DUNELM GROUP PLC
ANNUAL REPORT AND ACCOUNTS 2023

Dunelm
The **Home** of Homes

Seizing the **opportunity**

In this report

See corporate.dunelm.com for more information and for our Sustainability Report 2023.

At a glance

We are the UK's No.1 homewares retailer, delivering value and joy to help more and more UK consumers create a home they love

£1.6bn
FY23 sales

£193m
FY23 profit before tax

£163m
FY23 total dividends paid

179
stores across the UK

No.1
Market leader in UK homewares

c.70,000
products to suit every style and budget

11,000+
committed colleagues

For more performance highlights please see page 12.

Dunelm fogarty DORMA

About us

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

100%

recycled glass vases from our Conscious Choice range

Our purpose:

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

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

Our shared values

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

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

Read more on pages 72-73.

Seizing the opportunity

to be inspired

In this section


IN THIS HOUSE
EAT CHOCOLATE FOR BREAKFAST
DAILY NAPS ARE RECOMMENDED
LIFE HAPPENS,
COFFEE HELPS
COUNT THE MEMORIES...NOT THE CALORIES

Driving the business forward sustainably

In my first set of full year results with Dunelm, I am delighted to report another year of strong sales growth and market share gains.

The last year has undoubtedly been challenging for UK consumers and businesses alike. I have been hugely impressed by the energy and enthusiasm with which our team has approached these challenges, delivering a strong performance for our stakeholders whilst continuing to think long-term and investing for the future in light of the many opportunities we see on the horizon. We have maintained a focus on all our key stakeholders: delighting our loyal customers, and attracting new ones, by delivering quality and value; strengthening relationships with our suppliers and partners; supporting our colleagues and the communities we serve; as well as generating strong shareholder returns. Alongside this, we are also making good progress towards our long-term sustainability goals.

This performance would not have been possible without the individual contributions of our more than 11,000 colleagues, across stores, logistics, manufacturing, customer service and support centres. I would like to thank them all for their ongoing hard work and dedication to the business and our customers, and for their contribution to our unique, inclusive and positive culture which continues to help us thrive.

Performance

FY23 saw record sales of £1.64bn, reflecting a strong performance in an extremely challenging environment. As ever, we believe that the strength and relevance of our product range is a significant advantage, helping us to provide outstanding value to our customers, to grow our sales and win market share.

Our sales grew by 6%[1], and our overall market share increased to 7.2%[2], with gross margin of 50.1%. Profit before tax was robust at £193m (FY22: £209m)[3], which is particularly pleasing given the impact of operating cost inflation and our ongoing investment in the business. Our profit before tax margin of 11.8% (FY22: 13.5%[3]) was robust, demonstrating the underlying resilience of the business and tight operational controls.

Dividends

Consistent and strong cash generation remains an impressive quality of Dunelm's business model. This year, the Board has proposed a final ordinary dividend of 27 pence per share, reflecting our strong profitability and ongoing confidence in the business.

"The last year has undoubtedly been challenging for UK consumers and businesses alike. I have been hugely impressed by the energy and enthusiasm with which our team has approached these challenges."

1 For statutory purposes FY22 included a 53rd week. Sales growth shown is on a comparable 52-week basis. On a 53-week basis sales growth was 4%.

2 GlobalData UK combined homewares and furniture markets, excluding kitchen and bathroom furniture. Market share for the period July 2022 to June 2023 was 7.2%.

3 For statutory purposes FY22 included a 53rd week. FY22 PBT and PBT margin are shown on a comparable 52-week basis. On a 53-week basis FY22 PBT was £213m and PBT margin was 13.5%.

This brings the full-year ordinary dividend to 42 pence per share, an increase of 5% and within the range of 1.75x to 2.25x dividend cover[4] stated in our capital and dividend policy. We also paid a special dividend of 40 pence per share in April. In all, we returned £163m of cash in dividends during the year.

We have now returned more than £1bn[5] to shareholders in the last ten years, demonstrating our consistent performance and highly cash generative business model.

Doing the right thing

We build sustainability into all that we do, embedding a long-term mindset of doing the right thing through our decisions and processes, with a view to delivering for all our stakeholders. You will be able to read more detail in our upcoming 2023 Sustainability Report about our progress, objectives and future plans.

We strive to achieve product mastery across our categories, which increasingly involves innovation to make our products more sustainable. A fantastic example of this is Conscious Choice, a label we introduced in 2022 to showcase own brand products that are made from at least 50% (by weight) more sustainable materials than their comparable alternatives. Conscious Choice options now account for c.15% of own brand products across our categories and we have plans to expand this further.

We are also working in our stores and supply chain to reduce carbon emissions, continuing to replace gas fired heating equipment, putting in place energy management systems, and starting to use vehicles powered by more sustainable fuel, including electricity and compressed natural gas, in our distribution fleet. As a result, we have seen a further reduction in Scope 1 carbon intensity, ahead of our targets.

Combining sustainability with customer engagement in our communities is another positive way in which we reduce our impact on the planet, working towards circularity. We now offer a textiles take-back service in the majority of our stores, with over 70 tonnes per month of materials being returned by our customers. As we move towards product circularity, we extended the impact of this scheme by working with one of our suppliers to turn these recycled textiles, along with other recycled fibres, into products for our new 'Remade' range. This year we have also trialled a new Home to Home initiative, which rehouses our customers' pre-loved homewares.

We are still at an early stage in our sustainability journey, and recognise there is much more to do, but we are pleased with the progress being made and the commitment from colleagues across the business in this important area.

Board

I was delighted to join the Board as Chair Designate last September and take on the role of Chair in January. I am very pleased with the diverse experience we have across both our Executive and Non-Executive Directors and how this continues to contribute to our performance.

I would like to thank and congratulate Andy Harrison, who stepped down as Chair in January having joined the Board in 2014. Andy oversaw a period of growth, particularly in organisational capability, which left a very strong base from which we can build going forward.

Seizing the opportunity

I am proud of what the business has achieved in my first year, and also of its aspirations for the future. We are very mindful that the consumer environment remains challenging and uncertain in the near term. With the support of our brilliant colleagues, we believe that we are well positioned to seize the opportunity to bring value and joy to our growing base of customers across our total retail system. As has been the case throughout Dunelm's history, we will continue to invest wisely and to deliver for all our stakeholders, in order to keep growing the business sustainably, for the long term.

Alison Brittain
Chair

20 September 2023

First impressions

I have long been a Dunelm customer and in that capacity I had a great deal of affection and admiration for the business. Having joined the Board last year, I thought it would be useful to share some of my early reflections.

One of my immediate impressions is of being hugely impressed by the strong culture within the business. Dunelm is a company that truly stands by its values: stronger together; keep listening and learning; act like owners; and long-term thinking. We have a team of highly motivated colleagues who show great commitment to the Company and its purpose.

The ambition of the Company and our colleagues continues to impress me. Dunelm has consistently grown throughout its history, and there is huge appetite for that to continue, both through our store channels and also by improving our digital offering to fully take advantage of our total retail system. This also extends to continuously raising the bar on our product ranges, aiming to offer customers outstanding value products at all price points, with the best designs, materials and sustainability credentials. The team here are rightly proud of Dunelm's heritage, while also being focused on looking forward and continuously improving how we deliver for customers.

Finally, the Company and the management team strive for Dunelm to be a force for good. Our values are incredibly important to us, and while it is vital that we continue to grow profitably, the team prides itself on running an organisation that makes a positive contribution for its stakeholders. I feel very proud to be a part of the Dunelm team and am excited as we look forward to further progress in the years to come.

4 Dividend cover is calculated as earnings per share divided by the total ordinary dividend relating to the financial year.

5 Ordinary dividends plus special dividends plus special distributions.

The UK's market leader in homewares...

We are the UK's market leader in homewares, with a specialist offering for customers across our much-loved superstores and digital platform dunelm.com.

Where we are today

Homewares market
11.0%

FY23 homewares market share[1]
+70bps

Furniture market
2.0%

FY23 furniture market share[1]
Unchanged

Combined market
7.2%

FY23 combined market share[1]
+40bps

36%

Digital share of total sales

1 GlobalData UK homewares and furniture markets, July 2022 to June 2023. Furniture excludes kitchen and bathroom furniture.

The customer opportunity

During the year we updated our research into consumers' attitudes to the home and home shopping, giving us much deeper insight into our most valuable customers to support our next phase of growth.

Overall four key themes have emerged which are helping us seize the opportunity to acquire and serve more customers:

Varied attitudes to home
Focus on the home continues to be high, but for different reasons: style, sanctuary, entertainment and family vary widely in importance for different groups.

Differing perceptions of value
Value is important for all, but there are increasingly differing perceptions on price, quality and use of credit in the current environment.

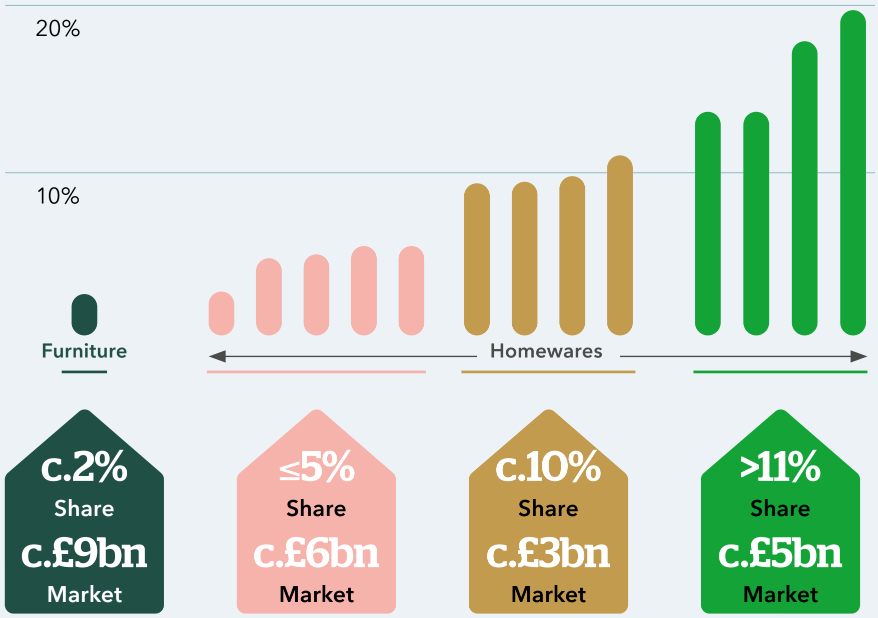
Gaps in brand awareness
Dunelm brand awareness still under-indexes in London and amongst younger age groups.

Under-appreciation of category breadth
Dunelm is well-loved, but often across a limited part of the range, even for customers with high brand awareness.

...with an exciting runway for growth

We have a significant opportunity to continue growing our share of all sub-categories of the highly fragmented homewares and furniture markets.

Dunelm market share by category[2]



We operate in the large homewares and furniture markets, with a combined size of c.£24bn[1]. Each of these markets comprises a significant number of sub-categories, often with different and fragmented competitors, in which we currently have varying levels of market share. We believe we have a significant runway for further growth, and that through our entrepreneurial approach of testing and learning, we can grow share in all these categories.

2 Each bar represents a Dunelm homewares or furniture category which in total represent c.80% of total sales, mapped to GlobalData market sizes for the period January 2022 to December 2022. Excludes certain Dunelm categories which are not part of the GlobalData homewares and furniture markets e.g. rugs. The furniture market excludes kitchen and bathroom furniture.

The market opportunity

Even in our most established categories we have the opportunity to grow our share despite being market leaders. We will optimise our ranges through product innovation, including offering more sustainable options and making our customers' shopping experiences easier and more convenient.

We also have an opportunity to gain share in the remaining homewares categories, where we are currently less well established, by developing our product mastery. We are confident that our relatively lower product maturity gives significant headroom for further growth and share gain.

Whilst we have grown our share of the furniture market in recent years, our overall share remains low, presenting a substantial opportunity for growth. We have been building a stronger customer offer and operating model to help realise this opportunity.

How we generate sustainable value for all stakeholders

Our long-term thinking

We remain ambitious about being a good company that focuses on growing sustainably. This means adopting a culture of making decisions for the long term to create enduring financial and social value for our stakeholders, while reducing our environmental impacts.

Our customer proposition

We will deliver our purpose by being *Customer 1st*; striving to improve our offer for savvy home-lover customers.

Value & choice
Great product quality & style for every budget

Friendly & expert
Service that is non-judgemental & knowledgeable

Fast & convenient
Everything easy to find, buy & use

Good & circular
Positive choices for people & the environment

Read more in our CEO's review on page 13.

Stakeholder value creation

Customers

Improving our in-store and digital services and experiences to raise the bar on our customer offer and deliver value and joy.

2.8%[1]
growth in active customer numbers

Colleagues

Ongoing investment in social and financial wellbeing, communication, diversity, equality and opportunities to learn in an ambitious and inclusive organisation.

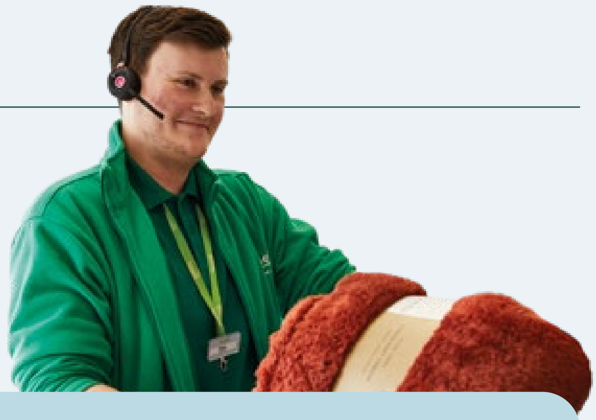
82%
participation in our latest colleague engagement survey

Communities

Creating mutual benefits by expanding our community communications, social media interactions and meaningful local fundraising initiatives.

61%
own brand products available for take-back service

1 Growth in unique active customers who have transacted at least once in the 12 months to June 2023. Management estimates using Barclays data.



Our competitive advantages

We have an advantaged business model which helps set us apart from others in a competitive and fragmented UK homewares market.

Well-known brand with broad appeal

Our brand is ambitious and inclusive, appealing to a broad range of home-lover customers across different regions, ages and incomes.

Product mastery credentials

We design and develop the majority of our products in-house, allowing us to offer relevant and curated ranges and to adapt quickly to the changing needs of our customers.

Strong colleague culture

Our friendly and knowledgeable colleagues are the heart of our business, driven by our purpose and shared values to create an environment for all to thrive.

Cost-effective total retail system

Our total retail system offers customers the combination of enjoying friendly service in stores with the convenience of our digital channels. Our low-cost (mainly leased) store portfolio is complemented by a maturing digital channel, allowing us to benefit from a cost-effective total retail system.

Financial strength

We have a highly cash-generative model and our deep-rooted founder mentality keeps us focused on operational grip to deliver sustainable profitable growth.

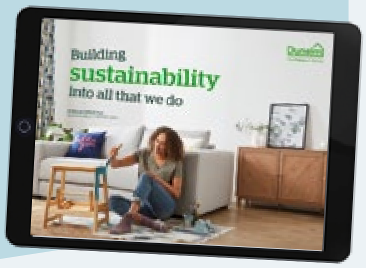
Runway for growth

We have a relatively small share of large, fragmented markets and are confident of the very significant opportunities for us to gain further share to support our growth ambitions.

Doing the right thing

We aim to think and operate in a responsible, sustainable and ethical way – taking decisions while evaluating the risks and opportunities that our actions might have on our colleagues, the planet, and other stakeholders; and doing the right thing to support the relationships that we need for long-term growth.

Read more in our sustainability section on page 26 and online in our Sustainability Report 2023.



Read more about stakeholder engagement on page 30.

Suppliers

Strengthening engagement to promote long-term relationships, based on integrity and transparency, that are focused on social, environmental and product quality standards.

99%
invoices paid on time

Planet

Target-setting and actions to reduce carbon emissions across our operations and supply chain, with increasing focus on the use of more sustainable materials.

32%
reduction in Scope 1 carbon intensity since FY19

Shareholders

Timely and transparent financial and ESG communication to optimise capital allocation decisions while remaining focused on financial discipline and performance.

£163m
total dividends paid in the year

How we will seize the opportunity

Our vision is to build the UK's most trusted and valuable brand for homewares and furniture. We are focused on continuing to deliver sustainable, profitable growth to create value for our stakeholders and see a clear runway for further growth.

Our *Customer 1st* proposition remains at the heart of the business and our ability to deliver is powered by **three core strategic** drivers which underpin our plans.

1 2 3

Aligned with these drivers is our ambition to be a good company and build sustainability into all that we do. We also continue to invest in digitalising and developing our foundations to improve our customer offer and make our operations more efficient.

c.15%

of own brand product range by stock-keeping unit (SKU) branded Conscious Choice[1]

1

Product mastery

Product mastery encapsulates the deep expertise we are developing across our categories, from creative design to responsible sourcing via our committed supplier partners.

We are passionate about offering our customers outstanding value and quality for every space, style and budget. With the majority of our products being own brand and exclusive ranges, we are innovative and agile in our product development, working closely with our suppliers. This allows us to create product ranges which excite our customers whilst meeting our exacting quality, ethical and environmental standards.

c.20,000

new products added to our online range, giving customers even more choice

Generating value...

We work hard to operate an effective and efficient business model, harnessing the talents of our colleagues and combining these with technology to improve our offer. This facilitates our relentless focus on offering outstanding value and quality across our product range.

Read more about how we are generating value in our CEO's review on page 13.

1 To be part of our Conscious Choice range, every product must be made from at least 50% more sustainable materials (by weight) compared to conventional alternatives.

Our total retail system is people-led, tech-powered, and efficient.

Brilliant stores serving their local communities **x** **Digital channels** optimised for our customers **x** **A marketing ecosystem** to grow and service our audience

2

Total retail system

Our thriving total retail system combines the advantages of physical and digital retail in a seamless offer which gives choice to our customers in how they shop.

We continue to invest in technology to power this system and empower our colleagues. Digitalisation encompasses everything from improving our shopping experience, to increasing operational productivity, to leveraging data and insights to refine our proposition.

3

36% Digital sales mix

1.1m community followers

Culture and identity

We have developed a strong culture as an ambitious and inclusive organisation.

Maintaining the strength of our culture and identity is essential to the long-term sustainability of our business. Our shared values embody what we stand for – we remind our long-standing colleagues of the importance of our values and we instil these in new joiners. We are entrepreneurial, inclusive, adaptable and resourceful in a workplace that welcomes all.

82% our highest-ever participation rate in our colleague engagement survey

...and joy

We are raising the bar on our proposition, with a greater focus on bringing joy to more customers. Joy comes in many forms, from providing a non-judgemental, knowledgeable and friendly service in store, to ensuring fast and convenient home delivery solutions. Joy also comes through offering more choices that are positive for the environment, and more products with personality, such as those found in our Natural History Museum and Disney ranges.

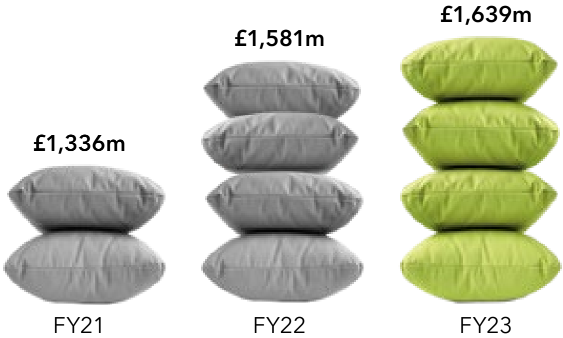
Read more about how we are delivering joy in our CEO's review on page 13.

Performance summary 2023

Financial highlights

Total sales

£1,639m



Profit before tax

£193m

FY22: £213m

Free cash flow

£160m

FY22: £153m

Digital sales mix

36%

FY22: 35%

Gross margin

50.1%

FY22: 51.2%

Diluted earnings per share

75.0p

FY22: 83.6p

Ordinary dividends

42.0p

FY22: 40.0p

Operational highlights

Active customer growth

+2.8%[1]

FY22: +8.5%

Market share

7.2%[2]

FY22: 6.8%

1 Growth in unique active customers who have transacted at least once in the 12 months to June 2023. Management estimates using Barclays data.

2 GlobalData UK homewares and furniture markets, July 2022 to June 2023. Furniture excludes kitchen and bathroom furniture.

Read more in the Alternative Performance Measures table on page 172.

Our FY23 focus areas and what we achieved

Sustainability

- Launched and grew our Conscious Choice range, which now makes up c.15% of own brand products
- Launched 'Remade', our first step towards product circularity using post-consumer waste
- Ongoing investment in our colleagues' learning and development

Product development

- Focused on innovative design to broaden range and maintain value
- Introduced c.20,000 additional products
- Improved commercial support through enhanced data management

Customer understanding

- Developed customer data platform
- Improved understanding of cross-channel profile matching
- Started leveraging data to improve our 'single-customer' view

Post-sales experience

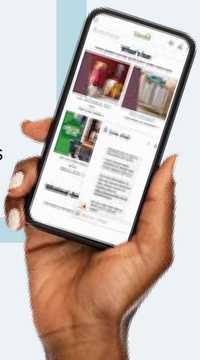
- Shortened delivery lead times and reduced 'split deliveries'
- Improved tracking data and customer communications
- Trialled parcel shop collections in London and click and collect lockers

Data and insight

- Strengthened in-house skills and resource
- Enhanced data platforms and capabilities used to optimise decision-making
- Evolved personalised customer marketing, based on behavioural insight

Shopping experience

- Diversified payment options via new online payment platform
- Trialled bookable consultations and live chat, improving access to colleague expertise
- Upgraded store experience through ten refits and three new stores (including relocations)



Seizing the opportunity, with another record year of sales

We delivered another strong performance in FY23. In a difficult environment for our customers, where cost-of-living pressures were front and centre, we sharpened our focus on relevance and value.

I am very pleased by what we have achieved in a trading environment which continues to present a variety of challenges. The macro-economic backdrop during the year continued to bring uncertainty for colleagues, customers and suppliers, with high levels of inflation presenting particular headwinds. The adaptable approach we have taken during the last few years continues to serve us well: executing successfully by pulling the levers within our control, and maintaining good operational grip. This has allowed us to deliver strong results for all stakeholders, grow market share, and also given us the ability to keep investing for the future, so that we can seize the multiple opportunities ahead of us.

Whether developing our proposition, strengthening our relationships, improving our operations or serving our customers, it is the work of every colleague in Dunelm and our partners that makes this happen. For contributing their knowledge, personality, commitment and enthusiasm, I would like to sincerely thank all of my colleagues. Together, we are creating an ever more inclusive workplace which, alongside our shared values, is driving performance.

FY23 Review

A strong performance with relevance and value at its core

We delivered another strong performance in FY23. In a difficult environment for our customers, where cost-of-living pressures were front and centre, we sharpened our focus on relevance and value. In the first half of the year we were able to offer customers products such as heated clothes airers and thermal curtains to help them keep warm and manage their budgets when energy costs were at their highest. We continually adapt and evolve our product range, and our offer was just as relevant in the second half of the year, when seasonal items such as garden furniture and decorations proved appealing.

Total sales growth

+6%

(Comparable 52-week basis)

Market share gains

+40bps

(Combined homewares and furniture markets)

Nick Wilkinson
Chief Executive Officer

The expansion of our range to approximately 70,000 product lines allows us to meet more of our customers' needs for their homes, and our relentless focus on offering outstanding value has remained as sharp as ever across all price points. A good example of this during the period was quickly reducing prices to pass freight cost savings back to our customers, with over 1,000 product lines dropping in price in the spring.

By keeping relevance and value at the heart of our proposition, total sales grew by 6% against the comparable 52-week period in FY22 (which also included a particularly strong Q1 as Covid restrictions eased). Total sales were 49% higher than FY19 (the last full year uninterrupted by the pandemic). Compared to FY22, we had 2.8% more active customers[1] and our market share in the combined homewares and furniture markets increased by 40bps in challenging market conditions[2].

Gross margin of 50.1% (FY22: 51.2%[3]) was tightly managed through the year and we stayed true to our principle of instilling operational grip across the business. We saw more normalised customer behaviour during our Sale events and carefully balanced the impact of higher cost prices with our commitment to value. This resulted in a robust PBT performance of £193m (FY22: £209m on a comparable 52-week basis), which was pleasing given the tough backdrop and reflected both tight control of margin amidst inflation in our operating costs and our ongoing commitment to investment for the future.

We generated strong free cash flow of £160m (FY22: £153m), allowing us to declare a final dividend of 27p, bringing the total ordinary dividend for the year to 42p, a year-on-year increase of 5%, reflecting our confidence in the future performance of the business. We returned a total of £163m to shareholders during the year, including a special dividend of 40p declared at the interim results. This brings the total returned to shareholders over the last decade to over £1bn[4].

Delivering for all our stakeholders

We try to make decisions based on the needs and expectations of our key stakeholders and are guided by our shared values.

Our committed colleagues are at the heart of our business. We understand that the current environment is difficult for many of them, so during the year we increased our support on financial wellbeing, with progressive pay increases, additional support funds and advice on a range of financial matters. We have also invested in learning and development opportunities to promote a 'learning for life' mindset to help colleagues to develop their careers. This continued focus on colleague development saw us retain 87% of our colleagues through the year[5]. Listening and learning is one of our shared values and we undertake a twice-yearly colleague survey. In FY23, we upgraded our colleague engagement platform, making it two-way and encouraging colleagues to give direct feedback to their line managers. We achieved a participation rate of 82%, making it our most comprehensive survey to date and enabling us to achieve a deeper level of understanding of our colleagues and to take more targeted action.

We relentlessly strive to improve our customer proposition. Product mastery across our broad range of categories ensures that our offer remains relevant throughout the year, and that we are offering quality and value at every price tier. We also continued to develop our digital channels, giving customers even more choice by adding c.20,000 lines to our website, and by enabling a more convenient experience with new payment options such as Apple Pay and Klarna.

We deepened our relationships with customers in our store communities with membership of our local Facebook groups increasing to over 1.1 million. Our Christmas 'Delivering Joy' campaign was our most successful ever, with a threefold increase in the number of gifts donated compared to FY22. We significantly increased our charity fundraising with our customers and colleagues helping to raise over £800k, of which over £700k was donated to our charity partner, Mind.

We have always built long-term relationships with our suppliers and are committed to offering them a strong partnership based on mutual growth and respect. Together we are growing our shared knowledge on topics like supply chain technology and sustainability, including the use of sustainably sourced cotton.

As we learn more about how to reduce our impact on the planet, progress on our Pathway to Zero[6] plan continues. We are making good progress on reducing our carbon emissions, with our decarbonisation programme in stores contributing to a further reduction in Scope 1 carbon intensity this year. We are also transitioning our company car fleet to hybrid or electric vehicles. We extended our Conscious Choice ranges, which are made from more sustainable materials, to c.15% of our own brand range. We launched our first 'Remade' products, using materials including those from our take-back schemes, our first step towards product circularity. During FY23 we moved our environmental accreditation to Better Cotton, who are industry leaders in this area. As a result this was a year of transition during which we did not achieve our target. We expect to see a significant improvement in FY24 as we complete our transition and remain committed to sourcing c.100% more responsible cotton by 2025. Finally, we have now reduced our use of virgin plastic packaging by 36% compared to FY20 by both reducing the amount of packaging we are using and increasing the recycled content.

1 Growth in unique active customers who have transacted at least once in the 12 months to June 2023. Management estimates using Barclays data.

2 GlobalData UK combined homewares and furniture markets, excluding kitchen and bathroom furniture. Market share for the period July 2022 to June 2023 was 7.2%.

3 For statutory purposes FY22 included a 53rd week. Gross margin is shown on a comparable 52-week basis. On a 53-week basis FY22 gross margin was 51.2%.

4 Ordinary dividends plus special dividends plus special distributions.

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

6 Our Pathway to Zero commitments are described in more detail in the sustainability section of our corporate website at https://corporate.dunelm.com/sustainability.

During the year, we submitted our targets to the Science Based Targets initiative (SBTi) and were pleased to receive confirmation, after the year end, that our near-term and net-zero targets have been approved by the SBTi[7]. This will see Dunelm align to the latest climate science from the Intergovernmental Panel on Climate Change (IPCC) by limiting the global temperature rise to 1.5°C.

Seizing the opportunity

We are excited and ambitious about seizing the opportunity ahead of us to continue to grow sustainably. Throughout our history, we have had a strong track record of growing sales and market share, both in buoyant markets and in more challenging conditions. Since our IPO in 2006, our sales have increased by a compound annual growth rate of 10%, and in the last ten years more than 85% of this growth has been through market share gains. In the last year, despite consumers being under considerable pressure, we continued to grow our sales while the overall homewares market remained broadly flat, reflecting the gains we made in market share.

Whilst we are the homewares market leader, we still hold only a c.7% share of the UK homewares and furniture market that is worth a total of c.£24bn[2]. This significant market is highly fragmented, giving us the opportunity to serve many different product categories and multiple customer missions. Our most established categories have higher market shares, which we are confident of growing further still; at the same time we have an opportunity to increase our share in those more nascent categories where we are currently less well established.

We are developing and implementing our plans at a time when consumer interest in the home remains high despite cost-of-living pressures. Customers are seeking propositions that meet their ever-evolving emotional and functional needs. Multi-channel shopping is now fully established in homewares, and those businesses that have an effective total retail system with seamless integration between their online and store channels, as we do, have a clear advantage. We have a strategic plan which will enable us to capitalise on all of these themes and seize the opportunity for sustainable growth. I give an update below on some of our key priorities.

We will deliver our purpose by being *Customer 1st*, striving to improve our offer for savvy home-lover customers.

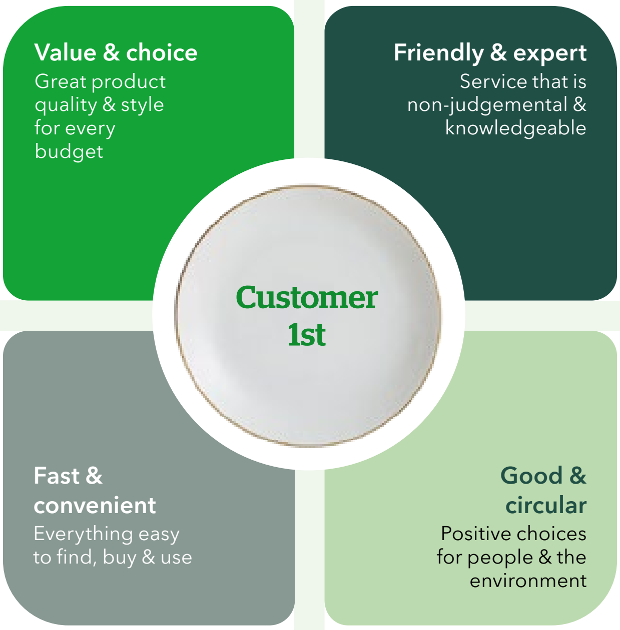
By focusing on our proposition to deliver more value and joy to our customers, we are confident in our plans to continue growing our sales and gaining market share.

Value & choice

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

Friendly & expert

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



Fast & convenient

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

Good & circular

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

7 Our targets approved by the SBTi are as follows. Overall Net-Zero Target: Dunelm Group PLC commits to reach net-zero greenhouse gas emissions across the value chain by FY40 from a FY19 base year. Near-Term Targets: Dunelm Group PLC commits to reduce absolute Scopes 1 and 2 GHG emissions by 50% by FY30 from a FY19 base year. Dunelm Group PLC also commits to reduce absolute Scope 3 GHG emissions by 50% within the same timeframe. Long-Term Targets: Dunelm commits to reduce absolute Scope 1, 2 and 3 GHG emissions by 90% by FY40 from a FY19 base year.

A plan for sustainable growth

With our significant market share runway and deep understanding of our customers and product categories, I have never been more excited about our plans for the future as we seize the opportunity to:

1. Strengthen our customer offer
2. Extend and digitalise our total retail system
3. Evolve our marketing ecosystem

1 Strengthening our customer offer

We are constantly striving to improve all parts of our customer offer; however we are focusing our efforts in two particular areas: offering outstanding value and helping to deliver joy to our customers, through our products, services and customer experience.

Value

We work tirelessly on our range architecture to offer customers value at all price points. A good example of this is in our range of Egyptian cotton towels, where we held prices a year ago despite cost prices increasing. At the same time, we introduced a new 'Super Soft' range in our lowest priced 'good' quality tier. These initiatives resulted in gains in our volume share of the bathroom textiles category.

We also demonstrate value across the range by reducing prices as input costs fall. During the year we reduced prices on a number of our furniture lines and lowered prices on many products across other categories in the spring.

For us, and for our customers, value is equally important at higher price tiers. We can see this in attitudes towards product quality and also towards sustainability. Where we have introduced more sustainable materials into many of our ranges we have typically maintained, or even reduced, retail prices. For example, we reduced the price of our Dorma 300 thread count fitted sheet whilst re-sourcing to a more sustainable cotton, and our Teddy throws are now made from recycled polyester at no extra cost to our customers. We also extended the higher quality tiers in our cushions category, with new compositions using beading, sequin embroidery and wool blends, all hand-crafted in India. These new and innovative designs enabled us to stretch our price points while continuing to offer outstanding value for money.

As we grow our offer into new areas, we remain highly focused on ensuring value at all price points, even within more nascent categories. We have increased our curated range by approximately 20,000 products in the last year with the same product quality and price focus. We will continue to grow our ranges in this way, with further additions in categories such as nursery furniture and live plants.

Joy

Alongside outstanding value, we are equally focused on delivering joy for our customers. While shoppers will work hard to be savvy, looking for ways to

Seizing the opportunity to strengthen our customer offer

We are constantly striving to improve all parts of our customer offer but in two particular areas we are redoubling our efforts: offering outstanding **value** and helping to deliver **joy** to our customers, through our products, services and customer experiences.

Generating value and joy

Sustainability
Introduced more sustainable materials while maintaining prices.

Price drops
Over 1,000 lines reduced in the spring.

Curated range growth
Increased range by c.20,000 to c.70,000 product lines.

Innovation
New compositions introduced in cushions including towelling, beading, sequin embroidery and wool blends.

Improving range architecture
Held prices on Egyptian cotton towels despite cost price increases whilst introducing new 'good' price point.

Extended guarantees

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

save and balancing price and quality to meet their budget, they are also looking for their experiences and purchases to bring them joy.

Our efforts to deliver this are reflected in how we talk to customers in store (we track 'fast' and 'friendly' feedback scores for every shop), how our marketing content does not take itself too seriously, and by the selection of food and offers in our Pausa cafes (for example the giant coronation jammy dodgers). However, we also offer joy in our product development, in a way that few other product companies would do. One way to bring joy is through colour, which we have embraced in our new 'pride and joy' collections for autumn/winter 2023. We have also extended our collaboration with the Natural History Museum to bring customers products with personality, and grown our Disney ranges, introducing Mickey Mouse designs across a number of categories.

The joy of products also requires us to ensure our customers have a high-quality shopping experience, so reducing disappointment when something goes wrong is also a focus. We are growing our home delivery perfect order rates, shortening lead-times, and resolving problems efficiently when things do not go as planned.

2 Extending and digitalising our total retail system

One of the key advantages of our business model is what we call our total retail system, which combines the benefits of physical stores with the convenience of online shopping, and the reach of our marketing ecosystem. Whilst digital sales have increased in recent years (now accounting for 36% of total sales) our stores remain fundamental to our success, not least by fulfilling an increasingly important role in marketing to, and being a part of, their local communities.

We have continued to expand our store estate, with three new openings last year and our 180th store in Greenwich, south-east London, opening after the year end. The ongoing programme to refit our older stores to the latest standards for store environment and layout also continues with good paybacks. The success of our recent openings and attractive return on investment is encouraging, and we see opportunity to double the run rate of new (or relocated) stores in the next two years.

The typical Dunelm superstore has approximately 30,000 sq ft of trading space (including a 10,000 sq ft mezzanine floor) in an out-of-town location. We are delighted with the returns we generate on stores like these, Weymouth being a recent example. In recent years we have opened four smaller stores, averaging c.15,000 sq ft, and two town-centre locations of around 30,000 sq ft. We are seeing the same good returns across all these openings, with payback periods averaging under three years.

With better data and insights to support location planning for new store selection, we now expect to open five to ten new stores (including relocations) in each of the next two years. These are full-service Dunelm stores, amplifying our online offer and driving local customer awareness to enable us to benefit fully from our total retail system. We will continue to apply our usual discipline and tight operational grip to these investments.

At the same time, we continue to digitalise our total retail system to improve our customer offer and increase the efficiency of our operations. In the last six months we have been able to offer customers more convenient payment options such as Klarna, shortened lead times through weekend deliveries and improved our communications with customers. In addition to these improvements to our customer offer, we have begun to roll out new product master data management tools which will deliver benefits across our operations, and our suppliers. Our new ChatBot has automated some post-sale service communications, enabling more customers to self-serve.

Seizing the opportunity to extend and digitalise our total retail system

One of the key advantages of our business model is what we call our total retail system, combining the benefits of physical stores with the convenience of online shopping, and the reach of our marketing ecosystem. At the same time, we continue to digitalise our total retail system to improve our customer offer and increase the efficiency of our operations.

Accelerating openings: Superstore openings since FY19

Recent store openings, outside of our traditional size and location criteria, have demonstrated strong payback. For each of the next two years we expect to accelerate openings to five to ten new (or relocated) stores.

Over the next 12 months we will further improve our website experience by using new search tools, introducing faster site architecture and increasing the options for delivery of furniture items. We will continue to expand our product offer, with new ranges and made-to-measure categories as well as launching further convenient payment options such as long-term credit. To improve the efficiency of our operations, we will launch new tools for forecasting and replenishment and improve the management of stock in our warehouses, with both of these initiatives also increasing availability for our customers. We will also increase our personalised communication with customers, which we describe in more detail below.

3 Evolving our marketing ecosystem

During the year we deepened our understanding of consumer attitudes to the home and home shopping, giving us greater insight into the customer opportunity for our next phase of growth. Comprehensive research has allowed us to better understand the attitudes of existing and target customers. For example, whilst home continues be a strong focus for many households, motivators can be very different, with home variously an expression of personal style, a place of sanctuary, an opportunity to socialise, and a place to spend time with family. The opportunity is to reach target customers with more tailored and personalised messages which appeal to these motivators. At the same time, growing awareness of the breadth of our category offer will attract both new customers and increase the shopping frequency of existing ones.

At present, Dunelm is typically only top of mind (1st, 2nd or 3rd mention) for around half of the product categories we offer, demonstrating the breadth of the opportunity.

We can reach these target audiences more effectively through our ever-evolving marketing ecosystem. We continue to make progress towards a single combined view of our store and online customers, with our online payments system to be rolled out to stores in the first half of this financial year. In the meantime we have a significant database of online customers and those store customers who have provided an email address. We are combining data from multiple sources, including demographics and previous purchasing behaviour, to begin a more targeted and personalised level of marketing, including optimising the timing of customer communications and customer-specific product recommendations within marketing emails.

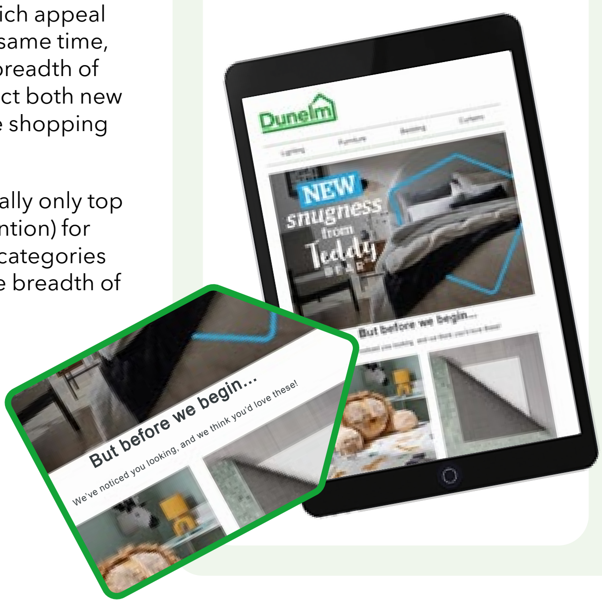
We are also testing a more customised website, where paid search will lead to a personalised dunelm.com landing page with a greater range of options beyond the specifically searched-for product. This activity is at an early stage and being approached with our usual test and learn mindset, but we believe it provides exciting opportunities for a better customer experience and future growth.

At the same time we continue to develop the effectiveness of our paid marketing channels and have now performed testing on the effectiveness of most of our brand and performance marketing spend. Tests conducted in the year have given us the confidence to increase our brand marketing investment. Our new brand campaign is launching this autumn and is our most ambitious ever.

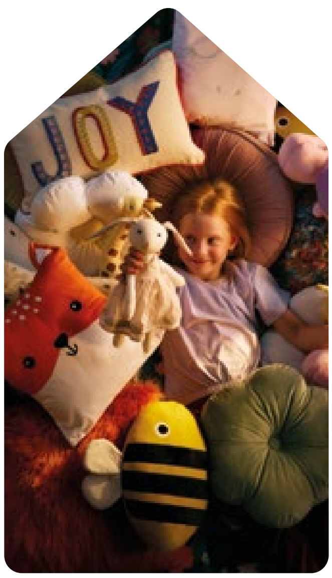
Seizing the opportunity to evolve our marketing ecosystem

During the year we deepened our understanding of consumer attitudes to the home and home shopping, giving us greater insight into the customer opportunity for our next phase of growth. We can reach these target audiences more effectively through our ever-evolving marketing ecosystem.

Personalisation presents an exciting opportunity to improve our customer proposition and drive profitable growth.



New brand campaign launches this autumn to extend our reach.



50% recycled

plastic from Plastic Bank® is used to make the Quallofil® Blue fibre seat filling in our Marlow armchair. The chairs also have recyclable feet and frames.

Building sustainability into all that we do

We strive to make decisions that are guided by our purpose and underpinned by our shared values that create value for our stakeholders in a balanced and ethical way. We are becoming bolder in delivering meaningful initiatives across the business to build sustainability into all that we do.

Our Conscious Choice range continues to expand. To qualify for this range, each product must be made from at least 50% more sustainable materials (by weight) compared to conventional alternatives. Conscious Choice options now represent c.15% of our own brand product ranges and we are working on further category extensions. We have been introducing recycled materials into our textiles ranges using, for example, recycled polyester in cushion fillings and bedding ranges. We are equally excited by the opportunities for further product differentiation in our non-textiles range, by using materials that are less carbon-hungry (such as recycled steel and aluminium) in saucepans and lighting. Our goal is to launch these products at competitive price points, as we believe sustainability should be accessible to all. We take a holistic approach to achieving this – for example, in the design of packaging to reduce transport costs, waste disposal costs and (in the case of plastic packaging) tax.

Our nationwide textiles take-back scheme continues to gain momentum. In February 2023, we launched a new product range called 'Remade' in our Conscious Choice assortment, made of materials coming from pre-loved textiles such as those generated from our take-back scheme. This initiative reflects our commitment to and first step towards product circularity, by recycling returned materials and developing products from end-of-life items.

We 'do the right thing' by looking after our colleagues – we support their mental and financial wellbeing, invest in learning and training opportunities and aim to make them feel 'at home' in a diverse and inclusive workplace.

We continue to support our store communities through local fundraising initiatives and by opening up our retail and cafe spaces to community groups and small businesses. We trialled a successful summer 'Delivering Joy' campaign on the back of our popular winter events and we are looking at how we can create wider social value in our communities.

Finally, we do all the above in an ethical and responsible way, keeping our house in order through mandatory training in responsible business conduct (including product safety protocols, anti-bribery, prevention of modern day slavery, data protection and responsible marketing and communications), and by promoting (and auditing) responsible supply chain practices.

For more information, see page 26 and online in our Sustainability Report 2023.

Summary and Outlook

We delivered another strong performance in FY23 in a challenging environment. We continued to think long term and invest for the future while delivering a strong performance for our stakeholders. Record sales, continued growth in market share and customer numbers, and good strategic progress were underpinned by our tight operational grip on gross margin and costs.

Consumers are still responding to their own cost-of-living pressures and there remains uncertainty as to what this means for discretionary spend. Against this backdrop we remain focused on our proposition and ensuring our customer offer is as relevant as ever. In that context, we are pleased with trading early in the new financial year.

We have a clear plan for sustainable growth and the work we are doing to strengthen our customer offer, extend and digitalise our total retail system and evolve our marketing ecosystem leave us well positioned to capitalise on the opportunities available for our business. We have never been more confident about our short, medium and long-term prospects and will therefore continue to invest where we see good returns, including in accelerating our store estate growth.

We are excited to continue to deliver our strong performance record in the year ahead.

Nick Wilkinson
Chief Executive Officer
20 September 2023

Measuring our progress

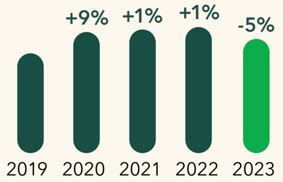
The Board uses a range of financial and non-financial key performance indicators (KPIs) to measure overall Group performance and progress against our strategic priorities and to determine CEO and CFO remuneration.

Non-financial

Employee net promoter score (eNPS)

Year-on-year improvement %pts

-5%pts



Listening and learning is one of our shared values and we undertake an annual colleague engagement survey to derive an eNPS score. In FY23, we upgraded our colleague engagement platform, allowing colleagues to interact directly with their line managers. Our year-on-year eNPS fell by 5%pts, returning to its pre-pandemic high point. Participation was particularly high at 82% (FY22: 78%) enabling us to better understand our colleagues and to take more targeted action.

Why this measure is important
This measure rates our colleagues' experience with us and the survey helps us understand where we need to improve.

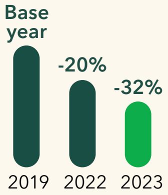
Scope
We compare results from the May survey each year. However, due to Covid the May 2020 survey was postponed, and in FY20 we compared the November 2019 and November 2018 surveys and in FY21, the May 2021 and November 2019 surveys.

Scope 1 intensity reduction[1]

Reduction versus base year and Scope 1 tCO_2e/£1m Group revenue

-32%

LTIP



We continue to make good progress in reducing our carbon intensity, with our decarbonisation programme in stores contributing to a further reduction in Scope 1 emissions this year. We are also transitioning our company car fleet to hybrid or electric vehicles. Since the year end we introduced our first compressed natural gas vehicles in our trunking network, helping us to continue to reduce our carbon emissions in FY24.

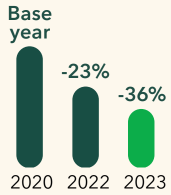
Why this measure is important
This measure helps us to understand how successful we are in reducing our impact on the environment and achieving our long-term carbon reduction targets.

Scope
This metric is for Scope 1 emissions only. Scope 2 emissions for FY23 are negligible due to the purchase of renewable electricity. For further details on all carbon emissions, see our TCFD report on pages 40 to 47.

Reduction in virgin plastic packaging of own brand products (by weight per £1 sales) versus base year[1]

-36%

LTIP



We have achieved a 36% reduction in virgin plastic packaging in FY23 against our FY20 base. We have both reduced the amount of packaging we are using, for example by introducing thinner plastics or alternative materials, and increased the recycled content.

Why this measure is important
This measure helps us to understand how successful we are in reducing our impact on the environment by reducing the amount of virgin plastic in our packaging.

Scope
This metric includes all plastic product packaging for own brand products (primary packaging) plus sales packaging (in-store carrier bags and home delivery packaging). Plastic that has a recycled content greater than 30% is classed as non-virgin 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.

Percentage of own brand products for which we offer an easy-to-use take-back service[1]

61%

LTIP

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. During the year we also trialled the take-back of other homewares products in a selection of stores.

Why this measure is important
This measure supports our commitment to move towards a circular economy, reduce our impact on the environment and support local communities.

Scope
This metric covers own brand products sold in our stores.

Percentage of own brand cotton products which meet our 'More Responsibly Sourced Cotton' standard[1,2]

26%

LTIP

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.

Why this measure is important
There are both ethical and environmental considerations with cotton production, which our 'More Responsibly Sourced Cotton' standard addresses.

Scope
In FY23, we became Better Cotton members and moved to their verification for our Spring/Summer 2023 products. As Autumn/Winter 2022 was a transition season, these sales were excluded. This approach is for FY23 only.

Ethnic diversity of our role-model leaders New

% of role-model leaders from an ethnically diverse background

3.8%

LTIP

Whilst we believe our colleague base is representative of wider society, our role-model leaders do not currently show the same level of representation.

Why this measure is important
At Dunelm we strive to be an inclusive organisation. We believe that having a colleague base that is representative of wider society will ultimately lead to a better proposition for our customers.

Scope
Our role-model leaders are defined as 'Heads of' and above and include our regional and store coaches. We currently have nearly 300 of these roles across the organisation and we measure the proportion of these colleagues that come from ethnically diverse backgrounds.

1 Bases of reporting for these metrics are available at corporate.dunelm.com.
2 No comparative figures are presented for this KPI due to changes in the calculation methodology. For details, please refer to the basis of reporting documents at corporate.dunelm.com.

Remuneration measures

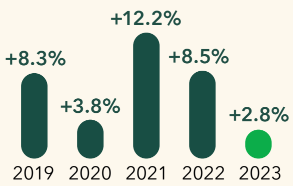
Details of measures used for FY23 bonus and LTIP outcomes can be found on pages 105 to 107 of the Remuneration Report. Further information on the performance criteria that apply to the FY24-26 LTIP award can be found on pages 115 to 116.

Bonus LTIP

Unique active customer growth

% growth

+2.8%



We have grown our active customers by 2.8% as we continued to attract new customers into our stores and online during a challenging year. We have seen broad based growth across age and income groups as well as particularly strong customer retention.

Why this measure is important
We use this metric to measure the growth in our active customer base and therefore our ability to reach new customers. It is important as it underpins our growth in sales. This measure combines our active store and online customers.

Scope
Growth in unique active customers who have shopped in the last 12 months, based on management estimates using Barclays data.

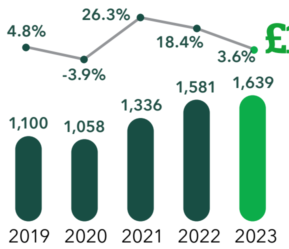
Financial

Total revenue

£m and growth %

£1,639m

Bonus



We achieved strong revenue growth of 3.6% by offering customers relevant product throughout the year, from items to help them save on energy bills during the winter to everyday essential items offering great value for money.

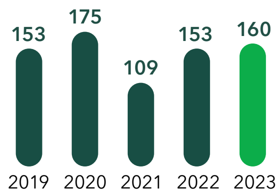
Why this measure is important
We use total revenue as an indicator of how relevant we are to our customers, as it demonstrates how successful we are at selling the right products through the most convenient channels.

Scope
FY22 included a 53rd week for statutory reporting purposes. On a comparable 52-week basis sales growth was 5.5%.

Free cash flow

£m

£160m



We remain a strongly cash generative business with free cash flow of £160m. We converted 81% of operating profit to free cash flow while continuing to invest in new stores and refit activity.

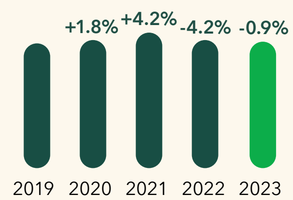
Why this measure is important
Dunelm is highly cash generative. This measure allows the Board to monitor cash flows to support investment decisions for long-term profitability, or to return surplus cash to shareholders.

Scope
Free cash flow is defined as net cash generated from operating activities less capex (net of disposals) and business combinations, net interest paid (including leases) and loan transaction costs, and repayment of lease liabilities. FY22 reflects 53 weeks of trading whereas all other years are 52 weeks.

Net promoter score (NPS)

Year-on-year improvement %pts

-0.9%pts



NPS was relatively stable during FY23. We saw similar or improved year-on-year scores in three of the four quarters, with service in the second quarter being impacted by exceptional demand for our winter ranges.

Why this measure is important
The NPS metric is a common business tool that measures how likely people would (or would not) be to recommend a product, service or company. At Dunelm we use this to measure how our customers rate their full experience with us.

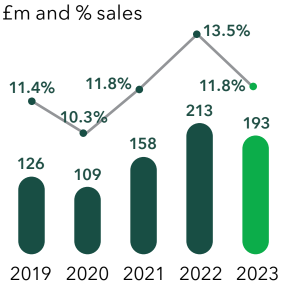
Scope
We measure customer NPS across the different channels that our customers shop with us and the metric above is a weighted average.

Profit before tax

£m and % sales

£193m

Bonus



Profit before tax (PBT) of £193m was 9.4% lower than FY22, as expected, with FY22 benefitting from an extra week of trading, an additional Sale event and pent-up demand following the final Covid lockdown. Gross margin was closer to historical levels and we maintained tight control of operating costs despite inflationary pressures, particularly on wages.

Why this measure is important
PBT measures the overall financial performance of the business, reflecting sales, gross margin and cost control. It is also used as a key bonus measure.

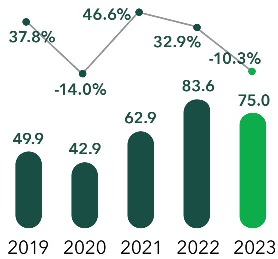
Scope
FY22 included a 53rd week for statutory reporting purposes. On a comparable 52-week basis PBT fell by 7.8% between FY22 and FY23.

Diluted earnings per share

pence and growth %

75.0p

LTIP



Diluted earnings of 75.0p was 10.3% lower than FY22 reflecting the lower profit before tax in the year and an increase in the rate of corporation tax.

Why this measure is important
Earnings per share is a key measure for shareholders and one of the performance criteria for awards under our LTIPs.

Scope
FY22 included a 53rd week for statutory reporting purposes. On a comparable 52-week basis EPS fell by 8.6% between FY22 and FY23.

Focus on delivering outstanding value

We delivered another strong performance in FY23 with growth in sales, customer numbers and market share, and tight operational grip. Our significant free cash flow allowed us to return £163m to shareholders.

Total sales

£1.64bn

FY22: £1.58bn

Total ordinary dividend

42p

FY22: 40p

Karen Witts
Chief Financial Officer

Total sales for the period to 1 July 2023 increased by 5.5% to £1,639m on a comparable 52-week basis (FY22 52w: £1,553m, FY22 53w: £1,581m). Compared to FY19 (the last fully comparable year before the pandemic), total sales grew by 49% (FY19: £1,100m).

We saw strong sales growth for the year despite the challenging market conditions and particularly strong comparative in Q1 (due to our rescheduled Summer Sale and pent-up demand following the final Covid related lockdown). We were pleased to see growth increasingly from volume as we progressed through the year. Sales increased both in stores and online, with digital sales now making up 36% of total sales, up 16ppts since FY19.

Growth was broad based across categories as we focused on relevance and value throughout the year. Customers enjoyed shopping our Winter Warm ranges as they looked for ways to mitigate rising heating costs. Similarly, our Summer Living collections, in particular garden furniture and decorations, performed well in the warmer weather towards the end of the financial year. Our two main Sale events also resonated with our home-loving customers. We continued to improve and expand our offering, adding 20,000 carefully curated products online while extending our Conscious Choice range of sustainability-focused lines.

We continued to focus on offering outstanding value to our customers across all our categories and price points. As a result of our relentless focus on value we were pleased to be able to pass on cost savings from lower freight rates and reduce prices on over 1,000 lines in the final quarter of the year.

Revenue

	FY23 (52 weeks)	YoY (52w v 52w)	YoY (52w v 53w)
Total Group sales	**£1,638.8m**	+5.5%	+3.6%
Digital % total sales	**36%**	+1ppt	+1ppt
Active customer growth[1]	**N/A**	+2.8%	
Homewares market share[2]	**11.0%**	+70bps	
Furniture market share[2]	**2.0%**	+0bps	

Our broad product offer continues to resonate well with our customers and the number of active customers increased by 2.8%[1] in FY23, with an increase in customer retention. We were pleased to see higher growth in the younger (16 to 24 years) and lower income (<£20k) groups, reflecting our growing appeal and focus on value.

We continued to gain market share, with our sales growing year-on-year and our share increasing by 40bps to 7.2%[2] against a combined market for furniture and homewares which was broadly flat. We were pleased to grow share in homewares by a further 70bps to 11.0%[2]. Our market share in furniture, where we have been building a stronger customer offer and operating model, was broadly flat. Sales across our furniture categories increased by 4% year-on-year, with a particularly strong performance in upholstery ranges being partly offset by lower sales in cabinet categories.

Gross margin

Gross margin of 50.1% was in line with expectations and 110bps lower than last year (FY22 52w: 51.2%, FY22 53w: 51.2%), reflecting both a return to more normal patterns of customer behaviour in our Sale events as well as the impact of higher input cost prices.

We have good visibility of FY24 input costs. We plan our purchasing for each season, which helps us manage changes in raw material prices, freight costs and foreign exchange within our margin rates. Looking ahead, we will continue to balance the impact of these with our commitment to offering outstanding value to our customers.

We expect a net tailwind from these factors this year, as well as the sustainable benefit from the operational actions we have taken in recent years, and therefore expect gross margin in FY24 to be c.100bps higher than FY23.

Operating costs

Total operating costs were £622m (FY22 52w: £582m, FY22 53w: £592m), representing an operating cost:sales ratio of 38.0% (FY22 52w: 37.5%, FY22 53w: 37.4%).

We maintain a tight operational grip on costs and have worked hard to offset inflationary impacts of c.£20m, mainly relating to wages, through operational efficiencies. Efficiencies in stores and the supply chain, as well as the removal of excess storage costs, and other small one-off impacts generated savings of £18m.

Volume growth added £8m of costs to our distribution network and performance marketing spend. The annualisation of investments during FY22 and new store openings added £7m to operating costs in the period. Our investments in recent years have delivered strong sales growth and so we continued to invest, increasing spend by £22m on digitalisation and building new capability in data, technology and insight and analytics.

We are focused on seizing opportunities for growth and will continue to deploy resources thoughtfully in digitalisation, capability, and accelerating our store roll out plans. We have been gaining new insight into the effectiveness of our marketing spend and our data-led approach is giving us confidence to invest more in areas such as brand marketing in order to expand our reach. We will continue to invest in digitalising our total retail system as well as expanding our store portfolio. We also expect inflationary pressures to continue in FY24, which we will partially mitigate through productivity improvements. While our focus remains on tight operational grip and making every pound count, we expect our operating cost:sales ratio to increase to c.39% in FY24.

Profit and earnings per share

Operating profit of £199m was £15m lower than the comparable period in FY22 (FY22 52w: £214m, FY22 53w: £218m), against a tough backdrop and reflected both tight control of margin amidst inflation in our operating costs and our ongoing commitment to investment for the future.

Net finance costs of £6m (FY22 52w: £5m, FY22 53w: £5m) included interest on IFRS 16 lease liabilities of £5m (FY22 52w: £5m, FY22 53w: £5m).

Profit before tax in the period was £193m (FY22 52w: £209m, FY22 53w: £213m), a reduction of £16m year-on-year on a comparable 52-week basis. Profit after tax of £152m (FY22 52w: £168m, FY22 53w: £171m) reflected an effective tax rate of 21.2% (FY22: 19.5%). The increase in the effective tax rate is broadly in line with the increase to the UK headline rate of corporation tax, which moved from 19% to 25% for the final three months of the year. The effective tax rate was 70bps higher than the UK headline rate, due to our usual items of disallowable expenditures.

In FY24 we expect PBT to be higher than FY23, and the effective tax rate to continue to trend slightly above the headline rate of 25% from FY24.

Basic earnings per share (EPS) for the period was 75.2 pence (FY22 52w: 83.0 pence, FY22 53w: 84.5 pence). Diluted earnings per share was 75.0 pence (FY22 52w: 82.1 pence, FY22 53w: 83.6 pence).

1 Growth in unique active customers who have transacted at least once in the 12 months to June 2023. Management estimates using Barclays data.
2 GlobalData UK homewares and furniture markets, July 2022 to June 2023. Furniture excludes kitchen and bathroom furniture. FY22 has been restated.

CFO's review continued

Cash generation and net cash

In the period, the Group generated £160m of free cash flow (FY22: £153m), with strong conversion of operating profit to free cash flow of 81% (FY22: 70%).

	FY23 (52 weeks) £m	FY22 (53 weeks) £m
Operating profit	**198.8**	217.7
Depreciation and amortisation[1]	**79.4**	79.3
Net movement in working capital	**(4.2)**	(14.8)
Share-based payments	**4.8**	4.8
Tax paid	**(38.2)**	(35.2)
Net cash generated from operating activities	**240.6**	251.8
Capex and business combinations	**(21.8)**	(41.7)
Net interest and loan transaction costs[2]	**(1.1)**	(2.1)
Interest paid on lease liabilities	**(5.3)**	(4.8)
Repayment of principal element of lease liabilities	**(52.0)**	(50.2)
Free cash flow	**160.4**	153.0

There was a small working capital outflow of £4m in the period (FY22: £15m outflow). The prior year outflow reflected the decision to build inventory in order to mitigate the risk of further supply chain disruption. Whilst inventories at the end of FY23 of £211m (FY22: £223m) were lower than FY22, the resulting working capital inflow was broadly offset by a reduction in payables due to lower accruals, including freight accruals. We expect working capital in FY24 to be broadly stable.

Total capital investment of £22m (FY22: £42m) primarily related to £19m spent on the three new stores opened in the period, refits of ten existing stores, and our decarbonisation initiatives. FY22 included £18m paid to acquire the trade and assets of Sunflex, a division of Hunter Douglas (UK) Limited.

We expect to increase the rate of new store openings to five to ten (including relocations) in FY24, therefore capital expenditure will increase to c.£30-40m.

Cash tax paid was £38m (FY22: £35m) reflecting the higher effective tax rate. FY22 also included cash receipts in relation to research and development claims made at the end of FY21.

In the period, the Group spent £7m (FY22: £28m) purchasing shares to be held in treasury to satisfy future obligations under its employee share schemes. The Group held 1.7m shares in treasury as at 1 July 2023.

After total dividend payments in the period of £163m (FY22: £282m), the Group ended the year with net debt[3] of £31m (FY22: £24m).

Banking agreements

At the year end date, the Group had in place a £185m sustainability-linked unsecured revolving credit facility ('RCF'). The terms of the RCF included covenants in respect of leverage (net debt[3] to be no greater than 2.5× adjusted EBITDA[4]) and fixed charge cover (EBITDAR[5] to be no less than 1.75× fixed charges[6]), both of which were met comfortably as at 1 July 2023.

Since the year end the Group has renegotiated its RCF, extending the limit to £250m to reflect the growth in the business in recent years. The maturity date is September 2027 with an option to extend by a further two years at Dunelm's request, subject to lender consent. The terms are consistent with normal business practice and the covenants are unchanged. In addition, the Group maintains £10m of uncommitted overdraft facilities.

1 Including impairment and loss on disposal.
2 Excluding interest on lease liabilities.
3 Excluding lease liabilities. Full definition provided in the table of alternative performance measures.
4 Adjusted EBITDA defined as EBITDA less depreciation on right-of-use assets.
5 EBITDAR defined as EBITDA plus rent.
6 Fixed charges are defined as net interest costs plus right-of-use asset depreciation plus rent.

Our Tax Strategy

	FY23 £m	FY22 £m
Net VAT collected	**164.7**	163.3
Payroll taxes including National Insurance[7]	**56.2**	50.2
Corporation tax	**38.2**	35.2
Plastic packaging tax	**0.1**	–
Total tax contributions	**259.2**	248.7

Dunelm is committed to full compliance with all statutory obligations and full disclosure to tax authorities. The Group's tax affairs are managed in a way that is consistent with the Group's commitment to high standards of governance. 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.

Tax Strategy available on corporate.dunelm.com

Capital and dividend policies

The Board policy on capital structure targets an average net debt level (excluding lease obligations and short-term fluctuations in working capital) of between 0.2× and 0.6× the last 12 months' EBITDA[8]. The Group's dividend policy targets ordinary dividend cover of between 1.75× and 2.25× earnings per share during the financial year to which the dividend relates.

The Board will continue to consider returning surplus cash to shareholders if average net debt, excluding lease liabilities, over a period, consistently falls below the minimum target of 0.2× EBITDA[8], subject to known and anticipated investment and expenditure plans at the time.

Capital and dividend policies

- Target average net debt between 0.2× and 0.6× the last 12 months' EBITDA[8]
- Ordinary dividend cover of between 1.75× and 2.25× earnings per share during the financial year to which the dividend relates
- Return surplus cash if net debt consistently falls below the minimum target of 0.2×EBITDA[8]

The Group's full capital and dividend policies are available on our website at corporate.dunelm.com.

Dividends

The Board has proposed a final ordinary dividend of 27 pence per share, recognising our strong performance in the year and our ongoing confidence in the business. This takes the full year ordinary dividend to 42 pence per share, 5% ahead of the 40 pence per share paid in FY22, with dividend cover[9] of 1.8×, which is within the range of our stated policy. The final dividend will be paid on 20 November 2023 to shareholders on the register on 27 October 2023, subject to it being approved by shareholders at the AGM.

We paid total dividends of £163m in the year, including a special dividend of £81m.

Karen Witts
Chief Financial Officer
20 September 2023

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

8 EBITDA defined as operating profit plus depreciation and amortisation of property, plant and equipment and intangible assets plus loss on disposal and impairment of property, plant and equipment and intangible assets plus depreciation on right-of-use assets.

9 Dividend cover is calculated as earnings per share divided by the total ordinary dividend relating to the financial year.

Building sustainability into all that we do

REMADE

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

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

Our progress in FY23

Customers

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

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

Colleagues

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

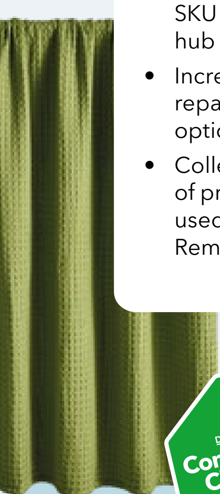
- Invested in learning and development opportunities to strengthen our leadership capabilities and promote a ‘learning for life’ mindset.
- Increased support on financial wellbeing given ongoing cost-of-living pressures.
- Continued focus on colleague development and retention, which increased to 87%.[2]

Communities

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

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

In aid of mind



Dunelm Conscious Choice

Conscious Choice

Since its launch in August 2022, we have grown our Conscious Choice[1] range to c.15% of own brand products.

Find your happy place

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

1 To be part of our Conscious Choice range, every product must be made from at least 50% more sustainable materials (by weight) compared to conventional alternatives.

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

Protecting our business

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

Whilst the Board has overall responsibility for the Group's sustainability framework and strategy, responsibilities are delegated to the CEO and Executive Team, supported by steering groups as set out on page 64. This includes the Group's Risk and Resilience Committee, which helps to keep the Board and Audit and Risk Committee informed of new or emerging risks (including those related to sustainability) as they relate to the Group. There is also a continued emphasis at Dunelm on 'doing the right thing', guided by our purpose and consistent with our shared values (see pages 1 and 73).

For more information about our approach to sustainability, progress and performance against our sustainability metrics, see our Sustainability Report 2023, available at corporate.dunelm.com.

Planet

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

- Reduced Scope 1 carbon intensity and plastic packaging, ahead of targets.
- Submitted carbon reduction and net-zero targets to the SBTi for validation with approval received post year-end[3].
- Used more recycled materials in our products to lower our environmental impact and to support product circularity.

Suppliers

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

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

Shareholders

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

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

100% recycled glass

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

Seat at the table

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

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

Materiality assessment

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

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

The purpose of this exercise was to gain insight into stakeholder perceptions on how we manage our most material ESG risks and opportunities. We present a summary of the methodology in the table to the right and a representation of our findings to date in the matrix on page 29 opposite.

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

Process overview

We engaged a third-party specialist to review our most material ESG topics with our stakeholders and to create an informed assessment as a base for further analysis of related risks and opportunities. We outline below the steps taken so far.

Desktop audit

- Desktop assessment of company, peer group and industry.
- Review of global benchmarks and media coverage to identify sector issues.
- With Dunelm input, developed list of 25 ESG topics for the survey.

Stakeholder identification

- Stakeholder groups mapped.
- Quantitative survey and qualitative interviewee lists determined.

Quantitative survey

- Online survey sent: 90 responses from colleagues (including the senior leadership team and Group Board), suppliers, customers, investors and analysts.
- Stakeholders asked to review relative impact of ESG topics on Dunelm's performance and viability.
- Risks and opportunities identified and plotted on matrix by internal and external stakeholders (see opposite page).

Qualitative interviews

- Follow-up qualitative interview conducted with 24 internal and external stakeholders.
- Sessions allowed 'free comment', allowing deeper scrutiny of current management approaches.
- Insight used to identify perceived 'managed' and 'unmanaged' risks, and opportunities.

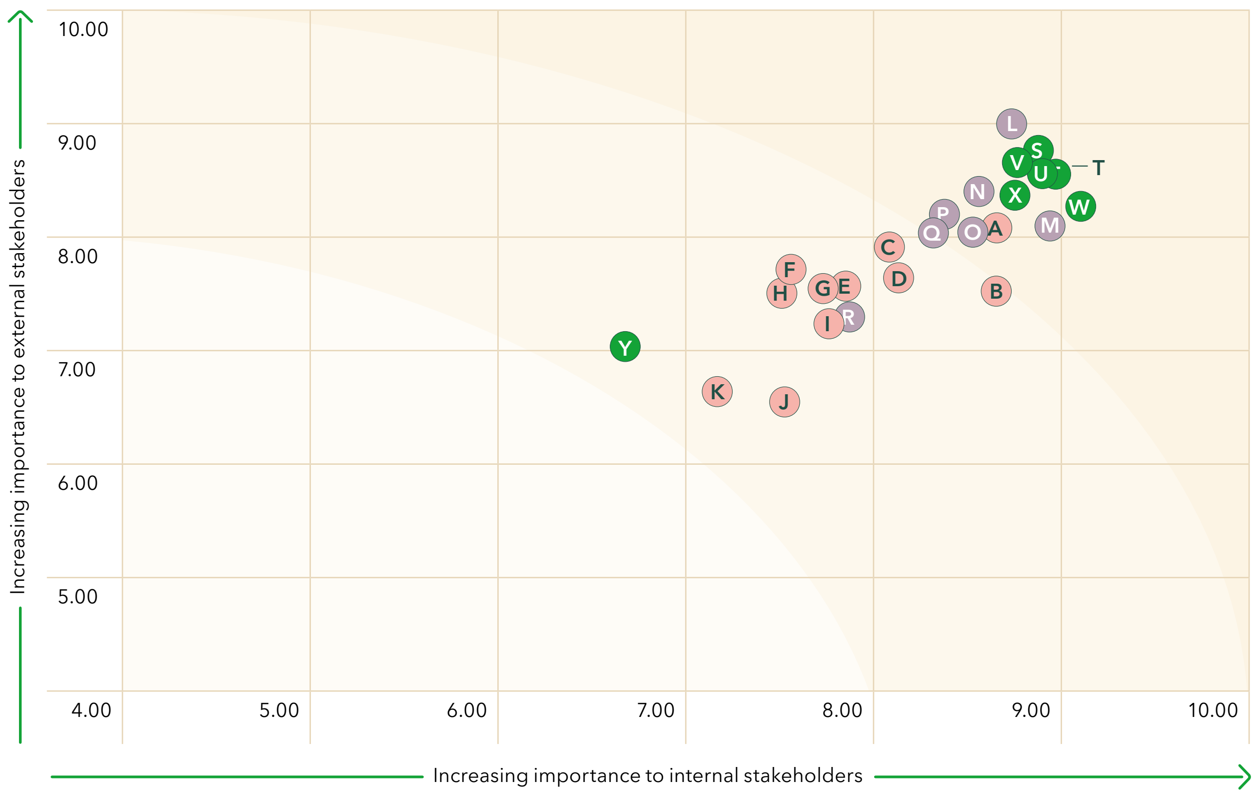
Findings report

- Findings presented internally, including: degree of stakeholder consensus, ESG disclosure gap analysis, initial strategic and KPI recommendations.
- Findings discussed in workshop attended by Executive Team, a Non-Executive Director, other members of the senior leadership team, the Head of Climate Change and the Head of Product Quality and Compliance.

Ongoing work and next steps

- Internal work to assess potential impacts and opportunities to inform a more time-bound materiality assessment.
- Analysis of findings to inform sustainability strategy, Group strategic focus, performance metrics and communications.

Materiality matrix



Environment

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

Social

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

Governance

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

Source: Buchanan Communications Ltd./Dunelm

Stakeholder engagement

We seek to build long-term relationships with our key stakeholders based on fairness and respect, consistent with our Code of Business Conduct, and our shared values and culture.

Key stakeholders

By understanding what our key stakeholders care about, and considering their perspectives, we believe that we can build more meaningful relationships and take fully informed decisions that create value for the long term.

We engage with a wide range of stakeholders in the day-to-day running of our business. Our key stakeholders are those who we know are highly likely to be affected by our actions and decisions, and vice versa. Typically, we engage with these stakeholder groups regularly at an operational level, with responsibility held by members of the Executive Team, and this is described in the following pages 31 to 34. We also set out how the Board is kept informed about the interests of our key stakeholders, as well as how our Board members engage with them directly. Pages 68 to 71 in the Governance Report provide further detail as to how important stakeholder feedback is presented to the Board for discussion and debate, as well as some examples of how the Board uses outcomes of stakeholder engagement in its decision-making. Examples of metrics used by the Board to measure the effectiveness of our engagement are set out below.

In May 2023, we undertook research with a third party to understand stakeholder perceptions relating to our most material environmental, social and governance ('ESG') topics and more information about this research can be found on pages 28 to 29. Stakeholder feedback from this exercise has been included in the 'what they care about' entries on the following pages.

In addition to key stakeholders, we acknowledge the importance of other stakeholder groups on page 34.

Our S172(1) Companies Act 2006 confirmation statement is on page 35.

Examples of metrics used by the Board to measure the effectiveness of our engagement:

Customers
- Unique active customer growth
- Total revenue
- NPS
- Safety scores

Colleagues
- eNPS
- RIDDOR[1] incidents
- Gender pay gap reporting
- Retention
- Whistleblowing

Communities
- Monies raised for good causes
- Take-back
- Diversity

Suppliers
- % Tier 1 factories audited
- % products with responsibly sourced raw materials
- Whistleblowing
- CO_2 emissions

Shareholders
- Share price movements
- Free cash flow
- Profitability
- AGM voting outcomes

1 Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

Customers

2.8%[2]

growth in unique active customers shopping with us online and in store

What they care about

- Value, style, choice and quality.
- Product safety.
- A great shopping experience and responsive customer services.
- Responsible use and protection of personal data.
- Ethical and sustainable sourcing.

Key management responsibility

Customer Director

Why we engage

Our business revolves around our customers. We aim to be *Customer 1st*, striving to improve our customer offer. We seek to achieve this by delivering great products, services and experiences. Engagement improves our customer insight which, in turn, influences our strategic focus areas and capital allocation. Ongoing investment in customer data and analysis allows us to respond more quickly and accurately to develop relevant product ranges and services, helps drive brand awareness and grow our customer base.

How we engage day-to-day

- During the shopping experience and at point of sale in store, with feedback being shared as appropriate within the business.
- By means of our customer service team and the channels by which it communicates with our customers.
- Social media channels.
- Customer focus groups/panels.
- Customer surveys.

How the Board engages

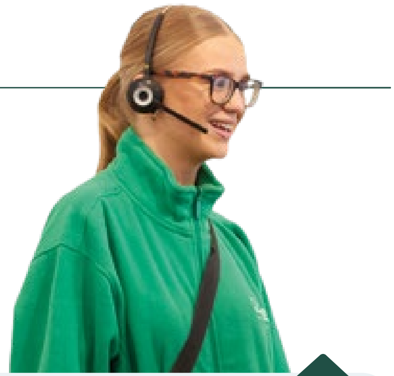
- Conducts store visits and reviews online experience.
- Receives customer insights report at every Board meeting.
- Monitors customer KPIs (including NPS) and challenges management to ensure the customer proposition remains at the forefront of all development activities.
- Receives regular updates on health and safety, product quality and ethics, sustainability and data protection.

How we have listened and learned – highlights in FY23

- Reviewed value for money across all categories and price points, lowering prices on over 1,000 lines.
- Launched and grew our 'Conscious Choice' range to c.15% of own brand products.
- Refreshed our Group-wide policy on data protection and privacy and continued to invest in data security.
- Launched collaboration with Airtasker to help customers put their flatpack furniture together.
- Updated our health and safety policy and continued the rollout of a new training course for store coaches and team leaders.
- Opened new stores outside of our traditional size and locations.
- Continued to develop our ethical audit programme, which covers suppliers of own brand products.

2 Growth in unique active customers who have transacted at least once in the 12 months to June 2023. Management estimate using Barclays data.

Stakeholder engagement continued



National Colleague Voice ('NCV')

Our colleague representative body, NCV, has been running for four years. Members represent a range of ages, ethnicities, genders, locations, tenures and levels of seniority across Dunelm.

During FY23, we held five meetings, each attended by Nick Wilkinson and members of the People team. Marion Sears, who is our designated Non-Executive Director ('NED') for colleague matters, attended and other NEDs often joined, alongside presenters (as appropriate).

Each meeting comprises three parts: a business performance update from Nick, a 'What's on your mind?' item for members to raise concerns, and a 'Big Topic' where we communicate and seek feedback on important matters. In FY23, these were financial wellbeing, community and charity, colleague safety, sustainability, and reward.

The aim is to stimulate discussion and debate, with representatives acting as strong advocates for their colleagues. This is achieved by encouraging reps to ask their wider teams for views both generally and on the chosen 'Big Topic' in advance of meetings. After each meeting, members share feedback with colleagues and views and concerns raised are presented to the Board.

The NCV is a valuable forum for colleagues to engage, be listened to and see action as a result. For example, following the community and charity session, we increased communication of our initiatives and ways in which colleagues could participate and support. And after our colleague safety session, we trialled new security-related initiatives. The NCV has also been an important part of the dialogue on colleague pay and reward, as detailed further on pages 71 and 118.

Colleagues

11,000+
colleagues

What they care about

→ Fair pay and reward.
→ Opportunities for progression.
→ A safe, inclusive and diverse workplace.
→ Personal data protection.
→ Opportunities to be listened to and make a difference.

Key management responsibility

Stores and People Director

Why we engage

Committed and ambitious colleagues are at the heart of our business. We engage with them to understand how best to recruit, retain, motivate and reward them, including helping with their mental and financial wellbeing. We also use this information to make better decisions for our customers and communities and to support our strategic growth.

How we engage day-to-day

- Annual colleague engagement survey, followed by targeted pulse survey.
- Two-way 'always on' communication via our *Home Comforts* intranet, on which we also publish regular CEO updates, known as 'Nick's Note'.
- Colleagues represented through our NCV (see left for more information) and our Local and Regional Colleague Voice networks (see our Sustainability Report 2023 for more details).
- Store colleague roadshow.
- Weekly/monthly colleague 'huddles' at every store/for each business area.
- 24/7 independent, confidential whistleblowing hotline.
- End of year events reflect on the past year and look ahead to the new financial year.

How the Board engages

- Visits stores and other sites.
- The designated NED for colleague matters and CEO attend NCV meetings and report to the Board.
- Receives People update in each CEO report to the Board.
- Receives overview of whistleblowing reports.
- Reviews key outcomes and actions from colleague engagement survey.
- Reviews a more detailed colleague dashboard (including key metrics) presented by the Stores and People Director at least twice per year.
- Discusses the gender pay gap disclosure.

How we have listened and learned – highlights in FY23

- Invested in learning and career development opportunities to strengthen our employer value proposition, 'grow' talent and improve succession planning.
- Piloted mentoring schemes across the business to help with professional development.
- Ongoing focus on colleague financial health and support given cost-of-living pressures.
- Taken a carefully considered approach to colleague pay and reward decisions for FY23.
- Personalised our benefits system to help colleagues easily locate their benefits and find information to make informed choices.
- Signed up to the 'Menopause Workplace Pledge' and issued our new menopause policy.
- Updated parenthood policies.
- Introduced pump/quick lift trucks at our logistics site to make it easier and more efficient to raise pallets/totes.
- Improved the quality of uniform for colleagues at our logistics sites.
- Increased communication about our charity and community activities.

Communities

185+

local community catchment areas served by our stores and sites

What they care about

- Charitable initiatives.
- Services that support the community and local area.
- Local employment and volunteering opportunities.
- A business they are proud to have in their neighbourhood.

Key management responsibility

Customer Director

Why we engage

By understanding local community needs and concerns we build awareness and trust, help evolve our customer offer, strengthen our local reputation and provide another reason for people to shop with us. We have also learned how much our customers and colleagues benefit from being involved in meaningful local initiatives and by having direct means of communication with their local store.

How we engage day-to-day

- Community champions for each region facilitate the sharing of internal and external feedback, learnings and ideas.
- Daily interaction with local store communities via individual store Facebook groups (organised by locally appointed community champions).
- Feedback from local businesses and community groups who use space in stores and Pausa cafes.
- Regular meetings with our Group charity partner, Mind.

How the Board engages

- Receives updates on charity and community initiatives.
- Reviews community-related KPIs, including level of take-back and monies raised for good causes.

How we have listened and learned – highlights in FY23

- Expanded our 'Delivering Joy' campaign, achieving a threefold increase in the number of donated gifts.
- Launched 'Home to Home' trial for customers to donate pre-loved homewares to be redistributed to those in need.
- Expanded use of our Pausa cafes by small businesses and community groups.
- Raised over £700k for Mind.
- Enhanced processes for our textiles take-back services.

Suppliers

1,200+

stock and non-stock suppliers

What they care about

- Fair trading and prompt payment terms.
- Collaborating to maintain high ethical standards and deliver on sustainability initiatives.
- Long-term relationships.
- A growth opportunity for their business.

Key management responsibility

Director of Commercial and Supply Chain

Why we engage

We work closely with our suppliers and manufacturers worldwide to develop relationships and business growth opportunities through regular engagement, and to ensure that we are aligned on the importance of upholding our high quality, ethical and environmental standards.

How we engage day-to-day

- Hold annual stock supplier conference and regular webinars.
- Regular supplier meetings.
- Regular contact for our committed stock suppliers with our design and commercial teams, as well as our product quality, compliance and sustainability teams.
- Dedicated procurement function engages with non-stock suppliers.

How the Board engages

- Receives updates on ethical trading, product quality, modern slavery, supplier payment terms and whistleblowing reports.
- Receives updates on progress against sustainability metrics.
- Ad hoc supplier meetings.

How we have listened and learned – highlights in FY23

- Held webinars with our key suppliers on 'Better Manufacturing', ethical standards and packaging.
- Undertook more ethical audits.
- Reviewed our protocols for non-compliance.
- Provided greater access to shared resources.
- Continued to collaborate on sustainability initiatives.
- Implemented new stock supplier portal to support improved ways of working.

Stakeholder engagement continued

Shareholders

1,900+

shareholders including the Adderley family

What they care about

- Strategy, performance and outlook.
- Strong leadership.
- Culture and shared values conducive to good governance and high standards of business ethics.
- Executive remuneration.
- ESG risks and opportunities.

Key management responsibility

CEO and CFO

Why we engage

Meaningful engagement is key to building trust and driving long-term success. It enables us to better understand our investors' priorities and concerns.

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

How we engage day-to-day

- Executive Directors meet with investors during the year.
- Arranged store visits.
- Discuss ESG-related matters on request.
- Via our corporate website.

How the Board engages

- Chair seeks regular engagement with major shareholders on governance and performance against strategy.
- Consults as appropriate, including in FY23 on the proposed new Remuneration Policy.
- Attends results presentations and the AGM.
- Non-Executive Directors are available to discuss any matter with shareholders on request.
- Reviews AGM voting, shareholder comments and proxy reports. Reviews investor roadshow feedback.
- Governance and other meetings arranged as appropriate.

How we have listened and learned – highlights in FY23

- Held more than 70 meetings with shareholders (excluding our largest shareholder) during the year.
- Completed externally-facilitated materiality assessment to gain perspectives from key stakeholders on material ESG topics (including investors and analysts).
- Included feedback from Remuneration Policy consultation within Board discussions.
- 89.98% of issued share capital voted at FY22 AGM.

Other stakeholders

We work with a number of other stakeholders whose relationships are important to the day-to-day running of our business. These stakeholders tend to impact our business more than we impact theirs and, in some cases, engagement may be one-way. We monitor and evaluate these relationships regularly and the Board is informed as required. In all cases, our approach is to seek to build long-term trusted relationships based on fairness and respect, consistent with our Code of Business Conduct and our values.

Other stakeholders with whom we engage include:

- Local and national UK Government bodies, including HMRC.
- Regulators, including Leicestershire County Council and Charnwood Borough Council with whom we have a Primary Authority relationship, and other bodies such as the Health and Safety Executive, Trading Standards and Environmental Health officers.
- Banks and other financial institutions.
- A trusted team of professional advisers (for example, brokers, financial PR, accountancy and recruitment firms, environment and sustainability advisers).
- Shareholder representative bodies, ESG investment and credit ratings agencies and potential investors.
- Other business support providers (e.g. logistics, landlords (as the majority of our stores are leased), technology and construction/store development companies).
- Industry bodies and working groups, such as Textiles 2030, Better Cotton and the British Retail Consortium.

Section 172 statement

Decisions made by the Board must balance the occasional conflicting needs and priorities of our key stakeholders, whilst also ensuring they promote the long-term success of the Group.

This duty is enshrined in section 172 of the Companies Act 2006 ('s.172') which requires a director of a company to act in good faith and promote the success of the company for the benefit of its members as a whole. In doing so, they must also have regard (amongst other things) to a range of factors set out in section 172(1) of the Companies Act, including the interests of stakeholders.

Engagement with stakeholders plays a hugely important role in ensuring that our Directors fully understand their needs and make well-informed decisions that consider different priorities. We recognise that not every decision will benefit all stakeholders, and we inevitably have to make trade-offs between stakeholder groups from time to time. By taking account of the Company's purpose and values together with its strategic aims, and closely following our decision-making process, we aim to make sure that our decisions are fair and consistent.

The preceding pages on stakeholder engagement and pages 68 to 71 of the Governance Report provide examples of how the Directors performed their s.172 duties during the year.

The Board confirms that during the year under review, it has acted to promote the long-term success of the Company for the benefit of its shareholders whilst having due regard to the factors set out in section 172(1) (a) to (f) of the Companies Act 2006.

Signed for and on behalf of the Board

Nick Wilkinson
CEO

The table below outlines other areas of this report that set out how the Board has had regard to s.172 factors when making decisions:

s.172 factor	Where to find more information	Page
(a) likely consequences of any decisions in the long term	→ Chair's statement	4
	→ Business model	8
	→ CEO review	13
	→ Stakeholder engagement	30
	→ Board activities	68
(b) interests of the company's employees	→ Stakeholder engagement	30
	→ NF&SI statement	36
	→ Board activities	68
	→ Remuneration Committee report	88
(c) need to foster the company's business relationships with suppliers, customers and others	→ Business model	8
	→ Stakeholder engagement	30
(d) impact of the company's operations on the community and environment	→ CEO review	13
	→ Sustainability	26
	→ TCFD report	40
	→ Board activities	68
(e) desirability of the company maintaining a reputation for high standards of business conduct	→ Sustainability	26
	→ TCFD report	40
	→ Risk management	48
	→ Governance report	58
(f) need to act fairly as between members of the company	→ Business model	8
	→ Stakeholder engagement	30
	→ Directors' report	119

Non-financial and sustainability information statement FY23

In the following pages, we present information relating to the non-financial reporting requirements as contained in sections 414CA and 414CB of the Companies Act 2006. These include our commitment to and management of environmental and social matters (as listed in the requirements) and how these impact our business and key stakeholders. We include links to some of our relevant policies and references to where additional information can be found both within and outside this report.

Our business model is on pages 8-9.

£820k

FY22: £632k

raised in FY23 through Group charity and fundraising events

Customers

Some of our relevant policies (see website: corporate.dunelm.com)

- Data Security and Privacy Policy
- Health and Safety Policy

Additional information outside this report

- Sustainability Report 2023

Our approach

Our vision is to build the UK's most trusted and valuable brand for homewares and furniture. We have a legal and moral obligation to develop and sell products that are safe to use (and safe to eat from our Pausa cafes) and that are accurately and fairly labelled, marketed and sold to our customers. We must also provide a safe environment for our customers to shop – whether in store, online or receiving home deliveries. As we increase our customer engagement, we have a responsibility to look after and treat our customers' personal data and information with respect and integrity. Increasingly, we are giving our customers the option to choose from a range of products that are sourced 'more responsibly' (with strict qualifying criteria set).

Our outcomes

Alongside measuring customer numbers and shopping frequency, we predominantly measure the outcomes relevant to our approach through our Customer Net Promoter Score (NPS).

Colleagues

Some of our relevant policies (see website: corporate.dunelm.com)

- Data Security and Privacy Policy
- Health and Safety Policy
- Equality and Diversity Policy
- Whistleblowing Policy
- Anti-corruption and Anti-bribery Policy
- Domestic Abuse Policy
- Colleague Code of Conduct
- Code of Business Conduct

Additional information outside this report

- Sustainability Report 2023
- Gender Pay Report 2023

Our approach

We are committed to treating our colleagues fairly, to reward them appropriately for the work they do and to give them opportunities to develop and learn. We want them to be heard and feel connected to our business and to feel 'at home' in a safe and inclusive working environment. We continue to support their mental and financial wellbeing – particularly given the pressures on our colleagues in the current UK economic environment.

Our commitment to protecting colleagues can be found in our Code of Business Conduct and Colleague Code of Conduct. All colleagues are obliged to comply with our Anti-corruption and Anti-bribery Policy and are trained upon induction.

We continue to focus on achieving diversity and gender balance across all levels of the business and, in FY23, we introduced an ethnicity leadership metric to our Long-Term Incentive Plan. Our median gender pay gap of 4.3% and our mean gender pay gap of 19.1% reflect that 70% of our colleagues are women, 90% of whom are in hourly-paid, predominantly store roles (see table below).

We work with our colleague network groups to understand possible barriers and challenges to progression and have adapted policies as a result. We have expanded our apprenticeship programme to improve social mobility.

Our outcomes

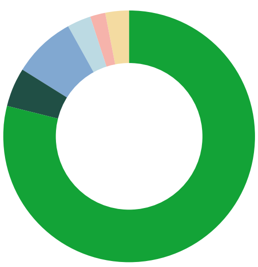
Alongside a number of colleague and culture metrics (including colleague retention and promotion from within) we predominantly measure the outcomes of the above through our Employee Net Promoter Score (eNPS).

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

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

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

Ethnicity data



- White – British 79%
- White – Other 5%
- Asian British 8%
- Black 3%
- Multi-ethnic 2%
- Other 3%

Note: This data covers 80% of all colleagues.

Board and Executive Team ethnicity data is on page 79.

Communities

Some of our relevant policies (see website: corporate.dunelm.com)

- Tax Strategy
- Responsible Cotton Policy
- Responsible Timber Policy

Where to find more information and outcomes in this report	Page/s
→ Chair's statement	4–5
→ CEO's review	13–19
→ Sustainability	26–27
→ Stakeholder engagement and s.172 statement	33, 35
→ Principal risks	50–54

Additional information outside this report

- Sustainability Report 2023

Our approach

We are increasingly making more meaningful connections to support thriving, purpose-driven communities in and around our stores and other sites. We want to be known as the brand that puts community at the heart of its business to help people feel more at home by expanding community initiatives and services (including our take-back services which are highly popular and valued by our store communities). Alongside promoting Group-wide fundraising activities we encourage colleagues to support local charities, businesses and community groups. We are also committed to full compliance with all statutory tax obligations and full disclosure to tax authorities.

Our outcomes

At a Group level we track the amount of Group and colleague fundraising and Group cash charity contributions. Informally, we monitor the number of store Facebook group followers and the number of small businesses and community groups that we support at the store level.

Non-financial and sustainability information statement FY23 continued

Suppliers

Some of our relevant policies (see website: corporate.dunelm.com)

- Whistleblowing Policy
- Slavery and Human Trafficking Statement
- Anti-corruption and Anti-bribery Policy
- Ethical Code of Conduct for Suppliers and Partners
- Responsible Animal Welfare Policy
- Responsible Cotton Policy
- Responsible Palm Oil Sourcing Policy
- Responsible Timber Policy
- Competition Law Policy

Where to find more information and outcomes in this report	Page/s
→ 'More responsibly sourced cotton' KPI	20
→ Sustainability	26–27
→ Stakeholder engagement and s.172 statement	33, 35
→ Principal risks	50–54

Additional information outside this report

- Sustainability Report 2023

Our approach

We have a responsibility to protect and respect human rights and to uphold high ethical standards in our supply chains. We set out our minimum expectations in our Ethical Code of Conduct for Suppliers and Partners that applies to all businesses involved in the production of goods for Dunelm and we use a risk-based approach in our ethical auditing programme to monitor supply chain practices against our standards. We aim to work collaboratively with suppliers to achieve continuous improvement through increased engagement and education – including environmental and product quality standards, alongside ethical considerations. We are committed to treating our suppliers properly in accordance with agreed terms and conditions and to paying them promptly.

Our outcomes

We have set a Group target to increase the percentage of own brand products that meet our 'More Responsibly Sourced Cotton' standard (which covers both ethical and environmental standards) as set out in our policy. We have also set sustainability metrics for other sourcing material areas such as timber and palm oil.

Planet

Some of our relevant policies (see website: corporate.dunelm.com)

- Environmental Policy
- Plastic and Packaging Policy

Where to find more information and outcomes in this report	Page/s
→ Reduction in Scope 1 carbon intensity KPI	20
→ Reduction in virgin plastic packaging of own brand products KPI	20
→ s.172 statement	35
→ Task Force on Climate-related Financial Disclosures report	40–47
→ Streamlined Energy and Carbon Reporting	46
→ Principal risks	50–54
→ Chair's introduction in the Governance report	58-59
→ 'Board's approach to s.172 and sustainability update' in the Governance report	68, 71
→ 'Sustainability reporting' in Audit and Risk Committee	85
→ ESG metrics within Executive remuneration	107, 116

Additional information outside this report

- Sustainability Report 2023

36%

reduction in virgin plastic versus an FY20 baseline.

59%

recycled steel content

We have switched to using recycled steel in our new galley easy fit pendant light to reduce the carbon impact of its raw materials.

Our approach

Our investment in resources to focus on Pathway to Zero (a pillar of our overall approach to sustainability) has increased the level of awareness across the business for the need to take urgent action to reduce our impacts on the planet. Our goal is to reduce our absolute greenhouse gas ('GHG') emissions by 50% by FY30 against a FY19 baseline. We support the British Retail Consortium's Climate Action Roadmap to achieve net zero by 2040, and we are a partner member of Textiles 2030, with a commitment to meet their carbon and water footprint reduction targets. We remain focused on reducing operational waste, including plastics and other packaging, and exploring product circularity solutions.

Our outcomes

We have made considerable progress in better understanding the most significant sources of GHG emissions along our supply chains, using our improve-innovate-advocate approach. However, we need to act faster to hit our published targets. Metrics relating to plastic packaging and Scope 1 carbon emissions intensity are set as Group KPIs to maintain our focus. Although we are still at an early stage, we are making good headway in our product circularity plans.

Greenhouse gas emissions and Streamlined Energy and Carbon Reporting information can be found on page 46.

BIO-CNG

In July 2023, we moved our Home Delivery Network trunking vehicles to bio-compressed natural gas (BIO-CNG) from diesel.

Shareholders

Some of our relevant policies (see website: corporate.dunelm.com)

- Capital and Dividend Policy
- Employment of Former Employees of the External Auditor Policy
- Tax Strategy
- Anti-corruption and Anti-bribery Policy

Where to find more information and outcomes in this report	Page/s
→ Stakeholder engagement and s.172 statement	34–35
→ Principal risks	50–54
→ 'Board's approach to s.172' in the Governance report	68
→ 'Sustainability reporting' in Audit and Risk Committee	85
→ ESG metrics in Executive remuneration	107, 116

Additional information outside this report

- Sustainability Report 2023

Our approach

We strive to provide our shareholders with as clear a picture as possible of our business and our prospects – both financial and non-financial – in order to enable them to make informed investment decisions. We give various opportunities for shareholders to meet our Board and management through scheduled meetings and on request. We provide regular overviews of our governance arrangements and our progress in non-financial reporting.

Our outcomes

Our focus on sustainable returns has led to progressive ordinary and special dividends. We have returned over £1bn to shareholders through dividends over the last 10 years[1].

Principal risks by key stakeholder group

Our principal risks are listed on pages 50 to 54. We summarise how these map to our key stakeholder groups below.

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

See corporate.dunelm.com for more information and for our Sustainability Report 2023.

1 Ordinary dividends plus special dividends plus special distributions.

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 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 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. • 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. • Increasing recycled content in packaging (both plastic and cardboard). • Monitoring extension to other categories beyond textiles. • 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 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. • Trialling electric vehicles in our fitter van fleet and using one fully electric 44 tonne vehicle in partnership with DHL. • 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 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. 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. • 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. 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. • 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 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. • In FY24, we will overlay our nature-related impacts on these maps to better inform sourcing decisions and help suppliers to build resilience. • 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.

STRATEGIC REPORT

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.

Our approach to risk management

Risk governance

The Board as a whole takes responsibility for the management of risk throughout the Group and ensures that our strategic objectives are in line with our risk appetite. It is supported by the Audit and Risk Committee, which monitors the ongoing effectiveness of our risk management framework and receives independent assurance on the effectiveness of our approach to risk management and internal control systems through the activities of internal audit.

For more information on the management of our internal controls see page 85.

There is a formal process for setting the risk appetite and for identifying, assessing, and reviewing risks, as described below and opposite. Risks inevitably evolve and change over time and the Board acknowledges that the risk management framework, and our system of internal controls, are designed to manage such risks appropriately, rather than eliminate them.

Risk management

We have an established Risk and Resilience Committee ('R&R Committee') which is chaired by the CFO and meets monthly. It comprises risk owners from various business areas and senior representatives from our compliance functions. In addition, a representative from internal audit attends the meetings to provide additional insight and challenge.

The R&R Committee's key purpose is to develop and review the risk management framework to ensure that it is effective and assist the Board and Audit and Risk Committee in their oversight of risk management. At each meeting there is a review of leading and lagging key risk indicators ('KRIs') associated with Dunelm's principal risks enabling management to discuss and take proactive steps to further mitigate as may be appropriate. In addition, a different deep dive topic is presented at each meeting – these typically cover principal or key operational risks that are trending upwards or retain a high residual risk impact. Meetings also consider progress against action plans arising from internal audit reviews, updates from key compliance areas (such as data protection, cyber security, product quality and ethics and food safety) and horizon scanning. A summary of the R&R Committee's activities and findings is reported on a regular basis to the Audit and Risk Committee.

Individual risks

Individual members of the Executive Team and senior leadership have responsibility for managing the risks and mitigating controls for their respective business areas. They do this by maintaining their own operational risk registers and are responsible for ensuring that any material issues or trends are escalated to the R&R Committee as appropriate.

Risk identification and prioritisation

We adopt a top-down and bottom-up approach to ensure that there is an overarching view of Group risks. This is considered monthly by way of the KRIs presented to the R&R Committee, but also more formally by way of a biannual review of the key operational risks (presented by each respective operational risk register owner), as well as the Group's principal risks (presented by each respective principal risk owner). As part of the assessment, the key operational risks are mapped to the principal risks to enable appropriate challenge to those risks identified as most material to the Group. The assessment considers both the inherent risk (before mitigation) and residual risk (after mitigation is applied). The output of the assessment is reported to the Audit and Risk Committee for challenge and consideration ahead of being presented to the Board for review and approval.

Risk appetite

The Board sets the risk appetite for the Group, taking into consideration the expectations of its shareholders and other stakeholders. The clear articulation of our risk appetite provides for an effective mechanism to inform investment decisions, facilitate the discussion of risk, set parameters within which objectives must be delivered, and support the awareness of risk by our colleagues and partners. The Board reviewed the Group risk appetite in July 2023 and confirmed that it remains appropriate.

Principal risks and uncertainties

The Board confirms that a robust assessment of the principal risks facing the Group has been carried out, including emerging risks and those that would threaten its business model, future performance, solvency, or liquidity.

In conducting such a review, we identified two principal risks where the potential impact is deemed to be increasing.

The IT systems, data, and cyber risk is considered to be increasing due to the rise in malware and phishing attacks targeting organisations of all types. These activities pose a serious challenge to the security and integrity of our digital infrastructure. Combating these threats remains a priority and we continue to invest in proactive measures to protect the business.

This year we separated business change risk from the IT systems, data, and cyber risk to reflect our ongoing investment in change programmes that are key to our strategy and the delivery of further growth and efficiencies. We consider this an increasing risk in the short term as we take on larger and more complex projects. However, it is anticipated that the risk will stabilise as we continue to deliver.

We also removed catastrophic business events as a standalone principal risk. The impact of, and approach that we would take to, large disruptive events has been considered as part of our review and ongoing management of each of the other principal risks. Our approach is supported, amongst other things, by learnings from our response to the pandemic and our business continuity plans.

The Board's assessment of the principal risks and uncertainties facing the Group as at the date of this report and how we mitigate them is set out on pages 50 to 54. The principal risks are not set out in any order of priority and do not represent all risks associated with the Group's activities. Additional risks that are not currently deemed principal risks are nevertheless monitored for their impact on the Group.

Risk management framework

Risk governance and oversight

Group Board

- Overall responsibility for the risk management framework.
- Sets the risk appetite for the Group.
- Responsible for ensuring that effective internal control and risk management systems are embedded within the business.
- Conducts annual assessment of principal risks.

Audit and Risk Committee

- Responsible for assessing the ongoing effectiveness of the Group's risk management framework, controls and processes.
- Approves the internal audit programme and undertakes an independent review of action plans to mitigate and manage material risks.
- Reviews the Group risk register.

Top-down review of risks

Bottom-up review of risks

Risk management

Risk and Resilience Committee

- Responsible for developing and reviewing the risk management framework and processes.
- Supports the Board and Audit and Risk Committee in their oversight of risk management.
- Conducts reviews of the principal risks.
- Identifies and manages risks as they arise.
- Monitors Key Risk Indicators.
- Provides forum to assess progress under action plans to mitigate and manage risks.
- Conducts deep dives into areas of operational risk.
- Reviews management information on key compliance areas such as health and safety, data protection and information security.

Risk and control owners

Individual Executive Team and operational risk owners

- Primary responsibility for identifying, assessing and managing risk in area of responsibility within risk appetite.
- Maintain operational risk register in area of responsibility.
- Escalate key risks and concerns as appropriate.

Independent assurance

Internal audit

- Provides independent assurance to the Board, Audit and Risk Committee and management on the effectiveness of risk management and internal control systems.
- Conducts independent audits of risks to the business in accordance with risk-based internal audit programme.

Risk-based reviews

- Conducts specialist third-party reviews as required.

Principal risks and uncertainties

At a glance

Principal risks	Risk trend
Customer offer	Stable
Product reputation and trust	Stable
Business change	Increasing
People and culture	Stable
IT systems, data and cyber security	Increasing
Regulatory and compliance	Stable
Climate change and environment	Stable
Supply chain resilience	Stable
Finance and treasury	Stable

Strategic drivers

1 Product mastery

2 Total retail system

3 Culture and identity

Stakeholder groups

Customers

Colleagues

Communities

Suppliers

Planet

Shareholders

Risk trend

Stable

Increasing

Decreasing

Customer offer

Description of risk

Ongoing external uncertainty and inflationary pressure on consumers has led to significant change in consumer behaviour. Failure to respond to changing consumer needs and to maintain a competitive offer (value & choice, friendly & expert, fast & convenient and good & circular) will undermine our ambition to increase market share and drive profitable and sustainable growth.

Stakeholder groups

Customers, Suppliers, Shareholders, Communities

Risk trend

Stable

Link to strategy

1 2 3

Risk owner

Customer Director

How we mitigate

- Increased utilisation of customer and market insights enabling us to understand more about our existing and potential new customers and adapt as appropriate to their changing needs.
- Ongoing review and development of our strategy to become a more trusted and valuable brand (see pages 8 and 9 for business model).
- Continued investment in digitalising our business to improve our customer offer.
- Focus on new product development, particularly own brand, in both existing and new categories, as well as continued product innovation in existing categories with 'sustainability' being a key element to strengthen our customer offer.
- Ongoing review of supply chain capacity and capability, investing as needed.
- Continued expansion of our range of products to appeal to every budget and style and regular review of price points.
- Ongoing focus on engagement through social media and community involvement.

Product reputation and trust

Description of risk

Our stakeholders expect us to deliver products that are safe, compliant with legal and regulatory requirements, and fit for purpose. Our customers are increasingly aware of the environmental and social impact of their purchases and want to know that our products have been responsibly sourced and that their environmental impact is minimised.

Failure by our suppliers to uphold our approach to business ethics, regulatory compliance, human rights (including safety and modern slavery) and the environment may undermine or damage our reputation as a responsible retailer, and result in a loss of confidence in Dunelm.

Stakeholder groups

Risk trend

Link to strategy

1 2 3

Risk owner

Director of Commercial and Supply Chain

How we mitigate

- Mandatory training, a range of policies and our Ethical Code of Conduct for Suppliers and Partners govern, amongst other things, the quality of products and production processes, and our expectations in relation to responsible sourcing, anti-bribery and corruption and modern slavery.
- Monitoring of our expectations on business practices, product quality and compliance with applicable regulations undertaken by a dedicated team, assisted by third-party due diligence checks and our ethical audit programme.
- Provision of enhanced training to commercial teams and suppliers on identifying and utilising sustainable materials in our products and packaging.
- Conduct regular supplier conferences and awareness training at which compliance with policies and the Ethical Code of Conduct for Suppliers and Partners is a key topic.
- Focus on collation of data from suppliers in connection with sustainability targets for products and packaging.
- Regular review by senior management of product recalls and product safety-related issues, with clear procedures in place to enable swift action to be taken as appropriate.
- Whistleblowing procedure and independently administered helpline enables concerns to be raised in confidence.

Business change

Description of risk

Dunelm recognises that there is a huge opportunity in digitalising the business and has invested and will continue to invest in system improvements to drive growth and efficiency.

Failing to successfully introduce and deliver wider technology and new systems across the business and leverage the data generated to further improve our proposition and operations could result in reduced operational efficiency, competitiveness, relevance and growth. Furthermore, failure to deliver the expected objectives on time and on budget could impact delivery of the planned business benefits.

Stakeholder groups

Risk trend

Link to strategy

1 2 3

Risk owner

Chief Technology and Information Officer

How we mitigate

- Continued investment in digitalisation aligned to strategic priorities.
- Structured and disciplined delivery methodology applied to business change programmes, led by experienced project managers.
- Detailed management oversight to monitor progress and cost.
- Dedicated resource allocated to key change programmes, supported by additional, external expertise as needed.
- Regular review of roadmaps and workstream prioritisation by cross-functional leaders to ensure ongoing alignment with delivery of strategy.
- Focus on building and developing strong third-party relationships to enable effective collaboration, communication and ongoing delivery.
- Ongoing simplification and rationalisation of processes and systems.
- Regular reviews of progress using appropriate KPIs with all stakeholders, including identification and management of risks to delivery.

Principal risks and uncertainties continued

People and culture

Description of risk

Our business could be adversely impacted if we fail to attract, retain, and develop colleagues with the appropriate skills, capabilities and diverse backgrounds.

Failing to embed and live our values could impact business performance, the delivery of our purpose and the long-term sustainability of our business.

Stakeholder groups

Risk trend

Link to strategy

3

Risk owner

Stores and People Director

How we mitigate

- Regular review by the Executive Team and the Group Board of colleague 'dashboard' and KPIs, including attrition and recruitment rates. Such reviews also include an assessment of capabilities to ensure that we continue to have the right skillsets in the business to deliver our strategy.
- Continued focus on training, development and mentoring opportunities, with emphasis on 'growing our own' talent, driven by the management-level Talent Committee.
- Ongoing review and development of our total employee value and reward proposition, assisted by benchmarking exercises as appropriate.
- Enhanced mental and financial wellbeing programmes and initiatives to support colleagues including introduction of targeted support relating to parenthood, pregnancy loss, and menopause.
- Regular communication with colleagues through engagement surveys, National, Regional and Local Colleague Voice meetings, D&I networks and huddles. Utilising feedback to understand colleague perception of culture and implementing actions based on the output.
- Commitment to increasing diversity across the Group.
- Continuing to 'bring our shared values to life' under our behavioural framework project.

IT systems, data and cyber security

Description of risk

Our IT systems and infrastructure are critical to managing our operations, interacting with customers, and trading successfully.

A key system being unavailable or suffering a security breach could lead to operational difficulties, loss of sales and productivity, legal and regulatory penalties due to loss of personal data, reputational damage, and loss of stakeholder trust.

Stakeholder groups

Risk trend

Link to strategy

2

Risk owner

Chief Technology and Information Officer

How we mitigate

- Continued investment and roadmap for further investment in systems development and security.
- Ongoing programme of work to decommission outdated applications, platforms, and infrastructure.
- Onboarding of new suppliers or suppliers undergoing contract renewal requires an assessment of the robustness of their security and data protection controls.
- Data protection and information security policies and procedures in place and governed by subject matter experts, including a dedicated, specialist information security team, data protection officer and head of data management.
- Mandatory training and ongoing awareness programmes keep colleagues informed and aware of data protection and information security risks.
- Security Operations Centre and vulnerability management service tools provide increased visibility of security events and enable vulnerabilities to be monitored and quickly addressed. In addition, periodic systems vulnerability and penetration testing carried out.
- Restricted access to sensitive data.
- Regular review and testing of incident and crisis management plans, and business continuity plans, which includes reviewing the resilience of and disaster recovery for IT systems.
- Data and reporting used to track system performance, utilisation, and vulnerability across our IT estate, with regular reviews undertaken and delivery of resulting actions monitored.

STRATEGIC REPORT

Regulatory and compliance

Description of risk

We operate in an increasingly regulated environment and must comply with a wide range of laws, regulations, and standards.

Failure to comply with or to take appropriate steps to prevent a breach of these requirements could result in formal investigations, legal and financial penalties, reputational damage and loss of business.

Stakeholder groups

Risk trend

↔

Link to strategy

1 3

Risk owner

Group General Counsel and Company Secretary

How we mitigate

- Suite of compliance policies in place which are reviewed regularly and governed by subject matter experts. Group-wide mandatory training provided for high-risk compliance areas such as health and safety, anti-bribery and corruption, data protection and cyber security, with additional training undertaken as required or as may be appropriate to a specific role.
- Data trends for high-risk compliance areas and KPIs monitored and reviewed by the Risk and Resilience Committee, as well as cross-functional steering groups (such as Pathway to Zero).
- Dedicated teams for product quality and ethics, sustainability and health and safety, supported by in-house legal team.
- Whistleblowing procedure and independently administered helpline enables concerns to be raised in confidence.
- Compliance with policies and Ethical Code of Conduct for Suppliers and Partners monitored via our ethical audit programme.
- Regular health and safety meetings for each of the retail and distribution centres. Health and safety reports, including audit outcomes, reviewed by the Risk and Resilience Committee and the Board on a regular basis, with in-depth presentation made by the Head of Health & Safety to the Board at least annually.
- Continued focus on food hygiene and allergen awareness in our Pausa cafes by way of regularly reviewed operating guidelines, compulsory colleague training and regular audits.
- Ongoing horizon scanning and monitoring of legislative and regulatory developments and announcements in relation to prospective change.

Climate change and environment

Description of risk

Failure to positively change our impact on the environment would fall short of the expectations of our customers, colleagues, shareholders, and other stakeholders which could lead to reputational damage and financial loss.

In addition, an inability to anticipate and mitigate climate change and other environmental risks could cause disruption in the availability and quality of raw materials such as cotton and timber, affecting production capacity, product quality, and overall supply chain resilience. This, and potential transition risks related to environmental taxation, could result in higher costs, delays, and potential loss of customers.

Stakeholder groups

Risk trend

↔

Link to strategy

1 2 3

Risk owner

Chief Executive Officer

How we mitigate

- Annualised targets in place to reduce emissions, energy usage and waste to landfill, and increase recycling in our operations.
- Pathway to Zero Steering Group (chaired by the CEO) oversees progress against environmental targets and climate change work with support from external advisers (as required).
- Updates on progress towards targets/commitments, including emerging risks, challenges and opportunities under our climate change roadmap, regularly provided to the Board.
- Regular review of standards and policies that govern our approach to high-risk raw material types and routes. Increased use of lower-impact raw materials in products and ongoing work with our suppliers to move towards a more circular design and business model.
- Implemented initiatives to shift vehicles from traditional fossil fuels to more sustainable alternatives.
- Sustainability targets built into Executive Director long-term incentives.
- Active engagement with suppliers and partners on the collation of data required to assess delivery against carbon reduction targets.
- Dedicated sustainability team.
- Regular horizon scanning conducted to keep abreast of regulatory change and stakeholder sentiment.

Further information can be found in the TCFD report on pages 40 to 47.

Principal risks and uncertainties continued

Supply chain resilience

Description of risk
We are dependent on complex global supply chains and fulfilment solutions to deliver products to our customers. Instability in the global supply chain or failure of a key supplier may impact our ability to effectively manage stock and satisfy customer demand.

Stakeholder groups

Risk trend

Link to strategy
2

Risk owner
Director of Commercial and Supply Chain

How we mitigate
- Ongoing review of supply chain strategy to ensure capacity is in line with long-term financial plan.
- Detailed budgeting and forecasting processes match capacity to demand, and are reviewed weekly by a cross-functional team.
- Continuous monitoring of demand and stock visibility.
- Regular review and testing of incident and crisis management plans, and business continuity plans.
- Dedicated procurement team oversees process for tendering and negotiating with supply chain suppliers and ensures that appropriate due diligence is carried out on existing and prospective third-party partners.
- Active management of key supplier relationships to enable early warnings of disruption and agree mitigating actions.
- Active engagement with suppliers and partners on the collation of data required to assess delivery against carbon reduction targets.
- Ongoing focus on initiatives to improve efficiency in the delivery process.

Finance and treasury

Description of risk
Progress against business objectives may be constrained by a lack of short-term funding or access to long-term capital.

Stakeholder groups

Risk trend

Link to strategy
1 2 3

Risk owner
Chief Financial Officer

How we mitigate
- Maintain relationships with a syndicate of committed partner banks to ensure appropriate funding is available.
- Revolving Credit Facility of £250m in place, extended until September 2027.
- Group treasury policy governs levels of debt, cash management strategies and foreign exchange exposures.
- Hedging for foreign exchange and freight and energy prices agreed in advance, to help mitigate volatility and aid margin management.
- Continued focus on cost discipline through capital investment approval process and ongoing scrutiny of discretionary expenditure.
- Treasury and Capital Committee ensures appropriate governance around matters such as funding, dividends, foreign exchange, and energy hedging.
- Ongoing focus on actions to improve controls around stock and cash management, stock purchasing and forecasting.

Emerging risks and opportunities
Risks continue to evolve and change, and an awareness of emerging risks is important in driving effective strategic planning. Understanding the potential implications of emerging risks and monitoring them enables us to consider them appropriately within our decision-making processes.

We identify emerging risks by reviewing customer and market metrics and insights, relevant publications and consultation papers, with the assistance of both internal and external subject matter experts.

While no significant emerging principal risks were identified in the year, we recognise that there is a high level of ongoing uncertainty in the economy and continue to closely monitor the potential impact so far as it relates to Dunelm. We also continue to consider the impact of technological change and monitor the pace of regulatory change and stakeholder sentiment in relation to environmental and other sustainability-related matters.

Going concern and viability statement

At the time of approving the financial statements, the Board of Directors is required to formally assess that the business has adequate resources to continue in operational existence and as such can continue to adopt the 'going concern' basis of accounting. The Board is also required to state that it 'has a reasonable expectation that the Group will continue in operation and meet its longer-term liabilities as they fall due' (the 'Viability Statement'). To support this statement, the Board has considered the Group's current financial position, its strategy, the market outlook and its principal risks. As the Group runs a five-year planning process, the Board has reviewed viability over a five-year period. The base case for this review is the five-year plan presented to and approved by the Directors in May 2023.

The Group is operationally and financially strong and has a long track record of consistently generating profits and cash, which is expected to continue both in the short and long term. In the financial years ending June 2020 and June 2021, despite the impact of the pandemic and the enforced closure of its stores for significant periods, the business continued to generate high levels of cash before distributions.

Modelling potential downside scenarios

In their consideration of going concern and the future viability of the Group, the Directors have reviewed future profit forecasts and cash projections, which reflect their experience in managing the business. Both scenarios modelled assume that variable costs would reduce as sales reduce.

The 'market downturn' scenario assumes a change in consumer spending away from homewares, due to inflationary pressures, with FY24 showing no sales growth on FY23 and 8% lower growth in FY25 than in the base case scenario. In addition, a lower margin than base case is assumed throughout the five-year period. This 'market downturn' scenario does not include any mitigating cost reduction actions, which would be taken if such a downturn occurred, and assumes the continuation of dividend payments in line with our current dividend policy. In this 'market downturn' scenario, the Group would not breach any of its financial covenants.

The 'deeper market downturn' scenario assumes a 5% sales decline in FY24 compared to FY23 and 8% lower growth in FY25 than in the base case. A more severe margin erosion is assumed in this scenario compared to the 'market downturn' scenario and margin erosion continues throughout the five-year period. Similar to the 'market downturn' scenario, we have assumed no cost mitigation and the continuation of dividend payments in line with our current dividend policy. As with the 'market downturn' scenario, the Group would not breach any of its financial covenants.

The Directors continue to assess the risks that climate change poses to the business via modelling and disclosures in line with the Task Force on Climate-related Financial Disclosures. The Group will actively manage and mitigate these risks as required within the existing enterprise risk management processes (as outlined on page 45). Climate change is not expected to have a significant impact on the Group's going concern assessment or on the viability of the Group over the next five years.

Reverse stress testing

To provide additional assurance around the Group's viability, two reverse stress tests have been modelled, similar to the reverse stress testing carried out at the end of FY22. In both of these reverse stress tests we have assumed that variable costs would reduce in line with sales, that we would be able to save £20m per annum of fixed costs and that we would reduce the level of capital investment to £10m per annum and suspend the payment of dividends. In the first reverse stress test, we have modelled the sales decline required to breach either of the current covenants in the Revolving Credit Facility (RCF). A sales reduction of 23% in FY24 and 28% in FY25 from the base case would be required for covenants to be breached by the end of FY25. In the second reverse stress test scenario, we have modelled the level of sales reduction required to breach the RCF limit of £250m. This would require a reduction in sales of 47% in both FY24 and FY25 from the base case to effectively run out of funding by the end of FY25, assuming reasonable mitigating actions have been implemented.

Financing

The Group's banking agreements and associated covenants are set out in the CFO's Review and include a £250m RCF (maturing in September 2027 with a two-year extension option, subject to lender consent), an accordion option with a maximum facility of £100m and a £10m uncommitted overdraft.

The Group ended the financial year with net debt of £31m. The financial covenants are tested in line with our December interim reporting and June year-end reporting. These covenants are met with significant headroom. In both downside scenarios, the Group continues to forecast compliance with all financial covenants throughout the going concern and viability period.

Going concern and viability conclusion

In both downside scenarios Dunelm has sufficient liquidity to continue trading, including maintaining the payment of dividends in line with its dividend policy and comfortably meeting its financial covenants. The reverse stress modelling has demonstrated that a sales reduction of 23% in FY24 and 28% in FY25 from the base case is required to breach covenants by the end of FY25 and a 47% sales reduction is required to breach the RCF limit by the end of FY25, assuming reasonable mitigating actions have been implemented. Even in such an event, management would follow a similar course of action to that initially undertaken during the recent Covid-19 pandemic. Such actions could include further reductions in discretionary spend (e.g. marketing and travel) and capital investment in new stores and refits, and reducing headcount.

The Board believes that the Group is well placed to manage its financing and other significant risks satisfactorily and that the Group will be able to operate within the level of its facilities and meet its liabilities as they fall due, for at least the next five years. For this reason, the Board also considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

Strategic Report

This report was reviewed and signed by order of the Board on 20 September 2023.

Nick Wilkinson
Chief Executive Officer
20 September 2023

Seizing the opportunity

to savour experiences

In this section


MIZZOU

Chair's introduction to corporate governance

On behalf of the Board, I am pleased to present our Governance report for the year ended 1 July 2023.

Alison Brittain
Chair

Dunelm's long-term success depends on our strong culture and shared values, of which we are immensely proud, underpinned by robust governance. This report provides insight into the role and activities of our Board and how our governance framework contributes to the development and delivery of the Group's strategic ambitions, for the benefit of all our stakeholders.

We recognise the ongoing focus given to all aspects of governance by our stakeholders, including audit and risk, regulatory compliance and sustainability, and the need to ensure that our approach is appropriate for Dunelm. We also recognise that a high level of engagement is key to understanding what matters most to those with an interest in our business and that it is important to communicate our thinking and approach in response.

I am confident in our ability to effectively engage with our key stakeholders and to incorporate their views in our decision-making. This has been demonstrated this year as we have recognised the impact of the challenging economic environment in on our approach to offering more value and choice to customers, colleague reward and remuneration and our community initiatives. More information on how we consider the interests of our key stakeholders is set out on pages 30 to 34.

Key activities

During the year, the Board focused on reviewing our key strategic priorities and areas of focus, as well as continuing to build capabilities and develop our ambitions for growth. Strategic deep dives into all areas of the business took place, providing valuable insight into our runway for growth and enabling constructive challenge and robust debate. This was particularly evident at the May strategy day, as articulated further on page 70.

We remain fully committed to our sustainability agenda, working collaboratively with suppliers, colleagues, and customers to achieve success. More details about our work this year can be found on pages 26 and 27 and in our Sustainability Report 2023.

We also maintained focus on reviewing and laying the groundwork for upcoming regulatory change,. This includes the Government's final proposals on new corporate reporting set out in its response last year to the White Paper on restoring trust in audit and corporate governance and the forthcoming sustainability-related requirements of the Transition Plan Taskforce, the International Sustainability Standards Board, and the Taskforce on Nature-related Financial Disclosures.

The Board has continued to prioritise senior management succession planning and development of internal talent to support our growth ambitions.

This work has resulted in a clearer understanding of capabilities and a stronger pipeline for succession. We also continue to promote diversity and inclusion across the colleague population, as acknowledged by our inclusion of an ethnic diversity target in this year's LTIP and the Board's ongoing support for our colleague networks and their respective initiatives and events, further details of which are set out in our Sustainability Report 2023.

This year we also conducted a detailed review of our remuneration framework, ahead of proposing to shareholders a new policy for adoption at the 2023 AGM. This included consultation with major shareholders and proxy agencies and I offer our thanks to them for their engagement and input. A detailed explanation of the proposed changes to the policy can be found on pages 89 to 91 and the new policy itself is on pages 93 to 102.

Board changes in FY23

I was delighted to be appointed as Chair as of 1 January 2023, having joined the Board in 7 September 2022 as an Independent Non-Executive Director and Chair Designate. I would like to take this opportunity to thank my predecessor Andy Harrison for his dedication and significant contribution in leading the Dunelm Board over the last nine years.

Board effectiveness and composition

The Board considers evaluation to be an essential check and balance on whether its composition, focus and approach is in line with the Company's overall ambitions. During the year, we conducted an internal performance review and I am pleased to report that the output of this work was that the Board and its Committees are operating efficiently and productively. More details of the evaluation process can be found on page 78.

Our broad range of Board talent covers a variety of skills and our diverse group of Non-Executive Directors continue to bring experience and challenge to Board discussions.

Nevertheless, we are mindful that two of our Non-Executive Directors, William Reeve and Peter Ruis, will have completed nine years on the Board during 2024. Therefore, we go into the new financial year focused on succession planning to ensure that we are well-placed to continue delivering in a way that is beneficial to our business and our stakeholders, consistent with our culture and true to our shared values.

AGM

Our AGM this year takes place on Thursday 16 November 2023. In line with the UK Corporate Governance Code, all Directors will be seeking re-election. In addition, in accordance with the Listing Rules, each of the Non-Executive Directors will be subject to a vote of shareholders independent of the Adderley family. In light of the Adderley family holding, we are also required to seek a Rule 9 waiver to allow us to buy back shares to fulfil colleague share option entitlements. We hope that shareholders will support this resolution, which is limited to this purpose.

The year ahead

The Board remains conscious of the ongoing need for good governance and I am reassured that our framework is strong and effective. The past year has not been without its challenges and the commitment demonstrated by our colleagues is admirable.

I would like to take this opportunity to say thank you, on behalf of the Board, to all our colleagues in the business for their continued hard work, dedication and focus on ensuring we are 'doing the right thing' for Dunelm and its stakeholders, and to my fellow Directors for their valued contribution. We have started FY24 with confidence and in the knowledge that the Company is led by a highly competent and professional team. I look forward to the support of our shareholders as the business seizes the opportunities that lie ahead.

Alison Brittain
Chair
20 September 2023

Code compliance statement

This Governance report explains how we have applied the Principles of the UK Corporate Governance Code published in July 2018 (the 'Code'), which is available on the website of the Financial Reporting Council, www.frc.org.uk. These Principles are applied to the Company's sole trading subsidiary through the Group's governance, risk management and internal control structure.

The Board considers that it has complied in full with the Code during the financial year. Details of how we have applied the Principles and complied with the Provisions can be found throughout this Annual Report. The table below provides an overview of where relevant content and information can be found.

How we comply with the UK Corporate Governance Code 2018

Board leadership and company purpose	Page(s)
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Remuneration	Page(s)
Remuneration Committee report	88

Governance dashboard

Board overview

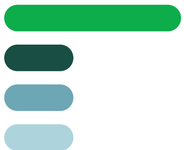
Gender

55% Men
45% Women

Nationality

82% British
9% Indian
9% Swedish

Length of tenure



46% 0–3 years
18% 3–6 years
18% 6–9 years
18% 9+ years

Independence*

40% Non-independent
60% Independent

*Number excludes the Chair who was independent on appointment.

Age diversity

9% 40–50
64% 50–60
27% 60+

Ethnicity

91% White
9% Asian

Board and Committee attendance

Director	Committee memberships	Board	Audit and Risk Committee	Remuneration Committee	Nominations Committee
Alison Brittain[1]	R N	8/8	N/A	3/3	4/4
Sir Will Adderley	N	9/9	N/A	N/A	4/4
Nick Wilkinson		9/9	N/A	N/A	N/A
Karen Witts		9/9	N/A	N/A	N/A
Ian Bull	R N A	9/9	3/3	4/4	4/4
Kelly Devine	R N A	9/9	3/3	4/4	4/4
William Reeve	R N A	9/9	3/3	4/4	4/4
Peter Ruis	R N A	9/9	3/3	4/4	4/4
Marion Sears	N	9/9	N/A	N/A	4/4
Arja Taaveniku	R N A	9/9	3/3	4/4	4/4
Vijay Talwar	R N A	9/9	3/3	4/4	4/4
Andy Harrison[2]	R N	4/4	N/A	2/2	2/2

A Audit and Risk Committee member
N Nominations Committee member
R Remuneration Committee member
Chair

1 Alison Brittain joined the Board on 7 September 2022 and attended all meetings following her appointment.
2 Andy Harrison stepped down from the Board and its Committees on 31 December 2022. He attended all meetings prior to that date.

Directors and officers

1. Alison Brittain
R N I

2. Sir Will Adderley
N

3. Nick Wilkinson

4. Karen Witts

1. Alison Brittain

Chair

Independent on appointment
Appointed: September 2022
and as Chair in January 2023

Key strengths
An experienced business leader who brings considerable expertise as NED and former Chief Executive of a range of consumer-facing companies. Has successfully scaled businesses in the UK and internationally and has longstanding plc experience and shareholder understanding, coupled with strong strategic insight and focus on execution.

Past experience
Alison was CEO of Whitbread PLC from 2015 to 2023. Prior to that, she held a number of senior roles in the UK banking industry, serving as Group Director in the Retail Division of Lloyds Banking Group PLC (2011-2015), and Board Director at Santander UK PLC (2007-2011) and Barclays PLC (1987-2007). Alison is a former Non-Executive Director of Marks & Spencer Group PLC.

Other commitments
Senior Independent Director at Experian plc. Chair of English football's Premier League. Non-Executive Director at British Airways plc. Chair and Trustee of The Prince's Trust Group Company.

2. Sir Will Adderley

Deputy Chair

Non-independent
Appointed: April 2003

Key strengths
Previous Chief Executive of Dunelm, with a detailed understanding and experience of all aspects of the business. Particular expertise in buying and trading, maintaining strong and long-standing supplier relationships.

Past experience
Will has worked for Dunelm his whole career since joining in 1992. He took over the day-to-day running of the Group from his father in 1996 and remained as Chief Executive through the Group's IPO in 2006. Will became Deputy Chair in February 2011 and was reappointed Chief Executive in September 2014 for an interim period until 31 December 2015.

Will retains an executive role to support the business in matters agreed with the CEO, as required.

Other commitments
Owner of WA Capital Limited and Trustee of Stoneygate Trust.

3. Nick Wilkinson

Chief Executive Officer

Non-independent
Appointed: February 2018

Key strengths
An experienced CEO, and proven business leader in multichannel retail businesses operating across a number of consumer brands and geographies.

Past experience
Nick was the Chief Executive of Evans Cycles from 2011 to 2016 and the Chief Executive of Maxeda DIY from 2007 to 2010. Prior to that, he was Group Buying Director and MD of Currys at Dixons Retail Group (1999 to 2006). Nick spent his early career at Unilever and McKinsey & Co.

Other commitments
Trustee of Rewilding Britain.

4. Karen Witts

Chief Financial Officer

Non-independent
Appointed: June 2022

Key strengths
A highly qualified Chief Financial Officer with a strong background in finance and management, and a wealth of experience across global retail and consumer-facing businesses.

Past experience
Karen was CFO of Compass Group plc from 2019 to 2021 and CFO of Kingfisher Group plc from 2012 to 2019. Before that, she held various senior finance, strategic and operational roles with Vodafone Group plc (2010 to 2012), and at BT Group plc (1999 to 2010). Karen qualified as a Chartered Accountant with Ernst & Whinney.

Other commitments
Non-Executive Director of Ipsen Pharma, SA.

Key

- A Audit and Risk Committee member
- N Nominations Committee member
- R Remuneration Committee member
- ● Chair
- I Independent Director
- D Designated NED for colleague matters

Directors and officers continued

5. Ian Bull
R N A I

6. Kelly Devine
R N A I

7. William Reeve
R N A I

8. Peter Ruis
R N A I

5. Ian Bull

Non-Executive Director
Independent
Appointed: July 2019

Key strengths
An experienced finance and strategy specialist. Fellow of the Chartered Institute of Management Accountants with over 20 years' business and financial experience in leading consumer-facing businesses. Long-standing plc experience and shareholder understanding.

Past experience
Ian was CFO of Parkdean Resorts Group from 2016 to 2018 and CFO of Ladbrokes plc from 2011 to 2016. He was Group Finance Director of Greene King plc (2006 to 2011), having spent his early finance career at Whitbread PLC, Walt Disney Company and BT Group. Ian is a former Non-Executive Director and Audit Committee Chair of Paypoint Limited, Senior Independent Director and Audit Committee Chair of St. Modwen Properties plc and Chair of Lookers plc.

Other commitments
Senior Independent Director at Domino's Pizza Group plc. Member of Chapter Zero, the Directors' Climate Forum and a regular attendee of its events.

6. Kelly Devine

Non-Executive Director
Independent
Appointed: March 2022

Key strengths
An accomplished business leader having held multiple executive roles in financial services and payment firms. Particular experience building enterprise partnerships in complex ecosystems to increase market share.

Past experience
Kelly was Senior Vice-President, Head of Bank Partnerships at Mastercard from 2018-2020, having first joined the company in 2015. Prior to that, she held various roles at American Express from 2005 to 2015 and was a member of PwC's Economics consultancy practice from 2003 to 2005.

Other commitments
President of Mastercard UK & Ireland. Board Member at UK Finance.

7. William Reeve

Senior Independent Non-Executive Director
Independent
Appointed: July 2015

Key strengths
An entrepreneur and technology investor with extensive experience in the digital sector and M&A.

Past experience
William co-founded three internet-related businesses: Fletcher Research, LOVEFiLM.com, and Secret Escapes. He is a former Non-Executive Director of Graze.com, Paddy Power plc, Zoopla and Nutmeg among others.

Other commitments
Chief Executive of Oh Goodlord Limited.

8. Peter Ruis

Non-Executive Director
Independent
Appointed: September 2015

Key strengths
An experienced executive with particular expertise in retail, brands, marketing and product developed working for both large and more entrepreneurial organisations.

Past experience
Peter was CEO of Indigo Books & Music Inc. from 2022 to 2023, having previously joined as President in 2021. He was the Managing Director of Anthropologie Europe and International from 2018 to 2020 and the Chief Executive of Jigsaw from 2013 to 2018. Prior to that, he held senior positions at John Lewis Partnership (2005 to 2013), Levi Strauss (2001 to 2004) and Ted Baker (1997 to 2001).

Other commitments
None.

Bill Adderley

Founder and Life President

Bill, together with his wife Jean, founded the business in 1979. Although no longer on the Board or actively involved in management, Jean remains a major shareholder.

Changes to the Board:
Alison Brittain joined the Board on 7 September 2022.

Andy Harrison stepped down from the Board on 31 December 2022.

9. Marion Sears
N D

10. Arja Taaveniku
R N A I

11. Vijay Talwar
R N A I

12. Luisa Wright

9. Marion Sears

Non-Executive Director

Non-independent
Appointed: July 2004

Key strengths
A long-standing Board Director, with extensive City, investor and banking experience, including M&A. Significant plc experience and stakeholder understanding.

Past experience
Marion was Dunelm's Senior Independent Director and Chair of the Remuneration Committee from 2006 to 2015 and was Chair of the Nominations Committee until 2016. She was Managing Director – Investment Banking at JP Morgan, from 1994 to 2001, prior to which she worked in corporate finance and as an investment analyst.

Other commitments
Non-Executive Director and Chair of Remuneration Committee at WHSmith plc, and Keywords Studios plc, and Senior Independent Director at abrdn New Dawn Investment Trust plc. Director of WA Capital Limited. Member of Chapter Zero, the Directors' Climate Forum and a regular attendee of its events.

10. Arja Taaveniku

Non-Executive Director

Independent
Appointed: February 2021

Key strengths
A former Chief Executive with a wealth of knowledge from international home retail businesses. Particular expertise in the strategic and operational development of customer propositions and product value chains, alongside environmental, social and governance initiatives.

Past experience
Arja was a member of the Group Executive at Kingfisher plc and Chief Executive of its subsidiary, Kingfisher International Products Limited from 2015 to 2018. Prior to that, she was Chief Executive of Ikano Group S.A. from 2012 to 2015, having previously held various leadership roles at IKEA Group from 1989 to 2012 including Global Business Area Director.

Other commitments
Chair of Svenska Handelsfastigheter AB and Polarn O. Pyret and Non-Executive Director at Handelsbanken Group. Member of Chapter Zero, the Director's Climate Forum, and a regular attendee of its events.

11. Vijay Talwar

Non-Executive Director

Independent
Appointed: October 2021

Key strengths
A proven business leader in driving significant digital and operational transformations. Broad international executive experience developed at consumer-facing, omni-channel businesses.

Past experience
Vijay was Chief Executive of ContextLogic Inc from February to September 2022. Prior to that, he was Chief Executive of Footlocker EMEA from 2019 to 2022 and President of Digital at Foot Locker from 2016 to 2019. Previously, he was President of Gifts/Special Occasions at Sears Holdings (2014 to 2016), held C-suite positions at Blue Nile from 2010 to 2014 and was Chief Executive at William J Clinton Foundation India (2008 to 2010). Vijay was COO for EMEA at Nike from 2002 to 2008.

Other commitments
Chief Digital Officer and Chief Customer Officer at Dufry AG.

12. Luisa Wright

Group General Counsel and Company Secretary

Appointed: November 2022

Key strengths
An accomplished general counsel, company secretary and regulatory adviser, with extensive plc experience built at consumer-facing digital, retail and technology companies.

Past experience
Luisa was Group General Counsel and Company Secretary of The Rank Group Plc from 2018 to 2022 and Group General Counsel and Company Secretary of Sportech Plc from 2011 to 2017. Prior to that, Luisa was a private practice lawyer at Olswang LLP (now CMS Cameron McKenna Nabarro Olswang LLP) from 2000 to 2011. Luisa qualified as a lawyer with Olswang LLP.

Other commitments
None.

Key

- A Audit and Risk Committee member
- N Nominations Committee member
- R Remuneration Committee member
- Chair
- I Independent Director
- D Designated NED for colleague matters

Governance structure

We have always believed that good governance – in our words 'doing the right thing' – helps companies make better decisions for the benefit of all stakeholders. The framework below provides a high-level summary of our approach, illustrating where responsibilities fall so as to enable informed decision-making, effective oversight and clear accountability. Our framework also allows for delegation of specific matters to the appropriate committees.

The Board believes that good governance supports Dunelm's purpose, shared values and strategy, and is satisfied that these elements and Dunelm's culture are aligned.

Reports/recommends/informs

Reviews/challenges/approves

Group Board

The Board as a whole is responsible for the overall direction, performance and long-term success of the Group. It is responsible for setting and role modelling our purpose and shared values. It provides effective challenge to management on the execution of the strategy and is responsible for ensuring that the Group maintains effective risk management and internal control systems.

Board Committees

The Board is supported by three committees to which it has delegated certain matters in order to ensure that they receive the appropriate level of consideration. These committees support the Board in discharging its duties. Each of the committees operates under terms of reference approved by the Board, which are reviewed annually and can be found on the corporate website: corporate.dunelm.com.

Nominations Committee

Recommends appointments to the Board, keeps the composition of the Board under review, oversees the succession plans for the Board and senior management and promotes diversity on the Board and across the Group.

See page 74 for Nominations Committee report.

Audit and Risk Committee

Has oversight of the Group's financial and narrative reporting, assesses the effectiveness of internal control and risk management systems, monitors the independence of internal and external audit and manages the relationship with the external auditor.

See page 80 for Audit and Risk Committee report.

Remuneration Committee

Establishes the Remuneration Policy, determines the remuneration of the Executive Directors and Chair, oversees implementation of the Remuneration Policy and of remuneration policies and practices across the Group.

See page 88 for Remuneration Committee report.

Executive Team

The Board delegates responsibility for the day-to-day operational management of the Company to the CEO.

The CEO is supported by a team of executives who head each of the key function areas of the Group and form the Executive Team, which operates under the CEO's direction and leadership.

The Executive Team is, in turn, supported by three executive management committees, which provide updates to the Board, Audit and Risk Committee, Remuneration Committee and Executive Team as appropriate.

Risk and Resilience Committee

Oversees and reviews principal and operational risks, tracks key risk indicators and considers trends and matters of significance. Chaired by the CFO.

See page 48 for more information.

Pathway to Zero Steering Group

Manages and tracks progress of sustainability initiatives, including those relating to climate change. Chaired by the CEO.

See page 40 for more information.

Talent Committee

Oversees and develops succession planning at all levels of the business and monitors progress against our 'Know-Grow-Flow talent management initiative. Chaired by the Stores and People Director.

See our Sustainability Report 2023 for more information.

Each of the respective Executive-led committees are supported by working groups led by subject matter experts.

The Chair and Chief Executive have clearly defined roles which are separate and distinct. The specific duties and division of responsibilities between them have been agreed by the Board and are summarised below, together with information on the roles of the Senior Independent Director, the Executive Directors, the Non-Executive Directors and the Group General Counsel and Company Secretary. Further information can be found at corporate.dunelm.com.

Executive

Chief Executive Officer

- Proposing the strategic objectives of the Group for approval by the Board and delivering the strategic and financial objectives in line with the agreed purpose and strategy.
- Leading the Executive Team and senior leadership in managing the operational requirements of the business.
- Leading the climate change and sustainability objectives of the Group.
- Providing clear and visible leadership of our shared values.
- Effective and ongoing communication with colleagues and shareholders.

Chief Financial Officer

- Working with the CEO to develop and implement the Group's purpose and strategic objectives.
- Focusing on financial delivery and performance of the Group.
- Ensuring that the Group remains appropriately funded to pursue the strategic objectives.
- Ensuring proper financial controls and risk management of the Group and compliance with associated regulations.
- Leading on investor relations activities and communications with shareholders.

Deputy Chair

- Maintaining a close dialogue with the Chair and the CEO.
- Contributing to the development of the Group's purpose, culture and values by promoting and visibly demonstrating the Company's long-established shared values.
- Assisting the CEO in strategic and operational activities as requested.
- Supporting and deputising for the Chair as required.

Non-Executive

Chair

- Leading the Board and responsible for its effectiveness and governance.
- Setting the agenda, style and tone of Board discussions with a particular focus on strategic matters.
- Ensuring each Non-Executive Director makes an effective contribution to the Board.
- Ensuring that the Directors receive accurate, timely and clear information.
- Promoting a culture of openness and debate.
- Facilitating constructive Board relations.

Senior Independent Non-Executive Director

- Acting as a 'sounding board' for the Chair and an intermediary for the other Directors.
- Leading the Non-Executive Directors in their annual assessment of the Chair's performance.
- Available to shareholders, particularly if they have concerns that the normal channels have failed to resolve, or for which such contact would be inappropriate.
- Leading the Chair succession process.

Non-Executive Directors

- Providing constructive contribution and challenge to the development of strategy and ensuring that decisions are taken so as to promote the success of the Company in the interests of all stakeholders.
- Monitoring operational and financial performance and scrutiny of management performance in the delivery of strategic objectives.
- Providing oversight of financial and other control processes for risk management.

Governance

Group General Counsel and Company Secretary

- Supporting the Chair and the Non-Executive Directors with their responsibilities.
- Advising on corporate governance matters and regulatory compliance.
- Facilitating individual induction programmes for Directors and assisting with training needs as required.
- Assisting with communications with shareholders and organising the AGM.

Designated Non-Executive Director for colleague matters

- Engaging with colleagues (for example through the National Colleague Voice) to represent the 'colleague voice' at the Board.
- Monitoring the effectiveness of colleague engagement initiatives.
- Providing regular updates to the Board.

Governance structure continued

About our Board

The Board has agreed that our optimum number of Board Directors is between nine and eleven. It currently comprises eleven, with an independent Chair, four Executives/Non-Independent Directors, and six independent Non-Executive Directors. We consider that this structure provides a good mix of backgrounds and skills, enables the right level of independent challenge, and allows for effective decision-making. We maintain a clear division of responsibilities between the leadership of the Board and the executive leadership of the business, as articulated on the preceding page.

Schedule of matters reserved

Certain key matters requiring Board approval are set out in a formal schedule of matters reserved, which the Board reviews periodically. Examples of such matters include Group strategy and budget, Group capital structure, approval of financial results and the Annual Report and Accounts, significant capital or contractual commitments, ensuring maintenance of internal control and risk management systems and approval of significant Group-wide policies.

The schedule of matters reserved for the Board is available at corporate.dunelm.com.

Managing conflicts of interests

Directors are required to disclose any actual or potential conflicts of interest to the Board immediately as and when they arise throughout the year. These are considered by the Board and any authorisations given are recorded in the Board minutes and reviewed annually. In addition, a formal process is undertaken each year when all Directors confirm to the Board details of any other directorships and relevant information in connection with related parties.

The Board takes action to ensure that the influence of third parties does not compromise or override the independent judgement of the Board. Should Directors have any concerns about the operation of the Board or Dunelm management that cannot be resolved, these can be recorded in the Board minutes. If, upon resignation, any Non-Executive Director has concerns of this nature, they may provide a written statement to the Chair for circulation.

The Board considers that its procedures to approve actual and potential conflicts of interest, to ensure that any related party transactions involving Directors or their connected persons are conducted on an arm's length basis and to provide a communications channel for any unresolved concerns, are in place and operating effectively.

Director independence

The Board considers that Alison Brittain was independent on her appointment to the Board and subsequently as Chair. All Non-Executive Directors, with the exception of Marion Sears, are considered to be independent.

The Board has treated Marion Sears as a Non-Independent Non-Executive Director since September 2015 in view of her tenure of more than nine years on the Board, and her subsequent appointment as a Director of WA Capital Limited in March 2016.

WA Capital Limited is a private limited company established by Sir Will Adderley (the Deputy Chair, and major shareholder) to act as a long-term holding company for his beneficial interest in the Company and various other investments. The Dunelm Board has determined that this appointment does not affect her judgement as a Director of Dunelm, and that any potential conflict of interest has been cleared on the basis that WA Capital Limited and Sir Will Adderley are parties to a Relationship Agreement, details of which can be found in the Directors' report on page 119.

Re-election

In accordance with the UK Corporate Governance Code, all Directors will stand for re-election at the 2023 AGM.

Non-Executive Directors will be subject to a separate vote by shareholders independent of the Adderley family as required by the Listing Rules of the United Kingdom Listing Authority. Marion Sears will put herself forward for reappointment at the AGM by shareholders, independent of the Adderley family, as well as under a full shareholder vote.

Time commitment

The Board recognises the importance of individual members having sufficient time to discharge their duties. On behalf of the Board, the Nominations Committee has reviewed the time commitment of the Chair and each Non-Executive Director. The Board is satisfied that they each commit sufficient time to their duties to discharge their responsibilities effectively.

None of the Executive Directors hold any non-executive board positions at a FTSE 100 company.

Please see pages 61 to 63 for each Director's biography, which includes details of their other key commitments.

Induction and training

Upon joining the Board, each new Director is offered a comprehensive and tailored induction programme with visits to key sites and meetings with senior managers and other colleagues.

See page 76 for information on Alison Brittain's induction process.

The Group General Counsel and Company Secretary reports to the Board at each meeting on new legal, regulatory and governance developments that affect the Group and actions are agreed where needed. Directors attend seminars provided by independent organisations which cover a wide range of governance topics. As part of the annual Board evaluation, any additional training or development needs are addressed by the Chair with each Director. For details of the specific skills and experience of each Director, see the Directors' biographies on pages 61 to 63.

Advice and insurance

All Directors have access to the advice and services of the Group General Counsel and Company Secretary. In addition, Directors may seek legal advice at the Group's expense if they consider it necessary in connection with their duties. The Group purchases Directors' and Officers' liability insurance cover for its Directors.

Share buyback and Rule 9 waiver

Since the time of flotation of the Company, the members of the Adderley family, including Bill and Jean Adderley and Sir Will Adderley, have been considered to be acting in concert ('a Concert Party') for the purposes of Rule 9 of the City Code on Takeovers and Mergers (the 'Takeover Code').

At the date of this report, Sir Will Adderley controls 37.5% of the issued share capital of the Company, and the Concert Party controls 42.4%. Bill and Jean Adderley are no longer Directors of the Company or actively involved. Sir Will Adderley is a Director and Deputy Chair.

As usual we will be requesting authority to buy back up to 5 million shares (2.5% of our share capital) at the AGM. This authority is to allow the Company to purchase shares in order to satisfy future share option entitlements for Executives, excluding Sir Will Adderley. Given that it is expected that shares bought by Dunelm in the market will be reissued, no dilution or change of control should occur either for the Concert Party or for other shareholders. As Sir Will Adderley has a beneficial interest of above 30% of our share capital, and the interest of the Concert Party is less than 50%, we are required to ask shareholders to approve a waiver of Rule 9 of the Takeover Code. This waiver permits the Company to exercise its authority to buy back shares without triggering an obligation on Sir Will to make an offer to buy all of the shares in the Company. We understand that some shareholders have concerns about Rule 9 waivers in general and/or they may be bound by their voting policy to vote against the resolution. Nevertheless, we hope that shareholders will give this administrative matter full consideration and conclude that they can support the waiver, notwithstanding any internal voting policy. In this regard we would like to reassure shareholders that:

- Shares bought back by the Company would be held in treasury and used only to satisfy share option entitlements, and not cancelled.
- Since 2012, Sir Will Adderley no longer participates in the Long-Term Incentive Plan or any other share-based incentive plan, and therefore his shareholding will not increase through that mechanism.
- Since flotation of the Company in 2006, the Adderley family has reduced its holding from 67% to the current 42.4%.
- There has been a Relationship Agreement in place since flotation which provides safeguards to other shareholders – for details please see the Directors' report on page 119.

We therefore request that shareholders take into account our specific circumstances when making their voting decision on the waiver resolution, and hope that shareholders will support the Board's recommendation.

The Board has reviewed whether our policy to purchase shares in the market to satisfy share option entitlements (as opposed to issuing shares) is still appropriate; we believe that it is in the interests of our shareholder base as a whole as it avoids dilution of shareholdings, and it is supported by the majority of our institutional shareholders. We would like to reiterate that shares bought back by the Company will be held in treasury and used only to satisfy share option entitlements, and not cancelled. The Company purchased 908,064 of its own shares during FY23.

Risk

The Board has overall responsibility for the management of risk and for setting risk appetite. During the year the Board conducted a review of the Company's principal risks and approved the Group risk appetite.

See page 48 to 54 for the risk management framework and the Group's principal risks and uncertainties.

Board activities

Board activities during the year

The Board discharges its responsibilities through an annual programme of Board and Committee meetings, with additional ad hoc meetings as required to meet business needs. These are supplemented by visits to stores and other sites. Agendas are determined in advance to ensure that meetings are well-planned and time is allocated as appropriate. Papers are circulated ahead of time to ensure that Directors are able to review and arrive at meetings fully prepared.

At each meeting the CEO reports on strategic progress and operational performance (including customers, colleagues and health and safety) and the CFO reports on financial performance. A rolling agenda of other operational, strategic, sustainability, risk and governance matters is refreshed during the year as necessary to ensure the Board continues to focus on areas of priority, whilst also continuing to meet regulatory requirements.

The Board held nine formally scheduled meetings during FY23, as well as a full day dedicated to a review of strategy, details of which are set out page 70.

See page 60 for meeting attendance.

The Chair meets with the Non-Executive Directors at the end of each Board meeting. This is a useful way of exchanging views and dealing with any concerns or questions. In addition to this, the Chair and the other Non-Executive Directors regularly have informal, individual meetings with the Executive Directors and other senior managers in the business.

We measure the time spent by the Board on strategy, governance and operational performance at each meeting. Over the year, the biggest part of our time was spent on performance, followed by strategy and governance, which the Board considers to be appropriate in respect of FY23.

Our approach to section 172

Each of our Directors is mindful of their duties under section 172 of the Companies Act 2006 ('s.172') to run the Company for the long-term benefit of its shareholders and, in doing so, to consider the interests of its key stakeholders during its decision-making, and the impact of any of its decisions on stakeholder relationships, on the Company's reputation for high standards of business conduct, and on the environment.

The matters encompassed in s.172 touch on everything we do, at a Board level in our discussions and decision-making, and also at a business level by members of our Executive Team and the senior leadership team. More detail can be found on pages 70 and 71 where we provide examples of the 'Board in Action' and on pages 30 to 34 where we describe our key stakeholders and summarise how and why we engage with them more generally, what matters most to them, allocation of responsibility within the business and how we consider the effectiveness of our engagement.

The Board acknowledges that every decision it makes will not necessarily result in a positive outcome for all stakeholders. A key consideration when making decisions is for the Board to balance the sometimes conflicting needs of our stakeholders while considering the Company's purpose, values and strategic priorities, which ensures the Board's decision-making is consistent and in the best interests of the Company.

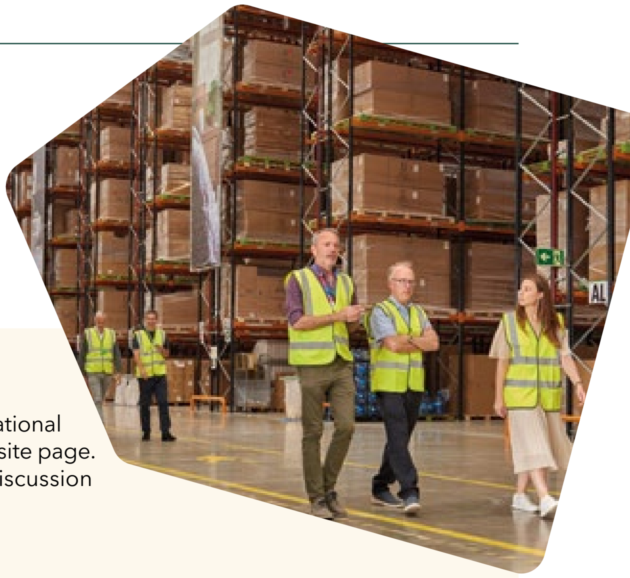
We actively engage with our major shareholder and institutional investors throughout the year to understand their views on a variety of topics. The AGM provides a valuable opportunity each year for all shareholders to hear from the Board, and for the Board to hear from our shareholders. This year's AGM will be held on 16 November 2023.

See page 35 for our s.172 statement.

Summary: keeping s.172 high on the Board's agenda

We ensure that the requirements of s172(1) Companies Act 2006 are met and the interests of our stakeholder groups are considered, challenged and debated through a combination of the following practical approaches:

- The Board carries out an annual review of strategy which assesses the long-term sustainable success of the Group and our impact on key stakeholders (see page 70 for more insight). Agenda items for the following year are based on the decisions and next steps agreed at this meeting.
- The Board's risk management procedures identify the principal and emerging risks facing the Group, and the mitigation in place to manage their impact. We consider these through a stakeholder lens as set out on pages 50 to 54.
- The Group General Counsel and Company Secretary references relevant s.172 factors against each agenda item in the minutes to ensure they remain at the forefront of Directors' minds when reflecting on discussions.
- The rolling Board agenda includes standing items to ensure that stakeholders are fully considered, including investor roadshow feedback, updates on people matters, the annual health and safety presentation, modern slavery and anti-bribery reporting and sustainability updates.
- There is a formal review of many of these topics through standard Audit and Risk Committee and Remuneration Committee agenda items, as described later in this report.
- The Board considers impact on key stakeholders when it reviews Group KPIs and requests additional information as appropriate.



FY23 Board activities

At each meeting the Board receives a report on strategic progress and operational and financial performance from the CEO and CFO as explained on the opposite page. We have set out below some of the other key activities, presentations and discussion points for the Board in FY23.

July 2022

- Tour of Daventry warehouse and hub, which opened in January 2022
- Customer operations[1]
- External FY22 Board evaluation output

Sept 2022

- Product, choice & value and Commercial initiatives[1]
- Principal risks
- Approved FY22 Annual Report and Accounts (inc TCFD report)
- NCV[2] feedback – financial wellbeing

Oct 2022

- Sustainability (see page 26)[1]
- Brand
- Investor feedback
- Modern Slavery Act statement

Nov 2022

- Approved appointment of Chair Designate
- Total retail system[1]
- Colleagues[1]
- NCV[2] feedback – community & charity

November 2022 – AGM

Jan 2023

- Annual H&S presentation
- Technology[1]
- Capital allocation framework
- NCV[2] – colleague safety

Feb 2023

- Approved interims announcement and dividend
- Principal risks
- Tax strategy

Mar 2023

- NED presentation on consumer landscape
- Product mastery[1]
- Customer operations[1]
- Sustainability[1]
- NCV[2] feedback – sustainability

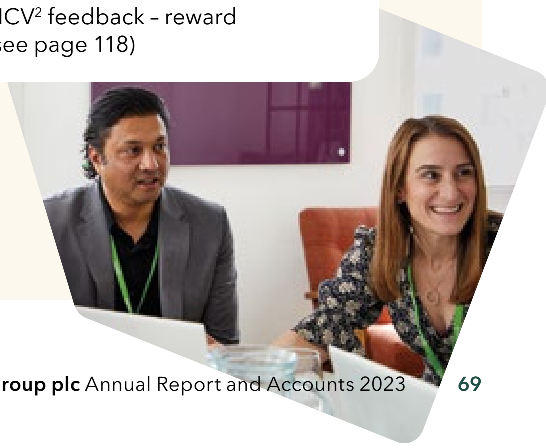
May 2023 – Board Strategy Day
See page 70 for more information

May 2023

- Strategy day reflections
- NCV[2] feedback – reward (see page 118)

June 2023

- FY24 Budget
- Competitor landscape
- FY23 Board evaluation outcome



1 Indicates presentation by Executive Team/senior leadership.
2 NCV – National Colleague Voice.

Board activities continued

Board in action

Strategy review

The Board met in May 2023 for its annual strategy review. This year, key topics included consumer mega-trends, customer insights and market analysis, brand development and personalisation, the evolution of our store and furniture plans and reviewing our digital and data roadmaps.

Presentations were given by the Executive Team and members of the leadership team. This provided the opportunity for detailed discussions and a deeper understanding by the Board of our growth plans. It also enabled the Board to consider the strength of connections between the different parts of our business and ensure that we keep appropriate, continued focus on operational grip to support our overall customer value proposition.

The Board challenged management, amongst other things, on the extent of our headroom for continued growth and the plans to achieve it, whether even more can be done to improve our customer offer, the opportunities and risks presented by future trends, the role of our suppliers in delivering our ambitions and whether we can leverage technology further (and accelerate it) to drive business change and efficiencies. The Board acknowledged the importance of continued investment in technology, insights and data as key drivers to sustainable growth, as well as the value of ongoing engagement with our key stakeholders so as to ensure we really understand their views, how our actions are likely to impact them and consider this within our decision-making.

The Board welcomed management's refresh of the 'Plan on a Page' (see below), participated in a lively discussion on the importance of protecting our culture and identity and confirmed its support for an ambitious five-year growth plan. The agreed actions and takeaways for management were noted with updates to be provided by way of further presentations and deep dives by business area built into the Board agenda over the course of the next 12 months.

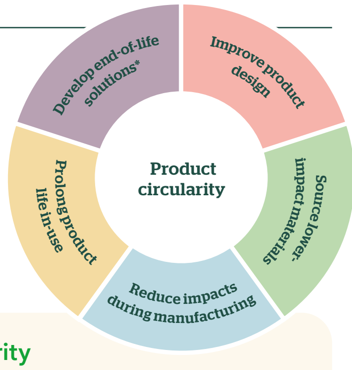
'Plan on a Page' refresh

At its strategy review, the Board was presented with a refreshed 'Plan on a Page', developed with input from the senior leadership team, and aimed at maintaining our focus on delivering long-term growth and creating value for our stakeholders. This year, there has a been an emphasis on understanding how we can seize the opportunities afforded by the post-pandemic world, whilst also being mindful of the current economic climate and challenges that it brings.

The Board considered that our purpose remains strong, influencing our Board and our colleagues in their decision-making and maintaining our focus on a sustainable business "for generations to come". The Board also considered that our *Customer 1st* focus and proposition continues to resonate strongly. However, it agreed with management's view that there is an opportunity to raise the bar on 'value' and 'joy' across all products, services and experiences that we offer to our customers. The Board also discussed the evolution of our previous focus areas into foundational strategic drivers that enable the customer offer, namely product mastery, a thriving total retail system which combines the advantages of both physical and digital retail, and our culture and identity.

The Board discussed the manner in which the refreshed plan took into account the different considerations of our key stakeholders, noting their respective interests and recognising the extent to which they are all represented. Further to this, the Board approved the refreshed 'Plan on a Page', noting that the effect of a clear articulation of strategy that resonates with all stakeholders creates a strong vision, and positions us well to create long-term value and sustainable growth.

Following the Board's review and approval, the CEO presented the refreshed plan to colleagues by way of a series of in-person and hybrid 'huddles', which formed part of a series of colleague events to reflect on the achievements of FY23 and look ahead to the opportunities for the business in the forthcoming year.



Sustainability – pathway to zero update

We remain fully committed to making a positive social impact and reducing environmental damage in our communities and supply chains. In October 2022 and March 2023, the Board received detailed updates on our progress during the year from the Head of Climate Change and other members of senior management on the three key areas of our pathway to zero roadmap: circularity, carbon, and community/customer, as well as an overview on our approach to governance and reporting.

The Board discussed targets and challenged progress made during the year. The Board also reflected on the views of and impact on our key stakeholders, recognising the need to continue to communicate, in the most meaningful and easily understood way, how we think about sustainability at Dunelm, our plans and our progress. The Board concluded that our sustainability-linked goals and activities remain aligned with our Group vision, purpose and strategy. However, we acknowledge that this work involves ongoing discovery, monitoring and horizon-scanning, and therefore discussion on a regular basis at Board level and by the senior leadership.

The Board will continue to receive KPI updates, reflections on feedback from stakeholder engagement and presentations and updates on regulatory developments in this area. Our CEO will continue to take the lead as Chair of our Pathway to Zero Steering Group.

More information can be found in our Sustainability Report 2023, available at corporate.dunelm.com.

Circularity

- Increased focus on designing products to be more circular.
- Environmental performance information received on over 80% of Tier 1 manufacturing suppliers.

Carbon

- Continued reduction in Scope 1 carbon emissions.
- Commenced transition of our HDN trunking vehicles to lower carbon fuel and trial for electric Made to Measure fitter vans.
- Scope 3 FY19 baseline and FY30 carbon reduction targets submitted to SBTi for verification[1].

Community/Customer

- Rolled out customer textile take-back service to 96% of stores.
- Launched 'Home to Home' trial for customers to donate pre-loved homewares for redistribution to those in need.

FY23 colleague support

Well-documented increasing cost-of-living pressures in FY23, which have been felt by all stakeholders, have been an important theme across Board discussions this year. They were particularly relevant to discussions on colleague pay, reward and support. The Board received a 'People' update at every meeting from the CEO and more detailed presentations during the year from the People and Stores Director, which provided additional context. Feedback from National Colleague Voice generally and following deep dive discussions on pay and reward, as well as the outcomes from our colleague engagement survey were also considered in our decision-making.

This year, we continued to focus on the large number of hourly-paid colleagues who work in our stores and distribution centres, and who were more likely to feel additional pressure. The Board supported the proposal to again implement the annual pay review for our warehouse and distribution colleagues early, in October 2022. For our other hourly-paid colleagues, we awarded a median increase of 9.6% in April 2023 so that we remain aligned to the National Living Wage rate set by the UK Government.

For monthly-paid colleagues, the annual pay review took place as usual in August 2023. The Board welcomed the continuation of last year's tiered approach, awarding the highest level of increases to colleagues on lower salaries and/or at more junior grades and the introduction of an annual bonus entitlement for the first time in FY24 for our most junior grade.

The Board was keen to ensure that other forms of support continued to be available to colleagues. In recent years, we have invested heavily in wellbeing benefits, such as the Dunelm Colleague Support Fund and mental health initiatives. Feedback this year provided a reminder that good communication of the availability of benefits and support is as important as having them in place. Further to this, the Board welcomed a significant uplift in the communication of assistance that is available, including the launch of a new personalised benefits portal to provide ease of visibility and access to the support that we offer. We also welcomed new initiatives, such as the Retail Trust's financial education tools, a Cost of Living hub on our colleague intranet offering financial tips and guidance and additional one-to-one wellbeing meetings for all colleagues.

In supporting this year's proposed pay increases, reward and support initiatives, the Board considered our purpose and values and the balance of short-term impact with long-term value creation. It concluded that the steps taken were essential to improving colleague engagement and supporting financial wellbeing and key factors towards improving our customer proposition, improving our ability to attract and retain talent and ultimately drive long-term benefit for all stakeholders.

1 We received confirmation after the year end that our near-term and net zero targets were approved. Our targets can be viewed on our corporate website: corporate.dunelm.com

Culture and values

Culture

Dunelm has an open and straightforward culture, with a focus on doing the right thing and taking decisions for the long term. This reflects the shared values instilled by the Adderley family, who founded our business over 40 years ago and are still our major shareholders. The Board has always been careful to ensure that we protect and retain this culture as the business grows and becomes more complex.

Our purpose is 'To help create the joy of truly feeling at home, now and for generations to come'. It informs our strategy, is underpinned by our shared values and is supported by our approach to sustainability (see our Sustainability Report 2023 for more information). We are committed to ensuring that the Company's actions are in keeping with our culture, values and purpose to drive long-term success.

Our shared values

Our shared values have inevitably evolved over time from the business principles formulated by Sir Will Adderley, our Deputy Chair, over a decade ago. However, that they have not changed significantly is testament to their strength and importance to the business.

We very much believe in setting the tone from the top and consider it the Board's responsibility to instil and maintain a culture of openness, integrity and transparency. We also expect our Directors and senior leadership team to role model our shared values and consider them within our decision-making and how we communicate with our stakeholders.

We believe that our shared values are an essential contributor towards driving the right behaviours and maintaining a positive culture of mutual respect, trust and constructive challenge.

Codes of Conduct, anti-bribery and other policies

Our shared values are also reflected in our Group policies, which are an important expression of how we look after our colleagues and how they should expect to be treated by others. These policies include a Code of Business Conduct and Colleague Code of Conduct, which set out specific standards of ethics and behaviour. These Codes make reference to a number of other policies and procedures that have to be followed, including Equality & Diversity, Health & Safety, Slavery and Human Trafficking Statement and Prevention of Modern Slavery, Ethical Code of Conduct for Suppliers and Partners, Tax Strategy, Whistleblowing and our privacy notices. Mandatory training is provided on all high-risk areas as part of induction and on an annual basis.

We are strongly opposed to any form of corruption or bribery and have controls in place that have been built around a clear understanding of how and where bribery risks could affect our business. This includes policies (such as our Anti-bribery & Anti-corruption policy), procedures such as conducting due diligence on suppliers, annual training for colleagues on bribery risks and an ongoing audit and assurance programme in respect of our suppliers. Bribery risk management is discussed at senior leadership meetings, including at the Risk and Resilience Committee, and also at the Audit and Risk Committee.

We also encourage any colleagues and other stakeholders with concerns to speak out and have facilitated this through our Whistleblowing policy, which enables reports to be submitted on a named or anonymous basis. Reports are kept strictly confidential and concerns identified are referred to appropriate managers within the Group for investigation. An analysis of reports is provided regularly to the Audit and Risk Committee.

Monitoring our culture

We aim to provide an environment that inspires, engages and develops all of our colleagues to reach their full potential. The Board engages directly with our colleagues in a number of ways that assist it in monitoring our culture as described below, including by means of our colleague representative body, National Colleague Voice (see page 32 for more information).

People and culture is one of our principal risks, which are considered formally by the Executive Team and Board of Directors twice a year with relevant trends tracked and discussed as appropriate. For more information on our People and Culture risk see page 52.

Culture is also monitored by way of regular reporting to the Group Board and Executive Team, by way of specific 'People' reports (covering engagement, retention, gender pay and diversity, amongst other things) and others that are indicative of culture, such as health and safety and whistleblowing. The Nominations Committee supports the Board in reviewing culture, diversity, inclusion and talent management and the Remuneration Committee in assessing executive performance.

Finally, we encourage our Directors, Executive Team and senior leadership to ensure that they regularly interact in-person with colleagues working in all areas of our business. By engaging with, listening to, respecting and responding to our colleagues, we inspire them to be the best that they can, deliver the best experience to our customers and deliver our strategy.

Our shared values in action

Act like owners

- Sharesave and incentive plans
- Own growth talent pool
- Risk management and governance frameworks
- Delegation of authority

Keep listening and learning

- National Colleague Voice
- Colleague engagement survey and pulse
- Monthly CEO-led and weekly team huddles
- Events organised by our four Diversity Networks
- Whistleblowing helpline
- Regular communications and updates via *Home Comforts* intranet
- Mentorship programme

Stronger together

- Diversity networks
- Codes of Conduct (Business, Colleague and Ethical)
- Colleague development fund
- Cost of living hub in *Home Comforts*
- Wellbeing buddies
- Colleague Support Fund

Longer term thinking

- Investment in technology
- Digitalising the business
- Focus on succession planning
- Leadership development programme
- Net Zero commitments and plans

Composition, succession and evaluation

Nominations Committee report

Alison Brittain
Chair of the Nominations Committee

Role and principal duties

The Nominations Committee is responsible for leading the process for Board appointments, ensuring appropriate succession plans are in place, and overseeing the development of a diverse talent pipeline. Its principal duties include:

- Reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board, ensuring it remains effective and suited to the Company's strategic priorities.
- Ensuring plans are in place for an orderly succession to Board and senior management positions and overseeing the development of a diverse pipeline for succession.
- Keeping under review the leadership needs of the business with a view to ensuring its continued ability to compete effectively in the marketplace.
- Identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- Leading a rigorous and transparent process for Board appointments.
- Keeping under review demands on Directors' time.

The Committee's full terms of reference can be found at: corporate.dunelm.com.

Committee membership
Alison Brittain (Chair)
Sir Will Adderley
Ian Bull
Kelly Devine
William Reeve
Peter Ruis
Marion Sears
Arja Taaveniku
Vijay Talwar

See page 60 for meeting attendance.

On behalf of the Nominations Committee ('Committee'), I am pleased to present the Nominations Committee report for the year ended 1 July 2023, my first as its Chair. It has been a busy year for the Committee, with a strong emphasis on reviewing skills and succession planning.

Board skills review

We believe that Directors should bring a mix of skills, experience and a variety of perspectives to our Board; this helps facilitate constructive discussion and effective, balanced decision-making. Having made four new Board appointments in the last two financial years, we felt it important this year to conduct a detailed skills review exercise. Our conclusion was that the Board is well-balanced, providing an appropriate blend of executive and non-executive skills and a collective competence to meet the Company's needs and deliver its strategy.

Succession planning

We are committed to reviewing and updating our succession plans on a regular basis to support the development of a diverse pipeline of talented people to ensure the long-term success of the Company.

We conducted a full review during the year, with a particular focus on our leadership team plans and the talent pipeline for senior management positions.

We also focused on succession planning for Non-Executive Directors, mindful that each of William Reeve (who is also our Senior Independent Director and Chair of the Remuneration Committee) and Peter Ruis will have completed nine years on the Board in 2024. We continue to believe that the optimal size of our Board is between nine and eleven Directors; this enables us to meet our requirements for governance, independence and diversity, while fostering a cohesive culture that enables all Board members to contribute fully. Further to this and taking into account the in-depth skills review work undertaken during the year, we will commence a search for at least one new Non-Executive Director this autumn.

Diversity and inclusion

We continue to develop our diversity and inclusion policy and are committed to enhancing diversity within our talent pipeline and the business more generally. We expect everyone to play their part in ensuring we are both a truly diverse and inclusive business where differences are respected, and everyone's contributions are valued. We aspire to achieve a colleague base that is reflective of society, and provides opportunity for all, regardless of background, ethnicity, gender, sexual orientation, disability or age.

The Committee has welcomed the ongoing development of our four colleague networks this year: disability & neurodiversity, ethnicity & race, LGBTQ+ and gender equality. It is evident that our networks empower our colleagues, who can see how they can and are making a difference. Their work is supported by a range of initiatives that have continued to take place across the business and has resulted in demonstrable action and change, including the introduction of new parenthood and menopause policies, new tools and equipment to enable greater accessibility and events that celebrate our differences. More details on our colleague networks and FY23 initiatives can be found in our Sustainability Report 2023.

From a Board perspective, I am pleased to report that we comply with the targets set out in the Listing Rules, with 45% of the Board being women, two senior Board positions held by women and one member of the Board from an ethnic minority background. We are also in alignment with the requirements of the FTSE Women Leaders Review and Parker Review. Nevertheless, we continue to reflect on our approach to diversity and inclusion at a Board level, including in respect of each Board Committee. Please see page 79 for our first annual statement on Board and management diversity metrics.

Board evaluation

Finally, having conducted a full external evaluation process last year, this year's Board and Committee evaluation was undertaken internally. Further details of the process and a summary of the Board outcome can be found on page 78, and in respect of the Committee on page 79. Overall, I am pleased to confirm the view of the Directors that the Board and each Committee is operating effectively.

I look forward to meeting shareholders at our Annual General Meeting on 16 November 2023.

Alison Brittain
Chair of the Nominations Committee
20 September 2023

Committee composition and governance

The majority of the Committee is independent, with its members comprising six independent Non-Executive Directors, the independent Chair of the Board, one non-independent Non-Executive Director and the Board's non-independent Deputy Chair. Alison Brittain took over as Chair on 1 January 2023 following the retirement of Andy Harrison from the Board.

Only members of the Committee have the right to attend Committee meetings. Other individuals, such as the CEO and People and Stores Director are invited to attend all or part of the meetings as appropriate. No Director attends that part of a meeting during which his or her own position is discussed. The Group General Counsel and Company Secretary acts as secretary to the Committee and attends all meetings.

During FY23, the Committee met formally four times, with a further two meetings taking place specifically in relation to Alison Brittain's appointment as Chair Designate and then Chair. The agenda for each meeting is based on a standing agenda for the financial year but tailored and updated throughout as appropriate.

Nominations Committee report continued

Director appointment in FY23

Alison Brittain was appointed to the Board in FY23, joining in September 2022 as an independent Non-Executive Director and Chair Designate. She succeeded Andy Harrison as Chair of the Board and this Committee on 1 January 2023.

The process for Alison's appointment was led by William Reeve, the Senior Independent Director. An external search firm, Russell Reynolds, was appointed to assist with the search. Russell Reynolds has no other connection with the Company or any Director. They sought the input of the Directors before drawing up a role specification that was approved by the Committee. The brief was for an experienced business leader, who has worked in a range of large, consumer-facing businesses and has a track record of delivering growth. The Committee also sought an individual whose personal values are aligned to our own. William Reeve and other Committee members interviewed shortlisted candidates, and all members of the Board met with the preferred candidate and gave their unanimous support. The Committee therefore recommended to the Board that Alison Brittain be appointed to join the Board in September 2022, with the aim of succeeding Andy Harrison as Chair early in 2023. In November 2022, the Committee (without Alison Brittain or Andy Harrison present) confirmed its recommendation to the Board that Alison be appointed Chair with effect from 1 January 2023.

Alison Brittain's biography can be found on page 61.

Induction of Chair Designate

Each new Board Director receives a full and tailored induction, led by the Chair and Group General Counsel and Company Secretary. Alison Brittain's induction when she joined the Board on 7 September 2022 included the following:

Meetings with all members of the Board.

- Chair provided an overview of the Board and its annual programme of meetings.
- CEO discussed the strategy and 'Plan on a Page'.
- Committee Chairs discussed how the Committees operate and matters of significance.
- CFO provided a summary of the Group's financial performance and future plans.

Meetings with Executive Team and senior leadership team.

- Introduction to management structure, business operations, focus areas and performance.
- Introduction to key opportunities and risks in each area of the business.
- Group General Counsel and Company Secretary provided an overview of the governance framework and corporate structure.

Meetings with other colleagues and site visits.

- Deep dives with the Finance and Tech leadership teams.
- Visits to our logistics and manufacturing centres.
- Visits to stores and introductions to key suppliers.
- Attended National Colleague Voice meeting to develop an understanding of the views of colleagues.
- Engaged more broadly with colleagues by participating in a Q&A session for the INSPIRE Programme, set up for colleagues with strong growth potential.

Key advisers

- Meetings with external and internal auditors, brokers and other advisers.

Board appointment process

For Board appointments we generally follow a well-established process, adapted where necessary to account for specific skills required and circumstances, as follows:

- Detailed role and person specification drawn up by the Nominations Committee.
- Independent external search consultant appointed to conduct the process.
- Equal number of male and female candidates feature on the longlist as standard practice, and emphasis placed on presentation of a diverse candidate list.
- Initial candidates meet with Chair and at least one other Board member. Shortlisted candidates meet with other Board members as appropriate.
- Extensive references taken and, for Non-Executive Directors, an assessment of candidates' other commitments to ensure that they have sufficient time to dedicate to Board member duties.
- Nominations Committee makes recommendation to the Board for final approval.

Succession planning

Non-Executive Director succession

During the year, the Committee undertook a detailed skills review. Amongst other things, it considered the knowledge, experience, length of service and performance of Directors, our diversity and inclusion policy and the balance of skills on the Board as a whole. This work has provided a framework for considering the skills on which there should be more focus in considering new appointments to the Board.

Executive Director succession

In line with best practice, the Committee continued to review and refresh its CEO and CFO succession plans. The Committee determined during the year to set up working groups, facilitated by the People and Stores Director, to undertake this work, which included a market mapping exercise. This was presented back to the Committee and will form the basis for reviews of these plans in the future.

Senior leadership succession

During the year, the Committee considered succession plans for the Executive Team and the talent pipeline for senior leadership roles. The Committee also received updates on the progress of our 'Know-Grow-Flow' programme, which is designed to ensure that talented individuals with diverse skills and backgrounds can thrive and offering them opportunities to progress within the Group. This work has resulted in a clearer understanding of capabilities and a stronger pipeline for succession.

Board effectiveness review

An evaluation of the Board, its Committees and individual Directors is carried out each year. The review helps to identify areas for improvement, informs training plans for our Directors and identifies areas of knowledge, expertise or diversity which should be considered in our succession plans. Each Director also goes through a performance review process with the Chair on an annual basis. The Senior Independent Director and Deputy Chair review the performance of the Chair.

The progress made against our FY22 evaluation is set out below.

The approach taken to our FY23 evaluation and a high level summary of the key actions agreed following the Board review are set out on the following page.

FY22 Board evaluation

The FY22 Board evaluation was externally facilitated by Lorna Parker, a Board evaluation specialist who had facilitated such reviews for the Company previously. As set out in last year's report, the Board agreed on a number of areas that it wished to focus on as a result of the review, progress against which is set out in the table below.

Topic	Outcome and recommendations from FY22 evaluation	Actions implemented in FY23
Strategy development	• Continue to carefully balance time spent on activities promoting 'value creation' with the 'value protection' role of the Board. • Ensure that more time is set aside to discuss long-term, strategic topics, in the context of the risk appetite and ambition of the Board. • Increase the amount of time available for less formal, discursive interactions. • Continue to invite external speakers, to build knowledge on strategic topics and stimulate discussion.	• Standing agenda items and allocation of time to topics at each meeting reviewed. • Directors provided with opportunities during the year for less formal discussions. • External speakers invited to present to the Board during the year.
NED involvement in the business	• Set aside agenda time for NEDs to share their experiences on a topic of mutual interest. • NEDs are encouraged to spend more time interacting with colleagues in the business outside of formal meetings, for example through attendance at National Colleague Voice meetings and on-site meetings with the leadership team.	• NEDs presented on specific topics to the Board during the year. • NEDs committed to spending more time with senior leaders to facilitate their development and have attended National Colleague Voice meetings during the year.
Talent and succession	• Continue to build visibility of talent management and succession for the Executive Team and other senior roles through the Nominations Committee and Board discussions.	• Presentations received on talent management and refreshed approach to succession planning implemented.
Meetings and other interactions	• Adapt the meeting schedule to have fewer and longer 'in person' meetings focused on strategy development, using remote meetings for more routine or transactional matters.	• Board meetings now a mix of in-person and online meetings, with agendas tailored appropriately.

Nominations Committee report continued

FY23 Board evaluation

Given that an external evaluation was carried out last year, this year the review was conducted internally. Each Director completed a questionnaire in respect of the Board and each Committee of which they were a member or otherwise attended meetings on a regular basis. The Group General Counsel and Company Secretary collated the responses and shared them with the Chair and each respective Committee Chair. An executive summary with the key findings was then shared, alongside each report, with the Board and each Committee's members for discussion. The key themes and outcomes from the Board review were as follows:

Theme	Outcomes
Succession planning	• Acknowledgement that the appointment of new NED(s) to the Board, and to the roles of Senior Independent Director and Chair of the Remuneration Committee when William Reeve and Peter Ruis step down in 2024, is a priority. • Continue to focus on succession plans and capability development for key senior positions.
Stakeholder engagement	• Undertake a more detailed review of supplier relationships and consider increased supplier engagement at Board level to further develop understanding of opportunities and risks.
ESG-related risks and opportunities	• Continue to support management in refining our ESG strategy and approach and ensure that it remains relevant to our strategy. Provide feedback on reporting and share wider learnings and experience.
Testing the Company's strategy and ambitions	• Include key topics raised by the Board at the Strategy Day in May on the agenda for the forthcoming year. • Continue to constructively challenge the Executive Team in order to maintain our focus on driving long-term growth.

Overall, the results of the FY23 evaluation were very positive, with no major concerns or issues raised. High scores reflected a strong and positive culture and an effective and well-managed Board, and the comments are being used to help shape the Board agenda and its priorities in FY24. It was also confirmed that each Director continues to make an effective contribution to the Board, is well-prepared and demonstrates commitment to their role.

Diversity & inclusion

Policy

Our overriding aim is to ensure that the Board and Company comprise outstanding people and teams who can lead the business effectively in a manner aligned to our purpose, shared values and strategy. We believe that the Group's best interests are served by ensuring that our people represent a range of skills, experiences, backgrounds and perspectives.

This is encapsulated in our 'stronger together' shared value and the inclusion of 'Culture and Identity' (being an ambitious and inclusive brand and organisation) as one of our three strategic drivers to deliver further growth.

In order to achieve this aim, we remain focused on three broad principles:

- refining the way we recruit.
- identifying, supporting and mentoring existing diverse talent in the business.
- increasing diversity amongst senior appointments as they are made, including to our Board and each of its Committees.

In line with this approach, the Committee:

- is committed to ensuring that the Board is at least 40% female, that at least one of the Chair, Senior Independent Director, CEO and CFO positions is held by a woman and at least one Board Director is from an ethnically diverse background.
- receives update on our approach to recruitment at all levels of the business as part of its oversight of colleague policies and practices.
- continues to require that specific effort is made to bring forward diverse candidates for senior management and Board appointments.
- monitors the Group's approach to people development to ensure that it continues to enable talented individuals, regardless of gender, marital status, sexual orientation, disability, race, religion, colour, nationality, ethnic origin, or age to enjoy career progression within Dunelm.

Board

At a Board level, the Listing Rules prescribe diversity targets, which are met as follows:

Target	Compliance
At least 40% of the Board are women	45% of our Board are women
At least one of the senior Board positions is held by a woman	Alison Brittain is our Chair and Karen Witts is our CFO
At least one member of the Board is from a minority ethnic background	Vijay Talwar joined the Board in October 2021

Group

At a senior leadership level, we have strong representation of women with 62% of our Executive Team and 41% of our senior leadership roles being held by women. Dunelm published its sixth Gender Pay Gap Report in April 2023, and an overview is provided in our Sustainability Report 2023. Both documents are available to download at corporate.dunelm.com.

In order to ensure appropriate focus on ethnic representation and to continue to drive greater ethnic representation in leadership roles, work has continued to collect ethnicity data. In addition, we have introduced an ethnic diversity target of 8% of our role-model leaders into this year's LTIP grant (see page 116 for more detail). The Committee supports management's commitment to achieve this target and will track progress.

Our equality and diversity policy can be found at: corporate.dunelm.com.

Committee effectiveness

The effectiveness of the Committee was considered as part of this year's Board evaluation process, more details of which can be found opposite on page 78. The review concluded that the Committee continues to operate effectively and having considered the findings, it was agreed that particular areas of focus during the forthcoming year should be:

1. Continuing to assess the appropriateness and effectiveness of succession plans;
2. Reviewing information provided to the Committee to further enhance visibility of talent management and development; and
3. Reviewing emphasis placed on diversity and inclusion in appointment and succession plans.

Annual statement on Board and Executive Team diversity targets

Our Board and Executive Team gender and ethnicity data is provided below in accordance with UK Listing Rule 9.8.6R(10) as at 1 July 2023. Diversity data is collected for Executive Team members via the engagement survey. At the end of the financial year, the Board was asked to confirm which ethnicity category they identified with in the table below.

Gender	Group Board			Executive Team[1]	
	Number of Board members	Percentage on the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Team	Percentage of Executive Team
Men	6	55%	2	3	38%
Women	5	45%	2	5	62%
Not specified/prefer not to say	–	–	–	–	–

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

1 Both the CEO and CFO are members of the Executive Team.

Audit, risk and internal control

Audit and Risk Committee report

Ian Bull
Chair of the Audit and Risk Committee

Role and principal duties

The role of the Audit and Risk Committee is to support the Board in fulfilling its corporate governance and reporting obligations as to the effectiveness of Dunelm's risk management systems, internal controls and financial reporting Its principal duties include:

- Monitoring the integrity of the Group's financial statements and public announcements relating to financial performance.
- Reviewing and challenging key accounting policies and judgements.
- Monitoring the effectiveness of internal controls and the process for identifying and managing risk.
- Reviewing and approving statements in the annual report concerning internal control, risk management (including the assessment of principal risks), and the viability statement.
- Approving and overseeing delivery of the internal audit plan. Monitoring and reviewing the role and effectiveness of the internal audit function and process, ensuring its ability to exercise independent judgement.
- Overseeing the relationship with the external auditor, agreeing the audit fee and terms of engagement.
- Reviewing and monitoring the external auditor's reports, performance, effectiveness and independence.

The Committee's full terms of reference can be found at: corporate.dunelm.com.

Committee membership
Ian Bull (Chair)
Kelly Devine
William Reeve
Peter Ruis
Vijay Talwar
Arja Taaveniku

See page 60 for meeting attendance.

On behalf of the Audit and Risk Committee ('Committee'), I am pleased to present the Audit and Risk Committee report for the year ended 1 July 2023. The report explains how the Committee has discharged its responsibilities and provides an overview of its main activities during the year, the key highlights of which are set out below.

Consideration of significant issues and judgements

During the year, the Committee examined the application of current and likely accounting and reporting standards. Careful scrutiny was given to judgemental items, assessing their appropriateness and consistency over time as noted on page 82. As part of our work, we considered and reflected on the previous year's external audit control observations, ensuring that any relevant recommendations were acted upon by management as agreed with the Committee.

Risk management and internal control systems

The Board has overall responsibility for our risk management framework, but delegates authority to the Committee for the effective management of risk across the Group and monitoring of material internal controls. During the year, the Committee received regular updates on work to further improve and strengthen our risk management processes and internal control environment.

We received regular updates on the Group's principal and emerging risks and mitigation strategies via a suite of Key Risk Indicators ('KRI'), enabling the Committee to oversee enterprise risk and focus its attention on key risk areas and movements. We also received updates from the CFO as chair of the Risk and Resilience Committee, which provided the Committee with an additional level of assurance and deeper insight at an operational level.

Management also provided the Committee with updates throughout the year on internal control enhancements and we have welcomed the implementation of new software to enable balance substantiation, updated controls mapping of key financial processes and continued investment in our cyber security capabilities. Our ongoing multi-year project to improve processes and controls in the commercial function has continued to make solid progress, with dedicated resource and governance.

Internal audit reviews

KPMG have completed their third year as our internal auditor. During the year they completed reports on supply chain, stock returns and ESG processes, amongst others. Management is working through the various recommendations, as well as those from previous reports, and an update on progress is provided at every Committee meeting. We seek to ensure that each year the internal audit plan is aligned with the Group's strategic priorities and key risks and were pleased that there were no "high" findings in any of this year's reports. We continue to review our strategy and assurance map to prioritise our internal audit approach.

See page 86 for more information on work undertaken this year by our internal auditor.

External audit tender

As reported last year, and in line with our audit rotation policy, we undertook a competitive audit tender process during the year. The process was informed by the Financial Reporting Council's ('FRC') guidance on audit tendering and, with due regard to the Government's proposed audit reforms, we invited five firms, including three challenger firms, to participate. Following the conclusion of the tender, the Board approved the reappointment of PwC as our external auditor and PwC has expressed its willingness to continue in role. This appointment is subject to shareholder approval at the Company's 2023 Annual General Meeting.

See page 84 for more information on the external audit tender process.

Following completion of PwC's FY22 audit, the Committee was informed that the FRC's Audit Quality Review team had chosen the Group's audit for its review. The Committee has received a copy of the review and was pleased to note that it did not identify any key findings and only a limited number of improvements were required.

Sustainability reporting

We continue to focus on progress against existing and forthcoming sustainability-related reporting requirements, including those of the International Sustainability Standards Board ('ISSB'). In particular, the Committee has had oversight of management's planning for this year's disclosure requirements, including work to progress our understanding and improve the data quality inputs into the Scope 3 calculations. This has led to a revised baseline, described in more detail on page 85 and we are pleased to confirm that we are reporting this year on all areas of the Task Force on Climate-related Financial Disclosures ('TCFD') framework.

Developments in corporate reporting

The Board and the Committee support measures that increase the quality of governance, audit and transparency for the benefit of our shareholders and other stakeholders. We have continued to consider matters that are likely to be implemented as part of the corporate governance and audit reforms now being led by the Department for Business and Trade (including our approach to the implementation of an audit and assurance policy and the other requirements set out in the Draft Companies (Strategic Report and Directors' Report) (Amendment) Regulations 2023), whilst maintaining a watching brief as we wait to see how the proposals and timelines for their implementation unfold.

It has again been a busy year, and I would like to take this opportunity to thank my fellow Committee members for their hard work and support and our Executive Team and senior leadership for their constructive engagement. I look forward to answering any shareholder questions on the activities of the Committee at the AGM.

Ian Bull
Chair of the Audit and Risk Committee
20 September 2023

Audit and Risk Committee report continued

Committee composition and governance

The Committee is composed solely of independent Non-Executive Directors, and was throughout FY23. The Board is satisfied that they demonstrate a breadth of knowledge and experience, including sector expertise, to enable the Committee to fulfil its duties. Both Ian Bull and Vijay Talwar are considered by the Board to have recent and relevant financial experience and to be competent in auditing and accounting. Ian, who has chaired the Committee since he joined the Board in 2019, is a Fellow of the Chartered Institute of Management Accountants with over 20 years' business and financial experience in leading consumer-facing businesses. Vijay, who joined the Committee in October 2021, is a Certified Public Accountant.

Only members of the Committee have the right to attend Committee meetings. Other Board Directors, as well as the Group Finance Director, Chief Technology and Information Officer, Head of Cyber Security, representatives of PwC (external audit) and representatives of KPMG (internal audit) are invited to attend all or part of meetings, as appropriate. The Group General Counsel and Company Secretary acts as secretary to the Committee and attends all meetings.

During the year, the Committee met three times (with a minimum of four meetings scheduled for FY24). Meetings are generally scheduled in line with key times in the Company's financial reporting calendar. The Committee maintains a rolling calendar of items for consideration at each meeting and reviews and updates it regularly. The external auditor and the internal auditor are provided with the opportunity at each meeting to discuss matters without the presence of management. Furthermore, the Committee Chair meets with the external audit and internal audit partners outside of meetings.

Key judgements and financial reporting matters

A key aspect of the Committee's work is monitoring the integrity of the annual and interim reports, including a review of the significant financial reporting matters and judgements contained in them. Key accounting judgements considered, conclusions reached and their financial impacts during the year under review are set out below.

Provisions for inventory

The Committee discussed in detail the approach taken by management to provisions for inventory. Particular attention was given to reviewing the provision for obsolete, slow-moving or discontinued inventories including the utilisation of provisions reported in prior periods. The Committee noted that there was a high degree of consistency in the methodology applied by management, with updated inputs based on trading experience. The Committee concurred with management's conclusions that the values recorded in the financial statements are appropriate.

Other accounting matters

The Committee received regular updates on management's assessment of impairment triggers as required under IFRS and it was noted that there have been none identified in FY23. The Committee also noted that there is no material change in deferred tax assets and the Group has no uncertain tax provisions.

Going concern and viability statement

The Directors must determine that the business has adequate resources to continue in operational existence and as such can continue to adopt the 'going concern' basis of accounting. Furthermore, the Directors are required to make a statement in this Annual Report as to the longer-term viability of the Company.

The Committee conducted an assessment pursuant to which the Directors were able to conclude that it is appropriate to prepare the financial statements on a going concern basis. They reviewed financial models (including downside scenarios and a reverse stress test), taking time to understand and challenge, where necessary, significant judgements and assumptions in the modelling, the reverse stress test model and covenant and liquidity headroom.

The Committee also evaluated management's work in conducting a robust assessment of the Company's longer-term viability. It affirmed the reasonableness of the assumptions, considered whether a viability period of five financial years remained most appropriate, and confirmed that it was as part of a recommendation to the Board.

See page 55 for going concern and viability statements.

Fair, balanced and understandable

The Committee reviews the financial statements set out in the Company's annual and interim results and reports its findings and recommendations to the Board. The Board considers the recommendations of the Committee, the representations made by management and the views of the internal and external auditors in order to satisfy itself of the integrity of the narrative and financial statements and to determine whether the financial and narrative statements when taken together present a fair, balanced and understandable assessment of the Company's position and prospects.

Robust year-end governance processes, performed in parallel with the formal process undertaken by the external auditor, are in place to support this and include:

- Project management by the Head of FP&A and Investor Relations, working with a cross-functional team including the Group General Counsel and Company Secretary and communications specialists, and overseen by the CFO.
- Internal verification by the finance team of non-financial factual statements, key performance indicators and descriptions used within the narrative.
- Engagement with, and feedback from, senior management on proposed content and changes.

- Feedback from external parties (including remuneration advisers and the external auditor) to enhance the quality of reporting.
- Opportunities for the Committee to challenge management and the external auditor on the process and content of the report before it is tabled to the Board for approval.

The Board considers that, taken as a whole, the Annual Report and Accounts 2023 is fair, balanced and understandable. The Board further believes that the Annual Report and Accounts 2023 provides the necessary information for shareholders to adequately assess the Company's position and performance, business model and strategy.

External auditor

The Committee is responsible for overseeing the relationship with the external auditor, including recommending to the Board their appointment, reappointment and removal, assessing their independence on an ongoing basis, and approving the statutory audit fees. The Committee notes the publication in May 2023 of the FRC's Audit Committees and the External Audit: Minimum Standard.

PwC have been the Company's external auditor since 2014. The lead audit partner, Mark Skedgel, has been in post since the FY19 audit and is stepping down in September 2023 after completion of the FY23 audit, with Gill Hinks taking over in respect of FY24.

There are no contractual obligations that restrict the Committee's choice of external auditor.

The external audit

PwC is engaged to express an opinion on the financial statements. It reviews the data contained in the financial statements to the extent necessary to express its opinion. It discusses with management the reporting of results and the financial position of the Company and presents findings to the Committee. Where it makes recommendations in its report to the Committee, the Committee reviews them and agrees with management the manner and extent to which they should be implemented.

Each of the Directors in office at the date of this report is not aware of any relevant information that has not been made available to PwC and each Director has taken steps to be aware of all such information and to ensure it is available to PwC. PwC's audit report is published on pages 126 to 131. Fees paid to PwC for its FY23 audit work were £327,000 (2022: £301,500).

Auditor effectiveness

It is the responsibility of the Committee to assess the effectiveness and independence of the external audit process. The assessment is conducted in accordance with a process agreed with the Committee, which involves seeking the views of the Committee, as well as those of colleagues who have regular interactions with the external auditor. The Committee was provided with a summary of the responses received in respect of the FY22 audit to assist with its considerations.

Feedback overall was positive. It was agreed that the audit partner provided effective leadership and the audit team demonstrated a good understanding of Dunelm, the retail sector, and the challenges that we face. A common theme was the ongoing development of ways of working and use of new digital tools to assist in the efficient and timely completion of actions arising, in particular from ad hoc or follow on requests.

Having conducted its review, and also bearing in mind the quality of interactions during the year, the Committee concluded that PwC had applied appropriately robust challenge and professional scepticism throughout the audit to demonstrate independence, that it possessed the skills and experience required to fulfil its duties effectively and efficiently, and that the audit was effective.

Following completion of PwC's FY22 audit, the Committee was informed that the FRC's Audit Quality Review team had chosen the Group's audit for its review. The Committee has received a copy of the review and was pleased to note that it did not identify any key findings and only a limited number of improvements were required.

The Committee will formally assess PwC's performance in relation to the FY23 audit following its completion. The FY23 assessment will include the review of a number of defined Audit Quality Indicators agreed between management and PwC and approved by the Committee during the year in order to assist the Committee in its assessment of the quality of the audit going forwards.

Safeguarding auditor independence and objectivity

The Committee recognises the importance of ensuring that the independence and objectivity of the external auditor is not impaired through the provision of non-audit services. We have in place robust policies on the use of auditors for non-audit work and the recruitment of former employees of the external auditor, which can be found on our website at corporate.dunelm.com. These include the following:

- Fees for non-audit services provided by the statutory auditor in any year may not exceed 70% of the average fees for the Group statutory audit in the three previous years.
- The auditor is prohibited from providing certain non-audit services, including almost all tax work, internal audit, corporate finance, and involvement in management activities.
- The external auditor may not be engaged to provide any non-audit services without the approval of the Committee.
- Restrictions apply to the employment of senior members of the audit team by the Company.

During the period we paid PwC £46,000 (2022: £42,000) for their review of the interim financial statements (considered to be a non-audit service). This was 12.3% of the total audit fees, and the three-year average is 12.7%. No other non-audit services were provided by the external auditor.

The Committee can confirm that the policies referred to above were complied with throughout the year and, in its opinion, the external auditor remains independent.

Audit and Risk Committee report continued

External audit tender

Our auditor rotation policy is that we will tender the audit at least once every ten years, we will change auditor at least every 20 years, and we will invite at least one firm outside the 'Big Four' to participate. Further to this, and consistent with the proposal set out in last year's report, the Committee commenced a competitive tender process in H1 FY23 for the FY24 statutory audit.

The Committee agreed to undertake the tender at its meeting in June 2022 and established a working group comprising the Committee Chair, Arja Taaveniku, Vijay Talwar, the CFO and the Director of Group Finance. The working group determined the process, with due regard to the FRC's guidance on audit tendering and the Government's response in May 2022 to the BEIS March 2021 consultation paper 'Restoring Trust in Audit and Corporate Governance'. It considered a range of firms and sent a request for proposal ('RFP') to five (of which three were challenger firms, and from which one challenger and one non-challenger firm declined to participate). All participating firms then met with key internal stakeholders.

Following review of the RFP responses and scorecard for each firm, together with a review of recent FRC inspection results, the working group presented its recommendation to the Committee. After due consideration, in November 2022 the Committee recommended to the Board that PwC be reappointed as Dunelm's statutory auditors from FY24, subject to shareholder approval.

The Committee considers that the Company has complied with the Competition and Markets Authority's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the financial year under review.

Tender scorecard criteria

The objective was to appoint the audit firm that would provide the highest quality, most effective and efficient audit for the Company. To support this, the participating firms were scored utilising the following criteria:

- **Firm level quality:** assessed with reference to AQR reports and progress made against findings.
- **Individual engagement team quality:** based on internal metrics and references.
- **Use of technology to drive speed of delivery, quality, and value:** assessed based on RFP responses and demonstration.
- **Ability of senior team to build relations and communicate complex messages clearly:** assessed via technical challenges and presentation.
- **Ability of the firm to provide holistic assurance across both financial and non-financial metrics e.g. ESG reporting:** assessed on RFP response.
- **Ability to deliver an efficient audit and value for money:** assessed based on commercial terms and in the context of scores for other scorecard items.
- **Tender quality and experience**: assessed based on RFP response and presentation.

Overview of the tender process

June 2022	• Committee agreed to undertake a tender process for the FY24 statutory audit. • Working group established to manage tender process.
July 2022	• Working group determined process and agreed objectives. • Contact made with five potential firms, two of which declined to participate.
Aug 2022	• Meetings arranged with three firms selected to tender. • Tender scorecard developed. • Timetable agreed with management.
Sept 2022	• RFP document issued to firms. • Announcement that formal audit tender process had commenced. • Information shared via data room.
Oct 2022	• RFP responses received from firms. • Initial review of responses undertaken.
Nov 2022	• Audit firm presentations. • Assessment of each firm's presentation and criteria scoring. • Recommendation by working group to the Committee and thereafter from the Committee to the Board.
Dec 2022	• Feedback to all audit firms. • Announcement of the outcome of the audit tender process.

Sustainability reporting

The Committee's role is to gain assurance that the effects and consequences of climate change are being adequately reflected in our financial statements and valuations.

Last year we reported on all areas of the TCFD framework other than under the 'Metrics and Targets' b) recommendation. This year, with the support of a third-party specialist partner, management has made further progress on understanding and improving the data quality inputs into the Scope 3 calculations which has led to a revised baseline. We are reporting for FY23 on carbon emissions on a basis that is consistent with the revised baseline and are in full compliance with the TCFD recommendations.

During the year, the Committee received regular updates on progress against forthcoming sustainability-related reporting requirements including the first two IFRS Sustainability Disclosure Standards issued by the ISSB: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. This included horizon scanning to proactively consider timelines and the steps required to achieve compliance for each new disclosure requirement as it comes into force. We also welcomed the inception of a new ESG-specific reporting team to support the various sustainability-related workstreams across the business and ensure ongoing efficiency and clarity of reporting for disclosure purposes.

The Committee will continue to monitor developing best practice, and seek training/professional guidance when required, to ensure that it continues to effectively oversee our reporting in this area.

See pages 40 to 47 for our TCFD report.

Risk management and internal controls

Risk management

Whilst the Board has overall responsibility for risk management, it delegates to the Committee responsibility for assessing the effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks.

During the year, the Committee undertook the following risk management activities, which enabled it to maintain oversight and discuss risks and challenges faced by the Company:

- Reviewed principal risks and the Company's formal risk appetite statement ahead of submission to the Board for approval.
- Considered and challenged management's KRIs.
- Received regular reports and updates from the CFO as chair of the Risk and Resilience Committee on its activities during the year and on any specific matters that impacted internal controls.
- Received reports from management on developments and improvements to the control environment during the year, including implementation of a new balance substantiation system, updated controls mapping of key financial processes and continued investment in our cyber security capabilities.
- Reviewed internal and external audit reports and progress on delivering management actions.
- Received updates on improvements to fraud monitoring and reporting following the conclusion of the annual fraud risk assessment.
- Reviewed progress on improving business continuity plans.
- Received updates on data protection, anti-bribery, material litigation, business continuity and whistleblowing (see page 72 for more information about our Whistleblowing policy).
- Noted that a satisfactory insurance programme is in place.

In addition, there was continued focus on IT systems, cyber security and data protection by way of presentations to the Committee from the Chief Technology and Information Officer and Head of Cyber Security. The Committee welcomes the ongoing improvements in these areas in line with the priorities previously identified as requiring focus.

The Committee considers that the processes in place to manage risk by the Board and management are robust and working effectively.

Internal control framework

Management is responsible for establishing and maintaining an effective system of internal controls and the Committee has responsibility for ensuring the effectiveness of those controls.

In the last two years there has been a continuous improvement in the effectiveness of our control environment, which commenced following an internal controls 'health check' completed by KPMG in FY20. We continue to invest in the modernisation of our key business systems to ensure that we have the right foundations in place to support our ambitious strategic growth plans and the Committee continues to monitor progress.

The Group has established internal controls and risk management systems in relation to the process for preparing consolidated financial statements. Examples of the controls in operation include regular balance sheet reconciliations, monthly analysis and reviews, technical accounting papers and review and approval of externally reported financial information.

Internal audit

The internal audit function provides independent and objective assurance to all levels of management up to the Board. Its responsibilities include evaluating and reporting on the adequacy and effectiveness of the systems of risk management and internal controls. Since December 2019, the function has been outsourced to KPMG.

Audit and Risk Committee report continued

KPMG's purpose, scope and authority are defined within its charter which is approved by the Committee annually. The team develops an internal audit plan for the year, with input from management, that is structured to align with the Group's strategic priorities and key risks and is approved by the Committee. The plan is reviewed periodically throughout the year to confirm it remains relevant.

Each review concludes with a formal report with graded recommendations, management responses and actions. These are communicated to the Committee by KPMG, and rigorously tracked through to completion. The Committee as a whole and the Committee Chair each meet with KPMG without management present on a regular basis to allow for open discussion.

Internal audit reviews undertaken in FY23

KPMG conducted the following risk-based internal audit reviews in FY23:

Internal audit review	Overview of scope
General IT controls	Reviewed general IT controls processes and an assessment of their effectiveness.
Purchase to pay	Considered purchase to pay processes to help ensure that the risks in this area are appropriately managed.
Supply chain	Focused on core risks in the stock supply chain.
Stock return	Reviewed the processes and controls designed to manage risks related to stock returns.
Review of ESG processes – phase 1	Considered our ESG processes and controls relating to strategy, materiality and target setting activities.
Code of Conduct	Assessed the existing controls around employee behaviours.
Independent programme assurance	Focused on delivery of projects during the year specific to internal control improvements.

During the year the Committee carried out a review of the effectiveness of the internal audit function. This was undertaken by way of a questionnaire, and feedback was sought from members of the Committee and senior management. The Committee concluded that the function continues to operate effectively.

FRC review of annual report and accounts

The FRC's Corporate Reporting Review team carried out a review of the FY22 Annual Report and Accounts during the year, with no queries raised. The FRC noted some matters that could be improved in future reporting, and these have been duly considered and addressed as appropriate.

The FRC requests that in reporting on this engagement we make clear the limitations of their review, namely that it was based solely on the Annual Report and Accounts and did not benefit from a detailed knowledge of our business, or an understanding of the underlying transactions entered into. They also noted that their review provided no assurance that the report and accounts are correct in all material respects and that the FRC's role is not to verify the information provided but to consider compliance with reporting requirements. Finally, it is noted that none of the FRC, its officers, employees or agents accept liability for reliance on their letter by the Company or any third party, including but not limited to investors and shareholders.

Committee effectiveness

The effectiveness of the Committee was considered as part of this year's Board evaluation process, more details of which can be found on page 78. The review concluded that the Committee continues to operate effectively and having considered the findings, it was agreed that particular areas of focus during the forthcoming year should be:

1. Continuing to assess our approach to internal audit;
2. Continuing to focus on assurances around internal controls, fraud and non-financial KPIs, including sustainability;
3. Building a strong relationship with the new external audit partner.

Remuneration – At a glance

Remuneration Principles

- Simple and transparent
- Consistently applied throughout business
- Pay fairly for an individual's role and responsibilities
- Aligned to shared values and ownership structure
- Rewards strong performance and sustainable growth over the long term
- Enshrined in Remuneration Policy

Summary of Executive Remuneration Structure under 2023 Policy

Base Pay
→ Median or below

Pension
→ Aligned to workforce average

Benefits
→ Median

Variable pay – annual cash bonus and LTIP
→ Maximum opportunity 375% for CEO and 325% for CFO

Lifetime lock-in
→ Two-thirds of bonus and LTIP outcome retained in shares for the duration of employment

Shareholding requirements
→ During employment retain shares worth maximum LTIP opportunity
→ Two-year post-employment holding requirement

Annual cash bonus
→ Median
→ Up to 150% of salary*
→ Linked to performance: sales, profit, strategic/personal
→ Clawback and malus apply

LTIP
→ Upper quartile
→ Up to 250% of salary*
→ Three-year performance period
→ Two-year retention period
→ Mix of financial and non-financial performance conditions
→ Clawback and malus apply

*Subject to maximum variable pay opportunity.

Remuneration

Remuneration Committee report

William Reeve
Chair of the Remuneration Committee

Role and principal duties

The Committee is responsible for determining the policy for Directors' remuneration and setting the remuneration for the Chair of the Board, Executive Directors and members of the Executive Team in accordance with the Principles and Provisions of the Code. Its other principal duties include:

- Establishing remuneration schemes that support alignment with long-term shareholder interests;
- Designing remuneration policies and practices to support strategy and promote long term sustainable success;
- Reviewing the design of all share incentive plans for approval by the Board and for any such plans determine whether awards will be made each year; and
- Reviewing workforce remuneration and related policies.

The Committee's full terms of reference can be found at: corporate.dunelm.com.

Committee membership
William Reeve (Chair)
Alison Brittain
Ian Bull
Peter Ruis
Vijay Talwar
Arja Taaveniku
Kelly Devine

See page 60 for meeting attendance.

On behalf of the Remuneration Committee ('Committee') I am pleased to present the Remuneration Committee report for the year ended 1 July 2023. This includes:

- My Annual Statement as Chair of the Committee (pages 88 to 91);
- Our new Directors' Remuneration Policy which will be subject to a binding shareholder vote at the 2023 AGM (pages 92 to 102); and
- The Annual Report on Remuneration (pages 103 to 118), describing how the existing Remuneration Policy has been applied for the year ended 1 July 2023 and how we intend to implement policy for FY24. The Remuneration Committee report (excluding the Directors' Remuneration Policy) will be subject to an advisory shareholder vote at the 2023 AGM.

FY23 business performance and incentive outcomes

Our Executive Team performed strongly throughout the year, delivering another good performance in a challenging environment for UK consumers and businesses, and resulting in record sales of £1.6bn, and profit before tax of £193m. The Committee's decision-making on the remuneration outcome for our Executive Directors has been shaped by this year's financial performance, as well as recognition of the opportunities and challenges for our business that lie ahead.

We remain committed to ensuring that we reward sustainable, profitable growth over the longer term on a consistent basis and aligned with our shared values.

The overall formulaic vesting level for the annual bonus is 46% of maximum opportunity for Nick Wilkinson and 45% of maximum opportunity for Karen Witts. Full details of performance against the FY23 objectives are set out on pages 105 and 106. In addition, Nick Wilkinson was granted an LTIP award in November 2020 with vesting subject to performance conditions assessed over the three year period FY21–23. This award has vested at 83% as set out on page 107. The Committee considered whether to use its discretion to adjust either the bonus outcomes or the LTIP award outcome. We concluded that the outcomes of the annual bonus and LTIP were fair and well-deserved and reflect both the performance of the business and the overall stakeholder experience, including the wider workforce, and therefore no discretion should be applied.

At least two-thirds of Nick and Karen's respective cash bonuses (after payment of tax and National Insurance contributions) must be invested in shares and retained in accordance with our in- and post-employment shareholding guidelines. Two-thirds of Nick's vesting LTIP award (after payment of tax and National Insurance contributions) must similarly be retained, and it is, in any event, subject to a two-year hold on the full amount.

Remuneration Policy review

We are grateful for the support for our current Directors' Remuneration Policy, which was approved by shareholders at the 2020 Annual General Meeting with over 99% of votes cast in favour. In line with the usual timetable, we will be seeking shareholder approval for a new Policy at the 2023 AGM. Therefore, during FY23, the Committee undertook a detailed review of the executive remuneration framework which included consultation with 18 major shareholders (including the major shareholder) representing c.70% of our issued share capital and the major proxy agencies.

We reviewed the current policy against UK Corporate Governance Code ('Code') requirements and, in addition to consulting with our biggest investors, we considered (i) the views of the Non-Executive Directors and management; (ii) feedback on Executive Director pay given by the National Colleague Voice ('NCV'); (iii) the Group's strategy; and (iv) market practice. We concluded that the current Policy's overall structure remains appropriate for Dunelm and continues to support the delivery of our strategy and the generation of shareholder value.

However, having completed the review, we determined that specific amendments would be appropriate in order to ensure that the Policy continues to reflect our long-standing approach of aligning executive and shareholder interests via performance-based pay and executive equity holdings. The key changes are as follows:

Increase in maximum variable pay from 325% of salary to 375% of salary for the CEO

Since the current Policy was approved, the size and complexity of the Company has continued to increase. As noted in our FY22 Remuneration Report, our CEO, Nick Wilkinson, asked for no base salary increase in FY23. Due to the significant and profitable growth of the Group over the last five years in particular, our CEO's base salary is now at the lower quartile versus our peers, and the bonus opportunity of 125% of salary is now below the lower quartile compared to companies of a similar size and complexity. This is not aligned with our stated philosophy which is for the fixed pay of our top executives to be positioned at median or below and for variable (performance-based) pay to be median for the annual bonus and upper quartile for the LTIP. Therefore, taking into account our strategic growth ambitions which will create real value for shareholders, the new policy provides for an increase in the CEO's potential performance-related pay, in line with stretching performance targets.

For the incumbent CEO increasing the annual bonus to 150% of salary and the LTIP to 225% of salary allows us to combine below median fixed pay with the opportunity to earn a competitive proportion of variable pay if performance justifies it. This is aligned with our culture of pay for performance. These increases in variable pay recognise the growth and increase in the scale of the Company over the last three years and are intended to ensure that the FY24 overall package is competitive and aligned with our stated remuneration philosophy. For the CFO, the new policy maintains the maximum variable pay award levels at the 325% of salary aggregate, consisting of an annual bonus of 125% of salary and an LTIP of 200% of salary.

In proposing this change for the CEO, and in line with feedback received from shareholders during the consultation process, the Committee will ensure that the stretch in the performance targets is commensurate with the increased opportunity arising from the proposed increase in quantum.

Flexibility with the overall maximum variable opportunity

The new policy introduces the potential for flexibility for the future to enable us to adjust the weighting between bonus and LTIP for Executive Directors. This is subject to a limit of 150% of salary for the annual bonus and 250% of salary for the LTIP, and the overall maximum variable opportunity is limited to 375% of salary for the CEO and 325% of salary for the CFO. Any utilisation of this flexibility would be accompanied by clear rationale and continue to have regard to our long-standing ethos of alignment via executive equity holdings.

Threshold and target vesting levels

We are proposing to align our vesting schedules for bonus with LTIP and to introduce an element of flexibility (which would not be utilised without clear explanation). Under the new policy:

- the annual bonus vesting levels will be stated as typically up to 10% of maximum at threshold and up to 50% of maximum for on-target performance (compared to typical market practice of up to 20% of maximum for threshold and up to 50% of maximum for on-target performance); and
- the LTIP will be stated as typically up to 10% of maximum for threshold performance (compared to typical market practice of up to 25% of maximum) and up to 50% for on-target performance.

Other key changes

In proposing the above changes to incentive opportunities, we were keen to ensure this was appropriately balanced as follows:

- In-service shareholding guideline: This will match the LTIP opportunity, meaning that for the CEO it will increase to 225% of salary, remaining at 200% of salary for the CFO.

GOVERNANCE REPORT

Remuneration Committee report continued

- Post-employment shareholding guideline: This will be aligned with the proposed changes to the in-service guideline such that 100% of the in-service requirement (i.e. 225% of salary for the CEO and 200% of salary for the CFO) or the actual holding if lower must be retained for two years post cessation of employment.
- Lifetime lock-in: Two thirds of variable pay will continue to be invested in Dunelm shares, to be held for the duration of employment. However, we will introduce flexibility in the new Policy to permit share sales once the in-service guideline is achieved, at the discretion of the Committee. This is aligned with our long-standing ethos of alignment via executive equity holdings but retains flexibility to attract and support individuals with diverse backgrounds and circumstances.
- Other changes have been made to reflect the changes described above and/or to introduce operational flexibility – such as permitting the deferral of bonuses on a gross basis. Flexibility is included in the new Policy to pay 'dividend equivalents' in respect of all dividends and not just special dividends. We have also made other minor changes for operational reasons and to reflect changes in practice.

The Committee is grateful to shareholders for the time taken to engage in relation to the proposed new policy and is appreciative of the support received during the consultation exercise.

LTIP and Sharesave rules

Shareholders will note that we are also seeking approval at this year's AGM for the extension of the term of each of our Long-Term Incentive Plan (alongside other updates) and Sharesave Plan, which are otherwise due to expire in 2024. Details are set out in our 2023 AGM Notice of Meeting.

Remuneration for FY24

Our review of salaries for Executive Directors in FY23 and intended operation of the new Policy for the financial year ending 1 July 2024 is as follows:

Salary

When considering salary increases, the Committee was mindful of Director performance, our remuneration principles as set out on page 87 and the wider colleague experience. We also considered feedback on Executive pay received from our National Colleague Voice. Further to this, we reviewed the salary levels of the Executive Directors and approved a 5% increase in base salary for each of Nick Wilkinson and Karen Witts in line with the increases given to senior management. This is below the median pay award made to the wider colleague population of 9.6%. In implementing the increase, Nick's base pay remains positioned around the lower quartile versus our peers and Karen's base pay remains positioned around median for the top 50 companies in the FTSE 250. The Committee will consider a further review of Executive Director base salaries at the appropriate time in the forthcoming year.

Variable pay/incentives

We apply a consistent pay structure throughout the business, with the remuneration of Executive Directors more heavily weighted towards variable pay and share-based incentives than other colleagues, so that a greater part of their pay is linked to successful delivery of strategy and aligned with shareholders. As set out above, we are proposing to increase the annual bonus opportunity for Nick Wilkinson to 150% of salary and his LTIP opportunity to 225% of salary. This positions the annual bonus opportunity around median and the LTIP opportunity around upper quartile for the CEO compared to companies of a similar size and complexity (in line with our stated principles and our pay for performance culture). Our CFO, Karen Witts' bonus opportunity will be at 125% of salary and her LTIP opportunity at 200% of salary.

Targets for the annual bonus will be based on our annual budget and are 75% financial and 25% strategic and personal. We have also set targets for awards to be made under our Long-Term Incentive Plan, expected to be made after the 2023 AGM, and these are 80% financial and 20% non-financial, with the non-financial measures being based on environmental and social targets. As noted above, the Committee has reviewed the stretch in the performance targets to ensure that the proposed increase in quantum is commensurate with the increase in opportunity.

Two-thirds of variable pay will continue to be invested in Dunelm shares, to be held for the duration of employment.

Further details are set out on pages 115 and 116 of the Annual Report on Remuneration.

Board changes in the year

As anticipated in my statement last year, Alison Brittain was appointed Chair with effect from 1 January 2023 on a base fee of £322,400 per annum, inclusive of all Committee chair fees. The base fee was set at median for companies in the FTSE 50-150, reflecting the growth ambition of the Group over Alison's likely tenure as Chair.

Further engagement

I look forward to receiving your support at our 2023 AGM where I will be available to respond to any questions that shareholders may have on this report or in relation to the Committee's activities. In the meantime, if you would like to discuss any aspect of our approach to remuneration, please feel free to contact me via our Company Secretary.

William Reeve
Chair of the Remuneration Committee
20 September 2023

The table below summarises the changes between the policy approved in 2020 and the policy for which approval will be sought at the 2023 AGM.

Proposed change	Proposed Remuneration Policy changes	Rationale
Total variable pay	Increase in the overall maximum incentive opportunity from 325% of salary to 375% of salary for the CEO. For Nick Wilkinson, annual bonus will be increased to 150% of salary and the LTIP to 225% of salary. For the CFO, the new policy maintains the maximum variable pay award levels at 325% of salary aggregate, consisting of an annual bonus of 125% of salary and an LTIP at 200% of salary.	For the incumbent CEO, increasing the annual bonus to 150% of salary and the LTIP to 225% of salary allows us to combine below median fixed pay with the opportunity to earn a competitive proportion of variable pay if performance justifies it. This is aligned with our culture of pay for performance. The increases in variable pay for the CEO recognise the growth and increase in scale of the Company over the last three years and are intended to ensure that the FY24 overall package is competitive and aligned with our stated remuneration philosophy. The Committee will review the stretch in the performance targets to ensure that the proposed increase in quantum is commensurate with the increase in opportunity.
Flexibility with the overall maximum variable opportunity of up to 375% of salary for the CEO and up to 325% of salary for the CFO.	The new policy introduces the potential for flexibility for the future to enable us to adjust the weighting between bonus and LTIP for Executive Directors, subject to a limit of 150% of salary for the annual bonus and 250% of salary for the LTIP.	To ensure the new policy has appropriate flexibility. Any change to weightings in the future would be accompanied by clear rationale and would continue to have regard to our long-standing ethos of alignment via executive equity holdings.
Threshold and target vesting levels	Under the new policy: • the annual bonus vesting levels will be stated as typically up to 10% of maximum at threshold and up to 50% of maximum for on-target performance (compared to typical market practice of up to 20% of maximum for threshold and up to 50% of maximum for on-target performance); and • the LTIP will be stated as typically up to 10% of maximum for threshold performance (compared to typical market practice of up to 25% of maximum) and up to 50% for on-target performance.	We are proposing to align our vesting schedules for bonus with LTIP and to introduce an element of flexibility (which would not be utilised without clear explanation). This provides greater consistency and brings the vesting levels more in line with the market.

Directors' Remuneration Policy 2023

Introduction to Directors' Remuneration Policy

Our current binding Remuneration Policy was approved by shareholders at the Annual General Meeting on 17 November 2020 with over 99% of votes in favour (see FY22 Annual Report and Accounts for a copy of the current policy). It expires this year. Therefore, during FY23, the Committee reviewed the Group's overall remuneration philosophy and structure to ensure that the framework remains effective in supporting the Group's strategic objectives and long-term, sustainable growth. It considered the ongoing need to maintain alignment of the Remuneration Policy with our strategic goals, investor sentiment and market practice, as well as our shared values, which include 'long-term thinking' and to 'act like owners', in keeping with the family origin of the business.

The Chair wrote to the Company's largest shareholders in respect of proposed changes and took shareholders' feedback into account when finalising the new Policy (more details of which are set out in the Chair's Annual Statement on page 88). The Committee concluded that whilst the overall structure of the Policy should be maintained, some changes were desirable, and a summary of the key changes is set out on page 91. Shareholders are being asked to approve the new Policy, which is intended to apply for three years from the date of approval, at our FY23 AGM on 16 November 2023.

The Committee has ensured that the new Policy and practices are consistent with the factors set out in Provision 40 of the UK Corporate Governance Code:

Clarity and simplicity	• We operate a simple, sustainable and transparent remuneration structure. • Performance targets for variable pay are linked to our strategy. • Performance requirements are clearly disclosed and transparent and we provide detailed disclosures of the relevant performance assessments and outcomes for our stakeholders to consider. • Engagement is welcomed from stakeholders throughout the year. • A National Colleague Voice meeting (see pages 32 and 118) is dedicated to providing clarity to colleagues, and inviting discussion on our approach to executive pay.
Risk	• The Committee is comfortable that the Company's incentive arrangements do not encourage inappropriate risk-taking. • Our Policy includes (i) balanced use of short- and long-term incentives, (ii) the ability for the Committee to apply discretion and judgement to outcomes, (iii) malus and clawback provisions, and (iv) the majority of the variable remuneration of the Executive Directors is paid in shares which are subject to in-employment and post-employment shareholding requirements. • Our variable pay arrangements include the ability on the part of the Committee to adjust formulaic vesting outturns so that vesting levels can be aligned with overall performance. • Shareholding requirements apply both during and after employment to promote alignment with the longer-term interests of shareholders and longer-term performance. • Variable pay arrangements include malus and clawback provisions.
Predictability	• The remuneration scenarios for Executive Directors on page 98 and 99 indicate the potential values that may be earned through the remuneration structure. • Where discretion may be exercised, this is clearly stated in the Policy.
Proportionality	• Our Policy is drafted with clear consideration of the need to ensure that total remuneration fairly reflects performance and enables meaningful and appropriate targets to be set with a significant proportion linked to long-term shareholder value. • A significant proportion of the Executive Directors' remuneration is subject to performance conditions and awarded in shares to ensure alignment with shareholders' interests.
Alignment to culture	• The Committee ensures that our incentive structure drives the right behaviours and reinforces the Group's purpose and shared values. • Alignment is reflected in the approach to performance measures used in our incentive schemes, for example (i) financial targets under the annual bonus and targets for the LTIP are the same for all management, regardless of seniority, linking everyone's contribution to a shared Group financial outcome, (ii) strategic targets require our Executive Directors and senior leadership to work together to deliver growth and value to the benefit of our stakeholders, and (iii) non-financial performance measures continue to focus on ensuring that participants 'do the right thing', including delivery of our sustainability strategy.

The policy report

Future policy table

The following table sets out the structure of remuneration for Directors of the Company under the proposed new Policy which will be presented to shareholders at the forthcoming AGM for approval by way of a binding vote. The Policy has been determined by the Company's Remuneration Committee in consultation with shareholders. Sir Will Adderley has requested that he not be considered for participation in the annual bonus or LTIP.

The key differences between the policy approved at the AGM in 2020 and the proposed new Policy are summarised on page 91.

Executive Directors

Base salary

Purpose and link to strategic objectives	• Fixed remuneration for the role. • To attract and retain the high calibre talent necessary to develop and deliver the business strategy. • Reflects the size and scope of the Executive Director's responsibilities.
Operation	• Normally paid monthly. • Base level set in the context of: – Pay for similar roles in companies of similar size and complexity in the relevant market. – Scale and complexity of the role. • Should comprise a minority of potential remuneration.
Maximum opportunity	• Reviewed annually, with percentage increases usually in line with or below the Group-wide review unless other circumstances apply, such as: – A significant change in the size, scale or complexity of the role or of the Group's business. – Development and performance in role (for example, on a new appointment, base salary might be initially set at a lower level with the intention of increasing over time). • The Committee does not consider it to be appropriate to set a monetary limit on the maximum base salary that may be paid to an Executive Director within the terms of this Policy.
Performance metrics	• None, although performance of the individual is considered at the annual salary review.

Retirement benefits

Purpose and link to strategic objectives	• To provide a competitive post-retirement benefit. • To attract and retain the high calibre talent necessary to develop and deliver the business strategy.
Operation	• Contribution to a defined contribution plan or a cash allowance in respect of some or all of the contribution that would otherwise be made to a pension plan. • No element other than base salary is pensionable.
Maximum opportunity	• An amount as a percentage of base salary not exceeding the maximum rate available to the majority of the wider workforce (currently 3%).
Performance metrics	• None.

Remuneration Committee report continued

Executive Directors continued

Benefits

Purpose and link to strategic objectives	• To provide a competitive benefits package. • To attract and retain the high calibre talent necessary to develop and deliver the business strategy.
Operation	• A range of benefits are provided, which may include car or car allowance; private health insurance for the individual and their family; permanent health cover; life assurance; mobile phone; use of a car and driver in connection with the role or an appropriate travel allowance; and colleague discount. • Additional benefits, such as relocation expenses, housing allowance and school fees may also be provided in certain circumstances if considered reasonable and appropriate by the Committee. • For non-UK Executives (none at present) the Committee may consider additional allowances in accordance with standard practice.
Maximum opportunity	• The Committee reserves the right to provide such benefits as it considers necessary to support the strategy of the Group. • The Committee does not consider it to be appropriate to set a maximum cost to the Group of benefits to be paid.
Performance metrics	• None.

Annual bonus

Purpose and link to strategic objectives	• Rewards and incentivises delivery of annual financial, strategic and personal targets.
Operation	• The amount of the bonus earned is determined after the results for the financial year have been audited, subject to performance targets having been met. The Committee has discretion to adjust the bonus payout upwards or downwards if it considers that the formulaic outturn does not reflect its assessment of the overall financial or non-financial performance of the participant or the Group, or is inappropriate in the context of circumstances that were unexpected or unforeseen at the start of the relevant year, or is inappropriate for any other reason. • At least two-thirds of any bonus earned will be either subject to a requirement that the after-tax amount is invested in Dunelm shares or will be granted in the form of a share bonus award on a pre-tax basis. Any shares acquired pursuant to such a requirement are subject to retention provisions as set out in the 'Shareholding requirements' section below.
Maximum opportunity	• Maximum opportunity: 150% of base salary per annum. • The combined annual bonus and LTIP opportunities for any year may not exceed: (a) 375% of salary in the case of the Company's CEO; and (b) 325% of salary in the case of any other Executive Director. • Where bonus awards are granted as share awards, dividend accruals may be made in respect of dividends paid during the vesting period applicable to an award. Any such dividend equivalents will ordinarily be paid in shares.
Performance metrics	• Stretching performance targets are set each year. Performance targets for the Executive Directors may be based on financial objectives and/or strategic objectives and/or personal goals set by the Committee annually. • Financial objectives may include, but are not limited to, budgeted PBT for the financial year. • The strategic objectives will vary depending on the specific business priorities in a particular year. • The Committee will determine the weighting of performance measures for any year based on specific business priorities for the year. Ordinarily, at least 50% of the annual bonus for Executive Directors will be subject to financial objectives. • Subject to the Committee's discretion to override formulaic outturns, for financial measures typically up to 10% of the maximum opportunity will be earned for threshold performance, and for on-target performance up to 50% of the maximum opportunity will be earned, and for exceeding on-target performance up to 100% of the maximum opportunity will be earned. Bonuses will typically be earned between threshold and on-target and between on-target and maximum on a straight-line basis. • For strategic measures and personal goals, vesting of the bonus will be determined by the Committee between 0% and 100% based on its assessment of the extent to which the relevant metrics or objectives have been met. • Awards are subject to recovery provisions (malus and clawback) as set out below.

Executive Directors continued

Long-Term Incentive Plan

Purpose and link to strategic objectives	• Supports delivery of strategy by requiring the achievement of appropriate targets and objectives which will normally include a measure based on EPS. • Rewards strong financial performance and sustained increase in shareholder value over the long term. • Aligns with shareholder interests through the delivery of shares, with share retention requirements as set out below.
Operation	• Awards (which can take the form of a conditional award, nil-cost option or nominal value option) are made annually, with vesting subject to performance, usually assessed following the end of a performance period of three years, followed by a 'Holding Period' of two years. The Holding Period may operate on the basis of: (i) the award vesting following assessment of performance but that, other than as regards sales of shares to cover tax liabilities, shares acquired must be retained until the end of the Holding Period; or (ii) vesting being deferred until the end of the Holding Period. • Shares acquired are then subject to retention provisions as set out in the 'Shareholding requirements' section below. • The Committee has discretion to adjust the LTIP vesting outturn upwards or downwards if it considers that the formulaic output does not reflect its assessment of the overall financial or non-financial performance of the participant or the Group, or is inappropriate in the context of circumstances that were unexpected or unforeseen at grant, or is inappropriate for any other reason.
Maximum opportunity	• The maximum award for an Executive Director in respect of any financial year is an award over shares with a value (as determined by the Committee) of 250% of salary. • The combined annual bonus and LTIP opportunities for any year may not exceed: (i) 375% of salary in the case of the Company's CEO; and (ii) 325% of salary in the case of any other Executive Director. • Dividend accruals may be made in respect of dividends paid during the performance period applicable to an award and up to the vesting date. Payment would only be made in respect of shares vesting after applying performance criteria. Any such dividend equivalents will ordinarily be paid in shares.
Performance metrics	• The Committee will determine the weighting of performance measures for any year. For at least 75% of an award, vesting will be subject to the satisfaction of one or more financial measures, which will normally include a measure based on EPS. The balance of the award vesting will be subject to one or more other financial, strategic, environmental, social or governance measures. • The Committee considers the targets annually taking into account a range of factors which will include the Group's plans, external forecasts and the overall business environment. • Subject to the Committee's discretion to override formulaic outturns, for financial measures typically up to 10% of an award will vest for threshold performance (the lowest level of performance at which awards will vest), rising to up to 50% for achieving a stretching level of 'on-target' performance and to 100% for achieving or exceeding a stretch level of performance. Vesting between threshold and on-target and between on-target and maximum will typically be on a straight-line basis. • For strategic, environmental, social or governance measures, vesting will be determined by the Committee between 0% and 100% based on its assessment of the extent to which the relevant measures have been met. • Awards are subject to recovery provisions (malus and clawback) as set out below.

Remuneration Committee report continued

Executive Directors continued

All employee share plan (Sharesave)

Purpose and link to strategic objectives	• Promotes share ownership by all eligible colleagues (including Executive Directors).
Operation	• All UK employees with a minimum service requirement are eligible to join the UK tax qualifying Dunelm Group Savings Related Share Option Plan (the Sharesave). Employees outside the UK are eligible to join an equivalent plan which is not tax qualifying. • Monthly savings are made over a period of three years (or such other period as may be permitted by the applicable UK tax legislation) linked to the grant of an option over Dunelm shares at a discount of up to 20% to the market price (or such other amount as permitted by the applicable UK tax legislation) at the date of invitation to join the plan. • Invitations are normally issued annually at the discretion of the Committee, which also has discretion to set the minimum service requirement, maximum discount, maximum monthly savings and any other limits within the terms of the plan rules.
Maximum opportunity	• Maximum participation limits reflect the limits prescribed by the applicable UK tax legislation from time to time. Currently the maximum limit is savings of £500 per month.
Performance metrics	• None.

Shareholding requirements

To align the interests of Executive Directors with those of shareholders and to promote long-term thinking, the Committee has adopted shareholding requirements which apply both during employment and for a period following employment, as set out below. The Committee retains the right to waive or relax the retention requirements in respect of shares acquired pursuant to annual bonus deferral arrangements or following the end of the Holding Period applying to any LTIP award granted after 1 July 2020 if the Executive Director meets the required level of shareholding during employment. The Committee also retains the right to waive or relax any element of the shareholding requirements in exceptional circumstances, such as death, divorce, ill health or severe financial hardship.

Shareholding requirements during employment

- Executive Directors are expected to make a personal investment in Dunelm shares on appointment as an Executive Director (subject to closed periods).
- Each Executive Director is required to build a beneficial holding of shares with a value (as a percentage of salary) equal to the higher of: (i) their normal annual LTIP grant; and (ii) 200% of salary. Executive Directors are ordinarily expected to achieve this holding within five years from appointment. Shares subject to: (i) LTIP awards which are exercisable but which have not been exercised; (ii) LTIP awards for which the performance assessment has been carried out but for which vesting is deferred until the end of the Holding Period; and (iii) share bonus awards, count towards this requirement on a net of assumed tax basis.
- Any shares acquired pursuant to required annual bonus deferral arrangements must be retained during employment, other than any shares sold to cover associated tax liabilities.
- Following the end of the Holding Period applying to any LTIP award granted after 1 July 2020, an Executive Director must retain at least two-thirds of the shares acquired, other than any shares sold to cover associated tax liabilities.

Shareholding requirements following termination of employment

Following termination of their employment for any reason, an Executive Director must retain for two years shares equal to the lower of the shareholding requirement applicable to them during employment, and their actual shareholding on departure. This is a contractual requirement set out in each Director's service contract. The Company also reserves the right to require share certificates to be lodged in its custody.

Payment of fixed remuneration in shares

The Company may deliver any element of fixed remuneration for an Executive Director in shares rather than in cash or any other form in which it is usually provided. The number of shares would be such number as have a value at the relevant time equal to the value of the fixed remuneration being delivered in shares.

Recovery provisions (malus and clawback)

The annual bonus (including any granted as a share award) and LTIP are subject to recovery provisions as set out below.

Malus provisions apply which enable the Committee to determine before the payment of an annual bonus or the vesting of an LTIP award, that the bonus opportunity or LTIP award may be cancelled or reduced.

Clawback provisions apply which enable the Committee to determine for up to three years following the payment of a cash bonus or the assessment of the performance outturn for an LTIP award, that the amount of the bonus paid may be recovered and the LTIP or share bonus award may be cancelled or reduced (if it has not been exercised) or recovery may be applied to it (if it has been exercised).

The malus and clawback provisions may be applied in the event of:

- A material misstatement of any Group company's financial results;
- A material error in assessing a performance condition applicable to the award or in the information or assumptions on which the award was granted or vests;
- A material failure of risk management in any Group company or a relevant business unit;
- Serious reputational damage to any Group company or a relevant business unit;
- Serious misconduct or material error on the part of the participant;
- A material corporate failure as determined by the Board;
- Fraud; or
- Any other circumstances which the Committee in its discretion considers to be similar in their nature or effect to those set out above.

Salary, pension, benefits and Sharesave options are not subject to recovery.

Non-Executive Directors

Fees and appropriate benefits

Purpose and link to strategic objectives	To attract and retain a high calibre Chair and Non-Executive Directors by offering competitive fee levels and, where relevant, appropriate benefits.
Operation	• Fees for the Chair are set by the Committee. Fees for Non-Executive Directors are set by the Board. No Director participates in any decision relating to their own remuneration. • The Chair is paid an all-inclusive fee for all Board responsibilities. The Non-Executive Directors receive a basic fee, with supplemental fees for additional Board responsibilities. • The level of fee reflects the size and complexity of the role and the time commitment. • Fees are normally reviewed annually, having regard to a range of factors, including increases in remuneration across the Group. In addition, a periodic review is undertaken against market rates and taking into account time commitment and any change in size, scale or complexity of the business. • The Group's colleague discount is available to the Chair and Non-Executive Directors. In addition, they may receive benefits such as travel, accommodation and other reasonable expenses incurred in the fulfilment of their duties, which may be 'grossed up' to reflect any tax liabilities associated with the benefits. Additional benefits may be provided where considered appropriate. The Chair and Non-Executive Directors do not participate in any incentive scheme.
Maximum opportunity	• The maximum to be paid by way of fees to the Non-Executive Directors is set out in the Company's Articles of Association as amended from time to time.
Performance metrics	• None.

The Committee may make minor changes to this Policy which do not have a material advantage to Directors, to aid its operation or implementation without seeking shareholder approval, but taking into account the interests of shareholders.

Remuneration Committee report continued

Performance measures and how targets are set

The Committee selects performance measures that it believes are:

- Aligned with the Group's strategic goals and set, where relevant, taking into account market consensus and individual broker expectations. For the LTIP, financial measures will normally include EPS which the Committee considers to be the most appropriate measure for medium-term performance, aligned with our growth ambitions and continuing to win market share.
- Unambiguous and easy to calculate.
- Transparent to Directors and shareholders.

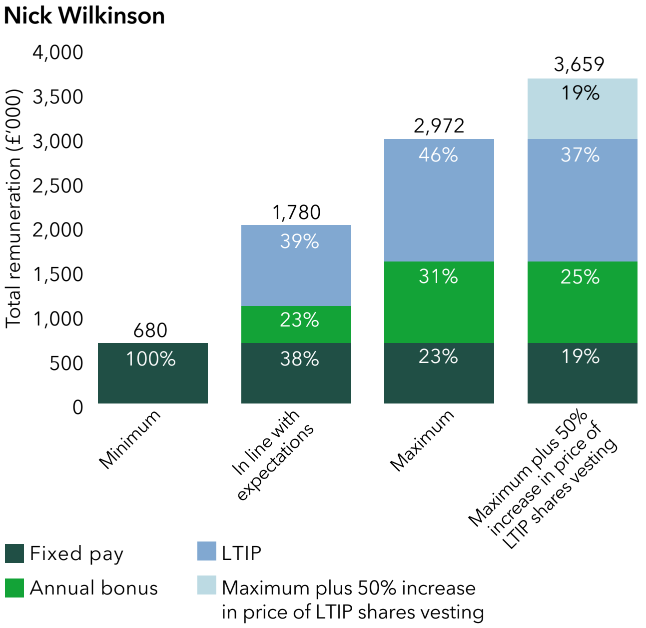
For both the annual bonus and the LTIP, the Committee reserves the right to vary or substitute any performance measure if justified by the circumstances, for example if there was a significant transaction.

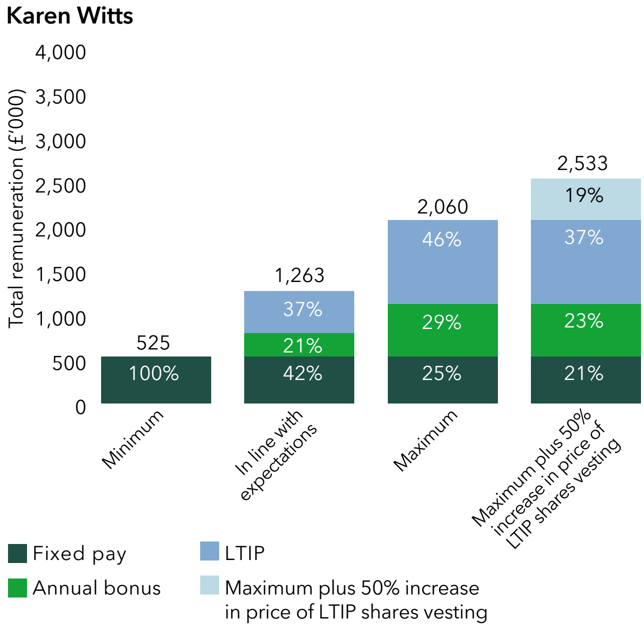
Performance measures for the annual bonus for FY24 are set out on page 115. Performance measures for the LTIP awards proposed to be granted in respect of FY24 are set out on pages 115 and 116.

Illustrative performance scenarios

At his request, Sir Will Adderley does not receive any remuneration apart from an annual salary, car allowance and healthcare benefits. Therefore his remuneration has not been included in the scenarios below.

The following graphs set out what Nick Wilkinson and Karen Witts, the other Executive Directors in office at the date of this report, could earn in FY24 under the following scenarios:





The following assumptions have been made in respect of the scenarios on the previous page:

Fixed pay (base salary, benefits and pension only)	Base salary £'000	Benefits £'000	Pension £'000
Nick Wilkinson	611	51	18
Karen Witts	473	38	14

Performance level	Fixed pay	Annual bonus	LTIP
Minimum (performance below threshold)	As above	Nil	Nil
In line with expectations	As above	45% of bonus opportunity earned (67.5% of salary for Nick Wilkinson, 56.25% of salary for Karen Witts).	50% of the LTIP award vests (112.5% of salary for Nick Wilkinson and 100% of salary for Karen Witts), based on face value of the award at the date of grant.
Maximum performance	As above	100% of bonus opportunity earned (150% of salary for Nick Wilkinson, 125% of salary for Karen Witts).	100% of the LTIP award vests (225% of salary for Nick Wilkinson and 200% of salary for Karen Witts), based on face value of the award at the date of grant.
Maximum performance, plus share price increase	As above	100% of bonus opportunity earned (150% of salary for Nick Wilkinson, 125% of salary for Karen Witts).	100% of the LTIP award vests (225% of salary for Nick Wilkinson and 200% of salary for Karen Witts), plus an increase in the value of the LTIP of 50% across the relevant performance period to reflect possible share price appreciation.

Service contracts and loss of office payments

All of the Executive Directors have service contracts. The notice period for termination for Sir Will Adderley is 12 months from either party, and for Nick Wilkinson and Karen Witts is six months from either party. In connection with her joining Dunelm and as disclosed in the Directors' Remuneration Report for the year ended 2 July 2022, Karen Witts is entitled to: (i) A contribution of up to £50,000 towards the cost of purchasing and furnishing a home close to Dunelm's offices in Leicester on the understanding that the purchase completes within two years of the commencement of her employment. The majority of any furnishings should be purchased from Dunelm. Approvable expenses will include stamp duty and any agents' fees plus furnishings, fixtures and fittings; (ii) An allowance of £1,500 per month to cover the cost of rent on a property close to Dunelm's offices in Leicester and/or other expenses and travel costs. This will apply until Karen purchases a home close to Leicester, or for the duration of employment should Karen choose not to do so (in which case the £50,000 contribution to relocation expenses referred to in (i) will not be paid).

If the Company terminates the employment of the Executive Director it would honour its contractual commitments. If termination was with immediate effect, a payment in lieu of notice may be made. The Committee may apply mitigation in respect of any termination payment.

Details in relation to the service contracts for Executive Directors are set out in Table 8 on page 110 of the Annual Report on Remuneration.

Bonus

The Committee has discretion to make a payment to a 'good leaver' (as determined by the Committee) in respect of any annual bonus. Any such bonus would normally be pro-rated to the period of active service during the relevant financial year. Ordinarily, any bonus would be subject to deferral into shares in the usual way; however, the Committee retains discretion not to apply deferral in appropriate circumstances.

Share bonus awards will lapse on termination of employment before vesting other than in the event of death, serious ill health and any other reason at the discretion of the Committee. If an award does not lapse, the Committee will determine whether it vests on termination or at the ordinary vesting date.

Remuneration Committee report continued

LTIP

If a participant leaves the employment of the Group, the following provisions apply to awards granted under the LTIP:

- Awards in the form of options that have vested but have not yet been exercised may be exercised within six months of cessation of employment (12 months in the case of death).
- Except in the case of dismissal for gross misconduct, awards which have not yet vested, but where the performance period has elapsed, may vest at the relevant vesting date. The Committee has discretion to vest the award earlier but would only use this in exceptional circumstances (such as ill-health). In the event of death, unless the Board determines otherwise, vesting will be as soon as practicable. In the case of an option, the option must be exercised within six months of vesting (or 12 months in the case of death), to the extent that the performance conditions have been met.
- If the participant leaves the Group before an award has vested and before the performance period has elapsed, the award will usually lapse. However, if the participant ceases employment due to ill-health, injury or disability or if the Committee exercises its discretion to treat the participant as a 'good leaver', the award will be retained and vest at the normal vesting date. The Committee has discretion to vest the award earlier, but would only use this in exceptional circumstances (such as ill-health). In the event of death, unless the Board determines otherwise, vesting will be as soon as practicable. In the case of an option, the option may be exercised within six months of the relevant vesting date (or 12 months in the case of death). Any vesting would be subject to assessment of the performance conditions (and the exercise of any discretion to vary formulaic outturns in line with the Policy) and, unless the Committee determined otherwise, a reduction to reflect the proportion of the performance period that had elapsed at cessation.

In all cases, LTIP awards would be subject to the applicable malus and clawback provisions.

Sharesave

If a participant leaves the Group, options granted under the Sharesave will normally lapse, but may be exercised within six months from the cessation of employment due to injury, disability, retirement, or redundancy (or 12 months in the case of death), or the employing company leaving the Group or, provided that the option has been held for at least three years, cessation for any other reason (apart from dismissal by the Company).

Non-Executive Directors' letters of appointment

Non-Executive Directors have letters of appointment. The term is for an initial period of three years with a provision for termination on one month's notice from either party, or three months' notice from either party in the case of the Chair. Letters are renewed for up to two additional three-year terms, and then renewed annually. The letter of appointment will terminate without compensation if the Director is not reappointed at the AGM.

Details in relation to the letters of appointment are set out in Table 8 on page 110 of the Annual Report on Implementation.

Other payments

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment or for any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with their cessation of office or employment. In appropriate circumstances, the Committee may continue the provision of certain benefits (for example health insurance) for a period following cessation.

Change of control and other corporate events

Share bonus awards

Share bonus awards will vest on a change of control or winding up of the Company before the originally anticipated vesting date.

LTIP

The following provisions apply to awards made under the Long-Term Incentive Plan in accordance with the plan rules if there is a change of control or winding up of the Company:

- Any vested but unexercised options may be exercised.
- Any unvested awards in respect of which the performance period has ended and to which the performance condition has been applied will vest and, in the case of options, may be exercised.
- Any unvested awards in respect of which the performance period has not ended may vest and, in the case of options, be exercised at the discretion of the Committee, subject to any adjustment to take into account the amount of time that has elapsed through the performance period (unless the Committee decides not to apply a time-based reduction) and the extent to which any performance criteria have been met (and the exercise of any discretion to vary formulaic outturns in line with the Policy table).
- The Executive Director may agree that their awards are 'rolled over' into shares of the acquiring company as an alternative.

If the Company has been or will be affected by any demerger, dividend in specie, special dividend or other transaction which will adversely affect the current or future value of any awards under the LTIP or any share bonus awards, the plan rules allow the Committee, acting fairly and reasonably, to determine the extent to which any awards should vest and the period within which options may be exercised.

Sharesave

Sharesave options may be exercised within six months following a change of control or winding up of the Company, using savings in the participant's account at the date of exercise. The participant may agree that their awards are 'rolled over' into shares of the acquiring company as an alternative.

Operation of share plans

All discretions available under the Company's share plan rules will be available under this Policy, except where explicitly limited under this Policy. This includes that:

- The Committee may amend the terms of awards and options under the Company's share plans in accordance with the plan rules in the event of a variation of Dunelm's share capital or a demerger, special dividend or other similar event or otherwise in accordance with the rules of those plans.
- Awards may be settled, in whole or in part, in cash, although the Committee would only settle an Executive Director's award in cash in exceptional circumstances, such as where there is a regulatory restriction on the delivery of shares, or in connection with the settlement of tax liabilities arising in respect of the award.

Executive pay and the pay of other colleagues

The remuneration principles set out on page 87 are applied consistently to pay throughout the Group.

Pay for all colleagues is set at a level that is fair for the role and responsibilities of the individual, and is designed to attract and retain high calibre talent that is needed to deliver the Group's strategy, without paying too much.

The remuneration of Executive Directors is more heavily weighted towards variable pay than for other colleagues, so that a greater part of their pay is linked to successful delivery of strategy and aligned with shareholders. They are also required to build and maintain a shareholding in the Company as set out above.

The remuneration of colleagues below the Board (including participation in the LTIP) reflects the seniority of the role, market practice and the ability of the individual to influence Group performance.

All colleagues with a minimum service requirement (usually three months or less) are encouraged to participate in the Sharesave plan, which enables them to become shareholders at a discounted rate. Participation is usually offered annually at the maximum price discount permitted (currently 20%), at the discretion of the Committee.

In setting the policy for the Executive Directors' remuneration, the Committee takes note of the overall approach to remuneration in the Group. Although the Committee does not formally consult with employees when setting the Policy, details of how it engages with colleagues on pay are set out on page 118.

Shareholder views

The Board is committed to ongoing engagement with shareholders in respect of all governance matters, including executive remuneration.

We consulted with shareholders in relation to the new Policy including, in particular, our approach to variable pay and shareholding requirements for Executive Directors. We were pleased with the level of engagement from shareholders and for the support shown for our proposals, which we have finalised having regard to feedback received.

Approach to recruitment remuneration

The Committee will apply the principles set out below when agreeing a remuneration package for a new Executive Director (whether an external candidate or an internal promotion). The package must be sufficient to attract and retain the high calibre talent necessary to develop and deliver the Group's strategy:

- No more should be paid than is necessary.
- Pension provision will be in line with the Policy table.
- The Committee reserves the discretion to make appropriate remuneration decisions outside the standard policy to meet the individual needs of the recruitment provided the Committee believes the relevant decisions are in the best interests of the Group.

Circumstances in which the Committee might apply this discretion include:

- Where an interim appointment is made on a short-term basis, including where the Chair or another Non-Executive Director has to assume an executive position.
- Where employment commences at a time in the year when it is inappropriate to provide a bonus or share incentive award as there is insufficient time to assess performance, the quantum for the subsequent year might be increased proportionately instead.
- An executive is recruited from a business or location that offered benefits that the Committee considers it appropriate to 'buy out', or which the Committee considers it appropriate to offer.

Remuneration Committee report continued

Examples of remuneration decisions that the Committee may make are set out below:

- It may be appropriate to offer a lower salary initially, with a series of increases to reach the desired salary over a period of time, subject to performance.
- The Committee may also alter the performance criteria applicable to the initial annual bonus or LTIP award so that they are more applicable to the circumstances of the recruitment.
- An internal candidate would be able to retain any outstanding variable pay awarded in respect of their previous role that pays out in accordance with its terms of grant.
- Appropriate costs and support will be provided if the recruitment requires the relocation of the individual.

The maximum level of variable pay that could be awarded to a new Executive Director in the first year of employment, excluding any buyout arrangements, would be 375% of salary as set out in the Policy table. The Committee would explain the rationale for the remuneration package in the next Annual Report of the Company.

In addition, on hiring an external candidate the Committee may make arrangements to buy out remuneration that the individual has forfeited on leaving a previous employer. The Committee will generally seek to structure buyout awards and payments on a comparable basis to remuneration arrangements forfeited. These awards or payments are excluded from the maximum level of variable pay referred to in the Policy; however, the Committee's intention is that the value awarded or paid would be no higher than the expected value of the forfeited arrangements.

In order to implement the arrangements described, the Committee may rely on the exemption in Listing Rule 9.4.2, which allows for the grant of share or share option awards to facilitate, in unusual circumstances, the recruitment of a Director.

The Committee does not intend to use any discretion in this section to make a non-performance-related incentive payment (for example a 'golden hello').

On the appointment of a new Chair the fee will be set taking into account the experience and calibre of the individual and pay for similar roles in companies of similar size and complexity in the market. The fees for any newly appointed Non-Executive Director would be set in accordance with the Policy table on page 97. No share incentives or performance-related incentives would be offered.

Legacy remuneration arrangements

The Committee reserves the right to make remuneration payments and payments for loss of office (including exercising any discretion available to it in connection with any such payment) notwithstanding that they are not in line with the Policy set out above where the terms of payments were agreed:

- Before the Policy came into effect (provided that, in the case of any payments agreed on or after 11 November 2014 they are in line with any applicable shareholder approved Directors' remuneration policy in force at the time they were agreed or were otherwise approved by shareholders); or
- At a time when the relevant individual was not a Director of the Company (or other person to whom the Policy set out above applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company (or other such person).

For these purposes, 'payments' includes the satisfaction of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' no later than the time the award is granted.

Annual Report on Remuneration

This report has been prepared on behalf of the Board by the Committee, chaired by William Reeve. It sets out how the Directors' Remuneration Policy which was approved by shareholders on 17 November 2020 has been applied in FY23 and how the revised policy being put forward for approval by shareholders at the AGM on 16 November 2023 will, subject to approval, be applied in FY24. Together with the Chair's statement on pages 88 to 91, it will be put to shareholders for an advisory vote at the FY23 AGM.

The information contained in this report is unaudited unless expressly stated otherwise.

Composition of the Committee

William Reeve has chaired the Committee since 2018. Alison Brittain became a member when she joined the Board on 7 September 2022 and has remained a member since becoming Chair (being independent on appointment). All other independent Non-Executive Directors are members of the Committee.

Only members of the Committee have the right to attend meetings. Other Directors and individuals such as the CEO and People & Stores Director are invited to attend all or part of meetings, as appropriate. No Director participates when his or her own remuneration is discussed. The Group General Counsel and Company Secretary acts as secretary to the Committee and attends all meetings.

During the year the Committee met four times. The table below sets out the membership of the Committee and attendance of Directors at meetings during the year.

Member	Attendance	Notes
William Reeve	4/4	
Alison Brittain	3/3	Alison joined the Board and the Committee on 7 September 2022.
Ian Bull	4/4	
Peter Ruis	4/4	
Vijay Talwar	4/4	
Arja Taaveniku	4/4	
Kelly Devine	4/4	
Andy Harrison	2/2	Andy Harrison stepped down from the Board and the Committee on 31 December 2022.

Remuneration Committee report continued

Single figure for total remuneration (audited)

The following table sets out total remuneration for Directors for the period ended 1 July 2023:

Table 1 – Directors' remuneration – single figure table

Director	Salary/fees £'000[1]		Benefits £'000[2]		Pension £'000[3]		Total fixed remuneration £'000[4]		LTIP awards £'000[5]		Bonus £'000[6]		Total variable remuneration £'000[7]		Total £'000	
	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22
Executive																
Nick Wilkinson	582	580	48	48	17	20	647	648	1,003	1,210	335	653	1,338	1,863	1,985	2,511
Karen Witts	450	27	38	2	14	1	502	30	–	–	252	22	252	22	754	52
Sir Will Adderley	–	–	20	20	–	–	20	20	–	–	–	–	–	–	20	20
Sub-total	1,032	607	106	70	31	21	1,169	698	1,003	1,210	587	675	1,590	1,885	2,759	2,583
Non-Executive																
Alison Brittain	179	–	–	–	–	–	179	–	–	–	–	–	–	–	179	–
Ian Bull	67	64	–	–	–	–	67	64	–	–	–	–	–	–	67	64
Kelly Devine	56	18	–	–	–	–	56	18	–	–	–	–	–	–	56	18
William Reeve	73	71	–	–	–	–	73	71	–	–	–	–	–	–	73	71
Peter Ruis	56	54	–	–	–	–	56	54	–	–	–	–	–	–	56	54
Marion Sears	56	54	–	–	–	–	56	54	–	–	–	–	–	–	56	54
Arja Taaveniku	56	54	–	–	–	–	56	54	–	–	–	–	–	–	56	54
Vijay Talwar	56	40	–	–	–	–	56	40	–	–	–	–	–	–	56	40
Andy Harrison	108	216	–	–	–	–	108	216	–	–	–	–	–	–	108	216
Total	**1,739**	**1,178**	**106**	**70**	**31**	**21**	**1,876**	**1,269**	**1,003**	**1,210**	**587**	**675**	**1,590**	**1,885**	**3,466**	**3,154**

1 Vijay Talwar was appointed on 1 October 2021 and Kelly Devine was appointed on 1 March 2022. Karen Witts and Alison Brittain joined the Board on 9 June 2022 and 7 September 2022 respectively and Alison Brittain was appointed Chair on 1 January 2023. Basic salary/fee for Vijay Talwar, Kelly Devine and Alison Brittain and salary, pension and benefits for Karen Witts are pro-rated over the relevant year as appropriate. Nick Wilkinson, the CEO, asked to not be considered for a salary increase for FY22. Sir Will Adderley's base salary is held at £1 per annum. Andy Harrison, the Chairman, asked not to be considered for a fee increase in FY22 and stepped down on 31 December 2022 and so his fee was pro-rated accordingly for the year. The fees for the other Non-Executive Directors increased by 4%.

2 Benefits include the cost of a car allowance and private health insurance for the individual and their family. Nick Wilkinson is also entitled to an allowance of 5% of his annual salary towards the cost of travel from home to Leicester. Karen Witts is entitled to an allowance of £1,500 per month to cover the cost of rent on a property close to the office in Leicester and travel costs. This is from 9 June 2022 and will continue until she purchases a home close to Leicester, or for the duration of her of employment should Karen not choose to do so.

3 Pension entitlement is 3% of contractual salary to a defined contribution plan or cash allowance in lieu. For Nick Wilkinson, prior to 1 August 2022 the pension entitlement was 8% of contractual salary, and prior to 1 August 2021 the pension entitlement was 10% of contractual salary. Sir Will Adderley waived his entitlement to a pension from 1 July 2015.

4 Total fixed remuneration includes salary/fees, benefits and pension.

5 The figure for Nick Wilkinson is the value of the FY21-23 LTIP award, the three-year performance period for which ends on the last day of the financial period being reported on. The price used to calculate the value of the awards, which will vest on 20 November 2023, was the average of Dunelm's closing share price over the last three months of FY23, which was 1,133 pence per share. It also includes a 'special dividend equivalent' of 65p per vested share in respect of the special dividend paid on 8 October 2021, 37p per vested share in respect of the special dividend paid on 18 March 2022 and 40p per vested share in respect of the special dividend paid on 11 April 2023. The share price used to calculate the number of shares in Nick's 'special dividend equivalent' was 1,310p per share in respect of the October 2021 special dividend, 1,127p per share in respect of the March 2022 special dividend and 1,081 per share in respect of the April 2023 special dividend, in each case being the share price the working day before the special dividend date. No discretion was applied to adjust the performance conditions or outcome of the FY21-FY23 LTIP for share price appreciation or depreciation or for any other reason. The prior year figures have been updated to reflect the actual closing share price of 796p on the day before the vesting date, compared to last year's report which was based on the average closing share price over the last three months of FY22. Sir Will Adderley asked not to be considered for an LTIP award.

6 Nick Wilkinson and Karen Witts were awarded an annual performance-related bonus for FY23 with a maximum opportunity of 125% of contractual salary. The performance conditions which applied to the bonus were set in September 2022 and are described on pages 105 and 106. Karen Witts was awarded a pro-rated performance-related annual bonus for FY22, reflective of the period from her start date to the end of the FY22 financial year and subject to the financial performance criteria applicable to Nick Wilkinson (she declined the personal performance element given the relatively short period that she had been in role during that financial year).

7 Total variable remuneration includes bonus and LTIP awards.

FY23 annual bonus (audited)

Each of Nick Wilkinson and Karen Witts were eligible to earn an annual bonus of up to 125% of base salary during the year, subject to meeting the performance targets set out below. Sir Will Adderley asked not to be considered for an annual bonus. The bonus was based on challenging targets set by the Committee at the start of the financial year, with 75% based on financial targets and 25% based on personal and strategic targets. The 'Sales' element of the bonus would only be paid if we achieved the threshold PBT and sales target. Information on the targets set and the performance against them is set out in Table 2 below. Based on performance against those targets, Nick Wilkinson earned a bonus of £334,592 and Karen Witts earned a bonus of £251,719 (see Table 3 below). The full bonus is paid in cash, with two-thirds of the after tax amount being subject to a requirement that it is invested in shares.

Table 2 – annual bonus 2023 payout (audited)

Performance measures	% of bonus opportunity	Threshold performance (0%)	On-target performance (40%)	Maximum performance (100%)	FY23 actual performance	% outcome for each measure
Financial measures[1]						
- Profit before tax	50%	£172.8m	£192.0m	£211.2m	£192.7m	42%
- Sales	25%	£1,531.2m	£1,702.5m	£1,787.6m	£1,638.8m	25%
Non-financial personal and strategic targets	25%	(see below and page 106 for details)				CEO – 75% CFO – 70%

1 Bonus is earned between threshold and on-target and between on-target and maximum on a straight-line basis.

Table 3 – overall 2023 bonus earned (audited)

£'000	Base salary	Maximum bonus % of salary	2023 bonus outcome % of maximum	Overall 2023 bonus earned £'000	2023 bonus outcome % of salary
Nick Wilkinson	582	125%	46%	335	57%
Karen Witts	450	125%	45%	252	56%

Non-financial personal and strategic objectives

25% of the bonus opportunity is linked to performance against objectives, both personal and strategic. Payment of this element of the bonus is subject to meeting threshold on the PBT financial metric for the year (which has been achieved). The targets, which are specific to each of the CEO and CFO, were set by the Committee to reflect personal and strategic priorities for FY23. Assessment against them (including consideration of relevant KPIs) was considered by the Committee at the end of the financial year, and a bonus outcome determined accordingly.

It was assessed that 75% of the personal and strategic targets had been met by the CEO and 70% of the personal and strategic targets had been met by the CFO. Further details on their respective key achievements against each objective are set out on the following page.

Remuneration Committee report continued

CEO – FY23 performance against objectives – outcome 75% of maximum

Objectives	Key achievements during FY23
Strategy c.25% weighting	• Navigated a complex and volatile trading environment, continuing to deliver clear investor communications throughout. • Delivered meaningful progress toward digitalisation goals. • Further embedded sustainability initiatives across the business, including the successful launch of 'Conscious Choice'. Scope 3 roadmap in development. • Increased store-centred community engagement, with this becoming a key differentiator for Dunelm.
Customer proposition c.25% weighting	• Delivered strongly on value and choice – achieved market share gains and margin targets, added significant number of SKUs and improved value communications. • Progress made on improving customer experience and product availability through process and technology change.
People c.25% weighting	• Successful restructuring of Executive Team in FY23. Team performing well. • Strengthened senior leadership team (below Executive Team) with the recruitment of six external candidates during the year. • Implemented development plans for Executive Team and senior leadership team, with potential succession opportunities identified.
Organisation capabilities – drive efficiencies, build on shared values c.12.5% weighting	• Achieved stretching cost ratio targets for stores and logistics. • Strong approach to cost reduction and identification of efficiency opportunities in procurement and returns and stock loss. • Continued progress on improving data insights and analytics, with clear step-change in capability. • Supported ongoing work of our inclusion and diversity networks, which are flourishing.
Corporate c.12.5% weighting	• Implemented greater rigor around identifying potential corporate activity. • Managed post-acquisition performance of Sunflex, exceeding targets.

CFO – FY23 performance against objectives – outcome 70% of maximum

Objectives	Key achievements during FY23
Driving business performance c.25% weighting	• Implemented a revised approach to operational KPIs to provide holistic framework for driving budgeted performance. • Achieved full-year cost to sales ratio <38% despite cost pressures. • Delivered £15m operating cost savings. • Maintained strong free cash flow performance and strengthened robustness of cash flow forecasting.
Investor relations c.15% weighting	• Developed investor relations capability. • Developed relationships with advisers and a new investor relations strategy, the output of which has introduced new investors to our register. • Continued to progress work on telling our ESG equity story.
Sustainability c.15% weighting	• Refreshed ESG operating model. • Scope 3 roadmap in development. • Reviewed and refreshed KPIs.
Internal controls environment c.15% weighting	• Successfully implemented new balance substantiation system and commenced process mapping of key financial processes ahead of the next stage of SAP4Hana implementation. • Improved non-stock internal controls.
People c.10% weighting	• Increased finance team engagement scores. • Built capability in non-financial and sustainability reporting. • Ensured succession plans are well developed.
Technology c.10% weighting	• Improved accuracy of forecasting. • Ongoing review of technology KPIs and delivery of cost-tracking improvements in relation to levels of investment.
Corporate c.10% weighting	• Implemented M&A framework. • Increased corporate development capability and developed network.

LTIP awards earned in respect of performance in FY21-23 (audited)

Nick Wilkinson was granted an LTIP award in November 2020 with vesting subject to performance conditions assessed over the three-year period FY21 to FY23. This award has vested at 83% as set out in the table below. Neither Karen Witts nor Sir Will Adderley had an LTIP award vesting in respect of performance in FY21 to FY23.

Table 4 – LTIP awards earned

		Performance condition and outturn: FY23 Diluted EPS							
Director	Shares under award	Threshold (10% vesting)	On-target (50% vesting)	Maximum (100% vesting)	FY23 outturn	Vesting percentage	Vested shares	Dividend equivalent shares[1]	Total vesting shares[2]
Nick Wilkinson	94,846	60p	65p	80p	75.0p	83%	79,038	9,440	88,478

1 Nick Wilkinson will also receive £106,985 by way of 'special dividend equivalents' in relation to the special dividends of (i) 65p per share paid on 8 October 2021, (ii) 37p per share paid on 18 March 2022, and (iii) 40p per share paid on 11 April 2023, as well as any further special dividend paid before the vesting date (if applicable). In each case these will be paid in shares. The number of additional shares to vest for Nick Wilkinson as a result is 9,440.

2 The value of this number of shares is included in the single figure for total remuneration for FY23 as set out in Table 1 on page 104, and the basis on which it has been calculated is set out in note 5 of Table 1. Vested shares must be retained in accordance with the shareholding guidelines set out in the Remuneration Policy.

Awards made to Directors under share incentive schemes in FY23 (audited)

LTIP awards were made on 27 October 2022 to Nick Wilkinson and Karen Witts as set out below:

Table 5 – LTIP awards made to Directors during FY23

Director	Award	Shares under award[1]	Face value at date of award (200% of salary)	Performance condition				Performance period	Vesting date
Nick Wilkinson	Nil-cost options under LTIP	139,765	£1,164,250	FY25 Diluted EPS (80% of opportunity)				July 2022 to June 2025	27 October 2025
				Threshold (10% vesting)	On-target (50% vesting)	Maximum (100% vesting)			
				83.4p	87.6p	103.4p			
				Non-financial measures[2] (20% of opportunity)					
				ESG metric 1 (5% vesting)	ESG metric 2 (5% vesting)	ESG metric 3 (5% vesting)	ESG metric 4 (5% vesting)		
Karen Witts	Nil-cost options under LTIP	108,043	£900,000	As above for Nick Wilkinson					

1 Based on the average closing share price between 24 and 26 October 2022 of 833p per share.

2 Four sustainability-based measures, each accounting for a quarter of this element of the award, on a simple pass or fail basis against target: (i) ESG metric 1 – reduction in Scope 1 greenhouse gas emissions per £m sales against a FY19 base (FY25 target – 32%); (ii) percentage of own brand cotton products which meet our 'More Responsibly Sourced Cotton' standard (FY25 target – 100%); (iii) reduction in plastic packaging of own brand products against FY20 base (FY25 target – 30%); and (iv) percentage of own brand products for which we offer an easy to use take-back service with a credible end-of-life solution in at least 90% of our superstore estate (FY25 target – 50%).

All of the shares vesting (after payment of tax and National Insurance) must be held for two years from the vesting date, and thereafter at least two-thirds of these must be held for the duration of employment. The Executive Directors are eligible to receive a 'special dividend equivalent' in relation to these awards, in respect of a special dividend of 40 pence per share paid on 11 April 2023 and any other special dividend paid before the awards vest.

Payments to past Directors and for loss of office (audited)

No payments were made to any former Director in the financial year or to any Director in respect of loss of office or the termination of his or her employment.

Remuneration Committee report continued

Statement of Directors' share interests

Under the current Directors' Remuneration Policy, Executive Directors are subject to a shareholding target which requires them to build a holding of Dunelm shares with a value of 1× salary after three years and 2× salary after five years (measured by reference to share price at the financial year end). Achievement against this requirement is set out in the table below, other than in the case of Sir Will Adderley who only receives a salary of £1 per year and for whom the requirement is therefore not relevant. The approach to shareholding requirements under the proposed Directors' Remuneration Policy for which approval will be sought at the 2023 AGM is set out on page 96.

Tables 6 and 7 show the interests of the Directors in shares of the Company at 1 July 2023.

Table 6 – Shareholdings of Directors and Persons Closely Associated with them (audited)

	At 1 July 2023 1p Ordinary Shares	At 2 July 2022 1p Ordinary Shares	Percentage of salary (where applicable)[1]	Shareholding target (where applicable)
Executives				
Nick Wilkinson	371,330	249,759	681%	1x salary by Feb 2021 2x salary by Feb 2023
Karen Witts	24,918	23,744	59%	1x salary by July 2025 2x salary by July 2027
Sir Will Adderley	76,371,779	76,371,779	N/A	N/A
Non-Executives				
Alison Brittain	37,500	N/A	N/A	N/A
Ian Bull	11,000	11,000	N/A	N/A
Kelly Devine	–	–	N/A	N/A
William Reeve	22,000	22,000	N/A	N/A
Peter Ruis	–	–	N/A	N/A
Marion Sears	105,000	105,000	N/A	N/A
Arja Taaveniku	6,000	6,000	N/A	N/A
Vijay Talwar	9,670	–	N/A	N/A
Andy Harrison[2]	488,017	454,811	N/A	N/A

1 Based on the closing share price of 1,121p on 1 July 2023 and base salary at 1 August 2023.

2 Position as at 31 December 2022 when Andy Harrison stepped down from the Board.

There have been no changes in the interests of each Director in the period from 2 July 2023 to the date of this report.

Table 7 – Directors' interests in share awards and options at the period end (audited)

All share awards and options held by the Executive Directors who served during the year, together with any movements, are shown below:

	Date of award	Name of award	Type of award	Share options/ awards at 2 July 2022	Share options/ awards granted during the year[1]	Share options/ awards vested and exercised during the year[1]	Share options/ awards lapsed/ cancelled during the year	Share options/ awards at 1 July 2023	End of performance period	Option price
Nick Wilkinson	October 2019	FY20-22 LTIP[3]	Share options	134,984	17,041	(152,025)[2]	–	–	June 2022	–
	November 2020	FY21-23 LTIP[3]	Share options	94,846	–	–	–	94,846	June 2023	–
	October 2021	FY22-24 LTIP[3]	Share options	89,078	–	–	–	89,078	June 2024	–
	October 2022	FY23-25 LTIP	Share options	–	139,765	–		139,765	June 2025	–
	November 2020	FY20[4] Share Bonus	Share award	5,797	477	(6,274)	–	–	N/A	–
	November 2020	FY21[4] Share Bonus	Share award	24,013	1,979	(25,992)	–	–	June 2021	–
	November 2021	FY22 Sharesave	Share options	1,720	–	–	(1,720)	–	N/A	1,046p
	November 2022	FY23 Sharesave	Share options	–	2,698	–	–	2,698	N/A	667p
Karen Witts	June 2022	FY22-24 LTIP	Share options	73,979	–	–	–	73,979	June 2024	–
	October 2022	FY23-25 LTIP	Share options	–	108,043	–	–	108,043	June 2025	–
	November 2022	FY23 Sharesave	Share options	–	2,698	–	–	2,698	n/a	667p

1 LTIP awards are eligible to receive a 'special dividend equivalent' in respect of any special dividend paid during the performance period applicable to the award and up to the date of vesting. The FY20 and FY21 Share Bonus awards were also eligible to receive a 'special dividend equivalent' in respect of any special dividend paid from date of grant up to the date of vesting. Dividend equivalent shares have been included where quantified.

2 During the year Nick Wilkinson exercised 152,025 nil-cost share options with a market value of 796p equalling a gain of £1,210,119.

3 Performance conditions in respect of the LTIP awards granted in FY20 and FY21 are set out in the FY21 Annual Report, and the performance conditions in respect to the award granted in FY22 are set out in the FY22 Annual Report.

4 Payment of bonuses earned for FY20 and FY21, which would normally have been paid in cash, were deferred in shares under a Share Bonus Award, with 50% vesting in September 2021 and 50% vesting in September 2022. During the year Nick Wilkinson received 32,266 shares with a market value of 713.5p equalling a gain of £230,218. No performance conditions were applied to the FY20 Share Bonus awards. The FY21 Share Bonus awards were subject to the performance conditions referred to on pages 155 to 158 of the FY21 Annual Report.

Remuneration Committee report continued

Share options and dilution limits

The Committee considers the provisions of the Investment Association's Guidelines on Executive Remuneration when determining the number of shares over which share scheme incentive awards may be made.

As at 1 July 2023 over the last ten-year period options have been granted over 3.8% of the Company's issued share capital (adjusted for share issuance and cancellation). The Group does not hold any shares in an employee benefit trust.

Service contracts

In accordance with the Group's policy, the service contracts of the Executive Directors have no fixed term. The notice period for termination is 12 months from either party for Sir Will Adderley, and six months for each of Nick Wilkinson and Karen Witts respectively. Service contracts for the Executive Directors include a non-compete arrangement. Payments on termination are restricted to a maximum of the value of base salary and benefits for the notice period. The Committee may apply mitigation in respect of any termination payment. Copies of the Executive Directors' service contracts are available for inspection at the Company's registered office.

The Non-Executive Directors have letters of appointment for an initial period of three years with a provision for termination on one month's notice from either party, or three months' notice from either party in the case of Alison Brittain, the Chair.

Table 8 – Directors' service contracts

	Start date	Expiry of current term	Notice period
Executives			
Nick Wilkinson	1 February 2018	N/A	6 months
Karen Witts	9 June 2022	N/A	6 months
Sir Will Adderley	28 September 2006	N/A	12 months
Non-executives			
Alison Brittain	7 September 2022	7 September 2025	3 months
Ian Bull	10 July 2019	10 July 2025	1 month
Kelly Devine	1 March 2022	1 March 2025	1 month
Williams Reeve	1 July 2015	1 July 2024	1 month
Peter Ruis	10 September 2015	10 September 2024	1 month
Marion Sears[1]	22 July 2004	22 July 2024	1 month
Arja Taaveniku	15 February 2021	15 February 2024	1 month
Vijay Talwar	1 October 2021	1 October 2024	1 month

1 Marion Sears has served more than nine years on the Board. Her contract is renewed for a one-year term (rather than three), with the notice period referred to above.

Total shareholder return performance and historic CEO remuneration

The graph below shows the Group's performance over ten years, measured by total shareholder return, compared with the FTSE 350 General Retail Index and the FTSE 250. The Committee has chosen these indices for comparison because they provide a range of comparator companies which have similar market capitalisation, which are in the same sector and face similar market and economic challenges in the long term.

Table 9 – Total shareholder return performance graph (rebased to 2 July 2013 = 100)

The shares traded in the range of 671p to 1,232p during the year and stood at 1,121.0p at 1 July 2023.

Factset as of 20 July 2023. Last ten years data on weekly frequency. FTSE 350 General Retail Index includes Dunelm.

The table below sets out the prescribed remuneration data for each of the individuals undertaking the role of Chief Executive Officer during each of the last ten financial years.

Table 10 – Historic Chief Executive Officer pay

		CEO single figure of total remuneration £'000	Annual bonus payment against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
FY23	Nick Wilkinson	1,985	46.0%	83.3%
FY22	Nick Wilkinson	2,511	90.0%	100.0%
FY21	Nick Wilkinson	3,756	81.2%	100.0%
FY20	Nick Wilkinson[1]	885	20.0%	19.8%
FY19	Nick Wilkinson	1,365	97.9%	N/A
FY18	Nick Wilkinson[2]	308	13.3%	N/A
FY18	John Browett[2,3]	429	N/A	N/A
FY17	John Browett	722	14.0%	N/A
FY16	John Browett[4]	489	57.7%	N/A
FY16	Sir Will Adderley[4]	10	N/A	N/A
FY15	Sir Will Adderley[5]	507	5.0%	N/A
FY15	Nick Wharton[5]	110	N/A	N/A
FY14	Nick Wharton[6]	1,509	22.5%	77.5%

1 During the period April to June 2020 inclusive, Nick Wilkinson took a voluntary 90% reduction in base salary.

2 John Browett left the Group on 29 August 2017. He was succeeded by Nick Wilkinson on 1 February 2018. The total figure for John Browett includes £322,120 in respect of salary and benefits paid for his six-month notice period. The data for each Director for FY18 is pro-rated by time of service as Chief Executive Officer.

3 No LTIP awards vested to John Browett during his tenure.

4 Sir Will Adderley was succeeded by John Browett as Chief Executive Officer on 1 January 2016. The data for each Director for FY16 is pro-rated by time of service as Chief Executive Officer. Sir Will Adderley's base salary was reduced to £1 on 1 July 2015.

5 Sir Will Adderley was reappointed Chief Executive Officer on 11 September 2014, following the resignation of Nick Wharton on 10 September 2014. The data for each Director for FY15 is pro-rated by time of service as Chief Executive Officer.

6 Nick Wharton's first LTIP award vested and was exercised in December 2013.

Remuneration Committee report continued

Statement of change in pay

The table below sets out the increase in total remuneration for each Director compared with other colleagues.

Table 11 – Change in Directors' pay compared with annual change in average employee's pay

	Percentage change in remuneration between FY22 and FY23			Percentage change in remuneration between FY21 and FY22			Percentage change in remuneration between FY20 and FY21			Percentage change in remuneration between FY19 and FY20		
	Salary and fees[1]	Benefits	Short-term incentive[2,3]	Salary and fees[1]	Benefits	Short-term incentive[2,3]	Salary and fees[1]	Benefits	Short-term incentive[2,3]	Salary and fees[1]	Benefits	Short-term incentive[2,3]
Executives												
Nick Wilkinson[4]	0.3%	0.0%	(48.8%)	3.4%	(4.3%)	14.6%	1.8%	3.6%	313.0%	2.0%	(55.6%)	(79.2%)
Karen Witts	0.0%	0.0%	(33.7%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sir Will Adderley	0.0%	0.0%	N/A	0.0%	0.0%	N/A	0%	(4.8%)	N/A	0.0%	0.0%	N/A
Non-Executives												
Alison Brittain[5]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ian Bull	3.9%	N/A	N/A	2.7%	N/A	N/A	0%	N/A	N/A	2.0%	N/A	N/A
Kelly Devine	3.9%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Andy Harrison	0.0%	N/A	N/A	0.0%	N/A	N/A	N/A	N/A	N/A	2.0%	N/A	N/A
Williams Reeve[6]	3.9%	N/A	N/A	4.5%	N/A	N/A	8.4%	N/A	N/A	2.2%	N/A	N/A
Peter Ruis	4.0%	N/A	N/A	3.2%	N/A	N/A	0%	N/A	N/A	2.0%	N/A	N/A
Marion Sears	4.0%	N/A	N/A	3.2%	N/A	N/A	0%	N/A	N/A	2.0%	N/A	N/A
Arja Taaveniku	3.7%	N/A	N/A	3.2%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vijay Talwar	3.7%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
All colleagues[7,8]	7.2%	1.9%	(36.6%)	4.9%	0.8%	(4.7%)	4.4%	0%	145.4%	3.5%	0%	(42.7%)

1 Directors' remuneration is based on contractual salary or fees as appropriate and does not take account of the voluntary salary reductions of 90% of Nick Wilkinson between April and June 2020 inclusive, or the waiver by all other Directors of 100% of their fees for this period.

2 Short-term incentive percentage has been calculated in relation to only those colleagues eligible to receive a bonus in the period as this is considered a more appropriate comparator group. All colleagues' short-term incentives include a one-off £250 'thank you' payment to all colleagues not usually eligible for a bonus in respect of FY20 and the 'thank you' payment of between £250 and £350 made to colleagues not usually eligible for a bonus in respect of FY21.

3 The difference between the increase in short-term incentives of the Directors and the 'all colleagues' rate reflects the strong performance of the business, and the fact that a higher proportion of the Directors' pay is performance-related.

4 The decrease in benefits for Nick Wilkinson in FY22 is due to benefits received in lieu of holiday in FY21 which were not received in FY22.

5 No comparator data is provided for Alison Brittain as she joined Dunelm during FY23.

6 The increase in William Reeve's fee in FY21 is due to the assumption of responsibilities as Senior Independent Director.

7 All colleagues' salary increase is calculated only for colleagues employed for the whole of the financial year.

8 Comparisons have been made against colleague pay across the entire Group as the parent company employs a limited number of individuals.

CEO pay ratio

There are three permissible methods available to calculate the CEO pay ratio, which are outlined below:

Option	Method
A	Determining the total full term equivalent remuneration for all UK employees. Rank from low to high. Identify the colleagues at 25th percentile, 50th percentile and 75th percentile.
B	Identify the colleagues at 25th, 50th and 75th percentile, using the Gender Pay Gap Reporting.
C	Use a different data set, but calculate in the same way as the Gender Pay Gap Reporting.

Option A is considered the most statistically accurate method and therefore we have opted for this method. The data used to identify the colleagues at 25th percentile, 50th percentile and 75th percentile was taken on 5 April 2023.

The table below shows the ratio of actual pay of Nick Wilkinson, CEO, to other colleagues. Full-year pay data has been used to calculate these ratios and the elements included are based on the CEO single figure remuneration in Table 1. We have used a 40-hour week in order to consistently calculate the annual salary for everyone, converting hourly rate of pay into a full-time equivalent salary, to ensure a direct comparison.

Table 12 – CEO pay ratio

Financial year	Method	25th percentile pay	50th percentile pay	75th percentile pay
FY23	Option A	93:1	87:1	67:1
FY23 Base salary		£20,864	£22,334	£28,811
FY23 Total pay and benefits		£21,445	£22,880	£29,682
FY22	Option A	124:1	121:1	112:1
FY21	Option A	204:1	204:1	186:1
FY20 (Based on actual remuneration – including Nick's 90% pay reduction during the period April to June 2020)	Option A	54:1	47:1	38:1
FY20 (Based on contractual remuneration)	Option A	62:1	53:1	43:1

Commentary:

The Committee considered whether the median pay ratio for the year is consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole, and concluded that it is, for the following reasons:

- The pay gap has significantly reduced, compared to the previous year. The main difference is the CEO bonus outcome for FY23 at 46% of maximum opportunity being lower than last year.
- The CEO's LTIP is vesting at 83% this year, which is a lower percentage than last year.
- The colleagues at the 25th, 50th and 75th percentile are hourly paid colleagues. This reflects that c.80% of our colleague base are employed in hourly-paid roles.
- The median pay ratio is considered appropriate and consistent with the pay and reward policies for the Company's UK employees. Our remuneration strategy is based on paying median to market for salary, to reward strong performance and focus on long-term value creation. The CEO remuneration is reflective of this, as his pay has a larger quantum in variable pay.
- In comparison we pay our hourly-paid colleagues upper median or above versus the market and have invested to improve our pay position for these colleagues in FY23.

Remuneration Committee report continued

Relative spend on pay

The table below shows the all employee pay cost, returns to shareholders by way of dividends (including special dividends) and share buyback for FY23 and FY22.

Table 13 – Relative spend on pay

	FY23 £'m	FY22 £'m	% change
Total spend on pay	**214.3**	194.9	10.0%
Ordinary dividend to shareholders	**82.6**	75.1	10.0%
Distributions to shareholders via treasury share purchases	**7.0**	28.3	(75.3%)
Special distributions to shareholders	**80.7**	207.0	(61.0%)
Total distributions to shareholders	**170.3**	310.4	(45.1%)

This information is based on the following:

- Total spend on pay – total employee costs excluding car and travel allowances and bonuses from note 4 on page 144.
- Dividends taken from note 7 on page 146.

Executive Director external board appointments

Nick Wilkinson is a trustee of Rewilding Britain. Karen Witts is a Non-Executive Director of Ipsen Pharma SA. Sir Will Adderley is a Director of WA Capital Limited.

Statement of implementation of policy in the FY24 financial year

Base salary and benefits for each of the Executive Directors for FY24 are set out in the table below.

Table 14 – Executive Directors fixed remuneration

	Base salary	Increase to base salary YoY	Benefits	Increase to benefits YoY	Pension	Change to pension contribution YoY
Nick Wilkinson	611,100	5.0%	50,555	6.3%	18,333	Nil
Karen Witts	472,500	5.0%	38,000	Nil	14,175	Nil
Sir Will Adderley	1	Nil	20,000	Nil	Nil	N/A

Base salary

The Committee determined that the Executive Directors performed strongly throughout the year, and this has been reflected in the financial performance of the Group. Further to this, the Committee approved a 5% increase in base salary for each of the CEO and CFO in line with the increases given to senior management. In making its decision, the Committee took into account the median pay award made to the wider colleague population of 9.6% and stakeholder considerations, including the feedback on Executive pay received from the National Colleague Voice. In implementing the increase, Nick's base pay remains positioned around the lower quartile versus our peers and Karen's base pay remains positioned at median for the top 50 companies in the FTSE 250.

Sir Will Adderley has asked that he not be considered for a pay increase.

Pension

The pension entitlement for both Nick Wilkinson and Karen Witts is 3% of base salary, which is in line with the current workforce average.

FY24 annual bonus

Nick Wilkinson has been awarded a bonus opportunity of up to 150% of salary (subject to approval of, and in line with, our new Policy) and Karen Witts has been awarded a bonus opportunity of up to 125% of base salary. The performance conditions attached to their respective bonuses are:

- 50% linked to achievement of budget PBT.
- 25% linked to achievement of budget sales.
- 25% linked to achievement of strategic and personal targets, aligned to the Group strategy, and including environmental, social and governance measures.

The budget sales and PBT are set taking into account market consensus and broker expectations. The actual financial and strategic targets have not been disclosed at this time as they are commercially sensitive. The targets and an assessment of the extent to which they have been achieved will be disclosed in next year's Remuneration Committee report.

Whilst the Policy enables bonus vesting levels at up to 10% of maximum at threshold and 50% for on-target performance, for FY24 this will apply only in respect of sales, with PBT remaining at 5% of maximum at threshold and 40% for on-target performance (and PBT moving to up to 10% of maximum at threshold and 50% for on-target performance in FY25).

Nick Wilkinson and Karen Witts have contractually committed that two-thirds of the bonus earned (after payment of income tax and National Insurance) will be invested in Dunelm shares, to be held for the duration of employment. This is also in line with our Policy. Shares held on termination of employment will be retained for up to a minimum of two years as required by the shareholding requirements set out in the Policy.

Sir Will Adderley has asked that he not be considered for a bonus award.

LTIP FY24-26

Subject to the approval of, and in line with, our proposed new Policy, and subject to shareholder approval of the proposed amendments to the LTIP rules at this year's AGM, an award is expected to be made in November 2023 under the LTIP over shares to the value of 225% of salary to Nick Wilkinson and 200% of salary to Karen Witts. The award will vest, subject to continued employment, on the third anniversary of the grant date, to the extent that performance conditions have been met. All of the vested shares (after sales to cover tax and National Insurance liability on exercise) must be retained for two years after vesting, after which one-third of these may be sold and the remainder must be retained for the duration of employment. Shares held on termination of employment will be retained for a minimum of two years as required by the shareholding requirements set out in the Policy. Our current intention is that the FY24-26 LTIP awards will be granted in line with our standard approach (with the number of shares to be awarded based on the average share price for the three business days preceding grant) and we will review the final outturn to ensure that there have not been any windfall gains. This is in addition to the performance underpin and review of the final outturn to ensure it is warranted based on shareholder experience over the performance period.

The performance criteria that apply to the award were set by the Committee in line with the new Policy subject to shareholder approval, and are as follows:

Financial measures: 80% of the award

Percentage of this element of the FY24-26 award vesting[1]	Nil	Threshold 10%	On-target 50%	Maximum 100%
FY26 Diluted EPS	Less than 78p	78p	83p	100.0p or more

1 Performance between each of these percentage thresholds will be calculated on a straight-line basis.

Remuneration Committee report continued

Non-financial measures: 20% of the award

Measure	FY26 target	% of LTIP award
Reduction in Scope 1 greenhouse gas emissions per £m sales	-59.3%	6.67%
Percentage of own brand cotton products which meet our 'More Responsibly Sourced Cotton' standard	100%	6.67%
Percentage of role-model leadership roles filled by ethnically diverse colleagues	8%	6.67%

These targets were chosen because they are aligned to our strategy and long-term targets, and they cover areas where we are able to make the most impact on the environment and provide the most benefit to our customers and our communities.

Reduction of our Scope 1 greenhouse gas emissions will enable us to reduce our impact on climate change in line with our Pathway to Zero commitment. Cotton products account for approximately half of Dunelm's carbon footprint. Cotton which meets our 'More Responsibly Sourced' standard will have a lower carbon footprint, as well as using less water and meeting our ethical/social standards.

This year, the Committee decided to remove our reduction in plastic packaging and take-back service targets on the basis that our work in these areas is progressing well and, in the case of the former, is subject in any event to regulatory requirements. Its view was that the focus should continue to be on those areas where a step-change is required to meet our ambitions. This in no way diminishes the importance of other targets, but takes into account the outcome of stakeholder engagement as well as our desire to ensure that we continue to live our shared values. As a result, these measures have been replaced with an ethnicity target whereby 8% of our role-model leadership roles shall be held by ethnically diverse colleagues by the end of FY26. The Committee has set stretching meet/fail targets rather than setting a target range in order to incentivise management to make significant progress in delivering these important objectives.

Sir Will Adderley has asked that he not be considered for an LTIP award.

Sharesave

An invitation will be issued in October 2023 to all eligible employees to apply for options to be granted under the Sharesave scheme at a 20% discount to the average closing market price of Dunelm shares on the three dealing days preceding the issue of the invitation. The maximum monthly savings will be £500 per month. Executive Directors employed at the eligibility date may apply for Sharesave options, subject to the plan rules.

Non-Executive Director fees for FY24

Fees to be paid to Non-Executive Directors in FY24 are as set out in the table below:

Table 15 – Non-Executive Director fees

	Position	Base fee	Committee Chair/SID fee	Increase in base fee year-on-year	Increase in Committee/SID fee year-on-year
Alison Brittain	Chair	£337,177	N/A	5.0%	N/A
Ian Bull	Audit and Risk Committee Chair	£58,490	£11,316	5.0%	5.0%
Kelly Devine	Non-Executive Director	£58,490	N/A	5.0%	N/A
William Reeve	Remuneration Committee Chair	£58,490	£11,316	5.0%	5.0%
	Senior Independent Director (SID)	–	£7,190	5.0%	5.0%
Peter Ruis	Non-Executive Director	£58,490	N/A	5.0%	N/A
Marion Sears	Non-Executive Director	£58,490	N/A	5.0%	N/A
Arja Taaveniku	Non-Executive Director	£58,490	N/A	5.0%	N/A
Vijay Talwar	Non-Executive Director	£58,490	N/A	5.0%	N/A

Fees above are for the full year and reflect Board responsibilities at the date of this report.

Statement of shareholder voting

At the Annual General Meeting on 30 November 2022, the total number of shares in issue with voting rights (excluding treasury shares) was 201,361,214. Details of voting on remuneration-related resolution is set out below:

Resolution	Votes for	% of votes cast	Votes against	% of votes cast	Votes withheld	% withheld
Approve Annual Remuneration Report	177,668,641	99.77	408,268	0.23	3,114,149	1.55

At the Annual General Meeting on 17 November 2020, the total number of shares in issue with voting rights (excluding treasury shares) was 202,354,357. Details of voting on the remuneration policy resolution is set out below:

Resolution	Votes for	% of votes cast	Votes against	% of votes cast	Votes withheld	% withheld
Approve Directors' Remuneration Policy	185,828,351	99.9	21,010	0.01	248,318	0.13

Advisers

The UK Executive Compensation practice of Deloitte provides general advice on executive remuneration to the Committee and access to external information and research on market data and trends. They were appointed by the Committee following a review against other providers in the market. Deloitte are signatories to the Remuneration Consultants' Code of Conduct, which requires their advice to be impartial, and they have confirmed their compliance with the Code to the Committee.

Total fees paid to Deloitte for remuneration-related work in the year were £30,150 (FY22: £14,850) which was a mixture of fixed fees and time spent basis, depending on the work conducted.

Risk Advisory and Consulting teams within Deloitte (outside of its UK Executive Compensation practice) provided non-remuneration-related consultancy services in the year. In each case, the appointment of Deloitte was made based on Deloitte's expertise in the particular area, on an arm's length basis and without reference to the fact that Deloitte also provides remuneration advice. Having considered the fees paid to Deloitte for non- remuneration-related work, the Committee is satisfied that the remuneration advice that they have received from Deloitte in the year has been objective and independent.

Gender pay disclosures

Dunelm's purpose is 'To help create the joy of truly feeling at home, now and for generations to come.' We want everyone to feel that Dunelm is a place for them, and this applies equally for our colleagues and customers. Diversity, inclusion, and more generally the wellbeing of our colleagues, are high on our agenda. We want all colleagues to feel they can grow with Dunelm and that they are welcome. Improving our gender balance remains one of our commitments.

The Committee supports gender pay reporting and the actions taken in the business to drive gender balance, supporting a culture of inclusion. Dunelm published its sixth Gender Pay Gap Report in April 2023, and an overview is provided in our Sustainability Report 2023. Both documents are available to download at corporate.dunelm.com.

Remuneration Committee report continued

Engaging with our colleagues on pay

In May 2023, the National Colleague Voice ('NCV') allocated a full meeting to a discussion on pay and reward. The meeting was well attended by representatives from across the business with a 43%:57% male/female gender split and ethnic diversity representation of 21%. The meeting was led by members of our People Team who were joined by Marion Sears, our designated Non-Executive Director for colleague matters, and William Reeve, Chair of the Remuneration Committee. It was also attended by the Group General Counsel and Company Secretary. The meeting covered two key topics as follows:

Topic 1: Engaging on colleague reward and pay

Representatives from each part of the business were invited to share feedback on reward and pay gathered from colleagues ahead of the meeting. Overall, colleagues were pleased with our general reward packages and those who have access to a computer make good use of online access to our total reward system and access to benefits. However, the meeting discussed that store colleagues and drivers do not always have the same ease of access and have requested further consideration as to how this can be achieved. Other areas of discussion were the possibility of reviewing the Company's approach to sick leave pay and eligibility for the bonus scheme at a support analyst level.

There was also a discussion on cost of living, and notably that the effects of a higher cost of living are more acutely felt by store colleagues who are impacted by the availability of overtime. As a result of this discussion, management determined to define more specifically the most-affected colleague population to review whether a different approach might be adopted and consider further improvements we can make to our communication more generally around business performance and more personally to colleagues about the other assistance that is available for anyone experiencing hardship.

Topic 2: Engaging on Board remuneration

William Reeve provided an overview of the remit of the Committee, core elements of Dunelm's proposed new Remuneration Policy and the context in which the Committee takes decisions. It was explained that the Committee is held to account through shareholder voting and that for the Executive Team, and most of our senior leadership, reward is related to business performance. The fixed and variable reward elements for different role levels were highlighted, as was the requirement for a significant proportion of reward to be held in shares, to ensure shareholder alignment and in keeping with our shared values. Feedback on our executive pay was positive, with NCV colleagues recognising the desire to pay appropriately for good leadership, the level of care and scrutiny exercised by the Committee and its long-term thinking. It was noted that colleagues' acceptance of executive pay is linked to business performance, colleague job security and workforce pay, and if Dunelm's circumstances changed, colleagues would feel it inappropriate for our leaders to receive a high level of pay/bonus. It was also noted that our colleagues consider strong leadership to include having compassion and being proactive.

For more information on the NCV and its other activities during the year see page 32.

Committee effectiveness

The effectiveness of the Committee was considered as part of this year's Board evaluation process, more details of which can be found on page 78. The review concluded that the Committee continues to operate effectively and having considered the findings, it was agreed that particular areas of focus during the forthcoming year should be:

1. Reflecting on measures used to determine performance, alignment of management incentives and approach to retention following implementation of the new Policy (subject to shareholder approval) and refresh of the 'Plan on a Page';
2. A deep dive into gender pay gap data and reporting; and
3. Preparing for an effective handover to a new Chair at the appropriate time.

Approved by the Board on 20 September 2023.

William Reeve
Chair of the Remuneration Committee

Directors' report

The Directors present their report together with the audited financial statements for the period ended 1 July 2023.

Disclosures that are relevant to the Directors' report have been incorporated by reference and can be found elsewhere within the Annual Report and Accounts as noted below.

Strategic report

The Group's Strategic report is set out on pages 1 to 55. It contains an indication of likely future developments in the business of the Company and the Group.

Corporate governance

Our Governance report on pages 58 to 118 explains how we have applied the Principles set out in the UK Corporate Governance Code published in July 2018 (the 'Code'). Our Code compliance statement can be found on page 59.

Sustainability reporting

For information on the Group's approach to environmental, social and governance matters, see Sustainability on pages 26 and 27, our TCFD report on pages 40 to 47 which includes the Streamlined Energy and Carbon Reporting disclosures, and our Sustainability Report 2023, available at corporate.dunelm.com.

Results and dividends

The consolidated profit of the Group for the year after taxation was £151.9m (2022: £171.2m). The results are discussed in greater detail in the CFO's review on pages 22 to 25.

A final ordinary dividend of 27p per share (2022: 26p per share) is proposed in respect of the period ended 1 July 2023, to add to a special dividend of 40p per share paid on 11 April 2023 (2022: £1.02 pence in total) and an interim ordinary dividend of 15p per share paid on 11 April 2023 (2022: 14p per share). The final dividend will be paid on 20 November 2023 to shareholders on the register at 27 October 2023.

Information to be disclosed under LR 9.8.4R

The majority of the disclosures required under LR 9.8.4 are not applicable to Dunelm. The table below sets out the location of those requirements that are applicable:

Applicable sub-paragraph within LR 9.8.4	Disclosure provided
(4) Long-term incentive schemes	pages 107, 115 and 116
(14) A statement made by the Board that the Company has entered into an agreement under LR 9.2.2A, that the Company has, and as far as it is aware, the other parties to the agreement have, complied with the agreement.	'Shareholder and voting rights' below.

Treasury and risk management

The Group's approach to treasury and financial risk management, including its use of hedging instruments, is explained in the principal risks and uncertainties section on page 54 and note 17 of the financial statements.

Stakeholder engagement

Details of how the Directors have engaged with employees and other stakeholders, and had regard to the interests of colleagues and the need to foster the Company's business relationships with suppliers, customers and others and the effect of that regard, including on the principal decisions taken by the Company during the financial year, are set out in the Strategic report on pages 30 to 34, with complementary information in the Governance report on pages 68 to 71. Our s172(1) Companies Act 2006 statement can be found on page 35.

Employee information

Information relating to employees of the Group is set out in the Nominations Committee report, with more information in our Sustainability Report 2023.

The Company is clear in its policy that people with health conditions, both visible and non-visible, will have a full and fair consideration for all vacancies. Dunelm continues to demonstrate its commitment to interviewing applicants with disabilities who fulfil the minimum criteria for the role and endeavours to retain colleagues in roles in the business if they become disabled during their employment. Dunelm will actively look to put into place reasonable adjustments that may be required by the colleague to allow them to thrive and belong at Dunelm.

Share incentive schemes in which employees participate are described in the Remuneration Committee report on page 101.

Shareholder and voting rights

All members who hold Ordinary Shares are entitled to attend and vote at the Annual General Meeting. On a show of hands at a general meeting every member present in person shall have one vote and, on a poll, every member present in person or by proxy shall have one vote for every Ordinary Share held. There are no special voting rights attached to any of the Company's shares.

In order to be passed, an ordinary resolution of the Company must be supported by at least 50% of the votes cast at a shareholders' meeting, and a special resolution by at least 75% of votes cast.

Directors' report continued

On 2 October 2006, Jean Adderley, Bill Adderley and Sir Will Adderley (all shareholders at that time) entered into a Relationship Agreement with the Company, pursuant to which each of Jean Adderley, Bill Adderley and Sir Will Adderley undertook to the Company that, for so long as, individually or together, they are entitled to exercise, or to control the exercise of, 30% or more of the rights to vote at general meetings of the Company or they are able to control the appointment of Directors who are able to exercise a majority of votes at Board meetings of the Company, they will:

- Conduct all transactions and relationships with any member of the Group on arm's length terms and on a normal commercial basis.
- Not take any action which precludes or inhibits any member of the Group from carrying on its business independently of Jean and Bill Adderley, Sir Will Adderley and their associates (as defined in the Listing Rules).
- Not exercise any of their voting rights or other powers to procure any amendment to the Articles of Association of the Company which would be inconsistent with or undermine any of the provisions of the Relationship Agreement.
- Abstain from voting on any resolution to which LR11.1.7.R(4) of the Listing Rules applies involving Jean Adderley, Bill Adderley or Sir Will Adderley or any of their associates as the related party.
- Not carry on (other than through their holding of securities of the Company) or have any financial interest (other than a financial interest in securities which are held for investment purposes only) in any person who carries on a business as a homewares retailer, to the extent that it would be inconsistent with or undermine any provisions of the Relationship Agreement.
- Only enter into, amend or terminate any transaction, agreement or relationship between themselves or any of their associates and any member of the Group with the approval of a majority of the independent Non-Executive Directors.

WA Capital Limited and Lady Nadine Adderley, to whom Sir Will Adderley transferred shares by way of a gift, have subsequently become parties to this agreement.

In July 2014, the Relationship Agreement was amended so as to comply with Listing Rule LR 9.2.2A(2)(a), which came into effect on 16 May 2014 (as at 1 January 2018 this reference is LR 9.2.2AD R(1)). The following additional undertakings were given by the parties:

- No action will be taken that would have the effect of preventing the Company from complying with its obligations under the Listing Rules.
- No resolution will be proposed, or procured to be proposed, which is intended to, or appears to be intended to circumvent the proper application of the Listing Rules.

In addition, the Articles of Association of the Company provide that the election and re-election of Independent Directors must be conducted in accordance with the election provisions set out in LR 9.2.2ER and LR 9.2.2FR.

The Company confirms that it has complied with its obligations under the Relationship Agreement during the financial period under review, and that so far as it is aware, all other parties to that agreement have complied with it.

The Company confirms that there are no contracts of significance between any member of the Group and any of the parties to the Relationship Agreement, with the exception of Sir Will Adderley's service agreement as a Director of the Company, the terms of which are outlined in the Remuneration Committee report.

There are no restrictions on the transfer of Ordinary Shares in the Company other than certain restrictions imposed by laws and regulations (such as insider trading and marketing requirements relating to closed periods) and requirements of the Listing Rules whereby Directors and certain employees of the Company require Board approval to deal in the Company's securities.

Change of control

The Company is not party to any significant agreements which take effect, alter or terminate solely on a change of control of the Company following a takeover bid.

There are no agreements between the Company and its Directors or employees providing for additional compensation for loss of office or employment (whether through resignation, redundancy or otherwise) that occurs because of a takeover bid.

Details of the rights of employees to exercise options on a change of control of the Company are set out in the Remuneration Policy section of this report.

Share capital and treasury shares

The Company has only one class of shares, Ordinary Shares of 1p each. As at 1 July 2023, its capital comprised 203,426,835 (2022: 203,426,835) fully paid Ordinary shares of 1p each.

At the 2022 Annual General Meeting, shareholders renewed the Directors' authority to allot shares in the Company. No shares were allotted during the year. A resolution to renew the standard authority will be proposed at the 2023 Annual General Meeting.

At 1 July 2023, the Company held 1,712,790 Ordinary Shares in treasury (2022: 1,686,200).

During the year ended 1 July 2023 the Company purchased 908,064 Ordinary Shares for a total consideration of £6,969,509 and these shares are held in treasury with no voting or dividend rights. 881,474 shares were transferred to employees who exercised options under a share incentive scheme or under the LTIP scheme. Details of option exercises by Directors are set out in the Remuneration Committee report.

Since the financial year end, 16,914 Ordinary Shares have been moved out of treasury to employees who exercised options under a share incentive scheme.

Further details on the Company's share capital are set out in note 20 to the financial statements.

Substantial shareholders

At 1 July 2023 the Company had been notified under the Disclosure and Transparency Rules (DTR 5) of the following notifiable interests in the Company's issued share capital. The information provided below was correct at the date of notification. These holdings are likely to have changed since the Company was notified; however, notification of any change is not required until the next notifiable threshold is crossed. No further notifications have been received since year end.

	Ordinary Shares	Percentage of share capital	Date of notification
Sir Will Adderley	76,371,779	37.8	15 February 2021
Jean Adderley	9,968,500	4.92	7 July 2021
abrdn plc	9,565,468	4.74	22 March 2018
JP Morgan Asset Management Holdings Inc	10,936,894	5.43	11 December 2022
Jupiter Fund Management PLC	10,044,063	4.95	6 January 2022
Royal London Asset Management Limited	9,907,809	4.91	13 July 2018

Sir Will Adderley is also deemed to hold a legal interest in 967,250 Ordinary Shares held by the Stoneygate Trust and 172,750 Ordinary Shares held by the Paddocks Discretionary Trust, by virtue of the fact that he is a trustee of those trusts.

Directors and officers

Details of the Directors of the Company who served on the Board during the year can be found on page 60. The biographies of the Directors on the Board at the date of this report are set out on pages 61 to 63. Details of changes to the Board during the period are set out on page 62. Details of the interests of the Directors in shares of the Company can be found in the Annual Report on Remuneration on page 108.

On 1 December 2022, Dawn Durrant stepped down as Company Secretary and Luisa Wright was appointed.

Powers of Directors

The business of the Company is managed by the Board, which may exercise all of the powers of the Company, subject to the requirements of the Companies Act, the Articles of Association of the Company and any special resolution of the Company. As stated in the Governance report on page 66, the Board has adopted internal delegations of authority in accordance with the Code and these set out matters which are reserved to the Board or Committees and the powers and duties of the Chair, the Deputy Chair and the Chief Executive Officer respectively.

Appointment and removal of Directors

The Articles of Association of the Company provide that a Director may be appointed by ordinary resolution of the Company's shareholders in a general meeting, or by the Board so long as the Director stands down and offers him or herself for election at the next Annual General Meeting of the Company.

The Board's policy is that all Directors are subject to annual re-election and therefore should stand down and offer themselves for re-election at each Annual General Meeting. The Articles also provide that each Director must stand down and offer him or herself for re-election by shareholders at the Annual General Meeting at least every three years.

The Nominations Committee makes recommendations to the Board on the appointment and removal of Directors.

Directors may be removed by a special resolution of shareholders, or by an ordinary resolution of which special notice has been given in accordance with the Companies Act 2006. The Articles also provide that the office of a Director shall be vacated if they are prohibited by law from being a Director, or are declared bankrupt; and that the Board may resolve that his or her office be vacated if he or she is of unsound mind or is absent from Board meetings without consent for six months or more. A Director may also resign from the Board.

Indemnities and insurance

The Company has granted indemnities to each of its Directors and the Company Secretary to the extent permitted by law in respect of costs of defending claims against them and third-party liabilities. Deeds of indemnity in favour of Alison Brittain and Luisa Wright were entered into during the year following their appointments as Non-Executive Director and Company Secretary respectively.

All indemnities, the provisions of which are deemed to be qualifying third-party indemnity provisions pursuant to section 234 of the Act, were in force throughout FY23 (or, in the case of Alison Brittain and Luisa Wright, from the date of their respective appointments and thereafter for the remainder of FY23) and remain in force as at the date of this report.

A copy of each indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Company's Annual General Meeting.

The Group maintained Directors' and Officers' liability insurance cover for its Directors and officers as permitted under the Articles of the Company and the Companies Act 2006 throughout the financial year.

Directors' report continued

Managing conflicts of interest and related-party matters

The Companies Act 2006 allows the Board of a public company to authorise conflicts and potential conflicts of interest of individual Directors where the Articles of Association contain a provision to that effect. The Company's Articles of Association give the Board this authority subject to the following safeguards:

- Directors who have an interest in matters under discussion at a Board meeting must declare that interest and abstain from voting.
- Only Directors who have no interest in the matter being considered are able to approve a conflict of interest and, in taking that decision, the Directors must act in a way they consider, in good faith, would be most likely to promote the success of the Company.
- The Directors are able to impose limits or conditions when giving authorisation if they feel this is appropriate.

Directors are required to disclose any actual or potential conflicts of interests to the Board immediately when they arise. In addition, a formal process is undertaken each year when all Directors confirm to the Board details of any other directorships and confirm relevant information in connection with related parties.

Further to the above, the Board believes it has effective procedures in place to monitor and manage conflicts of interest and ensure that any related party transactions involving Directors or their connected persons are conducted on an arm's length basis.

Donations

The Group does not make any political donations.

Public policy

We are members of the British Retail Consortium and support relevant campaigning activity by that body. During the year we have not taken part in any direct lobbying or public policy activity.

Articles of association

The Company's Articles of Association may only be amended, or new articles adopted, by a special resolution of shareholders.

Independent auditors

In accordance with section 489 of the Companies Act 2006 and the recommendation of the Audit and Risk Committee, a resolution will be proposed at the 2023 AGM to reappoint PricewaterhouseCoopers LLP as external auditor of the Group.

Important events since 1 July 2023

There have been no important events affecting the Company or any subsidiary since 1 July 2023.

Disclaimer

This Directors' report, Strategic report and the financial statements contain 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 Directors' report, the Strategic report or in these financial statements should be construed as a profit forecast.

This document also 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.

Annual General Meeting

The Annual General Meeting will be held at 11:30am on Thursday 16 November 2023 at the Stoke 2 Distribution Centre, White Rock Road, Prologis Park, Stoke-on-Trent, ST4 4FA.

A formal notice of meeting, explanatory circular and a form of proxy will accompany this Annual Report and financial statements.

This report was reviewed and signed by order of the Board on 20 September 2023.

Luisa Wright
Company Secretary
20 September 2023

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and Accounts 2023 in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the Directors, whose names and functions are listed in the Governance report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the parent company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the parent company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

Disclosure of information to the auditors

Each Director in office at the date on which the Directors' report is approved confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Nick Wilkinson
Chief Executive Officer
20 September 2023

Seizing the opportunity

to spread happiness

In this section


My First Sticker Book
Fairie

Independent auditors' report

to the members of Dunelm Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Dunelm Group plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 1 July 2023 and of the group's profit and the group's cash flows for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated statement of financial position and parent company statement of financial position as at 1 July 2023; the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and parent company statement of changes in equity for the period then ended; the accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 3, we have provided no non-audit services to the parent company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The group is structured with one segment which comprises a consolidation of the parent company and eight additional components.
- For the purposes of the group financial statements, we conducted an audit of the complete financial information of one financially significant component, together with additional procedures performed centrally including the group consolidation.
- We separately audited the parent company financial statements.

Key audit matters

- Inventory provisions (group)
- Recoverability of investments in subsidiary undertakings (parent)

Materiality

- Overall group materiality: £9,635,000 (2022: £10,640,000) based on 5% of profit before tax.
- Overall parent company materiality: £2,300,000 (2022: £1,600,000) based on 1% of total assets.
- Performance materiality: £7,225,000 (2022: £8,000,000) (group) and £1,725,000 (2022: £1,200,000) (parent company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Inventory provisions (group) Refer to the Audit and Risk Committee Report, the Accounting Policies, Note 3 (Operating Profit) and Note 13 (Inventories) to the Consolidated Financial Statements. Inventory represents a significant asset on the Group's balance sheet and is carried at the lower of cost and net realisable value ("NRV"). The Group's accounting policy is to determine a provision based upon: the historic negative margin of the type of inventory, by ageing category, which is calculated by analysing the historic sales price compared to the cost of inventory, and applying a percentage provision to each line of inventory; and a further provision for 'at risk' lines where the calculated provision was not considered to be sufficient.	We tested sales made post period-end to assess whether inventory items were held at the lower of cost and NRV. We examined inventory write-offs in the financial period to assess whether they are consistent with the key assumptions used in the inventory provision model at the year end. We tested the inputs to the provision calculation, including the classification of inventory and sales data for each of the ageing categories from the Buying department, which is segregated from the Finance department. We tested the average cost of inventory by agreeing a sample of inputs to source documentation and testing freight and duty costs. We consider management's conclusion that there are no indicators of impairment to be appropriate. We tested the integrity of the provision model to ensure that it was using the underlying data correctly and calculating provision amounts accurately. We challenged management's assumptions on what they deemed the 'at risk' inventory lines were, and corroborated whether these lines were at risk with the Merchandising team. We also independently challenged the completeness of the 'at risk' lines based on our understanding of the nature of the group's inventory lines. We found that the NRV provision against inventory was consistent with the evidence obtained
Recoverability of investments in subsidiary undertakings (parent) Refer to note 4 (Investments) to the Parent Company Financial Statements. In accordance with IAS 36 (Impairment of assets), the Parent Company's investments balance of £68.8m (FY22: £64.8m) should be carried at no more than its recoverable amount, being the higher of fair value less costs to sell and its value in use. IAS 36 requires an entity to determine whether there are indications that an impairment loss may have occurred and if so, make a formal estimate of the recoverable amount.	We evaluated whether any indications that an impairment loss may have occurred in relation to the Parent Company's investments balance with specific consideration given to the following: the market capitalisation of the Group is significantly in excess of the investments balance, noting that substantially all of the market capitalisation is considered to be in relation to one indirect subsidiary (Dunelm (Soft Furnishings) Ltd) of the Parent Company; the trading results of Dunelm (Soft Furnishings) Ltd are not worse than expected and are not expected to be worse in future periods; and there have not been and are not expected to be any significant changes with an adverse impact in relation to the technological, market, economic or legal environment in which this indirect subsidiary operates. We consider management's conclusion that there are no indicators of impairment to be appropriate.

Independent auditors' report continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The group is structured with one reporting segment which comprises a consolidation of the parent company and eight additional components.

In establishing the overall approach to the group audit, we identified one component: Dunelm (Soft Furnishings) Limited, which, as the sole trading legal entity in the Group, required an audit of its complete financial information due to its financial significance to the group.

Further specific audit procedures over central functions including the Group consolidation, equity and taxes were performed.

All audit procedures were performed by the Group Engagement Team. The scoping above gave us the evidence we needed for our opinion on the group financial statements as a whole.

The Parent Company is comprised of one component which was subject to a full scope audit for the purposes of the Parent Company financial statements.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process adopted to assess the extent of the potential impact of climate risk on the financial statements and to support the disclosures made within the Annual report.

Our risk assessment was based on enquiry, as well as the review of Dunelm's corporate responsibility reporting and climate related commitments. As detailed in the group accounting policies, management considers that there is no material risk to the financial statements in respect of climate change.

We challenged, based on our knowledge of the business, the impact of climate risk on right-of-use assets and property, plant and equipment, which were considered to be the assets at most risk of the effects of climate change.

We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures (TCFD) section) within the Annual Report with the financial statements and our knowledge obtained from our audit.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the 52 week period ended 1 July 2023.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – parent company
Overall materiality	£9,635,000 (2022: £10,640,000).	£2,300,000 (2022: £1,600,000).
How we determined it	5% of profit before tax	1% of total assets
Rationale for benchmark applied	Profit before tax is the primary measure used by the shareholders in assessing the performance of the group and is a generally accepted auditing benchmark.	The parent company does not trade and therefore total assets is considered to be the most appropriate benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £7,225,000 (2022: £8,000,000) for the group financial statements and £1,725,000 (2022: £1,200,000) for the parent company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £480,000 (group audit) (2022: £530,000) and £115,000 (parent company audit) (2022: £80,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's going concern assessment and ensured that this was consistent with board approved budgets;
- We have evaluated management's forecasting accuracy based on historical budgets versus actual performance;
- We obtained confirmation from lenders of the level of drawn and undrawn revolving credit facilities and tested the actual and forecast covenant compliance associated with these facilities;
- We considered the mitigating actions available to Dunelm to increase liquidity, if required, with the key actions being reductions in stock purchases and capex, as well as cessation of dividends; and
- We assessed the adequacy of the going concern disclosures in the accounting policies.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 1 July 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Remuneration Committee report to be audited has been properly prepared in accordance with the Companies Act 2006.

Independent auditors' report continued

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Strategic report and Governance report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and parent company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and parent company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and parent company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and taxation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of journals with unexpected account combinations, which manipulate revenue or profits, and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit and the Company Secretary, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on the Group's whistleblowing log;
- Searches for news articles which would highlight potential non-compliance with laws and regulations;
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations which manipulate revenue or profits; and
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements, in particular in relation to inventory provisions (see related key audit matter).

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements and the part of the Remuneration Committee report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 14 January 2014 to audit the financial statements for the year ended 28 June 2014 and subsequent financial periods. The period of total uninterrupted engagement is ten years, covering the years ended 28 June 2014 to 1 July 2023.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Mark Skedgel
(Senior Statutory Auditor)

for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
Birmingham

20 September 2023

Consolidated Income Statement

For the 52 weeks ended 1 July 2023

	Note	2023 52 weeks £'m	2022 53 weeks £'m
Revenue		**1,638.8**	1,581.4
Cost of sales		**(817.9)**	(772.0)
Gross profit		**820.9**	809.4
Operating costs	2	**(622.1)**	(591.7)
Operating profit	3	**198.8**	217.7
Financial income	5	**1.7**	1.2
Financial expenses	5	**(7.8)**	(6.1)
Profit before taxation		**192.7**	212.8
Taxation	6	**(40.8)**	(41.6)
Profit for the period		**151.9**	171.2
Earnings per Ordinary Share – basic	8	**75.2p**	84.5p
Earnings per Ordinary Share – diluted	8	**75.0p**	83.6p

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 1 July 2023

	Note	2023 52 weeks £'m	2022 53 weeks £'m
Profit for the period		**151.9**	171.2
Other comprehensive (expense)/income:			
Items that may be subsequently reclassified to profit or loss:			
Movement in fair value of cash flow hedges	17	**(14.0)**	32.4
Deferred tax on hedging movements	12	**6.6**	(5.3)
Other comprehensive (expense)/income for the period, net of tax		**(7.4)**	27.1
Total comprehensive income for the period		**144.5**	198.3

Consolidated Statement of Financial Position

As at 1 July 2023

	Note	1 July 2023 £'m	2 July 2022 £'m
Non-current assets			
Intangible assets	9	**5.3**	9.9
Property, plant and equipment	10	**169.9**	173.7
Right-of-use assets	11	**231.3**	248.5
Deferred tax assets	12	**6.9**	4.1
Derivative financial instruments		**–**	4.6
Total non-current assets		**413.4**	440.8
Current assets			
Inventories	13	**211.0**	223.0
Trade and other receivables	14	**24.3**	22.9
Current tax asset		**–**	1.1
Derivative financial instruments		**1.8**	19.9
Cash and cash equivalents	15	**46.3**	30.2
Total current assets		**283.4**	297.1
Total assets		**696.8**	737.9
Current liabilities			
Trade and other payables	16	**(208.1)**	(223.2)
Lease liabilities	11	**(53.4)**	(52.8)
Current tax liability		**(0.2)**	–
Derivative financial instruments		**(7.9)**	–
Total current liabilities		**(269.6)**	(276.0)
Non-current liabilities			
Bank loans	18	**(75.9)**	(52.8)
Lease liabilities	11	**(204.8)**	(225.3)
Provisions	19	**(5.9)**	(5.5)
Derivative financial instruments		**(3.1)**	–
Total non-current liabilities		**(289.7)**	(283.6)
Total liabilities		**(559.3)**	(559.6)
Net assets		**137.5**	178.3
Equity			
Issued share capital	20	**2.0**	2.0
Share premium account		**1.7**	1.7
Capital redemption reserve		**43.2**	43.2
Hedging reserve		**(6.9)**	20.2
Retained earnings		**97.5**	111.2
Total equity attributable to equity holders of the Parent		**137.5**	178.3

The financial statements on pages 132 to 163 were approved by the Board of Directors on 20 September 2023 and were signed on its behalf by:

Karen Witts
Chief Financial Officer
20 September 2023

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

For the 52 weeks ended 1 July 2023

	Note	2023 52 weeks £'m	2022 53 weeks £'m
Cash flows from operating activities			
Profit before taxation		**192.7**	212.8
Net financial expense	5	**6.1**	4.9
Operating profit		**198.8**	217.7
Depreciation and amortisation of property, plant and equipment and intangible assets	3	**29.8**	30.5
Depreciation of right-of-use assets	3	**49.3**	48.6
Loss on disposal and impairment of property, plant and equipment and intangible assets	3	**0.3**	0.3
Gain on disposal and impairment of right-of-use assets	3	**–**	(0.1)
Share-based payments expense		**4.8**	4.8
Operating cash flows before movements in working capital		**283.0**	301.8
Decrease/(increase) in inventories		**12.0**	(40.3)
Increase in trade and other receivables		**(1.6)**	(7.7)
(Decrease)/increase in trade and other payables		**(14.6)**	33.2
Net movement in working capital		**(4.2)**	(14.8)
Tax paid		**(38.2)**	(35.2)
Net cash generated from operating activities		**240.6**	251.8
Cash flows from investing activities			
Acquisition of intangible assets		**(0.4)**	(0.7)
Acquisition of property, plant and equipment		**(21.4)**	(23.3)
Acquisition of business combination		**–**	(17.7)
Interest received		**1.1**	0.1
Net cash used in investing activities		**(20.7)**	(41.6)
Cash flows from financing activities			
Proceeds from issue of treasury shares and Ordinary Shares	21	**2.4**	3.9
Purchase of treasury shares	21	**(7.0)**	(28.3)
Drawdowns on Revolving Credit Facility		**139.0**	85.0
Repayments of Revolving Credit Facility		**(116.0)**	(31.0)
Interest paid and loan transaction costs		**(2.2)**	(2.2)
Interest paid on lease liabilities	11	**(5.3)**	(4.8)
Repayment of principal element of lease liabilities		**(52.0)**	(50.2)
Ordinary dividends paid	7	**(163.3)**	(282.1)
Net cash used in financing activities		**(204.4)**	(309.7)
Net increase/(decrease) in cash and cash equivalents		**15.5**	(99.5)
Foreign exchange revaluations	5	**0.6**	1.1
Cash and cash equivalents at the beginning of the period	15	**30.2**	128.6
Cash and cash equivalents at the end of the period	15	**46.3**	30.2

Consolidated Statement of Changes in Equity

For the 52 weeks ended 1 July 2023

	Note	Issued share capital £'m	Share premium account £'m	Capital redemption reserve £'m	Hedging reserve £'m	Retained earnings £'m	Total equity attributable to equity holders of the Parent £'m
As at 27 June 2021		**2.0**	**1.6**	**43.2**	**(4.3)**	**238.7**	**281.2**
Profit for the period		–	–	–	–	171.2	171.2
Movement in fair value of cash flow hedges	17	–	–	–	32.4	–	32.4
Deferred tax on hedging movements	12	–	–	–	(5.3)	–	(5.3)
Total comprehensive income for the period		–	–	–	27.1	171.2	198.3
Proceeds from issue of shares	20	–	0.1	–	–	–	0.1
Proceeds from issue of treasury shares	21	–	–	–	–	3.9	3.9
Purchase of treasury shares	21	–	–	–	–	(28.3)	(28.3)
Share-based payments	22	–	–	–	–	4.8	4.8
Deferred tax on share-based payments	12	–	–	–	–	0.8	0.8
Current tax on share options exercised		–	–	–	–	2.2	2.2
Movement on cash flow hedges transferred to inventory	17	–	–	–	(2.6)	–	(2.6)
Ordinary dividends paid	7	–	–	–	–	(282.1)	(282.1)
Total transactions with owners, recorded directly in equity		–	0.1	–	(2.6)	(298.7)	(301.2)
As at 2 July 2022		**2.0**	**1.7**	**43.2**	**20.2**	**111.2**	**178.3**
Profit for the period		–	–	–	–	151.9	151.9
Movement in fair value of cash flow hedges	17	–	–	–	(14.0)	–	(14.0)
Deferred tax on hedging movements	12	–	–	–	6.6	–	6.6
Total comprehensive income for the period		–	–	–	(7.4)	151.9	144.5
Proceeds from issue of treasury shares	21	–	–	–	–	2.4	2.4
Purchase of treasury shares	21	–	–	–	–	(7.0)	(7.0)
Share-based payments	22	–	–	–	–	4.8	4.8
Deferred tax on share-based payments	12	–	–	–	–	(3.1)	(3.1)
Current tax on share options exercised		–	–	–	–	0.6	0.6
Movement on cash flow hedges transferred to inventory	17	–	–	–	(19.7)	–	(19.7)
Ordinary dividends paid	7	–	–	–	–	(163.3)	(163.3)
Total transactions with owners, recorded directly in equity		–	–	–	(19.7)	(165.6)	(185.3)
As at 1 July 2023		**2.0**	**1.7**	**43.2**	**(6.9)**	**97.5**	**137.5**

Consolidated Accounting Policies

For the 52 weeks ended 1 July 2023

General information

The Group financial statements consolidate those of Dunelm Group plc ('the Company') and its subsidiaries (together referred to as 'the Group'). The Company financial statements on pages 164 to 171 present information about the Company as a separate entity and not about its Group.

Dunelm Group plc and its subsidiaries are incorporated and domiciled in the UK. Dunelm Group plc is a listed public company, limited by shares and the Company registration number is 04708277. The registered office is Dunelm Store Support Centre, Watermead Business Park, Syston, Leicester, Leicestershire, England, LE7 1AD.

The primary business activity of the Group is the sale of homewares in the UK in stores and online.

Basis of preparation

The financial statements presented cover a 52-week trading period for the financial period ended 1 July 2023 (2022: 53-week period ended 2 July 2022).

The financial statements of Dunelm Group plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. These financial statements are presented on pages 132 to 163.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

The annual financial statements are prepared under the historical cost convention except for financial assets and financial liabilities (including derivative financial instruments and share-based payments), which have been stated at fair value. The financial statements are prepared in pounds sterling, rounded to the nearest 0.1 million.

Going concern

At the time of approving the financial statements, the Board of Directors is required to formally assess that the business has adequate resources to continue in operational existence and as such can continue to adopt the 'going concern' basis of accounting. To support this assessment, the Board is required to consider the Group's current financial position, its strategy, the market outlook, and its principal risks.

The key judgement that the Directors have considered in forming their conclusion is the potential impact on future revenue, profits and cash flows of a downturn in consumer spending away from homewares, due to the current economic environment. This scenario might result in no growth in Year 1 and lower sales and margin across all channels throughout the five-year review period. They have also considered a deeper downturn in consumer spending away from homewares, resulting in negative growth in Year 1 and lower sales and margin across all channels throughout the review period.

In both downside scenarios Dunelm has sufficient liquidity to continue trading, including maintaining the payment of dividends in line with its dividend policy, and to comfortably meet its financial covenants. The Directors continue to assess the risks that climate change poses to the business and climate change is not expected to have a significant impact on the Group's going concern assessment or on the viability of the Group over the next five years.

Reverse stress modelling has demonstrated that a prolonged sales reduction of 23% in FY24 and 28% in FY25 is required to breach covenants by the end of FY25 and a reduction of 47% in both FY24 and FY25 is required to breach the RCF limit by the end of FY25, assuming reasonable mitigating actions have been implemented. Even in such an event, management would follow a similar course of action to that initially undertaken during the recent Covid-19 pandemic. Such actions could include further reductions in discretionary spend (e.g. marketing and travel) and capital investment in new stores and refits, and reducing headcount.

As a result, the Board believes that the Group is well placed to manage its financing and other significant risks satisfactorily and that the Group will be able to operate within the level of its facilities and meet its liabilities as they fall due, for at least the next five years. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

Further detail in respect of the Directors' going concern assessment is included in the going concern statement on page 55.

Further information regarding the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Strategic Report on pages 1 to 55. In addition, note 17 includes the Group's objectives, policies, and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

Use of estimates and judgements

Based on the IAS 1 definitions, there are no significant estimates or critical judgements used in the Financial Statements. The inventory provision is not considered a significant estimate as there is not a significant risk of a material adjustment to the level of the provision in the next 12 months. Management does, however, consider the inventory provision to be a key estimate as it is based on assumptions relating to a highly material balance (gross inventory) and is subject to uncertainty. It is therefore disclosed as an other estimate in line with IAS 1.

Inventory provisions

The Group provides against the carrying value of the inventories held where it is anticipated that net realisable value (NRV) will be below cost. NRV is based on estimated selling price with future price reductions assumed to be in line with historic margin analysis on a line-by-line basis and applied to the inventory population as deemed appropriate given the expected sell through period and discontinuation status. A 100 basis points change in the provision rate of each stock discontinuation category would lead to a change in the provision of £1.9m (2022: £2.0m). Consideration is also given to whether any stock categories require additional provision due to specific circumstances in place at the period end date.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Consistent accounting policies have been adopted across the Group.

Revenue

Revenue is generated from the sale of homewares and related goods and services through the Group's stores and website, excluding sales between Group companies, and is after deducting returns, relevant discounts and VAT. Revenue is recognised when the Group has satisfied its performance obligations to its customers and the customer has obtained control of the goods and services being transferred.

In general, these conditions for store sales are met at the point of sale. The exceptions to this are custom-made products and Click & Collect sales, where revenue is recognised at the point that the goods are collected, and gift cards, where revenue is deferred and subsequently recognised when redeemed or expired. Gift card obligations are recognised as deferred income as shown in note 16. An estimate of breakage is made on the sale of gift cards based on historical data and recognised at the point of sale of the card. Revenue on home delivery sales is recognised at the point of delivery. Revenue is settled in cash at the point of sale for all revenue channels.

The Group has two types of products; stocked products and products which are sent directly from suppliers to customers. Management has established that the Group acts as a principal for both types of products and thus should recognise revenue as the gross amount of consideration to which it expects to be entitled.

The Group holds a sales return provision in the Consolidated Statement of Financial Position to provide for expected levels of returns on sales made before the period end but returned after the period end. The Group recognises the expected value of revenue relating to returns within sales provisions and the expected value of cost of sales relating to the returned items is included within inventories.

Expenses

Financial income and expenses

Financial income and expenses comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested and related foreign exchange gains and losses.

Retirement benefits

The Group operates a defined contribution pension plan using a third-party provider. Obligations for the contributions to this plan are recognised as an expense in the Consolidated Income Statement as incurred.

Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance condition (for example, an entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Consolidated Income Statement, with a corresponding adjustment to equity.

Consolidated Accounting Policies continued

When options are exercised, the Company either issues new shares, or uses treasury shares purchased for this purpose. For newly issued shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and the share premium account.

Social security contributions payable in connection with the grant of the share options are considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Foreign currencies

Transactions in foreign currencies are recorded at the prevailing rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the Consolidated Statement of Financial Position date. Resulting exchange gains or losses are recognised in the Consolidated Income Statement for the period in financial income and expenses, except when deferred as qualifying cash flow hedges.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax represents the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the Consolidated Statement of Financial Position date, together with any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the Consolidated Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be recognised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Dividends

Dividends are recognised as a liability in the period in which they are approved such that the Group is obligated to pay the dividend.

Intangible assets

Intangible assets comprise software development, licences, rights to brands and customer lists and are stated at cost less accumulated amortisation and impairment. Costs incurred in developing the Group's own brands are expensed as incurred.

Separately acquired brands and customer lists are shown at historical cost. Software, brands and customer lists acquired in a business combination are recognised at fair value at the acquisition date. These assets are deemed to have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

Amortisation

Amortisation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful life of the asset. These are as follows:

Software development and licences	3 to 5 years
Rights to brands and customer lists	5 to 15 years

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation

Depreciation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, to write down the cost to its estimated residual value. Land is not depreciated.

The estimated useful lives are as follows:

Freehold buildings	50 years
Leasehold improvements	over the remaining period of the lease, or useful life if shorter
Fixtures, fittings, and equipment	3 to 5 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Leases

Lease recognition

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Right-of-use assets are subject to, and reviewed regularly for, impairment. Depreciation of right-of-use assets is included in operating costs in the Consolidated Income Statement.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments less any lease incentives receivable.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the fixed lease payments. Interest charges are included in finance costs in the Consolidated Income Statement.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery and equipment that have a lease term of less than 12 months and leases of low-value assets (defined as assets with a value, when new, of £5,000 or less). Lease payments relating to short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Subsequent measurement

The lease liability and right-of-use asset is subsequently remeasured to reflect changes in:

- The lease term (using a revised discount rate);
- The assessment of a purchase option (using a revised discount rate); and
- Future lease payments resulting from a change in an index, or a rate used to determine those payments (using an unchanged discount rate).

Lease modifications may also prompt remeasurement of the lease liability unless they are determined to be separate leases.

The payments related to leases are presented under cash flow from financing activities in the Consolidated Cash Flow Statement.

Financial instruments

Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the Consolidated Income Statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Consolidated Accounting Policies continued

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the Consolidated Income Statement and presented in other gains/(losses) together with foreign exchange gains and losses.
- **FVPL:** All other financial assets that do not meet the criteria for amortised cost are measured at FVPL, unless the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the Consolidated Income Statement in the period in which it arises.

Impairment of financial assets

The Group uses a forward-looking approach to assess the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Derivatives

Derivative financial instruments used are forward foreign exchange contracts. These are measured at fair value. The fair values are determined by reference to the market prices available from the market on which the instruments are traded.

Certain derivative financial instruments are designated as hedges in line with the Group's treasury policy. These are instruments that hedge exposure to variability in cash flows that is attributable to a particular risk associated with a highly probable forecasted transaction.

Any gains or losses arising from changes in fair value derivative financial instruments not designated as hedges are recognised in the Consolidated Income Statement.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement, within operating costs.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options and time value of options are recognised in the cash flow hedge reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group designates the full change in fair value of the forward contract (including forward points) as the hedging instrument. The gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in the Consolidated Income Statement as the hedged item affects profit or loss (for example, through cost of sales).

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain/loss and deferred costs of hedging in equity at that time remain in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain/loss and deferred costs of hedging that were reported in equity are immediately reclassified to the Consolidated Income Statement.

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the Consolidated Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and then carried at amortised cost using the effective interest method, net of impairment provisions.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is derived using the average cost method and includes costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price less cost to sell in the ordinary course of business. Provisions are made for obsolete, slow-moving or discontinued stock and for stock losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances including credit card receipts and deposits. All cash equivalents have an original maturity of three months or less.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

Bank borrowings and borrowing costs

Interest-bearing bank loans are initially recorded at their fair value and subsequently held at amortised cost. Transaction costs incurred are amortised over the term of the loan.

Borrowings are classed as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the Consolidated Statement of Financial Position date.

Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed annually at each Consolidated Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount is the greater of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for assets grouped at the lowest levels for which there are largely independent cash flows, i.e. the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount. A cash-generating unit has been defined as an individual store or the online business. If an impairment loss is identified for a cash-generating unit, the loss shall be allocated to reduce the carrying amount of the assets of the unit pro-rated on the basis of the carrying amount of each asset in the unit for both property, plant and equipment and right-of-use assets. Impairment losses are recognised in the Consolidated Income Statement.

Share capital

Where the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity holders.

Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a current legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount has been reliably measured.

A provision for onerous contracts is recognised when the expected benefit to be derived by the Group from a contract is lower than the unavoidable costs of meeting its obligations under the contract.

A dilapidations provision is recognised when there is an expectation of future obligations relating to the maintenance of leasehold properties arising from events such as lease renewals or terminations.

Climate change

Climate change risks including the impact of achieving the Group's carbon emissions reduction targets and the risks identified in the TCFD disclosures on pages 40 to 47 have been considered and assessed in the preparation of the Consolidated Financial Statements for the period to 1 July 2023.

There has been no material impact identified on the financial reporting judgements and estimates applied in the preparation of the Group's Consolidated Financial Statements as a result of climate change risks.

Given that the identified risks of climate change are expected to be present in the medium to long term our focus has been on the non-current assets within the Consolidated Statement of Financial Position. Specifically, for the material non-current assets, we note the following:

- The plant, property and equipment, and the right-of-use assets have relatively short useful lives (the average remaining lease term of our leasehold land and buildings is 5.0 years (2022: 5.2 years)). The longer life assets relate to freehold stores and our head office, none of which are located in areas identified as being at significant risk to climate change.
- The intangible assets, which consist of a brand, internally generated and other software, have a useful life of 3 to 5 years and therefore we would not expect the identified risks to impact these assets.

The other non-current assets were also reviewed, and no risk was identified. Current assets, by their nature, are expected to be fully utilised within the business in the short term and no climate risk has been identified in this time horizon.

Consolidated Accounting Policies continued

New standards and interpretations

The Group has applied the following new standards and interpretations for the first time for the annual reporting period commencing 3 July 2022:

- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract.
- Amendments to IFRS 3: Reference to the Conceptual Framework.
- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use.
- Annual Improvements to IFRS Standards 2018-2020 Cycle: Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture.

The adoption of the standards and interpretations listed above has not led to any changes to the Group's accounting policies or had any other material impact on the financial position or performance of the Group.

New accounting standards in issue but not yet effective

New standards and interpretations that are in issue, but not yet effective, are listed below:

- IFRS 17 Insurance Contracts.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.
- Amendments to IAS 8: Definition of Accounting Estimates.
- Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction.
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The adoption of the above standards and interpretations is not expected to lead to any changes to the Group's accounting policies nor have any other material impact on the financial position or performance of the Group.

Notes to the Consolidated Financial Statements

For the 52 weeks ended 1 July 2023

1. Revenue

The Group has one reportable segment, in accordance with IFRS 8 Operating Segments, which is the retail of homewares in the UK.

Customers access the Group's offer across multiple channels and their journey often involves more than one channel. Therefore, internal reporting focuses on the Group as a whole and does not identify individual segments.

The Chief Operating Decision-maker is the Executive Board of Directors of Dunelm Group plc. The Executive Board reviews internal management reports on a monthly basis and performance is assessed based on a number of financial and non-financial KPIs as well as on profit before taxation. The list of our financial and non-financial KPIs can be found on pages 20 to 21.

Management believes that these measures are the most relevant in evaluating the performance of the Group and for making resource allocation decisions.

All material operations of the Group are carried out in the UK. The Group's revenue is driven by the consolidation of individual small value transactions and as a result, Group revenue is not reliant on a major customer or group of customers.

At the year end the Group had £13.8m (2022: £12.2m) of sales orders placed that will be recognised in the Consolidated Income Statement when the goods are despatched in the following financial year.

2. Operating costs

	2023 52 weeks £'m	2022 53 weeks £'m
Selling and distribution costs	**489.7**	469.4
Administrative expenses	**132.4**	122.3
	622.1	591.7

3. Operating profit

Operating profit is stated after charging/(crediting) the following items:

	2023 52 weeks £'m	2022 53 weeks £'m
Cost of inventories included in cost of sales	**803.4**	765.3
Amortisation of intangible assets	**4.6**	6.2
Depreciation of owned property, plant and equipment	**25.2**	24.3
Depreciation of right-of-use assets	**49.3**	48.6
Loss on disposal and impairment of property, plant and equipment and intangible assets	**0.3**	0.3
Gain on disposal and impairment of right-of-use assets	**–**	(0.1)
Expense related to short-term leases	**1.6**	0.6

The cost of inventories included in cost of sales includes the impact of a net decrease in the provision for obsolete inventory of £0.8m (2022: £4.2m increase) of which £0.7m decrease relates to Sunflex which was acquired in May 2022 (2022: £2.6m increase).

Notes to the Consolidated Financial Statements continued

3. Operating profit continued

The analysis of the auditor's remuneration is as follows:

	2023 52 weeks £'000	2022 53 weeks £'000
Fees payable to the Group's auditor for the audit of the Parent and consolidated annual financial statements	**34**	46
Fees payable to the Group's auditor and its associates for other services to the Group		
– Audit of the Company's subsidiaries pursuant to legislation	**293**	256
– Other assurance services (See Audit and Risk Committee report on page 83 for further information)	**46**	42

4. Employee numbers and costs

The average monthly number of people employed by the Group (including Directors) was:

	2023 52 weeks Number of heads	2023 52 weeks Full-time equivalents	2022 53 weeks Number of heads	2022 53 weeks Full-time equivalents
Selling	**9,446**	**5,252**	9,544	5,437
Distribution	**1,057**	**1,026**	963	930
Administration	**1,099**	**1,082**	925	906
	11,602	**7,360**	11,432	7,273

The aggregate remuneration of all employees (including Directors) comprises:

	2023 52 weeks £'m	2022 53 weeks £'m
Wages and salaries (including termination benefits)	**224.8**	211.1
Social security costs	**16.1**	14.4
Share-based payment expense	**4.8**	4.8
Pension costs – defined contribution plans	**6.2**	5.2
	251.9	235.5

Details of Directors' remuneration, share options, long-term incentive schemes and pension entitlements are disclosed in the Remuneration Committee report on pages 88 to 118 and in the Related Parties note on page 163.

5. Financial income and expenses

	2023 52 weeks £'m	2022 53 weeks £'m
Financial income		
Interest on bank deposits	**1.1**	0.1
Net foreign exchange gains	**0.6**	1.1
	1.7	1.2
Financial expenses		
Interest on bank borrowings	**(2.2)**	(0.9)
Amortisation of issue costs of bank loans	**(0.3)**	(0.4)
Interest on lease liabilities	**(5.3)**	(4.8)
	(7.8)	(6.1)
Net financial expense	**(6.1)**	(4.9)

6. Taxation

	2023 52 weeks £'m	2022 53 weeks £'m
Current taxation		
UK corporation tax charge for the period	**40.0**	39.0
Adjustments in respect of prior periods	**0.1**	(0.2)
	40.1	38.8
Deferred taxation		
Origination of temporary differences	**0.7**	3.0
Adjustments in respect of prior periods	**0.1**	(0.2)
Impact of change in tax rate	**(0.1)**	–
	0.7	2.8
Total tax expense	**40.8**	41.6

The tax expense is reconciled with the standard rate of UK corporation tax as follows:

	2023 52 weeks £'m	2022 53 weeks £'m
Profit before taxation	**192.7**	212.8
UK corporation tax at standard rate of 20.5% (2022: 19.0%)	**39.5**	40.4
Factors affecting the charge in the period:		
Non-deductible expenses	**1.2**	1.6
Adjustments in respect of prior periods	**0.2**	(0.4)
Impact of change in tax rate	**(0.1)**	–
Tax expense	**40.8**	41.6

The taxation expense for the period as a percentage of profit before tax is 21.2% (2022: 19.5%).

The UK Government substantively enacted an increase in the corporation tax rate to 25.0% effective from 1 April 2023. The deferred tax asset as at 1 July 2023 has been calculated based on the rate of 25.0%.

Notes to the Consolidated Financial Statements continued

7. Dividends

The dividends set out in the table below relate to the 1 pence Ordinary Shares:

		2023 52 weeks £'m	2022 53 weeks £'m
Special dividend for the period ended 26 June 2021	– paid 65.0 pence	–	131.9
Final dividend for the period ended 26 June 2021	– paid 23.0 pence	–	46.8
Interim dividend for the period ended 2 July 2022	– paid 14.0 pence	–	28.3
Special dividend for the period ended 2 July 2022	– paid 37.0 pence	–	75.1
Final dividend for the period ended 2 July 2022	– paid 26.0 pence	**52.4**	–
Interim dividend for the period ended 1 July 2023	– paid 15.0 pence	**30.2**	–
Special dividend for the period ended 1 July 2023	– paid 40.0 pence	**80.7**	–
		163.3	282.1

The Board is proposing a final dividend of 27 pence per Ordinary Share for the period ended 1 July 2023 which equates to £54.5m. Subject to shareholder approval at the AGM this will be paid on 20 November 2023 to shareholders on the register at the close of business on 27 October 2023.

8. Earnings per Ordinary Share

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period, excluding Ordinary Shares purchased by the Company and held as treasury shares (note 21).

For diluted earnings per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all dilutive potential Ordinary Shares. These represent share options granted to employees where the exercise price is less than the average market price of the Group's Ordinary Shares during the period.

Weighted average numbers of shares:

	2023 52 weeks '000	2022 53 weeks '000
Weighted average number of shares in issue during the period	**201,917**	202,722
Impact of share options	**746**	2,135
Number of shares for diluted earnings per share	**202,663**	204,857

	2023 52 weeks £'m	2022 53 weeks £'m
Profit for the period	**151.9**	171.2
Earnings per Ordinary Share – basic	**75.2p**	84.5p
Earnings per Ordinary Share – diluted	**75.0p**	83.6p

9. Intangible assets

	Software development and licences £'m	Rights to brands and customer lists £'m	Total £'m
Cost			
At 27 June 2021	52.0	11.0	63.0
Additions	0.9	–	0.9
Acquisition through business combination	–	0.5	0.5
Disposals	(0.3)	–	(0.3)
At 2 July 2022	52.6	11.5	64.1
Additions	0.1	–	0.1
Disposals	(0.7)	–	(0.7)
At 1 July 2023	**52.0**	**11.5**	**63.5**
Accumulated amortisation			
At 27 June 2021	37.2	11.0	48.2
Charge for the financial period	6.2	–	6.2
Disposals	(0.2)	–	(0.2)
At 2 July 2022	43.2	11.0	54.2
Charge for the financial period	4.5	0.1	4.6
Disposals	(0.6)	–	(0.6)
At 1 July 2023	**47.1**	**11.1**	**58.2**
Net book value			
At 27 June 2021	14.8	–	14.8
At 2 July 2022	9.4	0.5	9.9
At 1 July 2023	**4.9**	**0.4**	**5.3**

All amortisation is included within operating costs in the Consolidated Income Statement.

There was no trigger for impairment in the period.

Within software development and licences there were no additions (2022: nil) related to internally generated assets.

Notes to the Consolidated Financial Statements continued

10. Property, plant and equipment

	Freehold land and buildings £'m	Leasehold improvements £'m	Fixtures, fittings and equipment £'m	Total £'m
Cost				
At 27 June 2021	97.7	157.7	124.2	379.6
Transfer	–	1.2	(1.2)	–
Additions	0.1	13.3	12.6	26.0
Acquisition through business combination	9.2	0.1	0.3	9.6
Disposals	–	(8.3)	(3.7)	(12.0)
At 2 July 2022	107.0	164.0	132.2	403.2
Transfer	–	0.2	(0.2)	–
Additions	–	10.2	11.4	21.6
Disposals	–	(7.2)	(3.1)	(10.3)
At 1 July 2023	**107.0**	**167.2**	**140.3**	**414.5**
Accumulated depreciation				
At 27 June 2021	18.1	91.9	107.0	217.0
Transfer	–	(0.5)	0.5	–
Charge for the financial period	1.8	14.4	8.1	24.3
Disposals	–	(8.1)	(3.7)	(11.8)
At 2 July 2022	19.9	97.7	111.9	229.5
Transfer	0.1	0.1	(0.2)	–
Charge for the financial period	1.8	14.3	9.1	25.2
Disposals	–	(7.0)	(3.1)	(10.1)
At 1 July 2023	**21.8**	**105.1**	**117.7**	**244.6**
Net book value				
At 27 June 2021	79.6	65.8	17.2	162.6
At 2 July 2022	87.1	66.3	20.3	173.7
At 1 July 2023	**85.2**	**62.1**	**22.6**	**169.9**

All depreciation charges have been included within operating costs in the Consolidated Income Statement.

There was no trigger for impairment in the period.

11. Leases

Right-of-use assets included in the Consolidated Statement of Financial Position at 1 July 2023 were as follows:

	2023 Land and buildings £'m	2023 Motor vehicles, plant and equipment £'m	2023 Total £'m	2022 Total £'m
At the beginning of the period	**240.4**	**8.1**	**248.5**	262.0
Additions	**20.3**	**12.0**	**32.3**	35.3
Disposals	**(0.1)**	**(0.1)**	**(0.2)**	(0.2)
Depreciation	**(45.1)**	**(4.2)**	**(49.3)**	(48.6)
At the end of the period	**215.5**	**15.8**	**231.3**	248.5

Right-of-use additions did not include any lease modifications in the period (2022: £3.1m).

Lease liabilities included in the Consolidated Statement of Financial Position at 1 July 2023 were as follows:

	2023 Land and buildings £'m	2023 Motor vehicles, plant and equipment £'m	2023 Total £'m	2022 Total £'m
At the beginning of the period	**(270.1)**	**(8.0)**	**(278.1)**	(293.3)
Additions	**(21.2)**	**(12.0)**	**(33.2)**	(35.9)
Disposals	**0.1**	**0.1**	**0.2**	0.1
Interest	**(4.9)**	**(0.4)**	**(5.3)**	(4.8)
Repayment of lease liabilities	**53.6**	**4.6**	**58.2**	55.8
At the end of the period	**(242.5)**	**(15.7)**	**(258.2)**	(278.1)

The discount rate applied across all lease liabilities ranged between 0.9% and 5.85% (2022: 0.9% and 2.8%). The discount rate reflects our incremental borrowing rate which we assess by considering the marginal rate on the Group's Revolving Credit Facility ('RCF'), the Bank of England base rate, the yield on Government bonds and the term of the lease.

The maturity analysis of the lease liabilities is as follows:

	2023 £'m	2022 £'m
Current	**(53.4)**	(52.8)
Non-current	**(204.8)**	(225.3)
	(258.2)	(278.1)

The remaining contractual maturities of the lease liabilities, which are gross and undiscounted, are as follows:

	2023 £'m	2022 £'m
Less than one year	**(65.8)**	(57.1)
One to two years	**(61.4)**	(53.2)
Two to five years	**(123.0)**	(111.9)
Five to ten years	**(78.9)**	(68.3)
More than ten years	**(3.7)**	(5.0)
Total undiscounted lease liability	**(332.8)**	(295.5)

The average remaining lease term of our leasehold land and buildings is 5.0 years (2022: 5.2 years).

Notes to the Consolidated Financial Statements continued

11. Leases continued

The following amounts have been recognised in the Consolidated Income Statement:

	2023 52 weeks Land and buildings £'m	2023 52 weeks Motor vehicles, plant and equipment £'m	2023 52 weeks Total £'m	2022 53 weeks Total £'m
Depreciation of right-of-use assets	**45.1**	**4.2**	**49.3**	48.6
Gain on disposal of right-of-use assets	**–**	**–**	**–**	(0.1)
Interest expenses (included in financial expenses)	**4.9**	**0.4**	**5.3**	4.8
Expense relating to short-term leases	**0.4**	**1.2**	**1.6**	0.6

There was no trigger for impairment in the current year.

The total cash outflow for leases during the financial period was £57.3m (2022: £55.0m).

12. Deferred tax assets/liabilities

Deferred tax is provided in full on temporary differences under the liability method using a taxation rate of 25.0%.

Deferred taxation assets and liabilities are attributable to the following:

	Assets		Liabilities		Net assets/(liabilities)	
	2023 £'m	2022 £'m	2023 £'m	2022 £'m	2023 £'m	2022 £'m
Property, plant and equipment	**–**	0.7	**(0.8)**	–	**(0.8)**	0.7
Share-based payments	**5.1**	7.5	**–**	–	**5.1**	7.5
Hedging	**2.3**	–	**–**	(4.3)	**2.3**	(4.3)
Other temporary differences	**0.5**	0.4	**(0.2)**	(0.2)	**0.3**	0.2
	7.9	8.6	**(1.0)**	(4.5)	**6.9**	4.1

	Assets		Liabilities		Net assets/(liabilities)	
	2023 £'m	2022 £'m	2023 £'m	2022 £'m	2023 £'m	2022 £'m
Deferred tax recoverable/(payable) after more than 12 months	**2.1**	1.4	**(1.0)**	(0.2)	**1.1**	1.2
Deferred tax recoverable/(payable) within 12 months	**5.8**	7.2	**–**	(4.3)	**5.8**	2.9
	7.9	8.6	**(1.0)**	(4.5)	**6.9**	4.1

The movement in the net deferred tax balance is as follows:

	Balance at 27 June 2021 £'m	Recognised in income £'m	Recognised in equity £'m	Balance at 2 July 2022 £'m
Property, plant and equipment	3.6	(2.9)	–	0.7
Share-based payments	6.5	0.2	0.8	7.5
Hedging	1.0	–	(5.3)	(4.3)
Other temporary differences	0.3	(0.1)	–	0.2
	11.4	(2.8)	(4.5)	4.1

	Balance at 3 July 2022 £'m	Recognised in income £'m	Recognised in equity £'m	Balance at 1 July 2023 £'m
Property, plant and equipment	0.7	(1.5)	–	**(0.8)**
Share-based payments	7.5	0.7	(3.1)	**5.1**
Hedging	(4.3)	–	6.6	**2.3**
Other temporary differences	0.2	0.1	–	**0.3**
	4.1	(0.7)	3.5	**6.9**

13. Inventories

	2023 £'m	2022 £'m
Raw materials	**1.6**	1.7
Work in progress	**–**	1.6
Goods for resale	**209.4**	219.7
	211.0	223.0

Goods for resale includes a net realisable value provision of £20.7m (2022: £21.4m). Write-downs of inventories to net realisable value amounted to £30.2m (2022: £20.1m). These were recognised as an expense during the period and were included in cost of sales in the Consolidated Income Statement.

14. Trade and other receivables

	2023 £'m	2022 £'m
Trade receivables	**3.1**	2.9
Other receivables	**0.1**	9.5
Prepayments and accrued income	**21.1**	10.5
	24.3	22.9

All trade receivables are due within one year from the end of the reporting period.

No impairment was incurred on trade and other receivables during the period and the expected credit loss provision held at period end is nil (2022: nil). No material amounts are overdue (2022: nil).

15. Cash and cash equivalents

	2023 £'m	2022 £'m
Cash at bank and in hand	**46.3**	30.2

The Group deposits funds only with institutions that have a credit rating of 'A' and above and the term is less than three months.

Notes to the Consolidated Financial Statements continued

16. Trade and other payables

	2023 £'m	2022 £'m
Trade payables	**94.6**	98.3
Accruals	**63.5**	74.2
Deferred income – gift cards	**1.1**	1.3
Deferred income – other	**11.4**	11.3
Taxation and social security	**37.3**	34.0
Other payables	**0.2**	4.1
	208.1	223.2

Deferred income arises in respect of gift cards as payment has been received for a performance obligation which will be performed at a later point in time. Movement in the gift card deferred income balance is as follows:

	2023 £'m	2022 £'m
Opening balance	**1.3**	1.5
Issued in the year	**5.3**	5.4
Released to income statement	**(5.5)**	(5.6)
	1.1	1.3

17. Financial risk management

The Board of Directors has overall responsibility for the oversight of the Group's risk management framework. A formal process for reviewing and managing risk in the business is in place.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's deposits with banks and financial institutions as well as foreign exchange hedging agreements with its banking counterparties. The Group only deals with creditworthy counterparties and uses publicly available financial information to rate its counterparties, therefore credit risk is considered to be low.

Group policy is that surplus funds are placed on deposit with counterparties approved by the Board, with a minimum of an 'A' credit rating. The credit limit for the syndicate banks is up to £60.0m. All other parties are limited to £25.0m.

The Group's maximum exposure to credit risk is represented by the carrying amount of financial assets. No collateral is held (2022: nil). At the period end the maximum exposure is detailed in the table below:

	2023 £'m	2022 £'m
Current		
Cash and cash equivalents	**46.3**	30.2
Trade and other receivables	**3.2**	12.4
Accrued income	**10.1**	0.6
Derivative financial instruments	**1.8**	19.9
Total current financial assets	**61.4**	63.1
Non-current		
Derivative financial instruments	**–**	4.6
Total financial assets	**61.4**	67.7

Trade and other receivables include rebates due from suppliers recognised as a reduction to cost of sales in the period to which they relate. The rebates are recovered through deductions from future payments to suppliers and therefore management is confident of the recoverability of these balances.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ('ECL') which uses a lifetime expected loss allowance for all trade and other receivables and accrued income. To measure the expected credit losses, trade and other receivables and accrued income have been grouped based on shared credit risk characteristics and the days past due. There is limited exposure to ECL due to the way the Group operates.

The Group will write off, either partially or in full, the gross carrying amount of a financial asset when there is no realistic prospect of recovery. This is usually the case when it is determined that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, the Group may still choose to pursue enforcement in order to recover the amounts due.

On that basis, the loss allowance as at 2 July 2022 and 1 July 2023 was determined to not be significant for trade and other receivables, accrued income and cash and cash equivalents.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The Group manages this risk by regularly monitoring cash flow forecasts. Further details of the Group's available facilities can be found in the capital management section of this note.

All cash flows on financial liabilities for 2023 and 2022 are contractually due within one year with the exception of provisions, bank loans, certain derivative financial liabilities and lease liabilities. The details of lease liabilities are shown in note 11.

Total borrowings of £77.0m (2022: £54.0m) reflect the level of facility drawdown at the period end on the Group's committed RCF.

Interest rate risk

The Group's bank borrowings incur variable interest rate charges. The Group's policy aims to manage the interest cost of the Group within the constraints of its financial covenants. The Group will continue to monitor movements in the interest rate swap market.

During the period, if SONIA interest rates had been 100 basis points higher with all other variables held constant, post-tax profit would have been £0.3m lower (2022: £0.1m lower).

Foreign currency risk

All of the Group's revenues are in sterling. The majority of purchases are also in pounds sterling, but some goods purchased direct from overseas suppliers are paid for in US dollars, accounting for just over 30.0% (2022: 30.0%) of stock purchases in the period ended 1 July 2023.

The Group uses various means to cover its exposure to US dollars including holding US dollar cash balances and taking out forward foreign exchange contracts for the purchase of US dollars. All the Group's foreign exchange transactions are designed to satisfy US dollar denominated liabilities. The maximum level of hedging coverage which will be undertaken is 100.0% of anticipated expenditure on a three-month horizon, stepping down to 75.0% on a four- to 12-month horizon and 50.0% on a 13- to 18-month horizon. There is a low level of coverage beyond the 18-month horizon.

Cash flow hedges are in place to manage foreign exchange rate risk arising from forecast purchases denominated in US dollars. At the Consolidated Statement of Financial Position date, the fair value of US dollar foreign exchange forward contracts held in cash flow hedges was a £9.2m liability (2022: £24.5m asset) which relates to a commitment to purchase $350.5m (2022: $369.0m) for a fixed sterling amount. A fair value loss of £14.0m (2022: £32.4m gain) was recognised in other comprehensive income and no loss (2022: nil) was recognised on cash flow hedges during the period. In the period, a gain of £19.7m (2022: £2.6m gain) was recycled from the cash flow hedge reserve to inventory to offset foreign exchange movements on purchases. The remaining hedge reserve balance will be recycled to the Consolidated Income Statement to offset future purchases occurring after the Consolidated Statement of Financial Position date, the majority of which expire in the next 12 months.

Notes to the Consolidated Financial Statements continued

17. Financial risk management continued

The outstanding US dollar liabilities at the period end were $0.1m (2022: $0.1m).

At the period end if GBP had strengthened by 10.0% against the US dollar with all other variables held constant, post-tax profit would have been £0.9m higher (2022: £0.7m higher) as a result of foreign exchange gains on translation of US dollar denominated trade payables and cash and cash equivalents. Other components of equity would have been £0.9m higher (2022: £2.5m higher) as a result of a decrease in fair value of derivatives designated as cash flow hedges.

Conversely, if GBP had weakened by 10.0% against the US dollar with all other variables held constant, post-tax profit for the period would have been £1.1m lower (2022: £0.8m lower) and other components of equity would have been £0.9m lower (2022: £2.5m lower).

The US dollar period end exchange rate applied in the above analysis is £1 = $1.2694 (2022: £1 = $1.2087).

Capital management

The Group considers equity plus debt as capital. There are no externally imposed capital requirements on the Group.

The Board's objective with respect to capital management is to ensure the Group continues as a going concern in order to optimise returns to shareholders. The Board regularly monitors the level of capital in the Group to ensure that this can be achieved.

On 7 September 2023 the Group amended its existing syndicated RCF to £250.0m, which is committed until 6 September 2027, and which may be extended for a further two years at Dunelm's request, subject to lender consent. There is also an optional accordion facility of £100.0m. The terms of the RCF are consistent with normal practice and include the same covenants as the previous RCF in respect of leverage (Group net debt to be no greater than 2.5x Group EBITDA before exceptional items) and fixed charge cover (Group EBITDAR before exceptional items to be no less than 1.75x Group fixed charges), both of which were met comfortably as at 1 July 2023 as shown below. In addition, the Group maintains £10.0m of uncommitted overdraft facilities with one syndicate partner bank.

The gearing ratio and banking covenants were as follows:

	2023 £'m	2022 £'m
Total borrowings (note 18)	**77.0**	54.0
Less: cash and cash equivalents (note 15)	**(46.3)**	(30.2)
Net debt	**30.7**	23.8
Less: unamortised debt issue costs (note 18)	**(1.1)**	(1.2)
Net debt including unamortised debt issue costs	**29.6**	22.6
Total equity	**137.5**	178.3
Total capital	**167.1**	200.9
Gearing ratio	**17.7%**	11.2%

	2023 52 weeks £'m	2022 53 weeks £'m
Operating profit	**198.8**	217.7
Add: Depreciation and amortisation of property, plant and equipment and intangible assets (note 3)	**29.8**	30.5
Add: Loss on disposal and impairment of property, plant and equipment and intangible assets (note 3)	**0.3**	0.3
Adjusted EBITDA	**228.9**	248.5
Leverage ratio	**0.13**	0.09

Adjusted EBITDA	**228.9**	248.5
Add: RoUA depreciation	**49.3**	48.6
EBITDA	**278.2**	297.1
Add: Rent	**4.5**	1.8
EBITDAR	**282.7**	298.9
Net interest (note 5)	**6.1**	4.9
Rent plus RoUA depreciation	**53.8**	50.4
Fixed charges	**59.9**	55.3
Fixed charge cover	**4.7**	5.4

Derivatives: Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty.

Market risk

The Group has the option to use a combination of foreign currency options and foreign currency forwards to hedge its exposure to foreign currency risk.

The Group only designates the spot component of foreign currency forwards in hedge relationships. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points. It is discounted where material.

Notes to the Consolidated Financial Statements continued

17. Financial risk management continued

The changes in the forward element of the foreign currency forwards and the time value of the options that relate to hedged items are deferred in the hedging reserve.

Effects of hedge accounting on the financial position and performance

	2023 £'m	2022 £'m
Foreign currency forwards		
Carrying amount of (liability)/asset	**(9.2)**	24.5
Notional amount	**286.4**	280.4
Maturity date	**July 2023-June 2025**	July 2022-June 2024
Hedge ratio	**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness	**£(14.0)m**	£32.4m
Change in the value of hedging instruments	**£14.0m**	£(32.4)m
Weighted average hedged rate for the year (including forward points)	**£1:US$1.2998**	£1:US$1.3426

Fair values

The fair value of the Group's financial assets and liabilities are equal to their carrying value. The fair value of foreign currency contracts are amounts required by the counterparties to cancel the contracts at the end of the period.

Fair value hierarchy

Financial instruments carried at fair value are required to be measured by reference to the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All derivative financial instruments carried at fair value have been measured by a Level 2 valuation method, based on observable market data.

Financial assets/(liabilities)

The carrying value of all financial assets and financial liabilities was materially equal to their fair value.

At 2 July 2022	Financial assets at amortised cost £'m	Financial liabilities at amortised cost £'m	Derivatives used for hedging £'m	Total £'m
Cash and cash equivalents	30.2	–	–	30.2
Trade and other receivables	12.4	–	–	12.4
Accrued income	0.6	–	–	0.6
Derivative financial instruments	–	–	24.5	24.5
Total financial assets	43.2	–	24.5	67.7
Trade and other payables	–	(102.4)	–	(102.4)
Accruals	–	(74.2)	–	(74.2)
Lease liabilities	–	(278.1)	–	(278.1)
Bank loans	–	(52.8)	–	(52.8)
Total financial liabilities	–	(507.5)	–	(507.5)
Net financial assets/(liabilities)	**43.2**	**(507.5)**	**24.5**	**(439.8)**

At 1 July 2023	Financial assets at amortised cost £'m	Financial liabilities at amortised cost £'m	Derivatives used for hedging £'m	Total £'m
Cash and cash equivalents	**46.3**	**–**	**–**	**46.3**
Trade and other receivables	**3.2**	**–**	**–**	**3.2**
Accrued income	**10.1**	**–**	**–**	**10.1**
Derivative financial instruments	**–**	**–**	**1.8**	**1.8**
Total financial assets	**59.6**	**–**	**1.8**	**61.4**
Trade and other payables	**–**	**(94.8)**	**–**	**(94.8)**
Accruals	**–**	**(63.5)**	**–**	**(63.5)**
Lease liabilities	**–**	**(258.2)**	**–**	**(258.2)**
Bank loans	**–**	**(75.9)**	**–**	**(75.9)**
Derivative financial instruments	**–**	**–**	**(11.0)**	**(11.0)**
Total financial liabilities	**–**	**(492.4)**	**(11.0)**	**(503.4)**
Net financial assets/(liabilities)	**59.6**	**(492.4)**	**(9.2)**	**(442.0)**

The currency profile of the Group's cash and cash equivalents is as follows:

	2023 £'m	2022 £'m
Sterling	**33.8**	19.7
US dollar	**12.4**	10.4
Euro	**0.1**	0.1
	46.3	30.2

18. Bank loans

	2023 £'m	2022 £'m
Total borrowings	**77.0**	54.0
Less: unamortised debt issue costs	**(1.1)**	(1.2)
Net borrowings	**75.9**	52.8

Borrowings relate to the Group's syndicated Revolving Credit Facility, as described in note 17.

Notes to the Consolidated Financial Statements continued

18. Bank loans continued

The analysis below shows the reconciliation of net debt:

	2023 52 weeks £'m	2022 53 weeks £'m
Net (debt)/cash at 3 July 2022 and 27 June 2021	**(23.8)**	128.6
Net increase/(decrease) in cash and cash equivalents (excluding foreign exchange revaluations)	**15.5**	(99.5)
Effect of foreign exchange (note 5)	**0.6**	1.1
Repayments of Revolving Credit Facility	**116.0**	31.0
Drawdowns of Revolving Credit Facility	**(139.0)**	(85.0)
Movement in net debt	**(6.9)**	(152.4)
Net debt represented by		
Cash and cash equivalents (note 15)	**46.3**	30.2
Non-current borrowings (note 18)	**(77.0)**	(54.0)
Net debt at 1 July 2023 and 2 July 2022	**(30.7)**	(23.8)
Lease liabilities (note 11)	**(258.2)**	(278.1)
Net debt at 1 July 2023 and 2 July 2022 (including lease liabilities)	**(288.9)**	(301.9)

19. Provisions

	Balance at 3 July 2022 £'m	Utilised in the period £'m	Created in the period £'m	Released in the period £'m	Balance at 1 July 2023 £'m
Property related	5.5	(0.1)	1.4	(0.9)	**5.9**

Property-related provisions consist of costs associated with vacant property and dilapidations. Dilapidations are based on the Directors' best estimate of the Group's future liabilities.

20. Issued share capital

	2023 Number of Ordinary Shares of 1p each	2022 Number of Ordinary Shares of 1p each
In issue at the start of the period	**203,426,835**	202,833,931
Issued during the period in respect of share option schemes	**–**	592,904
In issue at the end of the period	**203,426,835**	203,426,835

	2023 Number of shares	2023 £'m	2022 Number of shares	2022 £'m
Ordinary Shares of 1p each:				
Authorised	**500,000,000**	**5.0**	500,000,000	5.0
Allotted, called up and fully paid	**203,426,835**	**2.0**	203,426,835	2.0

Proceeds received in relation to shares issued during the period were nil (2022: £0.1m).

21. Treasury shares

	2023 Number of shares	2023 £'m	2022 Number of shares	2022 £'m
Outstanding at the beginning of the period	**1,686,200**	**17.5**	160,319	1.4
Purchased during the period	**908,064**	**7.0**	2,500,000	28.3
Reissued during the period in respect of share option schemes	**(881,474)**	**(8.5)**	(974,119)	(12.2)
Outstanding at the end of the period	**1,712,790**	**16.0**	1,686,200	17.5

The Group acquired 908,064 (2022: 2,500,000) shares through purchases on the London Stock Exchange during the period for a total value of £7.0m (2022: £28.3m).

The Group reissued 881,474 (2022: 974,119) treasury shares during the period for a total value of £8.5m (2022: £12.2m).

Proceeds from the issue of treasury shares included in the Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity of £2.4m (2022: £3.9m) is the amount employees contributed.

The Group has the right to reissue the remaining treasury shares at a later date.

22. Share-based payments

The Group operates a number of share-based payment schemes as follows:

Dunelm Group Savings Related Share Option Plan (Sharesave)

The Dunelm Group plc Savings Related Share Option Plan (Sharesave) scheme is open to all colleagues with eligible length of service. Invitations to participate in the scheme are issued annually and the scheme is 'approved' under HMRC rules. The current maximum monthly savings for the schemes detailed below is £500. Options are granted at the prevailing market rate less a discount of 20.0%. Options may be exercised under the scheme within six months of the completion of each three-year savings contract (from the grant date). There is provision for early exercise in certain circumstances such as death, disability, redundancy, and retirement. Sharesave options are accounted for as equity-settled awards under IFRS 2.

The following table summarises the movement in Dunelm Group plc Sharesave options during the year:

	2023		2022	
Sharesave plans	**No. of options**	**Weighted average exercise price (p)**	**No. of options**	**Weighted average exercise price (p)**
Outstanding at beginning of year	**1,182,512**	**923.00**	1,571,890	651.20
Granted	**2,063,669**	**667.00**	632,092	1,046.00
Exercised	**(371,564)**	**634.54**	(807,250)	483.06
Forfeited	**(660,351)**	**973.79**	(214,220)	949.37
Outstanding at end of year	**2,214,266**	**717.67**	1,182,512	923.00
Exercisable at end of year	**30,550**	**654.00**	31,605	479.00

Exercisable at end of year refers to all share options not exercised which have passed their vesting date, but not yet reached their expiry date. The figure of 30,550 options (2022: 31,605 options) excludes the provisions for early exercise explained above.

Notes to the Consolidated Financial Statements continued

22. Share-based payments continued

Options outstanding at 1 July 2023 are exercisable at prices ranging between 654.00p and 1,167.00p (2022: 479.00p and 1,167.00p) and have a weighted average remaining contractual life of 2.8 years (2022: 2.1 years), as analysed in the table below:

	2023		2022	
Sharesave plans	**No. of options**	**Weighted average remaining contractual life (years)**	**No. of options**	**Weighted average remaining contractual life (years)**
Exercise price (pence):				
479.00	**–**	**–**	45,502	–
654.00	**19,110**	**–**	370,906	1.0
667.00	**1,928,943**	**3.0**	–	–
1,046.00	**170,758**	**2.0**	553,288	3.0
1,167.00	**95,455**	**1.0**	212,816	2.0
	2,214,266	**2.8**	1,182,512	2.1

Long-Term Incentive Plan (LTIP)

As explained in the Remuneration Report, the Group operates an equity-settled LTIP scheme for Executive Directors and other senior colleagues. Performance conditions for the LTIP awards are detailed in the Remuneration Report. LTIP options are also accounted for as equity-settled awards under IFRS 2.

The following table summarises the movements in nil-cost LTIP awards during the year:

LTIP awards	**2023 No. of options**	**2022 No. of options**
Outstanding at beginning of year	**1,465,667**	1,733,531
Granted	**754,112**	515,226
Dividend equivalent awarded in the year	**122,382**	17,866
Exercised	**(345,487)**	(497,830)
Forfeited	**(98,732)**	(303,126)
Outstanding at end of year	**1,897,942**	1,465,667
Exercisable at end of year	**21,505**	17,082

Exercisable at end of year refers to all share options not exercised which have passed their vesting date, but not yet reached their expiry date.

The weighted average remaining contractual life of these options is 8.1 years (2022: 8.0 years).

Restricted Stock Award (RSA)

These awards are granted to particular individuals and are dependent on continuing employment. The only performance condition is that the threshold diluted earnings per share as per the LTIP conditions is met as detailed in the Remuneration Report. RSA options are also accounted for as equity-settled awards under IFRS 2.

The following table summarises the movements in nil-cost RSA options during the year:

Restricted Stock Awards	**2023 No. of options**	**2022 No. of options**
Outstanding at beginning of year	**123,544**	68,103
Granted	**207,203**	75,940
Dividend equivalent awarded in the year	**14,697**	2,765
Exercised	**(12,756)**	(10,308)
Forfeited	**(16,242)**	(12,956)
Outstanding at end of year	**316,446**	123,544
Exercisable at end of year	**2,836**	2,785

Exercisable at end of year refers to all share options not exercised which have passed their vesting date, but not yet reached their expiry date.

The weighted average remaining contractual life of these options is 7.5 years (2022: 8.8 years).

Bonus Deferred Shares Award

The Bonus Deferred Shares Award provides options over shares in Dunelm Group plc for colleagues of the Group as a discretionary bonus. This is an equity-settled share option scheme and there are no performance conditions attached to these awards, they are only dependent on continued employment. Under this arrangement, colleagues are awarded a number of options which is based on the cash value of the earned bonus award, determined by their achievement of a mixture of Group and individual performance metrics, divided by a share price value of 1,189.00p which was approved at the November 2020 AGM. The deferred shares awarded vest in September 2021 and/or September 2022, depending on colleague level.

The Bonus Deferred Shares Award is structured as nil-cost options and the following table summarises their movement during the year:

Bonus Deferred Shares Award	2023 No. of options	2022 No. of options
Outstanding at beginning of year	**158,398**	494,420
Dividend equivalent awarded in the year	**–**	9,608
Exercised	**(151,667)**	(252,488)
Forfeited	**(3,948)**	(93,142)
Outstanding at end of year	**2,783**	158,398
Exercisable at end of year	**2,783**	–

The weighted average remaining contractual life of these options is nil years (2022: 0.2 years).

Fair value calculations

The fair values of all share options granted are calculated at the date of grant using a Black-Scholes option pricing model. Expected volatility is determined by calculating the historical volatility of the Group's share price over a period equivalent to the expected life of an option which is aligned to its vesting period.

The following tables list the inputs to the model used for options granted in the periods ended 1 July 2023 and 2 July 2022 based on information at the date of grant:

Sharesave plans	2023	2022
Share price at date of grant	**974.00p**	1,444.23p
Exercise price	**667.00p**	1,046.00p
Volatility	**42.28%**	43.54%
Expected life	**3 years**	3 years
Risk-free rate	**3.66%**	0.63%
Dividend yield	**3.27%**	2.90%
Fair value per option	**393.50p**	424.30p

Notes to the Consolidated Financial Statements continued

22. Share-based payments continued

LTIP awards	2023	2022
Share price at date of grant	**865.00p**	1,307.00p
Exercise price	**0.00p**	0.00p
Volatility	**43.06%**	43.65%
Expected life	**3 years**	3 years
Risk-free rate	**3.62%**	0.84%
Dividend yield	**3.27%**	2.90%
Fair value per option	**623.30p**	977.40p

Restricted Stock Awards	2023	2022
Share price at date of grant	**678.00p-867.00p**	1,307.00p
Exercise price	**0.00p**	0.00p
Volatility	**35.58%-35.90%**	46.25%-43.65%
Expected life	**1-2 years**	2-3 years
Risk-free rate	**2.82%-3.62%**	0.84%
Dividend yield	**3.27%**	2.90%
Fair value per option	**623.30p-839.10p**	977.40p

The charge to the Income Statement for all share option schemes is disclosed in note 4.

23. Commitments

As at 1 July 2023, the Group had entered into capital contracts for new stores and refits amounting to £8.1m (2022: £4.7m).

24. Contingent liabilities

The Group had no contingent liabilities at the period end date (2022: none).

25. Related parties

Identity of related parties

The Group has related party relationships with its subsidiaries and with its Directors. Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation for the Group. A list of subsidiaries can be found in note C4 to the Parent Company Financial Statements.

Key management personnel

The key management personnel of the Group comprise members of the Board of Directors and the Executive Board.

Directors of the Company and their close relatives control 42.7% (2022: 42.9%) of the voting shares of the Company.

Disclosures relating to remuneration of Directors are set out in the Remuneration Report on pages 88 to 118. The remuneration of the key management personnel is set out below:

	52 weeks 2023 £'m	53 weeks 2022 £'m
Wages and salaries	**3.8**	3.5
Termination benefits	**0.1**	–
Short-term employee benefits	**3.1**	4.2
Post-employment benefits	**0.1**	0.1
Share-based payments (including NI)	**1.9**	2.9
	9.0	10.7

The amount of gains made by Directors on the exercise of share options are disclosed in the Remuneration Report on page 109.

From time to time Directors of the Group, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees and values involved are trivial.

26. Ultimate controlling party

The Directors consider that there is no ultimate controlling party of Dunelm Group plc.

Parent Company Statement of Financial Position

As at 1 July 2023

	Note	1 July 2023 £'m	2 July 2022 £'m
Non-current assets			
Investments in subsidiary undertakings	C4	**68.8**	64.8
Deferred tax assets	C5	**0.6**	1.0
Total non-current assets		**69.4**	65.8
Current assets			
Trade and other receivables	C6	**162.3**	98.3
Total current assets		**162.3**	98.3
Total assets		**231.7**	164.1
Current liabilities			
Trade and other payables	C7	**(0.3)**	(0.3)
Total current liabilities		**(0.3)**	(0.3)
Total liabilities		**(0.3)**	(0.3)
Net assets		**231.4**	163.8
Equity			
Issued share capital	C11	**2.0**	2.0
Share premium account		**1.7**	1.7
Non-distributable reserves		**23.6**	19.6
Capital redemption reserve		**43.2**	43.2
Retained earnings		**160.9**	97.3
Total equity attributable to equity holders of the Parent		**231.4**	163.8

The Company made a profit after tax of £230.9m (2022: £150.5m).

The financial statements on pages 164 to 171 were approved by the Board of Directors on 20 September 2023 and were signed on its behalf by:

Karen Witts
Director

Company number 04708277

20 September 2023

Parent Company Statement of Changes in Equity

For the 52 weeks ended 1 July 2023

	Note	Issued share capital £'m	Share premium account £'m	Non-distributable reserves £'m	Capital redemption reserve £'m	Retained earnings £'m	Total equity attributable to equity holders of the Parent £'m
As at 26 June 2021		2.0	1.6	15.5	43.2	252.5	314.8
Profit for the period		–	–	–	–	150.5	150.5
Total comprehensive income for the period		–	–	–	–	150.5	150.5
Proceeds from issue of shares		–	0.1	–	–	–	0.1
Purchase of treasury shares	C12	–	–	–	–	(28.3)	(28.3)
Proceeds from issue of treasury shares	C12	–	–	–	–	3.9	3.9
Share-based payments	C13	–	–	4.1	–	0.7	4.8
Deferred tax on share-based payments	C5	–	–	–	–	(0.5)	(0.5)
Current corporation tax on share options exercised	C8	–	–	–	–	0.6	0.6
Dividends	C3	–	–	–	–	(282.1)	(282.1)
Total transactions with owners, recorded directly in equity		–	0.1	4.1	–	(305.7)	(301.5)
As at 2 July 2022		2.0	1.7	19.6	43.2	97.3	163.8
Profit for the period		–	–	–	–	230.9	230.9
Total comprehensive income for the period		–	–	–	–	230.9	230.9
Purchase of treasury shares	C12	–	–	–	–	(7.0)	(7.0)
Proceeds from issue of treasury shares	C12	–	–	–	–	2.4	2.4
Share-based payments	C13	–	–	4.0	–	0.8	4.8
Deferred tax on share-based payments	C5	–	–	–	–	(0.3)	(0.3)
Current corporation tax on share options exercised	C8	–	–	–	–	0.1	0.1
Dividends	C3	–	–	–	–	(163.3)	(163.3)
Total transactions with owners, recorded directly in equity		–	–	4.0	–	(167.3)	(163.3)
As at 1 July 2023		**2.0**	**1.7**	**23.6**	**43.2**	**160.9**	**231.4**

The non-distributable reserves' purpose is to reflect movements in share-based payments in respect of awards given by the Parent Company to employees of its subsidiaries.

At the time of declaring dividends, the Directors assessed the level of available distributable reserves with reference to relevant accounts and considered there to be sufficient levels to support the dividend.

Parent Company Accounting Policies

For the 52 weeks ended 1 July 2023

General information

Dunelm Group plc (the 'Company') is incorporated and domiciled in the UK. Dunelm Group plc is a listed public company, limited by shares and the Company registration number is 04708277. The registered office is Dunelm Store Support Centre, Watermead Business Park, Syston, Leicester, Leicestershire, England, LE7 1AD.

Basis of preparation

The financial statements in the prior year were prepared in accordance with UK-adopted International Financial Reporting Standards ('IFRS') and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

These financial statements have been prepared in accordance with FRS 101 Reduced Disclosure Framework ('FRS101'). The impact on the net assets of the Company as a result of the change in accounting convention has been £nil.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to standards not yet effective and presentation of a cash flow statement. The accounting policies adopted for the Parent Company, Dunelm Group plc, are otherwise consistent with those used for the Group which are set out on pages 136 to 142.

The annual financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 and other applicable law. The financial statements are prepared in pounds sterling, rounded to the nearest 0.1 million.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Additional considerations relating to the potential downturn in the homewares market on the going concern assumptions are set out in the Consolidated Financial Statements on page 136.

Share-based payments

Employees of the Company have been granted options for two equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (for example, an entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to equity.

When the options are exercised, the Company either issues new shares, or uses treasury shares purchased for this purpose. For newly issued shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The social security contributions payable in connection with the grant of the share options are considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax represents the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the Statement of Financial Position date, together with any adjustment to tax payable in respect of previous periods.

Deferred tax provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be recognised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Dividends

Dividends are recognised as a liability in the period in which they are approved such that the Company is obligated to pay the dividend.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and then carried at amortised cost, net of impairment provisions.

Share capital

Where the Company purchases its own equity share capital (treasury shares) the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Investments

Investments in subsidiary undertakings are stated at the adjusted cost of the investment. IFRS 2 requires the Parent Company to recognise an increase in the cost of its investment in a subsidiary which has issued share options in the Parent Company's shares to its employees.

New standards and interpretations

A detailed list of new standards, amendments or interpretations can be found in the consolidated accounting policies on page 142.

Use of estimates and judgements

Based on the IAS 1 definitions, there are no significant estimates or critical judgements used in the Company Financial Statements.

Notes to the Parent Company Financial Statements

For the 52 weeks ended 1 July 2023

C1. Income Statement

The Company made a profit after tax of £230.9m (2022: £150.5m). The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and have not presented an Income Statement for the Company.

Disclosures relating to the fees paid to the Company's auditor is set out in note 3 in the Group's financial statements on page 144.

C2. Employee costs

The Company's employees are the three Executive Directors and the Non-Executive Directors. Full details of the Directors' remuneration and interests are set out in the Remuneration Report on pages 88 to 118. Share-based payments details are given in note C13 on page 171.

C3. Dividends and special distributions to shareholders

Disclosures relating to dividends and special distributions to shareholders are set out in note 7 in the Group's financial statements on page 146.

C4. Investments in subsidiary undertakings

Shares in subsidiary undertakings:

	£'m
As at 27 June 2021	60.7
Share-based payments	4.1
As at 2 July 2022	64.8
Share-based payments	4.0
As at 1 July 2023	**68.8**

The share-based payment adjustment to investments reflects share option awards given by the Parent Company to employees of its subsidiaries.

The following were subsidiaries as at 1 July 2023:

Subsidiary	Proportion of ordinary shares held	Nature of business
Dunelm Limited	100%	Holding company
Dunelm (Soft Furnishings) Ltd*	100%	Retailer of soft furnishings
Dunelm Estates Limited*	100%	Dormant company
Zoncolan Limited*	100%	Dormant company
Fogarty Holdings Limited*	100%	Non-trading company
Globe Online Limited*	100%	Dormant company
Dunelm (Soft Furnishings) Londonderry Ltd*	100%	Non-trading company

*Share capital held by subsidiary undertaking.

Dunelm Group plc, the Parent Company, and its subsidiaries (excluding Dunelm (Soft Furnishings) Londonderry Ltd) are incorporated and domiciled in the UK. The registered office is Dunelm Store Support Centre, Watermead Business Park, Syston, Leicester, Leicestershire, England, LE7 1AD.

The registered address for Dunelm (Soft Furnishings) Londonderry Ltd is Faustina Retail Park, 35 Buncrana Road, Londonderry, Northern Ireland, BT48 8QN.

C5. Deferred tax assets

	2023 £'m	2022 £'m
Employee benefits	**0.6**	1.0

The movement in deferred tax assets is as follows:

	Balance at 27 June 2021 £'m	Recognised in income £'m	Recognised in equity £'m	Balance at 2 July 2022 £'m
Employee benefits	1.8	(0.3)	(0.5)	1.0

	Balance at 3 July 2022 £'m	Recognised in income £'m	Recognised in equity £'m	Balance at 1 July 2023 £'m
Employee benefits	1.0	(0.1)	(0.3)	**0.6**

C6. Trade and other receivables

	2023 £'m	2022 £'m
Amounts owed by subsidiary undertakings	**162.3**	98.3

Amounts owed by subsidiary undertakings are repayable on demand. Interest is charged monthly on all intercompany balances at an annual rate of 2.0%. There is no security on these balances.

These amounts pose no liquidity or credit risk as they are owed by other Group undertakings and are expected to be settled by Group transactions.

C7. Trade and other payables

	2023 £'m	2022 £'m
Accruals and deferred income	**0.3**	–
Other taxation and social security	**–**	0.3
	0.3	0.3

Notes to the Parent Company Financial Statements continued

C8. Taxation

	2023 52 weeks £'m	2022 53 weeks £'m
Current taxation		
UK corporation tax charge for the period	**0.1**	0.5
Deferred taxation		
Origination of temporary differences	**0.1**	0.3
Tax expense	**0.2**	0.8

The tax charge is reconciled with the standard rate of UK corporation tax as follows:

	2023 52 weeks £'m	2022 53 weeks £'m
Profit before taxation	**231.1**	151.3
UK corporation tax at standard rate of 20.5% (2022: 19.0%)	**47.4**	28.7
Factors affecting the charge in the period:		
Income not subject to tax	**(47.8)**	(28.5)
Impact of change in tax rate	**(0.1)**	-
Group relief	**0.7**	0.6
Tax expense	**0.2**	0.8

The UK Government substantively enacted an increase in the corporation tax rate to 25.0% effective from 1 April 2023. The deferred tax asset as at 1 July 2023 has been calculated based on the rate of 25.0%.

C9. Interest-bearing loans and borrowings

The Company's only interest-bearing borrowings relate to intercompany loans which have interest charges of 2.0% and are not affected by changes in SONIA.

C10. Financial risk management

Capital management

The Board's objective with respect to capital management is to ensure the Company continues as a going concern in order to optimise returns to shareholders. The Board's policy is to retain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development. The Board regularly monitors the level of capital in the Group to ensure that this can be achieved.

C11. Issued share capital

Disclosures relating to issued share capital are set out in note 20 in the Group's financial statements on page 158.

C12. Treasury shares

Disclosures relating to treasury shares are set out in note 21 in the Group's financial statements on page 159.

C13. Share-based payments

The Company operates the following share-based payment schemes for the CEO and CFO:

a. Dunelm Group Savings Related Share Option Plan (Sharesave)

The Dunelm Group plc Savings Related Share Option Plan (Sharesave) scheme is open to all colleagues with eligible length of service. Invitations to participate in the scheme are issued annually and the scheme is 'approved' under HMRC rules. The current maximum monthly savings for the schemes is £500. Options are granted at the prevailing market rate less a discount of 20%. Options may be exercised under the scheme within six months of the completion of each three-year savings contract (from the grant date). There is provision for early exercise in certain circumstances such as death, disability, redundancy, and retirement. Sharesave options are accounted for as equity-settled awards under IFRS 2.

b. Long-Term Incentive Plan (LTIP)

As explained in the Remuneration Report, the Company operates an equity-settled LTIP scheme. Performance conditions for the LTIP awards are detailed in the Remuneration Report. LTIP options are also accounted for as equity-settled awards under IFRS 2.

c. Bonus Deferred Shares Award

The Bonus Deferred Shares Award provides options over shares in Dunelm Group plc for participants as a discretionary bonus. This is an equity-settled share option scheme and there are no performance conditions attached to these awards, they are only dependent on continued employment. Under this arrangement, participants are awarded a number of options which is based on the cash value of the earned bonus award – determined by their achievement of a mixture of Group and individual performance metrics – divided by a share price value of 1,189.00p which was approved at the November 2020 AGM. The deferred shares awarded vest in September 2021 and September 2022.

C14. Contingent liabilities

The Company had no contingent liabilities at the period end date (2022: none).

C15. Related parties

Transactions between the Company and its subsidiaries were as follows:

	2023 52 weeks £'m	2022 53 weeks £'m
Dividends received	**163.3**	150.2
Dividends receivable	**70.0**	–
Net interest receivable	**2.3**	3.1
	235.6	153.3
Amounts owed by subsidiary undertakings	**162.3**	98.3
	162.3	98.3

Key management personnel

All employees of the Company are key management personnel. Directors of the Company and their close relatives control 42.7% (2022: 42.9%) of the voting shares of the Company.

	2023 52 weeks £'m	2022 53 weeks £'m
Wages and salaries	**1.7**	1.6
Short-term employee benefits	**1.4**	1.8
Share-based payments (including NI)	**0.9**	0.9
	4.0	4.3

There were no termination benefits for employees of the Company.

The amount of gains made by Directors on the exercise of share options are disclosed in the Remuneration Report on page 109.

Alternative performance measures (APMs)

APM	Definition, purpose and reconciliation to statutory measure
Unique active customers growth	Growth in unique active customers who have shopped in a 12-month period compared to the prior 12-month period, based on Barclays transactional data. Note that Barclays data represents approximately 10% of total Dunelm transactions. To measure whether we are continuing to grow our active customer base – from both new customers and retention of existing customers.
Total sales	Equivalent to revenue (from all channels). This is net of customer returns.
Digital sales	Digital sales include home delivery, Click & Collect (or Reserve & Collect before October 2019) and tablet-based sales in store.
Digital % total sales	Digital sales (as defined above) expressed as a percentage of revenue. This is not a measure that we seek to maximise in itself, but we measure it to track our adaptability to changing customer behaviours.
Gross margin %	Gross profit expressed as a percentage of revenue. Measures the profitability of product sales prior to operating costs.
Operating costs to sales ratio	Operating costs expressed as a percentage of revenue. To measure the growth of costs relative to sales growth.
EBITDA[1]	Earnings before interest, tax, depreciation, amortisation and impairment. Operating profit plus depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets plus loss on disposal and impairment of property, plant and equipment and intangible assets. Used in our capital and dividend policy.
Adjusted EBITDA	EBITDA less depreciation on right-of-use assets. To measure compliance with bank covenants
EBITDAR[1]	EBITDAR is calculated as EBITDA plus rent. To measure compliance with bank covenants
Effective tax rate	Taxation expressed as a percentage of profit before taxation. To measure how close we are to the UK corporation tax rate and understand the reasons for any differences.
Capex (net of disposals)	Acquisition of intangible assets and acquisition of property, plant and equipment less proceeds on disposal of property, plant and equipment and intangibles.
Free cash flow[2]	Free cash flow is defined as net cash generated from operating activities less capex (net of disposals) and business combinations, net interest paid (including leases) and loan transaction costs, and repayment of principal element of lease liabilities. Measures the cash generated that is available for disbursement to shareholders.
Net cash/(debt)	Cash and cash equivalents less total borrowings (as shown in note 18). Excludes IFRS 16 lease liabilities.
Cash conversion	Free cash flow expressed as a percentage of operating profit.
Ordinary dividend cover	Ordinary dividend cover is calculated as earnings per share divided by the total ordinary dividend relating to the financial year. This measure is used in our capital and dividend policy.

1 Please see Note 17 to the Financial Statements on page 152.

2 Please see cash generation and net cash table on page 24.

Advisers and contacts

Corporate brokers

Barclays Bank plc
5 The North Colonnade
London E14 4BB
Tel: 020 7623 2323

Peel Hunt LLP
100 Liverpool Street
London EC2M 2AT
Tel: 020 7418 8900

Financial advisers

UBS Investment Bank
5 Broadgate
London EC2M 2QS
Tel: 020 7567 8000

Financial public relations

MHP Communications
60 Great Portland Street
London W1W 7RT
Tel: 020 3128 8100

Independent auditor

PricewaterhouseCoopers LLP
One Chamberlain Square
Birmingham B3 3AX
Tel: 0121 265 5000

Registered office

Dunelm Store Support Centre
Watermead Business Park
Syston, Leicester
Leicestershire, England LE7 1AD
Company registration no: 4708277

Principal bankers

Barclays Bank plc
Midlands Corporate Banking
PO Box 333
15 Colmore Row
Birmingham B3 2BH
Tel: 0345 734 5345

Investor relations

corporate.dunelm.com
Tel: 0116 264 4400
Email: investorrelations@dunelm.com

Registrars

Equiniti
Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA
Tel: 0371 384 2030[1]

1 If dialling internationally, call +44 121 415 7047. The helpline is open Monday to Friday 8.30 am to 5.30 pm, excluding bank holidays.

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Tel: 0116 264 4400
Email: investorrelations@dunelm.com

corporate.dunelm.com