Presenters

• Andy Harrison  Chair / Nominations Committee Chair
• William Reeve  Remuneration Committee Chair
• Ian Bull  Audit and Risk Committee Chair
• Marion Sears  Designated NED for colleague matters
• Peter Ruis  Non-Executive Director
• Dawn Durrant  Company Secretary
Our purpose and strategy

Culture and business principles

Approach to corporate governance

Overview of current arrangements

Committees

Sustainability

Board areas of focus for FY 2020
Our purpose and strategy

**OUR PURPOSE**
Helping everyone create a home they love

**OUR CUSTOMER PROMISES**
- Great choice and value
- Easy and inspiring to shop
- Convenient to buy and return

**OUR SELL MORE PLAN**
- 2 million new customers
- 1 more shop with us a year
- 1 more product per basket

**OUR FOUNDATIONS**
- Committed colleagues
- Customer insight and data
- Agile and scalable digital platform
- Low cost Store portfolio
- Lean and efficient supply chain
- Committed supplier partners

**OUR KEY BUSINESS PRINCIPLES**
- Sell more
- Be committed
- Do things our own way
- Keep it simple
Culture and business principles

**Sell more**
- Merchandise
- Supplier relationships
- Keep listening and looking

**Be committed**
- Customer focus
- Motivate our teams
- Develop our people

**Do things our own way**
- Be the underdog
- Long term decisions

**Keep it simple**
- Waste
- Environment
- Keep our cost structure lean
**Approach**

- We do things properly
- Honest and with integrity
- Intend to comply
- Pragmatic - explain if necessary
- Sparing use of advisers is healthy

**Attitude**

- Always ask:
  - what is the business benefit?
  - how does it help the customer?
- Is it true to our business principles - think of “the Dunelm way”
- Keep things simple and transparent

**Board Culture**

- Close knit – focus on what’s right for Dunelm
- Low key – out of the spotlight
- Long term – expect to live with our decisions
- We care – listen to all of our stakeholders
### Stakeholder Engagement

<table>
<thead>
<tr>
<th>Customers</th>
<th>Colleagues</th>
<th>Environment</th>
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</table>
| - CEO/Deputy Chairman respond to customer feedback  
- Customer Insight report in Board pack  
- Customer focus groups  
- All Directors visit stores and the webstore | - Marion is Designated NED  
- NED attends National Voice Meeting  
- Annual Board/National Voice meeting  
- 2 x annual engagement surveys  
- Colleague KPIs in Board packs  
- All Directors visit stores/company locations  
- Independent whistleblowing hotline  
- Chair, Deputy Chair and other NEDs attend annual company seminar | - Annual Board presentation  
- Additional focus and discussion in FY19 reflected in promotion of environment and climate change to the register of principal risks, and discussion in relation to product strategy and suppliers  
- Energy, waste, emissions data in Board packs |
## Stakeholder Engagement

### Community
- Charity Committee oversees fundraising activity
- CEO/CFO/ Co Sec participate in charity fundraising events
- Co Sec relationship with Trading Standards
- New store teams engage with local job centres / local authority services

### Shareholders
- Annual Report and website
- AGM attended by all Directors
- Chairman, Deputy Chairman and NEDs attend results presentations
- NEDs attend shareholder meetings on request
- Capital Markets Day
- Corporate Governance presentation

### Suppliers
- Deputy Chairman/CEO attend supplier conference
- Key suppliers attend annual company seminar where the Chairman, Deputy Chairman, CEO & CFO are present
- Supplier presentation to the Board
- Independent whistleblowing helpline
- Ethical/slavery and environmental KPIs reported to Board
Current Board

Board: We have a “Chair + 4 + 4” structure

<table>
<thead>
<tr>
<th>Andy Harrison</th>
<th>Ian Bull</th>
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<tbody>
<tr>
<td><strong>Chair</strong></td>
<td>NED</td>
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<tr>
<td>Will Adderley</td>
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<tr>
<td>Deputy Chair</td>
<td>NED</td>
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<tr>
<td>Nick Wilkinson</td>
<td>William Reeve</td>
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<tr>
<td>CEO</td>
<td>NED</td>
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<tr>
<td>Laura Carr</td>
<td>Peter Ruis</td>
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<tr>
<td>CFO</td>
<td>NED</td>
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<tr>
<td>Marion Sears</td>
<td>Paula Vennells</td>
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<tr>
<td>Non-independent NED</td>
<td>NED</td>
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</tbody>
</table>

Committees: All NEDs (if allowed)

<table>
<thead>
<tr>
<th>Audit and Risk</th>
<th>Remuneration</th>
<th>Nominations</th>
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</thead>
<tbody>
<tr>
<td>Chair</td>
<td>Ian Bull</td>
<td>William Reeve</td>
</tr>
<tr>
<td>Members</td>
<td>Will Adderley</td>
<td>Andy Harrison</td>
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<td></td>
<td>(Andy Harrison</td>
<td>Ian Bull</td>
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<td>(Will Adderley</td>
<td>Peter Ruis</td>
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<td></td>
<td>Marion Sears</td>
<td>Paula Vennells</td>
</tr>
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<td></td>
<td>(by invitation)</td>
<td>Will Adderley (as shareholder)</td>
</tr>
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<td>(by invitation)</td>
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</tbody>
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Note: Marion Sears by invitation
**Board**
- Our Board succession plan has constantly evolved. We have:
  - a recently refreshed Board
  - diversity of gender, thought and skills
  - strong executive capability
  - composition that follows best practice
- Search in progress for additional NED with digital expertise

**Our People strategy** - Committee and Board oversight, Board succession plan is consistent:
- Developing the skills, behaviours, structure, tools & ways of working to deliver the organisational requirements of the future
- Maximising our ability to effectively utilise people and teams to deliver the organisations requirements for now and the future
- Creating and communicating what a colleague receives in return for the value, skills and capabilities they offer the organisation
- Developing an inclusive culture that is relevant to our diverse colleagues and aligns with the Company purpose

**Priorities for FY20:**
- Increasing focus on how we continue to foster our culture and business principles
- External Board evaluation
- Promoting diversity throughout the business
- NED responsibilities - SID appointment
Our remuneration strategy has four principles, which we apply consistently throughout the organisation:

<table>
<thead>
<tr>
<th>Dunelm’s remuneration strategy</th>
<th>Examples of our approach</th>
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| 1. **To pay fairly** for an individual’s roles and responsibilities | ● All roles benchmarked. Aim to pay base salary at median, with competitive benefits at all levels  
● Increased focus on reducing gender pay gap |
| 2. **To be aligned through share ownership** | ● Exec Directors: share purchase on arrival plus LTIP and “Lifetime lock-in” for performance pay, and post-employment holding requirement  
● LTIP and restricted stock schemes in place for senior managers  
● Shareholding targets for senior managers  
● Extensive Sharesave scheme with high participation rates |
| 3. **To pay for performance** | ● Exec Directors: fixed pay is <1/3rd of max opportunity  
● All bonus awards linked to company and personal performance  
● LTIP based on consistent EPS growth with stretching targets |
| 4. **To focus on long-term, sustainable value creation** | ● “Lifetime lock-in” for PLC Exec Directors  
● Shareholding targets for senior managers  
● Performance targets driven by EPS growth |
**Principles:**
- Consistent, simple and transparent policy in place since IPO - aligned to our business principles, our ownership structure, and the Board’s desire to reward sustainable, profitable growth over the long term.
- Enshrined in our Remuneration Policy, last approved at the 2017 AGM with 99% support.
- ISS reports concluded that our pay outcomes are aligned to performance.
- Applied consistently throughout the organisation.

**2020 Policy renewal:**
- Policy renewal in 2020 - not intending significant changes.
- We know that investor requirements are changing - these are the areas we expect to discuss with our shareholders through consultation:
  - Pension entitlement - committed to reduce this to 10% last year - will further reduce for new joiners in 2020 policy.
  - EPS performance measure for LTIP - still appropriate for Dunelm.
  - Claw back and malus provisions already tightened to give RemCo discretion to adjust variable pay outcomes.
Remuneration Committee priorities for FY20

New obligations under the 2018 Corporate Governance Code and other governance reforms:

Already in place:

• Review of workforce remuneration and policies, and alignment with culture and business principles
• Oversight of Exec Committee pay
• Wider malus and clawback on variable pay
• Appointed a “Designated NED”
• Engagement with our colleagues on pay
• Engagement with shareholders

Areas of focus for FY20 and beyond:

• Approval of our Remuneration Policy at the November 2020 AGM - shareholder consultation in late Spring
• Pension policy is an area of wider market focus and we are monitoring developments
• Actions to reduce gender pay gap
• New annual report disclosures for FY20
  – CEO pay ratio - plan to use method B
  – New information in single figure table
  – Whether discretion used to adjust pay outcomes
Audit and Risk Committee

• **Ian Bull** succeeded Liz Doherty as Committee chair in November 2019

• Committee supports Board with oversight of financial reporting, internal control and risk

• In addition will focus on understanding and adopting agreed audit reforms –
  – Kingman Review
  – CMA
  – BEIS
  – Brydon Review

**Areas of focus for FY20 and beyond:**

• Clear rationale around all judgemental items i.e. keep high standards

• Continuous focus on Risk Management
  – Risk management processes, including emerging risks
  – Development of risk appetites and how embedded into core management processes
  – Becomes a strong driver of what is required from internal audit and assurance plan
• **High Quality External Audit**
  – PwC appointed from FY14 following tender process; partner changed in FY19
  – Strict policy on use of auditors for non-audit services - aligned to best practice
  – Seek demonstration as to how external auditor has challenged management and applied professional scepticism

• **Continuous Improvement in Internal Controls**
  – Fully outsourced internal audit to KPMG in FY20 to increase capability
  – Assurance map to be driven from strategy, risks and mitigation
  – Enables 3 year rolling audit and assurance plan

• Focus on **specific project areas derived from risks** and agreed by the Committee

• Evolution of **Going Concern and Viability Statements**

• **New reporting requirements for FY20** – corporate governance statement, s172 Companies Act, climate change
Sustainability overview

• **Key considerations**: customers, colleagues, health and safety, suppliers, responsible sourcing, environment / climate change, community

• **Oversight by the Board** as a whole
  - Approve policies
  - Monitor KPIs
  - Presentations on individual topics
  - “Designated NED” for colleague matters
  - NED attends 2 x National Voice and Area Voice meetings per annum and feeds back to Board
  - National Voice (colleague council) meets with Board annually

• **Implementation by Executive Board** - named Execs have responsibility for individual topics, Company Secretary responsible for Group policy and investor engagement on Sustainability, and chairs the Exec Sustainability Committee

• Link to risk register and business principles

• **Increased Board and management focus in FY19** - developed and published targets and KPIs, linked to Sustainable Development Goals, climate change is now a “principal risk”

• **More to do in FY20 and beyond**, including development of longer term targets, additional targets on packaging and sourcing, and climate change reporting
We believe that a **great place to work** is a **great place to shop**

In FY19 we **improved engagement by 14%; colleague engagement is a bonus KPI** for Executive Directors and Executive Board members

**68%** of our colleagues are female - we are collecting data on ethnic diversity and developing policies to promote diversity

**Motivate our teams** and **Develop our people** are business principles, we offer fair pay and benefits, Sharesave open to all. Training and development available to all colleagues, and we actively promote our “homegrown talent”

Highly ranked compared to our peers on Glassdoor - in 2019 we were recognised as one of the top 50 **companies to work** for in the UK
We have a **proactive approach to safety** - this year our focus has been on policies and practices around knife sales, food safety and allergen awareness, fleet safety, personal safety of store colleagues.

We have a business-wide **mental health awareness** programme - all management colleagues complete mental health awareness training, and we have 50 trained mental health first aiders.

We have invested in a programme to **remove fork lift trucks** from stores, to reduce this area of risk for our colleagues.
Quality policies are in place for sourcing of key raw materials, including cotton, timber, palm oil, feather and down and fur, and we prohibit animal testing. We are targeting 100% sustainable palm oil by FY20, and 100% responsibly sourced cotton and 50% sustainable timber by 2025 for own brand products.

We have committed to eradicate or reduce all unnecessary product packaging, with specific targets on plastic packaging.

From FY21 key own brand suppliers will undergo an annual environmental assessment.
We do not manufacture the vast majority of the products that we sell, so we need to maintain relationships with suppliers and manufacturers who share our values and meet our high standards.

“Supplier relationships” is one of our business principles. We are fair and straightforward with our suppliers and pay on time – we are signatories to the Prompt Payment Code.

All product suppliers commit to our policies on ethical trading / anti-slavery, anti-bribery and responsible sourcing.

All suppliers of Dunelm branded product must hold a satisfactory ethical trading and anti-slavery audit that is no more than two years old, and commit to resolve any issues.
We are committed to being good neighbours, and minimising the impact of our business on the environment.

We will minimise the production of non-recyclable waste across our business -- in FY19 we recycled 76% of our waste.

Where possible, any non-recyclable waste is sent for incineration - in FY19, 96% of waste was diverted from landfill - our target is zero waste to landfill.

We will reduce energy usage - in FY19 we reduced year on year energy consumption by 8.2%. All of our electricity is from renewable sources.

We will reduce CO2 emissions relative to turnover (Scopes 1 and 2) every year. In FY19 we reduced CO2 emissions relative to turnover by 21.6%.

We are aiming to report against the standard set by the Task Force on Climate-related Financial Disclosures - we will start preparation for this in FY20.
We support **Macmillan** as our Charity of the Year

In FY19, £580K was raised for charity, and we aim to exceed this in FY20 by at least 10%.

All colleagues can take one day a year’s paid leave for charitable / voluntary activity.

We support charitable and community initiatives local to our stores and business operations, for example engaging with job centres when we open new stores.
This year we will focus on:

**Business:**
- Continue to implement and evolve our Customer 1st strategy:
  - Extended product choice and value
  - Step up our digital experience, following successful replatform
  - Broaden and deepen our customer base
  - Build capabilities for the next phase of growth

**Governance**
- Refreshed NED team and NED responsibilities
- External Board review
- Renewal of Remuneration Policy
- Governance reform, including:
  - new Corporate Governance Code
  - continuing to evolve our stakeholder engagement
  - demonstrating compliance with s172 Companies Act
  - Audit reforms
  - new pay disclosures
  - climate change risk and disclosures