Remuneration

Remuneration Committee report

William Reeve
Chair of Remuneration Committee

Remuneration Committee membership

The table below sets out the membership and attendance of Directors on the Remuneration Committee during the year:

Member	From	To	Meetings attended
William Reeve (Chair)	1 July 2015	To date	5/5
Ian Bull	10 July 2019	To date	5/5
Andy Harrison	1 September 2014	To date	5/5
Peter Ruis	10 September 2015	To date	5/5
Arja Taaveniku[1]	15 February 2021	To date	2/3
Paula Vennells[2]	4 September 2019	25 April 2021	3/3

1. Arja Taaveniku was appointed to the Board during the financial year, and joined the Committee on appointment. She was unable to attend one meeting during the year due to a prior commitment.
2. Paula Vennells stepped down from the Board on 25 April 2021.

The Company Secretary acts as secretary to the Committee. No Director ever participates when his or her own remuneration is discussed.

Dear Shareholder

INTRODUCTION

The financial year under review has been significantly impacted by Covid-19, with government restrictions requiring the closure of the Group's stores to customers for a third of the financial year, and imposing social distancing measures for the remainder. Despite this, our Executive Board has continued to perform strongly, delivering record PBT of £157.8m, against £109.1m last year and £125.9m in 2019, due to the strength of our recently enhanced online proposition and our new contactless Click & Collect service, driven by continued strategic investments. Good strategic progress has continued, with particular focus on building our customer proposition, digital capability and our approach to climate change and sustainability. We have also continued to focus on supporting the financial and emotional wellbeing of our colleagues, and of our communities. These efforts resulted in improved customer and colleague satisfaction metrics.

FY21 EXECUTIVE PAY OUTCOME

All of our senior management team performed very strongly in a difficult year in which we achieved record profits for the Company, even after repayment of £14.5m claimed under the Job Retention Scheme in FY20 and Covid-related grants of £4.0m, and operating a Company-funded furlough scheme for colleagues during periods of government-imposed store closures in FY21. A high proportion of our executive remuneration is in performance-related variable pay so as to incentivise and reward strong performance, and so this has resulted in a high bonus outcome for FY21. Our strong performance over the last three years has delivered both a full LTIP vesting and a significant growth in our share price. These are reflected in the reported single figure remuneration earned by our Chief Executive, Nick Wilkinson, of £4.04m (2020: £0.96m), and by our Chief Financial Officer, Laura Carr, of £2.47m (2020: £0.50m). The significant year-on-year increase is as a result of the strong performance of the business, both in FY21 and over the last three years; the resulting growth in share price which has enhanced the value earned under the LTIP; and the voluntary pay reduction taken by Nick (90%) and Laura (20%) during April to June 2020. Note also that this is the first year in which an award under the Long-Term Incentive Plan has vested to Laura. Over 80% of FY21 pay will vest in shares, and at least two thirds of these (after payment of tax and National Insurance contributions) must be retained. The Committee considers that this pay outcome is fair and reasonable, and reflects the overall shareholder and stakeholder experience of the Group, as well as the strong performance of the Executives.

VESTING OF INCENTIVES IN FY21

FY21 Bonus

In November 2020, our shareholders approved our revised Remuneration Policy, with over 99% of votes in favour. Our new Policy includes specific temporary incentive arrangements for the FY21 annual bonus to recognise the challenge of setting lasting, robust and meaningful quantified targets in the midst of the Covid crisis. In addition, the normal cash bonus was temporarily replaced with a deferred share bonus scheme to increase alignment and extend the bonus horizon. The Committee set bonus targets related to financial performance and delivery of a Recovery Plan (weighting 50%), strategic progress including environmental, social and governance performance (weighting 25%) and personal

“The Committee determined that the executive, led by the CEO Nick Wilkinson, have performed excellently in very challenging circumstances, and this has been an important driver of the strong financial performance of the Company and the wider stakeholder experience.”

goals (weighting 25%). The intention was that the targets set would be no less stretching than the 'usual' targets that are 80% financial and 20% strategic and personal; and that 'on target' performance would still deliver 40% of the maximum opportunity.

In this Covid-impacted year we operated the business with a rolling quarterly forecast rather than our normal annual budget because we felt that an annual budget would soon become meaningless because of the unpredictability caused by the Covid-19 pandemic. Accordingly, financial targets were set quarterly, and aligned to our internal forecasts and the external forecasts current at that time. The strategic and personal targets were set at the beginning of the financial year. Once set, the quarterly and annual targets were not adjusted, although the Q2 performance was assessed after taking into account the Board's decision to repay amounts claimed under the JRS in FY20, which was not in the original forecast for that quarter. At the end of the year, the Committee applied an overall assessment of the outcome as described below.

The Committee applied discretion to adjust formulaic outcomes as follows: to adjust the Q2 PBT performance target as referred to above, and to reduce the score for Q3 PBT performance to nil, because although the PBT target was met the Committee considered that it was not appropriate to pay bonus in a quarter when profit was negative. As noted above, the targets for the FY21 annual bonus also contained a larger than usual weighting to non-financial measures (50%), which required the Committee to apply a degree of judgement in considering the extent to which they had been met. Apart from the above, no discretion was applied to adjust the formulaic outcome of the FY21 annual bonus.

The Committee has determined that 81.22% of the maximum bonus has been earned for Nick Wilkinson and 80.47% for Laura Carr. The FY21 bonus was granted by way of a conditional share bonus award, 50% of which vests in September 2021 and the remainder in September 2022. This means that 24,012 shares will vest to Nick and 16,211 to Laura in 2021, and 24,013 to Nick and 16,211 to Laura in September 2022. After share sales to cover tax and National Insurance liabilities, at least two thirds of these must be retained for at least the duration of employment, in accordance with the shareholding guidelines which are set out on page 146.

FY19-21 LTIP

For the LTIP covering the performance period July 2018-June 2021, 100% of the awards granted in 2018 will vest in October 2021 (to Nick Wilkinson) and November 2021 (to Laura Carr) representing 180,802 shares and 105,893 shares respectively. During the performance period for this LTIP award Dunelm's EPS grew at a compound annual rate of 19.6%. After sale to cover tax and National Insurance liabilities, at least two thirds of these shares must be retained for at least the duration of employment, in accordance with the shareholding guidelines which are set out on page 146. The Board believes these LTIP payments are well deserved given the way our leadership team adapted our digital and distribution infrastructure to serve customers and strengthen the business during a three-year performance period which included many months of government–imposed store closures. Note that the Dunelm share price increased from 505p to 1,367p over the three-year performance period of this LTIP award, which is reflected in the value attributed to this award in the 'single figure' table. No adjustment was made to the targets or the vesting outcome in respect of our decision to repay funds received from the Job Retention Scheme, to reflect FY20 financial performance which was significantly impacted by Covid-19, or any other reason.

Stakeholder alignment

After considering the experience of each of our stakeholder groups during FY21 the Committee determined that this is a fair and reasonable outcome and no discretion was exercised by the Committee to adjust the outturn as a result of this. In making this determination, the Committee considered the following factors:

- The financial performance of the Group has been strong, delivering record sales and profit, despite the ongoing Covid-19 crisis which has impacted operations and the external environment throughout the financial year.
- Significant progress has been made to advance the strategic objectives designed to accelerate future growth and advance the Company's long-term ambitions.
- The business performed strongly on customer and colleague engagement scores, including the customer 'How safe was your experience?' measure, which was consistently 95% or above.
- All colleagues received a pay increase during the year; colleagues in a bonus scheme will receive a similar outcome to that of Nick and Laura, and a second discretionary 'thank you' payment has been made to all other colleagues, of between £250 and £350 (dependent on average hours worked).
- Continued support was given to local communities and charitable activity, as described elsewhere in this report.
- Feedback from the National Colleague Voice on Executive pay has been that colleagues are satisfied with pay awarded provided that it reflects the performance of the business.
- The Group was able to resume payment of dividends to shareholders (no dividends were paid in 2020), with an interim dividend of 12p per share paid on 10 April 2021, and a final dividend of 23p per share, and a special dividend of 65p per share.

Remuneration continued

- The Board decision to repay the £14.5m claimed from the government's Job Retention Scheme in FY20, and the fact that no claims have been made in FY21. Colleagues who were placed on furlough in FY21 received the same payments that they would have received via the government scheme, funded by the Group.
- The Board's decision to repay £4.0m in Covid-related grants received in FY21.
- The fact that the Board has decided not to repay to the government business rates relief made available to all retailers in FY20 and FY21. The Committee noted that in making this decision the Board has carefully considered both the respective interests of all of our stakeholders and a range of other factors, including the repayment of other government support as noted above, the strong recovery of the business, the fact that our stores were closed to customers for a third of the financial year and the competitive imbalances arising from the boundaries between essential and non-essential retail. Further details relating to the Board's decisions in relation to repayment of government support are in the case study on page 110.
- Shares earned by Executive Directors are to be retained in accordance with the Company's Shareholding Guidelines.

FY22 REMUNERATION

Base Salary

At our annual review of the Executive Directors' remuneration, the Committee determined that both Nick and Laura have continued to perform strongly throughout the year, and this has been reflected in the financial performance of the Company. We decided to award each of them a 3.5% increase in base salary, which is in line with the increases given to colleagues across the Group. After these increases, the base pay for Nick of £582,125 and Laura of £396,663 will still be slightly below the external benchmark median for our peers.

In awarding these pay increases, the Committee took into account the FY22 pay awards made to the wider colleague population as follows:

- The one-off 'thank you' payment to colleagues not in a bonus scheme referred to above
- The median pay increase for all colleagues of 3.5%

The Committee also considered a wider range of stakeholder considerations, including the feedback on Executive Director pay given by the National Colleague Voice referred to above.

Annual Bonus and FY22-24 LTIP

We will revert to our usual policy of paying our FY22 annual bonus in cash, two thirds of which, for the Executive Directors, (after payment of tax and National Insurance liability) must be invested in Dunelm shares to be retained during employment. Targets will be based on our annual budget and are in the more usual balance of 75% financial and 25% strategic and personal, including environmental, social and governance measures linked to delivery of our strategy. Further details are set out in the Implementation Report. We will also return to our usual practice of setting targets for awards to be made under our Long-Term Incentive Plan upon grant of the awards, expected to be in October 2021.

EXECUTIVE PENSIONS

In FY21 we committed to reduce the pension entitlement of our incumbent executives, Nick Wilkinson (CEO) and Laura Carr (CFO), then 10% of contractual base salary for each of them, to the rate available for the wider workforce, currently 3%, by 1 July 2023. The Committee is pleased that Nick and Laura have offered to bring forward this reduction, and to reduce their pensions to the level of the wider workforce, and therefore with effect from 1 August 2021 their pension entitlement will be 3% of base salary.

CONCLUSION

The Committee considers that the single figure remuneration received by Nick and Laura in FY21 is appropriate to provide reward, motivation and retention, with over 80% of their single figure received being paid in shares subject to deferral and/or holding requirements. I hope that shareholders will agree that we flexed our approach to remuneration during FY21 in the best interests of the Group so that all stakeholders continue to be aligned, and that you will support the resolution in relation to the Implementation Report.

Yours faithfully,

William Reeve

Chair of the Remuneration Committee

8 September 2021

HOW OUR REMUNERATION POLICY IS LINKED TO OUR STRATEGY

GROUP STRATEGY

Deliver value for our shareholders and other stakeholders through long-term, sustainable, profitable growth

Remuneration strategy

- Pay fairly for an individual's role and responsibilities
- Reward strong performance
- Focus on long-term value creation
- Align executives with shareholders through share ownership

Remuneration structure

- Base pay and benefits at median or below
- Annual bonus at median
- Long-Term Incentive Plan at upper quartile
- Two thirds of variable pay retained in shares for duration of employment and a significant amount for a further two years

Our binding Remuneration Policy was last updated in 2020, and approved by shareholders at the AGM on 17 November 2020 with over 99% of votes in favour of it.

The principles behind, and the reasons for, the overall remuneration structure that we have adopted for our Executive Directors are directly related to our long-term strategic goal of delivering value for our shareholders and other stakeholders through the profitable growth of a purpose-led, quality business.

Since the flotation of the Company our executive remuneration has been structured specifically:

- To pay fairly and appropriately for an individual's role and responsibilities
- To reward strong performance
- To be focused on long-term value creation
- To align Executives strongly with shareholders through share ownership.

It is our intention to maintain a simple and transparent remuneration structure for the benefit of all parties. This comprises fixed pay, an annual performance-related incentive, the majority of which must be retained in shares, and a performance-related long-term incentive share plan. The majority of the Executive Directors' potential remuneration is variable and performance-related in order to encourage and reward superior business performance and shareholder return. The majority of performance-related pay must be retained in shares, which encourages long-term thinking, wise risk management and alignment with shareholders and other stakeholders. Overall levels of pay are analysed carefully each year.

The financial performance criteria for annual and long-term plans are linked to reported figures, usually PBT for the annual incentive, and earnings per share for the long-term incentive. Hence they are transparent and predictable. A percentage of the performance criteria for the annual bonus, and from 2021 the long-term incentive plan, is linked to delivery of strategic objectives, which include measurement via numerical KPIs such as colleague and customer satisfaction. The Remuneration Committee has the ability to apply discretion to adjust formulaic outcomes where appropriate, and malus and clawback mechanisms apply to the annual bonus and long-term incentive plan. This is coupled with our 'Life-time Lock-in' which requires our Executive Directors to build a meaningful personal shareholding, and to retain the majority of performance-related pay in shares for the duration of employment, with a two-year post-employment retention period for a significant portion of these (see the Policy for details).

This policy is consistent with the creation of long-term, sustainable growth in shareholder value through delivery of the objectives set out in our corporate purpose and ambitions, which are all long term in nature. It is also consistent with our shared values, which include 'long-term thinking' and to 'act like owners'. Our approach is also in keeping with the family origin of the business, and is important to the Adderley family who remain our majority shareholders.

The Remuneration Committee considers that the policy and practices have operated as intended. The Company has attracted and retained high quality Executives; overall levels of pay over recent years have been in line with the value delivered to shareholders and other stakeholders; positive feedback has been received from shareholders via AGM voting and other engagement mechanisms such as the engagement process conducted in connection with the 2020 Policy renewal; and from colleagues through our consultation with the National Colleague Voice.

Remuneration continued

Directors' Remuneration Policy 2020

THE POLICY REPORT

Future policy table

The following table sets out the structure of remuneration for Directors of the Company under the Policy which was approved by shareholders at the AGM on 17 November 2020 with over 99% of votes in favour of it. This Policy will remain in force until the AGM in 2023. The Policy can be viewed in the 2020 Annual Report which is available on the Company's website at https://corporate.dunelm.com/investors/reports-and-presentations/

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 in line with the Company-wide review unless other circumstances apply, such as: – A significant change in the size, scale or complexity of the role or of the Company'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. • No recovery provisions apply to base salary.

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 equivalent to a percentage of base salary made to a defined contribution plan or paid as a cash allowance. • No element other than base salary is pensionable.
MAXIMUM OPPORTUNITY	• For any Executive Director appointed before 1 July 2020, 8% of salary. • For any Executive Director appointed on or after 1 July 2020, an amount as a percentage of base salary not exceeding the average paid in respect of the wider workforce (currently 3%). – Please note that from FY22 the incumbent Executive Directors have agreed to reduce their entitlement to the workforce average.
PERFORMANCE METRICS	• None. • No recovery provisions apply to retirement benefits.

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	• Current benefits provided are described in the Implementation Report from page 154. • The Committee reserves the right to provide such benefits as it considers necessary to support the strategy of the Company. • The Committee does not consider it to be appropriate to set a maximum cost to the Company of benefits to be paid.
PERFORMANCE METRICS	• None. • No recovery provisions apply to benefits.

ANNUAL BONUS	Awards to be made to Executive Directors other than Sir Will Adderley, who has requested that he not be considered for annual bonus
PURPOSE AND LINK TO STRATEGIC OBJECTIVES	• Rewards and incentivises delivery of annual financial, strategic and personal targets.
OPERATION Annual bonus specifically for FY20 to address Covid-19 situation	• Delivered as soon as reasonably practicable after the approval of this Policy as a conditional award of: – 11,594 shares in Dunelm in the case of Nick Wilkinson; and – 7,675 shares in Dunelm in the case of Laura Carr. • Each award will vest, subject to closed periods: – As regards 50% of the shares subject to it, rounded down to the nearest whole share where necessary, on the first dealing day after the announcement of Dunelm's results for FY21; and – As regards the balance of the shares subject to it, on the first dealing day after the announcement of Dunelm's results for FY22. • At least two thirds of the shares acquired (after sale of shares to cover tax and National Insurance obligations) must be retained for the duration of employment and are then subject to post-departure holding requirements as set out in the 'Shareholding requirements' section below.
OPERATION Annual bonus specifically for FY21 to address Covid-19 situation	• Granted as soon as reasonably practicable after the approval of this Policy as a conditional award of: – 59,130 shares in Dunelm in the case of Nick Wilkinson; and – 40,291 shares in Dunelm in the case of Laura Carr. • Subject to the satisfaction of the performance targets and closed periods, each award will vest: – As regards 50% of the shares subject to it rounded down to the nearest whole share where necessary on the first dealing day after the announcement of Dunelm's results for FY21; and – As regards the balance of the shares subject to it on the first dealing day after the announcement of Dunelm's results for financial year FY22. • The Committee has discretion to adjust the number of shares in respect of which an award vests, either upwards or downwards, if it considers that the formulaic output does not reflect its assessment of 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 the shares acquired (after sale of shares to cover tax and National Insurance obligations) must be retained for the duration of employment and are then subject to post-departure holding requirements as set out in the 'Shareholding requirements' section below.

Remuneration continued

<table>
<tr><th>ANNUAL BONUS</th><th>Awards to be made to Executive Directors other than Sir Will Adderley, who has requested that he not be considered for annual bonus</th></tr>
<tr><td>OPERATION
Annual bonus for FY22 and subsequent years to which this Policy applies</td><td>• Ordinarily paid in cash, after the results for the financial year have been audited, subject to performance targets having been met, with two thirds of the bonus earned required to be invested in Dunelm shares, which must be retained for the duration of employment and are then subject to post-departure holding requirements as set out in the 'Shareholding requirements' section below.
• Alternatively, if the Committee considers that FY22 or any later year to which this Policy applies is substantially impacted by the Covid-19 pandemic, the award may be delivered as a conditional award of Dunelm shares granted shortly after the start of the year over shares with a market value equal to the maximum bonus opportunity and with vesting subject to satisfaction of performance targets, as with the bonuses for FY20 and FY21. For these purposes the market value of a share will be the average share price over June and July of that year (consistent with the approach for the bonuses in respect of FY20 and FY21) unless the Remuneration Committee determines otherwise. Subject to the satisfaction of the performance targets, each award will vest:
– As regards 50% of the shares subject to it, on the first dealing day after the announcement of Dunelm's results for the financial year in respect of which the bonus is earned; and
– As regards the balance of the shares subject to it, on the first dealing day after the announcement of Dunelm's results for the following financial year.
• At least two thirds of the shares acquired (after sale of shares to cover tax and National Insurance obligations) must be retained for the duration of employment and are then subject to post-departure shareholding requirements as set out in the 'Shareholding requirements' section on page 146.
• 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 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.</td></tr>
<tr><td>MAXIMUM OPPORTUNITY
Annual bonus specifically for FY20 due to Covid-19 situation</td><td>• In the case of Nick Wilkinson, a conditional award of 11,594 shares in Dunelm.
• In the case of Laura Carr, a conditional award of 7,675 shares in Dunelm.
• Dividend accruals may be made in respect of special dividends paid during the vesting period applicable to an award.
• Subject to the Committee's discretion to override formulaic outturns, these awards will not be subject to further performance targets as they reflect the outcome of the performance targets for FY20, as set out on pages 144 to 146 of the FY20 annual report.</td></tr>
<tr><td>MAXIMUM OPPORTUNITY
Annual bonus specifically for FY21 due to Covid-19 situation</td><td>• In the case of Nick Wilkinson, a conditional award of 59,130 shares in Dunelm.
• In the case of Laura Carr, a conditional award of 40,291 shares in Dunelm.
• Dividend accruals may be made in respect of special dividends paid during the vesting period applicable to an award. Payment would only be made in respect of shares vesting after applying performance criteria.
• Subject to the Committee's discretion to override formulaic outturns, for financial measures threshold performance 5% of the shares will vest and for on-target performance 40% 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.</td></tr>
<tr><td>MAXIMUM OPPORTUNITY
Annual bonus for FY22 and subsequent years to which this Policy applies</td><td>• Maximum opportunity – 125% of base salary per annum.
• Where bonus awards are granted as share awards, dividend accruals may be made in respect of special dividends paid during the vesting period applicable to an award. Payment would only be made in respect of shares vesting after applying performance criteria.
• Subject to the Committee's discretion to override formulaic outturns, for threshold performance, for financial measures 5% of the maximum opportunity will be earned and for on-target performance 40% 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.</td></tr>
</table>

PERFORMANCE METRICS	• No further performance targets will apply to the share awards granted in respect of the bonuses for FY20 as those awards reflect the outcome of the performance targets for that year, as set out on pages 144 to 146 of the FY20 Annual Report. • 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 Remuneration Committee annually. • Financial objectives may include, but are not limited to, budgeted PBT for the financial year taking into account market consensus and individual broker expectations. • The strategic objectives will vary depending on the specific business priorities in a particular year. • Ordinarily, at least 50% of the annual bonus for Executives will be subject to financial objectives. • For the avoidance of doubt, share awards in respect of the bonuses for FY20 will not be subject to further performance targets as they reflect the outcome of the performance targets for that year, as set out on pages 144 to 146 of the FY20 Annual Report. • Awards are subject to recovery provisions (malus and clawback) as set out on page 146.

LONG-TERM INCENTIVE PLAN	Awards to be made to Executive Directors other than Sir Will Adderley, who has requested that he not be considered for LTIP awards
PURPOSE AND LINK TO STRATEGIC OBJECTIVES	• Supports delivery of strategy by requiring the achievement of financial targets which include EPS, which the Committee believes to be the most appropriate measure for medium-term performance, aligned with our growth ambitions and continuing to win market share. EPS growth is also a prime driver of shareholder value creation. Flexibility will be retained to base part of the award on other financial or strategic measures in order that targets can be tailored to the circumstances of each grant. • Rewards strong financial performance and sustained increase in shareholder value over the long term. • Aligns with shareholder interests through the delivery of shares, the majority of which (after payment of tax liabilities) are retained.
OPERATION	• Awards are made annually (which can take the form of a conditional award, nil-cost option or nominal value option), with vesting subject to performance over three financial years. • A majority of shares must be retained 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 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 annual award for Executive Directors is 200% of salary. • Dividend accruals may be made in respect of special 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.
PERFORMANCE METRICS	• For at least 75% of an award, one or more financial measures, which will include a measure based on EPS, assessed over the three-year performance period. The balance of the award will be based on one or more other financial, strategic, environmental, social and governance measures. • The Remuneration Committee considers the targets annually taking into account a range of factors which will include the Company's plans, external forecasts and the overall business environment. • Subject to the Committee's discretion to override formulaic outturns, for financial measures 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 on page 146.

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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-approved Dunelm Group Savings Related Share Option Plan (the Sharesave). • Monthly savings are made over a period of three years linked to the grant of an option over Dunelm shares at a discount of up to 20% of the market price (or such other amount as permitted by law) at the date of invitation to join the plan. • Invitations are normally issued annually at the discretion of the Remuneration Committee, which also has discretion to set the minimum service requirement, maximum discount, maximum monthly savings and any other limits (such as scaling back) within the terms of the scheme rules.
MAXIMUM OPPORTUNITY	• Maximum participation limits are set by the UK tax authorities. 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 (although the Remuneration Committee retains the right to waive this requirement 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).
- Executive Directors are required to build a beneficial holding of shares equal to 100% of salary after three years and 200% of salary after five years from appointment.
- At least two thirds of shares acquired pursuant to the vesting of share awards in respect of FY20, FY21 and any other year in respect of which the bonus is satisfied by a share award as referred to on pages 143 to 145 (after sale of shares to cover tax and National Insurance obligations) must be retained during employment.
- Two thirds of any cash bonus earned (after tax and National Insurance obligations have been met) must be invested in Dunelm shares, which must then be retained during employment.
- All of the shares acquired pursuant to the vesting of any LTIP award granted after 1 July 2020 (after sale of shares to cover tax and National Insurance obligations) must be retained for two years, and two thirds of those shares must then be retained during employment.
- The relevant shares must be retained regardless of whether the Executive Director has achieved the required 100% or 200% of salary shareholding, therefore building to a higher personal shareholding level over time.

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 immediately prior to departure (100% of salary if they leave within five years of appointment or 200% of salary if they leave five years or more after appointment) as appropriate or 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.

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 vesting of an LTIP award or for three years after the end of the performance period for a share award granted in respect of a bonus, 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

PURPOSE AND LINK TO STRATEGIC OBJECTIVES	• To attract and retain a high-calibre Chairman and Non-Executive Directors by offering competitive fee levels.
OPERATION	• Fees for the Chairman and Non-Executive Directors are set by the Board. No Director participates in any decision relating to his or her own remuneration. • The Chairman 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 reviewed annually and increased in line with the Company-wide increase. In addition, there will be a periodic review against market rates and taking into account time commitment and any change in size, scale or complexity of the business. • Flexibility is retained to increase fee levels in certain circumstances, for example, if required to recruit a new Chairman or Non-Executive Director of the appropriate calibre. • With the exception of colleague discount, no benefits are paid to the Chairman or the Non-Executive Directors, and they do not participate in any incentive scheme.
MAXIMUM OPPORTUNITY	• Maximum fees to be paid by way of fees to the Non-Executive Directors are set out in the Company's Articles of Association. • Fees paid to each Director are disclosed in the Annual Report on Implementation.
PERFORMANCE METRICS	• None.

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.

The Committee may also 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.

PERFORMANCE MEASURES AND HOW TARGETS ARE SET

The Remuneration Committee selects performance measures that it believes are:

- Aligned with the Group's strategic goals.
- Unambiguous and easy to calculate.
- Transparent to Directors and shareholders.

ANNUAL BONUS

Specifically for FY21 due to the Covid-19 situation:

- 50% of the annual bonus was based on financial performance and delivery of the Board's Recovery Plan for FY21.
- 25% of the annual bonus was based on strategic progress, including environmental, social and governance measures.
- 25% of the annual bonus was based on personal goals set for the Executive Director in the context of our operating plan.

The Committee reserves the right to adjust the financial performance target or change the performance condition if justified by the circumstances, for example if there was a major capital transaction.

For FY22 and subsequent years (if applicable), the Committee will determine the financial measures and the weighting of financial and non-financial measures based on specific business priorities in a particular year. Financial measures will ordinarily represent a majority.

Remuneration continued

LTIP

For the LTIP, at least 75% of the award will be based on one or more financial measures, which will include EPS.

GROUP KPI

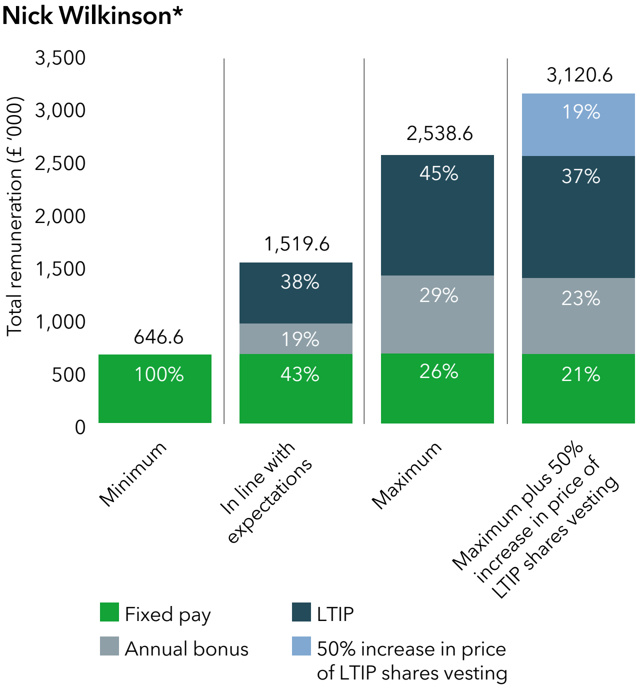
The Remuneration Committee considers EPS to be the most appropriate measure for medium-term performance, aligned with our growth ambitions and continuing to win market share. EPS growth is also a prime driver of shareholder value creation. The use of EPS for Dunelm's LTIP is also considered appropriate because of the low level of leverage in the business and is the main driver of cash generation. Capital expenditure controls exercised by the Board are sufficiently rigorous to avoid EPS accretion by means of ineffective investment of capital.

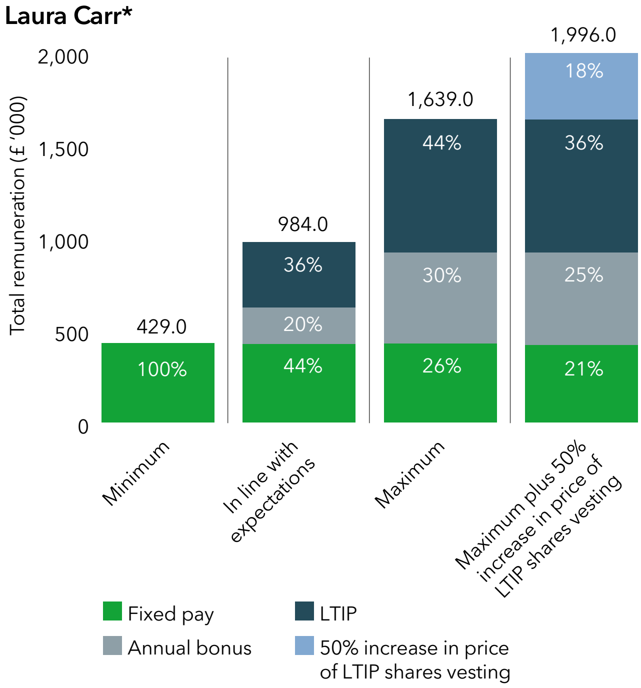
Any part of the award not based on financial measures will be based on strategic measures, which may include environmental, social and governance measures.

The number of shares comprised in an award or the performance target which applies may be adjusted by the Remuneration Committee in accordance with the plan rules if justified by the circumstances, for example, if there were a major capital transaction. Any amendment and the reason for it would be fully disclosed. A copy of the plan rules is available from the Company Secretary on request.

ILLUSTRATIVE PERFORMANCE SCENARIOS

The following graphs set out what Nick Wilkinson and Laura Carr, the other Executive Directors in office at the date of this report, could earn in FY22 under the following scenarios:





* Please note some % in graphs above have been manually amended to resolve rounding errors (i.e. so that they add up exactly to 100%).

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 above.

Fixed pay comprises base salary, benefits and pension only (see table below).

	Base (last known salary) £'000	Benefits £'000	Pension (3% of salary) £'000
Nick Wilkinson	582	48	17
Laura Carr	397	20	12

The following assumptions have been made in respect of the scenarios on the opposite page:

Performance level	Fixed pay	Annual bonus	LTIP
Minimum (performance below threshold)	As above	Nil	Nil
In line with expectations	As above	40% of annual bonus will vest	50% of the LTIP award (i.e. 100% of salary for Nick Wilkinson and 90% of salary for Laura Carr), based on face value of the award at the date of grant.
Maximum performance	As above	100% of annual bonus will vest	100% of the LTIP award (i.e. 200% of salary for Nick Wilkinson and 180% of salary for Laura Carr), based on face value of the award at the date of grant.
Maximum performance, plus share price increase	As above	100% of annual bonus will vest	100% of the LTIP award (i.e. 200% of salary for Nick Wilkinson and 180% of salary for Laura Carr), plus an increase in the value of the LTIP of 50% across the relevant performance period to reflect possible share price appreciation.

It should be noted that the illustrative performance number is likely to be different to the actual pay that is earned by Nick Wilkinson and Laura Carr during the year as:

- Actual pay will reflect Company and personal performance over the relevant performance period.
- We are required to show the value of the LTIP awards that are expected to be made in the year, not those which vest by reference to performance in the year. This valuation is based on the expected face value at the date of grant without making any assumptions for changes in the share price (other than as noted in relation to the final scenario).
- No adjustment is made for payment of special dividend equivalents as the level of these cannot be determined at the date of this report.

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 Laura Carr is six months from either party. If the Company terminates the employment of the Executive Director it would honour its contractual commitment. Any payment of salary on termination is contractually restricted to a maximum of the value of salary plus benefits for the notice period. If termination was with immediate effect, a payment in lieu of notice may be made. The Remuneration Committee may apply mitigation in respect of any termination payment.

The Remuneration Committee has discretion to make a payment in respect of any cash annual bonus, provided that it is pro-rated to service.

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 Remuneration Committee. If an award does not lapse, the Remuneration Committee will determine whether it vests on termination or at the ordinary vesting date. If termination is during the performance period, the extent of vesting will be determined by reference to the performance conditions and, unless the Remuneration Committee determines otherwise, a reduction to reflect the proportion of the performance period that had elapsed at cessation.

The limited circumstances in which unexercised LTIP awards might be exercised following termination of an Executive Director's service contract are set out on page 150.

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 Chairman. 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 of the likely duration of the service contracts for Executive Directors and the letters of appointment for the Non-Executive Directors are set out in Table 8 on page 164 of the Implementation Report.

The Directors' service contracts and letters of appointment are available for inspection by shareholders at the Company's registered office.

Remuneration continued

EXERCISE OF LTIP AND SHARESAVE OPTIONS FOLLOWING TERMINATION OF EMPLOYMENT

LTIP

If a participant leaves the employment of the Group, the following provisions apply to options granted under the LTIP:

- 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, options which have not yet vested, but where the performance period has elapsed, may be exercised within six months of the relevant vesting date (or 12 months in the case of death), to the extent that the performance condition has been met. The Remuneration Committee has discretion to allow earlier exercise but would only use this in exceptional circumstances (such as death or ill health retirement), or at its discretion for a good leaver.
- If the participant leaves the Group before an option has vested and before the performance period has elapsed, the option will usually lapse. Except in the case of dismissal for gross misconduct, the Remuneration Committee has the discretion to allow the exercise of options for which the performance period has not elapsed at the date of cessation of employment, within six months of the relevant vesting date (or 12 months in the case of death). The Remuneration Committee also has discretion to allow earlier exercise. The Remuneration Committee would only use this discretion in exceptional circumstances (such as death or ill health retirement), or at its discretion for a good leaver.
- Any exercise would be subject to assessment of the performance condition (and the exercise of any discretion to vary formulaic outturns in line with the policy table) and, unless the Committee determined otherwise, a reduction to reflect the proportion of the performance period that had elapsed at cessation.
- If early exercise is permitted, the Remuneration Committee may apply an adjustment to take into account the amount of time that has elapsed through the performance period and the extent to which any performance criteria have been met.

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).

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.

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. If vesting is during the performance period, the extent of vesting will be determined by reference to the performance conditions and, unless the Remuneration Committee determines otherwise, a reduction to reflect the proportion of the performance period that had elapsed at the date of the relevant event.

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 options in respect of which the performance period has elapsed and to which the performance condition has been applied will vest and may be exercised.
- Any options in respect of which the performance period has not elapsed may be exercised at the discretion of the Remuneration Committee, subject to any adjustment to take into account the amount of time that has elapsed through the performance period (unless the Remuneration Committee decides not to apply a time-based reduction) and the extent to which any performance criteria have been met.
- The Executive Director may agree that his or her 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 Remuneration Committee, acting fairly and reasonably, to determine the extent to which any awards should vest and the period within which options may be exercised.

A copy of the plan rules is available from the Company Secretary on request.

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 his or her awards are 'rolled over' into shares of the acquiring company as an alternative.

OPERATION OF SHARE PLANS

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 principles set out in the remuneration strategy on page 123 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 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 on page 146.

The remuneration of colleagues below the Board reflects the seniority of the role, market practice and the ability of the individual to influence Company 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 Remuneration Committee.

In setting the policy for the Executive Directors' remuneration, the Committee takes note of the overall approach to remuneration in the Group. In previous years, the Committee had formal oversight of the remuneration of Executive Board members. In line with the 2018 Corporate Governance Code:

- The Committee formally approves the remuneration of the Company Secretary and all members of the Executive Board.
- At least annually, the People and Stores Director provides information to the Board about workforce policies and practices.
- The Board receives a 'Colleague Dashboard' twice a year, which contains a number of colleague measures, including gender, and age split, gender and ethnicity pay (ethnicity pay based on preliminary data) reward, Sharesave participation, colleague engagement, voluntary turnover and internal promotion.

DETAILS OF HOW WE ENGAGE WITH OUR COLLEAGUES ON PAY ARE SET OUT IN THE IMPLEMENTATION REPORT ON PAGE 168

SHAREHOLDER VIEWS

The Board is committed to ongoing engagement with shareholders in respect of all governance matters, including executive remuneration.

In addition to this, the Company holds a Corporate Governance Day, usually every two years, hosted by the Chairman, the Deputy Chairman and the other Non-Executive Directors, to which all major shareholders are invited. This enables all parties to discuss governance topics informally, including remuneration. In addition, the Chairman and Non-Executive Directors usually attend results presentations and a selection of shareholder meetings. The last Corporate Governance Day was in January 2020, and a copy of the presentation is on our website, corporate.dunelm.com.

Formal feedback on shareholder views is given to the Board twice per annum by the Company's brokers and financial public relations advisers. The AGM reports issued by the Investment Association (IA), the Pension and Lifetime Savings Association, ISS, GlassLewis and Pensions Investment Research Council (PIRC) are also considered by the Board.

All Directors usually attend the Annual General Meeting, and the Chairman and the Chair of the Remuneration Committee may be contacted via the Company Secretary during the year.

We consulted with shareholders in relation to the new 2020 Policy including, in particular, our approach to share bonus awards proposed specifically due to the Covid-19 situation for FY20 and FY21, our approach to LTIP awards for FY21, pensions and salary increases. 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.

Remuneration continued

APPROACH TO RECRUITMENT REMUNERATION

The Remuneration Committee will apply the principles set out below when agreeing a remuneration package for a new 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 Company's strategy:

- No more should be paid than is necessary.
- Pension provision will be in line with the policy.
- 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 Company.

Circumstances in which the Committee might apply this discretion include:

- Where an interim appointment is made on a short-term basis, including where the Chairman 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' but cannot do so under the specific terms of the Regulations, or which the Committee considers it appropriate to offer.

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 normally be in line with the policy table set out from page 142. 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 tables; 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 Chairman 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. All other Non-Executive Directors receive the same base and Committee Chair fees, which are set at median or below. 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.

Implementation Report

This section of the report sets out how the Directors' Remuneration Policy which was approved by shareholders on 17 November 2020 has been applied in FY21.

The information contained in this Implementation Report is unaudited unless specifically stated as being audited.

Remuneration Committee membership

The table below sets out the membership and attendance of Directors on the Remuneration Committee during the year:

Member	From	To	Meetings attended
William Reeve (Chair)	1 July 2015	To date	5/5
Ian Bull	10 July 2019	To date	5/5
Andy Harrison	1 September 2014	To date	5/5
Peter Ruis	10 September 2015	To date	5/5
Arja Taaveniku[1]	15 February 2021	To date	2/3
Paula Vennells[2]	4 September 2019	25 April 2021	3/3

1. Arja Taaveniku was appointed to the Board during the financial year, and joined the Committee on appointment. She was unable to attend one meeting during the year due to a prior commitment.
2. Paula Vennells stepped down from the Board on 25 April 2021.

The Company Secretary acts as secretary to the Committee. No Director ever participates when his or her own remuneration is discussed.

ADVISERS

The Committee has appointed Deloitte to provide general advice in relation to executive remuneration on an ad hoc basis. Total fees paid to Deloitte for remuneration-related work in the year were £16,550 (FY20: £21,650).

Deloitte also provided non-remuneration-related consultancy services in the year to conduct a 'retail maturity' review of processes and systems in the business. This appointment was made based on Deloitte's expertise on an arm's length basis and for one-off pieces of work, without reference to the fact that Deloitte also provides remuneration advice.

Having reviewed the fees paid to Deloitte for non-remuneration-related work as specified above, the Committee noted that Deloitte provides remuneration advice through a team which is separate to the other consultancy teams. Also, Deloitte is a member of the Remuneration Consultants' Group and as such voluntarily operates under a Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the remuneration advice that they have received from Deloitte in the year has been objective and independent.

The Chief Executive Officer attends part of Committee meetings by invitation to make recommendations as to the remuneration payable to below Board Executives. The Stores and People Director attends part of meetings by invitation to advise on remuneration-related issues and provide details of the remuneration applied throughout the Group so that a consistent approach can be adopted.

Remuneration continued

SINGLE FIGURE FOR TOTAL REMUNERATION (AUDITED INFORMATION)

The following table sets out total remuneration for Directors for the period ended 26 June 2021:

Table 1 – Directors' remuneration – single figure table

	Salary/fees[1] £'000		Benefits[2] £'000		Pension[5] £'000		Total fixed remuneration[6] £'000		Bonus[3] £'000		LTIP awards[4] £'000		Total variable remuneration[7] £'000		Total £'000	
Director	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Executive																
Nick Wilkinson	**563**	426	**50**	48	**45**	55	**658**	529	**570**	138	**2,814**	292	**3,384**	430	**4,042**	959
Laura Carr[1]	**383**	347	**21**	21	**31**	37	**435**	405	**386**	91	**1,648**	–	**2,034**	91	**2,469**	496
Sir Will Adderley	**–**	–	**20**	21	**–**	–	**20**	21	**–**	–	**–**	–	**–**	–	**20**	21
Non-Executive																
Andy Harrison[1]	**216**	162	**–**	–	**–**	–	**216**	162	**–**	–	**–**	–	**–**	–	**216**	162
Marion Sears[1]	**52**	39	**–**	–	**–**	–	**52**	39	**–**	–	**–**	–	**–**	–	**52**	39
Liz Doherty[1]	**–**	27	**–**	–	**–**	–	**–**	27	**–**	–	**–**	–	**–**	–	**–**	27
William Reeve[1]	**68**	47	**–**	–	**–**	–	**68**	47	**–**	–	**–**	–	**–**	–	**68**	47
Peter Ruis	**52**	39	**–**	–	**–**	–	**52**	39	**–**	–	**–**	–	**–**	–	**52**	39
Ian Bull[1]	**62**	41	**–**	–	**–**	–	**62**	41	**–**	–	**–**	–	**–**	–	**62**	41
Paula Vennells[1]	**43**	30	**–**	–	**–**	–	**43**	30	**–**	–	**–**	–	**–**	–	**43**	30
Arja Taaveniku[1]	**19**	–	**–**	–	**–**	–	**19**	–	**–**	–	**–**	–	**–**	–	**19**	–
Total	**1,458**	1,158	**91**	90	**76**	92	**1,625**	1,340	**956**	229	**4,462**	292	**5,418**	521	**7,043**	1,861

1. Ian Bull was appointed on 10 July 2019, and succeeded Liz Doherty as Chair of the Audit and Risk Committee on 19 November 2019. Paula Vennells was appointed on 4 September 2019 and stepped down from the Board on 25 April 2021. Liz Doherty retired from the Board on 19 November 2019. William Reeve was appointed as Senior Independent Director (SID) on 10 September 2020, this position was vacant between 19 November 2019 and that date. Arja Taaveniku was appointed to the Board on 15 February 2021. Basic salary/fee, SID fees and Committee Chair fees for Ian Bull, Liz Doherty, Paula Vennells, William Reeve and Arja Taaveniku are pro-rated over the relevant year. From 1 July 2020, Laura Carr's salary increased by 5%, and from 1 August 2020, Nick Wilkinson's base salary increased by 2%. Sir Will Adderley's base salary is held at £1 per annum. The Chairman and the Non-Executive Directors waived any increase in fees in FY21. During the period April to June 2020 inclusive, Nick Wilkinson took a voluntary 90% reduction in base salary, Laura Carr took a voluntary 20% reduction in base salary, and Sir Will Adderley, Andy Harrison and all of the Non-Executive Directors waived their fees in full. The salary/fee figures in the table above reflect these reductions.
2. Benefits include the cost to the Company 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.
3. Nick Wilkinson and Laura Carr were each awarded an annual performance-related bonus for FY21 with a maximum face value of 125% of contractual salary. The performance conditions which applied to the bonus were set in August 2020 and are described in the report below. The value of the bonus earned in the table above is based on the sum that would have been paid had the bonus been awarded in cash, although pursuant to specific arrangements put in place for FY21 due to Covid-19 it was awarded in deferred shares, payable in two equal tranches in September 2021 and 2022 respectively. The share price used to calculate the number of shares in the award was 1,189p. The Committee did not apply discretion to adjust the outcome of the performance criteria to reflect share price appreciation or depreciation, or for any other reason. The second tranche of the award which vests in September 2022 is eligible to receive a 'special dividend equivalent' in respect of the special dividend of 65p per share payable on 8 October 2021 and any other special dividend paid before that tranche vests.
4. The figure for Nick Wilkinson and Laura Carr is the value of the 2019-21 LTIP award whose three-year performance period 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 17 October 2021 to Nick and 30 November 2021 to Laura, was the average of Dunelm's closing share price over the last three months of the FY21 financial year, which was 1,429p per share. It also includes a 'special dividend equivalent' of 32p per vested share in respect of the special dividend paid on 11 October 2019, and of 65p per vested share in respect of the special dividend that is to be paid on 8 October 2021. The share price used to calculate the number of shares in Nick and Laura's 'special dividend equivalent' was 731p per share in respect of the October 2019 special dividend (being the share price at the special dividend date) and 1,429p per share in respect of the October 2021 special dividend, which is based on the average of Dunelm's closing share price over the last three months of the financial year; therefore the amount of the values above include an element that may be attributed to share price increase of £1,557,451 for Nick and £961,412 for Laura. No discretion was applied to adjust the amount vesting for share price appreciation. The figure for Nick Wilkinson for the 2018-20 LTIP award has been restated to show the actual value of the award on vesting which was 22,697 shares times share price at close of business on 2 March 2021 of 1,286p.
   The Remuneration Committee did not apply discretion to adjust the outcome of the performance criteria applicable to this award to reflect share price appreciation or depreciation, or for any other reason. Sir Will Adderley has asked not to be considered for an LTIP award.
5. Pension for FY20 is 10% of contractual salary for Nick Wilkinson and Laura Carr and for FY21 is 8%. Sir Will Adderley waived his entitlement to pension from 1 July 2015.
6. Total fixed remuneration includes salary/fees, benefits and pension.
7. Total variable remuneration includes bonus and LTIP awards.

FY21 ANNUAL BONUS – SHARE BONUS AWARDS

In the light of the Covid-19 pandemic, specific temporary annual bonus arrangements were put in place in respect of FY20 and FY21 as set out in the Remuneration Policy. As in previous years, Nick Wilkinson and Laura Carr were each eligible to earn an annual bonus with a face value of up to 125% of base salary, subject to satisfaction of performance targets. However rather than being paid in cash, this was to be settled by way of a conditional share award, vesting over two financial years. These arrangements were adopted following consultation with our major shareholders and enshrined in our approved 2020 Remuneration Policy.

In FY21, conditional awards were over:

- Nick Wilkinson: 59,130 shares.
- Laura Carr: 40,291 shares.

Sir Will Adderley has asked that he not be considered for an annual bonus award.

- The number of shares in each award was determined by reference to the average share price over June and July 2020 of 1,189p per share. This price reflects the market assessment of performance during FY20, as it is set at the start of FY21 and includes the period post the year-end Trading Update on 15 July. This meant that there was more risk or opportunity depending upon Dunelm's progress during FY21 as reflected in share price movements. The Committee believes that movements in the Dunelm share price since then have reflected the market's assessment of the Group's performance and potential since that date, helping to align the Executives' interests with those of shareholders. The closing share price on 19 November 2020, the date preceding the date that the award was granted, was 1,186p. Any bonus is payable in deferred shares, with 50% of the vested shares (after applying the performance criteria) released in September 2021 and the remaining 50% deferred to September 2022. In both cases release is subject to continued employment and the participant not being under notice.
- Covid-19 left us operating in an unprecedented business environment with an exceptionally unpredictable range of future outcomes, especially over FY20 and FY21. The primary goals of the business during FY21 were to cope with the continuing Covid-19 pandemic and create the platform for successful growth post pandemic. In these circumstances, the Committee considered it appropriate to determine vesting of the annual bonus share awards by reference to a robust qualitative assessment of performance in three specific areas over the financial year to June 2021: financial performance and delivery of the Group's recovery plan; strategic progress and personal objectives.
- When the Committee determined the performance outcome for the year, it carefully considered its assessment of performance in the wider context of how the Group had performed for all its stakeholders including the resumption of dividend payments, the repayment of government support received through the Job Retention Scheme and other grant relief, colleague pay increases and bonus earned, and the discretionary 'thank you' payments given to colleagues.

A summary of the bonus measures, weightings and performance is set out below:

% of bonus opportunity	50%					25%	25%	Total 100%
Measure	**Financial performance and recovery plan**					**Strategic progress**	**Personal objectives**	
Sub measures	Sales	PBT	Customer NPS	eNPS (total Company)	Other operational metrics	n/a	n/a	
Weighting	12.5%	12.5%	6.25%	6.25%	12.5%	25%	25%	
Assessment	Quarterly	Quarterly	Annual	Annual	Annual	Annual	Annual	
% of target met	100%	75%	72.5%	55%	72.5%	80%	Nick 88% Laura 85%	
Nick Wilkinson % bonus earned	12.5	9.375	4.53	3.44	9.375	20.0	22.0	**81.22%**
No. of shares vesting (in 2 equal tranches 2021 and 2022)								**48,025**
Laura Carr % bonus earned	12.5	9.375	4.53	3.44	9.375	20.0	21.25	**80.47%**
No. of shares vesting (in 2 equal tranches 2021 and 2022)								**32,422**

A further explanation of how the Committee calculated performance for each of the criteria is set out below.

Remuneration continued

FINANCIAL TARGET AND DELIVERY OF A COVID RECOVERY PLAN – 50% OF BONUS OPPORTUNITY

The Committee considered that the targets for sales, profit, customer and colleague satisfaction and other key operational measures delivered substantial progress in the financial performance of the Company and the success of its Recovery Plan for its shareholders and its other key stakeholders, customers and colleagues. The financial targets were assessed by reference to reported statutory figures. The other targets were assessed by reference to the numerical data and a holistic consideration of the overall customer and colleague experience and operational performance.

Sales and PBT (each eligible for 12.5% of bonus opportunity)

Targets were set quarterly, as the economic situation changed during the pandemic, based on the Board's quarterly forecast and external expectations applicable when the target was set. In each quarter, the Committee set a target range, in which meeting expectations of sales/PBT would deliver a score of 40%. Exceeding the sales target by 7.5% or more would deliver a 100% score, and exceeding the PBT target by 2.5% or more would deliver a 100% score. Performance against these targets was as follows:

Sales	Q1	Q2	Q3	Q4	Total
Result	£359.1m	£360.4m	£236.6m	£380.1m	**£1,336.2m**
% of target met	100%	100%	100%	100%	**100%**
% bonus opportunity earned					**12.5%**

PBT					
% of target met	100%	0%	100%	100%	
adjusted % (see below)	100%	100%[1]	0%[2]	100%	**75%**
% bonus opportunity earned					**9.375%**

The Committee used its discretion to apply two adjustments to the outcome achieved in respect of the PBT target:

1. Performance against the Q2 PBT target was adjusted to remove the impact on PBT delivered of the Board's decision to repay £14.5m received from the Job Retention Scheme in FY20, which was not taken into account when the target was set. Without this adjustment, a score of nil would have been achieved.
2. Although performance against the Q3 PBT target was met delivering a score of 100%, the Committee considered that it was inappropriate to pay bonus against a profit target in a quarter in which the Group was lossmaking. Therefore the score for this quarter was reduced to nil.

The sales and PBT targets and actual PBT delivered by quarter has been excluded from the above table, as these are considered to be commercially sensitive.

Customer and colleague NPS (each eligible for 6.25% of bonus opportunity)

Performance against these measures was as follows:

Measure	Target range	Performance	% of target met	% bonus opportunity earned
Customer NPS	Flat to +4%	+4.2%	72.5%[1]	**4.53%**
Colleague NPS	-2% to +3%	+1.0%	55%	**3.44%**

1. The Committee decided that although the top end of the customer NPS range was met by averaging quarterly scores, this had not been consistently achieved throughout the year, and so a deduction was applied.

Operational metrics (eligible for 12.5% of bonus opportunity)

The operational metrics applicable to **Nick Wilkinson** were assessed as follows:

Measure	% of target met
Free cash flow	100%
Digital sales growth	50%
Overall assessment against targets	**75%**
% bonus opportunity earned	**9.375%**

The operational metrics applicable to **Laura Carr** were assessed as follows:

Measure	% of target met
Free cash flow	100%
Digital sales growth	50%
Stock loss percentage	100%
Store cost: sales	75%
Logistics cost: serve	50%
Overall assessment against targets	**75%**
% bonus opportunity earned	**9.375%**

The actual targets and performance for the above measures have not been disclosed as they are commercially sensitive and the Committee considers that it would damage the Company to disclose them. Free cash flow and digital sales growth performance are disclosed elsewhere in this report.

STRATEGIC PROGRESS – 25% OF BONUS OPPORTUNITY

Progress was measured against the six strategic focus areas described in the FY20 annual report. Assessment was made by reference to performance across the objectives as a whole, with no specific weighting.

Overall strategic development	Our substantial investments in digital capability and our customer proposition were vital to our success during the pandemic and for our future growth ambitions. Significant additional time spent by Executive Board and Board on strategic planning and development. Increased level of investment awareness and engagement in our strategy and customer metrics.
Grow Dunelm profitably	Profit growth and digital sales growth significantly exceeded expectations.
Win market share and rapidly grow online digital business	Digital sales grew by +115% over the year, 760bps ahead of the market, despite loss of share to 'essential' retail competitors when stores were closed during lockdowns.
Make progress on ESG	Rated 'low risk' by MSCI and Sustainalytics external ratings agencies, set Scope 1 and 2 emissions reduction targets, supporters of BRC's Climate Action Roadmap; understanding and ambition developed significantly, progress made on colleague wellbeing, diversity and community engagement.
Product	Meets expectations – substantial improvements were delivered in the strength of our product offering in terms of range, quality and value, including achievements in product development, launched paint and wallpaper range, 'The Edited Life' (sustainable) range and developed furniture supply base.
Customer	Meets expectations – good customer experience despite the challenges of the Covid-19 pandemic. A robust five-year activity plan in place and successful enhancements to digital marketing capability.
Digital sales	Exceeds expectations – unprecedented growth in our digital sales and delivered significant technical enhancements to Dunelm.com, pivoted to support a kerb-side Click & Collect offer, implemented centrally fulfilled Click & Collect offer.
Sustainability	Meets expectations – Set Scope 1 and 2 emissions reduction targets, supporters of BRC's Climate Action Roadmap; understanding and ambition developed significantly, progress made on colleague wellbeing, diversity and community engagement.
Delivery	Exceeds expectations – implemented post-sale customer experience strategy, capacity plan being implemented, managed significant operational challenges without losing strategic focus.
Operations	Meets expectations – programme to improve end-to-end process capabilities agreed, progress made on internal controls, supply chain capacity expansions planned.

Based on the above, the Committee considered that strong strategic progress had been made both overall and across all six focus areas, and expectations were exceeded in key profitability and customer measures. It therefore assessed that 80% of the strategic progress targets had been met by each of Nick and Laura, which earned 20% of total bonus opportunity.

Remuneration continued

PERSONAL OBJECTIVES – 25% OF BONUS OPPORTUNITY

Assessment was made by reference to personal performance of both Nick Wilkinson and Laura Carr, as well as specific objectives set by the Committee at the start of the year.

Nick Wilkinson

The Committee considered the following personal achievements:

- A highly efficient and ambitious environment was maintained, despite disruption due to the ongoing Covid-19 crisis.
- A more meaningful, differentiated and authentic purpose was developed in collaboration with colleagues and other key stakeholders.
- Good progress made in capability development, including two appointments to the Executive Board, and ongoing development of our digital and data capabilities.
- Further developed our internal strategic narrative, with seamless customer-focused multichannel thinking in place, momentum growing on sustainability, investor messaging improved.
- Three-year structured plan in place and being implemented to build internal succession and talent management.
- Additional investment opportunities for strategic growth developed and built into an ambitious five-year plan.

Taking all of the above into account, it was determined that Nick's delivery against personal and strategic objectives had greatly exceeded expectations, and that accordingly 88% of this target had been met, earning 22% of this element of the bonus (2020: 100%).

Laura Carr

The Committee considered the following personal achievements:

- Together with Nick, Laura has created a robust five-year plan, which includes greater growth ambition and supporting business plans, together with productivity opportunities to enable margin progression.
- Laura chaired the Supply Chain Steering Group, which minimised capacity constraints over Peak, and successfully delivered increased furniture storage and e-commerce capacity.
- Delivered significant improvements in the control environment, including the creation of the Risk and Resilience Committee.
- Developed a three-year plan to improve internal processes to support our growth ambition and improve productivity.
- Provided interim leadership of the Technology function for nine months pending the new CIO taking up his post, ensuring stability of core functionality and continued transformation of the function.
- Chaired the Data Steering Group which delivered increased functionality and capability.
- Continued to build the capability and effectiveness of the Finance team.

Taking all of the above into account, it was determined that Laura's delivery against personal and strategic objectives had greatly exceeded expectations, and that accordingly 85% of this target had been met, earning 21.25% of this element of the bonus (2020: 100%).

ASSESSMENT OF BONUS OUTCOME AFTER APPLYING PERFORMANCE CONDITIONS

The Committee reviewed the outcome of performance against the targets described above. It also considered the overall business context and stakeholder experience. It concluded that the Executive team, led by Nick, and of which Laura is part, has performed strongly during the year despite the ongoing Covid-19 crisis, improving all key stakeholder relationships. This has enabled the Company to maintain and improve its strong financial and market position. The team has also executed its recovery plan, designed to gain market share by accelerating our digital growth and developing our customer proposition, whilst maintaining and improving financial and operational performance. Meaningful progress has also been made to ensure that the business demonstrably delivers value to all of its stakeholders, for the climate, and to society as a whole.

Taking all of the above into account, it was agreed that the bonus outcome after applying the measures described was fair, reasonable and appropriate.

A total of 48,025 shares under the Share Bonus Award will vest to Nick and 32,422 shares under the Share Bonus Award will vest to Laura. These will vest in two equal tranches in September 2021 and September 2022, subject to continued employment and not being under notice.

The Committee also agreed that the second tranche of the award will qualify for a special dividend equivalent in respect of any special dividend paid between 9 September 2020 and vesting of this tranche of the award in September 2022, to be paid in shares.

WINDFALL

The Dunelm share price used to set the number of shares in each share bonus award was 1,189p. As set out above, the aim of using this price, rather than the share price at the date of grant of the award, was to further align the interests of Executives with shareholders by reflecting management performance over the financial year. The closing share price on 19 November 2020, the date preceding the date of the award, was 1,186p.

In determining the extent to which the share bonus award should vest, the Committee considered whether Executives have benefited from any 'windfall' effect. The Committee considered a 'windfall' effect to be one in which Executives benefited from upward share price movements that were driven by wider market trends, external and/or fortuitous circumstances other than by the Company's performance.

The Committee reviewed a paper prepared by Dunelm's brokers setting out Dunelm's share price performance over the period from January 2019 to the end of June 2021, compared with the performance of the FTSE 250 index and the FTSE 350 retailers index. The following factors were considered:

- The share price used to calculate the number of shares in the award (1,189p) is close to the pre Covid-19 price in February 2020, and therefore any share price increase over the year was likely to reflect management action rather than market recovery.
- Markets were volatile over the year but did not increase that much. The Dunelm share price over the financial year was volatile, and varied between 1,131p and 1,561p, closing at 1,367p at the end of the financial year.
- Dunelm's business performed well over the year, against peers and our own expectations. Dunelm's share price broadly reflects our performance and the market's understanding of it against market expectations. The share price tended to rise after results announcements. Share price falls largely reflected external factors such as imposition of restrictions due to Covid-19.
- In February 2021, the Adderley family, our majority shareholder, disposed of part of its shareholding, which had a negative impact on the share price.
- Vesting of 50% of the shares was deferred to September 2022, and shares vesting are subject to retention in accordance with the Shareholding Guidelines, which increases shareholder alignment.

Having taken all of the above into account, the Committee determined that the value of the Executives' awards that is attributed to share price increase was more related to the Company's performance than wider market trends, external and/or fortuitous circumstances, and thus the bonus outcome did not include an element of windfall gain. Therefore no adjustment should be made to the outcome.

DISCRETION

The Committee carefully considered whether it should exercise its discretion to adjust the overall outcome of the FY21 Share Bonus Award after applying the performance criteria described above (in addition to the discretion applied in relation to the financial performance criteria as described above). In doing so it considered the following factors:

- The financial performance of the Group has been strong, delivering record sales and profit, despite the ongoing Covid-19 crisis which has impacted operations and the external environment throughout the financial year.
- Significant progress has been made to advance the strategic objectives as set out earlier in the report, designed to accelerate future growth and advance the Company's long-term ambitions.
- The business performed strongly on customer and colleague engagement scores, including the customer 'How safe was your experience?' measure, which was consistently 95% or above.
- Colleagues received a pay increase during the year; colleagues in a bonus scheme will receive a similar outcome to that of Nick and Laura, and a second 'thank you' payment has been made to all other colleagues, of between £250 and £350 (dependent on average hours worked).
- Continued support was given to local communities and charitable activity, as described elsewhere in this report.
- Feedback from the National Colleague Voice on Executive pay has been that colleagues are satisfied with pay awarded provided that it reflects the performance of the business.
- The Group was able to resume payment of dividends to shareholders, with an interim dividend of 12p per share paid on 10 April, a recommended final dividend of 23p per share, and a special dividend of 65p per share.
- The Board decision to repay the £14.5m claimed from the government's Job Retention Scheme in FY20, and the fact that no claims have been made in FY21. Colleagues who were placed on furlough in FY21 received the same payments that they would have received via the government scheme, funded by the Group.
- The Board's decision to repay £4.0m in Covid-related grants received in FY21.
- The fact that the Board has decided not to repay to the government business rates relief made available to all retailers in FY20 and FY21. The Committee noted that in making this decision, the Board has carefully considered both the respective interests of all of our stakeholders and a range of other factors, including the repayment of other government support as noted above, the strong recovery of the business, the fact that our stores were closed to customers for a third of the financial year and the competitive imbalances arising from the boundaries between essential and non-essential retail. Further details relating to the Board's decisions in relation to repayment of government support are in the case study on page 110.
- Shares earned by Executive Directors are to be retained in accordance with the Company's Shareholding Guidelines.

Having considered all of the above factors, the Committee agreed that the FY21 annual bonus outcome for each of Nick Wilkinson and Laura Carr was fair and reasonable in the circumstances, reflected shareholder and wider stakeholder experience, and should not be further adjusted.

Remuneration continued

Total bonus earned in respect of FY21 performance is set out in the table below:

Table 2 – Annual bonus earned in respect of FY21 performance

	Bonus awarded (cash equivalent based on % of salary) £	Total number of shares vesting under Share Bonus Award	Percentage of maximum award
Nick Wilkinson	£570,084	48,025	81.22%
Laura Carr	£385,502	32,422	80.47%
Sir Will Adderley (waived entitlement)	–		N/A

The value of the bonus earned in the table above is based on the sum that would have been paid had the bonus been awarded in cash, although as stated above pursuant to specific arrangements put in place for FY21 due to Covid-19 it was awarded in deferred shares, payable in two equal tranches in September 2021 and 2022 respectively. The second tranche of the award which vests in September 2022 is eligible to receive a 'special dividend equivalent' in respect of the special dividend of 65p per share payable on 8 October 2021 and any other special dividend paid before that tranche vests.

FY20 – SHARE BONUS AWARDS

Payment of bonus earned for FY20 which would normally have been paid in cash, was in deferred shares, with 50% vesting in September 2021 and 50% in September 2022. As was the case for the FY21 share bonus award, the share price used to calculate the number of shares in the award was 1,189p, the average share price over June and July 2020, reflecting the market's assessment of the financial performance in FY20 following issue of our Trading Update in July 2020. The Committee reserved discretion to adjust the outturn for any 'windfall' element due to a post-Covid market recovery rather than management action. Having reviewed the share price progression over the financial year, the Committee concluded that price rises during the year reflected management performance rather than market recovery, and therefore that no adjustment should be made. Further details are set out above under the heading 'Windfall'. Please note that in accordance with reporting guidelines the value of the FY20 bonus award is not in the FY21 'single figure' table as it was included in the 'single figure' for FY20.

LTIP – AWARDS EARNED IN RESPECT OF PERFORMANCE IN 2019-2021

The performance condition which applied to the FY19-21 LTIP award was that compound growth in diluted EPS over the three-year performance period of July 2019 to June 2021 should exceed the compound growth in RPI over the same period by between 3% and 15%. Over the three-year performance period which ended on 26 June 2021, reported diluted EPS grew at a compound annual rate of 19.6%. This is 17.2% above the compound annual growth in RPI over the same period. Accordingly 100% of this award has vested to Nick Wilkinson and Laura Carr as set out below. This is included in the single figure for total remuneration for FY21 as set out in Table 1.

Table 3 – LTIP awards earned in respect of performance in 2019-21

	Shares vesting	Percentage of maximum award
Nick Wilkinson	180,802	100%
Laura Carr	105,893	100%

No awards are due to vest to Sir Will Adderley in respect of the LTIP. Nick Wilkinson and Laura Carr will also receive £230,683 and £135,095 respectively by way of 'special dividend equivalent' in relation to the special dividend of 32p per share paid on 11 October 2019 and the special dividend of 65p per share payable in October 2021. In either case these will be paid in shares. The number of shares expected to vest for Nick Wilkinson and Laura Carr are 16,145 and 9,455 respectively. These values are included in the single figure for total remuneration for FY21 as set out in Table 1 on page 154 and the basis on which they have been calculated is set out in note 4. Shares vesting must be retained in accordance with the shareholding guidelines set out in the Remuneration Policy.

AWARDS MADE TO DIRECTORS UNDER SHARE INCENTIVE SCHEMES IN FY21

Awards were made on 19 November 2020 to Nick Wilkinson and Laura Carr as set out below. Sir Will Adderley has asked not to be considered for share incentive awards.

Table 4 – Awards made under the Share Bonus Plan in FY21 (audited information)

Name	Nil-cost Share Bonus Award	Number of shares	Face value at date of award	Performance condition	Performance period	Vesting date[3]	% vesting at threshold performance
Nick Wilkinson	Share bonus award in respect of FY20 bonus	11,594	£137,853[1]	No performance condition – quantum reflects bonus earned after applying performance criteria. Two thirds of the shares vesting (after payment of tax and National Insurance) must be held for the duration of employment.	July 2019 to June 2020	5,797 vest in September 2021 and 5,797 vest in September 2022	n/a
Laura Carr	Share bonus award in respect of FY20 bonus	7,675	£91,256[1]	No performance condition – quantum reflects bonus earned after applying performance criteria. Two thirds of the shares vesting (after payment of tax and National Insurance) must be held for the duration of employment.	July 2019 to June 2020	3,837 vest in September 2021 and 3,838 vest in September 2022	n/a
Nick Wilkinson	Share bonus award in respect of FY21 bonus	48,025[2]	£571,017[1,2]	Please see section above headed 'FY21 annual bonus – share bonus award' Two thirds of the shares vesting (after payment of tax and National Insurance) must be held for the duration of employment.	July 2020 to June 2021	24,012 vest in September 2021 and 24,013 vest in September 2022[2]	5%
Laura Carr	Share bonus award in respect of FY21 bonus	32,422[2]	£385,498[1,2]	Please see section above headed 'FY21 annual bonus – share bonus award' Two thirds of the shares vesting (after payment of tax and National Insurance) must be held for the duration of employment.	July 2020 to June 2021	16,211 vest in September 2021 and 16,211 vest in September 2022[2]	5%

1. The number of shares in each award was based on a percentage of salary divided by the average share price over June and July 2020 of 1,189p per share. The FY20 award was over 25% of base salary, no performance conditions applied as this reflected bonus earned during FY20. The FY21 award was over 125% of base salary, subject to performance criteria. The price of 1,189p per share reflects the market assessment of performance during FY20, as it is set at the start of FY21 and includes the period post the year-end Trading Update on 15 July. This meant that there was more risk or opportunity depending upon Dunelm's progress during FY21 as reflected in share price movements. Executives' interests were thereby further aligned with those of shareholders. The closing share price on 19 November 2020, the date preceding the date of the award, was 1,186p.
2. Number shown after applying performance criteria. The total number of shares in the award before applying performance criteria was 59,130 shares to Nick Wilkinson and 40,291 shares to Laura Carr. The performance conditions applicable to the award and details of how the performance conditions were applied are set out in the section above headed 'FY21 Annual Bonus – Share Bonus Awards'.
3. Vesting is subject to continued employment and not being under notice at date of vesting.

Remuneration continued

The second tranche of the award which vests in September 2022 is eligible to receive a 'special dividend equivalent' in respect of the special dividend of 65p per share payable on 8 October 2021 and any other special dividend paid before that tranche vests.

Shares vesting must be retained in accordance with the Shareholding Guidelines set out in the Remuneration Policy.

Table 5 – LTIP awards made to Directors during FY21 (audited information)

Name	Award	Number of shares	Face value at date of award (200% of salary for Nick Wilkinson and 180% of salary for Laura Carr)	Performance condition	Performance period	Vesting date	% vesting at threshold performance
Nick Wilkinson	Nil cost option under LTIP	94,846	£1,124,874[1]	Diluted EPS for FY23. No part of the award will vest if EPS is less than 60.0p. 10% of the award vests if EPS is 60.0p, 50% of the award vests if EPS is 65.0p, 75% of the award vests if EPS is 72.5p and 100% of the award vests if EPS is 80.0p or more. Performance between these percentage thresholds will be calculated on a straight-line basis. All of the shares vesting (after payment of tax and National Insurance) must be held for two years from the vesting date, and then two thirds of these must be held for the duration of employment.	July 2020 to June 2023	20 November 2023	10%
Laura Carr	Nil cost option under LTIP	58,166	£689,849[1]	As for Nick Wilkinson	July 2020 to June 2023	20 November 2023	10%

1. Based on the closing share price on 19 November 2020 of 1,186p per share.

The award is eligible to receive a 'special dividend equivalent' in respect of the special dividend of 65p per share payable on 8 October 2021 and any other special dividend paid before the award vests.

PAYMENTS TO PAST DIRECTORS AND FOR LOSS OF OFFICE (AUDITED INFORMATION)

No payments have been or are being made to any former Director in the financial year in respect of loss of office or the termination of his employment.

STATEMENT OF DIRECTORS' SHARE INTERESTS

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). In addition, they are required to make a personal investment in Dunelm shares on appointment (subject to Company closed periods); and to invest two thirds of any annual bonus paid or Share Bonus Award and LTIP awards earned (after payment of tax and National Insurance liability on exercise) in Dunelm shares. In addition, for LTIP awards granted from 2020 onwards, all shares received (after sale to cover tax and National Insurance liability on exercise) must be retained for two years from vesting, then up to one third can be sold, the remainder being retained for the duration of employment. Post-employment shareholding requirements also apply, as set out in the Remuneration Policy.

All Executive Directors comply with this requirement at financial year end.

Nick Wilkinson was appointed on 1 February 2018 and Laura Carr was appointed on 29 November 2018. At the date of this report, they have beneficial shareholdings equal to 296% and 124% of salary respectively (based on closing share price at the year-end – please see below for detail).

Table 6 and Table 7 show the interests of the Directors in shares of the Company at 26 June 2021.

Table 6 – Shareholdings of Directors and Persons Closely Associated with them (audited information)

	At 26 June 2021 1p Ordinary Shares	At 27 June 2020 1p Ordinary Shares	Percentage of salary at 26 June 2021 (where applicable)[1]	Shareholding target (where applicable)
Sir Will Adderley	**76,371,779**	90,231,779		
Ian Bull	**4,000**	4,000		
Laura Carr	**36,000**	36,000	124%	1× salary by Nov 2021 2× salary by Nov 2023
Andy Harrison	**416,480**	416,480		
William Reeve	**18,000**	18,000		
Peter Ruis	**–**	–		
Marion Sears	**105,000**	105,000		
Arja Taaveniku	**–**	–		
Nick Wilkinson	**125,749**	113,752	296%	1× salary by Feb 2021 2× salary by Feb 2023
Paula Vennells	**–**	–		

1. Based on the closing share price of 1,367p at 25 June 2021 and base salary at 1 July 2021.

There have been no changes in the shareholdings above since the period end.

Table 7 – Directors' interests in options at the period end (audited information)

	Date of award	Nature of award	Share options at 26 June 2021	End of performance period	Option price	Market price of shares at date of award
Sir Will Adderley	–	–	**Nil**	–	–	–
Nick Wilkinson	October 2018	2019–21 LTIP	**180,802**	June 2021	Nil	598p
	October 2019	2020-22 LTIP	**134,984**	June 2022	Nil	817p
	November 2020	2021-23 LTIP	**94,846**	June 2023	Nil	1,186p
	November 2020	FY20 Share Bonus	**11,594**	June 2020	Nil	1,186p
	November 2020	FY21 Share Bonus	**59,130**	June 2021	Nil	1,186p
	November 2018	Sharesave	**3,757**	December 2021	479p	598p
Laura Carr	November 2018	2019–21 LTIP	**105,893**	June 2021	Nil	552p
	October 2019	2019-22 LTIP	**71,481**	June 2022	Nil	817p
	November 2020	2021-23 LTIP	**58,166**	June 2023	Nil	1,186p
	November 2020	FY20 Share Bonus	**7,675**	June 2020	Nil	1,186p
	November 2020	FY21 Share Bonus	**40,291**	June 2021	Nil	1,186p
	November 2019	Sharesave	**2,752**	December 2022	654p	817p

The LTIP awards above granted to Nick Wilkinson and Laura Carr in 2018 and 2019 are subject to the performance conditions noted in the policy table in the Remuneration Policy set out in the 2019 Annual Report. The LTIP awards and FY21 Share Bonus Awards granted to Nick Wilkinson and Laura Carr in 2020 are subject to the performance conditions referred to in Tables 4 and 5 on pages 161 and 162. The LTIP awards and the second tranche of the FY21 Share Bonus award which vests in September 2022 are eligible to receive a 'special dividend equivalent' in respect of the special dividend of 65p per share payable on 8 October 2021 and any other special dividend paid before the relevant award vests.

Remuneration continued

SHARE OPTIONS AND DILUTION

The Remuneration 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. At the period end, over the last ten-year period options have been granted over 2.8% 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 Nick Wilkinson and Laura Carr. Service contracts for the Executives 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 Remuneration Committee may apply mitigation in respect of any termination payment.

The Non-Executive Directors have letters of appointment for an initial period of three years with a provision for termination of one month's notice from either party, or three months' notice from either party in the case of Andy Harrison, the Chairman.

Table 8 – Directors' service contracts

	Start date under contract	Unexpired term	Notice period
Sir Will Adderley	28 September 2006	N/A	12 months
Nick Wilkinson	1 February 2018	N/A	6 months
Laura Carr	29 November 2018	N/A	6 months
Marion Sears	22 July 2004	10 months	1 month
Andy Harrison	1 September 2014	24 months	3 months
William Reeve	1 July 2015	33 months	1 month
Peter Ruis	10 September 2015	36 months	1 month
Ian Bull	10 July 2019	11 months	1 month
Arja Taaveniku	15 February 2021	30 months	1 month

Since Marion Sears has now served more than nine years on the Board her contract is renewed for one-year terms (rather than three), with the notice period referred to above.

RELATIVE TOTAL SHAREHOLDER RETURN (TSR) PERFORMANCE

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 Remuneration 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 which face similar market and economic challenges in the long term.

Table 9 – Total shareholder return performance graph (rebased to 2 July 2011 = 100)

The shares traded in the range of 1,131p to 1,561p during the year and stood at 1,367p at 25 June 2021.

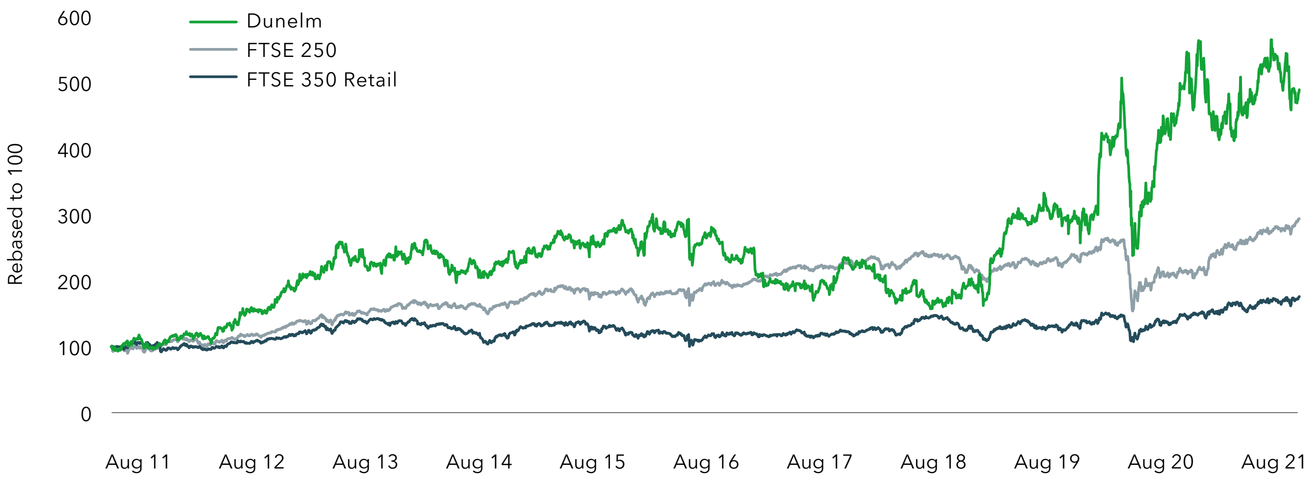


Table 10 – Historic Chief Executive Officer pay

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:

		CEO single figure of total remuneration £'000	Annual bonus payment against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
FY21	Nick Wilkinson	4,042	81.22%	100%
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]	429	N/A	N/A
FY17	John Browett	722	14.0%	N/A
FY16	John Browett[1]	489	57.7%	N/A
FY16	Sir Will Adderley[3]	10	N/A	N/A
FY15	Sir Will Adderley[4]	507	5%	N/A
FY15	Nick Wharton[4]	110	N/A	N/A
FY14	Nick Wharton[5]	1,509	22.5%	77.5%
FY13	Nick Wharton	1,292	97.0%	86.7%
FY12	Nick Wharton	853	100.0%	N/A

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 2017/18 is pro-rated by time of service as Chief Executive Officer.
3. Sir Will Adderley was succeeded by John Browett as Chief Executive Officer on 1 January 2016. The data for each Director for 2015/16 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.
4. 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 2014/15 is pro-rated by time of service as Chief Executive Officer.
5. Nick Wharton's first LTIP award vested and was exercised in December 2013. No LTIP awards vested to John Browett since his appointment.

The table below sets out the increase in total remuneration of the Chief Executive and that of our other colleagues:

Table 11 – Change in Directors' pay compared with annual change in average employee's pay

	Percentage increase in remuneration between FY20 and FY21			Percentage increase in remuneration between FY19 and FY20		
	Salary and fees[1]	Benefits[1]	Short-term incentive[2,4]	Salary and fees[1]	Benefits[1]	Short-term incentive[2,4]
Nick Wilkinson	1.8%	3.6%	313.0%	2.0%	(55.6%)	(79.2%)
Laura Carr	5.0%	2.3%	324.2%	0.0%	(93.3%)	(66.3%)
Sir Will Adderley	0%	(4.8%)	n/a	0.0%	0.0%	n/a
Andy Harrison	0%	n/a	n/a	2.0%	n/a	n/a
Marion Sears	0%	n/a	n/a	2.0%	n/a	n/a
William Reeve[5]	8.4%	n/a	n/a	2.0%	n/a	n/a
Peter Ruis	0%	n/a	n/a	2.2%	n/a	n/a
Ian Bull	0%	n/a	n/a	2.0%	n/a	n/a
Paula Vennells	0%	n/a	n/a	n/a	n/a	n/a
Arja Taaveniku	n/a	n/a	n/a	n/a	n/a	n/a
All colleagues[3,6]	4.4%	0%	145.4%	3.5%	0%	(42.7%)

1. Directors' remuneration above is based on contractual salary or fees as appropriate, and does not take account of the voluntary salary reductions of 90% and 20% respectively of Nick Wilkinson and Laura Carr during April to 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 in respect of FY20 and the 'thank you' payment of between £250 and £350 made to colleagues in respect of FY21.
3. All colleagues salary increase is calculated only for colleagues employed for the whole of FY20 and FY21.
4. 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.
5. The increase in William Reeve's pay is due to the assumption of responsibilities as Senior Independent Director.
6. Comparisons have been made against colleague pay across the entire Group as the parent company employs a limited number of individuals.

Remuneration continued

Table 12 – CEO pay ratio

We have utilised a third party (Barnett Waddingham) to calculate our CEO Pay Ratio. There are three permissible methods available to calculate this, which are outlined below:

Option	Method
A	Determining the total FTE remuneration for all UK employees. Rank from low to high. Identify the colleagues at 25th percentile, 50th percentile, 75th percentile.
B	Identify the colleagues at 25th, 50th, 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 table below shows the ratio of actual pay of Nick Wilkinson, CEO, to other colleagues. Full year pay data for FY21 has been used to calculate these ratios and the elements included are based on the CEO single figure remuneration in Table 1:

Financial Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
FY21	Option A	204:1	204:1	186:1
FY21 Total pay and benefits		£19,793	£19,793	£21,740
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
FY20 Total pay and benefits		£16,409	£18,918	£23,498

The increase in the number of store colleagues relative to the total colleague population in FY21 has impacted the total pay and benefits attributable to the percentile bandings.

The following assumptions were made to calculate these figures:

- 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 direct comparison.
- 9,857 colleagues were included in the data set.
- 81.22% bonus outcome for Nick Wilkinson and 100% LTIP vesting.

Commentary:

There has been a sizeable increase in the CEO pay ratio in FY21 versus FY20. This is attributable to an increase in variable pay - both annual bonus (81.22% in FY21 v 20% in FY20), and the vesting of the FY19-21 LTIP scheme of 100% in FY21 compared to 19.8% vesting in FY20 for the FY18-20 LTIP scheme. On a salary only basis, the ratios would be 30:1 at 25th and 50th percentile and 26:1 at 75th percentile.

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:

- Our CEO, whose fixed pay is lower as a proportion of total pay than the peer group, has performed above the average in the industry and his pay will reflect that.
- This year the ratio will be at the high end. This is due entirely, either directly or indirectly, to the high levels of performance, and the payout in line with our policy and existing arrangements, due as a result of that performance.
- The increase in variable pay reflects the strong business performance shown under Nick's leadership both in FY21 for the annual bonus, but also over the past three years, which is rewarded through the LTIP.
- Last year's ratio was abnormally low, due to Nick's voluntary 90% salary reduction, and the low bonus and LTIP vesting.
- The colleagues at the 25th, 50th and 75th percentile are hourly-paid colleagues, reflective of the fact that c.80% of our colleague base are employed in hourly-paid roles who do not have any element of variable pay.
- The median pay ratio is considered appropriate and consistent with the pay and reward policies for all of the Group's employees. Our remuneration strategy is based on paying median or below for salary, but median to upper quartile for variable pay, to reward strong performance and focus on long-term value creation, with at least two thirds (after deduction of tax and National Insurance liabilities) paid or invested in Dunelm shares which are retained for at least the duration of employment. The CEO remuneration is reflective of this, as Nick's pay has a larger quantum in variable pay. In comparison we pay our hourly-paid colleagues upper median or above versus the market.

Table 13 – Relative spend on pay

The table below shows the all employee pay cost and returns to shareholders by way of dividends (including special dividends) and share buyback for FY21 and FY20:

	FY21 £'m	FY20 £'m	% change
Total spend on pay	**166.7**	155.2	7.4%
Ordinary dividend to shareholders	**24.3**	41.4	(41.3%)
Special distributions to shareholders	**–**	64.6	(100.0%)
Total distributions to shareholders	**24.3**	106.0	(77.1%)

This information is based on the following:

- Total spend on pay – total employee costs excluding car allowances and bonuses from note 4 on page 198. This excludes £14.5m received from the UK Government's Job Retention Scheme in respect of colleagues who were on furlough during the period.
- Dividends taken from note 7 on page 200.

Remuneration continued

EXECUTIVE DIRECTOR EXTERNAL BOARD APPOINTMENTS

Executive Directors are permitted to hold one external appointment as a Non-Executive Director or similar advisory or consultative role, subject to the Board being satisfied that there is no conflict of interest and that the position will not impact negatively on the Executive's commitment to their Dunelm role. The Board may allow the Executive to retain any remuneration received in respect of the appointment.

Nick Wilkinson and Laura Carr do not hold any external appointments. Sir Will Adderley is a Director of WA Capital Limited.

SENIOR EXECUTIVE REMUNERATION

The Remuneration Committee approved the remuneration of the Company Secretary and Executive Board members. The package for new appointments is formally presented to the Committee for approval. In conducting its assessment of Executive Board remuneration, the Committee pays particular regard to whether any individual is incentivised to take risks inappropriate to their role and responsibilities.

Members of the Executive Board and senior management team are eligible for awards under the LTIP and for Share Bonus Awards.

All members of senior management who receive share awards are also subject to shareholding targets, in order to improve their alignment with shareholders, as follows:

Executive Board and certain other senior Executives	1× base salary to be acquired over time
Other Executives	0.5× base salary to be acquired over time

GENDER PAY DISCLOSURES

We are committed to paying men and women equally for roles of the same size and scale. Please see page 71 for details of our latest Gender Pay Gap report.

Dunelm's brand purpose is 'To help create the joy of truly feeling at home. Now and for the 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 is part of this and remains a commitment of ours.

We have good male/female representation in our senior leadership. As at 26 June 2021, our Executive Board had 55% female representation. When combined with the Group Board, our senior leadership team is 45% female.

ENGAGING WITH OUR COLLEAGUES ON PAY

In a process introduced in FY19 there is an annual presentation to the National Colleague Voice from Marion Sears, Non-Executive Director designated to consider colleague views, or William Reeve, Chair of the Remuneration Committee. A full National Colleague Voice meeting was allocated to engagement on remuneration in April 2021. Our People team presented an overview of how Dunelm regards Fair Reward and also discussed it in the context of Equal Pay (including ethnicity) and Gender Pay. William Reeve described Dunelm's Pay Strategy and Structure including how decisions are made by the Remuneration Committee and the People Team in the context of regulation (National Living Wage), market conditions and relative to the market and our competitors. Considering these factors we explained that we have decided Dunelm's hourly paid colleagues should be paid at upper quartile/median level on average whilst recognising we cannot compete with grocers who stayed open during the pandemic. We also provided an overview of Pay Strategy by level, explaining the differences at different levels between pay rise %, pension supplement % and variable pay element.

Our colleague representatives told us they believe Dunelm is a good employer that they trust, and that multiple factors contribute to their decision to work at Dunelm including reward and support. Our shared values, good line manager relationships and salary advance scheme were mentioned specifically as being important. Representatives were clear that pay for the CEO is at an appropriate level providing the Company is being run well. Questions were asked about the differential pay percentage given to lower-paid monthly vs. hourly-paid colleagues, the fairness of differential bonus levels and the benefit of Sharesave for lower paid colleagues who cannot afford to participate.

STATEMENT OF IMPLEMENTATION OF POLICY IN THE FY22 FINANCIAL YEAR

Shareholders will note that there were specific arrangements proposed for performance remuneration relating to FY20 and FY21 due to the Covid-19 pandemic, and that we have reverted to our usual Policy structure for FY22 onwards.

Base salary and benefits for each of the Executive Directors for FY22 are set out in the table below:

Table 14 – Base salary, benefits and pension for FY22

Name	Base salary	Increase to base salary year-on-year	Benefits	Increase to benefits year-on-year	Pension	Change to pension contribution % year-on-year
Nick Wilkinson	£582,125	3.5%	Car allowance; travel allowance of 5% of salary; private health insurance for the individual and their family; permanent health cover; life assurance; mobile phone; colleague discount.	N/A	£17,464	(5%pts)
Laura Carr	£396,663	3.5%	Car allowance; private health insurance for the individual and their family; permanent health cover; life assurance; mobile phone; colleague discount.	N/A	£11,900	(5%pts)
Sir Will Adderley	£1	Nil	As for Laura Carr above.	Nil	Nil	N/A

Sir Will Adderley has asked that he not be considered for a pay increase.

BASE SALARY

It was agreed that the Committee would like to award an increase in base salary to Nick and Laura in view of their strong performance and that of the Company. The Committee considered their total remuneration for FY21, the performance of the business, the other stakeholder considerations outlined in relation to payment of the FY21 share bonus award, including the feedback on Executive Director pay given by the National Colleague Voice, and the wider Covid-19 climate.

From 1 August 2021, the Committee decided to award each of Nick Wilkinson and Laura Carr a 3.5% increase in base salary. These increases are in line with the median pay increase across the Group of 3.5%. The base pay of each of the Executives will still be slightly below the external benchmark median.

PENSION

In 2020, the Remuneration Committee committed to reduce the pension entitlement of Nick Wilkinson (CEO) and Laura Carr (CFO), from 10% of base salary, to the rate available for the wider workforce, currently 3%, by 1 July 2023. From 1 July 2020, both Nick and Laura agreed to accept an initial reduction in their entitlement to 8% of salary. Following a further review again in June 2021, the Committee was pleased that Nick and Laura have agreed to accept a further reduction to bring their entitlement in line with the workforce average this year, two years before the Policy deadline. Therefore their pension entitlement will reduce to 3% of base salary from 1 August 2021.

FY22 ANNUAL BONUS

Nick Wilkinson and Laura Carr have each been awarded a bonus opportunity of up to 125% of base salary. The performance conditions attached to the bonus 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. These include customer and colleague satisfaction measures, and at least one other environmental, social and governance measure linked to our 'Pathway to Zero' ambition.

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 Report.

Nick Wilkinson and Laura Carr have 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. 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 Remuneration Policy.

Sir Will Adderley has asked that he not be considered for a bonus award.

Remuneration continued

LTIP FY22-24

In line with our 2020 Remuneration policy, an award is expected to be made to Nick Wilkinson and Laura Carr in October 2021 under the Long-Term Incentive Plan over shares to the value of 200% and 180% of salary respectively. 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 sale 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 Remuneration Policy.

The performance criteria that apply to the award will be set by the Remuneration Committee in line with the Remuneration Policy, and are set out below:

Financial measures: 80% of the award

Diluted EPS of the Company for FY24	Less than 66.6p	66.6p	72.2p	80.9p	88.8p or more
Percentage of the FY22-24 Award vesting[1]	Nil	10%	50%	75%	100%

1. Performance between each of these percentage thresholds will be calculated on a straight-line basis.

Note that these numbers assume that UK corporation tax increases to 25% from April 2023. Should this assumption prove incorrect the Committee expects to adjust the targets proportionately and disclose this in the annual report.

Non-financial measures: 20% of the award

Measure	FY24 Target	% of LTIP award
Percentage of own brand cotton products which meet our 'More Responsibly Sourced Cotton' standard	80%	6.66%
Reduction in plastic packaging of own brand products against FY20 base	20% reduction	6.66%
% of own brand products for which we offer an easy to use take-back service	50%	6.66%

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. Products purchased for resale, and their packaging, account for over 80% of Dunelm's carbon footprint, and cotton products comprise about half of these. 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. Enabling customers to take back products and reducing plastic packaging also reduce waste and adverse environmental impacts. 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 2021 to all eligible employees, to apply for options to be granted under the Sharesave scheme at a 20% discount to the closing market price of Dunelm Group shares on the dealing day 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 FY22

The Non-Executive Directors did not accept an increase in fees in FY21.

Fees to be paid to Non-Executive Directors in FY22, as set out in the table below:

Table 15 – Non-Executive Director Fees

	Position	Base fee	Committee/ SID fee	Increase in base fee year-on-year	Increase in Committee/ SID fee year-on-year
Andy Harrison	Chairman	£216,487	Nil	Nil	N/A
Ian Bull	Audit and Risk Committee Chair	£53,624	£10,404	3.5%	Nil
William Reeve	Remuneration Committee Chair	£53,624	£10,404	3.5%	Nil
	Senior Independent Director (SID)		£6,496	N/A	Nil
Peter Ruis	Non-Executive Director	£53,624	Nil	3.5%	N/A
Marion Sears	Non-Executive Director	£53,624	Nil	3.5%	N/A
Arja Taaveniku	Non-Executive Director	£53,624	Nil	3.5%	N/A
Paula Vennells	Non-Executive Director	N/A	N/A	N/A	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 17 November 2020, the total number of shares in issue with voting rights (excluding treasury shares) was 202,354,357. Details of voting on remuneration-related resolutions are set out below:

Table 16 – Voting on remuneration-related resolutions at the 2020 AGM

Resolution	Votes for	% of votes cast	Votes against	% of votes cast	Votes withheld	% withheld
Approve Remuneration Policy	185,828,351	99.9	21,010	0.01	248,318	0.13
Approve Annual Remuneration Report	184,954,566	99.87	237,317	0.13	905,796	0.49
Approve Dunelm 2020 Share Plan	185,752.569	99.90	179,652	0.10	165,459	0.09

Approved by the Board on 8 September 2021.

William Reeve
Chair of the Remuneration Committee
8 September 2021