

SHARE AWARD AGREEMENT

between

DUNELM GROUP PLC

and

KEITH DOWN

**relating to the grant of an Award over shares in Dunelm
Group plc**

**Approved by the shareholders of Dunelm Group plc on 24
November 2015**

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THIS AGREEMENT is made on [] 2015

BETWEEN

- 1) **DUNELM GROUP PLC**, a company incorporated in England and Wales with registered number 04708277 and whose registered office is at Dunelm Store Support Centre, Watermead Business Park, Syston, Leicester, Leicestershire LE7 1AD (the "**Company**"); and
- 2) **[KEITH DOWN]** of [] (the "**Executive**")

WHEREAS

- A) In order to facilitate the Executive's recruitment as Chief Financial Officer of the Company, the Remuneration Committee of the Company agreed that following his appointment the Executive would be granted an Award over Shares with a value at the Grant Date of £335,000; and
- B) the grant of the Award was approved by the shareholders of the Company on 24 November 2015.

IT IS HEREBY AGREED AS FOLLOWS:

1 DEFINITIONS AND INTERPRETATION

1.1 In this Agreement, unless the context otherwise requires:

- "Award"** means the right to acquire up to [] Shares granted pursuant to this Agreement and subject to the terms of this Agreement;
- "Award Shares"** means the total number of Shares over which the Award is granted, as referred to in Clause 2.1;
- "Committee"** means the Remuneration Committee of the Company's board of directors or, on and following the occurrence of an event described in Clause 9, the Remuneration Committee of that board as constituted immediately before such event occurs;
- "Control"** has the meaning given by section 995 of the Income Tax Act 2007;
- "Dealing Restrictions"** means restrictions imposed by the Company's share dealing code, the Listing Rules or any applicable laws or regulations which impose restrictions on share dealing;
- "Financial Year"** means a financial year of the Company;
- "Grant Date"** means the date of this Agreement;
- "Group Member"** means 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 Committee so determines, any body corporate in relation to which the Company is able to exercise at least 20% of the equity voting rights and "**Group**" will be construed

accordingly;

"Internal Reorganisation"	means 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 person who were shareholders in the Company immediately before the change of Control;
"Listing Rules"	means the UKLA's Listing Rules as amended from time to time;
"Normal Vesting Date"	means: (1) in relation to Tranche 1, Vesting Date 1; and (2) in relation to Tranche 2, Vesting Date 2;
"Shares"	means fully paid ordinary shares in the capital of the Company;
"Subsidiary"	has the meaning given by section 1159 of the Companies Act 2006);
"Tax Liability"	any tax or social security contributions liability in connection with the Award for which the Executive is liable and for which any Group Member or former Group Member is obliged to account to any relevant authority;
"Tranche 1"	means that part of the Award referred to in Clause 2.2.1;
"Tranche 2"	means that part of the Award referred to in Clause 2.2.2;
"UKLA"	means the United Kingdom Listing Authority;
"Vest"	means the Award becoming exercisable and "Vesting" will be construed accordingly;
"Vesting Date 1"	means [] September 2016; and
"Vesting Date 2"	means [] September 2017.

1.2 References in this Agreement 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 this Agreement.

1.4 References to the Executive will include, following the Executive's death, the personal representative of the Executive.

2 GRANT OF THE AWARD

- 2.1 The Company hereby grants to the Executive the Award over [] Shares.
- 2.2 The Award is divided into the following two tranches:
- 2.2.1 Tranche 1 of the Award is over 22% of the Award Shares, rounded down to the nearest whole Share; and
- 2.2.2 Tranche 2 of the Award is over the balance of the Award Shares.

3 RESTRICTION ON TRANSFER AND BANKRUPTCY

- 3.1 The Award must not be transferred, assigned, charged or otherwise disposed of in any way (except in the event of the Executive's death, to his personal representatives) and will lapse immediately on any attempt to do so.
- 3.2 The Award will lapse immediately if the Executive is declared bankrupt.

4 REDUCTION FOR MALUS AND CLAWBACK

- 4.1 Notwithstanding any other Clause of this Agreement, the Committee may, in its discretion in the circumstances referred to in Clause 4.2, determine at any time prior to the third anniversary of Vesting Date 1 (as regards Tranche 1) and Vesting Date 2 (as regards Tranche 2) to:
- 4.1.1 to the extent the relevant tranche of the Award has not Vested or has Vested but not been exercised, reduce the number of Shares to which that tranche of the Award relates;
- 4.1.2 to the extent the relevant tranche of the Award has not Vested or has Vested but not been exercised, cancel the that tranche of the Award;
- 4.1.3 to the extent the relevant tranche of the Award has not Vested or has Vested but not been exercised, impose further conditions on that tranche of the Award; or
- 4.1.4 to the extent the Award or tranche of the Award has Vested and been exercised, require that the Executive:
- (a) transfer (or procure such transfer) to the Company (or any other person nominated by the Company) such number of Shares as the Committee shall determine; or
- (b) repay (or procure such repayment) to the Company (or any other person nominated by the Company) such amount of cash as the Committee shall determine received by the Executive 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).
- 4.2 The relevant circumstances for the purposes of Clause 4.1 are:
- 4.2.1 a material misstatement of the Company's results for any Financial Year starting with the Financial Year in which the Grant Date occurs; or

4.2.2 the Executive being guilty of gross misconduct.

4.3 Notwithstanding any other Clause of this Agreement, the Committee may, in its discretion, determine at any time to take the action referred to in Clauses 4.1.1 to 4.1.4 (inclusive) in the event of the Executive committing fraud.

4.4 If the Committee determines that Clause 4.1.4 shall apply the Committee shall determine:

4.4.1 whether the number of Shares or amount of cash will be determined taking account of any tax or social security liability met by the Executive in respect of the exercise of the Award; and

4.4.2 the basis on which the Executive shall be required to transfer Shares or repay cash, which shall include the ability of the Committee to reduce the amount of any other payment to which the Executive is entitled whether under this Agreement or otherwise.

5 VESTING AND EXERCISE

5.1 Subject to Clauses 8 and 9:

5.1.1 Tranche 1 will Vest on Vesting Date 1; and

5.1.2 Tranche 2 will Vest on Vesting Date 2.

5.2 The Award, to the extent it has vested, may be exercised until the tenth anniversary of the Grant Date in such manner as the Committee determines.

5.3 Subject to Clauses 6 and 7, the number of Shares in respect of which the Award has been exercised will be delivered to the Executive within 30 days of exercise.

6 TAXATION AND REGULATORY ISSUES

6.1 The Executive will be responsible for and indemnifies each relevant Group Member against any Tax Liability relating to the Award. Any Group Member may withhold an amount equal to such Tax Liability from any amounts due to the Executive (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.

6.2 The exercise of the Award and the issue or transfer of Shares under this Agreement 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).

7 CASH EQUIVALENT

7.1 At any time prior to the date on which the Award has been exercised, the Committee may determine that, in substitution for his right to acquire some or all of the Shares to which the Award relates, the Executive will instead receive a cash sum. The cash sum will be equal to the market value on the exercise date (as determined by the Committee) of that number of the Shares which would otherwise have been delivered.

- 7.2 The cash sum will be paid to the Executive as soon as practicable after the exercise of the Award, net of any deductions (including, but not limited, to any Tax Liability or similar liabilities) as may be required by law.

8 CESSATION OF EMPLOYMENT

8.1 If:

8.1.1 the Executive ceases to hold office or employment with a Group Member because of his resignation; or

8.1.2 the Executive ceases to hold office or employment with a Group Member as a result of dismissal for misconduct,

the Award (whether or not Vested) will lapse. .

8.2 If the Executive ceases to hold office or employment with a Group Member other than as a result of his resignation or dismissal for misconduct:

8.2.1 to the extent the Award has Vested at the date of cessation but has not been exercised, it may, subject to Clause 9, be exercised in the period of six months following the date of cessation (or such other period as the Committee may determine), after which time it will lapse; and

8.2.2 to the extent the Award has not Vested at the date of cessation it will continue and Vest, subject to Clause 9, on the Normal Vesting Date unless the Committee determines that it shall Vest on some other date prior to the Normal Vesting Date and may then, subject to Clause 9, be exercised in the period of six months following the date of Vesting (or such other period as the Committee may determine).

8.3 For the purposes of this Agreement, the Executive will not be treated as ceasing to hold office or employment with a Group Member until he no longer holds:

8.3.1 an office or employment; or

8.3.2 a right to return to work.

with any Group Member

9 CORPORATE EVENTS

9.1 Where any of the events described in Clause 9.2 occur, then subject to Clauses 9.5 and 9.6, the Award, to the extent it has not Vested, will Vest at the time of such event. The Award may be exercised in the period of one month from the date of the relevant event, after which time it will lapse.

9.2 The events referred to in Clause 9.1 are:

9.2.1 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.

9.2.2 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.

9.3 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 Award, to the extent it has not Vested, will Vest. The Award may be exercised during such period as the Committee shall determine, after which time it will lapse:

9.4 Other events

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

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

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

The Committee will then also determine the period during which the Award, to the extent it has Vested may be exercised, after which time it will lapse.

9.5 Exchange

The Award will not Vest under Clause 9.1 but will be exchanged on the terms set out in Clause 9.6 to the extent that:

9.5.1 an offer to exchange the Award is made and accepted by the Executive;

9.5.2 there is an Internal Reorganisation; or

9.6 Exchange terms

If this Clause 9.6 applies, the Award will not Vest but will be exchanged in consideration of the grant of a new award which, in the opinion of the Committee, is equivalent to the Award, but relates to shares in a different company (whether the acquiring company or a different company).

10 ADJUSTMENT OF THE AWARD

10.1 The number of Shares subject to the Award may be adjusted in such manner as the Committee determines in the event of

- 10.1.1 any variation of the share capital of the Company; or
- 10.1.2 a demerger, delisting, special dividend, rights issue or other event which may, in the opinion of the Committee, affect the current or future value of Shares .

11 AMENDMENTS

- 11.1 Subject to Clauses 11.2 and 11.4, the Committee may at any time alter the terms of this Agreement.
- 11.2 Subject to Clause 11.3 no amendment to the advantage of the Executive will be made under Clause 11.1 to the provisions relating to
 - 11.2.1 the number of Shares subject to the Award;
 - 11.2.2 the basis for determining the Executive's entitlement to, and the terms of, Shares or cash to be provided under this Agreement;
 - 11.2.3 the adjustments that may be made in the event of a variation of capital; and
 - 11.2.4 the terms of this Clause 11.2,without prior approval of the members of the Company in general meeting.
- 11.3 Clause 11.2 will not apply to any minor amendment which is to benefit the administration of the Award 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 Executive.
- 11.4 No amendment to the material disadvantage of existing rights of the Executive (except in respect of the Performance Condition) will be made under Clause 11.1 with the prior agreement of the Executive.

12 MISCELLANEOUS

- 12.1 This Clause applies during the Executive's employment with any Group Member and after the termination of such employment, whether or not the termination is lawful. Nothing in this Agreement forms part of the terms of employment of the Executive and the rights and obligations arising from the Executive's employment with any Group Member are separate from, and are not affected by, this Agreement. This Agreement does not create any right to continued employment for the Executive. The Executive waives all rights to compensation for any loss in relation to this Agreement, including:
 - 12.1.1 any loss or reduction of any rights or expectations under this Agreement in any circumstances or for any reason (including lawful or unlawful termination of the Executive's employment); or
 - 12.1.2 any exercise of a discretion or a decision taken in relation to the Award, or any failure to exercise a discretion or take a decision; or
- 12.2 Shares issued or transferred from treasury under this Agreement 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.

- 12.3 In the event of any dispute or disagreement as to the interpretation of this Agreement, or as to any question or right arising from or relating to this Agreement, the decision of the Committee will be final and binding upon all persons
- 12.4 Any notice or other communication in connection with this Agreement 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 the Executive 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.
- 12.5 No third party has any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.
- 12.6 Benefits under this Agreement will not be pensionable.
- 12.7 This Agreement may be executed in any number of counterparts, each of which when executed will constitute a duplicate original, but all the counterparts will together constitute the one instrument.
- 12.8 This Agreement will be governed by and construed in accordance with the law of England and Wales and the Courts of England and Wales have exclusive jurisdiction to hear any dispute.

**EXECUTED AS A DEED BY
DUNELM GROUP PLC
acting by:**

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)

Director

Director/Secretary

**EXECUTED AS A DEED BY
KEITH DOWN**

)
)

..... (Signature)

)

in the presence of this witness:

.....(Signature)

..... (Name)

..... (Address)

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