Remuneration

Remuneration Committee Report

William Reeve
Chair of Remuneration Committee

REMUNERATION COMMITTEE MEMBERSHIP

The Directors who served on the Committee during the year and their attendance is set out below:

Member	From	To	Meetings attended
William Reeve (Chair)	1 July 2015	To date	4/4
Ian Bull	10 July 2019	To date	4/4
Kelly Devine[1]	1 March 2022	To date	2/2
Andy Harrison	1 September 2014	To date	4/4
Peter Ruis	10 September 2015	To date	4/4
Arja Taaveniku	15 February 2021	To date	4/4
Vijay Talwar[1]	1 October 2021	To date	2/2

1. Kelly Devine and Vijay Talwar were appointed to the Board during the year and joined the Remuneration Committee on appointment.

Alison Brittain joined the Board on 7 September 2022, after the end of the financial year, and became a member of the Committee on that date.

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

Dear shareholder

INTRODUCTION

Our Executive Board performed strongly throughout the year, delivering another year of strong growth and record Profit Before Tax (PBT) of £212.8m, even when compared to FY21 PBT of £157.8m, which in itself was a record. This is despite disruption and uncertainty due to Covid-19 in the first half of the year, ongoing international supply chain disruption, and significant cost inflation. With a little bit of hindsight, it is clear that FY22 was an exceptional year, combining strong recovery from the pandemic which the Executive Board then made the most of and grew market share, and with good strategic progress as we continued to build our customer proposition, digital capability, supply chain capacity and our approach to climate change and sustainability. We have also continued to support the financial and emotional wellbeing of our colleagues, and of our communities.

CHIEF EXECUTIVE PAY OUTCOME

Our senior management team performed strongly in a difficult year in which we achieved record sales and profits for the Group, even after making significant investment in capacity and capability to drive future growth, and after managing disruption from Covid-19 and from international supply chains and inflationary pressures. 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 FY22. Our strong performance over the last three years has also delivered full LTIP vesting. These outcomes are reflected in the reported single figure remuneration earned by our Chief Executive, Nick Wilkinson, of £2.7m (2021: £3.8m). In line with our policies, over 75% of Nick's FY22 pay will vest or be held 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 well-deserved and it reflects the overall shareholder and stakeholder experience of the Group, as well as the strong performance of the executives.

CHIEF FINANCIAL OFFICER PAY

The Board was sorry that Laura Carr decided to step down from the Board as Chief Financial Officer (CFO) on 8 June 2022 after more than three years of service, during which she performed strongly and was an integral part of the Executive Board, to take up a role in private equity. Laura worked her full notice period so as to mitigate disruption to the Board and the business as a result of her departure, and she was paid salary and benefits to the date that she left. Laura did not receive any other compensation and although she worked for 11 months of the year, in accordance with the practice applied to other colleagues who voluntarily resign, all of her FY22 bonus and share award entitlements have lapsed. Laura is obliged to retain Dunelm shares equal to 1× salary until June 2024 in line with the shareholding guidelines set out in our policy.

Karen Witts joined as CFO in June 2022, the final month of the financial year. Her base salary of £450,000 is higher than Laura's but is within the current median range for the top 50 companies in the FTSE250, and reflects her skills and experience. Karen's pay in FY22 of £52,000 included pro rata participation in the FY22 bonus as part of her joining arrangements, and two thirds of this after tax is required to be invested in Dunelm shares, to be held in accordance with the shareholding guidelines set out in the Remuneration Policy. Karen has also been issued with a pro-rated award under the FY22-24 Long-Term Incentive Plan. Apart from relocation costs and an accommodation and travel allowance, no other joining arrangements were awarded. Karen invested £200,000 in Dunelm shares shortly before she joined the Group, in accordance with our shareholding guidelines.

VESTING OF INCENTIVES IN FY22

Following the specific temporary incentive arrangements for the FY20 and FY21 annual bonus, for FY22 we reverted to our usual cash bonus. The Committee set bonus targets related to sales (25% weighting), PBT (50% weighting), and strategic and personal progress, including customer and colleague satisfaction measures and at least one other measure linked to our "Pathway to Zero" ambition (25% weighting). The Committee has determined that 90% of the maximum bonus opportunity has been earned by Nick Wilkinson and 67.5% by Karen Witts (pro-rated from date of employment). Karen has declined any payment in respect of personal and strategic objectives given her relatively short tenure during the financial year. After payment of tax and National Insurance liabilities, at least two thirds of this must be invested in Dunelm shares which are retained for at least the duration of employment, in accordance with the shareholding guidelines which are set out on page 140.

For the LTIP covering the performance period July 2019-June 2022, 100% of the award granted in 2019 to Nick Wilkinson will vest in October 2022, representing 134,984 shares, plus special dividend equivalents. During the performance period for this LTIP award Dunelm's diluted EPS grew at a compound annual rate of 18.8%. After sales 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 140. 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 in FY21, 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 key stakeholder groups during FY22 the Committee determined that the FY22 pay outcome for Nick Wilkinson and Karen Witts is fair and reasonable and reflects the performance of the Group and stakeholder experience. No discretion was exercised by the Committee to adjust the FY22 bonus outturn as a result.

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 Covid-19 crisis and the external environment throughout the financial year referred to above.
- Although the share price has fallen significantly in the second half of the year, the advice given by our brokers is that this reflects the financial markets' general view of the UK retail sector and growth stocks in the light of the changed economic conditions and the war in Ukraine, rather than management performance or a Group-specific issue.
- Further, at least two thirds of the bonus and shares vesting (after payment of tax and National Insurance liability) must be retained in Dunelm shares in accordance with the Company's shareholding guidelines.
- Significant progress has been made to advance the strategic objectives designed to accelerate future growth and advance the Group's long-term ambitions.
- The Group has significantly advanced its sustainability ambitions, setting science-based targets to reduce greenhouse gas emissions by 50% by 2030, progressed the creation of roadmaps to deliver these, and moved forward on people, diversity, human rights and community matters.
- The business performed strongly on colleague engagement scores and implemented customer proposition improvements.
- All colleagues received a pay increase during the year; hourly paid colleagues in our warehouses and stores received an annual pay increase that exceeded the 6.6% increase in the national living wage; nearly 1,000 colleagues in the FY19-21 Sharesave doubled their savings due to the increase in the share price over the period of the scheme; colleagues in a bonus scheme will receive a similar outcome as a percentage of bonus opportunity to that of the CEO.
- Continued support was given to local communities and charitable activity, as described elsewhere in this report.
- Feedback from the National Colleague Voice (NCV) on Executive pay has been that colleagues are satisfied with pay awarded provided that it reflects the performance of the business.
- In the year, the Group paid an interim dividend of 14p per share to shareholders and two special dividends of 65p per share in October 2021 and 37p per share in March 2022. The Board is recommending to shareholders that a final dividend of 26p per share be paid in December 2022.
- No claims for Covid-related government support were made in FY21 or FY22 and in FY21 the Group repaid £14.5m claimed from the Government's Job Retention Scheme in FY20 and in FY22 repaid £4.0m in Covid-related grants received in FY21. No adjustments were made to LTIP targets in respect of the impact of Covid-19 or the repayment of Covid-related support. 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. No colleagues were put on furlough in FY22.

Remuneration continued

FY19-21 SHARESAVE

Nick Wilkinson participated in the FY19-21 Sharesave, alongside over 900 other colleagues across the entire business. Options were granted at 479p, and at the time of maturity of the scheme (1 January 2022) the price of Dunelm Shares was 1,318p per share. Nick exercised his options on 14 February 2022 and retained all his shares.

FY23 REMUNERATION

Pay Structure

We apply a consistent pay structure throughout the business, with the remuneration of Executive Directors more heavily weighted towards variable pay and share-based incentives than other colleagues, so that a greater part of their pay is linked to successful delivery of strategy and aligned with shareholders. For FY23 we have taken the decision to invest more in the pay of our hourly paid colleagues and our office based colleagues on the lowest grade, recognising that they have been impacted disproportionately by rising energy prices. The median pay increase across the Group has therefore been 7.6%, with management receiving a lower average increase of around 4%.

Executives' base salary

At our annual review of Nick Wilkinson's remuneration, the Committee determined that Nick has continued to perform strongly throughout the year, and this has been reflected in the financial performance of the Group.

We noted that due to the successful, profitable growth of the Group during recent years, our CEO's base salary is now at the lower quartile versus our peers, and the bonus opportunity of 125% of salary is now below the lower quartile. The Committee would like the flexibility to increase the quantum of the CEO's potential performance-related pay, in line with stretching performance targets, but is unable to do so under the terms of the current Remuneration Policy. We expect to discuss this with our major shareholders and their representatives as part of the consultation process for the 2023 policy renewal.

Nick has asked not to receive a base pay increase for FY23, and the Board has reluctantly agreed. The base pay increase that Nick has declined to take was a 4% increase in base salary, in line with the increases given to management colleagues across the Group, and also to incorporate his 5% travel allowance into his base pay. This takes into account the median pay award made to the wider colleague population of 7.6%, including awards to hourly paid colleagues across the business which averaged 7.6%. The Committee considered a wider range of stakeholder considerations, including the feedback on Executive Director pay given by the NCV referred to above. Both his base salary and total remuneration package remain positioned between the lower quartile and median when compared with his peers.

Karen Witts joined the Group on 9 June 2022 and her base salary is eligible for review in August 2023.

Executives' annual bonus and FY23-25 LTIP

We will adhere to our usual policy of paying our FY23 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 75% financial and 25% strategic and personal, including environmental, social and governance measures linked to delivery of our strategy. We have also set targets for awards to be made under our Long-Term Incentive Plan, expected to be made in October 2022, and these are 80% financial and 20% environmental, social and governance related. Further details are set out in the Implementation Report.

Pension

In August 2021, Nick Wilkinson volunteered to reduce his pension entitlement going forward to the workforce average, which is 3% of base salary, where it remains. This rate also applies to Karen Witts, the only other Executive Director who receives a pension allowance.

CONCLUSION

The Committee considers that the single figure remuneration received by Nick Wilkinson and Karen Witts in respect of FY22 is appropriate to provide reward, motivation, and retention, with over 75% of Nick's award being paid or invested in shares subject to holding requirements. I hope that shareholders will agree that the outcome is aligned to shareholders and all other stakeholders and that you will support the resolution in relation to the Implementation Report.

Our Remuneration Policy is due for regular renewal at the 2023 AGM, and as I mentioned above I will be writing to our major shareholders and their representatives during the year with our proposals.

I look forward to meeting shareholders at the AGM.

Yours faithfully,

William Reeve
Chair of the Remuneration Committee

14 September 2022

Remuneration at a glance

Our remuneration principles guide the overall remuneration structure that we have adopted for our Executive Directors, as summarised below. Both relate directly 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.

SUMMARY OF EXECUTIVE PAY

BASE PAY	LTIP
Median or below	Upper quartile Up to 200% of salary Three-year performance period Two-year retention period Linked to profit and strategic/ESG targets
PENSION	**SHAREHOLDING TARGETS**
Aligned to workforce average, 3%	1 x salary after three years 2 x salary after five years Two-year post-termination holding requirement
BENEFITS	**LIFETIME LOCK-IN**
Median	2/3 of bonus and LTIP outcome retained in shares for duration of employment
ANNUAL CASH BONUS	**CLAWBACK AND MALUS PROVISIONS**
Median 125% of pay Linked to performance: sales, profit, strategic/ESG, personal	On bonus and LTIP

REMUNERATION PRINCIPLES

- Consistent, simple, transparent
- Aligned to shared values and ownership structure
- Applied consistently throughout organisation
- Enshrined in Directors' Remuneration Policy 2020
- Reflect Board's desire to reward sustainable, profitable growth over the longer term

Remuneration continued

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 for a further two years in line with our shareholding guidelines

ABOUT OUR REMUNERATION POLICY

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 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 largest shareholders.

The following table summarises how the Remuneration Committee has addressed the factors set out in Provision 40 of the 2018 UK Corporate Governance Code in setting the remuneration structure and Remuneration Policy:

HOW WE ADDRESSED PROVISION 40 OF THE UK CORPORATE GOVERNANCE CODE	
CLARITY **Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce**	• The remuneration arrangements for the Executive Directors are set out in a clear and simple way in the Directors' Remuneration Policy and in the plan rules for each incentive plan. Guides are provided to participants explaining how each incentive plan operates. • The Committee is committed to transparent disclosure. Full details of incentive targets and outcomes are published in detail in the Annual Report on Remuneration each year. • Queries on remuneration practices from shareholders or colleagues are welcomed by the Committee throughout the year and encouraged at the AGM and at the annual presentation to the NCV by the Committee chair. • Executive remuneration was discussed at the investor Corporate Governance presentation in March 2022 when discussion topics raised by shareholders included the ability of the Group to pay market rates to attract talented executives within the terms of the Remuneration Policy, choice of LTIP targets, shareholder approach to assessment of variable pay outcomes and the personal shareholding targets for Executive Directors.
SIMPLICITY **Remuneration structures should avoid complexity and their rationale and operation should be easy to understand**	• Since flotation of the Company, the approach of the Remuneration Committee has been to maintain a remuneration structure that is simple in nature and it is well understood. • Executive Directors (and senior leadership) receive fixed pay (salary, benefits, pension), and participate in a single short-term incentive (the "Annual Bonus") and a single long-term incentive (the "LTIP"). • The financial performance criteria for the Annual Bonus and LTIP 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 FY21 for the LTIP, is linked to delivery of strategic objectives, which include measurement via numerical KPIs that are used by the Board and management to measure performance, such as colleague and customer satisfaction and measures linked to our sustainability strategy. • The Committee reviews the appropriateness of targets annually, being mindful of alignment with strategy and keeping them simple. For example, the PBT and LTIP financial targets are aligned to the annual budget and 5 year plan.

HOW WE ADDRESSED PROVISION 40 OF THE UK CORPORATE GOVERNANCE CODE	
RISK **Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target based incentive plans, are identified and mitigated**	• The Committee considers that the incentive arrangements do not encourage inappropriate risk-taking, due to the Committee's rigorous process for reviewing incentive outcomes. • The ability to mitigate potential risks is within in the Remuneration Policy and the rules of the performance-related incentive plans. Examples include: – The Policy provides wide-ranging flexibility to adjust payments where outcomes are not considered to reflect underlying business performance, stakeholder experience or individual contributions, or where behaviours are inconsistent with the risk appetite of the Group. No such adjustments were made in FY22; – The inclusion of malus and clawback provisions under a wide range of potential scenarios; and – The majority of the variable remuneration of the Executive Directors is paid in shares which are subject to in-employment and post-employment shareholding requirements.
PREDICTABILITY **The range of possible values of rewards to individual directors should be identified and explained at the time of approving the Policy**	• At the time of approving the Policy and annually in the annual report full information on the potential values of the Annual Bonus and LTIP are provided, with strict maximum opportunities and minimum, on target and maximum performance scenarios. An indication of the potential impact of a 50% share price appreciation on the value of LTIP awards is also included. • The FY22 Annual Bonus and LTIP award opportunities were in line with the maximum opportunity in the Policy.
PROPORTIONALITY **The link between individual awards, the delivery of strategy and the long-term performance of the Group should be clear. Outcomes should not reward poor performance.**	• Payments under variable incentive schemes require robust performance against challenging conditions over the short and longer term. For example, 50% of the Annual Bonus is based on PBT, and 25% on sales, with 40% of the opportunity earned for achieving budgeted PBT; and 80% of the LTIP target is linked to EPS growth over a three-year period, paying out 50% of "on target" performance. Both measures are Group KPIs. • Non-financial performance measures account for 25% of the opportunity for Annual Bonus and 20% of the LTIP. These are linked to delivery of strategic objectives which are key to the long-term growth of the Group, and a number of them are linked to Group KPIs, including for example customer NPS, colleague NPS and reductions in carbon emissions. • The Committee considers the formulaic outcome, as well as other relevant factors, when making decisions on remuneration outcomes. • Outcomes do not reward poor performance due to the Committee's overriding discretion to depart from formulaic outcomes which do not reflect underlying business performance.
ALIGNMENT TO CULTURE **Incentive schemes should drive behaviours consistent with company purpose, values, and strategy.**	• The Committee sets the remuneration principles that apply to all colleagues and is satisfied that these drive the right behaviours and reinforce the Group's purpose (to help create the joy of truly feeling at home, now and for generations to come) and shared values (act like owners, keep listening and learning, stronger together and long-term thinking), which in turn promote an appropriate culture. Our shared values are reflected in the measures used in our incentive schemes. For example, our incentive arrangements link to them in the following ways: – Financial targets under the Annual Bonus and all targets for the LTIP are the same for all management, regardless of seniority, linking everyone's contribution to a shared Group financial outcome. – Strategic targets require our Executive Directors and senior leadership to work together to deliver strategic growth and value to our stakeholders. For example, increasing the number of active customers requires input from product, marketing, digital, stores and supply chain colleagues. – Non-financial performance measures in the Annual Bonus and LTIP incentivise participants to choose the right path for our customers, our people and shareholders by using measures which directly assess outcomes for these stakeholders, for example colleague and customer NPS, and measures related to delivery of our sustainability strategy. – The use of LTIP holding periods, requirement to invest a percentage of Annual Bonus in shares and our shareholding requirements strengthen the focus on our long-term strategic aims and ensure alignment with the interests and experiences of shareholders, both during and after employment.

The Remuneration Committee considers that the policy and practices have operated as intended. The Company has attracted high quality executives; overall levels of pay over recent years have been in line with the value delivered to shareholders and other stakeholders; and 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 regular consultations with the NCV.

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. 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 corporate 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 Group-wide review unless other circumstances apply, such as: – A significant change in the size, scale or complexity of the role or of the Group's business. – Development and performance in role (for example, on a new appointment, base salary might be initially set at a lower level with the intention of increasing over time). • The Committee does not consider it to be appropriate to set a monetary limit on the maximum base salary that may be paid to an Executive Director within the terms of this policy.
PERFORMANCE METRICS	• None, although performance of the individual is considered at the annual salary review. • 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 Director(s) 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.

BENEFITS	
MAXIMUM OPPORTUNITY	• Current benefits provided are described in the Implementation Report from page 147. • The Committee reserves the right to provide such benefits as it considers necessary to support the strategy of the Group. • The Committee does not consider it to be appropriate to set a maximum cost to the Group of benefits to be paid.
PERFORMANCE METRICS	• None. • 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 an 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 on page 140.
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 on page 140.

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ANNUAL BONUS	Awards to be made to Executive Directors other than Sir Will Adderley, who has requested that he not be considered for an annual bonus
OPERATION **Annual bonus for FY22 and subsequent years to which this Policy applies**	• 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 140. • The Committee has discretion to adjust the bonus pay-out 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.
MAXIMUM OPPORTUNITY **Annual bonus specifically for FY20 due to Covid-19 situation**	• 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.
MAXIMUM OPPORTUNITY **Annual bonus specifically for FY21 due to Covid-19 situation**	• 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.
MAXIMUM OPPORTUNITY **Annual bonus for FY22 and subsequent years to which this Policy applies**	• 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.

ANNUAL BONUS	Awards to be made to Executive Directors other than Sir Will Adderley, who has requested that he not be considered for an annual bonus
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 140.

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 on page 140. • 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 Group'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 140.

ALL EMPLOYEE SHARE PLAN (SHARESAVE)	
PURPOSE AND LINK TO STRATEGIC OBJECTIVES	• Promotes share ownership by all eligible colleagues (including Executive Directors).

Remuneration continued

ALL EMPLOYEE SHARE PLAN (SHARESAVE)	
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 any share awards (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 that the LTIP or share bonus award may be cancelled or reduced (if it has not been exercised) or that 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 Chair and Non-Executive Directors by offering competitive fee levels.
OPERATION	• Fees for the Chair and Non-Executive Directors are set by the Board. No Director participates in any decision relating to his or her own remuneration. • The Chair is paid an all-inclusive fee for all Board responsibilities. • The Non-Executive Directors receive a basic fee, with supplemental fees for additional Board responsibilities. • The level of fee reflects the size and complexity of the role and the time commitment. • Fees are reviewed annually and increased in line with the Group-wide increase. In addition, there will be a periodic review against market rates, taking into account time commitment and any change in the 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 Chair or Non-Executive Director of the appropriate calibre. • With the exception of colleague discount, no benefits are paid to the Chair 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 a number as having a value at the relevant time equal to the value of the fixed remuneration being delivered in cash.

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

For FY22 the Committee determined 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.

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.

LTIP

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

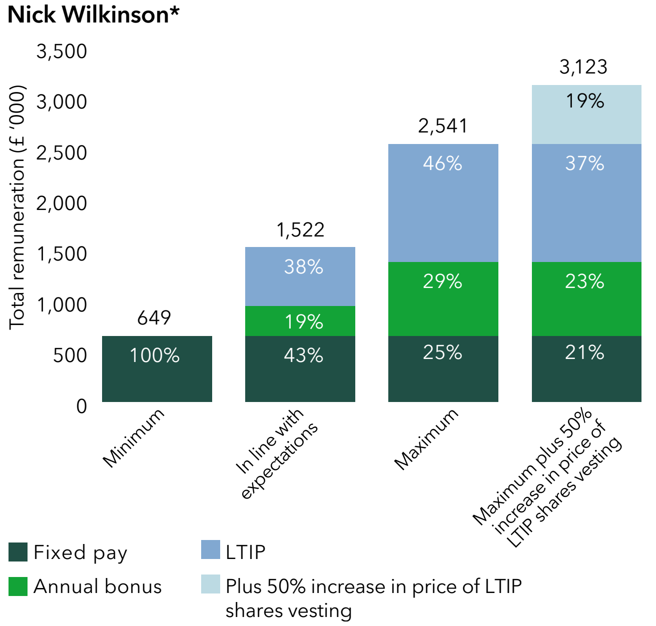
Any part of the award not based on financial measures will be based on strategic measures, which may include environmental, social and governance measures.

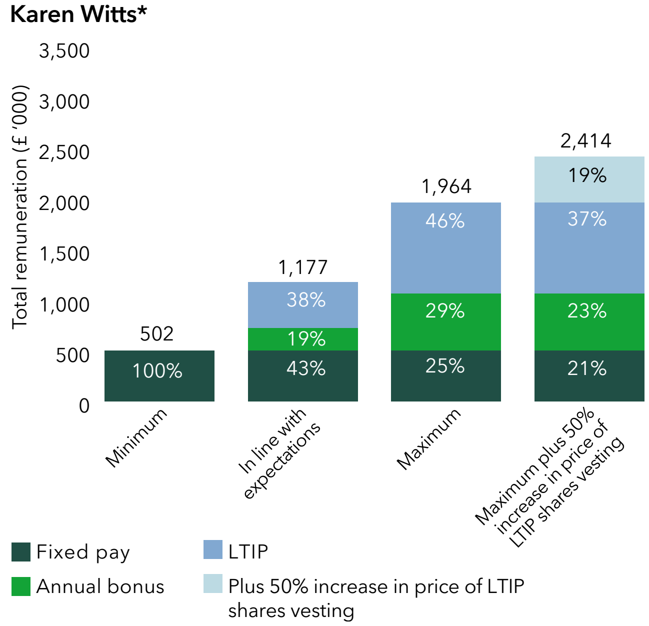
The number of shares comprised in an award or the performance target which applies may be adjusted by the Remuneration Committee in accordance with the plan rules if justified by the circumstances, for example, if there were a major capital transaction. Any amendment and the reason for it would be fully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

Remuneration continued

ILLUSTRATIVE PERFORMANCE SCENARIOS

The following graphs set out what Nick Wilkinson and Karen Witts, two of the Executive Directors in office at the date of this report, could earn in FY23 under the following scenarios:





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

At his request, Sir Will Adderley, who is an Executive Director, 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	50	17
Karen Witts	450	38	14

The following assumptions have been made in respect of the scenarios above:

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 Karen Witts), 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 Karen Witts), 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 Karen Witts), 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 Karen Witts during the year as:

- Actual pay will reflect Group 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 Karen Witts 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 or 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 below.

Non-Executive Directors have letters of appointment. The term is for an initial period of three years with a provision for termination on one month's notice from either party, or three months' notice from either party in the case of the Chair. Letters are renewed for up to two additional three-year terms, and then renewed annually. The letter of appointment will terminate without compensation if the Director is not reappointed at the AGM.

Details 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 7 on page 155 of the Implementation Report.

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

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.

Remuneration continued

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 Group).

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 133 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 140.

The remuneration of colleagues below the Board reflects the seniority of the role, market practice and the ability of the individual to influence Group performance.

All colleagues with a minimum service requirement (usually three months or less) are encouraged to participate in the Sharesave plan, which enables them to become shareholders at a discounted rate. Participation is usually offered annually at the maximum price discount permitted (currently 20%), at the discretion of the 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.

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 March 2022, 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), ISS, Glass Lewis 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 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 finalised having regard to feedback received. The Remuneration Committee has also taken the views of shareholders into account when setting the remuneration of newly appointed directors, the annual pay increases and fee increases for directors, and the variable pay outcomes for the Executive Directors.

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 Group'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 Group.

Circumstances in which the Committee might apply this discretion include:

- Where an interim appointment is made on a short-term basis, including where the Chair or another Non-Executive Director has to assume an executive position.
- Where employment commences at a time in the year when it is inappropriate to provide a bonus or share incentive award as there is insufficient time to assess performance, the quantum for the subsequent year might be increased proportionately instead.
- An executive is recruited from a business or location that offered benefits that the Committee considers it appropriate to 'buy out' 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 136. The Committee would explain the rationale for the remuneration package in the next Annual Report.

Remuneration continued

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 Chair the fee will be set taking into account the experience and calibre of the individual and pay for similar roles in companies of similar size and complexity in the market. 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 FY22.

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 of the Remuneration Committee and the attendance of Directors at meetings during the year:

Member	From	To	Meetings attended
William Reeve (Chair)	1 July 2015	To date	4/4
Ian Bull	10 July 2019	To date	4/4
Kelly Devine[1]	1 March 2022	To date	2/2
Andy Harrison	1 September 2014	To date	4/4
Peter Ruis	10 September 2015	To date	4/4
Arja Taaveniku	15 February 2021	To date	4/4
Vijay Talwar[1]	1 October 2021	To date	2/2

1. Kelly Devine and Vijay Talwar were appointed to the Board during the year and joined the Remuneration Committee on appointment.

Alison Brittain joined the Board on 7 September 2022, after the end of the year, and became a member of the Committee on that date.

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 due to their expertise and sound advice given in previous years. Total fees paid to Deloitte for remuneration-related work in the year were £14,850 (FY21: £16,550) which was a mixture of fixed fees and time spent basis, depending on the work conducted.

Deloitte also provided non-remuneration-related consultancy services in the year in relation to supporting the Group in improving processes and controls in the commercial function. This appointment was made based on Deloitte's expertise on an arm's length basis and 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. Deloitte is also 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 2 July 2022:

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		Share bonus award lapse[3] £'000		LTIP awards[4] £'000		Total variable remuneration[7] £'000		Total £'000	
Director	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Executive																		
Nick Wilkinson	**580**	563	**48**	50	**20**	45	**648**	658	**653**	570	**–**	–	**1,382**	2,528	**2,035**	3,098	**2,683**	3,756
Laura Carr	**372**	383	**19**	21	**13**	31	**404**	435	**–**	386	**(192)**	–	**–**	1,567	**(192)**	1,953	**212**	2,388
Karen Witts	**27**	–	**2**	–	**1**	–	**30**	–	**22**	–	**–**	–	**–**	–	**22**	–	**52**	–
Sir Will Adderley	**–**	–	**20**	20	**–**	–	**20**	20	**–**	–	**–**	–	**–**	–	**–**	–	**20**	20
Non-Executive																		
Andy Harrison	**216**	216	**–**	–	**–**	–	**216**	216	**–**	–	**–**	–	**–**	–	**–**	–	**216**	216
Marion Sears	**54**	52	**–**	–	**–**	–	**54**	52	**–**	–	**–**	–	**–**	–	**–**	–	**54**	52
William Reeve	**71**	68	**–**	–	**–**	–	**71**	68	**–**	–	**–**	–	**–**	–	**–**	–	**71**	68
Peter Ruis	**54**	52	**–**	–	**–**	–	**54**	52	**–**	–	**–**	–	**–**	–	**–**	–	**54**	52
Ian Bull	**64**	62	**–**	–	**–**	–	**64**	62	**–**	–	**–**	–	**–**	–	**–**	–	**64**	62
Arja Taaveniku	**54**	19	**–**	–	**–**	–	**54**	19	**–**	–	**–**	–	**–**	–	**–**	–	**54**	19
Vijay Talwar	**40**	–	**–**	–	**–**	–	**40**	–	**–**	–	**–**	–	**–**	–	**–**	–	**40**	–
Kelly Devine	**18**	–	**–**	–	**–**	–	**18**	–	**–**	–	**–**	–	**–**	–	**–**	–	**18**	–
Paula Vennells	**–**	43	**–**	–	**–**	–	**–**	43	**–**	–	**–**	–	**–**	–	**–**	–	**–**	43
Total	**1,550**	**1,458**	**89**	**91**	**34**	**76**	**1,673**	**1,625**	**675**	**956**	**(192)**	**–**	**1,382**	**4,095**	**1,865**	**5,051**	**3,538**	**6,676**

1. Paula Vennells was appointed to the Board on 4 September 2019 and stepped down on 25 April 2021. Arja Taaveniku was appointed to the Board on 15 February 2021. Vijay Talwar was appointed to the Board on 1 October 2021 and Kelly Devine was appointed on 1 March 2022. Laura Carr stepped down from the Board on 8 June 2022 and Karen Witts joined the Board on 9 June 2022. Basic salary/fee for Paula Vennells, Arja Taaveniku, Vijay Talwar and Kelly Devine and salary, pension and benefits for Laura Carr and Karen Witts are pro-rated over the relevant year. From 1 August 2021, Nick Wilkinson's and Laura Carr's salary increased by 3.5%. Sir Will Adderley's base salary is held at £1 per annum. Andy Harrison, the Chairman, asked not to be considered for a fee increase in FY22. The fees for the other Non-Executive Directors were increased by 3.5%.
2. Benefits include the cost of a car allowance and private health insurance for the individual and their family. Nick Wilkinson is also entitled to an allowance of 5% of his annual salary towards the cost of travel from home to Leicester. Karen Witts is entitled to an allowance of £1,500 per month to cover the cost of rent on a property close to the office in Leicester and travel costs. This is for 12 months from 9 June 2022 and then until she purchases a home close to Leicester, or for the duration of her of employment should Karen not choose to do so.
3. Nick Wilkinson was awarded an annual performance-related bonus for FY22 with a maximum face value of 125% of contractual salary. The performance conditions which applied to the bonus were set in September 2021 and are described in the report below. Due to cessation of her employment before the payment date Laura Carr was not entitled to an annual bonus for FY22. Payment of bonuses earned for FY20 and FY21 which would normally have been paid in cash, were deferred in shares under a Share Bonus Award, with 50% vesting in September 2021 and 50% vesting in September 2022. The value of these awards was included in the 'single figure' tables for FY20 and FY21 respectively and has not been included in this table. The shares which would have vested to Laura in September 2022 have lapsed following cessation of her employment. The amount included in the share bonus award lapse column has been calculated as the difference between the original bonus values and the market value of the shares exercised in the first tranche in September 2021. Further details can be found in the Policy table and the FY20 and FY21 Annual Reports. Karen Witts was awarded a pro-rated performance-related annual bonus for FY22, reflective of the period from her start date to the end of the financial year and subject to the financial performance criteria applicable to Nick Wilkinson. Karen declined any payment in respect of personal and strategic performance (25% of opportunity) given the relatively short period that she had been in role during the financial year.
4. The figure for Nick Wilkinson is the value of the FY20-22 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 16 October 2022 was the average of Dunelm's closing share price over the last three months of the FY22 financial year, which was 909.11p per share. It also includes a 'special dividend equivalent' of 32p per share in respect of the special dividend paid on 11 October 2019, of 65p per vested share in respect of the special dividend paid on 8 October 2021, and of 37p per vested share in respect of the special dividend paid on 18 March 2022. The share price used to calculate the number of shares in Nick's 'special dividend equivalent' was 731p per share in respect of the October 2019 special dividend, 1,310p per share in respect of the October 2021 special dividend and 1,127p per share in respect of the March 2022 special dividend being the share price the day before the special dividend date. The amount of the values above include an element that may be attributed to share price increase of £103,000 for Nick. No discretion was applied to adjust the amount vesting for share price appreciation or depreciation or for any other reason. The figures for Nick Wilkinson and Laura Carr for the FY19-21 LTIP award have been restated to show the actual value of the award on vesting which was 197,693 shares times share price at close of business on 17 October 2021 of 1,279p for Nick and 115,785 shares times share price at close of business on 30 November 2021 of 1,353p for Laura. 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 FY22 is 3% of contractual salary from 1 August 2022 for Nick Wilkinson, Laura Carr and Karen Witts. Prior to this pension entitlement for Nick Wilkinson and Laura Carr was 8% of contractual salary from 1 August 2021, and 10% of contractual salary prior to that. Sir Will Adderley waived his entitlement to a pension from 1 July 2015.
6. Total fixed remuneration includes salary/fees, benefits and pension.
7. Total variable remuneration includes bonus and LTIP awards.

FY22 ANNUAL BONUS

Each of Nick Wilkinson and Karen Witts were eligible to earn an annual bonus of up to 125% of base salary during the year, subject to meeting the performance targets set out below. The bonus of Karen Witts was pro-rated from the date she joined the Group. Laura Carr stepped down from the Board in June 2022 and therefore her annual bonus lapsed. Will Adderley asked not to be considered for an annual bonus.

Financial targets – 75% of bonus opportunity

Two targets were set in respect of FY22, achievement of budgeted sales and PBT.

Sales – 25% of bonus opportunity

The target was set so that no part of the bonus would be paid until sales of £1,424.4m were achieved and maximum bonus would be paid at £1,668.6m. Between those points, bonus would be paid on a straight-line basis, with "on-target" bonus paid at £1,483.8m. Market consensus for FY22 sales at the date the target was set in July 2021 was for sales of £1,425m. FY22 sales were £1,553.1m. Targets and performance were calculated on a 52 week basis. Therefore 70% of this element has been earned (2021: 100%).

PBT – 50% of bonus opportunity

The target was set so that no part of the bonus would be paid until PBT of £157.4m was achieved and maximum bonus would be paid at £180.4m. Between those points, bonus would be paid on a straight-line basis, with "on-target" bonus paid at £164.0m. Market consensus for FY22 PBT at the date the target was set in July 2021 was for PBT of £168m, although at this point the market was not aware of significant budgeted increase in revenue investment in FY22 to drive future growth. FY22 PBT significantly exceeded budget at £209.0m. Targets and performance were calculated on a 52 week basis. Therefore 100% of this element has been earned (2021: 75%).

Personal and strategic targets – 25% of bonus opportunity

Nick Wilkinson

Progress was measured against the six strategic focus areas described in the FY21 annual report. Assessment was made by reference to performance across the objectives as a whole, with no specific weighting.

Details of Nick's targets and performance against them is set out on page 151. Based on this, the Committee considered that strong strategic progress had been made both overall and across all six focus areas, and expectations were greatly exceeded in key profitability measures. Strong progress had been made in developing and executing the sustainability strategy, as well as developments to the customer proposition and strengthened internal capability and succession. It therefore assessed that 90% of the personal and strategic targets had been met by Nick, (2021: 88% personal and 80% strategic) which earned 22.5% of total bonus opportunity.

Karen Witts

Karen joined the Group in the final month of the financial year. Karen asked not to be considered for any element of bonus linked to personal objectives given that she had only been in role for three weeks of the year.

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 Board had delivered very strong performance, despite ongoing external challenges due to Covid-19 in the first half of the year, ongoing international supply chain disruption, and significant cost inflation. Record sales and profit have been delivered, as well as improved colleague engagement scores and market share gains, while the strong financial and market position has been maintained. Acceleration of digital growth has continued, data resource and capability has been built, and the customer proposition has been strengthened. There has been a further step change in the Group's sustainability ambition, knowledge and plans. 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.

DISCRETION

The Committee carefully considered whether it should exercise its discretion to adjust the overall outcome of the FY22 annual bonus after applying the performance criteria 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 Covid-19 crisis and the external environment throughout the financial year referred to earlier in the report.
- Although the share price has fallen significantly in the second half of the year, the advice given by our brokers is that this reflects the financial markets' general view of the UK retail sector and growth stocks in the light of the changed economic conditions and the war in Ukraine rather than management performance or a Group-specific issue.
- Further, at least two thirds of the bonus and shares vesting (after payment of tax and National Insurance liability) must be retained in Dunelm shares in accordance with the Company's shareholding guidelines.
- Significant progress has been made to advance the strategic objectives designed to accelerate future growth and advance the Group's long-term ambitions.
- The Group has significantly advanced its sustainability ambitions, setting ambitious science-based targets to reduce greenhouse gas emissions by 50% by 2030, progressed the creation of roadmaps to deliver these, and moved forward on people, diversity, human rights and community matters.

Remuneration continued

- The business performed strongly on colleague engagement scores and implemented customer proposition improvements.
- All colleagues received a pay increase during the year; hourly paid colleagues in warehouses and stores received an annual pay increase that exceeded the 6.6% increase in the national living wage; nearly 1,000 colleagues in the FY19-21 Sharesave doubled their savings due to the increase in share price over the period of the scheme; colleagues in a bonus scheme will receive a similar outcome as a percentage of bonus opportunity to that of the CEO.
- Continued support was given to local communities and charitable activity, as described elsewhere in this report.
- Feedback from the NCV on executive pay has been that colleagues are satisfied with pay awarded provided that it reflects the performance of the business.
- In the year, the Group paid an interim dividend of 14p per share to shareholders and two special dividends, 65p per share in October 2021 and 37p per share in March 2022. The Board is recommending to shareholders that a final dividend of 26p per share be paid in December 2022.
- No claims for Covid-related government support were made in FY21 or FY22 and, in FY21, the Board repaid £14.5m claimed from the Government's Job Retention Scheme in FY20 and in FY22 repaid £4.0m in Covid-related grants received in FY21. No adjustments were made to LTIP targets in respect of Covid or repayment of Covid-related support. 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. No colleagues were put on furlough in FY22.

Having considered all of the above factors, the Committee agreed that the FY22 annual bonus outcome for Nick Wilkinson and Karen Witts was fair and reasonable in the circumstances, reflected shareholder and wider stakeholder experience, and should not be adjusted.

Total bonus earned in respect of FY22 performance is set out in the table below:

Table 2 – Annual bonus earned in respect of FY22 performance

	Bonus awarded £	Percentage of maximum award
Nick Wilkinson	653,045	90%
Karen Witts[1]	22,148	67.5%
Laura Carr[2]	–	N/A
Sir Will Adderley (waived entitlement)	–	N/A

1. Karen Witts has declined any payment in respect of personal and strategic objectives given her relatively short tenure during the financial year.
2. Laura Carr was not eligible to receive a bonus for the year as she left the Group in June 2022.

FY20 AND FY21– SHARE BONUS AWARDS

Payment of bonus earned for FY20 and FY21 which would normally have been paid in cash, was in deferred shares, with 50% vesting in September 2021 and 50% in September 2022. Although these awards were paid in the FY22 and FY23 financial years, in accordance with reporting guidelines the value of the FY20 and FY21 bonus awards were included in the 'single figure' tables for FY20 and FY21 respectively, and not in the FY22 table in this report. Further details of these awards are set out in the Policy table and the FY20 and FY21 annual reports. Shares vesting have been retained in accordance with the Lifetime Lock-in.

Shares that were due to vest under the share bonus award to Laura Carr in September 2022 lapsed on her leaving the Group in June 2022.

Nick Wilkinson – Performance against strategic and personal objectives

Objective	Performance	Related KPI target	Related KPI performance
Invest successfully in growth drivers to improve customer proposition c.25% weighting	**Exceeded expectations** • Deployed FY22 investment plan and delivered strong progress across all Focus Areas. • Delivered improvements to customer proposition in website, stores and post sales experience. Higher than expected volumes coupled with supply and labour constraints impacted the customer satisfaction score which meant that the targeted improvement was not met. • Increased customer frequency as stores re-opened strongly and digital sales continued to be strong. • Made material progress in our data resource and capability.	Increase customer satisfaction score (NPS) Customer frequency 2.9x	Missed customer NPS target by 5.6% Customer frequency at year end was 3.1x
Further develop strategic plans particularly on sustainability (Focus Area 0) c.25% weighting	**Greatly exceeded expectations** • Set ambitious 2030 targets for Scope 3 greenhouse gas reduction (target for Scopes 1 and 2 set in FY21). Significantly increased resource, capability and knowledge, and started to embed carbon reduction objectives throughout the business, particularly through our product design and sourcing. Set detailed roadmap to achieve Scope 1 targets and made progress on gas decarbonisation, moving owned car fleet away from fossil fuels and provision of customer take-back scheme. Worked with EY, the British Retail Consortium and Textiles 2030 to understand the drivers of carbon reduction and start to build and execute our Scope 3 roadmap. Sustainability – linked Revolving Credit Facility in place from December 2021. • Developed the customer proposition despite greater than expected operational focus caused by supply and pricing issues. Added 'Good & Circular' to the proposition, and increased focus on Value & Choice.	8% Reduction in scope 1 carbon emissions per £m of sales v FY19 baseline	19.6% reduction in scope 1 carbon emissions per £m of sales v FY19 baseline
Develop Executive Board performance and succession c.25% weighting	**Exceeded expectations** • Executive Board performing strongly as a team. • Onboarded a new Chief Information Officer, who has built the Tech team and increased engagement. • Recruited a CFO to replace Laura Carr, who resigned to take up an opportunity outside of retail and the public markets. • Recruited a Company Secretary, to replace Dawn Durrant who is retiring from this role at the 2022 AGM. • Internal succession and talent management process established, delivering a step change in the quality of people development and succession. Active steps taken to develop internal successors for key Executive Board roles.		
Maintained a highly effective and ambitious performance environment in the face of continuing disruption from external challenges (Covid, inflation, international freight) c.15% weighting	**Greatly exceeded expectations** • Achieved an environment in which the business can deliver both higher growth (investing, proposition development, learning) and focus on excellent operational execution, despite significant supply and cost issues. • Interim results presentation marked a step up in quality and supporting analysis. • Evolved effective hybrid ways of working for Support Centre colleagues. • Reset the performance environment post lockdown to avoid fatigue, increase connection and empowerment.	Exceed budgeted PBT of £164.0m Maintain cost: serve ratio Improve colleague satisfaction (eNPS) score	Delivered PBT on a 52 week basis of £209.0m Cost: serve ratio improved by 0.1% Colleague satisfaction (eNPS) score improved by 1%
Explore alternative sources of growth and strategic development, including acquisitions and partnership opportunities c.10% weighting	**Greatly exceeded expectations** • Delivered the acquisition of the Sunflex business, and successfully integrated it, to secure a strategic source of supply to a key growth category. • Investigated a further acquisition but opted to pursue an alternative organic approach to achieve the desired strategic objective.		

Remuneration continued

LTIP – AWARDS EARNED IN RESPECT OF PERFORMANCE IN FY20-22

The performance condition which applied to the FY20-22 LTIP award was that compound growth in diluted EPS over the three-year performance period of July 2019 to July 2022 should exceed the compound growth in RPI over the same period by between 3% and 12%. Over the three-year performance period which ended on 2 July 2022, reported diluted EPS grew at a compound annual rate of 18.8%.

This is 13.3% above the compound annual growth in RPI over the same period. Accordingly, 100% of this award has vested to Nick Wilkinson as set out below. This is included in the single figure for total remuneration for FY22 as set out in Table 1. Laura Carr's FY20-22 LTIP award lapsed on her leaving the Group in June 2022.

Table 3 – LTIP awards earned in respect of performance in FY20-22

	Shares vesting	Percentage of maximum award
Nick Wilkinson	134,984	100%

No awards are due to vest to Sir Will Adderley in respect of the LTIP. Nick Wilkinson will also receive £154,921 by way of 'special dividend equivalent' in relation to the special dividend of 32p per share paid on 11 October 2019, of 65p per share paid on 8 October 2021 and of 37p per share paid on 18 March 2022. In each case these will be paid in shares. The number of shares to vest for Nick Wilkinson is 17,041. These values are included in the single figure for total remuneration for FY22 as set out in Table 1 on page 148, and the basis on which they have been calculated is set out in note 4 of Table 1. 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 FY22

LTIP awards were made on 20 October 2021 to Nick Wilkinson and on 9 June 2022 to Karen Witts as set out below:

Table 4 – LTIP awards made to Directors during FY22 (audited information)

Name	Award	Number of shares	Face value at date of award (200% of salary)	Performance conditions	Performance period	Vesting date	% vesting at threshold performance
Nick Wilkinson	Nil cost option under LTIP	89,078	£1,164,250[1]	**Financial measures (80% of opportunity)** Diluted EPS for FY24. No part of this element of the award will vest if EPS is less than 66.6p. 10% of this element of the award vests if EPS is 66.6p, 50% vests if EPS is 72.2p, 75% vests if EPS is 80.9p and 100% vests if EPS is 88.8p or more. Performance between these percentage thresholds will be calculated on a straight-line basis. **Non-financial measures (20% of opportunity)** Three sustainability-based measures, each accounting for 1/3 of this element of the award, on a simple pass or fail basis against target. Full details were in the FY21 annual report. 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 2021 to June 2024	20 October 2024	6.67%
Karen Witts	Nil cost option under LTIP	73,979	£699,841[2]	As for Nick Wilkinson	July 2021 to June 2024	9 June 2025	6.67%

1. Based on the closing share price on 19 October 2021 of 1,307p per share.
2. Based on the average of the closing share prices over the period 1 April-8 June 2022 of 946p per share.

The awards are eligible to receive a 'special dividend equivalent' in respect of the special dividends of 65p per share paid on 8 October 2021, of 37p per share paid on 18 March 2022 and any other special dividend paid before the awards vest.

An LTIP award on the same terms as Nick Wilkinson of 54,628 shares was also made to Laura Carr on 20 October 2021, which lapsed on her leaving the Group on 8 June 2022.

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 or her 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 sales 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. Laura Carr complied with this requirement at 8 June 2022, the date upon which she stepped down from the Board.

Nick Wilkinson was appointed on 1 February 2018 and Karen Witts was appointed on 9 June 2022. As at 2 July 2022, they have beneficial shareholdings equal to 356% and 44% of salary respectively (based on the closing share price at year-end, see below for details).

Table 5 and Table 6 show the interests of the Directors in shares of the Company at 2 July 2022.

Table 5 – Shareholdings of Directors and Persons Closely Associated with them (audited information)

	At 2 July 2022 1p Ordinary Shares	At 26 June 2021 1p Ordinary Shares	Percentage of salary at 2 July 2022 (where applicable)[1]	Shareholding target (where applicable)
Sir Will Adderley	76,371,779	76,371,779		
Ian Bull	11,000	4,000		
Kelly Devine	–	–		
Andy Harrison	454,811	416,480		
William Reeve	22,000	18,000		
Peter Ruis	–	–		
Marion Sears	105,000	105,000		
Arja Taaveniku	6,000	–		
Vijay Talwar	–	–		
Nick Wilkinson	249,759	125,749	356%	1× salary by Feb 2021 2× salary by Feb 2023
Laura Carr[2]	107,799	36,000	N/A	1× salary by Nov 2021 2× salary by Nov 2023
Karen Witts	23,744	–	44%	1× salary by July 2025 2× salary by July 2027

1. Based on the closing share price of 830p at 2 July 2022 and base salary at 1 August 2022.
2. Laura Carr left the Group on 8 June 2022.

Since 2 July 2022, Vijay Talwar purchased 9,670 shares and Karen Witts has purchased 1,174 shares bringing her total shareholding to 24,918 shares. Karen's share purchase was pursuant to her obligation under the Life-time Lock-in to invest at least two thirds of her annual bonus (after payment of tax and National Insurance) in Dunelm Shares.

Remuneration continued

Table 6: Directors' interests in options at the period end (audited information)

All share awards held by the Executive Directors who served during the year, together with any movements, are shown below:

	Date of award	Nature of award	Share options at 27 June 2021	Share options granted during the year	Share options vested and exercised during the year[3]	Share options lapsed during the year	Share options at 2 July 2022[1]	End of performance period	Option price
Sir Will Adderley	–	–	Nil	–	–	–	**Nil**	–	–
Nick Wilkinson	October 2018	FY19-21 LTIP	180,802	–	(180,802)	–	**–**	June 2021	–
	October 2019	FY20-22 LTIP	134,984	–	–	–	**134,984**	June 2022	–
	November 2020	FY21-23 LTIP	94,846	–	–	–	**94,846**	June 2023	–
	October 2021	FY22-24 LTIP	–	89,078	–	–	**89,078**	June 2024	–
	November 2020	FY20 Share Bonus	11,594	–	(5,797)	–	**5,797**	June 2020	–
	November 2020	FY21 Share Bonus	59,130	–	(24,012)	(11,105)	**24,013**	June 2021	–
	November 2018	Sharesave	3,757	–	(3,757)	–	**–**	December 2021	479p
	November 2021	Sharesave	–	1,720	–	–	**1,720**	December 2024	1,046p
Karen Witts	June 2022	FY22-24 LTIP	–	73,979	–	–	**73,979**	June 2024	–
Laura Carr[2]	November 2018	FY19-21 LTIP	105,893	–	(105,893)	–	**–**	June 2021	–
	October 2019	FY19-22 LTIP	71,481	–	–	(71,481)	**–**	June 2022	–
	November 2020	FY21-23 LTIP	58,166	–	–	(58,166)	**–**	June 2023	–
	October 2021	FY22-24 LTIP	–	54,628	–	(54,628)	**–**	June 2024	–
	November 2020	FY20 Share Bonus	7,675	–	(3,837)	(3,838)	**–**	June 2020	–
	November 2020	FY21 Share Bonus	40,291	–	(16,211)	(24,080)	**–**	June 2021	–
	November 2019	Sharesave	2,752	–	–	(2,752)	**–**	December 2022	654p

1. Interests in share awards table excludes dividend equivalent shares.
2. Laura Carr's last day of employment at Dunelm was 8 June 2022 and all her unvested share options lapsed on leaving.
3. During the year Nick Wilkinson and Laura Carr made gains on share options exercised of £3,003,000 and £1,863,000 respectively. Sir Will Adderley and Karen Witts did not exercise any options.

Performance conditions in respect of the LTIP awards above granted in FY19 and FY21 are subject to the performance conditions described in the Remuneration Report set out in the FY19 and FY21 annual reports respectively, and the performance conditions in respect of the award granted in FY20 are in the FY21 Remuneration Report. The FY21 Share Bonus awards granted to Nick Wilkinson were subject to the performance conditions referred to on pages 155 to 158 of the FY21 annual report. No conditions were applied to the FY20 Share Bonus Awards. LTIP awards are eligible to receive a 'special dividend equivalent' in respect of any special dividend paid during the performance period applicable to the award and up to the date of vesting. The second tranche of the Share Bonus Awards which vest in September 2022 is eligible to receive a special dividend equivalent in respect of the special dividends paid in October 2021 and March 2022.

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 Karen Witts. 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 7 – Directors' service contracts

	Start date	Unexpired	Notice period
Sir Will Adderley	28 September 2006	N/A	12 months
Nick Wilkinson	1 February 2018	N/A	6 months
Karen Witts	9 June 2022	N/A	6 months
Marion Sears[1]	22 July 2004	10 months	1 month
Andy Harrison	1 September 2014	12 months	3 months
William Reeve	1 July 2015	21 months	1 month
Peter Ruis	10 September 2015	23 months	1 month
Ian Bull	10 July 2019	33 months	1 month
Arja Taaveniku	15 February 2021	17 months	1 month
Kelly Devine	1 March 2022	29 months	1 month
Vijay Talwar	1 October 2021	24 months	1 month
Alison Brittain[2]	7 September 2022	36 months	1 month

1. 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.
2. Should Alison Brittain succeed Andy Harrison as Chair, her notice period will be increased to 3 months.

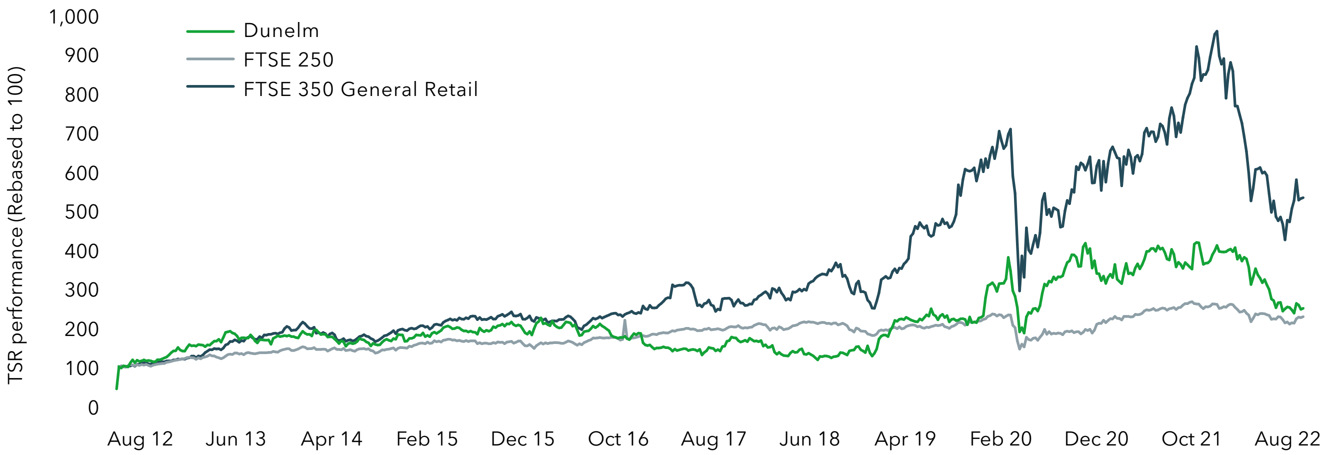
Remuneration continued

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 8 – Total shareholder return performance graph (rebased to 2 July 2012 = 100)

The shares traded in the range of 777p to 1,399p during the year and stood at 830p at 1 July 2022.



Source: Factset as of 11th August 2022. 1. Last 10 years data on weekly frequency. FTSE 350 General Retail Index includes Dunelm.

Table 9 – 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 %
FY22	**Nick Wilkinson**	2,683	90.0%	100.0%
FY21	**Nick Wilkinson**	3,756	81.2%	100.0%
FY20	**Nick Wilkinson**[1]	885	20.0%	19.8%
FY19	**Nick Wilkinson**	1,365	97.9%	N/A
FY18	**Nick Wilkinson**[2]	308	13.3%	N/A
FY18	**John Browett**[2]	429	N/A	N/A
FY17	**John Browett**	722	14.0%	N/A
FY16	**John Browett**	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%

1. During the period April to June 2020 inclusive, Nick Wilkinson took a voluntary 90% reduction in base salary.
2. John Browett left the Group on 29 August 2017. He was succeeded by Nick Wilkinson on 1 February 2018. The total figure for John Browett includes £322,120 in respect of salary and benefits paid for his six-month notice period. The data for each Director for FY18 is pro-rated by time of service as Chief Executive Officer.
3. Sir Will Adderley was succeeded by John Browett as Chief Executive Officer on 1 January 2016. The data for each Director for FY16 is pro-rated by time of service as Chief Executive Officer. Sir Will Adderley's base salary was reduced to £1 on 1 July 2015.
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 FY15 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 during his tenure.

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

Table 10 – Change in Directors' pay compared with annual change in average employee's pay

	Percentage change in remuneration between FY21 and FY22			Percentage change in remuneration between FY20 and FY21			Percentage change in remuneration between FY19 and FY20		
	Salary and fees[1]	Benefits[9]	Short-term incentive[2,4]	Salary and fees[1]	Benefits	Short-term incentive[2,4]	Salary and fees[1]	Benefits	Short-term incentive[2,4]
Nick Wilkinson[9]	3.4%	(4.3%)	14.6%	1.8%	3.6%	313.0%	2.0%	(55.6%)	(79.2%)
Karen Witts[8]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Laura Carr[7,9]	3.2%	(6.9%)	(100%)	5.0%	2.3%	324.2%	0.0%	(93.3%)	(66.3%)
Sir Will Adderley	0.0%	0.0%	N/A	0%	(4.8%)	N/A	0.0%	0.0%	N/A
Andy Harrison	0.0%	N/A	N/A	0%	N/A	N/A	2.0%	N/A	N/A
Marion Sears	3.2%	N/A	N/A	0%	N/A	N/A	2.0%	N/A	N/A
William Reeve[5]	4.5%	N/A	N/A	8.4%	N/A	N/A	2.2%	N/A	N/A
Peter Ruis	3.2%	N/A	N/A	0%	N/A	N/A	2.0%	N/A	N/A
Ian Bull	2.7%	N/A	N/A	0%	N/A	N/A	2.0%	N/A	N/A
Arja Taaveniku	3.2%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vijay Talwar[8]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Kelly Devine[8]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
All colleagues[3,6]	4.9%	0.8%	(4.7%)	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 between April and June 2020 inclusive, or the waiver by all other Directors of 100% of their fees for this period.
2. Short-term incentive percentage has been calculated in relation to only those colleagues eligible to receive a bonus in the period as this is considered a more appropriate comparator group. All colleagues' short-term incentives include a one-off £250 'thank you' payment to all colleagues not usually eligible for a bonus in respect of FY20 and the 'thank you' payment of between £250 and £350 made to colleagues not usually eligible for a bonus in respect of FY21.
3. All colleagues salary increase is calculated only for colleagues employed for the whole of the financial year.
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 fee in FY21 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.
7. Laura Carr's last day of employment was 8 June 2022 and so she was not eligible to receive a bonus in FY22.
8. No comparator data is provided for these Directors as they were appointed during FY22.
9. The decrease in benefits for Nick Wilkinson and Laura Carr in FY22 is due to benefits received in lieu of holiday in FY21 which were not received in FY22.

Table 11 – CEO pay ratio

There are three permissible methods available to calculate the CEO pay ratio, which are outlined below:

Option	Method
A	Determining the total full term equivalent remuneration for all UK employees. Rank from low to high. Identify the colleagues at 25th percentile, 50th percentile, 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 data used to identify the colleagues at 25th percentile, 50th percentile, 75th percentile was taken on 5 April 2022.

Remuneration continued

The table below shows the ratio of actual pay of Nick Wilkinson, CEO, to other colleagues. Full year pay data has been used to calculate these ratios and the elements included are based on the CEO single figure remuneration in Table 1:

Financial year	Method	25th percentile pay	50th percentile pay	75th percentile pay
FY22	Option A	124:1	121:1	112:1
FY22 Total pay and benefits		£21,569	£22,193	£24,003
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 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.
- 10,669 colleagues were included in the data set.
- 90% bonus outcome for Nick Wilkinson and 100% LTIP vesting.

Commentary:

The Committee considered whether the median pay ratio for the year is consistent with the pay, reward and progression policies for the Group's UK employees taken as a whole, and concluded that it is, for the following reasons:

- The pay gap has significantly reduced, compared to the previous year. The main difference is in the value of the LTIP vesting.
- Whilst the LTIP is vesting at 100%, the number of shares is lower than that which vested in 2021 (as the share price was higher on award) and the share price used to calculate the notional value on vesting is lower than last year's.
- The LTIP and bonus are reflective of the strong business performance shown under Nick's leadership both in the last year, in the case of bonus, but also sustainably over the past three years, which is rewarded through the LTIP.
- 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.
- The median pay ratio is considered appropriate and consistent with the pay and reward policies for the Group's UK colleagues. Our remuneration strategy is based on paying median to market for salary and bonus, and upper quartile for LTIP awards, with the quantum of performance-related pay relatively higher in senior colleagues. This is to reward strong performance and focus on long-term value creation. The CEO remuneration is reflective of this, as Nick's pay has a larger quantum in variable pay.
- The CEO pay ratio in FY20 was lower than the FY21 and FY22 ratio, but the FY21 ratio was higher than that in FY22. This reflects the fact that, in line with the Group's remuneration strategy, a high proportion of the CEO's remuneration is performance-related and paid in shares, to incentivise long term, sustainable growth and alignment with shareholders. FY21 and FY22 financial performance was stronger than FY20, and the share price at the end of FY21 was higher than in FY22, and these have strongly influenced the CEO's 'single figure' pay.
- In FY22 we have invested to improve the pay of our hourly-paid colleagues to upper median or above versus the market – see case study on page 103.
- It was also noted that the discussion at the NCV had supported our pay policies and approach – particularly when it came to attracting and retaining strong and effective leadership and aligning pay with performance.
- The increase in the number of store colleagues relative to the total colleague population in FY21 impacted the total pay and benefits attributable to the percentile bandings.

Table 12 – 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 FY22 and FY21:

	FY22 £'m	FY21 £'m	% change
Total spend on pay	**194.9**	166.7	16.9%
Ordinary dividend to shareholders	**75.1**	24.3	209.1%
Distributions to shareholders via treasury share purchases	**28.3**	–	100.0%
Special distributions to shareholders	**207.0**	–	100.0%
Total distributions to shareholders	**310.4**	24.3	1,177.4%

This information is based on the following:

- Total spend on pay – total employee costs excluding car and travel allowances and bonuses from note 4 on page 187. This excludes £14.5m repayment of the UK Government's Job Retention Scheme in the prior year.
- Dividends taken from note 7 on page 189.

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 does not hold any external appointments. Karen Witts is a Non-Executive Director of Ipsen Pharma SA. 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 55 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 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 one of our commitments.

We have good male/female representation in our senior leadership. As at 2 July 2022, our Executive Board had 50% female representation. When combined with the Group Board, our senior leadership team is 43% female.

ENGAGING WITH OUR COLLEAGUES ON PAY

In April 2022, the NCV allocated a full meeting to a discussion on pay and reward. The meeting was well attended by representatives from across the business with a 46%/54% male/female gender split and ethnic diversity representation of 23%. The meeting was led by our People team who were joined by Marion Sears, our designated Non-Executive Director for colleague matters, and William Reeve, Chair of the Remuneration Committee. The meeting covered two topic areas as explained below and was followed by group breakout sessions for further discussion and feedback.

Topic 1: Engaging on colleague pay review

The People Team provided an overview of reward at Dunelm, with a reminder of the difference between equal pay and fair pay and the thought process that led to the recent pay review. This included an explanation of how the People Team had taken on board colleague feedback and prioritised hourly rate increases over granting another 'thank you' bonus, and that Dunelm had consciously given a percentage pay increase higher than most of its peers. Our NCV representatives were impressed with the amount of thought that went into pay strategy and were reassured by the benchmarking and further agreed that the recent pay review was "very fair".

Topic 2: Engaging on Board remuneration

William Reeve provided an overview of the remit of the Remuneration Committee, core elements of Dunelm's Remuneration Policy and the context in which the Committee takes decisions. It was explained that the Committee was held to account through shareholder voting and that for most of the Dunelm Leadership Team reward was related to business performance. William also talked about how a significant proportion of reward is held in shares, including an obligation to hold shares after leaving Dunelm, to ensure shareholder alignment. He also highlighted the fixed and variable reward elements for different role levels. Our NCV colleagues were pleased by the level of care and scrutiny exercised by the Remuneration Committee and its long-term thinking. Colleagues gave very positive feedback about Nick and the good performance of the Executive Board in guiding the business through 2020 to 2022.

For more information on the NCV and its other activities during the year see page 99.

Remuneration continued

STATEMENT OF IMPLEMENTATION OF POLICY IN THE FY23 FINANCIAL YEAR

Base salary and benefits for each of the Executive Directors for FY23 are set out in the table below:

Table 13 – Base salary, benefits and pension for FY23

Name	Base salary	Increase to base salary YoY	Benefits	Increase to benefits year on year	Pension	Change to pension contribution year or year
Nick Wilkinson	£582,125	Nil	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.	Nil	£17,464	Nil
Karen Witts	£450,000	N/A	Car allowance; travel and accommodation allowance of £1,500 per month; private health insurance for the individual and their family; permanent health cover; life assurance; mobile phone; colleague discount.	N/A	£13,500	N/A
Sir Will Adderley	£1	Nil	Car allowance; private health insurance for the individual and their family; permanent health cover; life assurance; mobile phone; colleague discount.	Nil	Nil	N/A

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

BASE SALARY

Nick has asked for no base salary increase in FY23. Had Nick not made this request the Committee had agreed that they would like to award an increase in base salary to Nick Wilkinson in view of his strong performance and that of the Group. The Committee considered his total remuneration for FY22, the performance of the business, the other stakeholder considerations outlined in relation to payment of the FY22 annual bonus award, including the feedback on Executive Director pay given by the NCV, and the wider economic climate.

The Committee noted that due to the successful, profitable growth of the Group during his tenure, Nick's base salary is now at or below lower quartile for his peers, and the bonus opportunity of 125% of salary is also now uncompetitive. The Committee would like to increase the quantum of Nick's potential profit-related pay, in line with stretching performance targets, but is unable to do so under the terms of the current Remuneration Policy. The Committee will therefore be discussing this with shareholders as part of the consultation process for the 2023 policy renewal.

In light of this, the Committee decided to remove Nick's contractual travel allowance of 5% of base salary and make a corresponding increase in his base pay. In addition, the Committee rewarded Nick a 4% increase in base salary. This increase is below the median pay increase across the Group of 7.6%. However given that Nick has declined the base salary increase and the decision to remove his 5% of salary travel allowance and make a corresponding increase in his base salary, Nick' base pay for FY23 will be unchanged at £582,125 and he will retain his travel allowance.

Karen Witts joined the Board on 9 June 2022. Her base salary was set at median for the top 50 companies of the FTSE250 on appointment and reflected her skills and experience. It is first eligible for review in August 2023.

PENSION

The pension entitlement of both Nick Wilkinson and Karen Witts is 3% of base salary, which is in line with the workforce average.

FY23 ANNUAL BONUS

Nick Wilkinson and Karen Witts 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 Karen Witts have contractually committed that two-thirds of the bonus earned (after payment of income tax and National Insurance) will be invested in Dunelm shares, to be held for the duration of employment. 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.

LTIP FY23-25

In line with our 2020 Remuneration Policy, an award is expected to be made to Nick Wilkinson and Karen Witts in October 2022 under the Long-Term Incentive Plan over shares to the value of 200% of salary. The award will vest, subject to continued employment, on the third anniversary of the grant date, to the extent that performance conditions have been met. All of the vested shares (after sales to cover tax and National Insurance liability on exercise) must be retained for two years after vesting, after which one third of these may be sold and the remainder must be retained for the duration of employment. Shares held on termination of employment will be retained for a minimum of two years as required by the shareholding requirements set out in the Remuneration Policy. Our current intention is that the FY23-25 LTIP awards will be granted in line with our standard approach (with the number of shares to be awarded based on the average share price for the three business days preceding grant) and we will review the final outturn to ensure that there have not been any windfall gains. This is in addition to the performance underpin and review of the final outturn to ensure it is warranted based on shareholder experience over the performance period.

The performance criteria that apply to the award were set by the 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 FY25	Less than 83.4p	83.4p	87.6p	95.5p	103.4p or more
Percentage of this element of the FY23-25 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. This corporation tax increase also accounts for the relatively modest increase in EPS in the above target range, which the Committee is satisfied will reward a stretch level of performance.

Non-financial measures: 20% of the award

Measure	FY25 Target	% of LTIP award
Reduction in Scope 1 greenhouse gas emissions per £m sales against a FY19 base	32%	5%
Percentage of own brand cotton products which meet our 'More Responsibly Sourced Cotton' standard	100%	5%
Reduction in plastic packaging of own brand products against FY20 base	30%	5%
% of own brand products for which we offer an easy to use take-back service with a credible end of life solution in at least 90% of our superstore estate	50%	5%

These targets were chosen because they are aligned to our strategy and long-term targets, and they cover areas where we are able to make the most impact on the environment and provide the most benefit to our customers and our communities. Reduction of our Scope 1 greenhouse gas emissions will enable us to reduce our impact on climate change in line with our Pathway to Zero commitment. 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 reduces 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 2022 to all eligible employees, to apply for options to be granted under the Sharesave scheme at a 20% discount to the average closing market price of Dunelm Group shares on the three dealing days preceding the issue of the invitation. The maximum monthly savings will be £500 per month. Executive Directors employed at the eligibility date may apply for Sharesave options, subject to the plan rules.

JOINING ARRANGEMENTS FOR KAREN WITTS

Karen Witts joined the Board as Chief Financial Officer on 9 June 2022. Her remuneration package is in accordance with Dunelm's Remuneration Policy and that of her successor, Laura Carr, and reflects her skills and experience. In order to secure her services we needed to agree certain joining arrangements.

Karen was financially disadvantaged by joining Dunelm as she had to forego remuneration payable by her former employer which was forfeit when she took up employment with Dunelm.

We therefore agreed that we would partially compensate her for costs incurred and remuneration foregone. These arrangements were:

- A conditional award under the FY22-24 LTIP award on joining to the value of 200% of salary, pro-rated to 1 March 2022 to reflect a percentage of time she will have been employed over the three-year performance period which commenced in June 2021, plus a further two months (77.77% of the full award). The performance conditions associated with this are set out in the FY21 annual report.
- Pro-rated participation in the FY22 Annual Bonus scheme, reflective of the period from Karen's start date to the end of the financial year, and subject to the financial performance criteria applicable to Nick Wilkinson. Karen has declined any payment to be made in respect of personal performance as she has only been employed for a short period during the financial year.
- A contribution of up to £50,000 towards the cost of purchasing and furnishing a home close to Dunelm's offices in Leicester, on the understanding that the purchase completes within two years of the commencement of her employment. The majority of any furnishings should be purchased from Dunelm. Approvable expenses will include stamp duty and any agents' fees plus furnishings, fixtures and fittings.
- An allowance of £1,500 per month to cover the cost of rent on a property close to Dunelm's offices in Leicester and/or other expenses and travel costs. This will apply during the first twelve months of employment and will then continue until Karen purchases a home close to Leicester, or for the duration of employment should Karen choose not to do so (in which case the £50,000 contribution to relocation expenses referred to above will not be paid).

The maximum amount of Karen's joining compensation is less than that put in place for her predecessor, Laura Carr, in 2018. If Karen voluntarily leaves the business or is lawfully dismissed within two years of commencing her employment with the Group, she will be liable to repay this joining compensation.

The Remuneration Committee was satisfied that this joining compensation is proportionate and reflects remuneration foregone on a 'like-for-like' basis.

NON-EXECUTIVE DIRECTOR FEES FOR FY23

Fees to be paid to Non-Executive Directors in FY23, as set out in the table below:

Table 14 – 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[1]	Chairman	£216,487	Nil	Nil	N/A
Alison Brittain[2]	Non-Executive Director	£45,363	Nil	N/A	N/A
Ian Bull	Audit and Risk Committee Chair	£55,747	£10,785	4%	4%
Kelly Devine	Non-Executive Director	£55,735	Nil	4%	N/A
William Reeve	Remuneration Committee Chair	£55,747	£10,785	4%	4%
	Senior Independent Director (SID)		£6,852	4%	4%
Peter Ruis	Non-Executive Director	£55,747	Nil	4%	N/A
Marion Sears	Non-Executive Director	£55,747	Nil	4%	N/A
Arja Taaveniku	Non-Executive Director	£55,747	Nil	4%	N/A
Vijay Talwar	Non-Executive Director	£55,747	Nil	4%	N/A

1. Andy Harrison has waived his fee increase for FY23.
2. Alison Brittain's fee is pro-rated to her start date of 7 September 2022. Should she succeed Andy Harrison as Chair during the year, her base fee will be increased to £322,400 per annum, inclusive of all committee chair fees. This base fee was set by the Remuneration Committee at median for companies in the FTSE50-150, reflecting the growth ambition of the Group over Alison's likely tenure as chair.

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 16 November 2021, the total number of shares in issue with voting rights (excluding treasury shares) was 203,275,126. Details of voting on remuneration-related resolutions are set out below:

Table 15 – Voting on remuneration-related resolutions at the 2021 AGM

Resolution	Votes for	% of votes cast	Votes against	% of votes cast	Votes withheld	% withheld
Approve Annual Remuneration Report	182,896,339	98.58	2,642,335	1.42	97,528	0.05

Approved by the Board on 14 September 2022.

William Reeve
Chair of the Remuneration Committee

14 September 2022