# Task Force on Climate-related Financial Disclosures ('TCFD')

## The Board recognises the risks and opportunities posed by climate change to the Group's business model and strategy.

Climate change has been considered a principal risk for the Group since FY19 and the current view of this risk is described in detail on page 53. Following publication of the first voluntary TCFD report in FY21, the Group released its first full report in FY22 and remains committed to improving its disclosures in line with evolving requirements. This year, for example, we evolved our TCFD reporting to include an updated FY19 Scope 3 baseline which is Greenhouse Gas Protocol compliant and based on more robust data and assumptions than the high-level view reported in FY22. We have also included the estimated impact of mitigations in our climate scenario modelling for transition risks, in line with our carbon reduction targets. We continue to consider the potential financial impacts of climate change in the cash flow scenario modelling within our viability statement on page 55 and in our accounting policies note on page 141 of the financial statements.

## Governance

**Governance a) Board's oversight of climate-related risks and opportunities**

The Board takes overall responsibility for our Pathway to Zero climate change roadmap. It considers our approach, strategy, risk management and performance, receiving regular updates on progress against our climate-related KPIs. There is a minimum of two Pathway to Zero deep dives with the Board each year, led by our Head of Climate Change. This year, in October 2022 and March 2023, the Board received detailed updates on our emerging Scope 3 roadmap, as well as our broader Pathway to Zero strategy, looking at circularity, carbon and community, and our approach to governance and reporting (see page 71 for more detail).

The Board is supported by three committees: the Audit and Risk Committee, Remuneration Committee and Nominations Committee. The Audit and Risk Committee formally reviews principal risks twice a year and TCFD, ESG processes and reporting to verify non-financial KPIs annually.

The Remuneration Committee reviews and approves Executive Director and Executive Team remuneration, including climate-related targets in performance-related pay. The Nominations Committee sets specifications for new Board roles and has oversight of the Talent Committee to ensure necessary talent and skills are available to deliver our Pathway to Zero strategy.

The Board continues to listen and learn about the implications of climate change on the Group's business model. Board members are also regularly updated on our wider sustainability strategy, including our long-term carbon emissions reduction targets, and progress against them, as well as other related topics such as water reduction and product circularity.

The Audit and Risk Committee regularly receives an update on upcoming sustainability reporting requirements and Dunelm's planned approach. In FY23, they also received an internal audit report on the assessment of Dunelm's processes and controls relating to our sustainability strategy, materiality and target-setting activities which highlighted several recommendations which were already being actioned.

**Governance b) Management's role in assessing and managing climate-related risks and opportunities**
Our CEO, Nick Wilkinson, leads the Group's climate-related activities and chairs the Pathway to Zero Steering Group. Meetings are held six times a year and include the CFO, Commercial & Supply Chain Director, Customer Director, Group General Counsel and Company Secretary and the Head of Climate Change.

The Executive Team receives regular updates on our climate-related KPIs and reviews the principal risks prior to the Group Board review. The management-level Risk and Resilience Committee is chaired by our CFO, Karen Witts, and provides oversight and review of risks, including climate change and environment risk. The Talent Committee is chaired by our Stores and People Director, and ensures that we have the correct capability in place to meet our ambitions in this area.

Climate change considerations are increasingly integrated into day-to-day business activities: an assessment of energy efficiency and carbon impact is included in all new store and store refit proposals; our product design team is focused on increasing the use of less carbon intensive materials such as recycled cotton and polyester; and we continue to reduce packaging or use more sustainable packaging. In FY23, we became Better Cotton members, we have continued to develop plans to introduce lower emission fuels into our HGV fleet, with our first CNG vehicles going live just after our FY23 year end in July 2023, and we introduced Remade, a range of cushions and throws using textile materials such as those recovered from stores as part of our customer textile take-back scheme.

As climate-related considerations become increasingly central to our business, we are developing them into 'business as usual' protocols within our strategy and financial planning. An example of this is that we will be devoting time once a quarter in our Performance Executive meetings to focus specifically on sustainability, including climate change.

## Strategy

**Strategy a) Climate-related risks and opportunities identified over the short, medium and long term**
Our purpose – To help create the joy of truly feeling at home, now and for generations to come – is deliberately forward-looking, and when combined with our business model (see pages 8 to 9), is designed to encapsulate our desire to have a positive impact on our communities and the planet, now and in the future. It is underpinned by our commitment to remain ambitious about being a good company and building sustainability into all that we do. A key component of our customer proposition is 'good & circular' which we describe as being 'positive choices for people and the environment'.

Over the last two years, Dunelm has engaged external TCFD consultants to support the identification of potential physical risks and opportunities (relating to extreme weather events and long-term chronic shifts in global temperatures and precipitation) and transition risks and opportunities (relating to changes in regulation, carbon pricing, consumer demand changes and reputational damage) and to determine their financial materiality. To identify material risks, we reviewed the existing risks and opportunities in our risk registers and considered additional risks and opportunities based on a systematic peer comparison and sector review. Each identified risk and opportunity was then scored on the basis of its potential impact, likelihood and velocity to determine its relative materiality, integrating stakeholder insights and secondary data. The top-ranked risks and opportunities were then subject to detailed scenario analysis and financial impact quantification to enable the Group t o assess the potential impact on the business' future profitability.

Following this work, six material risks and opportunities were selected for deep-dive risk modelling and financial impact analysis. We used a range of internal and external data sources, including the Network for Greening the Financial System (NGFS) v3.0, the International Energy Agency (IEA) World Economic Outlook 2022 and the Intergovernmental Panel on Climate Change's (IPCC) Sixth Assessment Report (AR6) – Model Intercomparison Project Phase 6 (CMIP6) climate models, and applied a number of assumptions. In FY23, we enhanced our financial modelling to include the impact of current mitigating actions and planned activities, using business growth forecasts, market research, commodity pricing forecasts and climate forecasts to create ranges of financial impacts.

**Financial impact ranges:** We have used financial impact ranges, which are the same as we use for our corporate risk management process.

| Impact | Financial range (Annual Profit before tax) |
|---|---|
| **Low** | Less than £5m |
| **Medium** | Between £5m and £50m |
| **High** | Greater than £50m |

**Time horizons:** We have used the three time horizons described below:

| Time period | Years | Reason |
|---|---|---|
| **Short** | 2023–2030 | Aligned to our 50% carbon reduction target and strategic plan |
| **Medium** | 2030–2040 | Aligned to our net zero target and to capture transition risks and opportunities |
| **Long** | 2040–2050 | Longer term to capture physical risks and opportunities |

# TCFD continued

**Climate scenarios:** We undertook climate risk and opportunity analysis under three climate scenarios outlined below:

### Global Net Zero 2050

**Scenario**
Limits global warming to 1.5°C by 2100, with stringent and immediately introduced climate policies and emissions reductions to achieve net zero emissions by 2050.

**Transition Risk**
Transition risks are extreme under this scenario in the short to medium terms, unless mitigated.

**Physical Risk**
Physical risks will be the least extreme under this scenario.

### Delayed Transition

**Scenario**
Action taken to limit emissions growth, but Paris targets missed resulting in greater than 2°C warming by 2050.

**Transition Risk**
This scenario presents a significant transition risk in the medium to long term, given the speed and severity of the response required when implemented.

**Physical Risk**
Physical risks will be higher than the Global Net Zero 2050 scenario due to warming greater than 2°C instead of well below.

### Business as usual (BAU)

**Scenario**
World takes no/limited action, equivalent to a 3.5-4.5°C warming.

**Transition Risk**
Limited transition risks expected due to lack of policy changes and regulation.

**Physical Risk**
The most extreme physical risk impacts in this scenario.

There is a high degree of inherent uncertainty in the modelling outcomes given the complex interactions arising under the different climate change scenarios. That said, the information shown represents the Group's best efforts in understanding the potential impacts of climate change on its financial position and performance.

**Strategy b) Impact of climate-related risks and opportunities on business, strategy and financial planning**

In preparing the financial statements, the Directors have considered the cash flow impacts of climate change on a number of key estimates within the financial statements, including:

- The impact of climate change on the going concern basis of preparation and the viability of the Group over the next five years.
- The impact on potential impairment triggers, and where a trigger is identified, the impact on the value in use of the related non-current assets.

Furthermore, our five-year strategic planning process considers the investment required to develop our business processes to ensure that we are making progress against our climate change targets. We also consider the impact of climate change on commodity prices as part of our strategic planning process.

We are committed to reducing our carbon emissions, both in our direct operations and also in our supply chain, which accounts for c.99% of our carbon emissions (see the table on page 46 for the breakdown of our emissions). We work in partnership with our suppliers to support them in various ways to help reduce supply chain emissions. We have developed and launched our Better Manufacturing programme which focuses on lowering carbon emissions during the product manufacturing stage, and in FY23 we held our first 'Introduction to Net Zero' workshops which were attended by key suppliers. We have recently invested in a supplier data platform and a tool to enable us to complete product life-cycle assessments, both of which focus our attention on reducing carbon in the most impactful areas and improve the robustness of data to enhance the accuracy of our reporting. We continue to advocate at an industry level through organisations such as the British Retail Consortium, Better Cotton and Textiles 2030 to accelerate the reduction of carbon emissions in our supply chains.

Whilst we have a high level roadmap for the reduction of our emissions in line with our FY30 target of a 50% reduction in emissions against our FY19 baseline, in FY24 we are planning to produce a more detailed net zero transition plan in line with the Transition Plan Taskforce ('TPT') guidance. This plan will set out our climate-related ambitions and the actionable steps we are taking to support our transition to a low-carbon economy and to meet our targets, including our overall emissions reduction targets and actions to mitigate climate risk. We plan to publish a standalone net zero transition plan in line with the timeframes set by the TPT.

**Strategy c) Resilience of strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario**

Our commitment to 'building sustainability into all that we do' ensures that climate change considerations are integrated into our business activities. The work we have carried out has confirmed that we are focused on the most material climate risks to us as a business.

The scenario analysis that we have completed and updated this year, together with the mitigating actions we are currently taking, brings a high degree of confidence in the long-term resilience of the business.

The table below highlights the material climate change risks and opportunities that we have considered, and includes an overview of our current and future actions against these risks.

Our focus for FY24 will be on further exploring each risk identified and working with relevant business teams to develop our risk management and mitigation plans, as well as continued horizon scanning to identify any additional emerging risks or opportunities.

## Transition risks and opportunities

| Risk and opportunities summary description | Potential impact (pre-mitigation) | Potential impact (post-mitigation) | Business readiness | Related metrics and targets |
|---|---|---|---|---|
| **Policy & Legal**<br>Global Net Zero scenario most significant impact in short to medium term | | | | |
| **Impact of carbon taxes on Dunelm suppliers** | | | | |
| Introduction of a carbon price could lead to an increase in the cost of products with high GHG emissions; this could negatively impact profits due to taxation on Dunelm or taxation on suppliers passed on to Dunelm in product cost. | High in short to medium term | Medium in short term<br>Low in medium to long term | • Actively engaging with our suppliers to support the reduction of their carbon emissions through setting aligned carbon reduction targets and sourcing better quality data.<br>• In FY24, we are planning to produce a detailed transition plan in line with the Transition Plan Taskforce guidelines. | Carbon emissions metrics and targets |
| **Extension of producer responsibility: increased cost of existing packaging regime and extension to additional product categories such as textiles** | | | | |
| Extended Producer Responsibility (EPR) fees are being introduced in the UK from January 2024. We have assumed that EPR costs will increase in line with the carbon price and that an EPR-type scheme for textiles will be introduced in 2025. | High in the short, medium and long term (assuming prices increase in line with the carbon tax price increase). | Not yet fully modelled for textiles as scheme not currently proposed (but no exemptions assumed). | • Estimated cost of packaging EPR included in strategic plan.<br>• Increasing recycled content in packaging (both plastic and cardboard).<br>• Monitoring extension to other categories beyond textiles.<br>• Increasing recycled content of Dunelm product range including using materials such as those from our take-back scheme. | Nature and packaging metrics and targets |
| **Market**<br>BAU scenario most impactful for this risk as fuel prices increase the most in the outer years | | | | |
| **Changes to fuel prices caused by climate-related market disruption or increased taxation** | | | | |
| Changing market dynamics and decarbonisation trends impact both fuel prices and the transition to non-fossil fuel alternatives, leading to increased fuel costs across the delivery network. | Medium across all timeframes | Low across all timeframes as we assume a degree of offset through a range of operational actions. | • Moved trunking vehicles from diesel to CNG, which produce >85% fewer emissions than the diesel equivalent.<br>• Trialling electric vehicles in our fitter van fleet and using one fully electric 44 tonne vehicle in partnership with DHL.<br>• Working with our key logistics suppliers to support their transition from diesel to non-fossil fuel alternatives. | Carbon emissions metrics and targets |

# TCFD continued

## Transition risks and opportunities continued

| Risk and opportunities summary description | Potential impact (pre-mitigation) | Potential impact (post-mitigation) | Business readiness | Related metrics and targets |
|---|---|---|---|---|
| **Reputation**<br>Global Net Zero scenario most significant impact in medium to long term | | | | |
| **Reputational damage due to failure to act on sustainability trends** | | | | |
| If Dunelm fails to continue to move towards using more sustainable raw materials and reduce carbon emissions then we might lose customers who switch to retailers who they consider to be more sustainable; we could also struggle to retain and attract colleagues and to secure funding. | No impact in the short term in all scenarios, reflecting Dunelm's current position versus the market.<br>High in the medium to long term in both the Global Net Zero and Delayed Transition scenarios if other retailers outpace Dunelm in sustainability. | See opportunity below in relation to increasing market share by demonstrating leadership in addressing climate change and sustainability. | • We have set ambitious climate change reduction targets.<br>• Starting to use lower-impact materials in our products and moving towards a more circular sourcing model to enhance our competitive advantage. | Carbon, nature, water stress, packaging and circular metrics and targets |
| **Increased market share by demonstrating leadership in addressing climate change and sustainability** | | | | |
| If Dunelm demonstrates leadership in addressing climate change and delivering its climate change reduction targets, whilst other retailers do not, we might gain market share from customers actively moving towards shopping at Dunelm. | Medium in the short term in all scenarios.<br>Medium in the medium and long term in the BAU scenario, but not a differentiator in the medium or long term in the Global Net Zero or Delayed Transition scenarios as it is assumed that other retailers also take similar action. | N/A | • Increasing our communication to customers and colleagues around the increasing sustainability credentials of our range, including Conscious Choice.<br>• Working in collaboration with our suppliers to reduce their carbon emissions and create a more circular sourcing model. | Carbon, nature, water stress, packaging and circular metrics and targets |

## Physical risks

| Risk and opportunities summary description | Potential impact (pre-mitigation) | Potential impact (post-mitigation) | Business readiness | Related metrics and targets |
|---|---|---|---|---|
| **Physical Risks**<br>BAU scenario most impactful | | | | |
| **Physical risks (drought, flooding, wildfires, etc.) impact the availability of raw materials such as cotton or timber, or impact manufacturing sites and logistics in countries from which we source our products** | | | | |
| Physical risks mainly manifest themselves in our supply chain as none of our UK store or depot footprints are in areas at high risk of flooding. Physical risks in our supply chain are already being experienced, for example the recent floods in Pakistan. | Medium in the short, medium and long term | Not modelled as changes in sourcing strategy are not currently defined | • We are undertaking a detailed exercise to map where our raw materials originate.<br>• In FY24, we will overlay our nature-related impacts on these maps to better inform sourcing decisions and help suppliers to build resilience.<br>• Working with the Textiles 2030 group of retailers to support actions to mitigate these risks and to move towards a more circular sourcing model, which is being built into our product design process. | Nature and water stress metrics and targets |

## Risk Management

### Risk Management a) Processes for identifying and assessing climate-related risks

In FY21, we completed a detailed climate change risk register with the support of the Carbon Trust. In FY22, we refined this risk register with external TCFD consultants, and quantified the most significant risks by likelihood and potential impact on our business. In FY23, we used the same external TCFD consultants to review these risks and also to consider our mitigation plans. This work confirmed that directionally we have identified and understood the most significant risks and that we are addressing these through the mitigating actions we are taking and planning to take.

In FY23, we also conducted our first external materiality assessment, which was a stakeholder-led study into Dunelm's sustainability-focused risk and opportunities including climate-related risks and opportunities. This materiality assessment was developed using information from a quantitative survey followed up with qualitative interviews across a range of our key stakeholder groups. The output of this study was mapped against the climate-related risks already identified through previous exercises, and reassuringly, there were no material omissions identified. For further details on this activity see pages 28 to 29.

### Risk Management b) Processes for managing climate-related risks

Climate change and environment risk is classified as a principal risk in our risk register. Our detailed climate change risk register and quantification feeds into this process and is owned by our Head of Climate Change. Our Pathway to Zero Steering Group uses this climate change risk register to inform its actions. Our CEO, Head of Climate Change and other leaders throughout the Group continue to work with expert external advisers such as the British Retail Consortium (BRC), WRAP, Textiles 2030, the Aldersgate Group and others to keep up to date with regulatory and best practice developments.

### Risk Management c) Processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

As one of our principal risks, climate change and environment risk is discussed formally with our Executive Team, Risk and Resilience Committee, Audit and Risk Committee and Group Board as part of the twice-yearly formal review of principal risks. The Risk and Resilience Committee also conducts at least one deep dive review into climate risks each year.

The principal risks are considered by management in connection with the assessment of the viability of the business over the longer term, with these considerations informing the Viability Statement in this report (page 55). Further details on the assessment of our climate change and environment risk can be found on page 53. Our overall risk management framework and supporting processes can be found on pages 48 to 54.

## Metrics and Targets

### Metrics and Targets a) Metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process

The metrics we use to assess climate-related risks and opportunities are set out in the table on page 47. We have chosen these metrics because they relate directly to our material climate risks and opportunities, and because they are where we can make the biggest potential impact. In setting our metrics and targets, we have ensured that they are in line with the Paris Agreement and aligned to a 1.5°C pathway, the UK's commitment in the Climate Change Act 2008 (2050 Target Amendment) Order 2019 and other relevant legislation, as well as the British Retail Consortium's Climate Action Roadmap which we support. The carbon, cotton and water metrics are aligned to the Textiles 2030 voluntary agreement, which we have signed up to as members (and now a partner). These topics are also important to our colleagues, customers and society more broadly.

### Metrics and Targets b) Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions and the related risks

In FY23, we undertook a full review of our FY19 baseline for our Scope 3 emissions and updated this using more robust data and assumptions available following our continued investment in this area. Our updated FY19 baseline is fully compliant with the Greenhouse Gas Protocol, which includes an adjustment for the acquisition of the Sunflex business in FY22. We submitted this updated baseline, along with our reduction targets, to the Science Based Targets initiative ('SBTi') for validation and received confirmation of approval in September 2023, post year-end[1]. We have defined and reported on our full target boundary for Scope 3 emissions. We have determined indirect use phase of sold products emissions to be outside of our target boundary, however we have measured and reported these indirect emissions based on materiality and in line with the principles of transparency and completeness in the GHG protocol.

For our FY19 baseline and FY23 Scope 3 emissions we have used an entirely spend-based calculation methodology for our most material category of purchased goods and services. Throughout FY23 we have developed our data management plan and will begin transitioning away from an entirely spend-based approach in FY24. This will include increasing the amount of supplier-specific data that we are gathering and completing life-cycle assessments across a broad range of our products. We intend to incorporate this more accurate data into our reporting from FY24 onwards.

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

# TCFD continued

In FY23, we reduced our overall Scope 1 carbon emissions by 0.2% from our FY19 baseline despite the strong sales growth of 49% over the period. We have achieved this through our gas boiler replacement programme in stores (which is on track to be completed by FY30) and the ongoing transition of our company car fleet to fully electric or hybrid. However, we realise that we need to do more to hit our FY30 target of a 50% absolute reduction against our FY19 baseline. We moved our trunking vehicles from diesel to compressed natural gas in July 2023, which should reduce emissions from these vehicles by >85%. In addition, we are trialling electric vans in our Made to Measure fitter fleet and using a fully electric 44-tonne vehicle for deliveries to stores in partnership with DHL. We are actively looking for more opportunities to reduce emissions within our vehicle fleet in line with the innovation of the fleet industry.

Our Scope 2 emissions increased slightly in the year due to the acquisition of the Sunflex business towards the end of FY22. However, we transitioned this business to renewable electricity and from October 2022 all of our electricity supply is from renewable sources.

The Scope 3 emissions in our target boundary have increased by 30% since FY19, mainly due to the 49% increase in sales in that time period.

Currently we are using spend-based data for our purchased goods and services emissions, which are 62% of the Scope 3 emissions within our target boundary. Due to the limitations with this approach, we will not be able to recognise any progress that our suppliers are making in reducing their emissions until we transition to more specific supplier and product-based information. We are moving towards this in FY24 as we have invested in a supplier data platform and are currently conducting product life-cycle assessments as well as working in partnership with our suppliers to support them on their transition to net zero.

| | FY19 (updated) Emissions ($tCO_2e$) | FY20 Emissions ($tCO_2e$) | FY21 Emissions ($tCO_2e$) | FY22 Emissions ($tCO_2e$) | FY23 Emissions ($tCO_2e$) |
|---|---|---|---|---|---|
| Scope 1 | 7,059 | 7,108 | 8,633 | 7,902 | 7,044 |
| Scope 2 (market-based) | 10,861 | 8,757 | 268 | 21 | 27 |
| **Scope 3** | | | | | |
| Purchased goods and services | 449,762 | N/A | N/A | N/A | 557,924 |
| Use of sold products (direct use phase only) | 164,736 | N/A | N/A | N/A | 238,774 |
| Upstream transportation & distribution | 30,296 | N/A | N/A | N/A | 43,449 |
| End-of-life treatment of sold products | 26,873 | N/A | N/A | N/A | 33,986 |
| All other categories combined[1] | 16,240 | N/A | N/A | N/A | 19,785 |
| **Total Scope 3 within target boundary[2]** | **687,907** | N/A | N/A | N/A | **893,918** |
| *Total Scope 3 (including indirect use phase of use of sold products)* | *1,012,190* | N/A | N/A | N/A | *1,385,812* |

### Streamlined Energy and Carbon Reporting emissions by source

| | FY19 MWh | FY20 MWh | FY21 MWh | FY22 MWh | FY23 MWh |
|---|---|---|---|---|---|
| Purchase of energy | 57,167 | 50,547 | 53,158 | 51,980 | 51,415 |
| Vehicles on company business | 4,061 | 3,720 | 4,382 | 3,979 | 3,398 |
| Vehicles in the Home Delivery Network | 9,467 | 12,198 | 15,959 | 15,773 | 15,725 |

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

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

## Metrics and Targets c) Targets used to manage climate-related risks and opportunities and performance against targets

In response to the Net-Zero Standard set by SBTi, we submitted our net zero 1.5-degree aligned targets across all Scopes to be validated by SBTi, and received confirmation of approval in September 2023, post year-end[1]. As members of the BRC and Textiles 2030, we also have targets aligned to cotton and water usage metrics. We have long-term remuneration targets for Executive Directors over a range of sustainability metrics. These vary from year to year, but include Scope 1 carbon emissions, plastic packaging, more responsibly sourced cotton and take-back % (see page 107 for more details).

| Climate-related risk | Metric and target | Baseline | Progress |
|---|---|---|---|
| **Carbon emissions** | Reduce absolute Scope 1 carbon emissions by 50% against an FY19 baseline by FY30 | 7,059 $tCO_2e$ in FY19 | 7,044 $tCO_2e$ in FY23, which is a 0.2% reduction on the FY19 baseline reflecting the progress made (see Scope 1 commentary on pages 45 to 46). |
| | Reduce Scope 1 carbon emission intensity against FY19 baseline[2] | 6.4 $tCO_2e$/£1m Group revenue in FY19 | 32% reduction in FY23 to 4.3 $tCO_2e$/£1m Group revenue (20% reduction on the FY19 baseline in FY22). |
| | Purchase 100% renewable electricity every year | N/A | 99.7% in FY23 for the year on average but 100% from October 2022 onwards (99.7% in FY22). |
| | Reduce absolute Scope 3 carbon emissions in our target boundary[3] by 50% against an FY19 baseline by FY30 | 687,907 $tCO_2e$ in FY19 | 893,918 $tCO_2e$ in FY23. Absolute Scope 3 carbon emissions have increased by 30% due to sales and spend increasing by 49%. There is, however, an intensity reduction of 11%. We have plans to transition away from entirely spend-based data towards more product and supplier-specific data for Scope 3. |
| **Water stress** | Reduce aggregate water footprint in own brand textile products by 30% by 2030 | Calendar year (CY) 2019 | This target reduction is in line with our commitment to Textiles 2030. We have carried out our baseline water footprint using the WRAP water footprint tool and have just received our CY2022 footprint which we are assessing. |
| **Nature** | 100% of own brand cotton more responsibly sourced by 2025[2] | N/A | 26% in FY23. During FY23, we moved our environmental accreditation to Better Cotton, who are industry leaders in this area. We remain committed to sourcing c.100% more responsible cotton by 2025. However, FY23 was a year of transition during which we were registering and accrediting suppliers to Better Cotton. We expect to see a significant improvement in FY24 as the remainder of our suppliers complete this process and our new approach is more established across our supply base. |
| | 50% more responsibly sourced timber by FY25 | N/A | We are currently working towards obtaining robust weight-based data ahead of publishing, which should be in FY24. |
| **Packaging** | 30% less virgin packaging in own brand range by 2025 measured by weight per £1 sales[2] | 2.2g per £1 sales in FY20 | 36% reduction in FY23 (FY22: 23% reduction). We have both reduced the absolute amount of plastic packaging used per item and also increased the recycled content in our plastic packaging. |
| **Circular economy** | Easy to use take-back service in place for 50% of our own brand products[2] | N/A | 61% in FY23 (FY22: 61%). Our take-back service has continued to prove popular with our customers in stores. We are now collecting over 70 tonnes of textiles per month and we improved our collection and sorting processes during the year to help with our journey towards product circularity. We have been trialling take-back of other homewares items in a selection of stores. |

1 Please see our corporate website for our full target wording.
2 Limited assurance provided by Ernst & Young LLP for FY23 and applicable to our Revolving Credit Facility (not applicable beyond FY23) and LTIPs as relevant.
3 Target boundary for Scope 3 excludes the indirect use phase of use of sold products.

## Listing Rule 9.8.6R Compliance Statement

Dunelm Group plc has complied with all of the requirements of LR 9.8.6R by including climate-related financial disclosures in this section (and in the information available at the locations referenced therein) consistent with the TCFD Recommendations and Recommended Disclosures.

## Independent Assurance

We engaged Ernst & Young LLP to provide limited assurance for FY23 over the key performance metrics which are marked with a 2 in the table above. The full assurance statement and the Basis of Reporting documents that were applied in preparing these metrics can be found online on our corporate website: corporate.dunelm.com.