

Dunelm Group plc

Remuneration Committee - Terms of Reference

1. Membership

1. Membership

- 1.1 The Board, on the recommendation of the Nominations Committee, and in consultation with the Chairman of the Remuneration Committee, shall appoint members of the Committee. The Chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman. The Committee shall be made up of at least 2 members, all of whom are independent non-executive directors.
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, Head of Human Resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 1.3 Appointments to the Committee shall be for a period of three years, which may be extended for further periods of up to 3 years, provided the Director still meets the criteria for membership of the Committee.
- 1.4 The Board shall appoint the Committee Chairman who shall be an independent non-executive Director. In the absence of the Committee Chairman and / or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chairman of the Board shall not be Chairman of the Committee.

2. Secretary.

- 2.1 The Board shall appoint an appropriate individual to act as the Secretary of the Committee.

3. Meetings

- 3.1 The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. Frequency of meetings

- 4.1 The Committee shall meet at least twice a year and at such other times as the Chairman of the Committee shall require.

5. Notice of meetings

- 5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee, at the request of any of its members
- 5.2 Unless otherwise agreed, notice of each meeting, confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than 4 working days before the date of the meeting.

Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

6. Minutes

- 6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 6.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and the Chairman of the Board and, once agreed, to all other members of the Board, unless it would be inappropriate to do so.

7. Annual General Meeting

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

8. Duties

In respect of the executive Directors, the Chairman, Company Secretary and other members of the Executive Committee, the Committee shall:

- 8.1 determine and agree with the Board the framework or broad policy for remuneration. The remuneration of non-executive Directors shall be a matter for the Chairman and the executive members of the Board. No individual shall be involved in any decisions as to their own remuneration;
- 8.2 in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- 8.3 review the ongoing appropriateness and relevance of the remuneration policy;
- 8.4 approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- 8.5 review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other senior executives and the performance targets to be used;
- 8.6 determine the policy for, and scope of, pension arrangements for each executive Director and other members of the Executive Committee;
- 8.7 ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 8.8 within the terms of the agreed policy and in consultation with the Chairman and / or Chief Executive as appropriate, determine the constituent parts and the total individual remuneration package of the Chairman, each executive Director, Company Secretary and other members of the Executive Committee including bonuses, incentive payments and share options or other share awards;
- 8.9 in determining such packages and arrangements, give due regard to any relevant legal and regulatory requirements and the provisions and recommendations in the UK Corporate Governance Code and associated guidance;

- 8.10 agree the policy for authorising claims for expenses by the Directors
- 8.11 ensure that all provisions regarding disclosure of remuneration including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code are fulfilled; and

The Committee shall also:

- 8.12 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee: and obtaining reliable, up-to-date information about remuneration in other companies. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission any reports or surveys which it deems necessary to help it fulfil its obligations, within any budgetary constraints imposed by the Board.
- 8.13 when setting remuneration policy for Directors, review and have regard to remuneration trends across the Company;
- 8.14 oversee any major changes in employee benefits structures throughout the Company.

9. Reporting Responsibilities

- 9.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee shall produce an annual report of the Company's remuneration policy and practices which will form part of the Company's Annual Report and ensure each year that it is put to shareholders for approval at the AGM. It shall report the frequency of, and attendance by members at, Remuneration Committee meetings in the Annual report.
- 9.4 The Committee shall make available its terms of reference to any shareholder on request.

10. Other

- 10.1 The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- 10.2 The Committee shall:
 - 10.2.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
 - 10.2.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
 - 10.2.3 give due consideration to laws and regulations, the provisions of the Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate.

11. Authority

- 11.1 The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties.
- 11.2 The Committee is authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

Adopted by the Board
March 2011