing of our colleagues has always been a top priority, as is evidenced by examples shared in this report. This year we know that the cost of living squeeze will affect many colleagues and their families. We have purposely given our hourly-paid colleagues a higher pay increase than other colleagues this year, and have increased the level of support for their financial wellbeing, including a one-on-one conversation with each of our hourly-paid colleagues and easier and wider access to education, third-party support and our Colleague Support Fund.

Alongside this, we continued to roll out our diversity and inclusion training, and our colleague network groups made their mark in their first full year, helping to shape new policies and raise awareness by sharing 'lived experiences'.

We also reinforced the importance of our shared values by embedding them into a new behavioural framework and we continued our drive to 'grow our own' by better identifying and developing colleague talent.

LISTENING AND LEARNING

I would like to thank all Dunelm colleagues and partners for their fantastic efforts in moving us forward this year. We still have a long way to go – we need to listen and learn, take advice, revisit assumptions and invest more; but most of all we have to keep up the energy, enthusiasm and genuine excitement that our colleagues have for creating an increasingly circular business that has a positive impact on society.



Nick Wilkinson
Chief Executive Officer

How we organise ourselves on sustainability

Our overall approach to sustainability is **championed by our CEO**, who **delegates responsibility to Executive Board members**, supported by our **Head of Climate Change on our Pathway to Zero strategy**

Our approach to managing sustainability is collaborative and iterative, recognising the different levels of maturity of our existing structures and the overlapping nature of the topics.



Executive Board responsibilities for key stakeholder and sustainability focus areas, supported by other members of Executive Board

CFO	Commercial Director	Customer Director	Stores and People Director	Company Secretary
<ul style="list-style-type: none"> Carbon reduction Operational waste CFO is also responsible for tax and supplier payments 	<ul style="list-style-type: none"> Suppliers Responsible sourcing Circular economy 	<ul style="list-style-type: none"> Customers Community Take-back, repair and re-use 	<ul style="list-style-type: none"> Colleagues 	<ul style="list-style-type: none"> Anti-Bribery Colleague/Supplier Codes of Conduct Health and safety Privacy

Guided by our purpose and shared values

Sustainability metrics, targets and progress

Primary sustainability metrics and targets that we focus on most across our business, and secondary ones that support longer-term goals.



Carbon reduction

PRIMARY METRICS

	Base year	Target	FY22 performance	Page
PATHWAY TO ZERO SCOPE 1				
Scope 1 CO ₂ e	FY19	50% reduction by 2030	13.4% increase	9
Scope 1 CO ₂ e/£m sales	FY19	24% reduction by FY24	19.6% reduction	9
			LTIP RCF	
PATHWAY TO ZERO SCOPE 2				
Continue to purchase renewable electricity	Annual	100% electricity from renewable sources	99.7%	10
PATHWAY TO ZERO SCOPE 3				
Scope 3 CO ₂ e	FY19	50% reduction by 2030	Ongoing	11
OPERATIONAL WASTE				
% of operational waste recycled	Annual	80% in FY22	79.8%	14
% of waste diverted from landfill	Annual	98% in FY22	96.2%	14

SECONDARY METRICS

	Base year	Target	FY22 performance	Page
Natural gas CO ₂ e	FY19	8% reduction by FY22	29.8% reduction	9
HDN network CO ₂ e emissions/delivery	FY19	25% reduction by FY25	21% reduction	9
Company car fleet emissions	Annual	Reduce by 2% each year to FY25	7.6% reduction	9
Like-for-like electricity consumption	FY19	Maintain at or below FY19 levels	2% reduction	9

Related commitments: British Retail Consortium’s Climate Action Roadmap to achieve net zero by 2040; commitment to work towards Textiles 2030’s targets as a Textiles 2030 signatory.

Related policies:

POLICY

- Plastics and packaging policy
- Environmental policy

Key

- BONUS** Remuneration metric used for bonus
- LTIP** Remuneration metric used for long-term incentive plan
- RCF** Revolving Credit Facility target

i See Remuneration Report in our FY22 Annual Report and Accounts.

All policies available on corporate.dunelm.com.

INDEPENDENT ASSURANCE

We engaged Ernst & Young LLP to provide limited assurance for FY22 over the key performance metrics which are linked to our Revolving Credit Facility (RCF). These are marked with green RCF flags on pages 4 and 5 of this report. The full assurance statement and the Basis of Reporting documents that were applied in preparing these metrics are both available online on our corporate website: corporate.dunelm.com. The full assurance statement is also available on pages 50 to 51 of this document.

IN FY22 WE ENGAGED WITH THE FOLLOWING ORGANISATIONS:



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Circular economy

PRIMARY METRICS

	Base year	Target	FY22 performance	Page
TAKE-BACK				
% of own brand products for which we offer an easy-to-use take-back service	N/A	50% by FY24	61.3%	27



PLASTIC AND PACKAGING

Volume of own brand plastic packaging used/£1 sales	FY20	Reduce by 7.5% by FY22 and by 20% by FY24	22.7% reduction	24, 25
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% of recycled content used in own brand plastic packaging	–	30% by FY22 and by 50% by FY25	15.0%	25
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% of own brand cardboard packaging from sustainable sources	–	100% by FY25	Ongoing	–
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RESPONSIBLE SOURCING

% of 'More Responsibly Sourced Cotton' in own brand range	–	80% by FY24 and 100% by FY25	30.0%	19, 20, 21
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% of 'More Responsibly Sourced Timber' in own brand range	–	50% by FY25	7.1%	20, 21
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% of palm oil used in Dunelm/Pausa products that is sustainably sourced (RSPO)	Annual	100%	90.1%	21
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% of Tier 1 factory base for own brand products with audits not more than two years old	–	100%	97.9%	22
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% of low- or medium-risk audits	–	90%	73.9%	22
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SECONDARY METRICS

	Base year	Target	FY22 performance	Page
Launch plastic packaging take-back scheme by FY25**	–	FY25	N/A for FY22	–

Launch fully-closed packaging loop, reproducing Dunelm packaging**	–	FY30	N/A for FY22	–
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% of own brand packaging fully recyclable**	–	100% by FY25	N/A in FY22	–
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% of timber fully verified to be from legally harvested sources	–	100%	76%	20
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% of recycled polyester in own brand products	–	80% by FY25	Report next year	13
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Related policies:



- Plastics and packaging policy
- Responsible cotton policy
- Responsible timber policy
- Responsible palm oil sourcing policy
- Responsible animal welfare policy
- Ethical Code of Conduct for suppliers and partners
- Slavery and Human Trafficking Statement and modern slavery policy
- Whistleblowing policy
- Code of Business Conduct

** Longer-term targets under Circular economy that also support our Carbon reduction targets.



Community

PRIMARY METRICS

	Base year	Target	FY22 performance	Page
COMMUNITY				
Charitable funds raised	Annual	Year-on-year improvement	£52k increase	31, 32

Colleague net promoter score (eNPS)	Annual	Year-on-year improvement	1% improvement	40
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Reportable accidents under RIDDOR ¹	Annual	Year-on-year reduction	Reduction of 9	47
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Number of targeted colleagues completing training in anti-bribery, anti-fraud and tax evasion	Annual	At least 90% of targeted colleagues	82.3%	49
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CUSTOMERS

	Base year	Target	FY22 performance	Page
Net promoter score (NPS)	Annual	Year-on-year improvement	4.2% reduction	29



Unique active customer growth	Annual	Year-on-year improvement	8.5% improvement	–
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Related policies:



- Health & Safety Policy Statement
- Dunelm Colleague Code of Conduct
- Whistleblowing policy
- Anti-corruption and anti-bribery policy
- Tax Strategy
- Code of Business Conduct

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



Carbon reduction

In this section

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Scope 1 emissions	9
Scope 2 emissions	10
Scope 3 emissions	11
Operational waste management	14

Relevant UN SDGs

Although we do not formally report against them, our carbon reduction work supports these globally recognised goals:



Our aim is to ensure that our carbon reduction and sustainability strategy across the business and supply chain is aligned to science-based best practice and mapped robustly.

Responsibilities and engagement

Who is responsible	Executive Board sponsor: CFO
Dunelm leadership and stewardship	CEO on Board of BRC Climate Action Roadmap group Member of Sustainable Logistics Forum Member of Textiles 2030 Member of Aldersgate Group

How this relates to our business

Links to principal risks	Brand damage Climate change and environment Regulatory and compliance
Stakeholders/relationships affected	Colleagues, store communities, suppliers, investors, customers



First trial of LNG vehicle in August 2022

OUR APPROACH



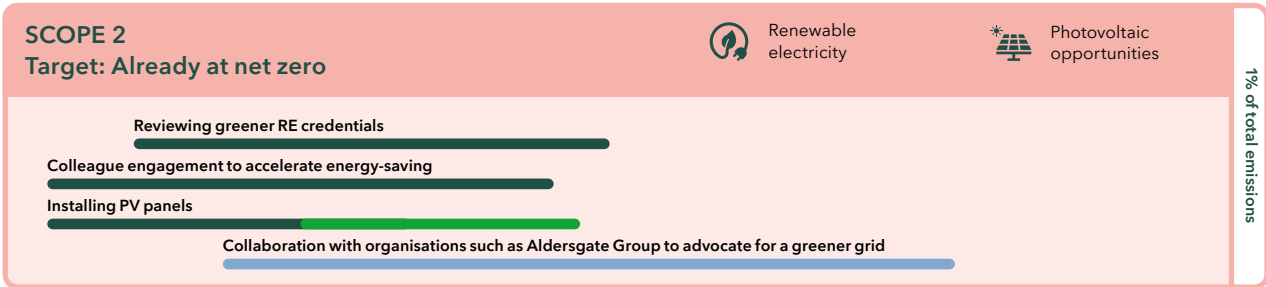
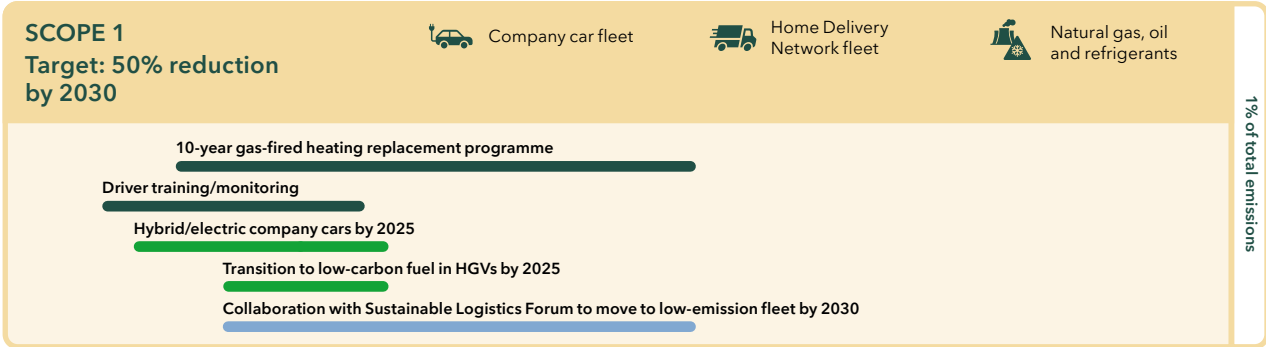
IMPROVE
Understanding and focusing on activities in our control

INNOVATE
Finding solutions by doing things differently

ADVOCATE
Asking for help and working collaboratively

i Our approach in action page 8.

Pathway to Zero indicative roadmap



Graphic is illustrative of current and anticipated activities and timeline and represents future direction of travel only. Please refer to table on page 13 for carbon reduction figures to date.

Carbon reduction continued

COMMITMENTS AND METHODOLOGY

Our commitments

Our goal is to reduce absolute greenhouse gas (GHG) emissions by 50% by 2030 against a FY19 base. Our application for formal recognition of our targets by SBTi will be submitted in the new financial year.

We support British Retail Consortium’s Climate Action Roadmap to achieve net zero by 2040. Additionally, as a signatory to Textiles 2030, we have pledged to work towards Textiles 2030’s measurable targets, which include reducing the aggregate greenhouse gas footprint of new textile 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.

i See page 19 for our commitment to other Textiles 2030 targets.

Our initial work with Carbon Trust in FY20 and FY21 enabled us to develop baseline data and calculation methods for Scope 1, 2 and 3 emissions. We have updated and refined this data but, as this work is iterative, information provided in this report may change as we refine our data further and make it more accurate. We have already developed a Group-wide roadmap to deliver our Scope 1 and Scope 2 targets. We know the areas we need to focus on to reduce our Scope 3 emissions and, as our data improves, we will continue to build out our Scope 3 roadmap in FY23. We are taking action to reduce emissions across all three Scopes, as reported below, and have adopted an ‘improve, innovate and advocate’ approach, recognising that in some areas we are reliant on industry collaboration and innovation to achieve our goals.

Methodology and reporting

Our calculation methodology for Scopes 1 and 2 has followed the GHG protocol corporate standard, and more information on this can be found on page 13 and on our corporate website: <https://corporate.dunelm.com/about-us/policies-and-statements/>, including our use of actual, estimated and extrapolated data.



We are improving the quality of our data across Scope 3, for example, through our collaborative material assessment work with Textiles 2030 (see page 18). We aim to report on data updates transparently, including any changes to our baseline figures or metrics, as more accurate information surfaces. In the narrative below we present data in a way that better reflects how we run our business. Our aim in so doing is to help improve internal and external understanding of the most material carbon impacts of our business and how we are responding to reduce them.

Our goal is to reduce absolute greenhouse gas (GHG) emissions by 50% by 2030 against a FY19 base.

Our approach in action

Reducing carbon (transportation)

SCOPE 1

-  Company car fleet
-  Home delivery network fleet

SCOPE 3

-  Product transport
-  Commuting and business travel
-  Customer travel and home parcel deliveries

- IMPROVE**
Driver training, better route and vehicle fill planning to reduce journeys.
- INNOVATE**
Investing in vehicles that use low-carbon fuels, with double-deck trailers, etc.
- ADVOCATE**
Working with industry peers to accelerate the development of low-carbon technology and refuelling points.



Scope 1 emissions



Company car fleet



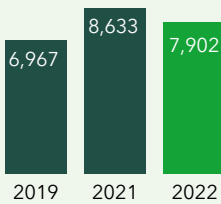
Home delivery network fleet



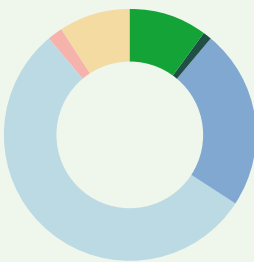
Natural gas, oil and refrigerants

Scope 1 carbon footprint

Tonnes CO₂e



Scope 1 emissions % by category FY22



Refrigerants	10
Oil	1
Natural gas	23
Home Delivery Network (HDN) fleet	54
Company cars	3
Made to measure vans	9

Source: Dunelm

UNDERSTANDING OUR SCOPE 1 EMISSIONS

Across all **Scope 1** contributing business areas, we have set decarbonisation plans and annualised internal targets to help us achieve our 2030 carbon reduction target.

Our model shows that emissions from **natural gas, oil and refrigerant gases** used in our stores and warehouses accounted for over a third of our Scope 1 (direct) emissions in FY19. We have continued 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 addition, we are working with stores to use existing gas-fired heating more efficiently, prior to replacement. This means that we were able to reduce natural gas emissions this year by 29.8% against the FY19 baseline. We are reducing emissions from refrigeration gases by replacing them with lower emission gases.

Our model shows that the remainder and largest part of our Scope 1 emissions comes from the **vehicle fleets** that we run – our Home Delivery Network (HDN), our company car fleet and the van fleet used for our made-to-measure service. In FY22, we continued to train our HDN drivers in best practice behaviours and used data from telematics to promote driving efficiency. We also focus on optimising delivery routes and vehicle fill efficiency. This helped us to reduce our HDN CO₂e emissions per delivery in FY22 by 21% versus FY19. In FY22, we set a logistics decarbonisation strategy with the aim of moving away from diesel HGVs to a lower-emission fleet within five years, subject to available technology, and we continue to test and trial low-emissions fuel. In early 2022, we joined the Sustainable Logistics Forum, a group of logistics and retail companies who share best practice, respond to government consultations and work collaboratively on projects to advance sustainable logistics. Our participation supports our collaboration and advocacy strategy.

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 installed 16 electric vehicle chargers at our support centre and other sites, including our new furniture hub at Daventry.

FY22 performance

- Overall Scope 1 CO₂e emissions increased by 13.4% (versus FY19 baseline) due to growth in sales and home delivery; this equated to a reduction of 19.6% per £1m turnover.
- Natural gas consumption carbon emissions decreased by 29.8% (versus FY19 baseline).
- Company car fleet carbon emission reduced by 7.6% (versus FY19 baseline).
- Refrigerant carbon emissions reduced by 4% (versus FY19 baseline).
- Carbon emissions from Home Delivery Network (HDN) and made-to-measure vans increased by 72.5% and 44.4% respectively (versus FY19 baseline), due to sales growth in these areas.
- Carbon emissions from our HDN fleet reduced per delivery by 21% (versus FY19 baseline).

FY23 focus

- Continue replacement of gas-fuelled heating.
- Invest in low-carbon vehicles in our HGV fleet.
- Ongoing industry advocacy work to accelerate speed to market of low-emissions solutions.

Carbon reduction continued

Scope 2 emissions



Renewable electricity



Photovoltaic opportunities

UNDERSTANDING OUR SCOPE 2 EMISSIONS

Our **Scope 2** (indirect) emissions are already 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 will collaborate with Aldersgate Group and other organisations to advocate to improve the availability of renewable energy.

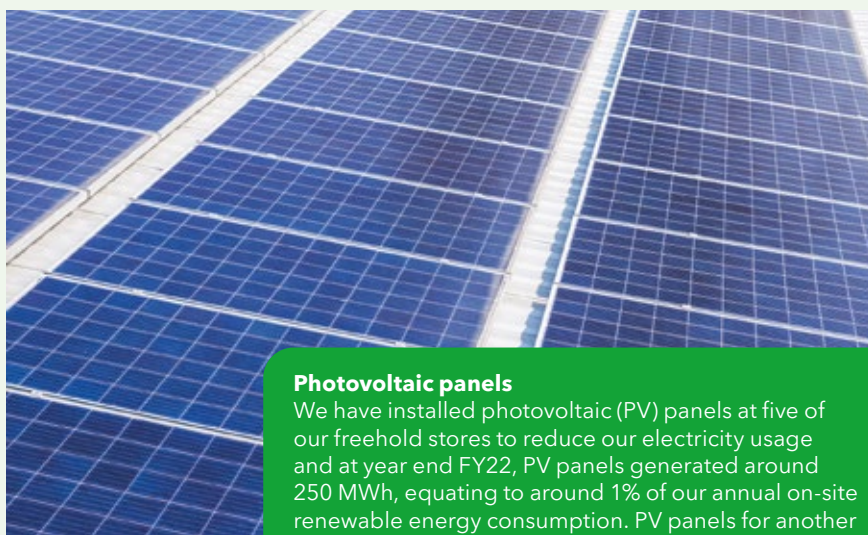
Through our Building Management System we can better manage and monitor our use of energy for lighting, heating and cooling. We continue to engage colleagues across our business to accelerate energy saving. Colleagues from our Store Development team review energy usage data twice a week and visit stores regularly, targeting those where usage appears higher than it should be. Despite moving some of our heating to electricity from gas, we are consuming 2% less electricity than in FY19.

FY22 performance

- Like-for-like electricity use is 2% lower than in FY19.
- 99.7% of energy from renewable sources.
- Expanded use of photovoltaic panels.

FY23 focus

- Increase use of photovoltaic panels.
- Continue work on efficiency.
- Sign off roadmap to more credible sourcing of renewable energy strategy.



Photovoltaic panels

We have installed photovoltaic (PV) panels at five of our freehold stores to reduce our electricity usage and at year end FY22, PV panels generated around 250 MWh, equating to around 1% of our annual on-site renewable energy consumption. PV panels for another four stores are already order and we will review further opportunities for FY23.

Absolute GHG emissions

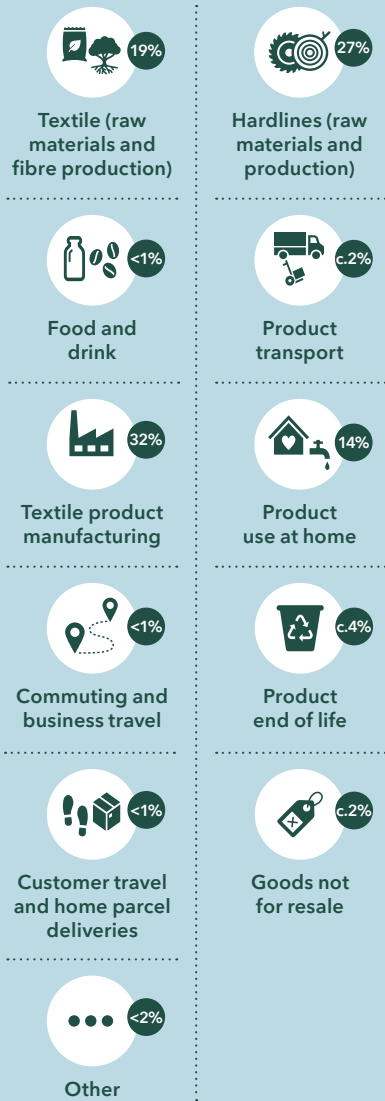
CO₂e tonnes

	FY19	FY20	FY21		FY22	
	Location-based	Location-based	Location-based	Market-based	Location-based	Market-based
Scope 1 (Direct emissions)	6,967	7,108	8,633	8,633	7,902	7,902
Scope 2 (Indirect emissions)	10,861	8,757	7,854	268	8,015	21
Scope 3	1,430,410	N/A	N/A	N/A	1,799,231	1,799,231
Turnover £m	1,110.4	1,057.9	1,366.2	1,366.2	1,553.1	1,553.1
Scope 1 GHG intensity per £1m turnover	6.3	6.7	6.5	6.5	5.1	5.1

Note: FY21 emissions are compared against our FY19 baseline emissions level. Scope 1 and Scope 2 emissions are calculated following the GHG protocol corporate standard. Market-based Scope 2 emissions reflect the purchase of REGO-qualifying electricity. Under Scope 3 emissions we use best available data to report material GHG contributors to our footprint, including: raw materials; product manufacturing; third-party logistics; product use at home; and product end-of-life emissions. Our FY19 model indicates that these contributing areas represent c.95% of our total Scope 3 emissions. Methodology documents are available online at <https://corporate.dunelm.com/about-us/policies-and-statements/>. Our SECR disclosure can be found on page 168 of our Annual Report FY22. Turnover is reported on a 52-week basis.

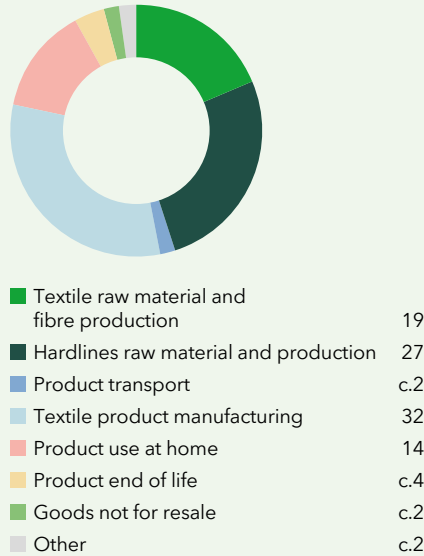
Scope 3 emissions

Scope 3 emissions FY19 % by lifecycle stage



Source: Dunelm FY19 figures from Carbon Trust and Textiles 2030 data.

FY19 Scope 3 carbon emission hotspot analysis %



Numbers do not add up 100% due to rounding.
Source: Dunelm

UNDERSTANDING OUR SCOPE 3 EMISSIONS

Our analysis of data collected in FY19 showed that over 95% of our total CO₂e emissions were attributed to **Scope 3** and, of these, the majority are generated from the materials and processing associated with our **products**. Our original carbon footprint for Scope 3 was built by Carbon Trust, based largely on invoice purchase data. Since then we have improved the robustness of our data collection for textile products through the work with Textiles 2030 and have updated our FY19 footprint in the pie chart above as well as FY22 data (see table on page 13), which is a mix of the original model and more accurate data normalised using business growth.

OUR APPROACH TO REDUCING SCOPE 3 EMISSIONS

Materials

Textiles (our model indicates that these account for approximately 19% of our carbon footprint).

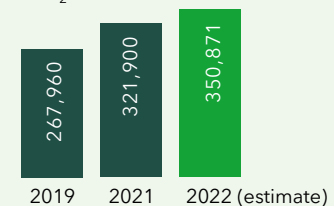
Of our own brand products, c.50% by sales volume are textiles, and this is where we continue to focus our greatest efforts. In April 2021, we became the first homewares retailer to join the industry group Textiles 2030 and to commit to their targets (see page 19). Members of Textiles 2030 have made a voluntary agreement to limit the impact that textiles (particularly in the fashion industry) have on climate change and the environment. Through our joint work, we have a better understanding of the importance of using recycled textiles to lower our carbon footprint and our water usage, in particular for polyester. We have set a target to accelerate our migration from conventional to recycled polyester fibre; see case study on page 13.

Non-textile products (our model indicates that these account for approximately 27% of our carbon footprint).

For our non-textile homewares and furniture ranges we have started to use life-cycle assessment (LCA) and primary sourcing data to establish a more accurate environmental footprint baseline; see Responsible sourcing (environment), page 19. Preliminary results will be available in FY23 and will help inform our carbon reduction strategy for non-textile materials (such as timber, metal and glass) that are used in our core non-textile product ranges.

Textiles raw material

tCO₂e



Data sourced from Textiles 2030 carbon footprint tool for FY19 and FY21. FY22 is calculated using FY21 data plus textiles sales increase between FY21 and FY22. This is due to not having FY22 data available until March FY23.

Carbon reduction continued

During the year we developed our own transparent and understandable labelling to make it easier for customers to identify products that have one or more sustainable attributes under the 'Conscious Choice' logo - this was launched in August 2022; see page 18.



Food and drink

Although sales from Pausa represent a very small proportion of our total revenue, our Pausa cafes are an important part of our business: they enhance our customer and colleague experience and are increasingly used to help stores engage with their local communities; see Communities page 32.

In FY22, we worked with Carbon Trust to model the carbon footprint of products that we sell in our Pausa cafes and learnt that most emissions are generated from our milk and coffee products. This information has helped to prioritise workstreams and next year we intend to refine sourcing standards and work with our suppliers to reduce carbon emissions from their products; see page 33 for more information on Pausa.

Production/manufacturing

We understand from our collaboration with Textiles 2030 and our FY19 hotspot analysis with Carbon Trust that a significant proportion (at least 30%) of Scope 3 emissions are generated in the **product manufacturing/processing** stage. We are currently collecting the data and developing our supplier engagement programme and will report on progress in FY23.

Product transport

We continue to collaborate with our third-party logistics partners and industry groups to support the development of low-carbon infrastructure and vehicles for our **outsourced transportation and distribution**. We worked closely with our largest logistics suppliers in FY22 to gather carbon emission data relating to the movement of our products to inform a decarbonisation plan.

Actions to date include reviewing the use of low-carbon fuel and agreeing to trial LNG trailers, rationalising the number of store deliveries and training staff on efficient driving. We have also joined the Sustainable Logistics Forum where we collaborate across industry and advocate for lower emissions logistics. For more information see their website: <https://rutlandpower.com/forums/sustainable-logistics-forum/>

Commuting and business travel

Our model shows that commuting and business travel is a relatively small contributor to our Scope 3 footprint (less than 1%). We will consider developing a decarbonisation plan in FY23.

Customer travel and home parcel deliveries

Our model shows that emissions from **customer travel and home parcel deliveries** also account for a relatively small part of our Scope 3 footprint (less than 1%). We will be working with our third-party parcel delivery partners to develop a decarbonisation plan in FY23.

Product use at home

Through our work with Textiles 2030 we understand that product use at home is a large contributor to our Scope 3 footprint (around 14%). For our **customers and colleagues**, our approach includes offering products with greater longevity and giving more information about how to care for and repair products to prolong their life.

Product end of life

We trialled a textiles take-back scheme in December 2021 and expanded this to 167 stores. We now have customer take-back options for 61.3% of our own brand product range, (see Circular economy, page 27). During the first six months, we took back an average of around 10 tonnes of textiles each week, avoiding at least 25 tonnes of CO₂e (assuming that all products would otherwise have gone to landfill). Our calculation for this CO₂e avoidance is available on our corporate website: <https://corporate.dunelm.com/media/3148/scope-3-reporting-methodology.pdf>.

Other

For our 'non-stock' (non-product) purchases we work on a priority and risk basis. In FY23, we will request carbon data and reduction plans from our largest suppliers, and continue to track progress. We have added sustainability questions to our tender documentation and these form part of the contract award process. We have also added a clause to our terms and conditions which requires suppliers to work with us to meet our sustainability targets, as well as considering the impacts of all large investments on our carbon reduction plans.

FY22 performance

- Developed better understanding of priority areas to reduce Scope 3 emissions (for example, in our products) and to set targets.

FY23 focus

- Further work on using low-impact materials in product manufacture.
- Complete life-cycle assessment data gathering to inform decarbonisation roadmaps for other core product areas.
- Focus on supplier engagement to achieve carbon reduction.
- Ongoing refinement of Scope 3 carbon reduction roadmap and reporting.
- Working with logistics partners to move to lower-carbon fuels in fleet.

Full GHG table split by GHG protocol categories (tCO₂e)

GHG Scope	Category	Sub-category	FY19	FY22
Scope 1	Scope 1	Scope 1	6,967	7,902
Scope 2	Scope 2 - location based	Scope 2 - location-based	10,861	8,015
	Scope 2 - market based	Scope 2 - market-based	8,551	21
Scope 3	1a: Purchased goods and services (product)	Textile raw material and fibre production	291,000	353,995 (FY21 data adjusted with FY22 growth)
		Textile product manufacturing	479,000	561,509 (FY21 data adjusted with FY22 growth)
		Hardlines raw material and product manufacturing	399,785	575,690 (FY19 data adjusted with growth)
	1b: Purchased goods and services (non-product)	1b: Non-stock spend	24,169	Reporting next year
	2: Capital goods	2: Capital goods	6,905	De minimis - not reporting in future
	3: Fuel and energy related activities		3,792	
	4: Upstream transportation and distribution	4: UK transport	12,025	11,044
	4: Upstream transportation and distribution	4: International imports	11,250	De minimis - not reporting in future
	5: Waste generated in operations	5: Waste generated in operations	496	De minimis - not reporting in future
	6: Business travel	6: Business travel	2,776	
	7: Employee commuting	7: Employee commuting	2,748	
	8: Upstream leased assets	8: Upstream leased assets	125	
	9: Downstream transportation and distribution	9: Downstream transportation and distribution	1	
	10: Processing of sold products	10: Processing of sold products	Dunelm sells no products for further processing	
	11a: Use of sold products (Direct)	11a: Electricals	20,109	Report next year
11b: Use of sold products (Indirect)	11b: Textile products	195,000	237,595	
12: End-of-life treatment of sold products	12: Textile products	53,000	59,399	
13: Downstream leased assets	13: Downstream leased assets	Excluded on de minimis basis		
14: Franchises	14: All			
15: Investments	15: All	Excluded as Dunelm has no equity investments in other entities		

This table illustrates our latest FY22 and baseline FY19 carbon emission data, as well as some narrative explaining gaps, split by GHG protocol category. We have used consistent best available data sources across each category, normalising using business growth when necessary. You can find the full reporting methodology online at <https://corporate.dunelm.com/about-us/policies-and-statements/>.



REDUCING THE ENVIRONMENTAL IMPACT OF OUR TEXTILES

Through our collaboration with Textiles 2030 we have undertaken joint data analysis and scenario modelling and improved our understanding of actions we can take to reduce our environmental impact related to textiles. These include switching to organic or recycled fibres, encouraging the use of renewable energy in our supply chains, reducing chemical and water usage and extending product life. Our updated analysis shows that a carbon emissions reduction of around 24% could be made just by using recycled rather than conventional polyester fibre. We are aiming to switch to using only recycled polyester in our 2023 spring/summer collection and to set targets to increase the use of recycled polyester across the rest of our business.

Carbon reduction continued

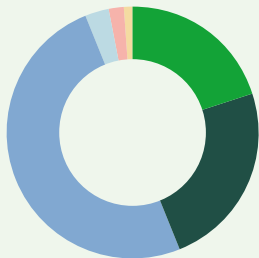
Operational waste management

Our priority is to minimise generated waste, recycle where possible, and send to landfill sites as a last resort.

FY22 PERFORMANCE

In FY22, we generated 15,048 tonnes of waste, up 7.0% since the previous year. Relative to our revenue growth this equated to a year-on-year reduction of 7.8% (9.7 tonnes per £1m revenue in FY22 versus 10.5 tonnes per £1m revenue in FY21). A breakdown of waste generated by category can be seen in the pie chart below. There was no material year-on-year change in the percentage of breakdown of waste generated by category. In FY22, we recycled 79.8% of all operational waste (FY21: 80%) against a target of 80% and diverted 96.2% of all waste from landfill (FY21: 96%), against a medium-term target of 98%.

Breakdown of waste generated by weight FY22
%



■ Non-recycled waste	20
■ Dry mixed recycling	24
■ Cardboard and paper	50
■ Plastic	3
■ Food waste	2
■ Store refit waste	1
■ Hazardous waste	0

Source: Dunelm

MAXIMISING EFFICIENCIES

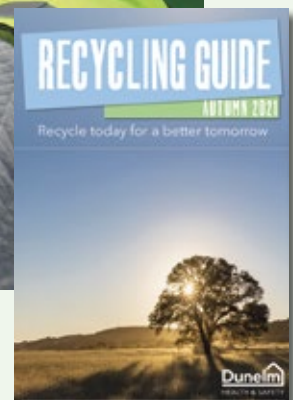
The majority of our waste is generated at store level and we work closely with our waste management partner, Biffa, to drive continuous improvement in minimising and reprocessing this waste stream. In FY22, we renewed a three-year contract with Biffa and reset performance parameters including, for example, maximising the efficiency of our store waste collections, typically around 20,000 journeys per year. By monitoring bin levels and changing collection frequencies we aim to eliminate unnecessary journeys, improve service levels and reduce our carbon footprint.

We aim to transport waste to the most local recycling plants (unless it makes sense to send waste slightly further afield to more efficient plants) and are working with Biffa to identify longer-term solutions, by changing waste processes and investigating other waste diversion routes.

RECYCLING

We have improved signage, communication and processes in our stores and sites to make it easier for colleagues to segregate and recycle waste, for example, by dry mix, cardboard and paper, clear plastic, wood, organic and hazardous. We also repurpose old store shelving equipment, which is resprayed and reused in new stores and refits.

In September 2021, at our store roadshows, we relaunched a comprehensive recycling guide and video for colleagues, complemented by kits and posters for each store. Since October 2021, we have incorporated waste management metrics into our health and safety store audits to raise the profile further. Stores provide health and safety and waste information every month, alongside full annual audits, and we are analysing this information to identify further waste management efficiencies - for example, by focusing on anomalies and sharing best practice.



REPURPOSING RETURNS

We aim to sell any less-than-perfect stock in stores at a discount to our customers rather than returning it to our warehouse to be disposed of. If customers return 'online only' products, such as large furniture items to our stores, we also aim to resell these in store (often at a discount). We continue to partner with Appliance Tech who check any returned electrical appliances so that we can resell them safely. Through these initiatives we reduce waste and save transport and warehousing costs.

FOOD WASTE

We have 153 Pausa cafes in stores and run four Pausa restaurants for our colleagues. Our aim is for no food to be thrown away and we are reducing food waste in a number of ways. Our centralised ordering system, for example, gives us better stock visibility and improves our management of perishable items and wastage. We also train colleagues to standardise serving processes and in-store presentation, and we factor in wastage during range rationalisation. We discount or donate perishable items nearing end of life and are investigating ways to share food with our local communities. Any food waste generated is recycled.

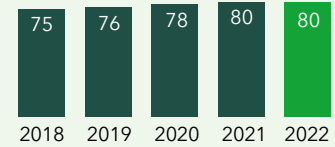
FY22 performance

- 79.8% of operational waste recycled against a target of 80%.
- 96.2% of waste diverted from landfill against a target of 98%.

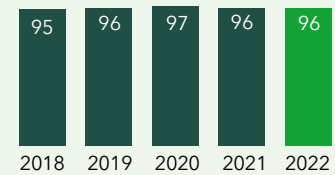
FY23 focus

- Continue to minimise waste and maximise recycling.
- Expand waste champion network and colleague engagement.
- Identify closed-loop opportunities with suppliers to reduce/monetise waste.

Operational waste recycled %



Diversion from landfill %



CHAMPIONING WASTE MANAGEMENT IMPROVEMENTS

As part of our Group-wide focus on recycling and waste management, we encourage each store coach to appoint a recycling champion and each regional coach to elect a regional recycling representative. We formalised and relaunched this initiative in June 2022 and will hold meetings quarterly to measure progress by region, educate champions on the latest policies and procedures and share best practice ideas across our business.



Circular economy

In this section

Product circularity	17
Responsible sourcing (environmental)	18
- Including biodiversity and water	
Responsible sourcing (ethical)	22
- Including supply chain, human rights and anti-slavery	
Plastics and packaging	25
Take-back	27

Relevant UN SDGs

Although we do not formally report against them, our circular economy work supports these globally recognised goals:



We aim to move progressively from a linear model (using scarce resources that cannot be easily reused or recycled) to a circular one (which uses low-impact or recycled materials and has an end-of-life solution) for the Dunelm branded products that we sell. To achieve this we must embed circular thinking into our product development process - bringing on board our suppliers, and considering the whole lifecycle of products following the improve, innovate and advocate approach.

Responsibilities and engagement

Who is responsible	Executive Board sponsor: Commercial Director
Awards and recognition	Natural History Museum x Dunelm range shortlisted for Best Licensed Retail Initiative and Best Sustainable Licensed Product, The Licensing Awards 2022
Dunelm leadership and engagement	Member of Textiles 2030 Signatory to Better Cotton

How this relates to our business

Links to principal risks	Brand damage Climate change and environment Regulatory and compliance
Stakeholders/relationships affected	Suppliers, customers, colleagues



Product circularity

Our products have always been designed with quality, choice and value in mind; we now also consider sustainability and circularity.

MOVING TOWARDS PRODUCT CIRCULARITY

Around 80% of c.50,000 own brand products are designed in-house or exclusively for us by external designers, allowing us to influence and develop more sustainable ranges, including the materials we use, how they are produced, and the options for our products at end-of-life.

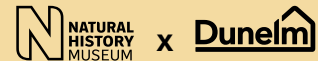
Moving from a linear to a circular model involves longer-term thinking and, during the year, we embedded circularity principles into our product

design processes, raising awareness across our commercial teams, bolstering internal expertise and collaborating with suppliers and industry partners, such as Textiles 2030 and Better Cotton.

Full product circularity cannot be achieved overnight. We will continue to learn, test and scale up as we engage with our key suppliers and work with industry peers to improve our understanding and develop opportunities. In FY22, we launched our exciting collaboration with the Natural History Museum, which epitomises our approach to product circularity.

SUSTAINABLE COLLABORATION

Inspired by the Natural History Museum (NHM) and the natural world it celebrates, the NHM x Dunelm collection is a range of homewares products designed for longevity using, where possible, responsibly sourced materials and packaging that has a 'second life'. Each product aims to raise awareness of the importance of protecting wildlife and natural habitats, such as wetlands and woodlands, to preserve fragile ecosystems. This exclusive range has been designed by Dunelm, working hand-in-hand with NHM experts, who share their specialist knowledge at each step. Only suppliers who meet both NHM's and Dunelm's highest-rated ethical standards have been selected to work on the project.



TAKE-BACK

- Customer take-back services available
- Products reused, repurposed, recycled
- Researching 'closed loop' opportunities for textiles



MARLOW MARSH ARMCHAIR AND FOOTSTOOL

- Classic wingback silhouette and tapered legs for timeless look
- Filling made from 100% recycled polyester
- Interchangeable legs to extend life
- Made in the UK

PACKAGING TO KEEP

- Some NHM packaging designed to colour in and maybe even frame
- Encourages reuse and educates along the way



KINGFISHER CUSHION

- Cover made from 100% recycled polyester
- Filling made from 100% recycled polyester
- Recyclable through Dunelm's textiles take-back service

DIFFUSERS AND CANDLES

- Plant-based diffuser oil
- Glass vessels and packaging designed to be reused
- Easily recyclable



Circular economy continued

Responsible sourcing ENVIRONMENTAL

To achieve our targets to reduce carbon emissions and water usage we need to change the materials used in our products and the manufacturing process throughout the whole supply chain.

EXPANDING OUR EXPERTISE

In FY22, we expanded the in-house skills of our Product Quality & Sustainability team by recruiting two environmental sourcing specialists. This will help us to identify and improve the environmental credentials of our products more quickly, better educate our suppliers and buying teams, and tackle increasing stakeholder demand for more transparent data that underpins our commitments to carbon and waste reduction, and to related areas such as water and biodiversity.

SUPPLIER ENVIRONMENTAL ASSESSMENT AND ENGAGEMENT

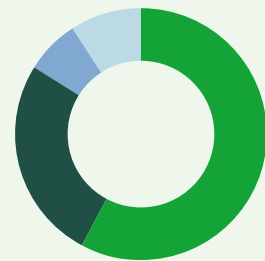
We have continued to work with Track Record Global to map our supply chain to identify potential environmental and social risks in the sourcing of cotton, timber, and palm oil; and to verify claims for recycled materials.

We have engaged with our suppliers through a series of seminars and workshops, and by sharing resources. Through this engagement we set out our targets and our expectations of the standards that we require our suppliers to meet, so that they understand the need to develop their expertise and drive continuous improvement in their own supply chains.

TEXTILES 2030 AND MATERIALS IMPACT ASSESSMENT

We became the first homewares retailer to sign up to Textiles 2030 in FY21, committing to carbon, water and circular textiles targets (see page 19). We are working alongside c.100 other UK companies/signatories to reach these targets at an industry level. This year we submitted our baseline fibre tonnage for textiles products in FY19 and FY21 and completed a materials impact assessment to better understand the GHG emissions, water and waste impacts associated with our products. Our work has helped prioritise our actions, for example to source more recycled polyester to help reduce our carbon footprint, and to use more sustainable cotton alternatives to reduce our water footprint.

Textiles used in our products % of material/fibre in tonnes



■ Polyester	58
■ Cotton	26
■ Polypropylene and Polyurethane	7
■ Other	9

Source: Dunelm

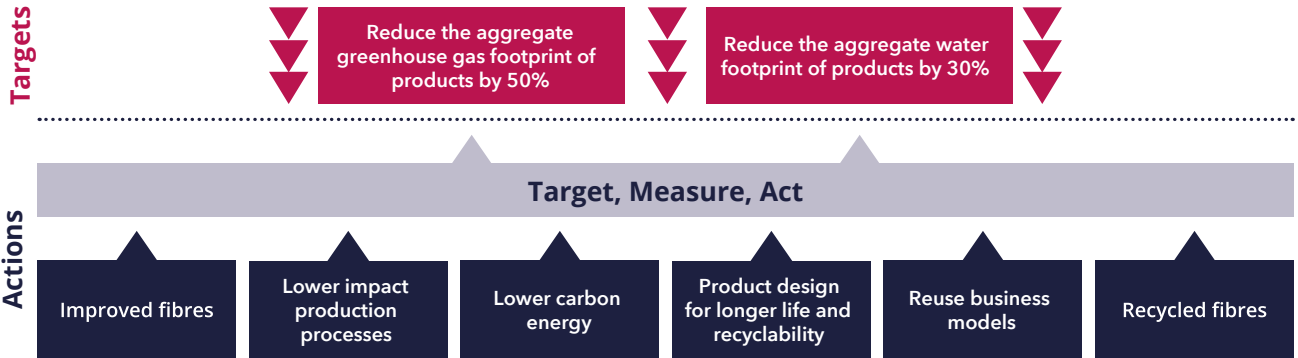


'Conscious Choice'

We launched our 'Conscious Choice' label in August 2022. To be included in this selection of sustainably focused own-brand lines, each product must be made from at least 50% more sustainable materials (by weight) compared to conventional alternatives and will typically also offer an extended guarantee of between five and 25 years, with the products having been designed with durability in mind.

Working with Textiles 2030

Target, Measure, Act



WORKING COLLABORATIVELY TO REDUCE THE ENVIRONMENTAL IMPACT OF TEXTILES

Dunelm is one of the pioneering home textiles signatories on WRAP's Textiles 2030 voluntary agreement, an expert-led initiative designed to limit the impact textiles have on climate change in line with the Paris Agreement.

Source: WRAP Textiles 2030

TEXTILES 2030 MEASURABLE TARGETS

As a Textiles 2030 signatory we have adopted a 'Target, Measure, Act' approach to work towards key science-based targets by 2030. We aim to reduce the aggregate carbon footprint of new products sold by 50% and reduce the aggregate water footprint of new products sold by 30%, against a 2019 baseline.

ROADMAP AMBITIONS FOR CIRCULAR TEXTILES

Essential to achieving these targets and moving towards a more circular economy for textiles is designing for circularity, implementing circular business models and closing the loop on materials.



The Textiles 2030 Roadmap sets out a series of key milestones between now and 2030 to help businesses on the agreement adopt these principles. More information is available on WRAP's website: <https://wrap.org.uk>

COTTON

Our published target is for 100% of the cotton used in our own brand products to meet our 'More Responsibly Sourced' standard by FY25. In FY22, we achieved 30.0%. To accelerate our progress, in FY22 we joined Better Cotton, the world's largest cotton sustainability programme, whose mission is 'to help cotton communities survive and thrive, while protecting and restoring the environment.'¹ Through our association with Better Cotton we are committed to improving cotton farming practices globally. Better Cotton is sourced via a chain of custody model called mass balance. This means that while cotton produced under the programme may not be directly traceable to a Dunelm product, Better Cotton farmers benefit from the demand for Better Cotton in equivalent volumes to those we 'source'.

1. Source: <https://bettercotton.org/>

NON-TEXTILES

Although we have completed a high-level assessment, we are at an early stage in developing a detailed understanding of the environmental footprint of our non-textile materials such as timber, glass, ceramics, and metals. We will do so using a practical approach that makes use of peer-reviewed industry data and proxies in line with ISO 14044. This material impact assessment will be based on life cycle analysis (LCA) and will cover five areas: global warming potential, water quality impacts, water consumption, fossil fuel depletion, and human and environmental toxicity. We have adopted a phased approach, initially focusing on product categories with the highest potential impact, allowing us to test our methodologies and set priorities.

FOOD AND DRINK

Dunelm is committed to using more sustainably sourced raw materials across our range of Pausa cafe products. For example, tea, coffee and cocoa in Pausa branded products must be certified to a recognised responsible sourcing programme that reduces environmental degradation, such as the loss of natural habitats, deforestation and social risk in the area from which they are sourced; see also page 33.

Circular economy continued

BIODIVERSITY, TIMBER AND WATER

In FY22, we started to assess data requirements to quantify our nature-related dependencies, risks and impact to understand and address these as part of our decision-making, and begin to build our biodiversity strategy. We are at a very early stage in this process and have begun to map the habitats, baseline biodiversity integrity and water-related risks of our main timber and cotton sourcing region, two areas where our raw material impacts are likely to be greatest.

FY22 performance

- 30.0% of 'More Responsibly Sourced Cotton' in own brand range.
- 6.9% of 'More Responsibly Sourced Timber' in own brand range.
- 90.1% of palm oil that is used in Dunelm and Pausa products that is sustainability sourced (RSPO).
- 76% of Timber fully verified to be from legally harvested sources.

FY23 focus

- Increase usage of 'More Responsibly Sourced Cotton', Better Cotton and recycled polyester.
- Improve data to better understand carbon reduction drivers for non-textile products.
- Carry out baseline assessment of habitats, biodiversity integrity and water risk of our main cotton and timber sourcing regions to develop our first biodiversity strategy.



SOFT WASHED COTTON BEDDING

Our soft washed cotton bedding range has been produced using pre-consumer recycled cotton fibres and textile leftovers which are then reprocessed and spun into yarns to create new fabric. Recycled cotton can require fewer resources to produce which offers a more eco-friendly choice.

- Made from 100% recycled pre-consumer cotton
- MADE IN GREEN OEKO-TEX certified
- Cardboard packaging is FSC® certified



Cotton

All suppliers of Dunelm own brand cotton products must meet minimum standards and commit to our higher 'preferred' standard by FY25 as set out in our More 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 significant risks of slave labour or human rights violations. To meet our 'preferred' standard, suppliers must adhere to an industry-recognised cotton programme that promotes lower-impact and ethically sound cotton sourcing (e.g. Better Cotton, recycled and organic cotton) and manufacturing standards (e.g. ISO 26000 and MADE IN GREEN by OEKO-TEX).

POLICY



100% Organic Cotton Bath Mat
Unbleached and undyed, with cotton produced using organic farming methods.

Timber

All timber suppliers must provide full, transparent documentation to prove legal sourcing compliant with UKTR/EUTR regulations. Dunelm branded product suppliers must work towards the higher 'preferred' or 'More Responsibly Sourced' standard as set out in our Responsible Timber policy. To meet the 'preferred' standard, timber must be sourced from a recognised third-party programme that endorses lower-impact management practices at the forest level.

POLICY

Salad servers
Handmade from mango wood.



More responsible sourcing

Committed to continuous improvement and industry collaboration

Palm oil

At year-end FY22, 111 Dunelm products contained palm oil. It is present, for example, in some foods served in Pausa cafes and in fragrances used in candles and diffusers. Our target is for 100% of palm oil used in Dunelm own brand and Pausa products to be certified by the Roundtable on Sustainable Palm Oil (RSPO), verified by an independent third party.

POLICY



Silky soft faux fur throw
Luxurious faux fur fabric made from 75% recycled polyester, using 88 recycled plastic bottles.



Animal-derived products

Some materials in furniture, quilts, pillows and upholstery products come from animals e.g. sheepskin, leather, down, feathers, wool and animal hair. For Dunelm products, we promote high standards of animal welfare based on the Animal Welfare Committee's Five Freedoms. No materials may come from endangered species as defined by the IUCN's red list categories and CITES guidance and no real fur may be used.

POLICY

Food and drink

Our brand standards policy sets out provenance and quality standards for food and drink served in our Pausa cafes, including standards and certifications for: tuna, GMO-free ingredients, hydrogenated fats, free range eggs, tea, coffee, cocoa, milk, beef.



i For more information about Pausa, see page 33.

i For information on FY22 performance, see page 5.
All indicated policies are available on our corporate website: corporate.dunelm.com.

Circular economy continued

Responsible sourcing ETHICAL

We require our suppliers to provide safe and legal working conditions for the people who work for them, and we do not permit any form of exploitation.

APPROACH

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 our product supply chain are maintained through the audit activity against our Ethical Code of Conduct for suppliers and partners. All Dunelm suppliers sign up to this code, which aligns to international labour standards and includes an enhanced section on modern day slavery.

We regularly audit the manufacturing and UK warehousing facilities of all suppliers of our own brand products for compliance with this code. All Dunelm Tier 1 suppliers must provide a low- to medium-risk graded ethical audit (less than two years old) and a valid building and fire safety certificate. All new suppliers have to be graded low- or medium-risk to be onboarded.

PERFORMANCE

In FY22, we reported an increase in the percentage of low- to medium-risk graded ethical audits to 73.9% against a target of 90%. Although the number of high-risk audits fell, we decided to increase the frequency of auditing for any site with consecutive high-risk audit results; in addition to online follow-ups, we now re-audit these sites within one year (instead of within two years).

We are still experiencing some challenges in keeping audits in date in regions that remain affected by pandemic-related travel restrictions. In FY22, 97.9% of our audits were in date (FY21: 89%) against a target of 100%.

SUPPLY CHAIN TIERS



Tier 4

Fibre processing



Tier 3

Fabric and cotton suppliers



Tier 2

Tier 1 sub-contractor



Tier 1

Final product factory



Tier 0

Office, retail, distribution centres

EXPANDING OUR ETHICAL AUDIT PROGRAMME

Our anti-slavery and ethical audit programme 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 expert, Verisio, to assess, grade and monitor the social and ethical performance of the supply chain for both product and third-party service providers. In FY21, we developed a bespoke remote auditing service with Verisio to facilitate the closure of specified non-conformance issues; see page 23. 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 period, we will not compromise our supply chain integrity.

During the year, we appointed a dedicated Ethical Manager to support our Head of Product Quality & Sustainability to further develop our ethical audit programme and raise supplier awareness through engagement. We have also broadened our anti-slavery ethical assessment programme for higher-risk UK-based non-stock suppliers, such as logistics service providers, cleaners and recruitment agencies, and we have introduced a programme of unannounced spot checks for high-risk suppliers in addition to our regular audits. Renewing a physical auditing presence (post-Covid) and continuing with spot checks are an important way of combatting poor ethical practices and guarding against modern slavery risk, and we aim to increase this activity where we can.

Tier 2 mapping process

We have developed a Tier 2 mapping process, building on work that we started last year. In April 2022, we trialled this process with one of our largest UK Tier 1 suppliers who has over 30 suppliers (our Tier 2 level) in four different countries. We have focused initially on managing and assessing data returned from this exercise. Our next step will be to use this data to create a practical risk management framework to identify and grade risks based on industry, region and scale, including how much value of the final product is made in our Tier 2 sites.

ETHICAL CODE OF CONDUCT: SUMMARY OF TOPICS COVERED

Child labour
Employment is freely chosen
Hours of work
Wages and benefits
Freedom of association
Discrimination
No harsh or inhumane treatment is allowed
Regular employment is provided
Health and safety
Environmental requirements
Agency labour
Audits
Supplier compliance
Sub-contractors
Whistleblowing

ENGAGING OUR SUPPLIERS

We continued to raise awareness of the importance of anti-slavery and ethical practices and the key role our suppliers play in adopting these. In March 2022, we organised an online seminar for around 250 suppliers that focused on anti-slavery and ethical standards and current and future audit information requirements. Our aim was to reinforce our transparent approach, including information about our supplier scorecard (see below), to explain the rationale behind more stringent reporting and to demonstrate commitment to ongoing supplier engagement.

Supplier whistleblowing

We have in place a whistleblowing helpline which is anonymous and run by an independent third party. We actively encourage people in our supplier factories to report any issues they may have, reinforcing that it is in everybody's interest to do so. We are currently introducing a new supplier whistleblowing platform to replace the existing one and aim to launch this in October 2022. Our new system will be set up in multiple languages, and allow concerns to be emailed and collated via an online portal. We are promoting this new service on posters in all Tier 1 factories (around 800 sites).

This is an important part of our diligence process. For example, following a concern raised about one of our suppliers via our whistleblowing helpline, we immediately launched an investigation and made unannounced visits; no slavery practices were uncovered but we found other issues. Although we engaged with the supplier these were not resolved and further spot checks led to us delisting some of their factories.



Supplier scorecards

The anti-slavery and ethical performance of our suppliers has a bearing on legal and brand damage risk exposure, investor decisions and customer and colleague expectations, and we consider individual supplier performance when making commercial sourcing decisions. Our 'live' supplier scorecards inform our decision-making and help our suppliers to see how they can improve their performance, for example, by renewing audits or addressing non-conformance within approved time frames. By increasing the transparency of how we calculate our overall supplier scores, we aim to encourage suppliers to improve their anti-slavery and ethical performance.

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 involved in recruitment and people management, and by those who work in high-risk areas such as warehouses. Training module completion is tracked via our new learning and development portal, Thrive, and we refresh training content regularly. In FY22, 80.2% of targeted colleagues received annual training.

FY22 performance

- 97.9% of Tier 1 factory base for own brand products with audits not more than two years old against a target of 100%.
- 73.9% of low- or medium-risk audits against a target of 90%.

FY23 focus

- Continue to reduce high-risk graded factories through improvement plans or re-sourcing.
- Ongoing supplier engagement, Tier 2 supply chain mapping and risk assessments.
- Increase presence in UK factories and spot checks; overseas where permissible.
- Expand anti-slavery and ethical assessment approach for non-stock suppliers.
- Implement and promote new dedicated supplier whistleblowing portal.

REMOTE AUDITING SERVICE

In FY21, we developed a bespoke remote auditing service that allows the closure of authorised non-conformances against the Dunelm Corrective Action Plan to be carried out remotely in place of an on-site follow-up audit. The purpose of this service is not to lower standards, but to reduce barriers to achieving them through a more cost-effective and efficient service. The remote service can only be used on one occasion; if a repeat non-conformance is raised in subsequent audit reports, a follow-up on-site audit will be required.



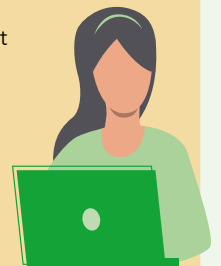
Step 1:
Ensure that all relevant information will be available to the auditor.



Step 2:
Ensure adequate root cause analysis has been previously provided or available to the auditor.



Step 3:
Ensure adequate technology is available to facilitate the remote Dunelm audit.



Focused on reducing packaging

We look for opportunities to reduce packaging, improve customer experience and save costs. Between FY20 and FY22, we reduced plastic used in own brand packaging by 22.7%/£1 sales.

MICRON-MANAGING

We have reduced the thickness of the plastic packaging used to protect bedding products by at least 20% and added 30% recycled content since FY19, removing over 50 tonnes of plastic to date.

PLASTIC REMOVAL

We continue to remove plastic packaging altogether - we no longer use wrap film on some free-standing lamp shades, and for the second year in a row we removed plastic from Christmas decorations.

BOXING CLEVER

By reconfiguring box sizes and using 100% recycled cardboard, we aim to remove over 140 tonnes of paper and cardboard and save just under 125 tonnes of carbon by FY23.

PACKING TOOLS

We have devised tools to make it easier for people packing our parcel deliveries to use the right-sized box and introduced training to streamline the processes, reducing costs and carbon.

PAPER SUBSTITUTES

At our ecommerce site, we switched from using plastic bubble wrap to stretch (Geami) paper, saving valuable warehousing and vehicle space. It has improved packing speed and our customers find it easier to recycle.

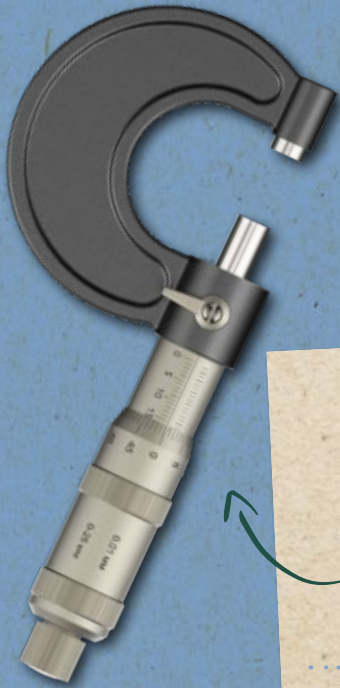
CREATING JOY

When we redesigned our packing boxes, we took the opportunity to have a bit of fun, encouraging customers to open them carefully and to give our packaging a 'second life'.

S-T-R-E-T-C-H

We wrap pallets in film for safety reasons. In FY22, we trialed using thinner, pre-stretched film in one warehouse and removed 109 tonnes of plastic and just under 285 tonnes of carbon. We are now rolling this out to other sites.

PLEASE HANDLE ME GENTLY,
DELIVER ME SAFELY,
OPEN ME CAREFULLY



Plastics and packaging

We cannot eliminate all packaging but are committed to reducing its environmental impact by using less packaging, better packaging and aiming for a fully closed packaging loop.

UK PLASTIC PACKAGING TAX

This new tax came into force in April 2022 and applies to plastic packaging manufactured in, or imported into, the UK that does not contain at least 30% recycled content.

In July 2021, we updated our second Sustainable Packaging Manual, and in last year's Annual Report we shared examples of initiatives already underway to increase recycled content in our packaging for Dunelm branded products. We were unable to meet our target for 30% of recycled content in our own brand packaging in FY22, primarily due to the lack of availability of suitable alternatives and provision of evidence by our suppliers. We aim to improve performance in FY23.

The requirement to submit information to the UK Government quarterly, with documented evidence of recycled content, represents a significant workstream for our team. In FY22, we updated our systems to capture data relating to the new tax and engaged extensively with our suppliers to educate and support them.



HOME DELIVERY PRE-PACKING PRODUCT ASSESSMENT



Weight



Size and shape of product



Fragility & value

Choice of packaging considerations:

Packaging cost, packing speed, transport costs/ volume optimisation, product protection, ease of customer handling, volume of waste to be recycled by customer and overall customer experience.

In December 2021, we issued a Supplier Packaging Reporting Requirements Manual, which aligns our packaging standards with the new tax and helps guide all our suppliers through the new data that they must provide.

At year end, over 80% of all suppliers had confirmed their adherence to the new data requirements and we aim to introduce spot checks in FY23 to validate data accuracy.

REDUCING PACKAGING

We have continued to work on various packaging initiatives around the business to reduce overall packaging consumption - from transit packaging to packaging used for consumer-facing products; examples are provided on page 24.

In FY22, we developed a detailed packing manual and training video (in multiple languages) for people working at the third-party ecommerce facility where the majority of our online orders are handled, guiding them on how to use the optimal packaging size and type, based on the product, our business, our customer experience and the environment.

FY22 performance

- 22.7% reduction in volume of own brand plastic packaging used/£1 sales against a FY22 target of 7.5%¹.
- 15.0% of recycled content used in own brand plastic packaging against FY22 target of 30%.

FY23 focus

- Ongoing packaging reduction and improvement initiatives across the business.
- Further refinement of systems and data collection for UK Plastic Tax reporting and preparing for Extended Producer Responsibility for Packaging tax reporting (legislation expected to be in force 2023-4).
- Strengthening dedicated packaging and technology team.

1. Basis of reporting. 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. All plastic packaging weights for the FY20 baseline and for Q1 - Q3 for FY22 were assumed to be virgin plastic. Recycled % was incorporated into the calculation from Q4 FY22 following improved availability of data.

Helping our stakeholders to make more sustainable choices

Stakeholders	Current and planned initiatives	
 <p>Customers</p>	<p>Better signposting and 'Conscious Choice'</p> <p>We increasingly signpost products that use more sustainable materials or manufacturing processes, including certified marques. In August 2022, we launched our 'Conscious Choice' label for our own brand products, which meet specific criteria, for example, products made from at least 50% more sustainable materials by weight compared to alternatives; see page 18.</p> <p>The Edited Life</p> <p>Our lifestyle brand incorporates a variety of more sustainable materials to promote less consumptive ways of life. Products are designed with a philosophy of achieving a modern, timeless look that will outlast fashion and trends.</p> <p>Take-back and recycling services</p> <p>We have increased the number of items where we offer take-back and recycling options for customers, to prolong the use of unwanted items or to ensure their responsible disposal; see page 27.</p> <p>Care and repair hubs</p> <p>We provide online tips and hacks on 'how to care for' curtains, bedding, rugs, sofas and chairs.</p> <p> dunelm.com/info/about/care-and-repair</p>	    
 <p>Colleagues</p>	<p>Colleague empowerment</p> <p>Sustainable sourcing guidelines, 'traffic light' carbon footprint materials ranking and training was given to colleagues involved in product procurement in May 2022 to empower them to make better sourcing choices.</p>	
 <p>Suppliers</p>	<p>Supply chain engagement</p> <p>We are engaging more with our suppliers through seminars, workshops and shared resources to raise awareness, to improve data collection and to help them reduce their environmental footprint through their choice of sustainable materials.</p> <p>Three of our committed suppliers and one partner have signed up to Textiles 2030; this helps alignment with our Textiles 2030 Action Plan. We are working with other key suppliers to increase the percentage of recycled content in bedding. Another committed supplier is working on a packaging optimisation project with us.</p>	
 <p>Shareholders</p>	<p>Sustainability data and engagement</p> <p>We engage with shareholders, ESG rating agencies and banks to help them make more informed investment decisions.</p>	

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Take-back services

We aim to make it as easy as possible for our customers to dispose of unwanted homewares items and are working on a growing range of take-back solutions across our major product ranges.

PROGRESS AND PERFORMANCE

In FY22, we set ourselves a target to offer a take-back option for over 50% of our own brand products by sales value by FY24. This is also a current target for the Directors' LTIP and our Revolving Credit Facility. At year-end FY22, customer take-back solutions were in place for 61.3% of our own brand products and a summary of these can be found in the table below.

TACKLING TEXTILES

Although we had take-back facilities in place in FY21 for products such as electricals, batteries, furniture and mattresses, a major initiative in FY22 was to find a take-back solution for textiles - our largest product category by revenue and volume. In October 2021, we piloted a textile take-back facility in 18 stores in partnership with an expert provider and rolled this out to 166 stores in December 2021. At year-end FY22, this was available in 167 stores, representing 94% of our store estate. At present, there are 10 stores where this textile take-back service is not offered owing to space constraints.

We have been overwhelmed by our customer response. There has been no significant drop in volumes since we launched the textile take-back service, averaging collections of around 10 tonnes a week. We have promoted this service via our dunelm.com website and Facebook store community pages and we have developed more in-store promotional materials, including dedicated textile drop-off bins.

Our take-back partner is a signatory to Textiles 2030 (as are we) and ensures that no textile will end up in landfill. Where possible, products are reused; otherwise they are shredded and repurposed or used for energy-from-waste. We segregate feather-filled quilts and pillows and send these to one of our product suppliers who cleanses them and plans to reuse the feathers in new products once the volumes are high enough to do so.



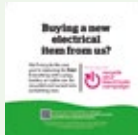
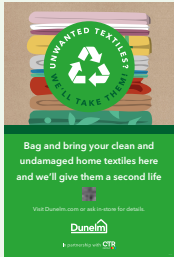



FY22 performance

- 61.3% of own brand products for which we offer an easy-to-use take-back service against a target of 50%.

FY23 focus

- More efficient textile segregation and labelling to facilitate reuse and develop further circular economy initiatives.
- More streamlined internal and external communications of our take-back options.
- Ongoing evaluation of solutions for remaining product ranges.

EXPANDING TAKE-BACK SERVICES

Category	Examples of take-back	Progress and focus
Electrical items and batteries	All like-for-like electrical items purchased with us (legal requirement as part of WEEE electricals recycling scheme).	In partnership with 'Recycle Your Electricals' scheme, which we actively promote in store, online and via local Facebook store community pages. 
Textiles	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 and tea towels, and curtains.	Textiles take-back scheme in 167 stores; ongoing refinement with partner as we evaluate operational, logistical and segregation improvements. 252 tonnes collected in FY22 
Homewares	Good quality, pre-loved items.	Encourage customers to donate to charity partner, Mind. 
Furniture, beds and mattresses	Good quality furniture, beds and unsoiled mattresses with fire safety label.	British Heart Foundation (BHF) collects free (by appointment). £119k raised for BHF in FY22 
	Any condition.	Collected by Clearabee with fee (discounted with proof of Dunelm order). 



Community

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Relevant UN SDGs

Although we do not formally report against them, our community work supports these globally recognised goals:



We help create joy for the people we engage with across our business - our customers, local store communities, colleagues and suppliers.

Responsibilities and engagement

Who is responsible	Executive Board sponsors: Community Customer Director Colleagues and Doing the right thing Stores and People Director (Colleagues); Company Secretary (Health and safety, Anti-bribery, Codes of Conduct, Privacy); CFO (Tax and supplier payments)
Awards and recognition	Winner of The Employer of People with a Disability Award The National Learning Disabilities & Autism Awards 2022 One of ten companies shortlisted for The Diverse Company Award at the National Diversity Awards 2022 Retail Week Top 20 retailers to work for in the UK in 2022
Dunelm leadership and stewardship	Signatory of British Retail Consortium (BRC) Diversity and Inclusion Charter Health and Safety Forum BRC Health and Safety Group

How this relates to our business

Links to principal risks	Competition, market and customers People and culture Regulatory and compliance
Key stakeholders/relationships affected	Customers, store communities, colleagues, suppliers



Strengthening our customer proposition for savvy home lovers

We pride ourselves on **making every pound count** and being good housekeepers. We spend wisely where it matters and minimise unnecessary waste. This means we can provide **outstanding value products at every price point**, supported by colleagues who care and technology that makes things seamless and efficient.

CHOICE & VALUE

Great value and quality for every style, space and budget.

GOOD & CIRCULAR

Positive choices for people and the environment.

FRIENDLY & EXPERT

Service that is knowledgeable, non-judgmental and warm.

EASY & CONVENIENT

Easy to find, buy and fit everything you need for your home.

Customers

CREATING JOY FOR OUR CUSTOMERS

We want to help find ways to make everyday homelife better for our customers, and our plan to become our customers' 1st Choice for Home is firmly linked to our purpose. In FY22, the Board renewed our customer proposition, demonstrating its ongoing commitment to putting our customers at the heart of our business. We have renewed our focus on the value that we offer across all price points ('choice & value') in the light of current cost of living pressures in the UK, seeking to minimise price increases where possible, as well as adding a new element ('good & circular') to reflect our ambition to provide products that make a positive impact on society and the environment.

CUSTOMER SAFETY

We are responsible for making it as safe as possible to shop with us - whether in-store, in our Pausa cafes or online. In our health and safety section on page 46, we explain, for example, how we provide bespoke training to store colleagues; on page 47 we explain our approach to managing food safety and give examples of improved nutritional and allergen information to better inform customers who eat and drink in our cafes; and on page 47 we talk about how we respect our customers' (and colleagues') data privacy and how we have improved the security of online payments made by our customers.

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 commercial 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, during the year, we have introduced specific guidelines on sustainability claims, and rolled out training to our commercial and marketing teams.

CUSTOMER ENGAGEMENT

We are continuing to build our capabilities in customer insight 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 - from feedback on our local Facebook group pages to regular surveys and our work with social media influencers. We are also committed to engaging our customers by supporting purpose-driven communities around every one of our stores (see page 30).

MORE SUSTAINABLE CHOICES

Our Community working group has an objective to engage with customers (and colleagues) to raise awareness of our sustainability commitments, products and services (such as our take-back services), and to share tips and life hacks, for example, how to repair and upcycle products, to help customers live more sustainably. The launch of our 'Conscious Choice' label in August 2022 represented a step forward in how we communicate the sustainability credentials of our products; see page 18.

MEASURING PERFORMANCE

Our key metric related to customers is net promoter score (NPS) - a Group KPI and executive bonus metric. In FY22, our overall score decreased by 4.2%pts (FY21: +4.2%pts) and was heavily influenced by external factors, including supply chain disruption, labour shortages and ongoing Covid-related issues at the beginning of the year. We have made good progress on a number of propositional improvements during the year which we expect will deliver an improved score in FY23.



Community continued

Store communities

MEANINGFUL CONNECTIONS

In FY20, our colleagues set up Facebook groups in their store communities to help organise local fundraising initiatives, to support vulnerable individuals and to understand local customer and colleague sentiment during Covid-19 lockdowns. We immediately saw the potential to develop this initiative and have since focused our efforts on making more meaningful connections to support thriving, purpose-driven communities around every one of our stores.



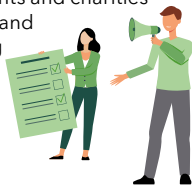
>1 million

Number of Facebook followers at year end FY22 (FY21: over 700k)



BENEFITTING OUR COMMUNITIES

In addition to fundraising as a Group for Mind, Scottish Association for Mental Health and Inspire, we encourage stores to support local events and charities that are meaningful and relevant, benefitting schools, hospitals, hospices and animal shelters, among others.



PROMOTING INNOVATION AND AUTONOMY

We encourage stores to make their own decisions and 'act like owners'. Strong ideas can and do grow organically across the Group, promoting innovation, as seen during the store-led initiatives for Ukraine. We also support local entrepreneurs and businesses by providing space for pop-up shops and events on our premises.



IMPROVING COLLEAGUE ENGAGEMENT

Our colleagues are proud to support their local communities via their stores and feel more engaged and committed.



REDUCING ENVIRONMENTAL AND BIODIVERSITY IMPACTS

Many community initiatives support our commitment to reducing our impacts on the environment: encouraging the donation of unwanted goods, recycling decorations and litter picking, to name a few.



Thriving, purpose-driven communities

PROMOTING AND SHARING OUR INITIATIVES

Our community work is so important to our stores, the Dunelm brand and our customer proposition that we measure and share activities at each store via our community leaderboard (nothing like a bit of competition).



BRINGING COMMUNITIES TOGETHER

We have opened up our Pausa cafes as community hubs - bringing together people through social groups and giving people a collective purpose, for example, through our 'Knit & Stitch' groups.



CONNECTING OUR COLLEAGUES

Our colleagues feel more connected to other Dunelm stores and sites by working on joint campaigns, such as our 'Miles for Mind' baton relay to support Mind.



CREATING COMPETITIVE ADVANTAGE

We truly believe that what we are doing in our communities is different, valued and recognised, giving people an extra reason to work for us and shop with us.



RESPONDING TO THE WAR IN UKRAINE

Dunelm was proud to be part of the UK retail community’s response in supporting people affected by the war in Ukraine. Colleagues across our stores, support centres, warehouses and supply chains engaged with charities to understand what support was most needed and how best to help. Our store community groups co-ordinated local drop-off points for essential items such as duvets, pillows and toiletries and most of these actions were store-led, building organically. Within just a couple of weeks after the invasion, over 105 pallets of duvets, pillows, blankets and other essential items were delivered to the Polish border, via our take-back logistics partner, for onward distribution to Ukrainian people in affected regions.

300

Dunelm colleagues and their families have been directly affected by the Ukraine war due to connections to Ukraine or neighbouring countries. We sent £20k to the Red Cross on behalf of these colleagues as a ‘personal donation’.

10%

We offered a 10% discount for UK residents taking part in Homes for Ukraine to help them prepare their homes for refugees.



SUPPORTING OUR GROUP CHARITY PARTNER



We rotate our chosen Group charity partner every two years and ask our colleagues to shortlist candidates via an online survey as part of the pitch process. In July 2021, our colleagues voted to support Mind (in England and Wales), Scottish Association for Mental Health (SAMH) in Scotland and Inspire in Northern Ireland. We also continue to support local charitable causes such as LOROS and the Rainbows Hospice for Children and Young People and, in FY22, made ad hoc donations to Age UK, Women’s Aid, Good Guys and Loughborough University.

By year-end FY22 we had raised £457k for Mind and its partner charities through a variety of Group-wide fundraising activities. The most successful event was ‘Miles for Mind’ – a baton relay which was very popular with our colleagues who set up route maps for people to run, walk or bus between Dunelm stores. From March 2022 we increased our Pausa donations to Mind, SAMH and Inspire from 5p per cup of tea sold to 5p from any hot drink.



Community continued

'SHOP SMALL, SUPPORT LOCAL'

In summer 2021, we contacted local business and offered space on our store premises to set up stalls in return for a donation to Mind. During the year around 1,500 businesses took part, selling goods such as hand-made jewellery, paintings and wax melts. In December 2021, we set up local Christmas markets in our Pausa cafes.

'DELIVERING JOY'

Based on the success of our last two 'Delivering Joy' campaigns we are already planning to run our third one in December 2022, aiming to beat the 19,000 gifts collected and distributed during the festive period in FY22. Gifts donated by customers are sent to people in local care homes, schools and hospitals. We also supported animal shelters and, at our Stores Support Centre in Leicester, gifts donated by colleagues were collected for Age UK who sent them to local elderly people living alone.

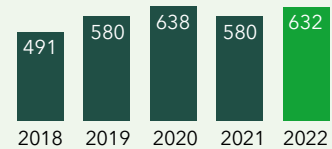


VOLUNTEERING

Every Dunelm colleague is encouraged to take up their annual paid day-off to volunteer or provide support for a charity. This was difficult to implement in and out of lockdowns and we have yet to regain full momentum. We aim to promote and better monitor this important aspect of local community engagement in the year ahead.

Group and colleagues fundraising and Group cash charity contributions

£k



FY22 performance

- Increase in charitable funds raised of £52k to £632k (FY21: £580k).

FY23 focus

- Further initiatives to support Mind, SAMH and Inspire.
- Colleague volunteering drive to support more causes across our communities.
- More in-store events to engage our store communities with Dunelm products and services.

PAUSA COMMUNITY HUBS

Last year we reported on how we had opened up our Pausa cafes to local community groups such as Scout groups and book clubs. We are pleased to report that the role of Pausa evolved further in FY22. In February 2022, we launched our 'Knit & Stitch' groups and these have been very popular (thanks, Tom Daley). Signed-up knitters and crocheters are given a free cup of tea, 20% off wool and inspiration to set to work on knitting squares to make blankets or 'twiddle muffs' for people with dementia in our partner care homes and hospitals. Through our newsletters and store Facebook pages we have received positive feedback and evidence that our groups have helped bring people together.

“It’s been lovely to meet up with the group every week to knit for deserving causes. It’s especially nice to get out and chat to people after two years of sitting at home.”

Brenda,
Newcastle Under
Lyme store

“This project is very close to my heart, as my mum has been living at Florence House for nine years. Knitting and crocheting these blankets really brings back memories and a lot of love goes into anything handmade.”

Kendal,
Newcastle Under
Lyme store





DELICIOUS FOOD
PAUSA
 GREAT COFFEE



What we are doing to offer more sustainable choices in our Pausa cafes



COMPOSTING TRIAL

We are trialling giving away free coffee grounds for local composting in our newly fitted Pausa cafes.



NON-DAIRY OPTIONS

We provide portions of oat, soy and coconut milk as an alternative to cow's milk at no additional cost to our customers.



FREE WATER REFILLS

We offer free water refills and every Pausa cafe is on the free water app, Refill, to help reduce single-use plastics.



UPGRADED MENUS

Allergens and nutritional information are clearly labelled and can be checked online before you buy.



TUNA

Our tuna is only caught by pole and line, or using Purse Seine netting - methods which reduce the risk of catching unintended species or damaging the sea bed.



COMPOSTABLE CUPS

Our takeaway hot drink cups are made from durable plant-based and compostable materials.



COMMUNITY HUBS

We are opening up more Pausa cafes to our communities, encouraging local groups and small businesses to use them, see page 32.



MORE PLANT-BASED OPTIONS

We aim for all food and drink categories to have either a plant-based or gluten-free option. Our apple pie (one of our best-sellers) 'turned vegan' in FY22.



FREE RANGE EGGS

All eggs used are free range.



NO GMO OR HYDROGENATED FATS

We do not use any GMO nor irradiated ingredients, nor products containing hydrogenated fats. We aim for all palm oil used in Pausa own brand products to be sourced sustainably, in line with our policy, see page 21.



PACKAGING REDUCTION

We continue to work with our suppliers to identify opportunities to reduce packaging in our food and drink ranges.



COCOA

All cocoa used in our Pausa branded products, including cakes, biscuits and cookies, is sourced through a recognised responsible cocoa programme and certified to one of the following: Rainforest Alliance, Barry Callebaut, Cocoa Horizons, Cargill cocoa promise, or Fairtrade.



NO FOOD WASTE TO LANDFILL COMMITMENT

We aim for no food waste to be thrown away. In the first instance we aim to reduce food waste through improved systems and training. We discount or donate perishable items nearing end of life and are trialling new ways to share food with our local communities. All food waste is recycled.



SUSTAINABLE TEA AND COFFEE RANGES

All green and black teas are Rainforest Alliance certified - this certification is awarded to producers who adhere to verified sustainable agricultural practices. Coffee sold must be covered by one of the following schemes: Rainforest Alliance, Fairtrade, or Colombian Coffee Growers Federation (FNC). (For every hot drink purchased, we also donate 5p to our Group charity, Mind).



Community continued

Colleagues

Our colleagues expect us to treat them fairly, to be rewarded appropriately for the work they do, to be given opportunities to develop and learn, and to be heard and connected to the business. They expect to feel at home in a safe and inclusive working environment.

“Our purpose and shared values sit at the heart of our people strategy. We update on progress made in areas that we focused on most in FY22.”



INCLUSIVE AND DIVERSE

COMMITMENT TO EQUALITY, DIVERSITY AND INCLUSION

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

POLICY Our equality and diversity policy is available on our corporate website, corporate.dunelm.com. Our Board diversity policy is in our Annual Report FY22.

INCREASED FOCUS ON DIVERSITY AND INCLUSION IN FY22

Building on foundations laid last year, we increased our focus in this area in FY22, recognising the importance that diversity and inclusion (D&I) plays in our colleagues' overall health and wellbeing. In FY23, through ongoing training and education, we will focus on making it clearer to our colleagues that they have the power to talk in a trusting and supportive environment.

Progress to date	Future focus
Informed and educated colleagues and leaders on a range of diversity and inclusion topics.	Supporting colleagues to move from learning and being educated to putting findings into action.
Set up four networks (LGBTQ+, Disability & Neurodiversity, Ethnicity & Race, Gender Equality), each sponsored by an Executive Board member, and a Diversity and Inclusion Steering Group.	Engage more colleagues in networks, including network group 'allies', to make them more visible and impactful.
Trialled census and gathered ethnicity data for around 77% of all colleagues.	Refine data collection method and use it to inform decisions, priorities and engagement.
Trained recruitment teams in inclusive practices, including trial of graduate 'no-CV' recruitment process; see page 45.	Use new behavioural framework (see page 41) to remove bias in internal and external talent hiring.

> 900

Over 900 colleagues have taken part in D&I training - from the Board through to line managers.

i For information on our inclusion and diversity training from an external perspective, see page 36.



We are proud of our progress we have made in the last 18 months but it has made us realise that there are so many opportunities to improve. We need to make it clearer to our colleagues that they have the power to talk in a trusting and supportive environment. Our ongoing training and education will focus on this in FY23.”

Josie Dickinson,

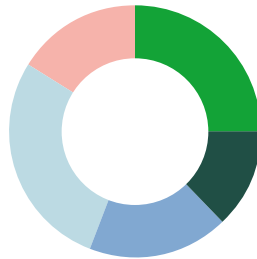
Inclusion, Diversity and Wellbeing Senior Manager

KNOWING OUR COLLEAGUES

We collect data and use it to inform decisions, priorities and engagement relating to our 11,000+ colleagues.



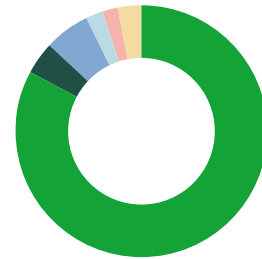
Age split %



50+	25
41-50	13
31-40	18
21-30	28
Under 21	16

Note: This data covers 100% of all colleagues.

Ethnicity data %



White British	83
White - Other	4
Asian British	6
Black	2
Multi-ethnic	2
Other	3

Note: This data covers 77% of all colleagues.

Gender breakdown, year-end FY22 versus year-end FY21

	Number							Percentage					
	Female			Male			Total FY22	Female			Male		
	FY22	FY21	Change	FY22	FY21	Change		FY22	FY21	Change	FY22	FY21	Change
Group Board	4	3	1	7	6	1	11	36%	33%	3%	64%	67%	-3%
Executive Board	5	5	-	5	4	1	10	50%	56%	-6%	50%	44%	6%
Dunelm Leadership team ¹	10	9	1	13	15	-2	23	43%	37%	6%	57%	63%	-6%
Store colleagues	6,153	6,673	-520	2,237	2,301	-64	8,390	73%	74%	-1%	27%	26%	1%
All colleagues	7,410	7,564	-154	3,614	3,520	94	11,024	67%	68%	-1%	33%	32%	1%

CODE FIRST GIRLS

In FY22, we partnered with Code First Girls, whose mission is to reduce the gender diversity gap in tech globally. Following the successful completion of a 13-week training course provided by Code First Girls, in June 2022 we welcomed 10 females into our data engineering department. This initiative is helping to break misconceptions and increases the supply of more balanced talent with an increasingly important and in-demand skillset.



1. Excluding Executive Board members.



**Interview with
Martin Mason**

Martin Mason, CEO and founder of external consultancy, Unleashed, talks about his work with Dunelm over the last 18 months to help to shape a refreshed equity, diversity and inclusion (EDI) strategy and training programme and to embed EDI thinking across the business.

WHAT PROJECTS HAVE YOU WORKED ON AND WHAT WERE YOUR FIRST STEPS?

Dunelm is keen to improve EDI across all elements of the 'colleague journey', including training, recruitment and leadership. Our first exercise was to work with the People team to audit current business practices from an EDI perspective, looking for positive activities and also gaps or potential exposure to risks. As part of the audit we analysed colleague feedback and invited all colleagues to take part in an online survey. We were delighted to receive responses from over 8,000 colleagues. We also held face-to-face interviews with around 40 colleagues, capturing their experiences anonymously. We discovered good practice but also examples of unintentional bias and improvement areas, and these were fed back to the Executive Board and People team and were used to develop training plans and overall strategy.

HOW MANY COLLEAGUES HAVE YOU TRAINED?

In total we have helped train over 900 colleagues at Dunelm. We led discussions and brought in external speakers to raise awareness at Group Board and Executive Board level and to promote role modelling of inclusive

Our Group-wide approach to diversity and inclusion



leadership. We have run 'Leading in an inclusive world' training for over 300 leaders across the business; and 'conscious inclusion' sessions for over 800 line managers. Topics that we cover include gender, ethnicity, sexual orientation, ability, neurodiversity and gender transition. We are now planning our FY23 training roll-out for other colleagues in the business.

HOW WELL HAS THE TRAINING BEEN RECEIVED?

The whole programme is championed by Dunelm's CEO, Nick, which has definitely helped to set expectations and we have been really impressed by how open and receptive Dunelm colleagues have been to the training to date. However, we would not be doing our job properly if we did not experience some uncomfortable conversations, as these are useful to help challenge and change behaviour.

CAN YOU GIVE AN EXAMPLE OF THIS?

There is a common misconception from some people (not just those working in Dunelm) that EDI means taking jobs from a certain demographic to give to another. This is not the case at all; we explain the positives of creating a level playing field that benefits individuals as well as the business, by expanding the available pool of talent and widening diversity of thought. Getting people to change their perceptions and behaviours as a result of our training, however, is extremely rewarding and makes the challenging conversations worthwhile.

YOU MENTIONED THAT YOU ALSO WORKED ON DUNELM'S RECRUITMENT PROCESS?

Yes, alongside training we were asked to make Dunelm's recruitment more inclusive and accessible. To achieve this we helped implement new recruitment techniques to eliminate 'interference' by getting the team to focus on two priorities: 'what do you need this person to do?' and 'can this person do the job?'. By adopting this approach you challenge some of the unconscious bias that can affect recruitment processes. By tracking applicant data against key demographics we can prove that Dunelm has widened its

access to external talent. This has been particularly successful for Dunelm's graduate recruitment scheme.

WHAT ELSE HAVE YOU BEEN INVOLVED IN AND WHAT IS DUNELM FOCUSING ON NEXT?

We have also acted in an advisory capacity, working with members of the Executive Board to create four colleague networking groups: Gender Equality, Disability & Neurodiversity, Ethnicity & Race, and LGBTQ+. These groups are now up and running and we have upskilled colleagues to run these independently.

Our next focus area is to improve EDI in Dunelm's internal talent management processes. Dunelm has a good gender balance overall; however, historically, more men than women are put forward for promotion at middle to senior management. This is not uncommon as traditional succession tends to recruit 'by type'. With Dunelm we are looking at data-driven solutions to identify more colleagues in different areas of the Group who have the right skills and to ensure they are considered for the job. The People team is also looking at an EDI Audit 2.0 to better understand the impact of their EDI work on the business.

HOW WOULD YOU SUM UP WORKING WITH DUNELM?

Dunelm's culture is down-to-earth and open. In our experience once a decision is made, colleagues feel empowered to run with the idea quickly. The business is full of passionate people and Dunelm is more pioneering than it sometimes realises with industry-leading work in domestic abuse support, pregnancy loss, neurodiversity and menopause. It has been extremely rewarding for Unleashed to help Dunelm improve its EDI approach and to witness the positive impact on the business so far.

i For more interviews; see Dunelm colleague networks page 38.





COLLEAGUE NETWORKS

Our first four colleague networks were set up in July 2021 and have been steadily evolving. Each network is sponsored by an Executive Board member, with a departmental sponsor from the Dunelm Leadership Team. Co-chairs are voted in by other members and each network normally meets virtually to encourage colleague attendance from across the business. Visions, goals and other information, including a calendar of events and invitations to sign up, are updated on our *Home Comforts* intranet.

Members of our People team meet monthly with the co-chairs, working with them to help run meetings that induce challenging debate and to encourage people to talk about their lived experiences. Our network groups are proving to be a valuable source of information with suggestions resulting in change, as summarised in the table opposite.



DUNELM COLLEAGUE NETWORKS - INFLUENCE AND FOCUS IN FY22

<p>DISABILITY & NEURODIVERSITY</p> 	<ul style="list-style-type: none"> • Subtitles on videos and live transcripts • 'Quiet' hours in stores • Choice of printed materials (to avoid reading from screens) • Widening aisles so employees with wheelchairs can carry stock • Employing people on a one hour a week contract to help build confidence
<p>ETHNICITY & RACE</p> 	<ul style="list-style-type: none"> • Celebrated religious and cultural holidays such as Ramadan and Holi to raise awareness of different beliefs • Launched multi-faith/wellbeing spaces in a number of buildings • Increasing diversity in recruitment through training, in partnership with Unleashed
<p>LGBTQ+</p> 	<ul style="list-style-type: none"> • Pronouns on email sign-offs and ID badges • Rewriting parenthood and adoption policies • Redesign of stationery • LGBTQ+ History Month events • Pride Month celebrations and parades
<p>GENDER EQUALITY</p> 	<ul style="list-style-type: none"> • Pregnancy loss policy • International Women's Day Event and Women's History Month celebrations • Working groups for parenthood and menopause • Men's health week, raising awareness of men's mental health



NEW UNIFORM

In FY22, our colleague network groups shared their thoughts on how to improve colleague uniforms which will be launched in FY23. Ideas included: fewer buttons to make them more disability-friendly; better quality fabric that is more sustainable, and comfortable for colleagues going through menopause; and a choice of long and short sleeves that take different religious practices into consideration. Colleagues were then polled on uniform choices via *Home Comforts* – over 3,500 colleagues voted and over 250 additional comments were received.

Community continued

DUNELM COLLEAGUE NETWORKS

DISABILITY & NEURODIVERSITY



“ We have a central hub on our intranet for all network groups, where colleagues can post stories and support each other through allyship and shared experiences.



I got involved in this group because I wanted to support people who did not previously have a voice to articulate what they need and to help make a more inclusive and better business for my colleagues.

We now have a group of committed colleagues who are passionate for change and can demonstrate that the more meaningful micro changes we make, the more macro impact we have. We are now doing what we should be doing, instead of what we have to do, and we have more traction thanks to a considered effort from our business leaders and colleagues to support collaboration and change. Colleagues are now seeking us out to get involved and the networks are growing more organically as people see what we are doing and the impact we are making.

It is all about people. We want to fill the gaps to create a more inclusive culture where people feel they truly belong and our goal is to make sure people feel they can be the best they can be, by getting the right support and being able to support everyone how they want to. For example, by leading this network I have gained transferable skills and benefited personally but I have also learnt even more about neurodiversity, and I have helped to empower colleagues with skills that I acquired over the year. ”

Luke Thompson
Product Manager
Co-chair of Disability and Neurodiversity colleague network group

ETHNICITY & RACE



“ For me, the premise of diversity and inclusion is equality. It’s about ensuring a level playing field for all, at every stage in an individual’s life.



I was motivated to get involved in Dunelm’s first colleague network groups for two reasons. Firstly, it is in my personality to act or speak up when I see something that needs to change. Secondly, I believe we have a duty to recognise that if people are facing challenges in the external environment, our colleagues will be facing the same challenges in our business.

The beauty of my role as Early Careers Manager is that I can put the change into effect as part of my day job, making it a personal goal to apply the pressure to improve. For example, our recent trial of a more inclusive recruitment process led to us recruiting our most diverse cohort of graduate colleagues yet.

However, there are hurdles to overcome. It is difficult to impose cultural change when an individual’s external environment is not represented in the business. Until we have store colleagues, for example, who are truly representative of their local communities, we will not really be able to see the change. By sharing thoughts and opinions, talking more and understanding other real life perspectives and challenges, we should collectively be able to do what is right for our colleagues with their input – and our colleague network groups will help that. ”

Baz Patel
Early Careers Manager
Co-chair of Ethnicity & Race colleague network group

WINNER OF

The Employer of People with a Disability Award

“

Dunelm have an amazing approach when it comes to employing people with a disability, they not only think outside of the box but also break the rules of their own organisation to provide inclusive opportunities for everyone...”

Source: The National Learning Disabilities & Autism Awards 2022

LGBTQ+



“

Many of us in the colleague network groups represent minority groups. Our voices will only get so far without the encouragement and full support of allies.



For me, diversity and inclusion means considering the needs of everyone so that every decision we make is for the benefit of all, not just a few, and attempting to balance the scales for people who are not fairly represented. I came out at 16 back in 1996 and have experienced the good, bad and ugly that being part of the LGBTQ+ community entails, including fighting for representation, fair access to services, and basic human rights that are sometimes denied.

Dunelm is the first company I have ever worked for to champion a colleague network and to give LGBTQ+ employees a chance to make a positive difference through education, inspiration and celebration. It has been incredible to see how the colleague networks have grown - in numbers, confidence and the desire to make a difference.

Sometimes, small wins have as much impact as larger ones - for example, having a safe space for people to come forward and interact, be listened to without judgement and considered as an individual with the basic human right to be themselves. Before we 'go big' we need to recognise the diversity we already have and know what needs to be done, for example, how to attract employees from certain demographics and cultures even before the recruitment process begins. I would love Dunelm to be recognised as a D&I leader - with other businesses coming to us to learn from our culture and experiences.”

Matt Aspden

Customer Experience Manager
Co-chair of LGBTQ+ colleague network group

GENDER EQUALITY



“

I hope that everyone in the business - role modelled by senior leadership - can be an advocate for diversity and inclusion and consciously make Dunelm a safe and inclusive place to work.



I joined Dunelm from an incredibly male dominated industry where I was often the only woman in the room. This led me to thinking more broadly about the many other situations where individuals feel uneasy and excluded and to taking an active interest in diversity and inclusion. When interviewing for Dunelm I asked a lot of questions about this and was given clear examples of what Dunelm had in place, and told honestly about areas for improvement.

I attended the meetings shortly after joining and, having realised the authenticity of what they aimed to achieve, I volunteered to become Co-chair of this colleague network group, seeing this as an opportunity to be an advocate of change and to use my voice to reach more people in the business.

We are a busy, retail business and I have been encouraged by the number of colleagues able to attend monthly network meetings. However, further support from line managers is welcome to ensure colleagues have time in their working day to support their own network and to learn from the other network groups.”

Chloe Fair

SEO Manager
Co-chair of Gender Equality colleague network group

Community continued

LISTEN AND LEARN

We continue to develop effective two-way colleague communication that is engaging and involving.

COLLEAGUE SURVEY

We undertake a twice-yearly colleague survey from which we derive an eNPS score, which is also considered in determining bonus outcomes for our Executive Directors. In FY22, our eNPS increased by 1.0%pts versus FY21 (May surveys) and we achieved our highest eNPS score to date, with a participation rate of 77%. This year, we also asked a 'yes/no' version of the question 'Would you recommend Dunelm as a place to work?' with 92% of participants saying 'yes'.

An action from a previous survey was to support leaders in creating a culture of continual feedback, helping colleagues to feel included and to improve their potential to perform. This was a focus in FY22: our leadership team has been given access to training and feedback tools; 'Nick's Note' (an email update from our CEO) is sent every two weeks; colleagues are encouraged to feed back their views via our *Home Comforts* intranet; and we continued to evolve our Colleague Voice network.

COLLEAGUE REPRESENTATION - COLLEAGUE VOICE

All colleagues are formally represented through our Local, Regional and National Colleague Voice structure which is summarised in the box below. This network has been operating in its current format - with elections and Board attendance - from 2019 and we continue to evolve it to encourage colleagues to feel more confident in sharing views on behalf of their colleagues at Group Board level. More information is available in our Annual Report FY22, including topics discussed at National Colleague Voice meetings.

All colleagues, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively (see Colleague Code of Conduct). We have never received a request to enter into such an agreement.

HOME COMFORTS

We strive to create an open environment in which all colleagues are able to ask questions and share their concerns and ideas. Through our *Home Comforts* intranet, colleagues can share how they feel and voice what is on their mind. Questions are considered and answered by senior managers and information is used to guide decision-making.



Through the National Colleague Voice, Nick, myself, Group Board members and our National Colleague Voice representatives, share and discuss topics that matter to our colleagues. We are seeking to understand and expand possibilities. These conversations have genuinely led to change in the business."

Amanda Cox
People & Stores Director



	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 175 colleague representatives from stores and warehouses.	Typically, around 8 to 10 local representatives who attend monthly RCV meetings.	17 colleagues (elected via our <i>Home Comforts</i> intranet every two years) as follows: Stores (5), Customer engagement centre (2), Manufacturing centre (2), Home Delivery Network (1), Distribution centres (2), support centres (5). Six NVC meetings held in FY22.
Engagement with Dunelm Leadership	Each colleague representative works closely with their store coach or site manager.	Meetings run by regional store coaches.	Direct contact with Non-Executive Directors (Marion Sears, William Reeve); Executive Board members: Nick Wilkinson (CEO), Amanda Cox (People & Stores Director); other members of People team and invitees.

Bringing our shared values to life

Sarah Monaghan
(She/Her), Head of Talent



“

In autumn 2021, our People team instigated a Group-wide project to improve how we articulate and evaluate behaviours associated with our purpose and shared values - 'bringing our shared values to life'. This involved looking at types of behaviours that have contributed to our success to date, while identifying others that we will need in the future to grow our increasingly digitised business. As we recruit and grow talented colleagues to meet our business growth ambitions, this work will help us to do so in a more consistent way.

We ran focus groups with colleagues in our support sites and one-on-one sessions with members of the Executive Board, engaging around 100 colleagues. We also received input from external specialists, who shared their latest research in this area. To check that the language we used was recognisable and relatable, we asked Colleague Voice representatives and Dunelm Leadership Team colleagues from different functions for their feedback. Their positive 'we get it' reaction gave us confidence that we were hitting the mark.

The output from our research is a behavioural framework that allows colleagues to see, in one place, the 16 behaviours associated with each Dunelm shared value. This provides the 'golden thread' that runs through our business and unites colleagues - new and old. The behaviours are also linked to different leadership capabilities, defined by role and function.

To help explain the new framework to colleagues, we developed a guide with examples of how we can live our shared values as individuals and business leaders. For example, one of the core behaviours under our 'stronger together' shared value is 'connecting'. In the guide we explain that this means building relationships with colleagues across the business to share knowledge and to work together effectively. We then illustrate what this behaviour looks like when it supports our 'stronger together' shared value and, conversely, what types of behaviour could undermine it.





We launched our framework in March 2022 at our Company seminar, which brought together all colleagues in senior leadership roles. To help explain

the framework, we used the power of storytelling, and this was our focus for the seminar - sharing real-life experiences from leaders around the business to demonstrate the value of adopting these behaviours. We will continue to use these stories as we cascade this session in different business areas, complementing this with information on our new learning and development platform, Thrive. We are also promoting different behaviours each month via *Home Comforts* intranet posts, where colleagues can recognise each other's achievements, and we can collate and share more best practice examples.

Our goal is for our new framework to be used in all career and coaching conversations to help colleagues reflect on how they can grow in their role and understand personal opportunities beyond that. Our next learning and development training will focus on developing these behaviours across our leadership teams.

We are not finished yet. We now need to streamline how we talk and act across 'the full colleague experience'. For example, ensuring that our shared values and behaviours are fully reflected in colleague attraction, recruitment, induction, engagement and reward - from our careers website, to writing offer letters and how we explain our Sharesave scheme - and embedding our shared values and behaviours in all learning and development activities. And that will require further joined-up thinking."

Our overarching framework

Our shared values	Our behaviours	Our leadership capabilities
 STRONGER TOGETHER	Connecting - Team Working - Communicating - Including	Networked leadership
 KEEP LISTENING & LEARNING	Being - Adapting - Growth Mindset - Self Awareness	Adaptable leadership
 LONG-TERM THINKING	Customer First - Thinking Big - Making Decisions - Innovating	Strategic leadership
 ACT LIKE OWNERS	Taking responsibility - Challenge - Making it happen - Being Resourceful	Empowering leadership

Community continued

FAIR REWARD

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

PAY AND BENEFITS

All colleagues are paid at least National Living Wage/Minimum Wage as set by the UK Government. However, we realise that colleagues paid closer to these levels are being impacted relatively more by the increasing cost of living in 2022. In FY22, we took the decision to invest in pay for those colleagues whose ability to pay for essential items is most affected. For example, we moved the base pay of our hourly-paid store colleagues to the upper range of median, and in our support centres we awarded a higher percentage increase to colleagues at the lowest grade. More information is in our Annual Report FY22.

Benefits include pension, colleague discount and a paid birthday day-off. Via a third-party provider we offer access to a range of discounts with other retailers (including food retailers) on holidays, travel and insurance, helping colleagues to save money on everyday items as well as treats; see page 43.

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 for all colleagues to the Board and these are used, together with feedback from our gender pay analysis, to inform decisions during pay reviews. Through our National Colleague Voice (our employee forum), colleagues discuss fair reward and Board pay with Board members annually and their viewpoints are formally considered.

How we think about pay in our business



Gender pay gap

We published our Gender Pay Gap Report in April 2022 (based on April 2021 data), available on our corporate website. As explained last year, our reported data for 2020 was skewed as the UK Government required us to exclude employees on furlough (for Dunelm, all store colleagues) and employees on reduced pay (which, for Dunelm, included several senior colleagues). In our latest Gender Pay Gap Report, as anticipated, we saw an increase in our mean gap to 19.8% (versus a reported gap of 4.9% and a 'normalised' gap of 17.5% in April 2020). Our median gender pay gap decreased from 5.1% on a 'normalised' basis (-6.4% reported) to 4.0%. The existence of our gender pay gap, which is a different measure to equal pay (see below), reflects the fact that 58% of our colleagues are women in hourly-paid stores roles - a UK retail industry trend. Our opportunity and focus is to achieve gender balance across all levels of the organisation.

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 35.

> 60

'wellbeing buddies'



Mental health and wellbeing

- Mental health first aiders trained to listen and recommend specialist help.
- Health and wellbeing hub on colleague intranet, which summarises all available help.
- Infoline with Mind, our Group charity partner specialising in mental health.
- With Retail Trust, children's mental health counselling support for parents and guardians.
- Virtual GP service launched with Retail Trust with 24/7 access to virtual consultations and private prescription service.
- New pregnancy loss policy which includes colleague support at work and paid time off.



DOMESTIC ABUSE SUPPORT

In July 2021, we launched our initiative with Retail Trust to combat domestic abuse. Since then we have published a formal policy, developed a guide for line managers and trained over 450 colleagues in domestic abuse awareness. Our policy assures that paid leave, flexible working schedules and a support fund, in the event of having to relocate, will be made available to any affected colleague.

POLICY corporate.dunelm.com

“

This is a brilliant policy. Unfortunately, I have been in this position myself. Seemingly small things like this make a big difference when going through pregnancy loss. Good work Dunelm.”

> 450

colleagues trained



Helping to improve
colleague mental,
physical and financial
health and
wellbeing

> 90

colleagues benefitted from our Colleague Support Fund in FY22

Financial wellness

Improving the financial wellness of colleagues is high priority given the ongoing pressure from the rising cost of living.



Checking in with our colleagues

All of our hourly-paid colleagues have had a one-on-one meeting with their manager so that any financial concerns they have can be understood, and they can be directed to sources of support if needed.

Discounts

We partner with a third party to provide access to discounts with other retailers (including food retailers) to help our colleagues save money.

Colleague Support Fund

Initially introduced during the pandemic, we have retained this fund, and widened access to it, to support colleagues with unexpected life events and hardship. Over 90 colleagues benefitted from the fund in FY22.

Salary Finance

A third-party service providing an interest-free salary advance to colleagues.

Employee Assistance Programme

Run by Retail Trust, this programme offers services, including a free 'virtual GP' service, legal advice, counselling and financial grants.

Financial education and tips

Through Retail Trust we also provide colleagues with tools to help them budget, remortgage, manage debt and give tips on where best to shop.

Community continued

HOME OF TALENT

In September 2020, we launched a new process, with the oversight of the Group Board and Nominations Committee, and the Talent Committee comprising members of the Executive Board to improve our talent management. Alongside this, in FY22 our People team undertook a Group-wide project to 'bring our shared values to life', to introduce and embed a new behavioural framework and to develop our leaders; see page 41.

PROMOTING FROM WITHIN

We aim to fill all management roles from within where possible. At the end of FY22, 75% of positions in the Dunelm Leadership Team and Heads of Department and over 90% of store leadership vacancies had been filled internally. In recent years, we have brought in external expertise in new and specialised areas, such as analytics, data/digital engineering and sustainability.

We use our Enterprise Leadership Development and Senior Manager Development Programmes to accelerate talent and succession plans further down the business to support our high-growth ambitions. Our new 'Know-Grow-Flow' campaign seeks to untap hidden or unknown talent in the business and promote internal moves.

To achieve this, we have set up new 'career conversations' which focus solely on the motivations, aspirations and capabilities of individual colleagues. These are decoupled from 'progress conversations' which are held more frequently and focus on business and personal objectives. By the end of FY23 we aim for everybody in the business to have had a 'career conversation' which will improve our internal knowledge.

RETAINING OUR COLLEAGUES

In FY22, our overall unplanned labour turnover increased. This was against a backdrop of well documented instability in the labour market, for example, shortages of HGV drivers, the increasing competition for talent in general, increasing pressures on financial, health and mental wellness from the cost of



We are the home of talent - a place where people want to join, stay and grow, because they know that we will help them be the best they can be."

Talent management: Know-Grow-Flow

Our behavioural framework project (see page 41) goes hand in hand with our focus on talent management - Know-Grow-Flow.

For our colleagues, we aim to build self-awareness, give them opportunities to learn and open their eyes to new roles in the business. For Dunelm, we gain a better understanding of where talent is, or could be moved to, within the business to support our long-term growth aspirations.



KNOW is

how well we know our colleagues' aspirations and where talent and skills are in our business, helping us fulfil our succession and capability needs. It is also how we help our colleagues build their self-awareness.



GROW is

how we support our colleagues to grow professionally and personally

- Learning by doing
- Learning through relationships
- Formal learning



FLOW is

how readily we are able to move talent and share skills across our business. Planning the flow of talent across the organisation and opening our doors to new talent, so that we have the diversity and capability we need for sustainable success.

living increase and the impact of Brexit. We aim to improve colleague retention by focusing on colleague engagement and wellness, our hybrid working proposition for support colleagues and by strengthening our talent pipeline.

COLLEAGUE TRAINING

We know from our surveys that colleagues are more engaged when they feel personally connected to the Dunelm business, and with access to learning and development opportunities. We continue to undertake a mixture of training:

- Skills training to provide personal development opportunities that meet our long-term business needs.
- Compliance training to improve our colleagues' understanding of responsibilities and expected behaviours.

During the year we successfully launched our colleague engagement platform 'Thrive'. Its main purpose is a self-led training ground to encourage a culture of learning. Our dedicated learning and development team is responsible for creating content and campaigns and we have experienced a high level of interaction through 'likes' and 'shares', which encourages increased uptake of training. Since August 2021, we have recorded over 10,000 'active' colleagues out of a total of just over 11,000 registered on the Thrive platform, and have had over 950k views and received over 10,300 comments. The most popular programme on Thrive in FY22 was our Know-Grow-Flow learning campaign, which engaged nearly 6,900 colleagues.

MONITORING SUCCESS

We do not specifically measure our return on investment in training. Instead, we track three metrics internally as an indication of success: colleague engagement, colleague retention and the percentage of home-grown talent (percentage of internal promotions).

'EARLY CAREERS' PROGRAMMES

Our 'early careers' programmes (including graduates, internships, apprenticeships and placements) focus on developing capabilities and career opportunities important to our long-term business growth.

Graduates

Our graduate programme has been running since 2016. In FY22, we had 16 graduates in seven different schemes, including commercial, technology and finance, and a new scheme in data and analytics. Each graduate scheme runs for two years, with an extra year for the finance graduate scheme to complete a CIMA qualification. Historically our separate 'fast track' retail management scheme targeted internal colleagues. In FY22, we successfully opened this up to external candidates and we aim to merge retail and non-retail schemes to create a more cohesive cohort.

For our FY23 intake, we recruited our most diverse groups of graduates to date and our highest number - 24. We also launched a new sustainability graduate scheme and drew a record number of applicants. Our graduates benefit from a structured programme

with tailored activities and formal rotations. They are given opportunities to engage with our Executive Board and Group Board, and the whole programme is sponsored by our Commercial Director.

Apprentices

We continue to run an apprenticeship scheme and supported 117 colleagues in FY22. This scheme is funded by the UK Government and, in FY22, we used around £300k of our 'ringfenced' levy to fund our scheme. We have identified an opportunity to better promote the strategic value of our apprenticeship programmes across our business by encouraging our business leaders to engage more in apprenticeship recruitment and training programmes.

Internships and placements

Internship opportunities at Dunelm have been restructured into a formal, paid, three-month summer placement programme, open to undergraduates and graduates. We currently have five interns and aim to draw more talent into the business, building on our first full-time appointment made through this relatively new programme. We currently have eight people on placement.

Initiative	No. of colleagues	
Graduate programmes (new intake)	Retail programme	11
	Support programmes (non-retail) including new programmes in Sustainability, Performance Marketing and Buying & Merchandising	13
Talent pipeline (Targeted entry level role recruitment)	Matching graduate applicants not appointed onto scheme with entry level role opportunities, e.g. Sustainability, Performance Marketing, Business Finance	9
Placements	Including new placements in Software Engineering, Finance and Insight & Analytics	8
Internships	Finance, Design, and Quality and Sourcing teams	5
Social enterprise Programmes	Code First Girls - recruiting more women into Tech by providing coding courses to women and non-binary people; see page 35	10



IMPROVING OUR GRADUATE RECRUITMENT

Our aim is to make our recruitment process as inclusive as possible to expand our access to talent. We have been working with an external Equity, Diversity and Inclusion consultancy (see page 36) to improve our process and, from January 2022, we have been trialling a 'no-CV' interview process with our Early Careers team. This allows hiring managers to focus more on behavioural and culturally-based questions aligned to our shared values. We have applied 'lessons learned' to date and are now rolling out the new recruitment process to two other departments.

Community continued

Health and safety

We want to ensure the safety and wellbeing of our customers, colleagues and visitors. This is a Group-wide focus, championed by our Group Board, with stringent policies in place and procedures implemented across the business.

FOCUSED ON MAKING IT:

Safe to shop

- In store, Click & Collect, 'to car' and home delivery
- Food safety and labelling
- Online: customer data privacy protection

Safe to work

- H&S protocols, personal security protection
- Mental health and wellbeing training; additional support and resources
- Colleague data protection training

Safe to supply

- H&S criteria embedded into supply chain audits and policies

POLICIES AND PROCEDURES

Our Group Board is responsible for the creation and implementation of our health and safety (H&S) procedures and policy, which are available on our corporate website. Health and safety is a standard agenda item at every Board and monthly Executive Board meeting, supported by a monthly H&S audit report and a formal annual presentation from the Group's Head of Health and Safety, Risk and Insurance. We also hold specific meetings for retail safety (quarterly), logistics safety (twice a year), and Pausa safety (six times a year) attended by the Company Secretary.

MONITORING AND TRAINING

Our approach to H&S is supportive rather than punitive; we do not, for example, make unannounced H&S spot checks. Instead, we train and help colleagues across our business to engage with our H&S processes and team to improve overall performance. Our H&S schedule follows a mix of regular self-audits, additional store audits at a regional level and full annual H&S audits, including for stores, warehouses/logistics centres, our Home Delivery Network (HDN) sites, manufacturing centres and offices. We use a tablet-based solution, i-Auditor, for store self-audits to increase efficiency, enabling our H&S team to track data and trends remotely and to prioritise work and guidance with individual stores and sites.

Our H&S team focuses on areas identified from its monitoring and site visits. In FY22, we made a significant investment in pallet racking to mitigate identified risks in our warehouses, and we fitted door sensors to the rear doors of all HDN vehicles so that an alarm activates if they are not closed properly. All HDN vehicles and made-to-measure fitter vans now carry dashcams. We also monitor driving incidents and driver behaviour and use insights to inform training and improvement actions.

All new joiners undertake an H&S awareness training course as part of their induction, and colleagues can access H&S training updates via our

online learning and development platform, Thrive. Additional training is flexed by business function and risk assessments. For example, in FY22 we delivered a bespoke half-day training course to store coaches and key holders, reviewed and repeated our age-restricted sales training in response to a change in legislation, and focused on manual handling and drug and alcohol advice for our warehouse colleagues. We received a bursary of over £10k from our insurers and used this to support in-house training, including Institution of Occupational Safety and Health (IOSH) courses for senior management and National Examination Board in Occupational Safety and Health (NEBOSH) and fire safety qualifications for other colleagues.

PERSONAL SECURITY

An ongoing priority is to support the personal security of our store colleagues to address the regrettable increase in aggressive verbal and, sometimes violent, public behaviour. We have installed a radio assistance system for colleagues and issued body-worn cameras. In FY22, we provided additional cameras for high-risk stores. Our Head of Health and Safety, Risk and Insurance sits on the British Retail Consortium's (BRC) advisory group to help shape government policy in this area.



SUPPLIER H&S

Health and safety management responsibilities and requirements in our supply chain are set out in our Ethical Code of Conduct for suppliers and partners, which is available on our corporate website corporate.dunelm.com. Compliance with this policy is monitored through our ethical auditing programme and ongoing due diligence (see page 22).

MENTAL HEALTH AND WELLBEING

We continue to place high importance on the mental and financial wellbeing of our colleagues. More information can be found on page 43.

FOOD SAFETY AND LABELLING

In our Pausa cafes and restaurants, our policy is to provide safe food and drinks in a hygienic environment. Our Food Safety Manual sets out food safety and hygiene requirements, and our brand standards policy sets out provenance and quality standards.

In recent years, we have improved on-pack allergen and nutritional information for our customers and meet the legislation which came into force in 2021. Customers can access this information through web-based software displayed on in-store Pausa tablets and on our commercial website.

Food safety involves safe practice from start to finish in the food chain. We have a cross-functional food safety group run by the Head of Pausa and attended by members of operations,

legal, H&S teams, and an expert third-party food technologist. This group oversees safety, compliance and the implementation of new legislation. In FY22, there were no reportable food safety incidents or public recalls.

ONLINE SAFETY AND SECURITY

We continue to increase colleague awareness of data security and privacy. Colleagues are trained on induction and have annual refreshers. More detailed training is given to the Dunelm Leadership Team and relevant functional teams. Cyber and data security is a standing agenda item for our Audit and Risk Committee. In the event of any significant data breach, we would comply with our obligations to notify impacted individuals in a timely manner. In FY22, we had no breaches which we were required to notify to the UK Information Commissioner's Office or to any individual.

The security of payments made by customers online is a priority and we have implemented a third-party anti-fraud solution, 3D secure. We do not hold customer credit card data. Our privacy policy (available on dunelm.com) explains to customers why and how we use their data, how we protect it and their rights, including how they can opt out of receiving marketing communication from us. We have a similar policy for our colleagues.

Third parties engaged to handle our customer data are also assessed for good practices and care of customer data. More information about how we

manage risks relating to IT systems, data and cyber security can be found in our Annual Report FY22.

STEWARDSHIP

Our Head of Health and Safety, Risk and Insurance is a member of the Health & Safety Forum - a group of over 40 UK retailers, whose aim is to reduce the risk of harm to colleagues and customers in the retail environment. He also sits on the BRC's Health and Safety Group, whose current focus is to make violence or abuse towards retail workers a statutory offence in England and Wales (as is already the case in Scotland).

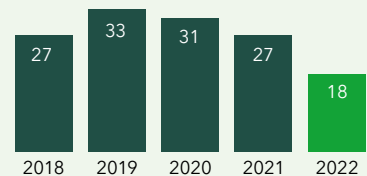
FY22 performance

- In FY22, our reportable accidents under RIDDOR¹ reduced to 18 (FY21: 27).

FY23 focus

- Safety across fleets and HDN operations, including observing and improving on-road driver behaviour.
- Implementing improved safety standards at our new Sunflex business.
- Ongoing focus on colleague safety in stores and online, including personal safety.

Number of reportable accidents under RIDDOR¹



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

Example of upgraded nutritional and allergen information

Description	Each portion contains					Allergens														
	Energy	Fat	Saturates	Sugars	Salt	Cereals containing gluten	Eggs	Fish	Forest products	Soy	Wheat	Crustaceans	Molluscs	Sesame seeds	Sulphur dioxide	Mustard	Lupine	Almonds	Other nuts	
Big Mouth BBQ Chicken Sandwich (T)	671kcal	21g	1.1g	1.1g	1.1g	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Smoked Salmon & Cucumber Sandwich (T)	496kcal	21g	0.5g	0.5g	1.1g	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Golden Fried Chicken Salad & Lemon Dressing (T)	528kcal	19g	1.1g	1.1g	0.5g	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Spicy Chicken & Tomato Sandwich (T)	662kcal	21g	1.1g	1.1g	1.1g	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Wildcat Honey & Mustard Sandwich (T)	519kcal	0.5g	1.1g	1.1g	0.5g	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Community continued

Doing the right thing

Consistent with our shared values and approach to governance, we are committed to acting legally, fairly and honestly in all our business dealings and relationships. We have a zero-tolerance approach to modern slavery, bribery, corruption, fraud and tax evasion.

COLLEAGUE CODE OF CONDUCT

We require our Board and all colleagues to comply with our Colleague Code of Conduct, which is similar to our Ethical Code of Conduct for suppliers and partners, and based on internationally recognised labour codes.

The principles set out in our Colleague Code of Conduct are embedded in our colleague terms and conditions, policies and practices. Our policies complement minimum legal requirements to which we are subject, such as the right to a written contract of employment, minimum rates of pay, child labour, equal pay, working hours, health and safety, minimum paid holiday and parental leave, anti-discrimination and harassment, fair disciplinary procedures, unfair dismissal and redundancy. With the exception of one store in Jersey, all our operations are in the UK. Our full Colleague Code of Conduct covers other human rights and labour standards and can be found on our corporate website.

POLICY

“SPEAK UP”

COLLEAGUE WHISTLEBLOWING ‘SPEAK UP’ PROGRAMME

We encourage our colleagues to raise concerns so these can be addressed and every colleague should feel able to speak to their line manager with any concerns 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 independent reporting line which is available online or by telephone 24 hours a day, seven days a week. This service is provided by an independent third party. The service is anonymous and no contact details are mandated.

After investigating the 44 reports received from UK colleagues during the year, no unlawful activity was established.



“SPEAK UP”

Reporting your concerns in confidence

If you see or suspect wrongdoing, speak up. It's free, secure and available 24/7.

We understand that sometimes it can be difficult for you to bring sensitive workplace issues to our attention.

We also understand that giving you the opportunity to report your concerns to an independent organisation, whilst protecting your identity, may make it easier for you to speak up.

We've therefore asked a company called Expolink to help with this.

Report your concerns

- 0800 374 199
- wrs.expolink.co.uk/dunelm
- Download the 'SpeakingUp' app

Access Code: dunelm

Your call will not be recorded or traced and if you report your concerns online, they will not trace your IP address. You are not required to provide your name or contact details unless you wish to.

More information on the Whistleblowing hotline can be found on Home Comforts

ANTI-CORRUPTION, ANTI-BRIBERY AND TAX EVASION

We have a zero-tolerance approach to bribery, corruption, fraud and tax evasion. We apply our policies 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 2011, are set out in our anti-corruption and anti-bribery policy, available on our corporate website. Review of controls is a standing agenda item for our Audit and Risk Committee and we measure the level of internal training every year.

In FY22, 82.3% (2020: 77%) of eligible colleagues (c.1,000 people) completed initial or refresher training. Online training is mandatory for colleagues in our support and manufacturing sites and customer contact centres. Additionally, the following colleagues receive personal training: all new starters in the Dunelm Leadership Team, commercial and procurement teams, and selected individuals in the finance team and other departments with responsibility for awarding contracts.

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. As a large business, 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 (FY21: 45 days), and we consistently paid 99% of our invoices within agreed terms (FY21: 99%).

Our tax strategy

	FY22 £m	FY21 £m
Net VAT collected	163.3	83.3
Payroll taxes including National Insurance ¹	47.5	39.0
Corporation tax	35.2	35.5
Total tax contributions	246.0	157.8

Dunelm has registered for the UK's new Plastic Packaging Tax and has paid the tax and submitted its first return for the period 1 April 2022 to 30 June 2022.

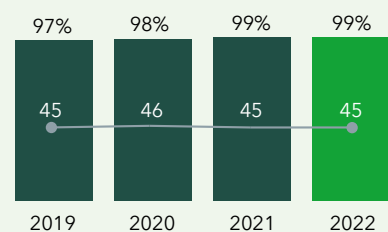
Dunelm is committed to full compliance with all statutory obligations and full disclosure to tax authorities. In FY22, our total tax contributions were £246.0m (FY21: £157.8m), as outlined above.

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.

1. All Dunelm colleagues are based in the United Kingdom, except for 42 colleagues who work in our store in Jersey.

Supplier payment statistics

Invoices paid within agreed terms
%



■ Average time taken to pay invoices (days)

Independent Assurance Statement to Dunelm Group Plc ('Dunelm') Management

SCOPE

We have been engaged by the management of 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") indicated with a green RCF flag "RCF" within Dunelm Group plc's Sustainability Report (the "Report") for the period from 27th June 2021 to 2nd July 2022 (FY22), namely;

- The reduction in Dunelm's Scope 1 greenhouse gas emissions on a tCO₂e/£1m Group revenue basis against the FY19 baseline (Page 4)
- The percentage of own brand cotton products which meet Dunelm's 'More Responsibly Sourced' standard (Page 5)
- The percentage reduction in virgin plastic packaging of own brand products (by weight g per £1 turnover) against the FY20 baseline (Page 5)
- The percentage of the Dunelm range which can be taken back, by percentage of total sales value (Page 5)

We have only sought evidence to support the FY22 performance data across the Subject Matter, as well as the FY19 baseline for the Scope 1 intensity metric, and the FY20 baseline for the virgin plastic packaging intensity metric. 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 FY22 Basis of Reporting documents published on their website and referenced on page 4 (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 on 3rd May 2022. 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 conclusion.

OUR INDEPENDENCE AND QUALITY CONTROL

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 ISQC¹, and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and 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.

1. Parts A and B of the IESBA Code; and the International Standard on Quality Control 1 (ISQC1).

Our procedures included:

1. Conducted 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. Completed a visit to Dunelm's headquarters to obtain a better understanding of Dunelm's business operations and reporting practices.
3. Checked 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.
4. Identified those data points (and associated data processes and systems), that are most material, in order to inform and target our testing procedures.
5. Confirmed our understanding of the key risks to data integrity and the controls associated with the collection and collation of the data.
6. Reperformed calculations to check the accuracy of the data collation and KPIs reported.

7. Tested 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. Challenged the accuracy of global data aggregation for reporting purposes - including the use of any specific tools, systems or estimation methods.
9. Examined 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 metric "percentage reduction in virgin plastic packaging of own brand products (by weight g per £1 turnover) against the FY20 baseline" as disclosed (Page 5) in the Report, Dunelm has assumed (in the FY20 baseline) that all primary plastic packaging of own brand products was virgin plastic due to the lack of available data. As a result, it is possible that a higher reduction percentage

has been achieved than if Dunelm had established its baseline using actual virgin plastic packaging data, as the Group has been able to do for the final quarter of FY22. Relevant disclosures in relation to this metric can be found on page 25. This does not affect our conclusion on the Report as set out below.

CONCLUSION

Based on our procedures and the evidence obtained, we are not aware of any material modifications that need to be made to the Subject Matter as of 2nd July 2022, in order for it to be in accordance with the Criteria.

RESTRICTED USE

This report is intended solely for the information and use of Dunelm management and is not intended to be and should not be used by anyone other than those specified parties.

Ernst & Young LLP

11th October 2022

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.

FY22: 53 VERSUS 52 WEEKS

All financial and non-financial information in this report relates to our 53-week financial period ended 2 July 2022, unless stated otherwise.