

# Rules of the Dunelm Group 2014 Long Term Incentive Plan

Approved by the shareholders of Dunelm Group plc on 11 November 2014

Adopted by the board of directors of Dunelm Group plc on 11 November 2014

As amended by the board of Directors of Dunelm Group plc on {24 November 2015} following approval by the shareholders of Dunelm Group plc on {24 November 2015}

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# THE DUNELM GROUP 2014 LONG TERM INCENTIVE PLAN

## 1 DEFINITIONS AND INTERPRETATION

1.1 In this Plan, unless otherwise stated, the words and expressions below have the following meanings:

<b>“Assessment Date”</b>	in relation to an Award, the date on which the Board determines the extent to which any Performance Condition has been met;
<b>“Award”</b>	a Conditional Award or an Option;
<b>“Board”</b>	subject to rule 13.9, the board of the Company or any duly authorised committee of the board;
<b>“Company”</b>	Dunelm Group plc registered in England and Wales under number 04708277;
<b>“Conditional Award”</b>	a right to acquire Shares in accordance with the rules of the Plan with no Exercise Period;
<b>“Control”</b>	the meaning given by section 995 of the Income Tax Act 2007;
<b>“Dealing Day”</b>	any day on which the London Stock Exchange is open for business;
<b>“Dealing Restrictions”</b>	restrictions imposed by the Company’s share dealing code, the Listing Rules or any applicable laws or regulations which impose restrictions on share dealing;
<b>“Eligible Employee”</b>	an employee (including an executive director) of the Company or any of its Subsidiaries;
<b>“Exercise Period”</b>	the period during which an Option may be exercised;
<b>“Grant Date”</b>	the date on which an Award is granted;
<b>“Grant Period”</b>	the period of 42 days commencing on: <ul style="list-style-type: none"><li>i) the day on which the Plan is approved by shareholders of the Company in general meeting;</li><li>ii) the Dealing Day after the day on which the Company makes an announcement of its results for any period;</li><li>iii) in respect of an Eligible Employee, the date on which that Eligible Employee first becomes employed by the Company or any of its Subsidiaries; or</li><li>iv) any day on which the Board resolves that exceptional circumstances exist which justify the grant of Awards;</li></ul>

unless the Company is restricted from granting Awards under the Plan during the periods specified above as a result of any Dealing Restrictions, in which case the relevant Grant Period will be 42 days commencing on the Dealing Day after such Dealing Restrictions are lifted;

<b>“Group Member”</b>	the Company, any Subsidiary of the Company, any company which is (within the meaning of section 1159 of the Companies Act 2006) the Company’s holding company or a Subsidiary of the Company’s holding company or, if the Board so determines, any body corporate in relation to which the Company is able to exercise at least 20% of the equity voting rights and <b>“Group”</b> will be construed accordingly;
<b>“Holding Period”</b>	in respect of an Award which is subject to a Holding Period, the period starting on the later of the Assessment Date and the third anniversary of the Grant Date and ending two years later;
<b>“Internal Reorganisation”</b>	where immediately after a change of Control of the Company, all or substantially all of the issued share capital of the acquiring company is owned directly or indirectly by the persons who were shareholders in the Company immediately before the change of Control;
<b>“Listing Rules”</b>	the UKLA’s listing rules, as amended from time to time;
<b>“Nil-Cost Option”</b>	a right to acquire Shares in accordance with the terms of the Plan during an Exercise Period at no cost to the Participant;
<b>“Nominal Value Option”</b>	a right to acquire Shares in accordance with the terms of the Plan during an Exercise Period on payment of an exercise price equal to the nominal value of the Shares;
<b>“Normal Vesting Date”</b>	the date on which an Award will normally Vest, which: <ul style="list-style-type: none"> <li>i) in respect of an Award which is subject to a Performance Condition and to a Holding Period, will be the later of the Assessment Date and the end of the Holding Period (or such later date determined by the Board at the Grant Date); and</li> <li>ii) in respect of an Award which is subject to a Performance Condition but not subject to a Holding Period, will be the later of the Assessment Date and the third anniversary of the Grant Date (or such later date determined by the Board at the Grant Date);</li> </ul>
<b>“Option”</b>	a Nil-Cost Option or a Nominal Value Option;
<b>“Participant”</b>	any person who holds an Award or following his death, his personal representatives;
<b>“Performance Condition”</b>	a condition or conditions imposed under rule 3.1 which relates to performance;
<b>“Performance Period”</b>	the period over which a Performance Condition will be measured which, unless the Board determines otherwise, will be at least three years;
<b>“Plan”</b>	the Dunelm Group 2014 Long Term Incentive Plan in its present form or as from time to time amended;
<b>“Share”</b>	a fully paid ordinary share in the capital of the Company;

<b>“Subsidiary”</b>	the meaning given by section 1159 of the Companies Act 2006;
<b>“Tax Liability”</b>	any tax or social security contributions liability in connection with an Award for which the Participant is liable and for which any Group Member or former Group Member is obliged to account to any relevant authority;
<b>“Trustee”</b>	the trustee or trustees for the time being of any employee benefit trust, the beneficiaries of which include Eligible Employees;
<b>“UKLA”</b>	the United Kingdom Listing Authority (or other relevant authority);
<b>“Vest”</b>	<ul style="list-style-type: none"> <li>i) in relation to a Conditional Award, the point at which a Participant becomes entitled to receive the Shares; and</li> <li>ii) in relation to an Option, the point at which it becomes capable of exercise,</li> </ul>

and **“Vesting”** and **“Vested”** will be construed accordingly.

1.2 References in the Plan to:

1.2.1 any statutory provisions are to those provisions as amended or re-enacted from time to time;

1.2.2 the singular include the plural and vice versa; and

1.2.3 the masculine include the feminine and vice versa.

1.3 Headings do not form part of the Plan.

## 2 GRANT OF AWARDS

2.1 Subject to rule 2.2, during a Grant Period, the Board may grant an Award to an Eligible Employee in its discretion subject to the rules of the Plan and upon such additional terms as the Board may determine.

2.2 The grant of an Award will be subject to obtaining any approval or consent required by the UKLA (or other relevant authority), any Dealing Restrictions and any other applicable laws or regulations (whether in the UK or overseas).

2.3 Awards must be granted by deed and as soon as practicable after the Grant Date, Participants must be notified of the terms of their Award including the Performance Condition, and if the Award is subject to a Holding Period that this is the case.

2.4 No Award may be granted under the Plan after the tenth anniversary of the date on which the Plan was approved by the shareholders of the Company.

2.5 The Board may make the Vesting (or, where relevant, the exercise) of an Award conditional upon the Participant having entered into:

2.5.1 an agreement or election pursuant to paragraphs 3A or 3B of Schedule 1 to the Social Security Contributions and Benefits Act 1992 (as the Board determines); and/or

2.5.2 an election under section 431 of the Income Tax (Earnings and Pensions) Act 2003.

### 3 PERFORMANCE CONDITION

- 3.1 The Vesting of Awards will be subject to the satisfaction of a Performance Condition. Subject to rules 12 and 13, the Performance Condition will be measured over the Performance Period.
- 3.2 The Board may amend or substitute a Performance Condition if one or more events occur which cause the Board to consider that a substituted or amended Performance Condition would be more appropriate and would not be materially less difficult to satisfy than the original Performance Condition would have been but for the occurrence of the event.

### 4 RESTRICTIONS ON TRANSFER AND BANKRUPTCY

- 4.1 An Award must not be transferred, assigned, charged or otherwise disposed of in any way (except in the event of the Participant's death, to his personal representatives) and will lapse immediately on any attempt to do so.

4.2 An Award will lapse immediately if the Participant is declared bankrupt.

4.24.3 The Board may grant an Award subject to such provisions as the Board may determine as to the retention of Shares by the Participant following the Vesting of the Award.

### 5 DIVIDEND EQUIVALENTS

- 5.1 The Board may decide at any time prior to the issue or transfer of Shares to which an Award relates that a Participant will receive an amount (in cash or Shares, and which may be calculated assuming the reinvestment of dividends) equal in value to some or all of the dividends (including special dividends, unless the Board determines otherwise) that would have been paid on Shares in respect of which the Award Vests from:
- 5.1.1 the end of the Performance Period until the date of Vesting; or
- 5.1.2 the Grant Date (if the Board so determines) until the date of Vesting.

### 6 INDIVIDUAL LIMIT

6.1 ~~Subject to rule 6.2, No~~ Eligible Employee may be granted Awards ~~which would, at the time they are granted, cause the market value (as determined by the Board) of all the Shares subject to Awards granted to that Eligible Employee in respect of a particular financial year of the Company over more than 110,000 Shares. to exceed 150% of his annual salary and to the extent any Award exceeds this limit it will be scaled back accordingly.~~

6.16.2 The limit in rule 6.1 on the number of Shares over which an Eligible Employee may be granted Awards in respect of any financial year of the Company may be adjusted in such manner as the Board determines in the event of any variation of the Company's share capital.

### 7 PLAN LIMITS

- 7.1 The Board must not grant an Award which would, on the day before the Grant Date, cause the number of Shares allocated under the Plan and under any other employee share plan adopted by the Company to exceed such number as represents ten per cent of the ordinary share capital of the Company in issue at that time.
- 7.2 The Board must not grant an Award which would, on the day before the Grant Date, cause the number of Shares allocated under the Plan and under any other discretionary employee share plan adopted by the Company to exceed such number as represents five per cent of the ordinary share capital of the Company in issue at that time.

7.3 Subject to rules 7.4 and 7.5, in determining the limits set out in rules 7.1 and 7.2 Shares are treated as allocated if they have been newly issued by the Company or transferred from treasury to satisfy an option, award or other right granted during the previous ten years (an “**award**”), or in the case of such an award in respect of which Shares are yet to be delivered, if the Board intends that new Shares will be issued or that Shares from treasury will be transferred and for these purposes the number of Shares allocated includes:

7.3.1 Shares which have been issued or may be issued to any Trustee; and

7.3.2 Shares which have been or may be transferred from treasury to any Trustee

in either case for the Trustee to then transfer to satisfy an award (unless these Shares have already been counted under this rule).

7.4 The Board may determine that Shares transferred from treasury will cease to count as allocated for the purposes of rule 7.3 if guidelines published by institutional investor representative bodies no longer require such Shares to be counted.

7.5 The number of Shares allocated does not include:

7.5.1 Shares issued or committed to be issued to satisfy awards granted prior to the admission of the Shares to the Official List of the London Stock Exchange;

7.5.2 Shares in respect of which the right to acquire such Shares lapses or is released; and

7.5.3 existing Shares other than treasury Shares which are transferred or to which an award relates.

7.6 If the Board purports to grant one or more Awards which are inconsistent with the limits in this rule 7:

7.6.1 if only one Award is purported to be so granted, that Award will be limited and will take effect from the Grant Date over the maximum number of Shares permitted by those limits; and

7.6.2 if more than one Award is purported to be so granted, each such Award will be reduced as determined by the Board and will take effect from the Grant Date over the maximum number of Shares permitted by those limits.

7.7 The Board may make such adjustments to the method of assessing the limits set out in rules 7.1 and 7.2 as it considers appropriate in the event of any variation of the Company's share capital.

## **8 REDUCTION FOR MALUS AND CLAWBACK**

8.1 Notwithstanding any other rule of the Plan, the Board may, in its discretion in the circumstances referred to in rule 8.2, determine at any time prior to the third anniversary of the Date on which an Award Vests to:

8.1.1 if the Award has not Vested or the Award is a Nil-Cost Option and has not been exercised, reduce the number of Shares to which the Award relates;

8.1.2 if the Award has not Vested or the Award is a Nil-Cost Option and has not been exercised, cancel the Award;

8.1.3 if the Award has not Vested or the Award is a Nil-Cost Option and has not been exercised, impose further conditions on the Award; or

8.1.4 if the Award has Vested and, if it is a Nil-Cost Option, been exercised, require that the Participant:

- (a) transfer (or procure such transfer) to the Company (or the Trustee or any other person nominated by the Company) a number of Shares determined in accordance with rule 8.4; or
- (b) repay (or procure such repayment) to the Company (or the Trustee or any other person nominated by the Company) an amount of cash received by the Participant in respect of the Award (or which would have been so received but for any arrangements put in place to enable the recovery of any Tax Liability relating to the Award) determined in accordance with rule 8.4.

8.2 The relevant circumstances for the purposes of rule 8.1 are:

8.2.1 a misstatement of the performance to which an Award relates;

8.2.2 a miscalculation of the extent to which a Performance Condition has been met in respect of any other Award granted to the Participant; or

8.2.3 the Participant being guilty of gross misconduct.

8.3 Notwithstanding any other rule of the Plan, the Board may, in its discretion, determine at any time to take the action referred to in rules 8.1.1 to 8.1.4 (inclusive) in the event of the Participant committing fraud.

8.4 If the Board determines that rule 8.1.4 shall apply:

8.4.1 in the circumstances referred to in rule 8.2.1 or 8.2.2, the Board shall determine the number of Shares or amount of cash that the Participant shall transfer or repay on such basis as it decides taking into account the greater extent to which the Award referred to in rule 8.2.1 or 8.2.2 Vested than it would have done but for the misstatement or miscalculation;

8.4.2 in the circumstances referred to in rule 8.2.3 or 8.3, the Board shall determine in its absolute discretion the number of Shares or amount of cash that the Participant shall transfer or repay;

8.4.3 in any case the Board shall determine whether the number of Shares or amount of cash will be determined taking account of any tax or social security liability met by the Participant in respect of the Vesting or, in the case of a Nil-Cost Option, exercise of the Award; and

8.4.4 in any case the Board shall determine the basis on which the Participant shall be required to transfer Shares or repay cash, which shall include the ability of the Board to reduce the amount of any other payment to which the Participant is entitled whether under the Plan or otherwise.

8.5 If the Board exercises its discretion in accordance with this rule 8, it will confirm this in writing to each affected Participant and, if necessary, the Trustee.

## **9 VESTING AND EXERCISE**

9.1 As soon as reasonably practicable after the end of the Performance Period relating to an Award, the Board will determine if and to what extent the Performance Condition has been satisfied. To the extent that it has not been satisfied in full, the remainder of the Award will lapse immediately.

9.2 Subject to rules 12 and 13, an Award will Vest:

9.2.1 on the Normal Vesting Date; or

9.2.2 if on the Normal Vesting Date (or on any other date on which an Award is due to Vest under rule 12 or 13) a Dealing Restriction applies to the Award, on the date on which such Dealing Restriction lifts; and

an Option may then be exercised until the tenth anniversary of the Grant Date (or such earlier date as the Board may determine on or prior to the Grant Date) in such manner as the Board determines (including in the case of a Nominal Value Option as to the payment of the exercise price for the Shares in respect of which the Nominal Value Option is exercised), after which time it will lapse.

9.3 Subject to rules 10 and 11, where a Conditional Award has Vested or an Option has been exercised, the number of Shares in respect of which the Award has Vested or been exercised together with any additional Shares or cash to which a Participant becomes entitled under rule 5 will be issued, transferred or paid (as applicable) to the Participant within 30 days.

## **10 TAXATION AND REGULATORY ISSUES**

10.1 A Participant will be responsible for and indemnifies each relevant Group Member and the Trustee against any Tax Liability relating to his Award. Any Group Member and/or the Trustee may withhold an amount equal to such Tax Liability from any amounts due to the Participant (to the extent such withholding is lawful) and/or make any other arrangements as it considers appropriate to ensure recovery of such Tax Liability including, without limitation, the sale of sufficient Shares acquired subject to the Award to realise an amount equal to the Tax Liability.

10.2 The Vesting of a Conditional Award, the exercise of an Option and the issue or transfer of Shares under the Plan will be subject to obtaining any approval or consent required by the UKLA (or other relevant authority), any Dealing Restrictions, or any other applicable laws or regulations (whether in the UK or overseas).

## **11 CASH EQUIVALENT**

11.1 Subject to rule 11.2, at any time prior to the date on which an Award has Vested or, in the case of an Option, has been exercised, the Board may determine that, in substitution for his right to acquire some or all of the Shares to which his Award relates, the Participant will instead receive a cash sum. The cash sum will be equal to the market value (as determined by the Board) of that number of the Shares which would otherwise have been issued or transferred, less, in the case of a Nominal Value Option, the aggregate exercise price payable for the Shares in respect of which the Nominal Value Option has been exercised if this has not been paid by the Participant, and for these purposes:

11.1.1 in the case of a Conditional Award, market value will be determined on the date of Vesting;

11.1.2 in the case of an Option, market value will be determined on the date of exercise; and

11.1.3 the cash sum will be paid to the Participant within 30 days after the Vesting of the Conditional Award or the exercise of the Option, net of any deductions (including but not limited to any Tax Liability or similar liabilities) as may be required by law.

11.2 The Board may determine that this rule 11 will not apply to an Award, or any part of it.

## **12 CESSATION OF EMPLOYMENT**

12.1 If a Participant ceases to hold office or employment with a Group Member other than as a result of his death or for a reason referred to in rule 12.3, subject to rules 12.6 and 12.7 his Award (whether or not Vested) will lapse at that time.

*Death*

12.2 If a Participant dies:

12.2.1 unless the Board determines otherwise, an Award which has not Vested at the date of his death will Vest as soon as practicable thereafter in accordance with rule 12.2.2;

12.2.2 the number of Shares in respect of which an Award Vests pursuant to rule 12.2.1 will be determined by the Board in its discretion, taking into account the extent to which any Performance Condition imposed under rule 3 has been satisfied and, if the Board so determines, the period of time that had elapsed from the Grant Date to the date of death. To the extent that an Award does not Vest in full, the remainder will lapse immediately; and

12.2.3 an Option may then be exercised, subject to rule 13, during the period of 12 months from the date of death (or such other period as the Board may determine), after which time it will lapse.

*“Good Leaver” before the Assessment Date*

12.3 If a Participant ceases to hold office or employment with a Group Member before the Assessment Date applying to an Award as a result of:

12.3.1 ill-health, injury or disability evidenced to the satisfaction of the Board;

12.3.2 the Participant’s employing company ceasing to be a Group Member or the transfer of an undertaking or part of an undertaking (in which the Participant is employed) to a person who is not a Group Member; or

12.3.3 any other reason at the Board’s discretion, except where a Participant is summarily dismissed,

unless the Board determines that the Award will Vest in accordance with rule 12.4, the Award will continue and Vest, subject to rule 13, in accordance with rule 12.5 on the Normal Vesting Date.

12.4 If a Participant ceases to hold office or employment with a Group Member before the Assessment Date applying to an Award as a result of a reason referred to in rule 12.3 and the Board determines that the Award will Vest in accordance with this rule 12.4, it will Vest as soon as practicable following the date of cessation in accordance with rule 12.5.

12.5 The number of Shares in respect of which the Award Vests pursuant to rule 12.3 or 12.4 will be determined by the Board in its discretion, taking into account:

12.5.1 the extent to which any Performance Condition has been satisfied on the Assessment Date (if rule 12.3 applies) or at the date of cessation of office or employment (if rule 12.4 applies); and

12.5.2 unless the Board determines otherwise, the period of time that has elapsed from the Grant Date to the date of cessation of office or employment,

and to the extent that an Award does not Vest in full, the remainder will lapse immediately. An Option may be exercised for a period of six months (or such other period as the Board may determine) from the date of Vesting after which time it will lapse.

*“Good Leaver” on or after the Assessment Date*

12.6 If a Participant ceases to hold office or employment with a Group Member for a reason other than his summary dismissal on or after the Assessment Date relating to an Award, unless the Board determines the Award will Vest at the date of cessation, it will continue and Vest, subject to rule 13, on the Normal Vesting Date. In either case, the number of Shares in respect of which the Award will Vest will be the number of Shares in respect of which it may Vest by reference to the satisfaction of any Performance Condition. If the Award takes the form of an Option, it may be exercised for a period of

six months (or such other period as the Board may determine) from the date of Vesting after which time it will lapse.

*“Good Leavers”, Vested Awards*

12.7 If a Participant ceases to hold office or employment with a Group Member as a result of a reason referred to in rules 12.2 or 12.3 an Option which has Vested prior to the date of cessation may be exercised subject to rule 13 during the period of:

12.7.1 if the cessation is as a result of the Participant’s death, 12 months from the Participant’s death;  
and

12.7.2 if the cessation is as a result of a reason referred to in rule 12.3, six months from the date of the Participant’s cessation of office or employment

(or such other period as the Board may determine), after which time it will lapse.

*General*

12.8 For the purposes of the Plan, no person will be treated as ceasing to hold office or employment with a Group Member until that person no longer holds:

12.8.1 an office or employment; or

12.8.2 a right to return to work

with any Group Member.

**13 CORPORATE EVENTS**

13.1 Where any of the events described in rule 13.3 occur, then subject to rules 13.7 and 13.8, Awards which have not yet Vested will Vest in accordance with rule 13.2 at the time of such event unless they Vest earlier in accordance with rule 13.4. Vested Options will be exercisable for one month from the date of the relevant event, after which time all Options will lapse.

13.2 An Award will Vest pursuant to rule 13.1 to the extent determined by the Board in its discretion, taking into account:

13.2.1 in the case of an Award in respect of which the Performance Period has not finished, the extent to which any Performance Condition has been satisfied and, unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event; and

13.2.2 in the case of an Award in respect of which the Performance Period has finished, the extent to which any Performance Condition has been satisfied.

13.3 The events referred to in rule 13.1 are:

13.3.1 General offer

If any person (either alone or together with any person acting in concert with him):

- (i) obtains Control of the Company as a result of making a general offer to acquire Shares; or
- (ii) already having Control of the Company, makes an offer to acquire all of the Shares other than those which are already owned by him and such offer becomes wholly unconditional.

13.3.2 Scheme of arrangement

A compromise or arrangement in accordance with section 899 of the Companies Act 2006 for the purposes of a change of Control of the Company being sanctioned by the Court.

#### 13.4 Loss of corporation tax deduction

If the Board determines that there would be a loss of corporation tax deduction under Part 12 of the Corporation Tax Act 2009 (or any similar legislation or rules in a jurisdiction outside the United Kingdom) if Awards were to Vest on or after an event described in rule 13.3, then the Board may resolve that Awards will Vest on an earlier date.

#### 13.5 Winding-up

On the passing of a resolution for the voluntary winding-up or the making of an order for the compulsory winding up of the Company, the Board will determine:

13.5.1 whether and to what extent Awards which have not yet Vested will Vest, taking into account:

- (a) in the case of an Award in respect of which the Performance Period has not finished, the extent to which any Performance Condition has been satisfied and, unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event; and
- (b) in the case of an Award in respect of which the Performance Period has finished, the extent to which any Performance Condition has been satisfied; and

13.5.2 the period of time during which any Vested Option may be exercised, after which time it will lapse.

To the extent that an Award does not Vest it will lapse immediately.

#### 13.6 Other events

If the Company is or may be affected by a demerger, delisting or other event which in the opinion of the Board, may affect the current or future value of Shares, the Board may determine that the following provisions will apply:

13.6.1 an Award will Vest on such terms as the Board may determine;

13.6.2 if an Award Vests under this rule 13.6, it will Vest taking into account:

- (a) in the case of an Award in respect of which the Performance Period has not finished, the extent to which any Performance Condition has been satisfied and, unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event; and
- (b) in the case of an Award in respect of which the Performance Period has finished, the extent to which any Performance Condition has been satisfied; and

13.6.3 to the extent that the Award does not Vest, it will lapse immediately, unless the Board determines otherwise.

The Board will then also determine the period during which any Vested Option may be exercised, after which time it will lapse.

#### 13.7 Exchange

An Award will not Vest under rule 13.1 but will be exchanged on the terms set out in rule 13.8 to the extent that:

13.7.1 an offer to exchange the Award (the “**Existing Award**”) is made and accepted by a Participant;

13.7.2 there is an Internal Reorganisation; or

13.7.3 the Board decides (before the relevant event) that an Existing Award will be exchanged automatically.

#### 13.8 Exchange terms

If this rule 13.8 applies, the Existing Award will not Vest but will be exchanged in consideration of the grant of a new award which, in the opinion of the Board, is equivalent to the Existing Award, but relates to shares in a different company (whether the acquiring company or a different company).

#### 13.9 Meaning of Board

Any reference to the Board in this rule 13 means the members of the Board immediately prior to the relevant event.

### 14 ADJUSTMENTS

14.1 The number of Shares subject to an Award and, in the case of a Nominal Value Option, the exercise price, may be adjusted in such manner as the Board determines, in the event of:

14.1.1 any variation of the share capital of the Company; or

14.1.2 a demerger, delisting, special dividend, rights issue or other event which may, in the opinion of the Board, affect the current or future value of Shares.

14.2 The Board may also adjust any Performance Condition in the circumstances referred to in rule 14.1.

### 15 AMENDMENTS

15.1 Except as described in this rule 15, the Board may at any time amend the rules of the Plan or the terms of any Award.

15.2 Subject to rule 15.3, no amendment to the advantage of Eligible Employees and/or Participants will be made under this rule 15 to the provisions relating to:

15.2.1 the persons to whom, or for whom, Shares or cash are provided under the Plan;

15.2.2 limitations on the number or amount of Shares or cash subject to the Plan;

15.2.3 the maximum entitlement for any one Participant;

15.2.4 the basis for determining a Participant’s entitlement to, and the terms of, Shares or cash to be provided under the Plan;

15.2.5 the adjustments that may be made in the event of a variation of capital; and

15.2.6 the terms of this rule 15.2

without prior approval of the members of the Company in general meeting.

- 15.3 Rule 15.2 will not apply to any minor amendment which is to benefit the administration of the Plan or is necessary or desirable to take account of any change in legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment for any Group Member or Participant.
- 15.4 No amendment to the material disadvantage of existing rights of Participants (except in respect of the Performance Condition) will be made under rule 15.1 unless:
- 15.4.1 every Participant who may be affected by such amendment has been invited to indicate whether or not he approves the amendment; and
- 15.4.2 the amendment is approved by a majority of those Participants who have so indicated.
- 15.5 No amendment will be made under this rule 15 if it would prevent the Plan from being an employees' share scheme in accordance with section 1166 of the Companies Act 2006.

## **16 LEGAL ENTITLEMENT**

- 16.1 This rule 16 applies during a Participant's employment with any Group Member and after the termination of such employment, whether or not the termination is lawful.
- 16.2 Nothing in the Plan or its operation forms part of the terms of employment of a Participant and the rights and obligations arising from a Participant's employment with any Group Member are separate from, and are not affected by, his participation in the Plan. Participation in the Plan does not create any right to continued employment for any Participant.
- 16.3 The grant of any Award to a Participant does not create any right for that Participant to be granted any further Awards or to be granted Awards on any particular terms, including the number of Shares to which Awards relate.
- 16.4 By participating in the Plan, a Participant waives all rights to compensation for any loss in relation to the Plan, including:
- 16.4.1 any loss or reduction of any rights or expectations under the Plan in any circumstances or for any reason (including lawful or unlawful termination of the Participant's employment);
- 16.4.2 any exercise of a discretion or a decision taken in relation to an Award or to the Plan, or any failure to exercise a discretion or take a decision; or
- 16.4.3 the operation, suspension, termination or amendment of the Plan.

## **17 GENERAL**

- 17.1 The Plan will terminate upon the date stated in rule 2.4, or at any earlier time by the passing of a resolution by the Board or an ordinary resolution of the Company in general meeting. Termination of the Plan will be without prejudice to the existing rights of Participants.
- 17.2 Shares issued or transferred from treasury under the Plan will rank equally in all respects with the Shares then in issue, except that they will not rank for any voting, dividend or other rights attaching to Shares by reference to a record date preceding the date of issue or transfer from treasury.
- 17.3 By participating in the Plan, a Participant consents to the collection, holding, processing and transfer of his personal data by any Group Member or any third party for all purposes relating to the operation of the Plan, including but not limited to, the administration and maintenance of Participant records, providing information to future purchasers of the Company or any business in which the Participant works and to the transfer of information about the Participant to a country or territory outside the European Economic Area or elsewhere.

- 17.4 The Plan will be administered by the Board. The Board will have full authority, consistent with the Plan, to administer the Plan, including authority to interpret and construe any provision of the Plan and to adopt regulations for administering the Plan. Decisions of the Board will be final and binding on all parties.
- 17.5 Any notice or other communication in connection with the Plan may be delivered personally or sent by electronic means or post, in the case of a company to its registered office (for the attention of the company secretary), and in the case of an individual to his last known address, or, where he is a director or employee of a Group Member, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment. Where a notice or other communication is given by post, it will be deemed to have been received 72 hours after it was put into the post properly addressed and stamped, and if by electronic means, when the sender receives electronic confirmation of delivery or if not available, 24 hours after sending the notice.
- 17.6 No third party will have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Plan (without prejudice to any right of a third party which exists other than under that Act).
- 17.7 Benefits under the Plan will not be pensionable.
- 17.8 The rules of the Plan will be governed by and construed in accordance with the laws of England and Wales. Any person referred to in the Plan submits to the exclusive jurisdiction of the Courts of England and Wales.

# SCHEDULE

## 1 CASH AWARDS

The rules of the Dunelm Group 2014 Long Term Incentive Plan will apply to a right to receive a cash sum granted under this Schedule as if it was either a Conditional Award (a “**Cash Conditional Award**”) or a Nil-Cost Option (a “**Cash Option**”), except as set out in this Schedule. Where there is any conflict between the rules of the Plan and this Schedule, the terms of this Schedule will prevail.

- 1.1 Each Cash Conditional Award or Cash Option will relate to a certain number of notional Shares.
- 1.2 On the Vesting of a Cash Conditional Award or the exercise of a Cash Option the Participant will be entitled to receive a cash sum, calculated by reference to the value of the number of notional Shares to which the Cash Conditional Award or the Cash Option relates, on the following basis:
  - 1.2.1 in the case of a Cash Conditional Award the cash sum will be equal to the market value (as determined by the Board) of the notional Shares to which the Cash Conditional Award relates on the date of Vesting; and
  - 1.2.2 in the case of a Cash Option the cash sum will be equal to the market value (as determined by the Board) of the notional Shares to which the Cash Option relates on the date of exercise.
- 1.3 The cash sum payable under paragraph 1.2 above will be paid to the Participant as soon as practicable after the Vesting of the Cash Conditional Award or the exercise of the Cash Option, net of any deductions (including, but not limited to, any Tax Liability or similar liabilities) as may be required by law.
- 1.4 A Cash Conditional Award or Cash Option will not confer any right on the holder to receive Shares or any interest in Shares.