

Cotton Sourcing Policy

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Introduction

As the UK's leading homewares retailer, we are focused on growing sustainably, acting in accordance with our values and combining long-term thinking with shorter term, achievable goals. In connection with this, we strive to build a resilient supply chain through responsible sourcing. This includes implementing policies and procedures to mitigate risks within our supply chain.

1. Purpose & Scope

1.1 Why have a Cotton Sourcing Policy?

At Dunelm, cotton is our second most used material and is present in most of our key textile-based products such as bed linen and towels. We love using cotton in our products as it's a highly absorbent, soft, breathable and comfortable material helping customers create comfort in their home. We acknowledge that cotton also comes with impacts to the people and the environment in the countries we source from as outlined below.

People - Cotton farming, particularly in developing countries, can be linked to a range of serious human rights concerns and poor labour protections. These include forced labour, child labour, unsafe working conditions and restrictions on freedom of association.

For example, in Xinjiang region of China, forced labour of ethnic minorities has been widely reported, while in other high-risk regions, where manual harvesting is common and labour protections are weak, labour exploitation remains a persistent issue.

Opaque supply chains can make it difficult to detect and address abuses and many violations occur at the farm level, where ethical due diligence is weakest. Tackling these risks requires oversight, traceability and supplier engagement, supported where possible by collaboration across the industry.

Environment - Cotton is a highly water-intensive crop and accounts for the largest share of our overall water footprint. The cultivation of cotton can be environmentally demanding, often relying on synthetic chemicals such as pesticides and fertilisers, which can degrade soil health and contribute to water pollution. These impacts are particularly concerning when cotton is grown in water-scarce regions, where irrigation places additional pressure on already limited freshwater resources.

We acknowledge these risks and this policy sets how we seek to reduce the risks of these negative impacts within our supply chain.

1.2 Who does this policy apply to?

This policy applies to all Dunelm Group companies and forms part of the contract of purchase for Dunelm's suppliers in the manufacture of Dunelm own-brand products containing cotton ("**Dunelm Product**"). Where applicable, the policy may also be provided to Dunelm's third-party brand suppliers as a guide to approved practices.

1.3 What does this policy require?

This policy aims to mitigate people and environmental risks through the following requirements:

a) **Traceability**: supply chain mapping; and
b) **Claims**: social, environmental or country of origin.

The Traceability requirements of this policy are set out in Table 1 of section 3. "Requirements" below. These requirements apply to all Dunelm Product.

The Claims requirements of this policy are set out in Table 2 of section 3. "Requirements" below. These requirements apply in addition to the Traceability requirements where Dunelm Products make social, environmental or country of origin claims.

The policy does not apply to packaging. Whilst this policy is not enforced across third-party branded products, it sets out our expectations and, in any event, third-party products are required to adhere to the Quality Manual on all matters including but not limited to verification of any product claims.

2. Responsibilities and verification

Dunelm requires all cotton within our Dunelm Products to be sourced in accordance with this policy, and not from prohibited or high-risk areas as set out in Table 1 of section 3 "Requirements", below. Any claims made must be verified in accordance with Table 2 of section 3. Our suppliers are responsible for ensuring that they abide by these requirements.

All suppliers must also comply with our Ethical Code of Conduct and all relevant legal requirements. To verify adherence, Dunelm uses:

- a third party, independent auditor to monitor compliance within the supply chain of our cotton mapping requirements; and

- internal verification using third party certifications (stated below in section 3 "Requirements") to verify the lower impact cotton specifications.

3. Requirements

Table 1. Traceability for Dunelm Products

Requirements	Monitoring
Prohibited Sourcing Subject to the "Recycled Cotton" and Seconds sections below, cotton fibre in any Dunelm Products must not be sourced from plantations located in the following countries/regions under any circumstances, due to the severity of potential risk and the suspension of reliable third-party/independent assessment activity in these areas: • Xinjiang Province in China **High-Risk Sourcing** Subject to the "Recycled Cotton" and Seconds sections below, cotton fibre for Dunelm Products must not be sourced from plantations located in high risk countries/regions, unless there is clear social audit evidence from an industry-recognised body approved in accordance with our Ethical Code of Conduct. The following countries and regions exhibit systemic poor practices and are therefore classed as high-risk for cotton fibre production: • Benin • Burkina Faso • Kazakhstan • Tajikistan • Turkmenistan • Uzbekistan **Finished products** The manufacture of finished Dunelm Product must not be completed in facilities located in the following countries/regions under any circumstances, due to the severity of potential risk and the suspension of reliable third-party/independent assessment activity in these areas: • Xinjiang Province in China **Recycled Cotton** Recycled cotton is excluded from the Prohibited Sourcing and High-Risk Sourcing sections above as the cotton is not "picked" by virtue of it being recycled. Please see the evidence requirements for any recycled cotton claim under the "Claims" section below.	**Mapping for all Dunelm Products excluding Seconds (defined below)** The network of organisations in each product supply chain can be complex. We work with an independent team of experts to collect, review and verify our cotton supply chains. It is mandatory for each supply chain to be fully mapped from assembly facility to cotton lint country of origin at least once a year or more frequently if the structure of the supply chain changes (although for Seconds, see below). Our approach to mapping a cotton supply chain from factory to ginner involves tracing the flow of materials through documented transactions. Starting at the factory, documents for cotton yarn or fabric are reviewed to identify the spinner. From there, spinner documents are used to trace the raw cotton back to the ginner. By cross-referencing these documents, we can build a transparent view of the supply chain and verify ethical sourcing practices. This transaction-based approach supports traceability and helps identify potential human rights risks at each stage. **Analysis** The risk of harm to people's health, safety and wellbeing and to the environment from the supply chain is risk rated. Suppliers (and their supply chains) rated as high-risk or banned will be required to take immediate action to reduce or remove the level of risk. If action is not taken promptly, Dunelm will stop buying products from that supplier or supply chain route. In addition to risk rating, we also use this data to identify risks such as whether production is occurring in a water stressed region and this information supports the evolution of our environmental strategy.

Seconds Dunelm occasionally sells products under the Dunelm brand which have been categorised by the manufacturer as '**Seconds**'. These are defined as: "items that cannot be sold at full retail price due to imperfections and faults which do not materially affect use but result in an appearance which is below standards specified for the product in question. These could be mill flaws, start and stop marks, colour inconsistency, weaving or sizing issues." Seconds may also include deadstock items such as production or sample surplus stock. In order to have products classified as Seconds, the supplier must be able to provide Dunelm with the original specification for the product and details of the imperfections and issues which prevent the items meeting such specification requirements or evidence that deadstock material formed part of a larger order and is an excess product. Dunelm will review such material and determine the status of products. Where full traceability isn't available for Seconds products, alternative measures are required such as the execution of signed declaration and isotope testing as described opposite.	**Mapping for Seconds** Where an item meets the Seconds definition opposite and full traceability isn't available: 1. the supplier is required to provide a signed declaration, supported by evidence from their cotton traders that no cotton is sourced from prohibited or high-risk regions; and 2. Dunelm may carry out randomised isotope testing to verify origin.

Table 2. Cotton Claims Verification for Dunelm Products

Defined Claims	
Requirements Any claims made in connection with Dunelm Product in respect of cotton including but not limited to "on product" claims must be evidenced as shown in the adjacent column. Claims include: • Better Cotton (Mass Balance & Traceable); • Recycled cotton; and • Organic cotton, Any other claims made in addition or in the alternative to those outlined above must be approved in advance by Dunelm and verified in accordance with Dunelm's requirements.	**Monitoring** Relevant certifications/ verification is required for the following lower impact materials: • **Better Cotton**: Better Cotton Claim Units through Better Cotton Platform. We are committed to improving cotton farming practices globally with Better Cotton. Better Cotton is sourced via a chain of custody model called mass balance. This means that Better Cotton is not physically traceable to end products, however, Better Cotton Farmers benefit from the demand for Better Cotton in equivalent volumes to those we 'source.' • **Recycled cotton**: Scope & transactions certificates Global Recycled Standard, Recycled Content Standard. • **Organic cotton**: Scope & transactions certificates Global Organic Textile standard & Organic Content Standard. If suppliers are unable to provide certifications for the claim, suppliers will be required to remove the claim on product packaging at their own cost and pay any rework, withdrawal or recall costs, damages, losses and expenses incurred by Dunelm in accordance with Dunelm terms and conditions of purchase and associated documentation. Dunelm will remove all online claims relating to the product(s) concerned as soon as reasonably practicable after becoming aware.

Egyptian and Turkish Cotton Claims	
Requirements	**Monitoring**
For the purposes of this Cotton Sourcing Policy: **Egyptian cotton means: cotton fibres grown in Egypt.** **Turkish cotton means: cotton fibres grown in Turkey** **All Dunelm Product that claims to include Turkish or Egyptian cotton must comply with the following:** • **the fibre specification, such as minimum staple length (and giza type if Egyptian cotton) must be agreed with the Dunelm technologist before sign-off and each lot or batch must be accompanied by the corresponding fibre HVI (High Volume Instrument) test report to ensure that the specification is correct;** • **all Egyptian or Turkish cotton used must be strictly segregated from all other fibre types throughout the full production process; from storage of bales, all spinning stages, storage of yarns, warping, sizing and weaving; and** • **segregation should include clearly marked and colour coded identification tags at each point as above.**	• **The supplier must be able to provide all evidentiary support for claims of origin including but not limited to complete chain of custody documents, such as invoices and/or export documents immediately on request.** • **In addition to requesting the evidentiary materials held by the supplier, Dunelm reserves the right to undertake an independent audit and testing including but not limited to DNA Testing or Stable Isotope Ratio Analysis (SIRA) as applicable.** • **If suppliers are unable to provide the requirements stated above for country of origin claims, suppliers will be required to remove the claim on product packaging at their own cost and pay any rework, withdrawal or recall costs, damages, losses and expenses incurred by Dunelm and any associated non-compliance fines, changes or fees in accordance with the Dunelm terms and conditions of purchase and associated documentation. Dunelm will remove all online claims relating to the product(s) concerned as soon as reasonably practicable after becoming aware.**

4. Consequences for non-compliance

This Cotton Sourcing Policy forms part of the contract of supply between Dunelm each supplier of Dunelm Products. In the event of supplier failure to comply with the terms of this Policy Dunelm reserves all rights to recover charges, damages, fines, losses, expenses and other costs associated with such breach including but not limited to termination of such contract of supply.

5. Review and policy maintenance

Supplier queries about this policy should be directed to the supplier's relevant contact within the Responsible Sourcing Team.

All shareholder enquiries about this policy should be directed to investorrelations@dunelm.com.

This policy will be reviewed annually, or sooner if required by legislative changes.