Seizing the opportunity

to savour experiences

In this section


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UNIVERSITATIS MISSOURIENSIS

Chair's introduction to corporate governance

On behalf of the Board, I am pleased to present our Governance report for the year ended 1 July 2023.

Alison Brittain
Chair

Dunelm's long-term success depends on our strong culture and shared values, of which we are immensely proud, underpinned by robust governance. This report provides insight into the role and activities of our Board and how our governance framework contributes to the development and delivery of the Group's strategic ambitions, for the benefit of all our stakeholders.

We recognise the ongoing focus given to all aspects of governance by our stakeholders, including audit and risk, regulatory compliance and sustainability, and the need to ensure that our approach is appropriate for Dunelm. We also recognise that a high level of engagement is key to understanding what matters most to those with an interest in our business and that it is important to communicate our thinking and approach in response.

I am confident in our ability to effectively engage with our key stakeholders and to incorporate their views in our decision-making. This has been demonstrated this year as we have recognised the impact of the challenging economic environment in on our approach to offering more value and choice to customers, colleague reward and remuneration and our community initiatives. More information on how we consider the interests of our key stakeholders is set out on pages 30 to 34.

Key activities

During the year, the Board focused on reviewing our key strategic priorities and areas of focus, as well as continuing to build capabilities and develop our ambitions for growth. Strategic deep dives into all areas of the business took place, providing valuable insight into our runway for growth and enabling constructive challenge and robust debate. This was particularly evident at the May strategy day, as articulated further on page 70.

We remain fully committed to our sustainability agenda, working collaboratively with suppliers, colleagues, and customers to achieve success. More details about our work this year can be found on pages 26 and 27 and in our Sustainability Report 2023.

We also maintained focus on reviewing and laying the groundwork for upcoming regulatory change,. This includes the Government's final proposals on new corporate reporting set out in its response last year to the White Paper on restoring trust in audit and corporate governance and the forthcoming sustainability-related requirements of the Transition Plan Taskforce, the International Sustainability Standards Board, and the Taskforce on Nature-related Financial Disclosures.

The Board has continued to prioritise senior management succession planning and development of internal talent to support our growth ambitions.

This work has resulted in a clearer understanding of capabilities and a stronger pipeline for succession. We also continue to promote diversity and inclusion across the colleague population, as acknowledged by our inclusion of an ethnic diversity target in this year's LTIP and the Board's ongoing support for our colleague networks and their respective initiatives and events, further details of which are set out in our Sustainability Report 2023.

This year we also conducted a detailed review of our remuneration framework, ahead of proposing to shareholders a new policy for adoption at the 2023 AGM. This included consultation with major shareholders and proxy agencies and I offer our thanks to them for their engagement and input. A detailed explanation of the proposed changes to the policy can be found on pages 89 to 91 and the new policy itself is on pages 93 to 102.

Board changes in FY23

I was delighted to be appointed as Chair as of 1 January 2023, having joined the Board in 7 September 2022 as an Independent Non-Executive Director and Chair Designate. I would like to take this opportunity to thank my predecessor Andy Harrison for his dedication and significant contribution in leading the Dunelm Board over the last nine years.

Board effectiveness and composition

The Board considers evaluation to be an essential check and balance on whether its composition, focus and approach is in line with the Company's overall ambitions. During the year, we conducted an internal performance review and I am pleased to report that the output of this work was that the Board and its Committees are operating efficiently and productively. More details of the evaluation process can be found on page 78.

Our broad range of Board talent covers a variety of skills and our diverse group of Non-Executive Directors continue to bring experience and challenge to Board discussions.

Nevertheless, we are mindful that two of our Non-Executive Directors, William Reeve and Peter Ruis, will have completed nine years on the Board during 2024. Therefore, we go into the new financial year focused on succession planning to ensure that we are well-placed to continue delivering in a way that is beneficial to our business and our stakeholders, consistent with our culture and true to our shared values.

AGM

Our AGM this year takes place on Thursday 16 November 2023. In line with the UK Corporate Governance Code, all Directors will be seeking re-election. In addition, in accordance with the Listing Rules, each of the Non-Executive Directors will be subject to a vote of shareholders independent of the Adderley family. In light of the Adderley family holding, we are also required to seek a Rule 9 waiver to allow us to buy back shares to fulfil colleague share option entitlements. We hope that shareholders will support this resolution, which is limited to this purpose.

The year ahead

The Board remains conscious of the ongoing need for good governance and I am reassured that our framework is strong and effective. The past year has not been without its challenges and the commitment demonstrated by our colleagues is admirable.

I would like to take this opportunity to say thank you, on behalf of the Board, to all our colleagues in the business for their continued hard work, dedication and focus on ensuring we are 'doing the right thing' for Dunelm and its stakeholders, and to my fellow Directors for their valued contribution. We have started FY24 with confidence and in the knowledge that the Company is led by a highly competent and professional team. I look forward to the support of our shareholders as the business seizes the opportunities that lie ahead.

Alison Brittain
Chair
20 September 2023

Code compliance statement

This Governance report explains how we have applied the Principles of the UK Corporate Governance Code published in July 2018 (the 'Code'), which is available on the website of the Financial Reporting Council, www.frc.org.uk. These Principles are applied to the Company's sole trading subsidiary through the Group's governance, risk management and internal control structure.

The Board considers that it has complied in full with the Code during the financial year. Details of how we have applied the Principles and complied with the Provisions can be found throughout this Annual Report. The table below provides an overview of where relevant content and information can be found.

How we comply with the UK Corporate Governance Code 2018

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Remuneration Committee report	88

Governance dashboard

Board overview

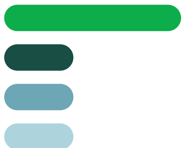
Gender

55% Men
45% Women

Nationality

82% British
9% Indian
9% Swedish

Length of tenure



46% 0–3 years
18% 3–6 years
18% 6–9 years
18% 9+ years

Independence*

40% Non-independent
60% Independent

*Number excludes the Chair who was independent on appointment.

Age diversity

9% 40–50
64% 50–60
27% 60+

Ethnicity

91% White
9% Asian

Board and Committee attendance

Director	Committee memberships	Board	Audit and Risk Committee	Remuneration Committee	Nominations Committee
Alison Brittain[1]	R N	8/8	N/A	3/3	4/4
Sir Will Adderley	N	9/9	N/A	N/A	4/4
Nick Wilkinson		9/9	N/A	N/A	N/A
Karen Witts		9/9	N/A	N/A	N/A
Ian Bull	R N A	9/9	3/3	4/4	4/4
Kelly Devine	R N A	9/9	3/3	4/4	4/4
William Reeve	R N A	9/9	3/3	4/4	4/4
Peter Ruis	R N A	9/9	3/3	4/4	4/4
Marion Sears	N	9/9	N/A	N/A	4/4
Arja Taaveniku	R N A	9/9	3/3	4/4	4/4
Vijay Talwar	R N A	9/9	3/3	4/4	4/4
Andy Harrison[2]	R N	4/4	N/A	2/2	2/2

A Audit and Risk Committee member
N Nominations Committee member
R Remuneration Committee member
Chair

1 Alison Brittain joined the Board on 7 September 2022 and attended all meetings following her appointment.
2 Andy Harrison stepped down from the Board and its Committees on 31 December 2022. He attended all meetings prior to that date.

Directors and officers

1. Alison Brittain

Chair

Independent on appointment
Appointed: September 2022
and as Chair in January 2023

Key strengths
An experienced business leader who brings considerable expertise as NED and former Chief Executive of a range of consumer-facing companies. Has successfully scaled businesses in the UK and internationally and has longstanding plc experience and shareholder understanding, coupled with strong strategic insight and focus on execution.

Past experience
Alison was CEO of Whitbread PLC from 2015 to 2023. Prior to that, she held a number of senior roles in the UK banking industry, serving as Group Director in the Retail Division of Lloyds Banking Group PLC (2011-2015), and Board Director at Santander UK PLC (2007-2011) and Barclays PLC (1987-2007). Alison is a former Non-Executive Director of Marks & Spencer Group PLC.

Other commitments
Senior Independent Director at Experian plc. Chair of English football's Premier League. Non-Executive Director at British Airways plc. Chair and Trustee of The Prince's Trust Group Company.

1. Alison Brittain
R N I

2. Sir Will Adderley
N

3. Nick Wilkinson

4. Karen Witts

2. Sir Will Adderley

Deputy Chair

Non-independent
Appointed: April 2003

Key strengths
Previous Chief Executive of Dunelm, with a detailed understanding and experience of all aspects of the business. Particular expertise in buying and trading, maintaining strong and long-standing supplier relationships.

Past experience
Will has worked for Dunelm his whole career since joining in 1992. He took over the day-to-day running of the Group from his father in 1996 and remained as Chief Executive through the Group's IPO in 2006. Will became Deputy Chair in February 2011 and was reappointed Chief Executive in September 2014 for an interim period until 31 December 2015.

Will retains an executive role to support the business in matters agreed with the CEO, as required.

Other commitments
Owner of WA Capital Limited and Trustee of Stoneygate Trust.

3. Nick Wilkinson

Chief Executive Officer

Non-independent
Appointed: February 2018

Key strengths
An experienced CEO, and proven business leader in multichannel retail businesses operating across a number of consumer brands and geographies.

Past experience
Nick was the Chief Executive of Evans Cycles from 2011 to 2016 and the Chief Executive of Maxeda DIY from 2007 to 2010. Prior to that, he was Group Buying Director and MD of Currys at Dixons Retail Group (1999 to 2006). Nick spent his early career at Unilever and McKinsey & Co.

Other commitments
Trustee of Rewilding Britain.

4. Karen Witts

Chief Financial Officer

Non-independent
Appointed: June 2022

Key strengths
A highly qualified Chief Financial Officer with a strong background in finance and management, and a wealth of experience across global retail and consumer-facing businesses.

Past experience
Karen was CFO of Compass Group plc from 2019 to 2021 and CFO of Kingfisher Group plc from 2012 to 2019. Before that, she held various senior finance, strategic and operational roles with Vodafone Group plc (2010 to 2012), and at BT Group plc (1999 to 2010). Karen qualified as a Chartered Accountant with Ernst & Whinney.

Other commitments
Non-Executive Director of Ipsen Pharma, SA.

Key

- A Audit and Risk Committee member
- N Nominations Committee member
- R Remuneration Committee member
- ● Chair
- I Independent Director
- D Designated NED for colleague matters

Directors and officers continued

5. Ian Bull
R N A I

6. Kelly Devine
R N A I

7. William Reeve
R N A I

8. Peter Ruis
R N A I

5. Ian Bull

Non-Executive Director
Independent
Appointed: July 2019

Key strengths
An experienced finance and strategy specialist. Fellow of the Chartered Institute of Management Accountants with over 20 years' business and financial experience in leading consumer-facing businesses. Long-standing plc experience and shareholder understanding.

Past experience
Ian was CFO of Parkdean Resorts Group from 2016 to 2018 and CFO of Ladbrokes plc from 2011 to 2016. He was Group Finance Director of Greene King plc (2006 to 2011), having spent his early finance career at Whitbread PLC, Walt Disney Company and BT Group. Ian is a former Non-Executive Director and Audit Committee Chair of Paypoint Limited, Senior Independent Director and Audit Committee Chair of St. Modwen Properties plc and Chair of Lookers plc.

Other commitments
Senior Independent Director at Domino's Pizza Group plc. Member of Chapter Zero, the Directors' Climate Forum and a regular attendee of its events.

6. Kelly Devine

Non-Executive Director
Independent
Appointed: March 2022

Key strengths
An accomplished business leader having held multiple executive roles in financial services and payment firms. Particular experience building enterprise partnerships in complex ecosystems to increase market share.

Past experience
Kelly was Senior Vice-President, Head of Bank Partnerships at Mastercard from 2018-2020, having first joined the company in 2015. Prior to that, she held various roles at American Express from 2005 to 2015 and was a member of PwC's Economics consultancy practice from 2003 to 2005.

Other commitments
President of Mastercard UK & Ireland. Board Member at UK Finance.

7. William Reeve

Senior Independent Non-Executive Director
Independent
Appointed: July 2015

Key strengths
An entrepreneur and technology investor with extensive experience in the digital sector and M&A.

Past experience
William co-founded three internet-related businesses: Fletcher Research, LOVEFiLM.com, and Secret Escapes. He is a former Non-Executive Director of Graze.com, Paddy Power plc, Zoopla and Nutmeg among others.

Other commitments
Chief Executive of Oh Goodlord Limited.

8. Peter Ruis

Non-Executive Director
Independent
Appointed: September 2015

Key strengths
An experienced executive with particular expertise in retail, brands, marketing and product developed working for both large and more entrepreneurial organisations.

Past experience
Peter was CEO of Indigo Books & Music Inc. from 2022 to 2023, having previously joined as President in 2021. He was the Managing Director of Anthropologie Europe and International from 2018 to 2020 and the Chief Executive of Jigsaw from 2013 to 2018. Prior to that, he held senior positions at John Lewis Partnership (2005 to 2013), Levi Strauss (2001 to 2004) and Ted Baker (1997 to 2001).

Other commitments
None.

Bill Adderley

Founder and Life President

Bill, together with his wife Jean, founded the business in 1979. Although no longer on the Board or actively involved in management, Jean remains a major shareholder.

Changes to the Board:
Alison Brittain joined the Board on 7 September 2022.

Andy Harrison stepped down from the Board on 31 December 2022.

9. Marion Sears
N D

10. Arja Taaveniku
R N A I

11. Vijay Talwar
R N A I

12. Luisa Wright

9. Marion Sears

Non-Executive Director

Non-independent

Appointed: July 2004

Key strengths

A long-standing Board Director, with extensive City, investor and banking experience, including M&A. Significant plc experience and stakeholder understanding.

Past experience

Marion was Dunelm's Senior Independent Director and Chair of the Remuneration Committee from 2006 to 2015 and was Chair of the Nominations Committee until 2016. She was Managing Director – Investment Banking at JP Morgan, from 1994 to 2001, prior to which she worked in corporate finance and as an investment analyst.

Other commitments

Non-Executive Director and Chair of Remuneration Committee at WHSmith plc, and Keywords Studios plc, and Senior Independent Director at abrdn New Dawn Investment Trust plc. Director of WA Capital Limited. Member of Chapter Zero, the Directors' Climate Forum and a regular attendee of its events.

10. Arja Taaveniku

Non-Executive Director

Independent

Appointed: February 2021

Key strengths

A former Chief Executive with a wealth of knowledge from international home retail businesses. Particular expertise in the strategic and operational development of customer propositions and product value chains, alongside environmental, social and governance initiatives.

Past experience

Arja was a member of the Group Executive at Kingfisher plc and Chief Executive of its subsidiary, Kingfisher International Products Limited from 2015 to 2018. Prior to that, she was Chief Executive of Ikano Group S.A. from 2012 to 2015, having previously held various leadership roles at IKEA Group from 1989 to 2012 including Global Business Area Director.

Other commitments

Chair of Svenska Handelsfastigheter AB and Polarn O. Pyret and Non-Executive Director at Handelsbanken Group. Member of Chapter Zero, the Director's Climate Forum, and a regular attendee of its events.

11. Vijay Talwar

Non-Executive Director

Independent

Appointed: October 2021

Key strengths

A proven business leader in driving significant digital and operational transformations. Broad international executive experience developed at consumer-facing, omni-channel businesses.

Past experience

Vijay was Chief Executive of ContextLogic Inc from February to September 2022. Prior to that, he was Chief Executive of Footlocker EMEA from 2019 to 2022 and President of Digital at Foot Locker from 2016 to 2019. Previously, he was President of Gifts/Special Occasions at Sears Holdings (2014 to 2016), held C-suite positions at Blue Nile from 2010 to 2014 and was Chief Executive at William J Clinton Foundation India (2008 to 2010). Vijay was COO for EMEA at Nike from 2002 to 2008.

Other commitments

Chief Digital Officer and Chief Customer Officer at Dufry AG.

12. Luisa Wright

Group General Counsel and Company Secretary

Appointed: November 2022

Key strengths

An accomplished general counsel, company secretary and regulatory adviser, with extensive plc experience built at consumer-facing digital, retail and technology companies.

Past experience

Luisa was Group General Counsel and Company Secretary of The Rank Group Plc from 2018 to 2022 and Group General Counsel and Company Secretary of Sportech Plc from 2011 to 2017. Prior to that, Luisa was a private practice lawyer at Olswang LLP (now CMS Cameron McKenna Nabarro Olswang LLP) from 2000 to 2011. Luisa qualified as a lawyer with Olswang LLP.

Other commitments

None.

Key

A	Audit and Risk Committee member
N	Nominations Committee member
R	Remuneration Committee member
●	Chair
I	Independent Director
D	Designated NED for colleague matters

Governance structure

We have always believed that good governance – in our words 'doing the right thing' – helps companies make better decisions for the benefit of all stakeholders. The framework below provides a high-level summary of our approach, illustrating where responsibilities fall so as to enable informed decision-making, effective oversight and clear accountability. Our framework also allows for delegation of specific matters to the appropriate committees.

The Board believes that good governance supports Dunelm's purpose, shared values and strategy, and is satisfied that these elements and Dunelm's culture are aligned.

Reports/recommends/informs

Reviews/challenges/approves

Group Board

The Board as a whole is responsible for the overall direction, performance and long-term success of the Group. It is responsible for setting and role modelling our purpose and shared values. It provides effective challenge to management on the execution of the strategy and is responsible for ensuring that the Group maintains effective risk management and internal control systems.

Board Committees

The Board is supported by three committees to which it has delegated certain matters in order to ensure that they receive the appropriate level of consideration. These committees support the Board in discharging its duties. Each of the committees operates under terms of reference approved by the Board, which are reviewed annually and can be found on the corporate website: corporate.dunelm.com.

Nominations Committee

Recommends appointments to the Board, keeps the composition of the Board under review, oversees the succession plans for the Board and senior management and promotes diversity on the Board and across the Group.

See page 74 for Nominations Committee report.

Audit and Risk Committee

Has oversight of the Group's financial and narrative reporting, assesses the effectiveness of internal control and risk management systems, monitors the independence of internal and external audit and manages the relationship with the external auditor.

See page 80 for Audit and Risk Committee report.

Remuneration Committee

Establishes the Remuneration Policy, determines the remuneration of the Executive Directors and Chair, oversees implementation of the Remuneration Policy and of remuneration policies and practices across the Group.

See page 88 for Remuneration Committee report.

Executive Team

The Board delegates responsibility for the day-to-day operational management of the Company to the CEO.

The CEO is supported by a team of executives who head each of the key function areas of the Group and form the Executive Team, which operates under the CEO's direction and leadership.

The Executive Team is, in turn, supported by three executive management committees, which provide updates to the Board, Audit and Risk Committee, Remuneration Committee and Executive Team as appropriate.

Risk and Resilience Committee

Oversees and reviews principal and operational risks, tracks key risk indicators and considers trends and matters of significance. Chaired by the CFO.

See page 48 for more information.

Pathway to Zero Steering Group

Manages and tracks progress of sustainability initiatives, including those relating to climate change. Chaired by the CEO.

See page 40 for more information.

Talent Committee

Oversees and develops succession planning at all levels of the business and monitors progress against our 'Know-Grow-Flow talent management initiative. Chaired by the Stores and People Director.

See our Sustainability Report 2023 for more information.

Each of the respective Executive-led committees are supported by working groups led by subject matter experts.

The Chair and Chief Executive have clearly defined roles which are separate and distinct. The specific duties and division of responsibilities between them have been agreed by the Board and are summarised below, together with information on the roles of the Senior Independent Director, the Executive Directors, the Non-Executive Directors and the Group General Counsel and Company Secretary. Further information can be found at corporate.dunelm.com.

Executive

Chief Executive Officer

- Proposing the strategic objectives of the Group for approval by the Board and delivering the strategic and financial objectives in line with the agreed purpose and strategy.
- Leading the Executive Team and senior leadership in managing the operational requirements of the business.
- Leading the climate change and sustainability objectives of the Group.
- Providing clear and visible leadership of our shared values.
- Effective and ongoing communication with colleagues and shareholders.

Chief Financial Officer

- Working with the CEO to develop and implement the Group's purpose and strategic objectives.
- Focusing on financial delivery and performance of the Group.
- Ensuring that the Group remains appropriately funded to pursue the strategic objectives.
- Ensuring proper financial controls and risk management of the Group and compliance with associated regulations.
- Leading on investor relations activities and communications with shareholders.

Deputy Chair

- Maintaining a close dialogue with the Chair and the CEO.
- Contributing to the development of the Group's purpose, culture and values by promoting and visibly demonstrating the Company's long-established shared values.
- Assisting the CEO in strategic and operational activities as requested.
- Supporting and deputising for the Chair as required.

Non-Executive

Chair

- Leading the Board and responsible for its effectiveness and governance.
- Setting the agenda, style and tone of Board discussions with a particular focus on strategic matters.
- Ensuring each Non-Executive Director makes an effective contribution to the Board.
- Ensuring that the Directors receive accurate, timely and clear information.
- Promoting a culture of openness and debate.
- Facilitating constructive Board relations.

Senior Independent Non-Executive Director

- Acting as a 'sounding board' for the Chair and an intermediary for the other Directors.
- Leading the Non-Executive Directors in their annual assessment of the Chair's performance.
- Available to shareholders, particularly if they have concerns that the normal channels have failed to resolve, or for which such contact would be inappropriate.
- Leading the Chair succession process.

Non-Executive Directors

- Providing constructive contribution and challenge to the development of strategy and ensuring that decisions are taken so as to promote the success of the Company in the interests of all stakeholders.
- Monitoring operational and financial performance and scrutiny of management performance in the delivery of strategic objectives.
- Providing oversight of financial and other control processes for risk management.

Governance

Group General Counsel and Company Secretary

- Supporting the Chair and the Non-Executive Directors with their responsibilities.
- Advising on corporate governance matters and regulatory compliance.
- Facilitating individual induction programmes for Directors and assisting with training needs as required.
- Assisting with communications with shareholders and organising the AGM.

Designated Non-Executive Director for colleague matters

- Engaging with colleagues (for example through the National Colleague Voice) to represent the 'colleague voice' at the Board.
- Monitoring the effectiveness of colleague engagement initiatives.
- Providing regular updates to the Board.

Governance structure continued

About our Board

The Board has agreed that our optimum number of Board Directors is between nine and eleven. It currently comprises eleven, with an independent Chair, four Executives/Non-Independent Directors, and six independent Non-Executive Directors. We consider that this structure provides a good mix of backgrounds and skills, enables the right level of independent challenge, and allows for effective decision-making. We maintain a clear division of responsibilities between the leadership of the Board and the executive leadership of the business, as articulated on the preceding page.

Schedule of matters reserved

Certain key matters requiring Board approval are set out in a formal schedule of matters reserved, which the Board reviews periodically. Examples of such matters include Group strategy and budget, Group capital structure, approval of financial results and the Annual Report and Accounts, significant capital or contractual commitments, ensuring maintenance of internal control and risk management systems and approval of significant Group-wide policies.

The schedule of matters reserved for the Board is available at corporate.dunelm.com.

Managing conflicts of interests

Directors are required to disclose any actual or potential conflicts of interest to the Board immediately as and when they arise throughout the year. These are considered by the Board and any authorisations given are recorded in the Board minutes and reviewed annually. In addition, a formal process is undertaken each year when all Directors confirm to the Board details of any other directorships and relevant information in connection with related parties.

The Board takes action to ensure that the influence of third parties does not compromise or override the independent judgement of the Board. Should Directors have any concerns about the operation of the Board or Dunelm management that cannot be resolved, these can be recorded in the Board minutes. If, upon resignation, any Non-Executive Director has concerns of this nature, they may provide a written statement to the Chair for circulation.

The Board considers that its procedures to approve actual and potential conflicts of interest, to ensure that any related party transactions involving Directors or their connected persons are conducted on an arm's length basis and to provide a communications channel for any unresolved concerns, are in place and operating effectively.

Director independence

The Board considers that Alison Brittain was independent on her appointment to the Board and subsequently as Chair. All Non-Executive Directors, with the exception of Marion Sears, are considered to be independent.

The Board has treated Marion Sears as a Non-Independent Non-Executive Director since September 2015 in view of her tenure of more than nine years on the Board, and her subsequent appointment as a Director of WA Capital Limited in March 2016.

WA Capital Limited is a private limited company established by Sir Will Adderley (the Deputy Chair, and major shareholder) to act as a long-term holding company for his beneficial interest in the Company and various other investments. The Dunelm Board has determined that this appointment does not affect her judgement as a Director of Dunelm, and that any potential conflict of interest has been cleared on the basis that WA Capital Limited and Sir Will Adderley are parties to a Relationship Agreement, details of which can be found in the Directors' report on page 119.

Re-election

In accordance with the UK Corporate Governance Code, all Directors will stand for re-election at the 2023 AGM.

Non-Executive Directors will be subject to a separate vote by shareholders independent of the Adderley family as required by the Listing Rules of the United Kingdom Listing Authority. Marion Sears will put herself forward for reappointment at the AGM by shareholders, independent of the Adderley family, as well as under a full shareholder vote.

Time commitment

The Board recognises the importance of individual members having sufficient time to discharge their duties. On behalf of the Board, the Nominations Committee has reviewed the time commitment of the Chair and each Non-Executive Director. The Board is satisfied that they each commit sufficient time to their duties to discharge their responsibilities effectively.

None of the Executive Directors hold any non-executive board positions at a FTSE 100 company.

Please see pages 61 to 63 for each Director's biography, which includes details of their other key commitments.

Induction and training

Upon joining the Board, each new Director is offered a comprehensive and tailored induction programme with visits to key sites and meetings with senior managers and other colleagues.

See page 76 for information on Alison Brittain's induction process.

The Group General Counsel and Company Secretary reports to the Board at each meeting on new legal, regulatory and governance developments that affect the Group and actions are agreed where needed. Directors attend seminars provided by independent organisations which cover a wide range of governance topics. As part of the annual Board evaluation, any additional training or development needs are addressed by the Chair with each Director. For details of the specific skills and experience of each Director, see the Directors' biographies on pages 61 to 63.

Advice and insurance

All Directors have access to the advice and services of the Group General Counsel and Company Secretary. In addition, Directors may seek legal advice at the Group's expense if they consider it necessary in connection with their duties. The Group purchases Directors' and Officers' liability insurance cover for its Directors.

Share buyback and Rule 9 waiver

Since the time of flotation of the Company, the members of the Adderley family, including Bill and Jean Adderley and Sir Will Adderley, have been considered to be acting in concert ('a Concert Party') for the purposes of Rule 9 of the City Code on Takeovers and Mergers (the 'Takeover Code').

At the date of this report, Sir Will Adderley controls 37.5% of the issued share capital of the Company, and the Concert Party controls 42.4%. Bill and Jean Adderley are no longer Directors of the Company or actively involved. Sir Will Adderley is a Director and Deputy Chair.

As usual we will be requesting authority to buy back up to 5 million shares (2.5% of our share capital) at the AGM. This authority is to allow the Company to purchase shares in order to satisfy future share option entitlements for Executives, excluding Sir Will Adderley. Given that it is expected that shares bought by Dunelm in the market will be reissued, no dilution or change of control should occur either for the Concert Party or for other shareholders. As Sir Will Adderley has a beneficial interest of above 30% of our share capital, and the interest of the Concert Party is less than 50%, we are required to ask shareholders to approve a waiver of Rule 9 of the Takeover Code. This waiver permits the Company to exercise its authority to buy back shares without triggering an obligation on Sir Will to make an offer to buy all of the shares in the Company. We understand that some shareholders have concerns about Rule 9 waivers in general and/or they may be bound by their voting policy to vote against the resolution. Nevertheless, we hope that shareholders will give this administrative matter full consideration and conclude that they can support the waiver, notwithstanding any internal voting policy. In this regard we would like to reassure shareholders that:

- Shares bought back by the Company would be held in treasury and used only to satisfy share option entitlements, and not cancelled.
- Since 2012, Sir Will Adderley no longer participates in the Long-Term Incentive Plan or any other share-based incentive plan, and therefore his shareholding will not increase through that mechanism.
- Since flotation of the Company in 2006, the Adderley family has reduced its holding from 67% to the current 42.4%.
- There has been a Relationship Agreement in place since flotation which provides safeguards to other shareholders – for details please see the Directors' report on page 119.

We therefore request that shareholders take into account our specific circumstances when making their voting decision on the waiver resolution, and hope that shareholders will support the Board's recommendation.

The Board has reviewed whether our policy to purchase shares in the market to satisfy share option entitlements (as opposed to issuing shares) is still appropriate; we believe that it is in the interests of our shareholder base as a whole as it avoids dilution of shareholdings, and it is supported by the majority of our institutional shareholders. We would like to reiterate that shares bought back by the Company will be held in treasury and used only to satisfy share option entitlements, and not cancelled. The Company purchased 908,064 of its own shares during FY23.

Risk

The Board has overall responsibility for the management of risk and for setting risk appetite. During the year the Board conducted a review of the Company's principal risks and approved the Group risk appetite.

See page 48 to 54 for the risk management framework and the Group's principal risks and uncertainties.

Board activities

Board activities during the year

The Board discharges its responsibilities through an annual programme of Board and Committee meetings, with additional ad hoc meetings as required to meet business needs. These are supplemented by visits to stores and other sites. Agendas are determined in advance to ensure that meetings are well-planned and time is allocated as appropriate. Papers are circulated ahead of time to ensure that Directors are able to review and arrive at meetings fully prepared.

At each meeting the CEO reports on strategic progress and operational performance (including customers, colleagues and health and safety) and the CFO reports on financial performance. A rolling agenda of other operational, strategic, sustainability, risk and governance matters is refreshed during the year as necessary to ensure the Board continues to focus on areas of priority, whilst also continuing to meet regulatory requirements.

The Board held nine formally scheduled meetings during FY23, as well as a full day dedicated to a review of strategy, details of which are set out page 70.

See page 60 for meeting attendance.

The Chair meets with the Non-Executive Directors at the end of each Board meeting. This is a useful way of exchanging views and dealing with any concerns or questions. In addition to this, the Chair and the other Non-Executive Directors regularly have informal, individual meetings with the Executive Directors and other senior managers in the business.

We measure the time spent by the Board on strategy, governance and operational performance at each meeting. Over the year, the biggest part of our time was spent on performance, followed by strategy and governance, which the Board considers to be appropriate in respect of FY23.

Our approach to section 172

Each of our Directors is mindful of their duties under section 172 of the Companies Act 2006 ('s.172') to run the Company for the long-term benefit of its shareholders and, in doing so, to consider the interests of its key stakeholders during its decision-making, and the impact of any of its decisions on stakeholder relationships, on the Company's reputation for high standards of business conduct, and on the environment.

The matters encompassed in s.172 touch on everything we do, at a Board level in our discussions and decision-making, and also at a business level by members of our Executive Team and the senior leadership team. More detail can be found on pages 70 and 71 where we provide examples of the 'Board in Action' and on pages 30 to 34 where we describe our key stakeholders and summarise how and why we engage with them more generally, what matters most to them, allocation of responsibility within the business and how we consider the effectiveness of our engagement.

The Board acknowledges that every decision it makes will not necessarily result in a positive outcome for all stakeholders. A key consideration when making decisions is for the Board to balance the sometimes conflicting needs of our stakeholders while considering the Company's purpose, values and strategic priorities, which ensures the Board's decision-making is consistent and in the best interests of the Company.

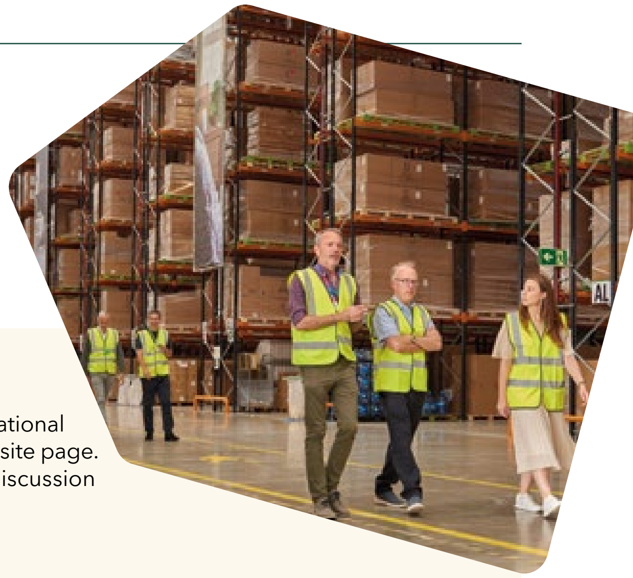
We actively engage with our major shareholder and institutional investors throughout the year to understand their views on a variety of topics. The AGM provides a valuable opportunity each year for all shareholders to hear from the Board, and for the Board to hear from our shareholders. This year's AGM will be held on 16 November 2023.

See page 35 for our s.172 statement.

Summary: keeping s.172 high on the Board's agenda

We ensure that the requirements of s172(1) Companies Act 2006 are met and the interests of our stakeholder groups are considered, challenged and debated through a combination of the following practical approaches:

- The Board carries out an annual review of strategy which assesses the long-term sustainable success of the Group and our impact on key stakeholders (see page 70 for more insight). Agenda items for the following year are based on the decisions and next steps agreed at this meeting.
- The Board's risk management procedures identify the principal and emerging risks facing the Group, and the mitigation in place to manage their impact. We consider these through a stakeholder lens as set out on pages 50 to 54.
- The Group General Counsel and Company Secretary references relevant s.172 factors against each agenda item in the minutes to ensure they remain at the forefront of Directors' minds when reflecting on discussions.
- The rolling Board agenda includes standing items to ensure that stakeholders are fully considered, including investor roadshow feedback, updates on people matters, the annual health and safety presentation, modern slavery and anti-bribery reporting and sustainability updates.
- There is a formal review of many of these topics through standard Audit and Risk Committee and Remuneration Committee agenda items, as described later in this report.
- The Board considers impact on key stakeholders when it reviews Group KPIs and requests additional information as appropriate.



FY23 Board activities

At each meeting the Board receives a report on strategic progress and operational and financial performance from the CEO and CFO as explained on the opposite page. We have set out below some of the other key activities, presentations and discussion points for the Board in FY23.

July 2022
- Tour of Daventry warehouse and hub, which opened in January 2022
- Customer operations[1]
- External FY22 Board evaluation output

Sept 2022
- Product, choice & value and Commercial initiatives[1]
- Principal risks
- Approved FY22 Annual Report and Accounts (inc TCFD report)
- NCV[2] feedback – financial wellbeing

Oct 2022
- Sustainability (see page 26)[1]
- Brand
- Investor feedback
- Modern Slavery Act statement

Nov 2022
- Approved appointment of Chair Designate
- Total retail system[1]
- Colleagues[1]
- NCV[2] feedback – community & charity

November 2022 – AGM

Jan 2023
- Annual H&S presentation
- Technology[1]
- Capital allocation framework
- NCV[2] – colleague safety

Feb 2023
- Approved interims announcement and dividend
- Principal risks
- Tax strategy

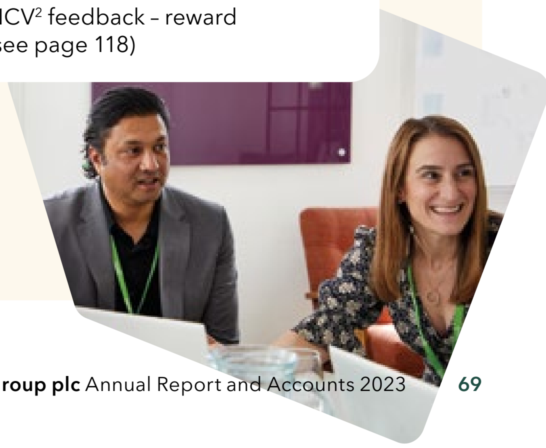
Mar 2023
- NED presentation on consumer landscape
- Product mastery[1]
- Customer operations[1]
- Sustainability[1]
- NCV[2] feedback – sustainability

May 2023 – Board Strategy Day
See page 70 for more information

May 2023
- Strategy day reflections
- NCV[2] feedback – reward (see page 118)

June 2023
- FY24 Budget
- Competitor landscape
- FY23 Board evaluation outcome

1 Indicates presentation by Executive Team/senior leadership.
2 NCV – National Colleague Voice.



Board activities continued

Board in action

Strategy review

The Board met in May 2023 for its annual strategy review. This year, key topics included consumer mega-trends, customer insights and market analysis, brand development and personalisation, the evolution of our store and furniture plans and reviewing our digital and data roadmaps.

Presentations were given by the Executive Team and members of the leadership team. This provided the opportunity for detailed discussions and a deeper understanding by the Board of our growth plans. It also enabled the Board to consider the strength of connections between the different parts of our business and ensure that we keep appropriate, continued focus on operational grip to support our overall customer value proposition.

The Board challenged management, amongst other things, on the extent of our headroom for continued growth and the plans to achieve it, whether even more can be done to improve our customer offer, the opportunities and risks presented by future trends, the role of our suppliers in delivering our ambitions and whether we can leverage technology further (and accelerate it) to drive business change and efficiencies. The Board acknowledged the importance of continued investment in technology, insights and data as key drivers to sustainable growth, as well as the value of ongoing engagement with our key stakeholders so as to ensure we really understand their views, how our actions are likely to impact them and consider this within our decision-making.

The Board welcomed management's refresh of the 'Plan on a Page' (see below), participated in a lively discussion on the importance of protecting our culture and identity and confirmed its support for an ambitious five-year growth plan. The agreed actions and takeaways for management were noted with updates to be provided by way of further presentations and deep dives by business area built into the Board agenda over the course of the next 12 months.

'Plan on a Page' refresh

At its strategy review, the Board was presented with a refreshed 'Plan on a Page', developed with input from the senior leadership team, and aimed at maintaining our focus on delivering long-term growth and creating value for our stakeholders. This year, there has a been an emphasis on understanding how we can seize the opportunities afforded by the post-pandemic world, whilst also being mindful of the current economic climate and challenges that it brings.

The Board considered that our purpose remains strong, influencing our Board and our colleagues in their decision-making and maintaining our focus on a sustainable business "for generations to come". The Board also considered that our *Customer 1st* focus and proposition continues to resonate strongly. However, it agreed with management's view that there is an opportunity to raise the bar on 'value' and 'joy' across all products, services and experiences that we offer to our customers. The Board also discussed the evolution of our previous focus areas into foundational strategic drivers that enable the customer offer, namely product mastery, a thriving total retail system which combines the advantages of both physical and digital retail, and our culture and identity.

The Board discussed the manner in which the refreshed plan took into account the different considerations of our key stakeholders, noting their respective interests and recognising the extent to which they are all represented. Further to this, the Board approved the refreshed 'Plan on a Page', noting that the effect of a clear articulation of strategy that resonates with all stakeholders creates a strong vision, and positions us well to create long-term value and sustainable growth.

Following the Board's review and approval, the CEO presented the refreshed plan to colleagues by way of a series of in-person and hybrid 'huddles', which formed part of a series of colleague events to reflect on the achievements of FY23 and look ahead to the opportunities for the business in the forthcoming year.

Sustainability – pathway to zero update

We remain fully committed to making a positive social impact and reducing environmental damage in our communities and supply chains. In October 2022 and March 2023, the Board received detailed updates on our progress during the year from the Head of Climate Change and other members of senior management on the three key areas of our pathway to zero roadmap: circularity, carbon, and community/customer, as well as an overview on our approach to governance and reporting.

The Board discussed targets and challenged progress made during the year. The Board also reflected on the views of and impact on our key stakeholders, recognising the need to continue to communicate, in the most meaningful and easily understood way, how we think about sustainability at Dunelm, our plans and our progress. The Board concluded that our sustainability-linked goals and activities remain aligned with our Group vision, purpose and strategy. However, we acknowledge that this work involves ongoing discovery, monitoring and horizon-scanning, and therefore discussion on a regular basis at Board level and by the senior leadership.

The Board will continue to receive KPI updates, reflections on feedback from stakeholder engagement and presentations and updates on regulatory developments in this area. Our CEO will continue to take the lead as Chair of our Pathway to Zero Steering Group.

More information can be found in our Sustainability Report 2023, available at corporate.dunelm.com.

Circularity

- Increased focus on designing products to be more circular.
- Environmental performance information received on over 80% of Tier 1 manufacturing suppliers.

Carbon

- Continued reduction in Scope 1 carbon emissions.
- Commenced transition of our HDN trunking vehicles to lower carbon fuel and trial for electric Made to Measure fitter vans.
- Scope 3 FY19 baseline and FY30 carbon reduction targets submitted to SBTi for verification[1].

Community/Customer

- Rolled out customer textile take-back service to 96% of stores.
- Launched 'Home to Home' trial for customers to donate pre-loved homewares for redistribution to those in need.

FY23 colleague support

Well-documented increasing cost-of-living pressures in FY23, which have been felt by all stakeholders, have been an important theme across Board discussions this year. They were particularly relevant to discussions on colleague pay, reward and support. The Board received a 'People' update at every meeting from the CEO and more detailed presentations during the year from the People and Stores Director, which provided additional context. Feedback from National Colleague Voice generally and following deep dive discussions on pay and reward, as well as the outcomes from our colleague engagement survey were also considered in our decision-making.

This year, we continued to focus on the large number of hourly-paid colleagues who work in our stores and distribution centres, and who were more likely to feel additional pressure. The Board supported the proposal to again implement the annual pay review for our warehouse and distribution colleagues early, in October 2022. For our other hourly-paid colleagues, we awarded a median increase of 9.6% in April 2023 so that we remain aligned to the National Living Wage rate set by the UK Government.

For monthly-paid colleagues, the annual pay review took place as usual in August 2023. The Board welcomed the continuation of last year's tiered approach, awarding the highest level of increases to colleagues on lower salaries and/or at more junior grades and the introduction of an annual bonus entitlement for the first time in FY24 for our most junior grade.

The Board was keen to ensure that other forms of support continued to be available to colleagues. In recent years, we have invested heavily in wellbeing benefits, such as the Dunelm Colleague Support Fund and mental health initiatives. Feedback this year provided a reminder that good communication of the availability of benefits and support is as important as having them in place. Further to this, the Board welcomed a significant uplift in the communication of assistance that is available, including the launch of a new personalised benefits portal to provide ease of visibility and access to the support that we offer. We also welcomed new initiatives, such as the Retail Trust's financial education tools, a Cost of Living hub on our colleague intranet offering financial tips and guidance and additional one-to-one wellbeing meetings for all colleagues.

In supporting this year's proposed pay increases, reward and support initiatives, the Board considered our purpose and values and the balance of short-term impact with long-term value creation. It concluded that the steps taken were essential to improving colleague engagement and supporting financial wellbeing and key factors towards improving our customer proposition, improving our ability to attract and retain talent and ultimately drive long-term benefit for all stakeholders.

1 We received confirmation after the year end that our near-term and net zero targets were approved. Our targets can be viewed on our corporate website: corporate.dunelm.com

Culture and values

Culture

Dunelm has an open and straightforward culture, with a focus on doing the right thing and taking decisions for the long term. This reflects the shared values instilled by the Adderley family, who founded our business over 40 years ago and are still our major shareholders. The Board has always been careful to ensure that we protect and retain this culture as the business grows and becomes more complex.

Our purpose is 'To help create the joy of truly feeling at home, now and for generations to come'. It informs our strategy, is underpinned by our shared values and is supported by our approach to sustainability (see our Sustainability Report 2023 for more information). We are committed to ensuring that the Company's actions are in keeping with our culture, values and purpose to drive long-term success.

Our shared values

Our shared values have inevitably evolved over time from the business principles formulated by Sir Will Adderley, our Deputy Chair, over a decade ago. However, that they have not changed significantly is testament to their strength and importance to the business.

We very much believe in setting the tone from the top and consider it the Board's responsibility to instil and maintain a culture of openness, integrity and transparency. We also expect our Directors and senior leadership team to role model our shared values and consider them within our decision-making and how we communicate with our stakeholders.

We believe that our shared values are an essential contributor towards driving the right behaviours and maintaining a positive culture of mutual respect, trust and constructive challenge.

Codes of Conduct, anti-bribery and other policies

Our shared values are also reflected in our Group policies, which are an important expression of how we look after our colleagues and how they should expect to be treated by others. These policies include a Code of Business Conduct and Colleague Code of Conduct, which set out specific standards of ethics and behaviour. These Codes make reference to a number of other policies and procedures that have to be followed, including Equality & Diversity, Health & Safety, Slavery and Human Trafficking Statement and Prevention of Modern Slavery, Ethical Code of Conduct for Suppliers and Partners, Tax Strategy, Whistleblowing and our privacy notices. Mandatory training is provided on all high-risk areas as part of induction and on an annual basis.

We are strongly opposed to any form of corruption or bribery and have controls in place that have been built around a clear understanding of how and where bribery risks could affect our business. This includes policies (such as our Anti-bribery & Anti-corruption policy), procedures such as conducting due diligence on suppliers, annual training for colleagues on bribery risks and an ongoing audit and assurance programme in respect of our suppliers. Bribery risk management is discussed at senior leadership meetings, including at the Risk and Resilience Committee, and also at the Audit and Risk Committee.

We also encourage any colleagues and other stakeholders with concerns to speak out and have facilitated this through our Whistleblowing policy, which enables reports to be submitted on a named or anonymous basis. Reports are kept strictly confidential and concerns identified are referred to appropriate managers within the Group for investigation. An analysis of reports is provided regularly to the Audit and Risk Committee.

Monitoring our culture

We aim to provide an environment that inspires, engages and develops all of our colleagues to reach their full potential. The Board engages directly with our colleagues in a number of ways that assist it in monitoring our culture as described below, including by means of our colleague representative body, National Colleague Voice (see page 32 for more information).

People and culture is one of our principal risks, which are considered formally by the Executive Team and Board of Directors twice a year with relevant trends tracked and discussed as appropriate. For more information on our People and Culture risk see page 52.

Culture is also monitored by way of regular reporting to the Group Board and Executive Team, by way of specific 'People' reports (covering engagement, retention, gender pay and diversity, amongst other things) and others that are indicative of culture, such as health and safety and whistleblowing. The Nominations Committee supports the Board in reviewing culture, diversity, inclusion and talent management and the Remuneration Committee in assessing executive performance.

Finally, we encourage our Directors, Executive Team and senior leadership to ensure that they regularly interact in-person with colleagues working in all areas of our business. By engaging with, listening to, respecting and responding to our colleagues, we inspire them to be the best that they can, deliver the best experience to our customers and deliver our strategy.

Our shared values in action

Act like owners

- Sharesave and incentive plans
- Own growth talent pool
- Risk management and governance frameworks
- Delegation of authority

Keep listening and learning

- National Colleague Voice
- Colleague engagement survey and pulse
- Monthly CEO-led and weekly team huddles
- Events organised by our four Diversity Networks
- Whistleblowing helpline
- Regular communications and updates via *Home Comforts* intranet
- Mentorship programme

Stronger together

- Diversity networks
- Codes of Conduct (Business, Colleague and Ethical)
- Colleague development fund
- Cost of living hub in *Home Comforts*
- Wellbeing buddies
- Colleague Support Fund

Longer term thinking

- Investment in technology
- Digitalising the business
- Focus on succession planning
- Leadership development programme
- Net Zero commitments and plans

Composition, succession and evaluation

Nominations Committee report

Role and principal duties

The Nominations Committee is responsible for leading the process for Board appointments, ensuring appropriate succession plans are in place, and overseeing the development of a diverse talent pipeline. Its principal duties include:

- Reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board, ensuring it remains effective and suited to the Company's strategic priorities.
- Ensuring plans are in place for an orderly succession to Board and senior management positions and overseeing the development of a diverse pipeline for succession.
- Keeping under review the leadership needs of the business with a view to ensuring its continued ability to compete effectively in the marketplace.
- Identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- Leading a rigorous and transparent process for Board appointments.
- Keeping under review demands on Directors' time.

The Committee's full terms of reference can be found at: corporate.dunelm.com.

Alison Brittain
Chair of the Nominations Committee

Committee membership
Alison Brittain (Chair)
Sir Will Adderley
Ian Bull
Kelly Devine
William Reeve
Peter Ruis
Marion Sears
Arja Taaveniku
Vijay Talwar

See page 60 for meeting attendance.

On behalf of the Nominations Committee ('Committee'), I am pleased to present the Nominations Committee report for the year ended 1 July 2023, my first as its Chair. It has been a busy year for the Committee, with a strong emphasis on reviewing skills and succession planning.

Board skills review

We believe that Directors should bring a mix of skills, experience and a variety of perspectives to our Board; this helps facilitate constructive discussion and effective, balanced decision-making. Having made four new Board appointments in the last two financial years, we felt it important this year to conduct a detailed skills review exercise. Our conclusion was that the Board is well-balanced, providing an appropriate blend of executive and non-executive skills and a collective competence to meet the Company's needs and deliver its strategy.

Succession planning

We are committed to reviewing and updating our succession plans on a regular basis to support the development of a diverse pipeline of talented people to ensure the long-term success of the Company.

We conducted a full review during the year, with a particular focus on our leadership team plans and the talent pipeline for senior management positions.

We also focused on succession planning for Non-Executive Directors, mindful that each of William Reeve (who is also our Senior Independent Director and Chair of the Remuneration Committee) and Peter Ruis will have completed nine years on the Board in 2024. We continue to believe that the optimal size of our Board is between nine and eleven Directors; this enables us to meet our requirements for governance, independence and diversity, while fostering a cohesive culture that enables all Board members to contribute fully. Further to this and taking into account the in-depth skills review work undertaken during the year, we will commence a search for at least one new Non-Executive Director this autumn.

Diversity and inclusion

We continue to develop our diversity and inclusion policy and are committed to enhancing diversity within our talent pipeline and the business more generally. We expect everyone to play their part in ensuring we are both a truly diverse and inclusive business where differences are respected, and everyone's contributions are valued. We aspire to achieve a colleague base that is reflective of society, and provides opportunity for all, regardless of background, ethnicity, gender, sexual orientation, disability or age.

The Committee has welcomed the ongoing development of our four colleague networks this year: disability & neurodiversity, ethnicity & race, LGBTQ+ and gender equality. It is evident that our networks empower our colleagues, who can see how they can and are making a difference. Their work is supported by a range of initiatives that have continued to take place across the business and has resulted in demonstrable action and change, including the introduction of new parenthood and menopause policies, new tools and equipment to enable greater accessibility and events that celebrate our differences. More details on our colleague networks and FY23 initiatives can be found in our Sustainability Report 2023.

From a Board perspective, I am pleased to report that we comply with the targets set out in the Listing Rules, with 45% of the Board being women, two senior Board positions held by women and one member of the Board from an ethnic minority background. We are also in alignment with the requirements of the FTSE Women Leaders Review and Parker Review. Nevertheless, we continue to reflect on our approach to diversity and inclusion at a Board level, including in respect of each Board Committee. Please see page 79 for our first annual statement on Board and management diversity metrics.

Board evaluation

Finally, having conducted a full external evaluation process last year, this year's Board and Committee evaluation was undertaken internally. Further details of the process and a summary of the Board outcome can be found on page 78, and in respect of the Committee on page 79. Overall, I am pleased to confirm the view of the Directors that the Board and each Committee is operating effectively.

I look forward to meeting shareholders at our Annual General Meeting on 16 November 2023.

Alison Brittain
Chair of the Nominations Committee
20 September 2023

Committee composition and governance

The majority of the Committee is independent, with its members comprising six independent Non-Executive Directors, the independent Chair of the Board, one non-independent Non-Executive Director and the Board's non-independent Deputy Chair. Alison Brittain took over as Chair on 1 January 2023 following the retirement of Andy Harrison from the Board.

Only members of the Committee have the right to attend Committee meetings. Other individuals, such as the CEO and People and Stores Director are invited to attend all or part of the meetings as appropriate. No Director attends that part of a meeting during which his or her own position is discussed. The Group General Counsel and Company Secretary acts as secretary to the Committee and attends all meetings.

During FY23, the Committee met formally four times, with a further two meetings taking place specifically in relation to Alison Brittain's appointment as Chair Designate and then Chair. The agenda for each meeting is based on a standing agenda for the financial year but tailored and updated throughout as appropriate.

Nominations Committee report continued

Director appointment in FY23

Alison Brittain was appointed to the Board in FY23, joining in September 2022 as an independent Non-Executive Director and Chair Designate. She succeeded Andy Harrison as Chair of the Board and this Committee on 1 January 2023.

The process for Alison's appointment was led by William Reeve, the Senior Independent Director. An external search firm, Russell Reynolds, was appointed to assist with the search. Russell Reynolds has no other connection with the Company or any Director. They sought the input of the Directors before drawing up a role specification that was approved by the Committee. The brief was for an experienced business leader, who has worked in a range of large, consumer-facing businesses and has a track record of delivering growth. The Committee also sought an individual whose personal values are aligned to our own. William Reeve and other Committee members interviewed shortlisted candidates, and all members of the Board met with the preferred candidate and gave their unanimous support. The Committee therefore recommended to the Board that Alison Brittain be appointed to join the Board in September 2022, with the aim of succeeding Andy Harrison as Chair early in 2023. In November 2022, the Committee (without Alison Brittain or Andy Harrison present) confirmed its recommendation to the Board that Alison be appointed Chair with effect from 1 January 2023.

Alison Brittain's biography can be found on page 61.

Induction of Chair Designate

Each new Board Director receives a full and tailored induction, led by the Chair and Group General Counsel and Company Secretary. Alison Brittain's induction when she joined the Board on 7 September 2022 included the following:

Meetings with all members of the Board.
- Chair provided an overview of the Board and its annual programme of meetings.
- CEO discussed the strategy and 'Plan on a Page'.
- Committee Chairs discussed how the Committees operate and matters of significance.
- CFO provided a summary of the Group's financial performance and future plans.

Meetings with Executive Team and senior leadership team.
- Introduction to management structure, business operations, focus areas and performance.
- Introduction to key opportunities and risks in each area of the business.
- Group General Counsel and Company Secretary provided an overview of the governance framework and corporate structure.

Meetings with other colleagues and site visits.
- Deep dives with the Finance and Tech leadership teams.
- Visits to our logistics and manufacturing centres.
- Visits to stores and introductions to key suppliers.
- Attended National Colleague Voice meeting to develop an understanding of the views of colleagues.
- Engaged more broadly with colleagues by participating in a Q&A session for the INSPIRE Programme, set up for colleagues with strong growth potential.

Key advisers
- Meetings with external and internal auditors, brokers and other advisers.

Board appointment process

For Board appointments we generally follow a well-established process, adapted where necessary to account for specific skills required and circumstances, as follows:

- Detailed role and person specification drawn up by the Nominations Committee.
- Independent external search consultant appointed to conduct the process.
- Equal number of male and female candidates feature on the longlist as standard practice, and emphasis placed on presentation of a diverse candidate list.
- Initial candidates meet with Chair and at least one other Board member. Shortlisted candidates meet with other Board members as appropriate.
- Extensive references taken and, for Non-Executive Directors, an assessment of candidates' other commitments to ensure that they have sufficient time to dedicate to Board member duties.
- Nominations Committee makes recommendation to the Board for final approval.

Succession planning

Non-Executive Director succession

During the year, the Committee undertook a detailed skills review. Amongst other things, it considered the knowledge, experience, length of service and performance of Directors, our diversity and inclusion policy and the balance of skills on the Board as a whole. This work has provided a framework for considering the skills on which there should be more focus in considering new appointments to the Board.

Executive Director succession

In line with best practice, the Committee continued to review and refresh its CEO and CFO succession plans. The Committee determined during the year to set up working groups, facilitated by the People and Stores Director, to undertake this work, which included a market mapping exercise. This was presented back to the Committee and will form the basis for reviews of these plans in the future.

Senior leadership succession

During the year, the Committee considered succession plans for the Executive Team and the talent pipeline for senior leadership roles. The Committee also received updates on the progress of our 'Know-Grow-Flow' programme, which is designed to ensure that talented individuals with diverse skills and backgrounds can thrive and offering them opportunities to progress within the Group. This work has resulted in a clearer understanding of capabilities and a stronger pipeline for succession.

Board effectiveness review

An evaluation of the Board, its Committees and individual Directors is carried out each year. The review helps to identify areas for improvement, informs training plans for our Directors and identifies areas of knowledge, expertise or diversity which should be considered in our succession plans. Each Director also goes through a performance review process with the Chair on an annual basis. The Senior Independent Director and Deputy Chair review the performance of the Chair.

The progress made against our FY22 evaluation is set out below.

The approach taken to our FY23 evaluation and a high level summary of the key actions agreed following the Board review are set out on the following page.

FY22 Board evaluation

The FY22 Board evaluation was externally facilitated by Lorna Parker, a Board evaluation specialist who had facilitated such reviews for the Company previously. As set out in last year's report, the Board agreed on a number of areas that it wished to focus on as a result of the review, progress against which is set out in the table below.

Topic	Outcome and recommendations from FY22 evaluation	Actions implemented in FY23
Strategy development	• Continue to carefully balance time spent on activities promoting 'value creation' with the 'value protection' role of the Board. • Ensure that more time is set aside to discuss long-term, strategic topics, in the context of the risk appetite and ambition of the Board. • Increase the amount of time available for less formal, discursive interactions. • Continue to invite external speakers, to build knowledge on strategic topics and stimulate discussion.	• Standing agenda items and allocation of time to topics at each meeting reviewed. • Directors provided with opportunities during the year for less formal discussions. • External speakers invited to present to the Board during the year.
NED involvement in the business	• Set aside agenda time for NEDs to share their experiences on a topic of mutual interest. • NEDs are encouraged to spend more time interacting with colleagues in the business outside of formal meetings, for example through attendance at National Colleague Voice meetings and on-site meetings with the leadership team.	• NEDs presented on specific topics to the Board during the year. • NEDs committed to spending more time with senior leaders to facilitate their development and have attended National Colleague Voice meetings during the year.
Talent and succession	• Continue to build visibility of talent management and succession for the Executive Team and other senior roles through the Nominations Committee and Board discussions.	• Presentations received on talent management and refreshed approach to succession planning implemented.
Meetings and other interactions	• Adapt the meeting schedule to have fewer and longer 'in person' meetings focused on strategy development, using remote meetings for more routine or transactional matters.	• Board meetings now a mix of in-person and online meetings, with agendas tailored appropriately.

Nominations Committee report continued

FY23 Board evaluation

Given that an external evaluation was carried out last year, this year the review was conducted internally. Each Director completed a questionnaire in respect of the Board and each Committee of which they were a member or otherwise attended meetings on a regular basis. The Group General Counsel and Company Secretary collated the responses and shared them with the Chair and each respective Committee Chair. An executive summary with the key findings was then shared, alongside each report, with the Board and each Committee's members for discussion. The key themes and outcomes from the Board review were as follows:

Theme	Outcomes
Succession planning	• Acknowledgement that the appointment of new NED(s) to the Board, and to the roles of Senior Independent Director and Chair of the Remuneration Committee when William Reeve and Peter Ruis step down in 2024, is a priority. • Continue to focus on succession plans and capability development for key senior positions.
Stakeholder engagement	• Undertake a more detailed review of supplier relationships and consider increased supplier engagement at Board level to further develop understanding of opportunities and risks.
ESG-related risks and opportunities	• Continue to support management in refining our ESG strategy and approach and ensure that it remains relevant to our strategy. Provide feedback on reporting and share wider learnings and experience.
Testing the Company's strategy and ambitions	• Include key topics raised by the Board at the Strategy Day in May on the agenda for the forthcoming year. • Continue to constructively challenge the Executive Team in order to maintain our focus on driving long-term growth.

Overall, the results of the FY23 evaluation were very positive, with no major concerns or issues raised. High scores reflected a strong and positive culture and an effective and well-managed Board, and the comments are being used to help shape the Board agenda and its priorities in FY24. It was also confirmed that each Director continues to make an effective contribution to the Board, is well-prepared and demonstrates commitment to their role.

Diversity & inclusion

Policy

Our overriding aim is to ensure that the Board and Company comprise outstanding people and teams who can lead the business effectively in a manner aligned to our purpose, shared values and strategy. We believe that the Group's best interests are served by ensuring that our people represent a range of skills, experiences, backgrounds and perspectives.

This is encapsulated in our 'stronger together' shared value and the inclusion of 'Culture and Identity' (being an ambitious and inclusive brand and organisation) as one of our three strategic drivers to deliver further growth.

In order to achieve this aim, we remain focused on three broad principles:

- refining the way we recruit.
- identifying, supporting and mentoring existing diverse talent in the business.
- increasing diversity amongst senior appointments as they are made, including to our Board and each of its Committees.

In line with this approach, the Committee:

- is committed to ensuring that the Board is at least 40% female, that at least one of the Chair, Senior Independent Director, CEO and CFO positions is held by a woman and at least one Board Director is from an ethnically diverse background.
- receives update on our approach to recruitment at all levels of the business as part of its oversight of colleague policies and practices.
- continues to require that specific effort is made to bring forward diverse candidates for senior management and Board appointments.
- monitors the Group's approach to people development to ensure that it continues to enable talented individuals, regardless of gender, marital status, sexual orientation, disability, race, religion, colour, nationality, ethnic origin, or age to enjoy career progression within Dunelm.

Board

At a Board level, the Listing Rules prescribe diversity targets, which are met as follows:

Target	Compliance
At least 40% of the Board are women	45% of our Board are women
At least one of the senior Board positions is held by a woman	Alison Brittain is our Chair and Karen Witts is our CFO
At least one member of the Board is from a minority ethnic background	Vijay Talwar joined the Board in October 2021

Group

At a senior leadership level, we have strong representation of women with 62% of our Executive Team and 41% of our senior leadership roles being held by women. Dunelm published its sixth Gender Pay Gap Report in April 2023, and an overview is provided in our Sustainability Report 2023. Both documents are available to download at corporate.dunelm.com.

In order to ensure appropriate focus on ethnic representation and to continue to drive greater ethnic representation in leadership roles, work has continued to collect ethnicity data. In addition, we have introduced an ethnic diversity target of 8% of our role-model leaders into this year's LTIP grant (see page 116 for more detail). The Committee supports management's commitment to achieve this target and will track progress.

Our equality and diversity policy can be found at: corporate.dunelm.com.

Committee effectiveness

The effectiveness of the Committee was considered as part of this year's Board evaluation process, more details of which can be found opposite on page 78. The review concluded that the Committee continues to operate effectively and having considered the findings, it was agreed that particular areas of focus during the forthcoming year should be:

1. Continuing to assess the appropriateness and effectiveness of succession plans;
2. Reviewing information provided to the Committee to further enhance visibility of talent management and development; and
3. Reviewing emphasis placed on diversity and inclusion in appointment and succession plans.

Annual statement on Board and Executive Team diversity targets

Our Board and Executive Team gender and ethnicity data is provided below in accordance with UK Listing Rule 9.8.6R(10) as at 1 July 2023. Diversity data is collected for Executive Team members via the engagement survey. At the end of the financial year, the Board was asked to confirm which ethnicity category they identified with in the table below.

Gender	Group Board			Executive Team[1]	
	Number of Board members	Percentage on the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Team	Percentage of Executive Team
Men	6	55%	2	3	38%
Women	5	45%	2	5	62%
Not specified/prefer not to say	–	–	–	–	–

Ethnicity	Group Board			Executive Team[1]	
	Number of Board members	Percentage on the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Team	Percentage of Executive Team
White British or other white groups (including minority-white groups)	10	91%	4	8	100%
Mixed/multiple ethnic groups	–	–	–	–	–
Asian/Asian British	1	9%	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic groups including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

1 Both the CEO and CFO are members of the Executive Team.

Audit, risk and internal control

Audit and Risk Committee report

Role and principal duties

The role of the Audit and Risk Committee is to support the Board in fulfilling its corporate governance and reporting obligations as to the effectiveness of Dunelm's risk management systems, internal controls and financial reporting Its principal duties include:

- Monitoring the integrity of the Group's financial statements and public announcements relating to financial performance.
- Reviewing and challenging key accounting policies and judgements.
- Monitoring the effectiveness of internal controls and the process for identifying and managing risk.
- Reviewing and approving statements in the annual report concerning internal control, risk management (including the assessment of principal risks), and the viability statement.
- Approving and overseeing delivery of the internal audit plan. Monitoring and reviewing the role and effectiveness of the internal audit function and process, ensuring its ability to exercise independent judgement.
- Overseeing the relationship with the external auditor, agreeing the audit fee and terms of engagement.
- Reviewing and monitoring the external auditor's reports, performance, effectiveness and independence.

The Committee's full terms of reference can be found at: corporate.dunelm.com.

Ian Bull
Chair of the Audit and Risk Committee

Committee membership
Ian Bull (Chair)
Kelly Devine
William Reeve
Peter Ruis
Vijay Talwar
Arja Taaveniku

See page 60 for meeting attendance.

On behalf of the Audit and Risk Committee ('Committee'), I am pleased to present the Audit and Risk Committee report for the year ended 1 July 2023. The report explains how the Committee has discharged its responsibilities and provides an overview of its main activities during the year, the key highlights of which are set out below.

Consideration of significant issues and judgements

During the year, the Committee examined the application of current and likely accounting and reporting standards. Careful scrutiny was given to judgemental items, assessing their appropriateness and consistency over time as noted on page 82. As part of our work, we considered and reflected on the previous year's external audit control observations, ensuring that any relevant recommendations were acted upon by management as agreed with the Committee.

Risk management and internal control systems

The Board has overall responsibility for our risk management framework, but delegates authority to the Committee for the effective management of risk across the Group and monitoring of material internal controls. During the year, the Committee received regular updates on work to further improve and strengthen our risk management processes and internal control environment.

We received regular updates on the Group's principal and emerging risks and mitigation strategies via a suite of Key Risk Indicators ('KRI'), enabling the Committee to oversee enterprise risk and focus its attention on key risk areas and movements. We also received updates from the CFO as chair of the Risk and Resilience Committee, which provided the Committee with an additional level of assurance and deeper insight at an operational level.

Management also provided the Committee with updates throughout the year on internal control enhancements and we have welcomed the implementation of new software to enable balance substantiation, updated controls mapping of key financial processes and continued investment in our cyber security capabilities. Our ongoing multi-year project to improve processes and controls in the commercial function has continued to make solid progress, with dedicated resource and governance.

Internal audit reviews

KPMG have completed their third year as our internal auditor. During the year they completed reports on supply chain, stock returns and ESG processes, amongst others. Management is working through the various recommendations, as well as those from previous reports, and an update on progress is provided at every Committee meeting. We seek to ensure that each year the internal audit plan is aligned with the Group's strategic priorities and key risks and were pleased that there were no "high" findings in any of this year's reports. We continue to review our strategy and assurance map to prioritise our internal audit approach.

See page 86 for more information on work undertaken this year by our internal auditor.

External audit tender

As reported last year, and in line with our audit rotation policy, we undertook a competitive audit tender process during the year. The process was informed by the Financial Reporting Council's ('FRC') guidance on audit tendering and, with due regard to the Government's proposed audit reforms, we invited five firms, including three challenger firms, to participate. Following the conclusion of the tender, the Board approved the reappointment of PwC as our external auditor and PwC has expressed its willingness to continue in role. This appointment is subject to shareholder approval at the Company's 2023 Annual General Meeting.

See page 84 for more information on the external audit tender process.

Following completion of PwC's FY22 audit, the Committee was informed that the FRC's Audit Quality Review team had chosen the Group's audit for its review. The Committee has received a copy of the review and was pleased to note that it did not identify any key findings and only a limited number of improvements were required.

Sustainability reporting

We continue to focus on progress against existing and forthcoming sustainability-related reporting requirements, including those of the International Sustainability Standards Board ('ISSB'). In particular, the Committee has had oversight of management's planning for this year's disclosure requirements, including work to progress our understanding and improve the data quality inputs into the Scope 3 calculations. This has led to a revised baseline, described in more detail on page 85 and we are pleased to confirm that we are reporting this year on all areas of the Task Force on Climate-related Financial Disclosures ('TCFD') framework.

Developments in corporate reporting

The Board and the Committee support measures that increase the quality of governance, audit and transparency for the benefit of our shareholders and other stakeholders. We have continued to consider matters that are likely to be implemented as part of the corporate governance and audit reforms now being led by the Department for Business and Trade (including our approach to the implementation of an audit and assurance policy and the other requirements set out in the Draft Companies (Strategic Report and Directors' Report) (Amendment) Regulations 2023), whilst maintaining a watching brief as we wait to see how the proposals and timelines for their implementation unfold.

It has again been a busy year, and I would like to take this opportunity to thank my fellow Committee members for their hard work and support and our Executive Team and senior leadership for their constructive engagement. I look forward to answering any shareholder questions on the activities of the Committee at the AGM.

Ian Bull
Chair of the Audit and Risk Committee
20 September 2023

Audit and Risk Committee report continued

Committee composition and governance

The Committee is composed solely of independent Non-Executive Directors, and was throughout FY23. The Board is satisfied that they demonstrate a breadth of knowledge and experience, including sector expertise, to enable the Committee to fulfil its duties. Both Ian Bull and Vijay Talwar are considered by the Board to have recent and relevant financial experience and to be competent in auditing and accounting. Ian, who has chaired the Committee since he joined the Board in 2019, is a Fellow of the Chartered Institute of Management Accountants with over 20 years' business and financial experience in leading consumer-facing businesses. Vijay, who joined the Committee in October 2021, is a Certified Public Accountant.

Only members of the Committee have the right to attend Committee meetings. Other Board Directors, as well as the Group Finance Director, Chief Technology and Information Officer, Head of Cyber Security, representatives of PwC (external audit) and representatives of KPMG (internal audit) are invited to attend all or part of meetings, as appropriate. The Group General Counsel and Company Secretary acts as secretary to the Committee and attends all meetings.

During the year, the Committee met three times (with a minimum of four meetings scheduled for FY24). Meetings are generally scheduled in line with key times in the Company's financial reporting calendar. The Committee maintains a rolling calendar of items for consideration at each meeting and reviews and updates it regularly. The external auditor and the internal auditor are provided with the opportunity at each meeting to discuss matters without the presence of management. Furthermore, the Committee Chair meets with the external audit and internal audit partners outside of meetings.

Key judgements and financial reporting matters

A key aspect of the Committee's work is monitoring the integrity of the annual and interim reports, including a review of the significant financial reporting matters and judgements contained in them. Key accounting judgements considered, conclusions reached and their financial impacts during the year under review are set out below.

Provisions for inventory

The Committee discussed in detail the approach taken by management to provisions for inventory. Particular attention was given to reviewing the provision for obsolete, slow-moving or discontinued inventories including the utilisation of provisions reported in prior periods. The Committee noted that there was a high degree of consistency in the methodology applied by management, with updated inputs based on trading experience. The Committee concurred with management's conclusions that the values recorded in the financial statements are appropriate.

Other accounting matters

The Committee received regular updates on management's assessment of impairment triggers as required under IFRS and it was noted that there have been none identified in FY23. The Committee also noted that there is no material change in deferred tax assets and the Group has no uncertain tax provisions.

Going concern and viability statement

The Directors must determine that the business has adequate resources to continue in operational existence and as such can continue to adopt the 'going concern' basis of accounting. Furthermore, the Directors are required to make a statement in this Annual Report as to the longer-term viability of the Company.

The Committee conducted an assessment pursuant to which the Directors were able to conclude that it is appropriate to prepare the financial statements on a going concern basis. They reviewed financial models (including downside scenarios and a reverse stress test), taking time to understand and challenge, where necessary, significant judgements and assumptions in the modelling, the reverse stress test model and covenant and liquidity headroom.

The Committee also evaluated management's work in conducting a robust assessment of the Company's longer-term viability. It affirmed the reasonableness of the assumptions, considered whether a viability period of five financial years remained most appropriate, and confirmed that it was as part of a recommendation to the Board.

See page 55 for going concern and viability statements.

Fair, balanced and understandable

The Committee reviews the financial statements set out in the Company's annual and interim results and reports its findings and recommendations to the Board. The Board considers the recommendations of the Committee, the representations made by management and the views of the internal and external auditors in order to satisfy itself of the integrity of the narrative and financial statements and to determine whether the financial and narrative statements when taken together present a fair, balanced and understandable assessment of the Company's position and prospects.

Robust year-end governance processes, performed in parallel with the formal process undertaken by the external auditor, are in place to support this and include:

- Project management by the Head of FP&A and Investor Relations, working with a cross-functional team including the Group General Counsel and Company Secretary and communications specialists, and overseen by the CFO.
- Internal verification by the finance team of non-financial factual statements, key performance indicators and descriptions used within the narrative.
- Engagement with, and feedback from, senior management on proposed content and changes.

- Feedback from external parties (including remuneration advisers and the external auditor) to enhance the quality of reporting.
- Opportunities for the Committee to challenge management and the external auditor on the process and content of the report before it is tabled to the Board for approval.

The Board considers that, taken as a whole, the Annual Report and Accounts 2023 is fair, balanced and understandable. The Board further believes that the Annual Report and Accounts 2023 provides the necessary information for shareholders to adequately assess the Company's position and performance, business model and strategy.

External auditor

The Committee is responsible for overseeing the relationship with the external auditor, including recommending to the Board their appointment, reappointment and removal, assessing their independence on an ongoing basis, and approving the statutory audit fees. The Committee notes the publication in May 2023 of the FRC's Audit Committees and the External Audit: Minimum Standard.

PwC have been the Company's external auditor since 2014. The lead audit partner, Mark Skedgel, has been in post since the FY19 audit and is stepping down in September 2023 after completion of the FY23 audit, with Gill Hinks taking over in respect of FY24.

There are no contractual obligations that restrict the Committee's choice of external auditor.

The external audit

PwC is engaged to express an opinion on the financial statements. It reviews the data contained in the financial statements to the extent necessary to express its opinion. It discusses with management the reporting of results and the financial position of the Company and presents findings to the Committee. Where it makes recommendations in its report to the Committee, the Committee reviews them and agrees with management the manner and extent to which they should be implemented.

Each of the Directors in office at the date of this report is not aware of any relevant information that has not been made available to PwC and each Director has taken steps to be aware of all such information and to ensure it is available to PwC. PwC's audit report is published on pages 126 to 131. Fees paid to PwC for its FY23 audit work were £327,000 (2022: £301,500).

Auditor effectiveness

It is the responsibility of the Committee to assess the effectiveness and independence of the external audit process. The assessment is conducted in accordance with a process agreed with the Committee, which involves seeking the views of the Committee, as well as those of colleagues who have regular interactions with the external auditor. The Committee was provided with a summary of the responses received in respect of the FY22 audit to assist with its considerations.

Feedback overall was positive. It was agreed that the audit partner provided effective leadership and the audit team demonstrated a good understanding of Dunelm, the retail sector, and the challenges that we face. A common theme was the ongoing development of ways of working and use of new digital tools to assist in the efficient and timely completion of actions arising, in particular from ad hoc or follow on requests.

Having conducted its review, and also bearing in mind the quality of interactions during the year, the Committee concluded that PwC had applied appropriately robust challenge and professional scepticism throughout the audit to demonstrate independence, that it possessed the skills and experience required to fulfil its duties effectively and efficiently, and that the audit was effective.

Following completion of PwC's FY22 audit, the Committee was informed that the FRC's Audit Quality Review team had chosen the Group's audit for its review. The Committee has received a copy of the review and was pleased to note that it did not identify any key findings and only a limited number of improvements were required.

The Committee will formally assess PwC's performance in relation to the FY23 audit following its completion. The FY23 assessment will include the review of a number of defined Audit Quality Indicators agreed between management and PwC and approved by the Committee during the year in order to assist the Committee in its assessment of the quality of the audit going forwards.

Safeguarding auditor independence and objectivity

The Committee recognises the importance of ensuring that the independence and objectivity of the external auditor is not impaired through the provision of non-audit services. We have in place robust policies on the use of auditors for non-audit work and the recruitment of former employees of the external auditor, which can be found on our website at corporate.dunelm.com. These include the following:

- Fees for non-audit services provided by the statutory auditor in any year may not exceed 70% of the average fees for the Group statutory audit in the three previous years.
- The auditor is prohibited from providing certain non-audit services, including almost all tax work, internal audit, corporate finance, and involvement in management activities.
- The external auditor may not be engaged to provide any non-audit services without the approval of the Committee.
- Restrictions apply to the employment of senior members of the audit team by the Company.

During the period we paid PwC £46,000 (2022: £42,000) for their review of the interim financial statements (considered to be a non-audit service). This was 12.3% of the total audit fees, and the three-year average is 12.7%. No other non-audit services were provided by the external auditor.

The Committee can confirm that the policies referred to above were complied with throughout the year and, in its opinion, the external auditor remains independent.

Audit and Risk Committee report continued

External audit tender

Our auditor rotation policy is that we will tender the audit at least once every ten years, we will change auditor at least every 20 years, and we will invite at least one firm outside the 'Big Four' to participate. Further to this, and consistent with the proposal set out in last year's report, the Committee commenced a competitive tender process in H1 FY23 for the FY24 statutory audit.

The Committee agreed to undertake the tender at its meeting in June 2022 and established a working group comprising the Committee Chair, Arja Taaveniku, Vijay Talwar, the CFO and the Director of Group Finance. The working group determined the process, with due regard to the FRC's guidance on audit tendering and the Government's response in May 2022 to the BEIS March 2021 consultation paper 'Restoring Trust in Audit and Corporate Governance'. It considered a range of firms and sent a request for proposal ('RFP') to five (of which three were challenger firms, and from which one challenger and one non-challenger firm declined to participate). All participating firms then met with key internal stakeholders.

Following review of the RFP responses and scorecard for each firm, together with a review of recent FRC inspection results, the working group presented its recommendation to the Committee. After due consideration, in November 2022 the Committee recommended to the Board that PwC be reappointed as Dunelm's statutory auditors from FY24, subject to shareholder approval.

The Committee considers that the Company has complied with the Competition and Markets Authority's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the financial year under review.

Tender scorecard criteria

The objective was to appoint the audit firm that would provide the highest quality, most effective and efficient audit for the Company. To support this, the participating firms were scored utilising the following criteria:

- **Firm level quality:** assessed with reference to AQR reports and progress made against findings.
- **Individual engagement team quality:** based on internal metrics and references.
- **Use of technology to drive speed of delivery, quality, and value:** assessed based on RFP responses and demonstration.
- **Ability of senior team to build relations and communicate complex messages clearly:** assessed via technical challenges and presentation.
- **Ability of the firm to provide holistic assurance across both financial and non-financial metrics e.g. ESG reporting:** assessed on RFP response.
- **Ability to deliver an efficient audit and value for money:** assessed based on commercial terms and in the context of scores for other scorecard items.
- **Tender quality and experience**: assessed based on RFP response and presentation.

Overview of the tender process

June 2022	• Committee agreed to undertake a tender process for the FY24 statutory audit. • Working group established to manage tender process.
July 2022	• Working group determined process and agreed objectives. • Contact made with five potential firms, two of which declined to participate.
Aug 2022	• Meetings arranged with three firms selected to tender. • Tender scorecard developed. • Timetable agreed with management.
Sept 2022	• RFP document issued to firms. • Announcement that formal audit tender process had commenced. • Information shared via data room.
Oct 2022	• RFP responses received from firms. • Initial review of responses undertaken.
Nov 2022	• Audit firm presentations. • Assessment of each firm's presentation and criteria scoring. • Recommendation by working group to the Committee and thereafter from the Committee to the Board.
Dec 2022	• Feedback to all audit firms. • Announcement of the outcome of the audit tender process.

Sustainability reporting

The Committee's role is to gain assurance that the effects and consequences of climate change are being adequately reflected in our financial statements and valuations.

Last year we reported on all areas of the TCFD framework other than under the 'Metrics and Targets' b) recommendation. This year, with the support of a third-party specialist partner, management has made further progress on understanding and improving the data quality inputs into the Scope 3 calculations which has led to a revised baseline. We are reporting for FY23 on carbon emissions on a basis that is consistent with the revised baseline and are in full compliance with the TCFD recommendations.

During the year, the Committee received regular updates on progress against forthcoming sustainability-related reporting requirements including the first two IFRS Sustainability Disclosure Standards issued by the ISSB: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. This included horizon scanning to proactively consider timelines and the steps required to achieve compliance for each new disclosure requirement as it comes into force. We also welcomed the inception of a new ESG-specific reporting team to support the various sustainability-related workstreams across the business and ensure ongoing efficiency and clarity of reporting for disclosure purposes.

The Committee will continue to monitor developing best practice, and seek training/professional guidance when required, to ensure that it continues to effectively oversee our reporting in this area.

See pages 40 to 47 for our TCFD report.

Risk management and internal controls

Risk management

Whilst the Board has overall responsibility for risk management, it delegates to the Committee responsibility for assessing the effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks.

During the year, the Committee undertook the following risk management activities, which enabled it to maintain oversight and discuss risks and challenges faced by the Company:

- Reviewed principal risks and the Company's formal risk appetite statement ahead of submission to the Board for approval.
- Considered and challenged management's KRIs.
- Received regular reports and updates from the CFO as chair of the Risk and Resilience Committee on its activities during the year and on any specific matters that impacted internal controls.
- Received reports from management on developments and improvements to the control environment during the year, including implementation of a new balance substantiation system, updated controls mapping of key financial processes and continued investment in our cyber security capabilities.
- Reviewed internal and external audit reports and progress on delivering management actions.
- Received updates on improvements to fraud monitoring and reporting following the conclusion of the annual fraud risk assessment.
- Reviewed progress on improving business continuity plans.
- Received updates on data protection, anti-bribery, material litigation, business continuity and whistleblowing (see page 72 for more information about our Whistleblowing policy).
- Noted that a satisfactory insurance programme is in place.

In addition, there was continued focus on IT systems, cyber security and data protection by way of presentations to the Committee from the Chief Technology and Information Officer and Head of Cyber Security. The Committee welcomes the ongoing improvements in these areas in line with the priorities previously identified as requiring focus.

The Committee considers that the processes in place to manage risk by the Board and management are robust and working effectively.

Internal control framework

Management is responsible for establishing and maintaining an effective system of internal controls and the Committee has responsibility for ensuring the effectiveness of those controls.

In the last two years there has been a continuous improvement in the effectiveness of our control environment, which commenced following an internal controls 'health check' completed by KPMG in FY20. We continue to invest in the modernisation of our key business systems to ensure that we have the right foundations in place to support our ambitious strategic growth plans and the Committee continues to monitor progress.

The Group has established internal controls and risk management systems in relation to the process for preparing consolidated financial statements. Examples of the controls in operation include regular balance sheet reconciliations, monthly analysis and reviews, technical accounting papers and review and approval of externally reported financial information.

Internal audit

The internal audit function provides independent and objective assurance to all levels of management up to the Board. Its responsibilities include evaluating and reporting on the adequacy and effectiveness of the systems of risk management and internal controls. Since December 2019, the function has been outsourced to KPMG.

Audit and Risk Committee report continued

KPMG's purpose, scope and authority are defined within its charter which is approved by the Committee annually. The team develops an internal audit plan for the year, with input from management, that is structured to align with the Group's strategic priorities and key risks and is approved by the Committee. The plan is reviewed periodically throughout the year to confirm it remains relevant.

Each review concludes with a formal report with graded recommendations, management responses and actions. These are communicated to the Committee by KPMG, and rigorously tracked through to completion. The Committee as a whole and the Committee Chair each meet with KPMG without management present on a regular basis to allow for open discussion.

Internal audit reviews undertaken in FY23

KPMG conducted the following risk-based internal audit reviews in FY23:

Internal audit review	Overview of scope
General IT controls	Reviewed general IT controls processes and an assessment of their effectiveness.
Purchase to pay	Considered purchase to pay processes to help ensure that the risks in this area are appropriately managed.
Supply chain	Focused on core risks in the stock supply chain.
Stock return	Reviewed the processes and controls designed to manage risks related to stock returns.
Review of ESG processes – phase 1	Considered our ESG processes and controls relating to strategy, materiality and target setting activities.
Code of Conduct	Assessed the existing controls around employee behaviours.
Independent programme assurance	Focused on delivery of projects during the year specific to internal control improvements.

During the year the Committee carried out a review of the effectiveness of the internal audit function. This was undertaken by way of a questionnaire, and feedback was sought from members of the Committee and senior management. The Committee concluded that the function continues to operate effectively.

FRC review of annual report and accounts

The FRC's Corporate Reporting Review team carried out a review of the FY22 Annual Report and Accounts during the year, with no queries raised. The FRC noted some matters that could be improved in future reporting, and these have been duly considered and addressed as appropriate.

The FRC requests that in reporting on this engagement we make clear the limitations of their review, namely that it was based solely on the Annual Report and Accounts and did not benefit from a detailed knowledge of our business, or an understanding of the underlying transactions entered into. They also noted that their review provided no assurance that the report and accounts are correct in all material respects and that the FRC's role is not to verify the information provided but to consider compliance with reporting requirements. Finally, it is noted that none of the FRC, its officers, employees or agents accept liability for reliance on their letter by the Company or any third party, including but not limited to investors and shareholders.

Committee effectiveness

The effectiveness of the Committee was considered as part of this year's Board evaluation process, more details of which can be found on page 78. The review concluded that the Committee continues to operate effectively and having considered the findings, it was agreed that particular areas of focus during the forthcoming year should be:

1. Continuing to assess our approach to internal audit;
2. Continuing to focus on assurances around internal controls, fraud and non-financial KPIs, including sustainability;
3. Building a strong relationship with the new external audit partner.

Remuneration – At a glance

Remuneration Principles

- Simple and transparent
- Consistently applied throughout business
- Pay fairly for an individual's role and responsibilities
- Aligned to shared values and ownership structure
- Rewards strong performance and sustainable growth over the long term
- Enshrined in Remuneration Policy

Summary of Executive Remuneration Structure under 2023 Policy

Base Pay
- → Median or below

Pension
- → Aligned to workforce average

Benefits
- → Median

Variable pay – annual cash bonus and LTIP
- → Maximum opportunity 375% for CEO and 325% for CFO

Lifetime lock-in
- → Two-thirds of bonus and LTIP outcome retained in shares for the duration of employment

Shareholding requirements
- → During employment retain shares worth maximum LTIP opportunity
- → Two-year post-employment holding requirement

Annual cash bonus
- → Median
- → Up to 150% of salary*
- → Linked to performance: sales, profit, strategic/personal
- → Clawback and malus apply

LTIP
- → Upper quartile
- → Up to 250% of salary*
- → Three-year performance period
- → Two-year retention period
- → Mix of financial and non-financial performance conditions
- → Clawback and malus apply

*Subject to maximum variable pay opportunity.

Remuneration

Remuneration Committee report

William Reeve
Chair of the Remuneration Committee

Role and principal duties

The Committee is responsible for determining the policy for Directors' remuneration and setting the remuneration for the Chair of the Board, Executive Directors and members of the Executive Team in accordance with the Principles and Provisions of the Code. Its other principal duties include:

- Establishing remuneration schemes that support alignment with long-term shareholder interests;
- Designing remuneration policies and practices to support strategy and promote long term sustainable success;
- Reviewing the design of all share incentive plans for approval by the Board and for any such plans determine whether awards will be made each year; and
- Reviewing workforce remuneration and related policies.

The Committee's full terms of reference can be found at: corporate.dunelm.com.

Committee membership
William Reeve (Chair)
Alison Brittain
Ian Bull
Peter Ruis
Vijay Talwar
Arja Taaveniku
Kelly Devine

See page 60 for meeting attendance.

On behalf of the Remuneration Committee ('Committee') I am pleased to present the Remuneration Committee report for the year ended 1 July 2023. This includes:

- My Annual Statement as Chair of the Committee (pages 88 to 91);
- Our new Directors' Remuneration Policy which will be subject to a binding shareholder vote at the 2023 AGM (pages 92 to 102); and
- The Annual Report on Remuneration (pages 103 to 118), describing how the existing Remuneration Policy has been applied for the year ended 1 July 2023 and how we intend to implement policy for FY24. The Remuneration Committee report (excluding the Directors' Remuneration Policy) will be subject to an advisory shareholder vote at the 2023 AGM.

FY23 business performance and incentive outcomes

Our Executive Team performed strongly throughout the year, delivering another good performance in a challenging environment for UK consumers and businesses, and resulting in record sales of £1.6bn, and profit before tax of £193m. The Committee's decision-making on the remuneration outcome for our Executive Directors has been shaped by this year's financial performance, as well as recognition of the opportunities and challenges for our business that lie ahead.

We remain committed to ensuring that we reward sustainable, profitable growth over the longer term on a consistent basis and aligned with our shared values.

The overall formulaic vesting level for the annual bonus is 46% of maximum opportunity for Nick Wilkinson and 45% of maximum opportunity for Karen Witts. Full details of performance against the FY23 objectives are set out on pages 105 and 106. In addition, Nick Wilkinson was granted an LTIP award in November 2020 with vesting subject to performance conditions assessed over the three year period FY21–23. This award has vested at 83% as set out on page 107. The Committee considered whether to use its discretion to adjust either the bonus outcomes or the LTIP award outcome. We concluded that the outcomes of the annual bonus and LTIP were fair and well-deserved and reflect both the performance of the business and the overall stakeholder experience, including the wider workforce, and therefore no discretion should be applied.

At least two-thirds of Nick and Karen's respective cash bonuses (after payment of tax and National Insurance contributions) must be invested in shares and retained in accordance with our in- and post-employment shareholding guidelines. Two-thirds of Nick's vesting LTIP award (after payment of tax and National Insurance contributions) must similarly be retained, and it is, in any event, subject to a two-year hold on the full amount.

Remuneration Policy review

We are grateful for the support for our current Directors' Remuneration Policy, which was approved by shareholders at the 2020 Annual General Meeting with over 99% of votes cast in favour. In line with the usual timetable, we will be seeking shareholder approval for a new Policy at the 2023 AGM. Therefore, during FY23, the Committee undertook a detailed review of the executive remuneration framework which included consultation with 18 major shareholders (including the major shareholder) representing c.70% of our issued share capital and the major proxy agencies.

We reviewed the current policy against UK Corporate Governance Code ('Code') requirements and, in addition to consulting with our biggest investors, we considered (i) the views of the Non-Executive Directors and management; (ii) feedback on Executive Director pay given by the National Colleague Voice ('NCV'); (iii) the Group's strategy; and (iv) market practice. We concluded that the current Policy's overall structure remains appropriate for Dunelm and continues to support the delivery of our strategy and the generation of shareholder value.

However, having completed the review, we determined that specific amendments would be appropriate in order to ensure that the Policy continues to reflect our long-standing approach of aligning executive and shareholder interests via performance-based pay and executive equity holdings. The key changes are as follows:

Increase in maximum variable pay from 325% of salary to 375% of salary for the CEO

Since the current Policy was approved, the size and complexity of the Company has continued to increase. As noted in our FY22 Remuneration Report, our CEO, Nick Wilkinson, asked for no base salary increase in FY23. Due to the significant and profitable growth of the Group over the last five years in particular, 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 compared to companies of a similar size and complexity. This is not aligned with our stated philosophy which is for the fixed pay of our top executives to be positioned at median or below and for variable (performance-based) pay to be median for the annual bonus and upper quartile for the LTIP. Therefore, taking into account our strategic growth ambitions which will create real value for shareholders, the new policy provides for an increase in the CEO's potential performance-related pay, in line with stretching performance targets.

For the incumbent CEO increasing the annual bonus to 150% of salary and the LTIP to 225% of salary allows us to combine below median fixed pay with the opportunity to earn a competitive proportion of variable pay if performance justifies it. This is aligned with our culture of pay for performance. These increases in variable pay recognise the growth and increase in the scale of the Company over the last three years and are intended to ensure that the FY24 overall package is competitive and aligned with our stated remuneration philosophy. For the CFO, the new policy maintains the maximum variable pay award levels at the 325% of salary aggregate, consisting of an annual bonus of 125% of salary and an LTIP of 200% of salary.

In proposing this change for the CEO, and in line with feedback received from shareholders during the consultation process, the Committee will ensure that the stretch in the performance targets is commensurate with the increased opportunity arising from the proposed increase in quantum.

Flexibility with the overall maximum variable opportunity

The new policy introduces the potential for flexibility for the future to enable us to adjust the weighting between bonus and LTIP for Executive Directors. This is subject to a limit of 150% of salary for the annual bonus and 250% of salary for the LTIP, and the overall maximum variable opportunity is limited to 375% of salary for the CEO and 325% of salary for the CFO. Any utilisation of this flexibility would be accompanied by clear rationale and continue to have regard to our long-standing ethos of alignment via executive equity holdings.

Threshold and target vesting levels

We are proposing to align our vesting schedules for bonus with LTIP and to introduce an element of flexibility (which would not be utilised without clear explanation). Under the new policy:

- the annual bonus vesting levels will be stated as typically up to 10% of maximum at threshold and up to 50% of maximum for on-target performance (compared to typical market practice of up to 20% of maximum for threshold and up to 50% of maximum for on-target performance); and
- the LTIP will be stated as typically up to 10% of maximum for threshold performance (compared to typical market practice of up to 25% of maximum) and up to 50% for on-target performance.

Other key changes

In proposing the above changes to incentive opportunities, we were keen to ensure this was appropriately balanced as follows:

- In-service shareholding guideline: This will match the LTIP opportunity, meaning that for the CEO it will increase to 225% of salary, remaining at 200% of salary for the CFO.

Remuneration Committee report continued

- Post-employment shareholding guideline: This will be aligned with the proposed changes to the in-service guideline such that 100% of the in-service requirement (i.e. 225% of salary for the CEO and 200% of salary for the CFO) or the actual holding if lower must be retained for two years post cessation of employment.
- Lifetime lock-in: Two thirds of variable pay will continue to be invested in Dunelm shares, to be held for the duration of employment. However, we will introduce flexibility in the new Policy to permit share sales once the in-service guideline is achieved, at the discretion of the Committee. This is aligned with our long-standing ethos of alignment via executive equity holdings but retains flexibility to attract and support individuals with diverse backgrounds and circumstances.
- Other changes have been made to reflect the changes described above and/or to introduce operational flexibility – such as permitting the deferral of bonuses on a gross basis. Flexibility is included in the new Policy to pay 'dividend equivalents' in respect of all dividends and not just special dividends. We have also made other minor changes for operational reasons and to reflect changes in practice.

The Committee is grateful to shareholders for the time taken to engage in relation to the proposed new policy and is appreciative of the support received during the consultation exercise.

LTIP and Sharesave rules

Shareholders will note that we are also seeking approval at this year's AGM for the extension of the term of each of our Long-Term Incentive Plan (alongside other updates) and Sharesave Plan, which are otherwise due to expire in 2024. Details are set out in our 2023 AGM Notice of Meeting.

Remuneration for FY24

Our review of salaries for Executive Directors in FY23 and intended operation of the new Policy for the financial year ending 1 July 2024 is as follows:

Salary

When considering salary increases, the Committee was mindful of Director performance, our remuneration principles as set out on page 87 and the wider colleague experience. We also considered feedback on Executive pay received from our National Colleague Voice. Further to this, we reviewed the salary levels of the Executive Directors and approved a 5% increase in base salary for each of Nick Wilkinson and Karen Witts in line with the increases given to senior management. This is below the median pay award made to the wider colleague population of 9.6%. In implementing the increase, Nick's base pay remains positioned around the lower quartile versus our peers and Karen's base pay remains positioned around median for the top 50 companies in the FTSE 250. The Committee will consider a further review of Executive Director base salaries at the appropriate time in the forthcoming year.

Variable pay/incentives

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. As set out above, we are proposing to increase the annual bonus opportunity for Nick Wilkinson to 150% of salary and his LTIP opportunity to 225% of salary. This positions the annual bonus opportunity around median and the LTIP opportunity around upper quartile for the CEO compared to companies of a similar size and complexity (in line with our stated principles and our pay for performance culture). Our CFO, Karen Witts' bonus opportunity will be at 125% of salary and her LTIP opportunity at 200% of salary.

Targets for the annual bonus will be based on our annual budget and are 75% financial and 25% strategic and personal. We have also set targets for awards to be made under our Long-Term Incentive Plan, expected to be made after the 2023 AGM, and these are 80% financial and 20% non-financial, with the non-financial measures being based on environmental and social targets. As noted above, the Committee has reviewed the stretch in the performance targets to ensure that the proposed increase in quantum is commensurate with the increase in opportunity.

Two-thirds of variable pay will continue to be invested in Dunelm shares, to be held for the duration of employment.

Further details are set out on pages 115 and 116 of the Annual Report on Remuneration.

Board changes in the year

As anticipated in my statement last year, Alison Brittain was appointed Chair with effect from 1 January 2023 on a base fee of £322,400 per annum, inclusive of all Committee chair fees. The base fee was set at median for companies in the FTSE 50-150, reflecting the growth ambition of the Group over Alison's likely tenure as Chair.

Further engagement

I look forward to receiving your support at our 2023 AGM where I will be available to respond to any questions that shareholders may have on this report or in relation to the Committee's activities. In the meantime, if you would like to discuss any aspect of our approach to remuneration, please feel free to contact me via our Company Secretary.

William Reeve
Chair of the Remuneration Committee
20 September 2023

The table below summarises the changes between the policy approved in 2020 and the policy for which approval will be sought at the 2023 AGM.

Proposed change	Proposed Remuneration Policy changes	Rationale
Total variable pay	Increase in the overall maximum incentive opportunity from 325% of salary to 375% of salary for the CEO. For Nick Wilkinson, annual bonus will be increased to 150% of salary and the LTIP to 225% of salary. For the CFO, the new policy maintains the maximum variable pay award levels at 325% of salary aggregate, consisting of an annual bonus of 125% of salary and an LTIP at 200% of salary.	For the incumbent CEO, increasing the annual bonus to 150% of salary and the LTIP to 225% of salary allows us to combine below median fixed pay with the opportunity to earn a competitive proportion of variable pay if performance justifies it. This is aligned with our culture of pay for performance. The increases in variable pay for the CEO recognise the growth and increase in scale of the Company over the last three years and are intended to ensure that the FY24 overall package is competitive and aligned with our stated remuneration philosophy. The Committee will review the stretch in the performance targets to ensure that the proposed increase in quantum is commensurate with the increase in opportunity.
Flexibility with the overall maximum variable opportunity of up to 375% of salary for the CEO and up to 325% of salary for the CFO.	The new policy introduces the potential for flexibility for the future to enable us to adjust the weighting between bonus and LTIP for Executive Directors, subject to a limit of 150% of salary for the annual bonus and 250% of salary for the LTIP.	To ensure the new policy has appropriate flexibility. Any change to weightings in the future would be accompanied by clear rationale and would continue to have regard to our long-standing ethos of alignment via executive equity holdings.
Threshold and target vesting levels	Under the new policy: • the annual bonus vesting levels will be stated as typically up to 10% of maximum at threshold and up to 50% of maximum for on-target performance (compared to typical market practice of up to 20% of maximum for threshold and up to 50% of maximum for on-target performance); and • the LTIP will be stated as typically up to 10% of maximum for threshold performance (compared to typical market practice of up to 25% of maximum) and up to 50% for on-target performance.	We are proposing to align our vesting schedules for bonus with LTIP and to introduce an element of flexibility (which would not be utilised without clear explanation). This provides greater consistency and brings the vesting levels more in line with the market.

Directors' Remuneration Policy 2023

Introduction to Directors' Remuneration Policy

Our current binding Remuneration Policy was approved by shareholders at the Annual General Meeting on 17 November 2020 with over 99% of votes in favour (see FY22 Annual Report and Accounts for a copy of the current policy). It expires this year. Therefore, during FY23, the Committee reviewed the Group's overall remuneration philosophy and structure to ensure that the framework remains effective in supporting the Group's strategic objectives and long-term, sustainable growth. It considered the ongoing need to maintain alignment of the Remuneration Policy with our strategic goals, investor sentiment and market practice, as well as our shared values, which include 'long-term thinking' and to 'act like owners', in keeping with the family origin of the business.

The Chair wrote to the Company's largest shareholders in respect of proposed changes and took shareholders' feedback into account when finalising the new Policy (more details of which are set out in the Chair's Annual Statement on page 88). The Committee concluded that whilst the overall structure of the Policy should be maintained, some changes were desirable, and a summary of the key changes is set out on page 91. Shareholders are being asked to approve the new Policy, which is intended to apply for three years from the date of approval, at our FY23 AGM on 16 November 2023.

The Committee has ensured that the new Policy and practices are consistent with the factors set out in Provision 40 of the UK Corporate Governance Code:

Clarity and simplicity	• We operate a simple, sustainable and transparent remuneration structure. • Performance targets for variable pay are linked to our strategy. • Performance requirements are clearly disclosed and transparent and we provide detailed disclosures of the relevant performance assessments and outcomes for our stakeholders to consider. • Engagement is welcomed from stakeholders throughout the year. • A National Colleague Voice meeting (see pages 32 and 118) is dedicated to providing clarity to colleagues, and inviting discussion on our approach to executive pay.
Risk	• The Committee is comfortable that the Company's incentive arrangements do not encourage inappropriate risk-taking. • Our Policy includes (i) balanced use of short- and long-term incentives, (ii) the ability for the Committee to apply discretion and judgement to outcomes, (iii) malus and clawback provisions, and (iv) 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. • Our variable pay arrangements include the ability on the part of the Committee to adjust formulaic vesting outturns so that vesting levels can be aligned with overall performance. • Shareholding requirements apply both during and after employment to promote alignment with the longer-term interests of shareholders and longer-term performance. • Variable pay arrangements include malus and clawback provisions.
Predictability	• The remuneration scenarios for Executive Directors on page 98 and 99 indicate the potential values that may be earned through the remuneration structure. • Where discretion may be exercised, this is clearly stated in the Policy.
Proportionality	• Our Policy is drafted with clear consideration of the need to ensure that total remuneration fairly reflects performance and enables meaningful and appropriate targets to be set with a significant proportion linked to long-term shareholder value. • A significant proportion of the Executive Directors' remuneration is subject to performance conditions and awarded in shares to ensure alignment with shareholders' interests.
Alignment to culture	• The Committee ensures that our incentive structure drives the right behaviours and reinforces the Group's purpose and shared values. • Alignment is reflected in the approach to performance measures used in our incentive schemes, for example (i) financial targets under the annual bonus and targets for the LTIP are the same for all management, regardless of seniority, linking everyone's contribution to a shared Group financial outcome, (ii) strategic targets require our Executive Directors and senior leadership to work together to deliver growth and value to the benefit of our stakeholders, and (iii) non-financial performance measures continue to focus on ensuring that participants 'do the right thing', including delivery of our sustainability strategy.

The policy report

Future policy table

The following table sets out the structure of remuneration for Directors of the Company under the proposed new Policy which will be presented to shareholders at the forthcoming AGM for approval by way of a binding vote. The Policy has been determined by the Company's Remuneration Committee in consultation with shareholders. Sir Will Adderley has requested that he not be considered for participation in the annual bonus or LTIP.

The key differences between the policy approved at the AGM in 2020 and the proposed new Policy are summarised on page 91.

Executive Directors

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 usually in line with or below 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.

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 to a defined contribution plan or a cash allowance in respect of some or all of the contribution that would otherwise be made to a pension plan. • No element other than base salary is pensionable.
Maximum opportunity	• An amount as a percentage of base salary not exceeding the maximum rate available to the majority of the wider workforce (currently 3%).
Performance metrics	• None.

Remuneration Committee report continued

Executive Directors continued

Benefits

Purpose and link to strategic objectives	• To provide a competitive benefits package. • To attract and retain the high calibre talent necessary to develop and deliver the business strategy.
Operation	• A range of benefits are provided, which may include car or car allowance; private health insurance for the individual and their family; permanent health cover; life assurance; mobile phone; use of a car and driver in connection with the role or an appropriate travel allowance; and colleague discount. • Additional benefits, such as relocation expenses, housing allowance and school fees may also be provided in certain circumstances if considered reasonable and appropriate by the Committee. • For non-UK Executives (none at present) the Committee may consider additional allowances in accordance with standard practice.
Maximum opportunity	• 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.

Annual bonus

Purpose and link to strategic objectives	• Rewards and incentivises delivery of annual financial, strategic and personal targets.
Operation	• The amount of the bonus earned is determined after the results for the financial year have been audited, subject to performance targets having been met. The Committee has discretion to adjust the bonus payout upwards or downwards if it considers that the formulaic outturn does not reflect its assessment of the 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 any bonus earned will be either subject to a requirement that the after-tax amount is invested in Dunelm shares or will be granted in the form of a share bonus award on a pre-tax basis. Any shares acquired pursuant to such a requirement are subject to retention provisions as set out in the 'Shareholding requirements' section below.
Maximum opportunity	• Maximum opportunity: 150% of base salary per annum. • The combined annual bonus and LTIP opportunities for any year may not exceed: (a) 375% of salary in the case of the Company's CEO; and (b) 325% of salary in the case of any other Executive Director. • Where bonus awards are granted as share awards, dividend accruals may be made in respect of dividends paid during the vesting period applicable to an award. Any such dividend equivalents will ordinarily be paid in shares.
Performance metrics	• 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 Committee annually. • Financial objectives may include, but are not limited to, budgeted PBT for the financial year. • The strategic objectives will vary depending on the specific business priorities in a particular year. • The Committee will determine the weighting of performance measures for any year based on specific business priorities for the year. Ordinarily, at least 50% of the annual bonus for Executive Directors will be subject to financial objectives. • Subject to the Committee's discretion to override formulaic outturns, for financial measures typically up to 10% of the maximum opportunity will be earned for threshold performance, and for on-target performance up to 50% of the maximum opportunity will be earned, and for exceeding on-target performance up to 100% 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. • Awards are subject to recovery provisions (malus and clawback) as set out below.

Executive Directors continued

Long-Term Incentive Plan

Purpose and link to strategic objectives	• Supports delivery of strategy by requiring the achievement of appropriate targets and objectives which will normally include a measure based on EPS. • Rewards strong financial performance and sustained increase in shareholder value over the long term. • Aligns with shareholder interests through the delivery of shares, with share retention requirements as set out below.
Operation	• Awards (which can take the form of a conditional award, nil-cost option or nominal value option) are made annually, with vesting subject to performance, usually assessed following the end of a performance period of three years, followed by a 'Holding Period' of two years. The Holding Period may operate on the basis of: (i) the award vesting following assessment of performance but that, other than as regards sales of shares to cover tax liabilities, shares acquired must be retained until the end of the Holding Period; or (ii) vesting being deferred until the end of the Holding Period. • Shares acquired are then subject to retention provisions as set out in the 'Shareholding requirements' section below. • The Committee has discretion to adjust the LTIP vesting outturn upwards or downwards if it considers that the formulaic output does not reflect its assessment of the 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 award for an Executive Director in respect of any financial year is an award over shares with a value (as determined by the Committee) of 250% of salary. • The combined annual bonus and LTIP opportunities for any year may not exceed: (i) 375% of salary in the case of the Company's CEO; and (ii) 325% of salary in the case of any other Executive Director. • Dividend accruals may be made in respect of 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. Any such dividend equivalents will ordinarily be paid in shares.
Performance metrics	• The Committee will determine the weighting of performance measures for any year. For at least 75% of an award, vesting will be subject to the satisfaction of one or more financial measures, which will normally include a measure based on EPS. The balance of the award vesting will be subject to one or more other financial, strategic, environmental, social or governance measures. • The 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 typically up to 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 below.

Remuneration Committee report continued

Executive Directors continued

All employee share plan (Sharesave)

Purpose and link to strategic objectives	• Promotes share ownership by all eligible colleagues (including Executive Directors).
Operation	• All UK employees with a minimum service requirement are eligible to join the UK tax qualifying Dunelm Group Savings Related Share Option Plan (the Sharesave). Employees outside the UK are eligible to join an equivalent plan which is not tax qualifying. • Monthly savings are made over a period of three years (or such other period as may be permitted by the applicable UK tax legislation) linked to the grant of an option over Dunelm shares at a discount of up to 20% to the market price (or such other amount as permitted by the applicable UK tax legislation) at the date of invitation to join the plan. • Invitations are normally issued annually at the discretion of the Committee, which also has discretion to set the minimum service requirement, maximum discount, maximum monthly savings and any other limits within the terms of the plan rules.
Maximum opportunity	• Maximum participation limits reflect the limits prescribed by the applicable UK tax legislation from time to time. 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. The Committee retains the right to waive or relax the retention requirements in respect of shares acquired pursuant to annual bonus deferral arrangements or following the end of the Holding Period applying to any LTIP award granted after 1 July 2020 if the Executive Director meets the required level of shareholding during employment. The Committee also retains the right to waive or relax any element of the shareholding requirements 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).
- Each Executive Director is required to build a beneficial holding of shares with a value (as a percentage of salary) equal to the higher of: (i) their normal annual LTIP grant; and (ii) 200% of salary. Executive Directors are ordinarily expected to achieve this holding within five years from appointment. Shares subject to: (i) LTIP awards which are exercisable but which have not been exercised; (ii) LTIP awards for which the performance assessment has been carried out but for which vesting is deferred until the end of the Holding Period; and (iii) share bonus awards, count towards this requirement on a net of assumed tax basis.
- Any shares acquired pursuant to required annual bonus deferral arrangements must be retained during employment, other than any shares sold to cover associated tax liabilities.
- Following the end of the Holding Period applying to any LTIP award granted after 1 July 2020, an Executive Director must retain at least two-thirds of the shares acquired, other than any shares sold to cover associated tax liabilities.

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 to them during employment, and 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.

Payment of fixed remuneration in shares

The Company may deliver any element of fixed remuneration for an Executive Director in shares rather than in cash or any other form in which it is usually provided. The number of shares would be such number as have a value at the relevant time equal to the value of the fixed remuneration being delivered in shares.

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 assessment of the performance outturn for an LTIP award, that the amount of the bonus paid may be recovered and the LTIP or share bonus award may be cancelled or reduced (if it has not been exercised) or recovery may be applied to it (if it has been exercised).

The malus and clawback provisions may be applied in the event of:

- A material misstatement of any Group company's financial results;
- A material error in assessing a performance condition applicable to the award or in the information or assumptions on which the award was granted or vests;
- A material failure of risk management in any Group company or a relevant business unit;
- Serious reputational damage to any Group company or a relevant business unit;
- Serious misconduct or material error on the part of the participant;
- A material corporate failure as determined by the Board;
- Fraud; or
- Any other circumstances which the Committee in its discretion considers to be similar in their nature or effect to those set out above.

Salary, pension, benefits and Sharesave options are not subject to recovery.

GOVERNANCE REPORT

Non-Executive Directors

Fees and appropriate benefits

Purpose and link to strategic objectives	To attract and retain a high calibre Chair and Non-Executive Directors by offering competitive fee levels and, where relevant, appropriate benefits.
Operation	• Fees for the Chair are set by the Committee. Fees for Non-Executive Directors are set by the Board. No Director participates in any decision relating to their 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 normally reviewed annually, having regard to a range of factors, including increases in remuneration across the Group. In addition, a periodic review is undertaken against market rates and taking into account time commitment and any change in size, scale or complexity of the business. • The Group's colleague discount is available to the Chair and Non-Executive Directors. In addition, they may receive benefits such as travel, accommodation and other reasonable expenses incurred in the fulfilment of their duties, which may be 'grossed up' to reflect any tax liabilities associated with the benefits. Additional benefits may be provided where considered appropriate. The Chair and Non-Executive Directors do not participate in any incentive scheme.
Maximum opportunity	• The maximum to be paid by way of fees to the Non-Executive Directors is set out in the Company's Articles of Association as amended from time to time.
Performance metrics	• None.

The Committee may 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.

Remuneration Committee report continued

Performance measures and how targets are set

The Committee selects performance measures that it believes are:

- Aligned with the Group's strategic goals and set, where relevant, taking into account market consensus and individual broker expectations. For the LTIP, financial measures will normally include EPS which the Committee considers to be the most appropriate measure for medium-term performance, aligned with our growth ambitions and continuing to win market share.
- Unambiguous and easy to calculate.
- Transparent to Directors and shareholders.

For both the annual bonus and the LTIP, the Committee reserves the right to vary or substitute any performance measure if justified by the circumstances, for example if there was a significant transaction.

Performance measures for the annual bonus for FY24 are set out on page 115. Performance measures for the LTIP awards proposed to be granted in respect of FY24 are set out on pages 115 and 116.

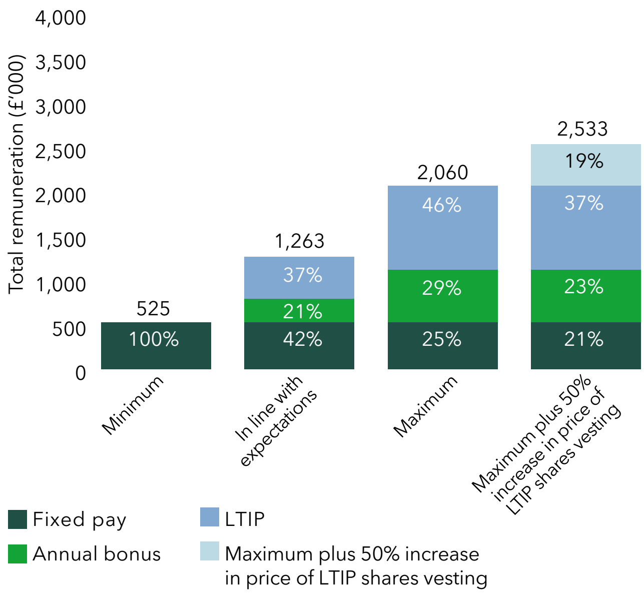
Illustrative performance scenarios

At his request, Sir Will Adderley does not receive any remuneration apart from an annual salary, car allowance and healthcare benefits. Therefore his remuneration has not been included in the scenarios below.

The following graphs set out what Nick Wilkinson and Karen Witts, the other Executive Directors in office at the date of this report, could earn in FY24 under the following scenarios:

Nick Wilkinson

Karen Witts



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

Fixed pay (base salary, benefits and pension only)	Base salary £'000	Benefits £'000	Pension £'000
Nick Wilkinson	611	51	18
Karen Witts	473	38	14

Performance level	Fixed pay	Annual bonus	LTIP
Minimum (performance below threshold)	As above	Nil	Nil
In line with expectations	As above	45% of bonus opportunity earned (67.5% of salary for Nick Wilkinson, 56.25% of salary for Karen Witts).	50% of the LTIP award vests (112.5% of salary for Nick Wilkinson and 100% of salary for Karen Witts), based on face value of the award at the date of grant.
Maximum performance	As above	100% of bonus opportunity earned (150% of salary for Nick Wilkinson, 125% of salary for Karen Witts).	100% of the LTIP award vests (225% of salary for Nick Wilkinson and 200% of salary for Karen Witts), based on face value of the award at the date of grant.
Maximum performance, plus share price increase	As above	100% of bonus opportunity earned (150% of salary for Nick Wilkinson, 125% of salary for Karen Witts).	100% of the LTIP award vests (225% of salary for Nick Wilkinson and 200% of salary for Karen Witts), plus an increase in the value of the LTIP of 50% across the relevant performance period to reflect possible share price appreciation.

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. In connection with her joining Dunelm and as disclosed in the Directors' Remuneration Report for the year ended 2 July 2022, Karen Witts is entitled to: (i) 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; (ii) 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 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 in (i) will not be paid).

If the Company terminates the employment of the Executive Director it would honour its contractual commitments. If termination was with immediate effect, a payment in lieu of notice may be made. The Committee may apply mitigation in respect of any termination payment.

Details in relation to the service contracts for Executive Directors are set out in Table 8 on page 110 of the Annual Report on Remuneration.

Bonus

The Committee has discretion to make a payment to a 'good leaver' (as determined by the Committee) in respect of any annual bonus. Any such bonus would normally be pro-rated to the period of active service during the relevant financial year. Ordinarily, any bonus would be subject to deferral into shares in the usual way; however, the Committee retains discretion not to apply deferral in appropriate circumstances.

Share bonus awards will lapse on termination of employment before vesting other than in the event of death, serious ill health and any other reason at the discretion of the Committee. If an award does not lapse, the Committee will determine whether it vests on termination or at the ordinary vesting date.

Remuneration Committee report continued

LTIP

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

- Awards in the form of 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, awards which have not yet vested, but where the performance period has elapsed, may vest at the relevant vesting date. The Committee has discretion to vest the award earlier but would only use this in exceptional circumstances (such as ill-health). In the event of death, unless the Board determines otherwise, vesting will be as soon as practicable. In the case of an option, the option must be exercised within six months of vesting (or 12 months in the case of death), to the extent that the performance conditions have been met.
- If the participant leaves the Group before an award has vested and before the performance period has elapsed, the award will usually lapse. However, if the participant ceases employment due to ill-health, injury or disability or if the Committee exercises its discretion to treat the participant as a 'good leaver', the award will be retained and vest at the normal vesting date. The Committee has discretion to vest the award earlier, but would only use this in exceptional circumstances (such as ill-health). In the event of death, unless the Board determines otherwise, vesting will be as soon as practicable. In the case of an option, the option may be exercised within six months of the relevant vesting date (or 12 months in the case of death). Any vesting would be subject to assessment of the performance conditions (and the exercise of any discretion to vary formulaic outturns in line with the Policy) and, unless the Committee determined otherwise, a reduction to reflect the proportion of the performance period that had elapsed at cessation.

In all cases, LTIP awards would be subject to the applicable malus and clawback provisions.

Sharesave

If a participant leaves the Group, options granted under the Sharesave will normally lapse, but may be exercised within six months from the cessation of employment due to injury, disability, retirement, or redundancy (or 12 months in the case of death), or the employing company leaving the Group or, provided that the option has been held for at least three years, cessation for any other reason (apart from dismissal by the Company).

Non-Executive Directors' letters of appointment

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 in relation to the letters of appointment are set out in Table 8 on page 110 of the Annual Report on Implementation.

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. In appropriate circumstances, the Committee may continue the provision of certain benefits (for example health insurance) for a period following cessation.

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.

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 unvested awards in respect of which the performance period has ended and to which the performance condition has been applied will vest and, in the case of options, may be exercised.
- Any unvested awards in respect of which the performance period has not ended may vest and, in the case of options, be exercised at the discretion of the Committee, subject to any adjustment to take into account the amount of time that has elapsed through the performance period (unless the Committee decides not to apply a time-based reduction) and the extent to which any performance criteria have been met (and the exercise of any discretion to vary formulaic outturns in line with the Policy table).
- The Executive Director may agree that their 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 Committee, acting fairly and reasonably, to determine the extent to which any awards should vest and the period within which options may be exercised.

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 their awards are 'rolled over' into shares of the acquiring company as an alternative.

Operation of share plans

All discretions available under the Company's share plan rules will be available under this Policy, except where explicitly limited under this Policy. This includes that:

- 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 remuneration principles set out on page 87 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 for 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 above.

The remuneration of colleagues below the Board (including participation in the LTIP) 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 Committee.

In setting the policy for the Executive Directors' remuneration, the Committee takes note of the overall approach to remuneration in the Group. Although the Committee does not formally consult with employees when setting the Policy, details of how it engages with colleagues on pay are set out on page 118.

Shareholder views

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

We consulted with shareholders in relation to the new Policy including, in particular, our approach to variable pay and shareholding requirements for Executive Directors. We were pleased with the level of engagement from shareholders and for the support shown for our proposals, which we have finalised having regard to feedback received.

Approach to recruitment remuneration

The Committee will apply the principles set out below when agreeing a remuneration package for a new Executive 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 table.
- 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', or which the Committee considers it appropriate to offer.

Remuneration Committee report continued

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 be 375% of salary as set out in the Policy table. The Committee would explain the rationale for the remuneration package in the next Annual Report of the Company.

In addition, on hiring an external candidate the Committee may make arrangements to buy out remuneration that the individual has forfeited on leaving a previous employer. The Committee will generally seek to structure buyout awards and payments on a comparable basis to remuneration arrangements forfeited. These awards or payments are excluded from the maximum level of variable pay referred to in the Policy; 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. The fees for any newly appointed Non-Executive Director would be set in accordance with the Policy table on page 97. 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.

Annual Report on Remuneration

This report has been prepared on behalf of the Board by the Committee, chaired by William Reeve. It sets out how the Directors' Remuneration Policy which was approved by shareholders on 17 November 2020 has been applied in FY23 and how the revised policy being put forward for approval by shareholders at the AGM on 16 November 2023 will, subject to approval, be applied in FY24. Together with the Chair's statement on pages 88 to 91, it will be put to shareholders for an advisory vote at the FY23 AGM.

The information contained in this report is unaudited unless expressly stated otherwise.

Composition of the Committee

William Reeve has chaired the Committee since 2018. Alison Brittain became a member when she joined the Board on 7 September 2022 and has remained a member since becoming Chair (being independent on appointment). All other independent Non-Executive Directors are members of the Committee.

Only members of the Committee have the right to attend meetings. Other Directors and individuals such as the CEO and People & Stores Director are invited to attend all or part of meetings, as appropriate. No Director participates when his or her own remuneration is discussed. The Group General Counsel and Company Secretary acts as secretary to the Committee and attends all meetings.

During the year the Committee met four times. The table below sets out the membership of the Committee and attendance of Directors at meetings during the year.

Member	Attendance	Notes
William Reeve	4/4	
Alison Brittain	3/3	Alison joined the Board and the Committee on 7 September 2022.
Ian Bull	4/4	
Peter Ruis	4/4	
Vijay Talwar	4/4	
Arja Taaveniku	4/4	
Kelly Devine	4/4	
Andy Harrison	2/2	Andy Harrison stepped down from the Board and the Committee on 31 December 2022.

Remuneration Committee report continued

Single figure for total remuneration (audited)

The following table sets out total remuneration for Directors for the period ended 1 July 2023:

Table 1 – Directors' remuneration – single figure table

	Salary/fees £'000[1]		Benefits £'000[2]		Pension £'000[3]		Total fixed remuneration £'000[4]		LTIP awards £'000[5]		Bonus £'000[6]		Total variable remuneration £'000[7]		Total £'000	
Director	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22
Executive																
Nick Wilkinson	582	580	48	48	17	20	647	648	1,003	1,210	335	653	1,338	1,863	1,985	2,511
Karen Witts	450	27	38	2	14	1	502	30	–	–	252	22	252	22	754	52
Sir Will Adderley	–	–	20	20	–	–	20	20	–	–	–	–	–	–	20	20
Sub-total	1,032	607	106	70	31	21	1,169	698	1,003	1,210	587	675	1,590	1,885	2,759	2,583
Non-Executive																
Alison Brittain	179	–	–	–	–	–	179	–	–	–	–	–	–	–	179	–
Ian Bull	67	64	–	–	–	–	67	64	–	–	–	–	–	–	67	64
Kelly Devine	56	18	–	–	–	–	56	18	–	–	–	–	–	–	56	18
William Reeve	73	71	–	–	–	–	73	71	–	–	–	–	–	–	73	71
Peter Ruis	56	54	–	–	–	–	56	54	–	–	–	–	–	–	56	54
Marion Sears	56	54	–	–	–	–	56	54	–	–	–	–	–	–	56	54
Arja Taaveniku	56	54	–	–	–	–	56	54	–	–	–	–	–	–	56	54
Vijay Talwar	56	40	–	–	–	–	56	40	–	–	–	–	–	–	56	40
Andy Harrison	108	216	–	–	–	–	108	216	–	–	–	–	–	–	108	216
Total	**1,739**	**1,178**	**106**	**70**	**31**	**21**	**1,876**	**1,269**	**1,003**	**1,210**	**587**	**675**	**1,590**	**1,885**	**3,466**	**3,154**

1 Vijay Talwar was appointed on 1 October 2021 and Kelly Devine was appointed on 1 March 2022. Karen Witts and Alison Brittain joined the Board on 9 June 2022 and 7 September 2022 respectively and Alison Brittain was appointed Chair on 1 January 2023. Basic salary/fee for Vijay Talwar, Kelly Devine and Alison Brittain and salary, pension and benefits for Karen Witts are pro-rated over the relevant year as appropriate. Nick Wilkinson, the CEO, asked to not be considered for a salary increase for FY22. 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 and stepped down on 31 December 2022 and so his fee was pro-rated accordingly for the year. The fees for the other Non-Executive Directors increased by 4%.

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 from 9 June 2022 and will continue until she purchases a home close to Leicester, or for the duration of her of employment should Karen not choose to do so.

3 Pension entitlement is 3% of contractual salary to a defined contribution plan or cash allowance in lieu. For Nick Wilkinson, prior to 1 August 2022 the pension entitlement was 8% of contractual salary, and prior to 1 August 2021 the pension entitlement was 10% of contractual salary. Sir Will Adderley waived his entitlement to a pension from 1 July 2015.

4 Total fixed remuneration includes salary/fees, benefits and pension.

5 The figure for Nick Wilkinson is the value of the FY21-23 LTIP award, the three-year performance period for which 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 20 November 2023, was the average of Dunelm's closing share price over the last three months of FY23, which was 1,133 pence per share. It also includes a 'special dividend equivalent' of 65p per vested share in respect of the special dividend paid on 8 October 2021, 37p per vested share in respect of the special dividend paid on 18 March 2022 and 40p per vested share in respect of the special dividend paid on 11 April 2023. The share price used to calculate the number of shares in Nick's 'special dividend equivalent' was 1,310p per share in respect of the October 2021 special dividend, 1,127p per share in respect of the March 2022 special dividend and 1,081 per share in respect of the April 2023 special dividend, in each case being the share price the working day before the special dividend date. No discretion was applied to adjust the performance conditions or outcome of the FY21-FY23 LTIP for share price appreciation or depreciation or for any other reason. The prior year figures have been updated to reflect the actual closing share price of 796p on the day before the vesting date, compared to last year's report which was based on the average closing share price over the last three months of FY22. Sir Will Adderley asked not to be considered for an LTIP award.

6 Nick Wilkinson and Karen Witts were awarded an annual performance-related bonus for FY23 with a maximum opportunity of 125% of contractual salary. The performance conditions which applied to the bonus were set in September 2022 and are described on pages 105 and 106. 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 FY22 financial year and subject to the financial performance criteria applicable to Nick Wilkinson (she declined the personal performance element given the relatively short period that she had been in role during that financial year).

7 Total variable remuneration includes bonus and LTIP awards.

FY23 annual bonus (audited)

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. Sir Will Adderley asked not to be considered for an annual bonus. The bonus was based on challenging targets set by the Committee at the start of the financial year, with 75% based on financial targets and 25% based on personal and strategic targets. The 'Sales' element of the bonus would only be paid if we achieved the threshold PBT and sales target. Information on the targets set and the performance against them is set out in Table 2 below. Based on performance against those targets, Nick Wilkinson earned a bonus of £334,592 and Karen Witts earned a bonus of £251,719 (see Table 3 below). The full bonus is paid in cash, with two-thirds of the after tax amount being subject to a requirement that it is invested in shares.

Table 2 – annual bonus 2023 payout (audited)

Performance measures	% of bonus opportunity	Threshold performance (0%)	On-target performance (40%)	Maximum performance (100%)	FY23 actual performance	% outcome for each measure
Financial measures[1]						
- Profit before tax	50%	£172.8m	£192.0m	£211.2m	£192.7m	42%
- Sales	25%	£1,531.2m	£1,702.5m	£1,787.6m	£1,638.8m	25%
Non-financial personal and strategic targets	25%	(see below and page 106 for details)				CEO – 75% CFO – 70%

1 Bonus is earned between threshold and on-target and between on-target and maximum on a straight-line basis.

Table 3 – overall 2023 bonus earned (audited)

£'000	Base salary	Maximum bonus % of salary	2023 bonus outcome % of maximum	Overall 2023 bonus earned £'000	2023 bonus outcome % of salary
Nick Wilkinson	582	125%	46%	335	57%
Karen Witts	450	125%	45%	252	56%

Non-financial personal and strategic objectives

25% of the bonus opportunity is linked to performance against objectives, both personal and strategic. Payment of this element of the bonus is subject to meeting threshold on the PBT financial metric for the year (which has been achieved). The targets, which are specific to each of the CEO and CFO, were set by the Committee to reflect personal and strategic priorities for FY23. Assessment against them (including consideration of relevant KPIs) was considered by the Committee at the end of the financial year, and a bonus outcome determined accordingly.

It was assessed that 75% of the personal and strategic targets had been met by the CEO and 70% of the personal and strategic targets had been met by the CFO. Further details on their respective key achievements against each objective are set out on the following page.

Remuneration Committee report continued

CEO – FY23 performance against objectives – outcome 75% of maximum

Objectives	Key achievements during FY23
Strategy c.25% weighting	• Navigated a complex and volatile trading environment, continuing to deliver clear investor communications throughout. • Delivered meaningful progress toward digitalisation goals. • Further embedded sustainability initiatives across the business, including the successful launch of 'Conscious Choice'. Scope 3 roadmap in development. • Increased store-centred community engagement, with this becoming a key differentiator for Dunelm.
Customer proposition c.25% weighting	• Delivered strongly on value and choice – achieved market share gains and margin targets, added significant number of SKUs and improved value communications. • Progress made on improving customer experience and product availability through process and technology change.
People c.25% weighting	• Successful restructuring of Executive Team in FY23. Team performing well. • Strengthened senior leadership team (below Executive Team) with the recruitment of six external candidates during the year. • Implemented development plans for Executive Team and senior leadership team, with potential succession opportunities identified.
Organisation capabilities – drive efficiencies, build on shared values c.12.5% weighting	• Achieved stretching cost ratio targets for stores and logistics. • Strong approach to cost reduction and identification of efficiency opportunities in procurement and returns and stock loss. • Continued progress on improving data insights and analytics, with clear step-change in capability. • Supported ongoing work of our inclusion and diversity networks, which are flourishing.
Corporate c.12.5% weighting	• Implemented greater rigor around identifying potential corporate activity. • Managed post-acquisition performance of Sunflex, exceeding targets.

CFO – FY23 performance against objectives – outcome 70% of maximum

Objectives	Key achievements during FY23
Driving business performance c.25% weighting	• Implemented a revised approach to operational KPIs to provide holistic framework for driving budgeted performance. • Achieved full-year cost to sales ratio <38% despite cost pressures. • Delivered £15m operating cost savings. • Maintained strong free cash flow performance and strengthened robustness of cash flow forecasting.
Investor relations c.15% weighting	• Developed investor relations capability. • Developed relationships with advisers and a new investor relations strategy, the output of which has introduced new investors to our register. • Continued to progress work on telling our ESG equity story.
Sustainability c.15% weighting	• Refreshed ESG operating model. • Scope 3 roadmap in development. • Reviewed and refreshed KPIs.
Internal controls environment c.15% weighting	• Successfully implemented new balance substantiation system and commenced process mapping of key financial processes ahead of the next stage of SAP4Hana implementation. • Improved non-stock internal controls.
People c.10% weighting	• Increased finance team engagement scores. • Built capability in non-financial and sustainability reporting. • Ensured succession plans are well developed.
Technology c.10% weighting	• Improved accuracy of forecasting. • Ongoing review of technology KPIs and delivery of cost-tracking improvements in relation to levels of investment.
Corporate c.10% weighting	• Implemented M&A framework. • Increased corporate development capability and developed network.

LTIP awards earned in respect of performance in FY21-23 (audited)

Nick Wilkinson was granted an LTIP award in November 2020 with vesting subject to performance conditions assessed over the three-year period FY21 to FY23. This award has vested at 83% as set out in the table below. Neither Karen Witts nor Sir Will Adderley had an LTIP award vesting in respect of performance in FY21 to FY23.

Table 4 – LTIP awards earned

		Performance condition and outturn: FY23 Diluted EPS							
Director	Shares under award	Threshold (10% vesting)	On-target (50% vesting)	Maximum (100% vesting)	FY23 outturn	Vesting percentage	Vested shares	Dividend equivalent shares[1]	Total vesting shares[2]
Nick Wilkinson	94,846	60p	65p	80p	75.0p	83%	79,038	9,440	88,478

1 Nick Wilkinson will also receive £106,985 by way of 'special dividend equivalents' in relation to the special dividends of (i) 65p per share paid on 8 October 2021, (ii) 37p per share paid on 18 March 2022, and (iii) 40p per share paid on 11 April 2023, as well as any further special dividend paid before the vesting date (if applicable). In each case these will be paid in shares. The number of additional shares to vest for Nick Wilkinson as a result is 9,440.

2 The value of this number of shares is included in the single figure for total remuneration for FY23 as set out in Table 1 on page 104, and the basis on which it has been calculated is set out in note 5 of Table 1. Vested shares must be retained in accordance with the shareholding guidelines set out in the Remuneration Policy.

Awards made to Directors under share incentive schemes in FY23 (audited)

LTIP awards were made on 27 October 2022 to Nick Wilkinson and Karen Witts as set out below:

Table 5 – LTIP awards made to Directors during FY23

Director	Award	Shares under award[1]	Face value at date of award (200% of salary)	Performance condition				Performance period	Vesting date
				FY25 Diluted EPS (80% of opportunity)					
				Threshold (10% vesting)		On-target (50% vesting)	Maximum (100% vesting)		
Nick Wilkinson	Nil-cost options under LTIP	139,765	£1,164,250	83.4p		87.6p	103.4p	July 2022 to June 2025	27 October 2025
				Non-financial measures[2] (20% of opportunity)					
				ESG metric 1 (5% vesting)	ESG metric 2 (5% vesting)	ESG metric 3 (5% vesting)	ESG metric 4 (5% vesting)		
Karen Witts	Nil-cost options under LTIP	108,043	£900,000	As above for Nick Wilkinson					

1 Based on the average closing share price between 24 and 26 October 2022 of 833p per share.

2 Four sustainability-based measures, each accounting for a quarter of this element of the award, on a simple pass or fail basis against target: (i) ESG metric 1 – reduction in Scope 1 greenhouse gas emissions per £m sales against a FY19 base (FY25 target – 32%); (ii) percentage of own brand cotton products which meet our 'More Responsibly Sourced Cotton' standard (FY25 target – 100%); (iii) reduction in plastic packaging of own brand products against FY20 base (FY25 target – 30%); and (iv) percentage 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 (FY25 target – 50%).

All of the shares vesting (after payment of tax and National Insurance) must be held for two years from the vesting date, and thereafter at least two-thirds of these must be held for the duration of employment. The Executive Directors are eligible to receive a 'special dividend equivalent' in relation to these awards, in respect of a special dividend of 40 pence per share paid on 11 April 2023 and any other special dividend paid before the awards vest.

Payments to past Directors and for loss of office (audited)

No payments were made to any former Director in the financial year or to any Director in respect of loss of office or the termination of his or her employment.

Remuneration Committee report continued

Statement of Directors' share interests

Under the current Directors' Remuneration Policy, 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). Achievement against this requirement is set out in the table below, other than in the case of Sir Will Adderley who only receives a salary of £1 per year and for whom the requirement is therefore not relevant. The approach to shareholding requirements under the proposed Directors' Remuneration Policy for which approval will be sought at the 2023 AGM is set out on page 96.

Tables 6 and 7 show the interests of the Directors in shares of the Company at 1 July 2023.

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

	At 1 July 2023 1p Ordinary Shares	At 2 July 2022 1p Ordinary Shares	Percentage of salary (where applicable)[1]	Shareholding target (where applicable)
Executives				
Nick Wilkinson	371,330	249,759	681%	1x salary by Feb 2021 2x salary by Feb 2023
Karen Witts	24,918	23,744	59%	1x salary by July 2025 2x salary by July 2027
Sir Will Adderley	76,371,779	76,371,779	N/A	N/A
Non-Executives				
Alison Brittain	37,500	N/A	N/A	N/A
Ian Bull	11,000	11,000	N/A	N/A
Kelly Devine	–	–	N/A	N/A
William Reeve	22,000	22,000	N/A	N/A
Peter Ruis	–	–	N/A	N/A
Marion Sears	105,000	105,000	N/A	N/A
Arja Taaveniku	6,000	6,000	N/A	N/A
Vijay Talwar	9,670	–	N/A	N/A
Andy Harrison[2]	488,017	454,811	N/A	N/A

1 Based on the closing share price of 1,121p on 1 July 2023 and base salary at 1 August 2023.

2 Position as at 31 December 2022 when Andy Harrison stepped down from the Board.

There have been no changes in the interests of each Director in the period from 2 July 2023 to the date of this report.

Table 7 – Directors' interests in share awards and options at the period end (audited)

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

	Date of award	Name of award	Type of award	Share options/ awards at 2 July 2022	Share options/ awards granted during the year[1]	Share options/ awards vested and exercised during the year[1]	Share options/ awards lapsed/ cancelled during the year	Share options/ awards at 1 July 2023	End of performance period	Option price
Nick Wilkinson	October 2019	FY20-22 LTIP[3]	Share options	134,984	17,041	(152,025)[2]	–	–	June 2022	–
	November 2020	FY21-23 LTIP[3]	Share options	94,846	–	–	–	94,846	June 2023	–
	October 2021	FY22-24 LTIP[3]	Share options	89,078	–	–	–	89,078	June 2024	–
	October 2022	FY23-25 LTIP	Share options	–	139,765	–		139,765	June 2025	–
	November 2020	FY20[4] Share Bonus	Share award	5,797	477	(6,274)	–	–	N/A	–
	November 2020	FY21[4] Share Bonus	Share award	24,013	1,979	(25,992)	–	–	June 2021	–
	November 2021	FY22 Sharesave	Share options	1,720	–	–	(1,720)	–	N/A	1,046p
	November 2022	FY23 Sharesave	Share options	–	2,698	–	–	2,698	N/A	667p
Karen Witts	June 2022	FY22-24 LTIP	Share options	73,979	–	–	–	73,979	June 2024	–
	October 2022	FY23-25 LTIP	Share options	–	108,043	–	–	108,043	June 2025	–
	November 2022	FY23 Sharesave	Share options	–	2,698	–	–	2,698	n/a	667p

1 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 FY20 and FY21 Share Bonus awards were also eligible to receive a 'special dividend equivalent' in respect of any special dividend paid from date of grant up to the date of vesting. Dividend equivalent shares have been included where quantified.

2 During the year Nick Wilkinson exercised 152,025 nil-cost share options with a market value of 796p equalling a gain of £1,210,119.

3 Performance conditions in respect of the LTIP awards granted in FY20 and FY21 are set out in the FY21 Annual Report, and the performance conditions in respect to the award granted in FY22 are set out in the FY22 Annual Report.

4 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. During the year Nick Wilkinson received 32,266 shares with a market value of 713.5p equalling a gain of £230,218. No performance conditions were applied to the FY20 Share Bonus awards. The FY21 Share Bonus awards were subject to the performance conditions referred to on pages 155 to 158 of the FY21 Annual Report.

Remuneration Committee report continued

Share options and dilution limits

The 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.

As at 1 July 2023 over the last ten-year period options have been granted over 3.8% 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 each of Nick Wilkinson and Karen Witts respectively. Service contracts for the Executive Directors 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 Committee may apply mitigation in respect of any termination payment. Copies of the Executive Directors' service contracts are available for inspection at the Company's registered office.

The Non-Executive Directors have letters of appointment 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 Alison Brittain, the Chair.

Table 8 – Directors' service contracts

	Start date	Expiry of current term	Notice period
Executives			
Nick Wilkinson	1 February 2018	N/A	6 months
Karen Witts	9 June 2022	N/A	6 months
Sir Will Adderley	28 September 2006	N/A	12 months
Non-executives			
Alison Brittain	7 September 2022	7 September 2025	3 months
Ian Bull	10 July 2019	10 July 2025	1 month
Kelly Devine	1 March 2022	1 March 2025	1 month
Williams Reeve	1 July 2015	1 July 2024	1 month
Peter Ruis	10 September 2015	10 September 2024	1 month
Marion Sears[1]	22 July 2004	22 July 2024	1 month
Arja Taaveniku	15 February 2021	15 February 2024	1 month
Vijay Talwar	1 October 2021	1 October 2024	1 month

1 Marion Sears has served more than nine years on the Board. Her contract is renewed for a one-year term (rather than three), with the notice period referred to above.

Total shareholder return performance and historic CEO remuneration

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 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 face similar market and economic challenges in the long term.

Table 9 – Total shareholder return performance graph (rebased to 2 July 2013 = 100)

The shares traded in the range of 671p to 1,232p during the year and stood at 1,121.0p at 1 July 2023.

Factset as of 20 July 2023. Last ten years data on weekly frequency. FTSE 350 General Retail Index includes Dunelm.

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.

Table 10 – Historic Chief Executive Officer pay

		CEO single figure of total remuneration £'000	Annual bonus payment against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
FY23	Nick Wilkinson	1,985	46.0%	83.3%
FY22	Nick Wilkinson	2,511	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[2,3]	429	N/A	N/A
FY17	John Browett	722	14.0%	N/A
FY16	John Browett[4]	489	57.7%	N/A
FY16	Sir Will Adderley[4]	10	N/A	N/A
FY15	Sir Will Adderley[5]	507	5.0%	N/A
FY15	Nick Wharton[5]	110	N/A	N/A
FY14	Nick Wharton[6]	1,509	22.5%	77.5%

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 No LTIP awards vested to John Browett during his tenure.

4 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.

5 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.

6 Nick Wharton's first LTIP award vested and was exercised in December 2013.

Remuneration Committee report continued

Statement of change in pay

The table below sets out the increase in total remuneration for each Director compared with other colleagues.

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

	Percentage change in remuneration between FY22 and FY23			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	Short-term incentive[2,3]	Salary and fees[1]	Benefits	Short-term incentive[2,3]	Salary and fees[1]	Benefits	Short-term incentive[2,3]	Salary and fees[1]	Benefits	Short-term incentive[2,3]
Executives												
Nick Wilkinson[4]	0.3%	0.0%	(48.8%)	3.4%	(4.3%)	14.6%	1.8%	3.6%	313.0%	2.0%	(55.6%)	(79.2%)
Karen Witts	0.0%	0.0%	(33.7%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sir Will Adderley	0.0%	0.0%	N/A	0.0%	0.0%	N/A	0%	(4.8%)	N/A	0.0%	0.0%	N/A
Non-Executives												
Alison Brittain[5]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ian Bull	3.9%	N/A	N/A	2.7%	N/A	N/A	0%	N/A	N/A	2.0%	N/A	N/A
Kelly Devine	3.9%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Andy Harrison	0.0%	N/A	N/A	0.0%	N/A	N/A	N/A	N/A	N/A	2.0%	N/A	N/A
Williams Reeve[6]	3.9%	N/A	N/A	4.5%	N/A	N/A	8.4%	N/A	N/A	2.2%	N/A	N/A
Peter Ruis	4.0%	N/A	N/A	3.2%	N/A	N/A	0%	N/A	N/A	2.0%	N/A	N/A
Marion Sears	4.0%	N/A	N/A	3.2%	N/A	N/A	0%	N/A	N/A	2.0%	N/A	N/A
Arja Taaveniku	3.7%	N/A	N/A	3.2%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vijay Talwar	3.7%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
All colleagues[7,8]	7.2%	1.9%	(36.6%)	4.9%	0.8%	(4.7%)	4.4%	0%	145.4%	3.5%	0%	(42.7%)

1 Directors' remuneration is based on contractual salary or fees as appropriate and does not take account of the voluntary salary reductions of 90% of Nick Wilkinson 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 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.

4 The decrease in benefits for Nick Wilkinson in FY22 is due to benefits received in lieu of holiday in FY21 which were not received in FY22.

5 No comparator data is provided for Alison Brittain as she joined Dunelm during FY23.

6 The increase in William Reeve's fee in FY21 is due to the assumption of responsibilities as Senior Independent Director.

7 All colleagues' salary increase is calculated only for colleagues employed for the whole of the financial year.

8 Comparisons have been made against colleague pay across the entire Group as the parent company employs a limited number of individuals.

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 and 75th percentile.
B	Identify the colleagues at 25th, 50th and 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 and 75th percentile was taken on 5 April 2023.

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. 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 a direct comparison.

Table 12 – CEO pay ratio

Financial year	Method	25th percentile pay	50th percentile pay	75th percentile pay
FY23	Option A	93:1	87:1	67:1
FY23 Base salary		£20,864	£22,334	£28,811
FY23 Total pay and benefits		£21,445	£22,880	£29,682
FY22	Option A	124:1	121:1	112:1
FY21	Option A	204:1	204:1	186:1
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

Commentary:

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

- The pay gap has significantly reduced, compared to the previous year. The main difference is the CEO bonus outcome for FY23 at 46% of maximum opportunity being lower than last year.
- The CEO's LTIP is vesting at 83% this year, which is a lower percentage than last year.
- The colleagues at the 25th, 50th and 75th percentile are hourly paid colleagues. This reflects 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 Company's UK employees. Our remuneration strategy is based on paying median to market for salary, to reward strong performance and focus on long-term value creation. The CEO remuneration is reflective of this, as his pay has a larger quantum in variable pay.
- In comparison we pay our hourly-paid colleagues upper median or above versus the market and have invested to improve our pay position for these colleagues in FY23.

Remuneration Committee report continued

Relative spend on pay

The table below shows the all employee pay cost, returns to shareholders by way of dividends (including special dividends) and share buyback for FY23 and FY22.

Table 13 – Relative spend on pay

	FY23 £'m	FY22 £'m	% change
Total spend on pay	**214.3**	194.9	10.0%
Ordinary dividend to shareholders	**82.6**	75.1	10.0%
Distributions to shareholders via treasury share purchases	**7.0**	28.3	(75.3%)
Special distributions to shareholders	**80.7**	207.0	(61.0%)
Total distributions to shareholders	**170.3**	310.4	(45.1%)

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 144.
- Dividends taken from note 7 on page 146.

Executive Director external board appointments

Nick Wilkinson is a trustee of Rewilding Britain. Karen Witts is a Non-Executive Director of Ipsen Pharma SA. Sir Will Adderley is a Director of WA Capital Limited.

Statement of implementation of policy in the FY24 financial year

Base salary and benefits for each of the Executive Directors for FY24 are set out in the table below.

Table 14 – Executive Directors fixed remuneration

	Base salary	Increase to base salary YoY	Benefits	Increase to benefits YoY	Pension	Change to pension contribution YoY
Nick Wilkinson	611,100	5.0%	50,555	6.3%	18,333	Nil
Karen Witts	472,500	5.0%	38,000	Nil	14,175	Nil
Sir Will Adderley	1	Nil	20,000	Nil	Nil	N/A

Base salary

The Committee determined that the Executive Directors performed strongly throughout the year, and this has been reflected in the financial performance of the Group. Further to this, the Committee approved a 5% increase in base salary for each of the CEO and CFO in line with the increases given to senior management. In making its decision, the Committee took into account the median pay award made to the wider colleague population of 9.6% and stakeholder considerations, including the feedback on Executive pay received from the National Colleague Voice. In implementing the increase, Nick's base pay remains positioned around the lower quartile versus our peers and Karen's base pay remains positioned at median for the top 50 companies in the FTSE 250.

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

Pension

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

FY24 annual bonus

Nick Wilkinson has been awarded a bonus opportunity of up to 150% of salary (subject to approval of, and in line with, our new Policy) and Karen Witts has been awarded a bonus opportunity of up to 125% of base salary. The performance conditions attached to their respective bonuses 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, and including environmental, social and governance measures.

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 Committee report.

Whilst the Policy enables bonus vesting levels at up to 10% of maximum at threshold and 50% for on-target performance, for FY24 this will apply only in respect of sales, with PBT remaining at 5% of maximum at threshold and 40% for on-target performance (and PBT moving to up to 10% of maximum at threshold and 50% for on-target performance in FY25).

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. This is also in line with our Policy. 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 Policy.

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

LTIP FY24-26

Subject to the approval of, and in line with, our proposed new Policy, and subject to shareholder approval of the proposed amendments to the LTIP rules at this year's AGM, an award is expected to be made in November 2023 under the LTIP over shares to the value of 225% of salary to Nick Wilkinson and 200% of salary to Karen Witts. 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 Policy. Our current intention is that the FY24-26 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 Committee in line with the new Policy subject to shareholder approval, and are as follows:

Financial measures: 80% of the award

Percentage of this element of the FY24-26 award vesting[1]	Nil	Threshold 10%	On-target 50%	Maximum 100%
FY26 Diluted EPS	Less than 78p	78p	83p	100.0p or more

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

GOVERNANCE REPORT

Remuneration Committee report continued

Non-financial measures: 20% of the award

Measure	FY26 target	% of LTIP award
Reduction in Scope 1 greenhouse gas emissions per £m sales	-59.3%	6.67%
Percentage of own brand cotton products which meet our 'More Responsibly Sourced Cotton' standard	100%	6.67%
Percentage of role-model leadership roles filled by ethnically diverse colleagues	8%	6.67%

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. Cotton products account for approximately half of Dunelm's carbon footprint. 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.

This year, the Committee decided to remove our reduction in plastic packaging and take-back service targets on the basis that our work in these areas is progressing well and, in the case of the former, is subject in any event to regulatory requirements. Its view was that the focus should continue to be on those areas where a step-change is required to meet our ambitions. This in no way diminishes the importance of other targets, but takes into account the outcome of stakeholder engagement as well as our desire to ensure that we continue to live our shared values. As a result, these measures have been replaced with an ethnicity target whereby 8% of our role-model leadership roles shall be held by ethnically diverse colleagues by the end of FY26. 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 2023 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 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.

Non-Executive Director fees for FY24

Fees to be paid to Non-Executive Directors in FY24 are as set out in the table below:

Table 15 – Non-Executive Director fees

	Position	Base fee	Committee Chair/SID fee	Increase in base fee year-on-year	Increase in Committee/SID fee year-on-year
Alison Brittain	Chair	£337,177	N/A	5.0%	N/A
Ian Bull	Audit and Risk Committee Chair	£58,490	£11,316	5.0%	5.0%
Kelly Devine	Non-Executive Director	£58,490	N/A	5.0%	N/A
William Reeve	Remuneration Committee Chair	£58,490	£11,316	5.0%	5.0%
	Senior Independent Director (SID)	–	£7,190	5.0%	5.0%
Peter Ruis	Non-Executive Director	£58,490	N/A	5.0%	N/A
Marion Sears	Non-Executive Director	£58,490	N/A	5.0%	N/A
Arja Taaveniku	Non-Executive Director	£58,490	N/A	5.0%	N/A
Vijay Talwar	Non-Executive Director	£58,490	N/A	5.0%	N/A

Fees above are for the full year and reflect Board responsibilities at the date of this report.

Statement of shareholder voting

At the Annual General Meeting on 30 November 2022, the total number of shares in issue with voting rights (excluding treasury shares) was 201,361,214. Details of voting on remuneration-related resolution is set out below:

Resolution	Votes for	% of votes cast	Votes against	% of votes cast	Votes withheld	% withheld
Approve Annual Remuneration Report	177,668,641	99.77	408,268	0.23	3,114,149	1.55

At the Annual General Meeting on 17 November 2020, the total number of shares in issue with voting rights (excluding treasury shares) was 202,354,357. Details of voting on the remuneration policy resolution is set out below:

Resolution	Votes for	% of votes cast	Votes against	% of votes cast	Votes withheld	% withheld
Approve Directors' Remuneration Policy	185,828,351	99.9	21,010	0.01	248,318	0.13

Advisers

The UK Executive Compensation practice of Deloitte provides general advice on executive remuneration to the Committee and access to external information and research on market data and trends. They were appointed by the Committee following a review against other providers in the market. Deloitte are signatories to the Remuneration Consultants' Code of Conduct, which requires their advice to be impartial, and they have confirmed their compliance with the Code to the Committee.

Total fees paid to Deloitte for remuneration-related work in the year were £30,150 (FY22: £14,850) which was a mixture of fixed fees and time spent basis, depending on the work conducted.

Risk Advisory and Consulting teams within Deloitte (outside of its UK Executive Compensation practice) provided non-remuneration-related consultancy services in the year. In each case, the appointment of Deloitte was made based on Deloitte's expertise in the particular area, on an arm's length basis and without reference to the fact that Deloitte also provides remuneration advice. Having considered the fees paid to Deloitte for non- remuneration-related work, the Committee is satisfied that the remuneration advice that they have received from Deloitte in the year has been objective and independent.

Gender pay disclosures

Dunelm's 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 remains one of our commitments.

The Committee supports gender pay reporting and the actions taken in the business to drive gender balance, supporting a culture of inclusion. Dunelm published its sixth Gender Pay Gap Report in April 2023, and an overview is provided in our Sustainability Report 2023. Both documents are available to download at corporate.dunelm.com.

Remuneration Committee report continued

Engaging with our colleagues on pay

In May 2023, the National Colleague Voice ('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 43%:57% male/female gender split and ethnic diversity representation of 21%. The meeting was led by members of 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. It was also attended by the Group General Counsel and Company Secretary. The meeting covered two key topics as follows:

Topic 1: Engaging on colleague reward and pay

Representatives from each part of the business were invited to share feedback on reward and pay gathered from colleagues ahead of the meeting. Overall, colleagues were pleased with our general reward packages and those who have access to a computer make good use of online access to our total reward system and access to benefits. However, the meeting discussed that store colleagues and drivers do not always have the same ease of access and have requested further consideration as to how this can be achieved. Other areas of discussion were the possibility of reviewing the Company's approach to sick leave pay and eligibility for the bonus scheme at a support analyst level.

There was also a discussion on cost of living, and notably that the effects of a higher cost of living are more acutely felt by store colleagues who are impacted by the availability of overtime. As a result of this discussion, management determined to define more specifically the most-affected colleague population to review whether a different approach might be adopted and consider further improvements we can make to our communication more generally around business performance and more personally to colleagues about the other assistance that is available for anyone experiencing hardship.

Topic 2: Engaging on Board remuneration

William Reeve provided an overview of the remit of the Committee, core elements of Dunelm's proposed new Remuneration Policy and the context in which the Committee takes decisions. It was explained that the Committee is held to account through shareholder voting and that for the Executive Team, and most of our senior leadership, reward is related to business performance. The fixed and variable reward elements for different role levels were highlighted, as was the requirement for a significant proportion of reward to be held in shares, to ensure shareholder alignment and in keeping with our shared values. Feedback on our executive pay was positive, with NCV colleagues recognising the desire to pay appropriately for good leadership, the level of care and scrutiny exercised by the Committee and its long-term thinking. It was noted that colleagues' acceptance of executive pay is linked to business performance, colleague job security and workforce pay, and if Dunelm's circumstances changed, colleagues would feel it inappropriate for our leaders to receive a high level of pay/bonus. It was also noted that our colleagues consider strong leadership to include having compassion and being proactive.

For more information on the NCV and its other activities during the year see page 32.

Committee effectiveness

The effectiveness of the Committee was considered as part of this year's Board evaluation process, more details of which can be found on page 78. The review concluded that the Committee continues to operate effectively and having considered the findings, it was agreed that particular areas of focus during the forthcoming year should be:

1. Reflecting on measures used to determine performance, alignment of management incentives and approach to retention following implementation of the new Policy (subject to shareholder approval) and refresh of the 'Plan on a Page';
2. A deep dive into gender pay gap data and reporting; and
3. Preparing for an effective handover to a new Chair at the appropriate time.

Approved by the Board on 20 September 2023.

William Reeve
Chair of the Remuneration Committee

Directors' report

The Directors present their report together with the audited financial statements for the period ended 1 July 2023.

Disclosures that are relevant to the Directors' report have been incorporated by reference and can be found elsewhere within the Annual Report and Accounts as noted below.

Strategic report

The Group's Strategic report is set out on pages 1 to 55. It contains an indication of likely future developments in the business of the Company and the Group.

Corporate governance

Our Governance report on pages 58 to 118 explains how we have applied the Principles set out in the UK Corporate Governance Code published in July 2018 (the 'Code'). Our Code compliance statement can be found on page 59.

Sustainability reporting

For information on the Group's approach to environmental, social and governance matters, see Sustainability on pages 26 and 27, our TCFD report on pages 40 to 47 which includes the Streamlined Energy and Carbon Reporting disclosures, and our Sustainability Report 2023, available at corporate.dunelm.com.

Results and dividends

The consolidated profit of the Group for the year after taxation was £151.9m (2022: £171.2m). The results are discussed in greater detail in the CFO's review on pages 22 to 25.

A final ordinary dividend of 27p per share (2022: 26p per share) is proposed in respect of the period ended 1 July 2023, to add to a special dividend of 40p per share paid on 11 April 2023 (2022: £1.02 pence in total) and an interim ordinary dividend of 15p per share paid on 11 April 2023 (2022: 14p per share). The final dividend will be paid on 20 November 2023 to shareholders on the register at 27 October 2023.

Information to be disclosed under LR 9.8.4R

The majority of the disclosures required under LR 9.8.4 are not applicable to Dunelm. The table below sets out the location of those requirements that are applicable:

Applicable sub-paragraph within LR 9.8.4	Disclosure provided
(4) Long-term incentive schemes	pages 107, 115 and 116
(14) A statement made by the Board that the Company has entered into an agreement under LR 9.2.2A, that the Company has, and as far as it is aware, the other parties to the agreement have, complied with the agreement.	'Shareholder and voting rights' below.

Treasury and risk management

The Group's approach to treasury and financial risk management, including its use of hedging instruments, is explained in the principal risks and uncertainties section on page 54 and note 17 of the financial statements.

Stakeholder engagement

Details of how the Directors have engaged with employees and other stakeholders, and had regard to the interests of colleagues and the need to foster the Company's business relationships with suppliers, customers and others and the effect of that regard, including on the principal decisions taken by the Company during the financial year, are set out in the Strategic report on pages 30 to 34, with complementary information in the Governance report on pages 68 to 71. Our s172(1) Companies Act 2006 statement can be found on page 35.

Employee information

Information relating to employees of the Group is set out in the Nominations Committee report, with more information in our Sustainability Report 2023.

The Company is clear in its policy that people with health conditions, both visible and non-visible, will have a full and fair consideration for all vacancies. Dunelm continues to demonstrate its commitment to interviewing applicants with disabilities who fulfil the minimum criteria for the role and endeavours to retain colleagues in roles in the business if they become disabled during their employment. Dunelm will actively look to put into place reasonable adjustments that may be required by the colleague to allow them to thrive and belong at Dunelm.

Share incentive schemes in which employees participate are described in the Remuneration Committee report on page 101.

Shareholder and voting rights

All members who hold Ordinary Shares are entitled to attend and vote at the Annual General Meeting. On a show of hands at a general meeting every member present in person shall have one vote and, on a poll, every member present in person or by proxy shall have one vote for every Ordinary Share held. There are no special voting rights attached to any of the Company's shares.

In order to be passed, an ordinary resolution of the Company must be supported by at least 50% of the votes cast at a shareholders' meeting, and a special resolution by at least 75% of votes cast.

Directors' report continued

On 2 October 2006, Jean Adderley, Bill Adderley and Sir Will Adderley (all shareholders at that time) entered into a Relationship Agreement with the Company, pursuant to which each of Jean Adderley, Bill Adderley and Sir Will Adderley undertook to the Company that, for so long as, individually or together, they are entitled to exercise, or to control the exercise of, 30% or more of the rights to vote at general meetings of the Company or they are able to control the appointment of Directors who are able to exercise a majority of votes at Board meetings of the Company, they will:

- Conduct all transactions and relationships with any member of the Group on arm's length terms and on a normal commercial basis.
- Not take any action which precludes or inhibits any member of the Group from carrying on its business independently of Jean and Bill Adderley, Sir Will Adderley and their associates (as defined in the Listing Rules).
- Not exercise any of their voting rights or other powers to procure any amendment to the Articles of Association of the Company which would be inconsistent with or undermine any of the provisions of the Relationship Agreement.
- Abstain from voting on any resolution to which LR11.1.7.R(4) of the Listing Rules applies involving Jean Adderley, Bill Adderley or Sir Will Adderley or any of their associates as the related party.
- Not carry on (other than through their holding of securities of the Company) or have any financial interest (other than a financial interest in securities which are held for investment purposes only) in any person who carries on a business as a homewares retailer, to the extent that it would be inconsistent with or undermine any provisions of the Relationship Agreement.
- Only enter into, amend or terminate any transaction, agreement or relationship between themselves or any of their associates and any member of the Group with the approval of a majority of the independent Non-Executive Directors.

WA Capital Limited and Lady Nadine Adderley, to whom Sir Will Adderley transferred shares by way of a gift, have subsequently become parties to this agreement.

In July 2014, the Relationship Agreement was amended so as to comply with Listing Rule LR 9.2.2A(2)(a), which came into effect on 16 May 2014 (as at 1 January 2018 this reference is LR 9.2.2AD R(1)). The following additional undertakings were given by the parties:

- No action will be taken that would have the effect of preventing the Company from complying with its obligations under the Listing Rules.
- No resolution will be proposed, or procured to be proposed, which is intended to, or appears to be intended to circumvent the proper application of the Listing Rules.

In addition, the Articles of Association of the Company provide that the election and re-election of Independent Directors must be conducted in accordance with the election provisions set out in LR 9.2.2ER and LR 9.2.2FR.

The Company confirms that it has complied with its obligations under the Relationship Agreement during the financial period under review, and that so far as it is aware, all other parties to that agreement have complied with it.

The Company confirms that there are no contracts of significance between any member of the Group and any of the parties to the Relationship Agreement, with the exception of Sir Will Adderley's service agreement as a Director of the Company, the terms of which are outlined in the Remuneration Committee report.

There are no restrictions on the transfer of Ordinary Shares in the Company other than certain restrictions imposed by laws and regulations (such as insider trading and marketing requirements relating to closed periods) and requirements of the Listing Rules whereby Directors and certain employees of the Company require Board approval to deal in the Company's securities.

Change of control

The Company is not party to any significant agreements which take effect, alter or terminate solely on a change of control of the Company following a takeover bid.

There are no agreements between the Company and its Directors or employees providing for additional compensation for loss of office or employment (whether through resignation, redundancy or otherwise) that occurs because of a takeover bid.

Details of the rights of employees to exercise options on a change of control of the Company are set out in the Remuneration Policy section of this report.

Share capital and treasury shares

The Company has only one class of shares, Ordinary Shares of 1p each. As at 1 July 2023, its capital comprised 203,426,835 (2022: 203,426,835) fully paid Ordinary shares of 1p each.

At the 2022 Annual General Meeting, shareholders renewed the Directors' authority to allot shares in the Company. No shares were allotted during the year. A resolution to renew the standard authority will be proposed at the 2023 Annual General Meeting.

At 1 July 2023, the Company held 1,712,790 Ordinary Shares in treasury (2022: 1,686,200).

During the year ended 1 July 2023 the Company purchased 908,064 Ordinary Shares for a total consideration of £6,969,509 and these shares are held in treasury with no voting or dividend rights. 881,474 shares were transferred to employees who exercised options under a share incentive scheme or under the LTIP scheme. Details of option exercises by Directors are set out in the Remuneration Committee report.

Since the financial year end, 16,914 Ordinary Shares have been moved out of treasury to employees who exercised options under a share incentive scheme.

Further details on the Company's share capital are set out in note 20 to the financial statements.

Substantial shareholders

At 1 July 2023 the Company had been notified under the Disclosure and Transparency Rules (DTR 5) of the following notifiable interests in the Company's issued share capital. The information provided below was correct at the date of notification. These holdings are likely to have changed since the Company was notified; however, notification of any change is not required until the next notifiable threshold is crossed. No further notifications have been received since year end.

	Ordinary Shares	Percentage of share capital	Date of notification
Sir Will Adderley	76,371,779	37.8	15 February 2021
Jean Adderley	9,968,500	4.92	7 July 2021
abrdn plc	9,565,468	4.74	22 March 2018
JP Morgan Asset Management Holdings Inc	10,936,894	5.43	11 December 2022
Jupiter Fund Management PLC	10,044,063	4.95	6 January 2022
Royal London Asset Management Limited	9,907,809	4.91	13 July 2018

Sir Will Adderley is also deemed to hold a legal interest in 967,250 Ordinary Shares held by the Stoneygate Trust and 172,750 Ordinary Shares held by the Paddocks Discretionary Trust, by virtue of the fact that he is a trustee of those trusts.

Directors and officers

Details of the Directors of the Company who served on the Board during the year can be found on page 60. The biographies of the Directors on the Board at the date of this report are set out on pages 61 to 63. Details of changes to the Board during the period are set out on page 62. Details of the interests of the Directors in shares of the Company can be found in the Annual Report on Remuneration on page 108.

On 1 December 2022, Dawn Durrant stepped down as Company Secretary and Luisa Wright was appointed.

Powers of Directors

The business of the Company is managed by the Board, which may exercise all of the powers of the Company, subject to the requirements of the Companies Act, the Articles of Association of the Company and any special resolution of the Company. As stated in the Governance report on page 66, the Board has adopted internal delegations of authority in accordance with the Code and these set out matters which are reserved to the Board or Committees and the powers and duties of the Chair, the Deputy Chair and the Chief Executive Officer respectively.

Appointment and removal of Directors

The Articles of Association of the Company provide that a Director may be appointed by ordinary resolution of the Company's shareholders in a general meeting, or by the Board so long as the Director stands down and offers him or herself for election at the next Annual General Meeting of the Company.

The Board's policy is that all Directors are subject to annual re-election and therefore should stand down and offer themselves for re-election at each Annual General Meeting. The Articles also provide that each Director must stand down and offer him or herself for re-election by shareholders at the Annual General Meeting at least every three years.

The Nominations Committee makes recommendations to the Board on the appointment and removal of Directors.

Directors may be removed by a special resolution of shareholders, or by an ordinary resolution of which special notice has been given in accordance with the Companies Act 2006. The Articles also provide that the office of a Director shall be vacated if they are prohibited by law from being a Director, or are declared bankrupt; and that the Board may resolve that his or her office be vacated if he or she is of unsound mind or is absent from Board meetings without consent for six months or more. A Director may also resign from the Board.

Indemnities and insurance

The Company has granted indemnities to each of its Directors and the Company Secretary to the extent permitted by law in respect of costs of defending claims against them and third-party liabilities. Deeds of indemnity in favour of Alison Brittain and Luisa Wright were entered into during the year following their appointments as Non-Executive Director and Company Secretary respectively.

All indemnities, the provisions of which are deemed to be qualifying third-party indemnity provisions pursuant to section 234 of the Act, were in force throughout FY23 (or, in the case of Alison Brittain and Luisa Wright, from the date of their respective appointments and thereafter for the remainder of FY23) and remain in force as at the date of this report.

A copy of each indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Company's Annual General Meeting.

The Group maintained Directors' and Officers' liability insurance cover for its Directors and officers as permitted under the Articles of the Company and the Companies Act 2006 throughout the financial year.

Directors' report continued

Managing conflicts of interest and related-party matters

The Companies Act 2006 allows the Board of a public company to authorise conflicts and potential conflicts of interest of individual Directors where the Articles of Association contain a provision to that effect. The Company's Articles of Association give the Board this authority subject to the following safeguards:

- Directors who have an interest in matters under discussion at a Board meeting must declare that interest and abstain from voting.
- Only Directors who have no interest in the matter being considered are able to approve a conflict of interest and, in taking that decision, the Directors must act in a way they consider, in good faith, would be most likely to promote the success of the Company.
- The Directors are able to impose limits or conditions when giving authorisation if they feel this is appropriate.

Directors are required to disclose any actual or potential conflicts of interests to the Board immediately when they arise. In addition, a formal process is undertaken each year when all Directors confirm to the Board details of any other directorships and confirm relevant information in connection with related parties.

Further to the above, the Board believes it has effective procedures in place to monitor and manage conflicts of interest and ensure that any related party transactions involving Directors or their connected persons are conducted on an arm's length basis.

Donations

The Group does not make any political donations.

Public policy

We are members of the British Retail Consortium and support relevant campaigning activity by that body. During the year we have not taken part in any direct lobbying or public policy activity.

Articles of association

The Company's Articles of Association may only be amended, or new articles adopted, by a special resolution of shareholders.

Independent auditors

In accordance with section 489 of the Companies Act 2006 and the recommendation of the Audit and Risk Committee, a resolution will be proposed at the 2023 AGM to reappoint PricewaterhouseCoopers LLP as external auditor of the Group.

Important events since 1 July 2023

There have been no important events affecting the Company or any subsidiary since 1 July 2023.

Disclaimer

This Directors' report, Strategic report and the financial statements contain certain forward-looking statements with respect to the financial condition, results, operations and business of Dunelm Group plc.

These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this Directors' report, the Strategic report or in these financial statements should be construed as a profit forecast.

This document also contains non-financial information and data. While reasonable steps have been taken to ensure that this is correct, it has not been externally audited or verified unless specifically stated in this document.

Annual General Meeting

The Annual General Meeting will be held at 11:30am on Thursday 16 November 2023 at the Stoke 2 Distribution Centre, White Rock Road, Prologis Park, Stoke-on-Trent, ST4 4FA.

A formal notice of meeting, explanatory circular and a form of proxy will accompany this Annual Report and financial statements.

This report was reviewed and signed by order of the Board on 20 September 2023.

Luisa Wright
Company Secretary
20 September 2023

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and Accounts 2023 in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the Directors, whose names and functions are listed in the Governance report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the parent company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the parent company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

Disclosure of information to the auditors

Each Director in office at the date on which the Directors' report is approved confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Nick Wilkinson
Chief Executive Officer
20 September 2023