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.

GOVERNANCE REPORT

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.

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.

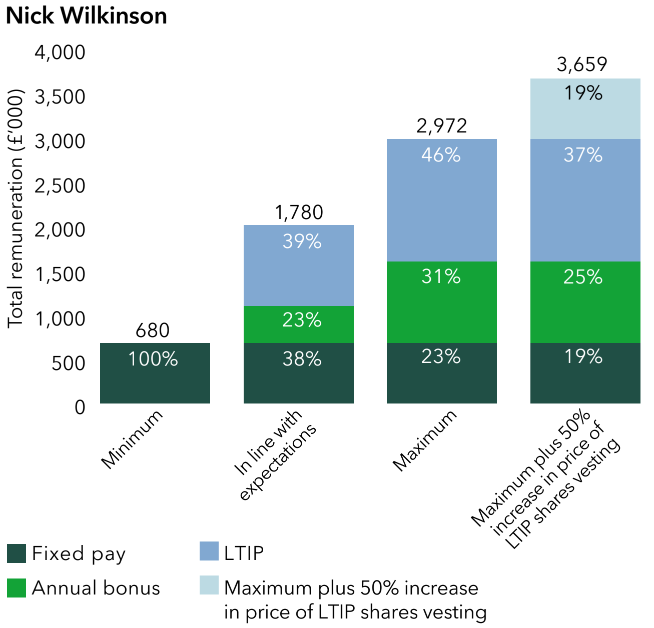
For both the annual bonus and the LTIP, the Committee reserves the right to vary or substitute any performance measure if justified by the circumstances, for example if there was a significant transaction.

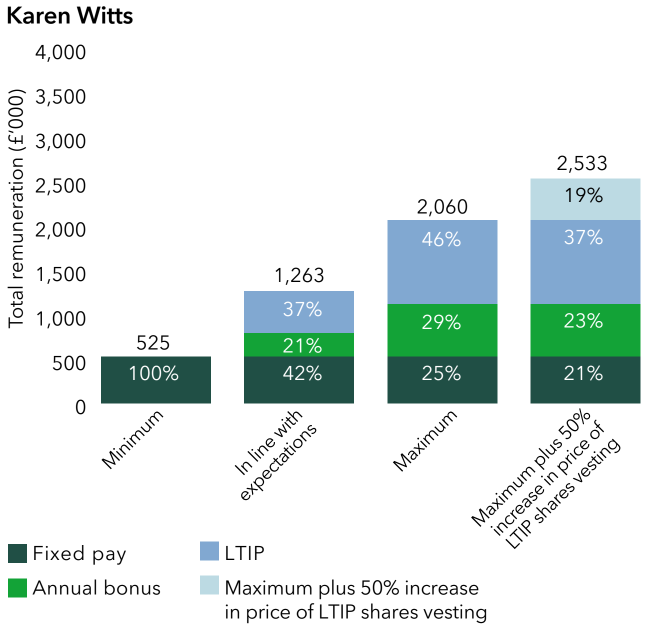
Performance measures for the annual bonus for FY24 are set out on page 115. Performance measures for the LTIP awards proposed to be granted in respect of FY24 are set out on pages 115 and 116.

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:





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

<table>
<tr><th>Director</th><th>Award</th><th>Shares under award[1]</th><th>Face value at date of award (200% of salary)</th><th colspan="4">Performance condition</th><th>Performance period</th><th>Vesting date</th></tr>
<tr><td rowspan="6">Nick Wilkinson</td><td rowspan="6">Nil-cost options under LTIP</td><td rowspan="6">139,765</td><td rowspan="6">£1,164,250</td><td colspan="4">FY25 Diluted EPS (80% of opportunity)</td><td rowspan="6">July 2022 to June 2025</td><td rowspan="6">27 October 2025</td></tr>
<tr><td colspan="2">Threshold (10% vesting)</td><td>On-target (50% vesting)</td><td>Maximum (100% vesting)</td></tr>
<tr><td colspan="2">83.4p</td><td>87.6p</td><td>103.4p</td></tr>
<tr><td colspan="4">Non-financial measures[2] (20% of opportunity)</td></tr>
<tr><td>ESG metric 1 (5% vesting)</td><td>ESG metric 2 (5% vesting)</td><td>ESG metric 3 (5% vesting)</td><td>ESG metric 4 (5% vesting)</td></tr>
<tr><td colspan="4"></td></tr>
<tr><td>Karen Witts</td><td>Nil-cost options under LTIP</td><td>108,043</td><td>£900,000</td><td colspan="4">As above for Nick Wilkinson</td><td></td><td></td></tr>
</table>

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

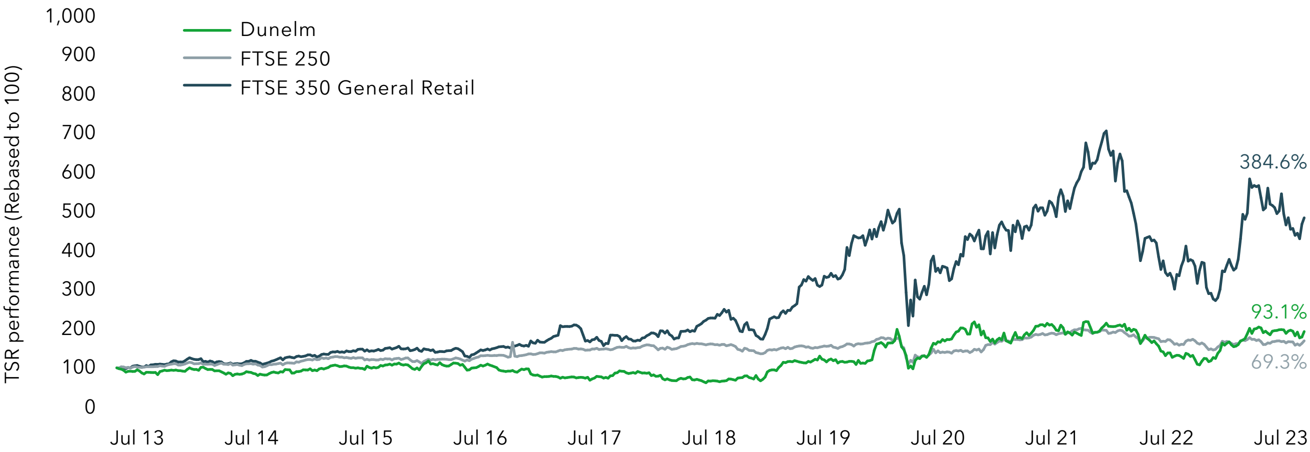
1 Marion Sears has served more than nine years on the Board. Her contract is renewed for a one-year term (rather than three), with the notice period referred to above.

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

		Threshold	On-target	Maximum
Percentage of this element of the FY24-26 award vesting[1]	Nil	10%	50%	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