

The board continues to be committed to high standards of corporate governance

Sir Ian Cheshire
Chairman



Dear shareholder,

On behalf of the board, I am pleased to present our corporate governance report for the financial year ended 1 September 2018.

We were delighted to welcome David Adams as a non-executive director in October 2017. David subsequently assumed the role of chair of the Audit Committee on 11 January 2018.

Martina King stepped down from the board on 31 July 2018 having served nine years as a non-executive director. I would like to take this opportunity to thank Martina for her valuable contribution to the board and the Remuneration Committee. Nicky Kinnaird took over the role as chair of the Remuneration Committee on 1 August 2018.

Peter Fitzgerald stepped down from the board as an independent non-executive director on 24 October 2018 following six years service. The board thanks him for his service to the board and to the Audit Committee.

The board continues to be committed to promoting high standards of corporate governance. Following the publication in July of the new UK Corporate Governance Code work has already begun to determine how we may apply the new provisions, which will be applicable for Debenhams in FY2020. Ahead of FY2020 the Remuneration Committee has recommended the introduction of post-holding periods for future awards granted under the Performance Share Plan. More details can be found on page 59.

Furthermore, the board recognises the importance of our wider stakeholders and its responsibility and duty to them under section 172 of the Companies Act 2016. Please refer to our Business Model and Strategy on pages 2 and 3 of this report which illustrates how we create value for our stakeholders. In addition, please refer to pages 49 and 50 which provides details on the results of our internal evaluation of the Board and its committees.

Finally, I look forward to meeting shareholders at our next Annual General Meeting which will be held on 10 January 2019 at 2.00pm at our registered office, 10 Brock Street, Regent's Place, London NW1 3FG.

Sir Ian Cheshire
Chairman

LEADERSHIP

Board statements

The directors consider that this annual report and accounts, taken as a whole, is fair, balanced and understandable and gives shareholders the information needed to assess the Group's performance, business model and strategy. Further confirmations to support the disclosures provided within this annual report and accounts are provided below.

Requirement	Compliance statement	Where to find further information
Strategic report	The strategic report was approved by the board of directors on 24 October 2018.	Page 41
NFR statement	The Company has complied with the Non-Financial Reporting Directive contained in sections 414CA and 414CB of the Companies Act 2006.	Page 27
S.172 of the Companies Act 2006	The board of directors, through the strategic report, provides information for shareholders to help them assess how the directors have performed their duty, under section 172, to promote the success of the Company and, in doing so, had regard to the matters set out in that section. This includes considering the interests of other stakeholders which will have an impact on the long-term success of the Debenhams.	Pages 2 to 41
Compliance with the UK Corporate Governance Code	In accordance with the Listing Rules of the UK Listing Authority, the Company confirms that throughout the period ended 1 September 2018 and at the date of this annual report, it was compliant with all the relevant provisions as set out in the April 2016 UK Corporate Governance Code, copies of which can be obtained from the Financial Reporting Council website (www.frc.org.uk).	Page 46
Going concern	Having assessed the Group's liquidity outlook on the basis of business projections and sensitivities, the directors consider that the Group has sufficient headroom to its committed borrowing facilities to ensure it can operate as a going concern for at least the next 12 months and that it is therefore appropriate to adopt the going concern basis of accounting in preparing these financial statements.	Page 40
Viability statement	The directors confirm that they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the three year period under review.	Pages 41 and 78
Robust assessment of the principal risks facing the Group	The directors confirm they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its strategy, business model and future performance. The directors also assessed the Group's risk appetite with regard to each risk and considered how to manage and mitigate such risks.	Pages 32 to 34
Annual review of the systems of risk management and internal control	During FY2018, the Audit Committee provided transparency on the Group's systems of risk management and internal control which were confirmed as effective.	Pages 30 and 31
Remuneration report	The directors confirm that the remuneration report for the year ended 1 September 2018 complies with the requirements of the Listing Rules of the Listing Authority, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the provisions of the April 2016 UK Corporate Governance Code.	Pages 58 to 75
Competition and Markets Authority	The Audit Committee considers that the Company complied with the mandatory audit processes and audit committee responsibility provisions of the Competition and Markets Authority Audit Order for the period ending 1 September 2018.	Page 56
Modern Slavery Act 2015	The directors confirm, for the financial year ended 1 September 2018, that the steps that have been taken in relation to our responsibilities under section 54, part 6 of the Modern Slavery Act 2015 and our activities taken prior to this legislation have ensured, and will continue to ensure, that slavery and human trafficking is not taking place in Debenhams' supply chains or in any part of our business operations.	Page 23

Our board

1. Sir Ian Cheshire

Chairman

Date appointed to the board: Joined the board in January 2016, becoming Chairman in April 2016

Tenure on board: 2 years, 7 months

Independent: Yes

Committee membership: ① ②

Relevant skills and experience: Sir Ian has vast experience of a range of businesses in both an executive and non-executive capacity. He spent 17 years with Kingfisher plc, including seven years as Group Chief Executive between 2007 and 2014, where he drove consistent and significant growth in shareholder value. Sir Ian was formerly Chairman of the British Retail Consortium, a non-executive board member of the Cabinet Office, Senior Independent Director of Whitbread plc and Chair of the advisory board of the Cambridge Institute for Sustainability Leadership.

Principal current external appointments:

Chairman of Barclays' ring fenced bank, Barclays UK, Chairman of Menhaden Capital plc and President of Maisons du Monde. He is also Government Lead non-executive and Lead non-executive board member of the Cabinet Office and President of the Business Disability Forum.

2. Sergio Bucher

Chief Executive Officer

Date appointed to the board: October 2016

Tenure on board: 1 year, 10 months

Relevant skills and experience:

Sergio brings extensive experience of international and multi-channel retailing to his role as Chief Executive Officer. Sergio worked for Amazon.com, Inc. where he served as Vice President, Amazon Fashion Europe since 2013. Previously he was General Manager, Retail E-Commerce Worldwide, at Puma, and prior to that held retail roles at Nike and Inditex, where he led the start-up of its lingerie retail brand Oysho.

Principal current external appointments: None

3. Rachel Osborne

Chief Financial Officer

Date appointed to the board: September 2018

Relevant skills and experience: Rachel has a strong retail and customer-facing background including previous roles at John Lewis plc and Kingfisher plc. Her last position was Chief Financial Officer at Domino's Pizza Group plc. She has also held senior finance positions at Sodexo and Vodafone. Rachel is a chartered accountant and has also worked for KPMG.

Principal current external appointments: None

4. Terry Duddy

Senior Independent Director

Date appointed to the board: Joined the board in April 2015, becoming Senior Independent Director in January 2016

Tenure on board: 3 years, 5 months

Independent: Yes

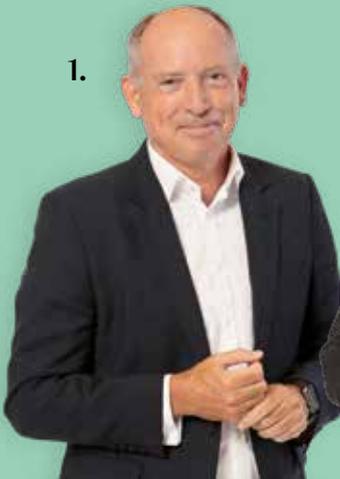
Committee membership: ① ② ③

Relevant skills and experience: Terry was Chief Executive of Home Retail Group from October 2006 until March 2014, having previously served as CEO of Argos since its acquisition by GUS in 1998. He had previously held senior executive roles at Dixons Stores Group, latterly as MD at PC World. In addition to the management of a large public company, Terry brings specific insight into customer behaviour and retail markets.

Principal current external appointments:

Non-executive director of Hammerson plc and Majid Al Futtaim Properties LLC, Chair of the Retail Trust and Senior Independent Director of GEMS Education Limited.

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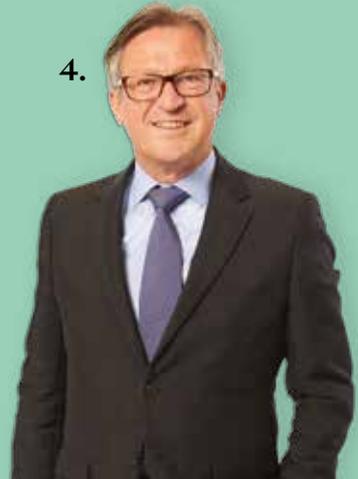
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5. Stephen Ingham

Independent non-executive director

Date appointed to the board:
January 2013

Tenure on board: 5 years, 7 months

Independent: Yes

Committee membership: **2**

Relevant skills and experience: Stephen has been Chief Executive Officer of PageGroup plc since 2006 having worked for that company since 1987 transforming it into an international business. Having served as a CEO of a public company for many years, Stephen has strong entrepreneurial and strategic skills.

Principal current external appointments: Chief Executive Officer of PageGroup plc. Stephen is also a member of Great Ormond Street Hospital's corporate partnership.

6. Nicky Kinnaird

Independent non-executive director

Date appointed to the board:
November 2016

Tenure on board: 1 year, 9 months

Independent: Yes

Committee membership: **2**

Relevant skills and experience: Nicky brings a wealth of experience and understanding in brand development and the global beauty industry. Nicky founded speciality retailer Space NK and, following the sale of the business, consults for an international roster of clients in the beauty, wellness and lifestyle sectors.

Principal current external appointments: Director of Nicky Kinnaird Consulting Limited and Colorscience Inc. Nicky is also co-founder of Ancora Holdings LLC and non-executive Chairman of Walkactive Company Limited.

7. Lisa Myers

Independent non-executive director

Date appointed to the board:
September 2016

Tenure on board: 2 years

Independent: Yes

Committee membership: **3**

Relevant skills and experience: Lisa brings an investor's perspective to the board together with a strong focus on revenue and profitability drivers, brand equity and return on invested capital. Prior to joining L Catterton, the pre-eminent global consumer-focused private equity firm, Lisa was lead portfolio manager of some of Templeton's flagship global funds and Executive Vice-president at Franklin Templeton, managing or co-managing more than \$10 billion of assets. As the coordinator of Templeton's global consumer research, Lisa had direct research responsibility for the retail, textile and apparel and luxury good sectors.

Principal current external appointments: Partner at L Catterton.

8. David Adams

Independent non-executive director

Date appointed to the board:
October 2017

Tenure on board: 11 months

Independent: Yes

Committee memberships: **1 2 3**

Relevant skills and experience: David was Finance Director and Deputy Chief Executive of House of Fraser plc until 2006, then Executive Chairman of Jessops plc, becoming non-executive Chairman in 2009. In addition, he has held several Executive and non-executive roles in 30 years in retailing, including ten years as a plc Finance Director.

Principal current external directorships: David is currently the Senior Independent Director and Chair of the Audit Committee at Halfords plc, and a non-executive Director and Chair of the Audit Committee at Thinksmart plc (AIM) listed. In addition, he is Chairman of Park Cameras Ltd and a trustee of Walk the Walk, a breast cancer charity. During this year, Conviviality plc (AIM listed), of which David was Chairman, went into administration.

Rosalynde Harrison

Company Secretary and General Counsel

Date appointed: September 2018

Board committees key:

- 1** Nomination Committee
- 2** Remuneration Committee
- 3** Audit Committee
- Chair of Committee

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Our corporate governance framework supports our strategy

In accordance with the Listing Rules of the UK Listing Authority, the Company confirms that throughout the period ended 1 September 2018 and at the date of this annual report, it was compliant with all the relevant provisions as set out in the April 2016 UK Corporate Governance Code ("the Code"), copies of which can be downloaded from the Financial Reporting Council website (www.frc.org.uk).

LEADERSHIP

The board

The board of Debenhams is collectively responsible for the long-term success of the Company by directing and supervising the affairs of the Company and is accountable to its shareholders for the Company's strategic aims, risk management and performance. No individual or small group of individuals dominates the board's decision-making process. Strong leadership and strong corporate governance are integral parts of our corporate culture and the board leads by example.

Biographical details of the board of directors are on pages 44 and 45. As at 25 October 2018, the board has eight members: the Chairman, five independent non-executive directors and two executive directors.

The Chairman

The Chairman is responsible for the effective leadership, operation and governance of the board and its committees. He ensures that all directors contribute effectively in the development and implementation of the Company's strategy whilst ensuring that the nature and extent of the significant risks the Company is willing to embrace in the implementation of its strategy are determined and

challenged. The Chairman is also responsible for the induction of new directors and their continuing development, board evaluations and succession planning. The Chairman holds regular meetings with the non-executive directors without the executive directors being present and has regular contact with all board members.

Sir Ian Cheshire has been Debenhams' Chairman since April 2016.

The Chief Executive Officer

The CEO is responsible for the management of the Group's business and for implementing the Group's strategic aims. He also chairs the executive committee and ensures that it achieves its delegated objectives in accordance with the Company's business policies. The roles and responsibilities of the members of the executive committee are detailed in the table on the next page. The CEO also leads an annual strategy event to focus on the Group's overall performance and the development of the business strategy.

Sergio Bucher has been Debenhams' CEO since October 2016.

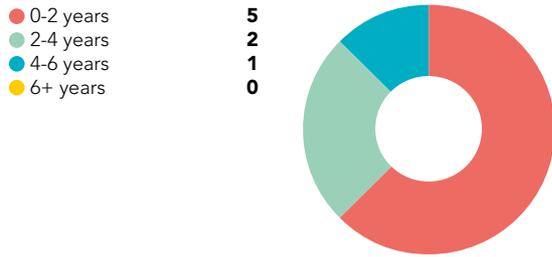
The Chief Financial Officer

The CFO is responsible for the financial reporting and management of the Group and strategy. In addition to the finance, audit, tax and treasury teams, the CFO is responsible for strategy, property, space planning, procurement and investor relations.

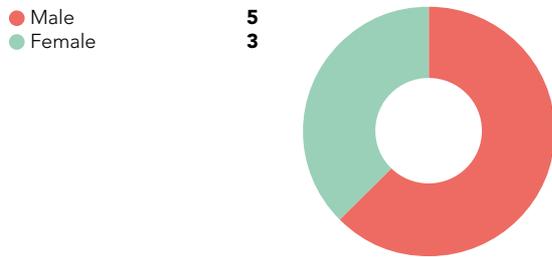
Rachel Osborne joined Debenhams as CFO in September 2018.

Chairman	Chief Executive Officer	Chief Financial Officer	Senior Independent Director	Independent non-executive directors
Sir Ian Cheshire	Sergio Bucher	Rachel Osborne (appointed to the board: 17 September 2018)	Terry Duddy	David Adams (appointed to the board: 19 October 2017) Stephen Ingham Nicky Kinnaird Lisa Myers

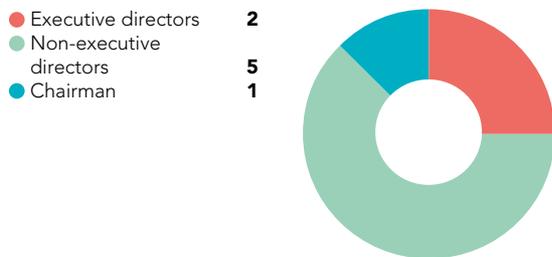
BOARD TENURE AT 25 OCTOBER 2018



BOARD BALANCE AT 25 OCTOBER 2018



BOARD COMPOSITION AT 25 OCTOBER 2018



The Senior Independent Director (SID)

Any concerns that shareholders may have which are not appropriate for discussion through the normal channels of Chairman, CEO or CFO will be dealt with by the SID, who also serves as an intermediary for the other directors as necessary and acts as a sounding board for the Chairman. In addition, the SID leads the annual appraisal of the Chairman's performance. This year's appraisal of the Chairman was considered by the non-executive directors at the conclusion of the September board meeting.

Terry Duddy has been the SID since January 2016.

Non-executive directors

As detailed in their biographies on pages 44 and 45, our non-executive directors have a diverse range of skills, experience and backgrounds and provide constructive challenge within the boardroom. They are well informed about the Company and have a strong command of the issues relevant to the business.

As at 1 September 2018, all the non-executive directors were considered by the board to be independent and free from any relationship or circumstances that could affect their independent judgement.

The independence of non-executive directors who serve more than six years is subject to rigorous review.

Executive committee

In order to support the delivery of the strategy, the business has three business units around our three Destinations: Fashion & Home; Beauty & Beauty Services, and Food & Events. Steven Cook, who joined Debenhams in January 2018, leads Fashion & Home; Ross Clemmow leads the Food & Events unit; and Richard Cristofoli leads the Beauty & Beauty Services unit. The roles of the members of the executive committee are reflected in the diagram below.

EXECUTIVE COMMITTEE

Sergio Bucher CEO						
Rachel Osborne CFO Financial reporting and management, strategy, tax, treasury, internal audit, property, space planning, investor relations and procurement	Angela Morrison Technology and Supply Chain Director Systems, imports and exports, and distribution	David Smith Managing Director International Franchises, Magasin du Nord and responsibility for the international business strategy in all channels and markets	Richard Cristofoli Managing Director Beauty and Marketing Beauty & Beauty Services, product marketing, advertising, PR, visual and creative and customer strategy and insight	Ross Clemmow Managing Director Retail, Digital, Food and Events Retail & Digital Food & Events and UK and ROI stores	Sally Hyndman HR Director HR, culture, pay and reward, learning and development, recruitment, pensions, internal communications and engagement	Steven Cook Managing Director Fashion and Home Sourcing, buying, design and merchandising

CORPORATE GOVERNANCE REPORT
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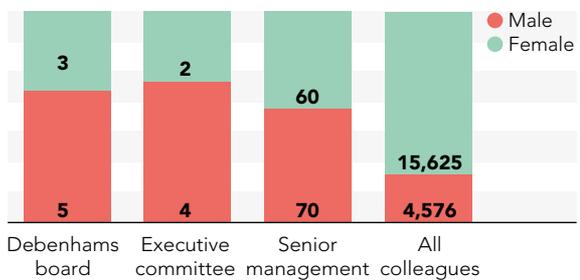
Board diversity

The Company's diversity policy was originally adopted by the board in FY2014. It is reviewed annually and incorporates best practice recommendations including those within the Hampton-Alexander Review and the Parker Report.

It is the responsibility of the Nomination Committee to implement and monitor the objectives set out in the board's diversity policy and to review the policy annually (last reviewed September 2018). The main objectives of the policy are to ensure that the board is well balanced, comprises directors who are sufficiently experienced and independent in character and who will provide the necessary skillsets to drive the business forward and to bring challenge to the boardroom.

Debenhams is aware of the added value diversity brings to the operation of the Debenhams business and is therefore seeking to achieve a diverse workforce that embraces different skillsets, cultural approaches and different mindsets throughout all areas of the Group. The bar chart above right illustrates this year's gender split at board level, within the executive committee, senior management and for the workforce as a whole (UK and ROI only).

Gender diversity¹



¹ As at the date of this report.

Induction and ongoing development

On appointment, a director is provided with an induction programme which is tailored to his or her experience of listed company responsibilities and based on his or her knowledge of the retail sector. Meetings are arranged with advisors and visits to operations around the Group are arranged. One-to-one meetings are held with members of the executive committee, other senior management in the business and external advisors as appropriate. The induction includes the provision of relevant current and historical information about the Company together with applicable business policies. The Company Secretary assists in the induction of new directors and their ongoing development as required and also undertakes a review with new directors following induction to consider any initiatives which would improve the induction process.

The table below details the length of service of our Chairman and each of our non-executive directors:

Director	Date of appointment	Length of service as a non-executive director at 1 September 2018
Sir Ian Cheshire – Chairman	14 January 2016	2 years, 7 months
Terry Duddy	10 April 2015	3 years, 5 months
David Adams	19 October 2017	11 months
Peter Fitzgerald¹	4 October 2012	5 years, 10 months
Stephen Ingham	8 January 2013	5 years, 7 months
Nicky Kinnaird	5 November 2016	1 year, 9 months
Lisa Myers	6 September 2016	2 years

¹ Peter Fitzgerald stepped down from the board on 24 October 2018.

Indemnification of directors

Qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) are in force for the benefit of the directors who held office during the year. The Company also provides directors' and officers' liability insurance for its directors and other officers.

Board meetings

The board held seven scheduled meetings and a strategic awayday during FY2018 which were fully attended by all the board members, save for the October meeting which Lisa Myers was unable to attend due to a family commitment. A further four ad hoc telephone conference calls were held during the year. In addition to the directors, the operational section of each board meeting was attended by the members of the executive committee. Details of the principal items discussed at each meeting are shown in the table on page 51.

The presentation of timely, high quality information to the board and its committees is essential to ensure that there is thorough prior consideration of the issues and informed debate and challenge at all meetings. All information is published several days in advance via a secure web portal in order that directors can fully prepare for the meeting. If directors are not able to attend meetings due to conflicts in their schedule, they review the papers due for consideration and relay any comments to the Chairman, in advance of the meeting where possible, which are then passed on to the other directors. The Company Secretary ensures relevant information flows within the board, its committees and to senior management and records all matters discussed within the minutes of the meeting. The agenda for each board meeting typically includes operational reports from the members of the executive committee and an update on the execution of the strategy, with deep dives on selected projects. Presentations are requested by the board on an ad hoc basis from the trading divisions and other business areas, including investor relations, treasury, taxation, health and safety and human resources. In addition, the board receives regular updates on the key Group risks and ensures that the risk management framework and profile supports the business strategy. In accordance with the Code, the formal schedule of matters reserved for the board is reviewed annually.

Board committees

The board committees are the Audit, Remuneration and Nomination Committees. The terms of reference (which are reviewed annually) of each committee can be found on our website at www.debenhamsplc.com.

The members, together with the role and activities of each board committee, can be found at:

Nomination Committee	Pages 52 and 53
Audit Committee	Pages 54 to 57
Remuneration Committee	Pages 58 to 75

In the interest of shareholders, the board created a sub-committee to provide oversight of the executive committee's review of Debenhams' long-term plan. Chaired by David Adams, the committee, whose other members are the Chairman and the SID, held regular meeting on several occasions throughout FY2017 and into FY2018.

The Company Secretary

The Company Secretary plays a leading role in the good governance of the Company by supporting the Chairman and helping the board and its committees to function efficiently. Together with the Chairman, the Company Secretary keeps under review the governance processes adopted by the Company to ensure that they remain fit for purpose and considers any improvements that could strengthen the governance of the Company. All directors have access to the services of the Company Secretary and may take independent professional advice at the Company's expense in conducting their duties.

The Company Secretary acts as secretary to the board and each of its committees. The appointment or removal of the Company Secretary is a matter for the board as a whole. Rosalynde Harrison replaced Paul Eardley as the Company Secretary in September 2018.

PERFORMANCE EVALUATION

In accordance with the Code, we conduct external evaluations of the board, its committees and each individual director at least once every three years. The last external evaluation was carried out in FY2017 by Lintstock Limited.

During FY2018, an internal evaluation was carried out via the collation of results from questionnaires circulated to the members of the board and to the members of the Remuneration and Audit Committees. Questionnaires were also circulated to those colleagues who work closely with the internal and external auditors and the Remuneration Committee consultants. The findings of those evaluations are given below.

Board evaluation results:

- Given the tough trading conditions, the board is operating effectively as demonstrated by the activities of the sub-committee previously referred to and also by David Adams providing additional services in supporting and chairing the Company's strategic planning committee
- The number of non-executive directors on the board required consideration. The board concluded that, following the stepping down of Peter Fitzgerald in October 2018, eight non-executive directors was the right balance to support the needs of the business going forward
- Oversight of succession plans for key management positions below the board and the importance of further development of board diversity over the next 3-5 years remains on the board's radar

CORPORATE GOVERNANCE REPORT

CONTINUED

Audit Committee and internal & external auditor results:

- The composition of the Committee is appropriate and the new Chairman has hit the ground running
- The continuance of thorough analyses on particular risks and controls, together with ongoing training, would be beneficial to the members and these will be scheduled into the Committee's programme for FY2019
- The performance of both the internal and external auditors was highly rated

Remuneration Committee results:

- The Committee is mindful of governance and that the members benefit from regular updates by advisors, in particular from Deloitte LLP, who have been very supportive in this process
- The evaluation demonstrated the Committees commitment to retain and motivate colleagues whilst staying within appropriate guidelines

SHARE CAPITAL AND CONTROL

Information which the directors are required to disclose pursuant to section 992 of the Companies Act 2006 can be found on page 77 of the directors' report.

SHAREHOLDER ENGAGEMENT

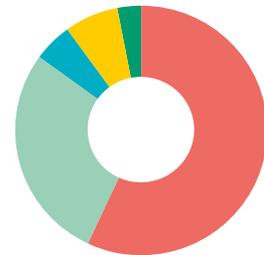
The board is responsible for ensuring that the Company maintains a satisfactory dialogue with shareholders. The Chairman and the SID are always available to major shareholders. Formal trading updates are given to the market on four occasions during the year. Following each of these announcements, conference calls are held with shareholders and analysts and, after the full year and interim results, a presentation is made to shareholders and analysts. Analysts' research is circulated to the board. A programme of meetings and conference calls is also organised at appropriate times during the year at which the CEO and CFO comment on Company performance and respond to any issues raised by investors (see table opposite). In addition, Debenhams arranges visits to its stores for analysts and shareholders and holds regular capital markets days in order to explain aspects of business performance and strategy.

JANUARY 2018 AGM - HIGHLIGHTS

- Between 701,737,090 and 986,781,044 votes were cast for each resolution
- The directors who retired and were elected/re-elected to the board received, on average, 78.69% of votes cast in favour
- The resolution to approve the directors' remuneration policy received 98.57% of votes cast in favour
- The resolutions to approve the director' remuneration report for the period ended 2 September 2017 was passed with 98.55% of votes cast in favour

SHAREHOLDERS BY GEOGRAPHY

● UK	57
● USA	28
● EU	5
● Middle East	7
● Rest of World	3



A geographical analysis of shareholders is shown in the pie chart above.

The major shareholders of the Company are listed on page 77 of the directors' report.

HOW GOVERNANCE SUPPORTS STRATEGY

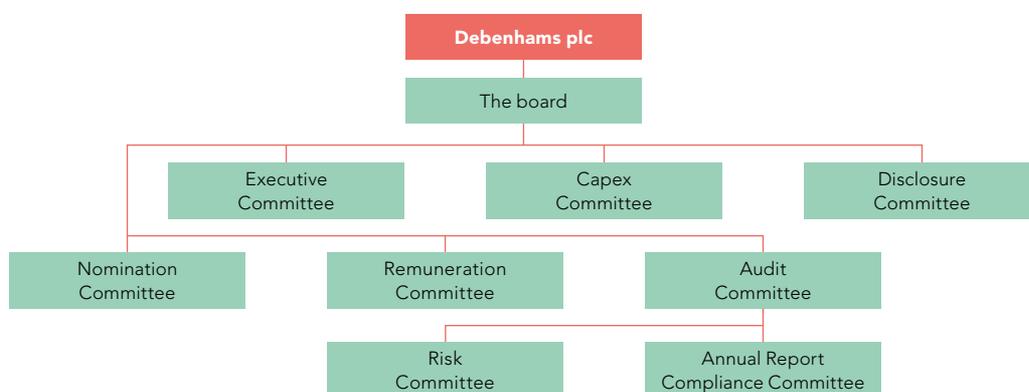
Our governance framework (see chart opposite), which has been adopted by the board, is underpinned by the UK Corporate Governance Code. It is designed to safeguard and enhance long-term shareholder value and to provide a platform to realise the Group's strategy, Debenhams Redesigned.

The board:

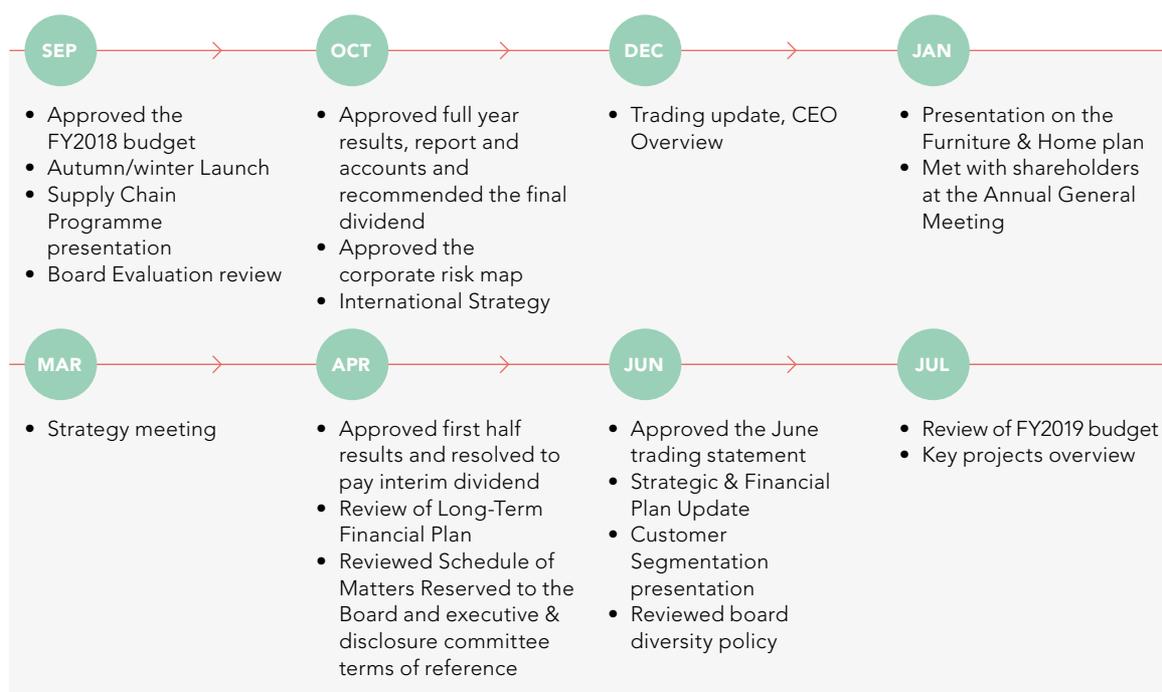
- Selects its membership through a comprehensive and considered process, aligned with Company's strategy and its diversity policy (see Nomination Committee section for more details on our approach)
- Sets the cultural stance for the organisation with management adopting and implementing policies and procedures designed to promote both legal compliance and appropriate ethical standards in all their business interactions, including the delivery of strategic objectives
- Agrees the risk management process which it considers to be a fundamental part of an effective governance programme (see Risk Management and Principal Risks and Uncertainties sections for more details on our approach and how this links to strategy)
- Maintains oversight across the delivery of strategic and operational objectives through independent reports from the Audit and Remuneration Committees and updates from key management
- Actively monitors management's execution of approved strategic plans against established budgets and timeframes, to ensure their alignment to strategic objectives

The framework is continually reviewed to ensure it remains fit for purpose.

GOVERNANCE FRAMEWORK



BOARD ACTIVITY THROUGH THE YEAR - 2017-2018



THE KEY ELEMENTS OF THE GROUP'S INVESTOR RELATIONS CALENDAR IN FY2018 ARE SHOWN IN THE TABLE BELOW.

Sep 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Apr 2018	May 2018	Jun 2018	Jul 2018	Aug 2018
European investor meetings	Full year results	UK shareholder roadshow	UK investor meetings	Trading Update	Investor meetings	First half results	Investor conference meetings	Trading Update	Investor meetings	Investor meetings
Stevenage analyst store visit		US shareholder roadshow	Investor conference meetings	Annual General Meeting		UK shareholder roadshow	UK Investor meetings	UK Investor meetings		
UK investor meetings				UK Investor meetings						
				Investor conference meetings						

NOMINATION COMMITTEE REPORT

The goal is to ensure the board is well balanced and independent

Sir Ian Cheshire
Chairman, Nomination Committee



MEMBERSHIP OF THE NOMINATION COMMITTEE

The individuals who served on the Committee during the year under review are set out below:

Member	Date appointed Committee member	Attendance at meetings during the year
Sir Ian Cheshire (Committee Chairman)	14 January 2016	2/2
Terry Duddy	10 April 2015	2/2
Martina King	1 August 2009 (stepped down on 31 July 2018)	2/2
Mark Rolfe	1 October 2010 (stepped down on 11 January 2018)	1/1
David Adams¹	31 July 2018	0/0

¹ Both Committee meetings were held prior to David becoming a member of the Committee.

Dear shareholder,

On behalf of the Nomination Committee, I am pleased to present its report for the year ended 1 September 2018.

The key responsibilities of the Committee are:

- Identifying and nominating, for the approval of the board, candidates to fill board vacancies based on merit and objective criteria as and when they arise together with leading the process for such appointments
- Putting in place plans for succession, in particular with respect to the Chairman, the CEO, the Senior Independent Director and the members of the executive committee
- Reviewing regularly the board structure, size and composition and making recommendations to the board of adjustments that are deemed necessary and in accordance with the Company's policy on diversity
- Annually reviewing the time required from and spent by a non-executive director in fulfilling his or her duties
- Annually reviewing the board's diversity policy and recommending any necessary changes in that policy to the board
- Reviewing director's conflicts of interest and the number of external directorships held

The full terms of reference of the Committee are available on the Company's website and are reviewed annually by the Committee.

ACTIVITIES DURING THE YEAR

The Committee met twice during the year at which it:

- Reviewed the time commitments and length of service of the non-executive directors. Mark Rolfe's fixed term was due to expire at the end of September 2017 and the Committee recommended that his term be extended until the AGM held in January 2018. David Adams took over Mark's role as chair of the Audit Committee effective from the end of the AGM
- Carried out an annual review of the directors' conflicts of interest register and the Committee's terms of reference
- Recommended to the board the re-appointment of Terry Duddy for a second three year term effective from 10 April 2018
- Recommended the appointment of Nicky Kinnaird as chair of the Remuneration Committee effective from 31 July 2018, pursuant to Martina King's departure from the board of Debenhams following nine years' service
- Recommended the appointment of Rachel Osborne as Chief Financial Officer, effective from 17 September 2018, further to Matt Smith's resignation from the role on 31 August 2018

DIVERSITY

The goal at Debenhams is to ensure that the board is well balanced and appropriate for the needs of the business, comprising directors who are sufficiently experienced and independent of character and judgement. When recommending new directors to the board, the Nomination Committee has regard to the balance of skills, knowledge and experience required for the board and its committees to operate effectively. Board appointments are, of course, made on merit but the Committee is also mindful of the board's diversity policy (for more details see page 48). The aim of the policy is for new directors to bring different experience, skills, perspective and different important personal attributes and thus make a positive contribution to Debenhams.

Following the board changes which took place during this year, the percentage of women on the Debenhams plc board at the end of FY2018 was 33.3%, which is at the current voluntary target to have a third of female board members by FY2020.

As detailed on page 21, Debenhams is keen to embrace diversity at all levels and is therefore assessing diversity, in the widest sense, in relation to the recruitment process throughout the business.

DIRECTORS' TIME COMMITMENT

All directors are aware of the need to allocate sufficient time to the Company in order to discharge their responsibilities effectively. The board, with the support of the Nomination Committee, monitors attendance, committee composition, length of service, the extent of the directors' external interests and any conflicts on an ongoing basis. The letters of appointment for non-executive directors set out the time commitment expected for them to perform their duties effectively. The time required of directors will fluctuate depending on the demands of the business and any other events, but the expected number of days required for each non-executive director is ten per annum.

Directors' conflicts of interest

The Nomination Committee annually reviews and considers the interests and other external appointments held by the members of the board. All conflicts declared were approved at its meeting in September 2018. The directors have a continuing duty to inform the board of any potential conflicts immediately so that such conflicts may be considered and, if authorised, included within the register of conflicts. We recognise that the non-executive directors have other business interests outside of the Company and that other directorships bring significant benefits to the board. All existing directorships are detailed within the director biographies on pages 44 and 45. Non-executive directors are required to obtain the approval of the Chairman before accepting any further appointments.

A register of related parties is maintained and updated by the Company Secretary in order that any related party transactions are identified and the necessary disclosures are made.

ACTIVITIES SINCE YEAR END

- Recommended to the board the re-appointment of Stephen Ingham for a further three years effective from 7 January 2019
- Peter Fitzgerald stepped down from the board on 24 October as an independent non-executive director. Following this board change our percentage of women on the Debenhams plc board moved from 33.3% to 37.5%
- All directors will seek election/re-election at the next AGM at the Annual General Meeting on 10 January 2019

Sir Ian Cheshire
Chairman

A focus on the control of risks

David Adams
Chairman, Audit Committee



MEMBERSHIP OF THE AUDIT COMMITTEE

The individuals who served on the Committee during the year under review are set out below:

Member	Date appointed Committee member	Attendance at meetings during the year
David Adams (Committee chair)	19 October 2017 (appointed Committee chair 11 January 2018)	3/3
Terry Duddy	10 April 2015	3/3
Peter Fitzgerald	18 October 2012	3/3
Martina King (Stepped down from the board and the Audit Committee on 31 July 2018)	1 August 2009	3/3
Lisa Myers	6 September 2016	2/2 ¹
Mark Rolfe	1 October 2010	1/1 ²

- 1 Lisa Myers was unable to attend the meeting held in October 2017 due to a family commitment.
- 2 Mark Rolfe stepped down from the board on 11 January 2018. Two of the Audit Committee meetings were held post that date.

Dear shareholder,

On behalf of the Audit Committee ("the Committee"), I am pleased to present my first report as chairman of the Committee for the period ended 1 September 2018. The report sets out the remit of the Committee, its areas of focus during the year and the Company's relationship with the external auditors.

The Committee has satisfied itself that the Debenhams plc 2018 annual report and accounts is fair and balanced. We have sought to make the report as clear, understandable and informative as possible to provide the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee therefore supports the board in making its formal statement on page 43.

During the year the Committee ran a thorough audit tender process and we are pleased to recommend the appointment of Ernst & Young LLP as our auditors.

On behalf of the Committee, I would like to thank PwC for their support over the last 12 years.

David Adams
Chairman, Audit Committee

All of the members of the Committee are independent non-executive directors and, in the board's view, the Committee as a whole has competence relevant to the retail sector and its operations. In accordance with the UK Corporate Governance Code, I am considered by the board to have recent and relevant financial experience.

In addition to the members of the Committee, the Chairman, the CFO, the Director of Internal Audit and Risk Management and senior representatives of the Company's external auditors, PwC LLP, attend and receive papers for each meeting. After each meeting, the chairman reports to the board on the matters discussed, on recommendations and on actions to be taken.

The Committee met three times during FY2018, with meetings timed to coincide with the financial and reporting cycles of the Company. Attendance at these meetings is set out on the opposite page. In addition, the Committee met with the Company's external auditor twice during the year without management being present and once with each of the CFO and the Director of Internal Audit and Risk Management without other management being present.

RESPONSIBILITIES OF THE COMMITTEE

The role and responsibilities of the Committee are set out in its terms of reference which are reviewed annually by the Committee taking into account relevant legislation and recommended good practice. The terms of reference of the Committee are available on the Company's website: www.debenhamsplc.com.

In accordance with the terms of reference, the Committee's responsibilities include, but are not limited to, the following matters:

- Monitoring the integrity of financial statements (including any related information presented with the financial statements) and any formal announcements relating to the Company's financial performance
- Reviewing any changes in accounting principles, considering the appropriateness of accounting policies adopted by the Company, and the use of any alternative performance measures
- Reviewing the internal audit programme and ensuring that the internal audit function is properly resourced
- Agreeing with the external auditors the nature and scope of the audit and reviewing the output
- Reviewing and monitoring the effectiveness of the risk management and internal control systems within the business
- Considering the appointment of the external auditors and their independence and making recommendations to the board in relation to their appointment, remuneration and terms of engagement
- Reviewing the Company's plans for the prevention and detection of fraud, bribery and corruption
- Assessing the long-term viability of the Company over a three year period taking into account its current position and principal risks
- Providing advice to the board on whether the Company's annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy

ACTIVITIES OF THE COMMITTEE DURING THE YEAR

Financial reporting

- The Committee reviewed the annual and interim financial statements during the year. It considered significant accounting policies, financial reporting issues and judgements together with the findings as set out in the reports from the external auditors
- The Committee also received a presentation on the process and stress testing undertaken in relation to the viability statement included in this report
- The Committee considered the clarity and completeness of the disclosures within the financial reports reviewed
- The Committee received deep dives on the impact of Brexit and the new GDPR regulations
- The Committee carried out an audit tender process and recommended the appointment of Ernst & Young LLP as auditors

Internal audit and risk management

The Committee received and considered updates from the Director of Internal Audit and Risk Management at each of its meetings during the year covering, amongst other matters:

- The output from the Group-wide risk review process to identify, evaluate and mitigate risks and the Group's changing risk profile
- The adequacy and effectiveness of the internal financial controls
- Updates on any fraud attempts or incidents further to the processes in place throughout the Group which prevent and detect fraud, including concerns raised in confidence by employees via the Company's whistleblowing process which are also reported through to the Committee
- Progress against the approved audit plan, the key findings from reviews undertaken and management's implementation of its recommendations
- The resource requirements for internal audit and risk management

Governance

- Internally facilitated formal evaluations of the Committee together with the internal and external audit functions
- The compliance committee, chaired by the CFO, supported the Committee in assessing whether the Company's annual report, taken as a whole, is fair, balanced and understandable and complies with all legal and regulatory requirements. The compliance statements in relation to the disclosures within this annual report are provided on page 43
- The Risk Committee, which is chaired by the Director of Internal Audit and Risk Management, supported the Audit Committee in the identification and assessment of the Group's significant risks
- The Committee receives briefings and training by senior management which, this year, included a review of the requirements of IFRS 16 with regard to Debenhams' lease portfolio

Corporate governance
AUDIT COMMITTEE REPORT
 CONTINUED

External audit

- The scope of the audit for FY2018 was agreed together with the fees and terms of engagement. Details of the amounts paid to the external auditors for the audit services for FY2018 are given on page 109 in note 6 to the financial statements
- The Committee considered the regulations contained within the Competition and Markets Authority Audit Order to ensure that the Company carries out specific functions in relation to audit services. The Company's statement of compliance with these regulations is provided on page 43
- The audit tender was carried out
- The non-audit work carried out by PwC in accordance with the Company's prevailing External Auditor's Independence Policy was approved and PwC's independence confirmed

SIGNIFICANT AREAS OF FOCUS IN RELATION TO THE FINANCIAL STATEMENTS

The significant issues considered in relation to the Group's financial statements for the period ended 1 September 2018 are set out in the table below together with a summary of the actions taken. In addition, the Committee and the external auditors have discussed the other areas of focus of the audit as set out in the independent auditors' report on pages 80 to 89.

Matters considered	Actions
<p>Going Concern The Committee considered the work management had undertaken to support the going concern statement and the review of that work by PwC.</p>	<p>A review was undertaken by management to stress test business projections for a variety of trading and working capital scenarios. This was further reviewed by PwC. Based on these projections and sensitivities, the Committee is satisfied that the Group would continue to have sufficient headroom to its committed borrowing facilities to ensure it can operate as a going concern for the next 12 months.</p>
<p>Exceptional items & Impairment As a result of the strategic reviews, the Group has incurred one-off costs totalling £524.7 million (before tax), see note 7 on pages 109 and 110.</p>	<p>The exceptional costs incurred this year related to: strategic review and restructure (£13.6 million); strategic warehouse restructure (£11.0 million); store impairment and onerous leases (£117.5 million); goodwill impairment (£302.1 million) and asset write-offs (£80.5 million). The Committee has considered the quantum of each exceptional cost or charge and has approved the disclosures made.</p>
<p>Revenue recognition As with most companies, there is a risk that, in order to achieve the planned results, revenue may be recognised in contravention of the Group's policy for revenue recognition.</p>	<p>The Committee has reviewed revenue recognition practice and the underlying assumptions and estimates. In addition, the internal audit function has reported to the Committee on the controls and processes in this area. The Committee also routinely monitors the views of the external auditors on revenue recognition issues.</p>
<p>Inventory valuation The Company continues to use the retail method in respect of valuation of inventory in the UK and Ireland which is reliant on a number of judgemental components, details of which are set out in note 5 to the financial statements on pages 107 and 108.</p>	<p>During FY2018, the Committee received reports from both the internal and external auditors setting out inventory risk metrics and findings from the examination of controls in these areas. These reports indicated that inventory was valued satisfactorily.</p>

PERFORMANCE EVALUATION

An evaluation of the Audit Committee together with the internal and external auditors was this year carried out via an internal questionnaire.

The results for the Audit Committee and the internal and external auditors can be found on pages 49 and 50.

EXTERNAL AUDITORS' INDEPENDENCE

In order to ensure that an appropriate relationship is maintained with the external auditors, a policy on auditor independence has been established and is reviewed annually. This policy covers matters such as: auditors and their staff must have no family, financial,

employment, investment or business relationship with the Company; the employment by the Company of former audit employees; the rotation of audit partners and the controls around the provision of non-audit services; and specifically those services which the Company's auditors may never provide. As part of the Committee's assessment of the ongoing independence of the auditors, the Committee receives details of any relationship between the Group and PwC that may have a bearing on their independence and seeks confirmation from PwC that they remain independent.

As regards the risk of the external auditors' withdrawal from the market, the Company considers that there are sufficient other auditors in the marketplace should this situation arise.

The objective of the Audit Committee's policy in relation to the provision of non-audit services by the auditors is to ensure that the provision of such services does not impair the external auditors' independence or objectivity. All fees for non-audit work require pre-authorisation by the CFO, or the Company Secretary, or by the Audit Committee in circumstances where the fees are above an agreed threshold. An independent report is produced each quarter detailing all non-audit work, its cost, when it was carried out and who instructed it. This information is reported to the Audit Committee at each meeting by the Company Secretary.

The Company's policy identifies three categories of accounting services. The first category is audit-related services which the auditors are permitted to provide, such as interim and full year reports. The second category is prohibited services which the auditors are not permitted to provide. Prohibited services are those which might result in the external auditors auditing their own work, or making management decisions for the Company, and those where some mutuality of interest is created or where the external auditors are put in the role of advocate for the Company. The prohibited services included in the Company's policy are itemised in more detail and the list includes all the services set out on the FRC's "black list". The third category is "potential" services which the auditors may, in certain circumstances, provide subject to compliance with the independence policy. These services include services where the auditors are acting as the Company's reporting accountant.

£63,900 was paid by the Company to PwC for non-audit services which represents 8.3% of the total audit fee paid to PwC, see note 6 on page 109.

The audit fees paid by the pension schemes were £35,000.

The FRC's Audit Quality Review team (AQR) routinely monitors the quality of the audit work of certain UK audit firms through inspections of sample audits and related procedures at individual audit firms. The AQR carried out a review of the audit of our financial reporting for FY2017. The AQR engaged with the Committee during the review process. There were no significant findings resulting from the review.

EXTERNAL AUDITORS' APPOINTMENT

PwC has served as the Company's auditors since flotation in 2006 and John Ellis has been the audit partner since 1 September 2013.

As reported in the FY2017 annual reports and financial statements, the Committee decided to hold a competitive audit tender process for rotation of the audit firm in respect of FY2019. The tender process was overseen by the Audit Committee and the management of the process was delegated to the chairman of the Committee and the CFO. The key objective was to deliver a fair, transparent and successful tender process with minimum disruption to the business and at the conclusion of the process the Committee made its proposal to the board.

Two major firms of accountants were invited to take part in the tender. During the tender, each firm was given equal access to management and to information about the Group. The tender process was thorough and was designed to assess each firm's audit proposal against a set of predetermined criteria that had been agreed by the Committee. Each firm was invited to an extensive series of interviews with members of the Audit Committee, members of the board and a number of the Group's senior management team. These interviews formed part of a formal assessment process whereby each firm was assessed against these criteria, including matters such as the strength and experience of senior team members and their firm's ability to serve the Group's operations effectively.

Each firm was asked to provide a written document containing detailed information on certain matters in support of their audit proposal which were key to the Audit Committee's assessment of each bid, including the firm's evaluation of the Group's risks, the proposed audit plan and the use of technology. Both of the firms were invited to present their audit proposition to a meeting held with the chairman of the Committee, the CFO and a number of the Group's senior management team. The Committee subsequently considered each firm's audit proposals against the criteria that had previously been agreed by the Committee. The Committee's evaluation also took into account the outcome of recent external reviews to assess the quality of each firm's audits, details of each firm's audit methodology and areas of audit focus with regard to the Group.

Throughout the process, the Committee were mindful of the need to maintain the independence of the external auditors. As part of the tender, each firm was required to disclose all existing relationships with the Group and explain how the firm would meet Debenhams' policy on audit effectiveness and independence.

The Company announced, on 25 June 2018, that Ernst & Young LLP had been successful in the audit tender process and will therefore be appointed, subject to approval by shareholders at the AGM in January 2019, as its new auditor with effect from the year commencing 2 September 2018. Ernst & Young LLP have therefore been shadowing PwC during the FY2018 year end audit process and have attended a Committee meeting prior to their formal appointment. The Committee would like to record their thanks to PwC and their partners and staff for their many years of service to the shareholders of Debenhams.

The Committee is satisfied that Ernst & Young LLP is independent and is best placed to conduct the Company's audit for FY2019 and therefore recommends that Ernst & Young LLP be appointed as the Company's auditors.

David Adams
Chairman, Audit Committee

FY2018 has been a challenging year for the Company and this is reflected in our incentive outcomes

Nicky Kinnaird
Chair, Remuneration Committee



STRUCTURE OF THE REMUNERATION REPORT

Statement by the Chair of the Remuneration Committee	Pages 58 and 59
Directors' remuneration policy	Pages 60 to 63
Annual report on remuneration	Pages 64 to 75

Dear shareholder,

On behalf of the Remuneration Committee ("the Committee"), I am pleased to present our annual remuneration report for FY2018.

Martina King stepped down from the board at the end of July 2018 having served nine years on the board as an independent non-executive director. I replaced Martina as chair of the Remuneration Committee on 1 August 2018 and I would like to thank Martina for both her contribution to the Remuneration Committee over the years and her support during the handover.

Remuneration policy

Last year we renewed our directors' remuneration policy which received a 98.57% vote in favour from our shareholders. We are not proposing to make any changes to our directors' remuneration policy this year and we continue to be bound by the policy as approved at last year's Annual General Meeting. To make this report as concise as possible, a summary of the policy is set out on pages 60 to 63 with details of how we intend to apply the policy for FY2019 included on page 70. The full details of the policy can be found on our website debenhamsplc.com.

Incentive outcomes for FY2018

The trading environment has continued to be tough for Debenhams over the last 12 months and this has again been reflected in our incentive outcomes with no bonus or PSP payouts in respect of FY2018.

FY2018 annual bonus

The annual bonus for FY2018 was based 80% on PBT targets and 20% on a customer measure – Net Promoter Score (NPS) to focus on improving customer satisfaction over the year. The PBT target was not met. In addition, the customer satisfaction element, although satisfied in part, was subject to a PBT hurdle and that PBT hurdle was not met. No annual bonus payment will therefore be made to executive directors in respect of FY2018. Further details are provided on pages 64 and 65.

FY2016 PSP award

For the PSP awards granted in November 2015 and May 2016, 70% of the award was subject to EPS performance and 30% to strategic objectives. The targets for the awards were not met and therefore those PSP awards will lapse in November 2018 and May 2019. Further details are provided on page 65.

Remuneration policy for FY2019

For FY2019 to ensure a clear focus on profit performance the annual bonus will be based solely on underlying PBT.

The Committee very carefully considered the level of PSP award that should be granted to executive directors in November 2018 in light of the fall in share price since awards were last granted. The Committee decided to reduce PSP awards by one third. The 2018 PSP award to the CEO will therefore be 100% of base salary rather than 150% of salary and the award to the CFO will be 67% of base salary rather than 100% of salary. The Committee believes these reduced awards strike an appropriate balance between addressing the share price fall and guarding against the potential for windfall gains and the need to motivate management to deliver our long-term plans in a challenging environment.

The PSP awards to be granted in November 2018 will be based on the new measures which were introduced last year – 50% on total shareholder return (TSR) against a bespoke group of retail comparators, 25% on earnings per share (EPS) performance and 25% on return on capital employed (ROCE).

Salaries for executive directors will not be increased with effect from 1 November 2018. The CEO's salary remains therefore at £700,000 which is the same level as when he was appointed in 2016.

Board changes

The Company announced in April 2018 that Matt Smith, our CFO would be leaving the Company which he did on 31 August 2018. Matt received his salary, benefits and pension until his date of leaving. He will not receive a bonus for FY2018 and his outstanding Performance Share Plan awards lapsed in full on the date he left. No other payments were made in connection with his departure.

On 22 August 2018, we were delighted to announce that Rachel Osborne would be taking over the role of CFO. Rachel joined the board on 17 September 2018.

Rachel's remuneration arrangements are in line with our shareholder approved policy and the remuneration of her predecessor. Her basic salary is £439,000. For FY2019 her annual bonus opportunity will be 100% of base salary and she will receive a PSP award of 67% of salary as outlined above. Rachel also receives a pension allowance of 15% of base salary, a car allowance of £17,850 per annum and medical insurance. The Committee's view is that this package is appropriate and reflects her skills, experience and potential to add value to Debenhams.

UK Corporate Governance Code

A key focus for the Committee over the next 12 months will be considering the application of the 2018 UK Corporate Governance Code ("the Code") which comes into force for Debenhams from the start of FY2020.

In light of the new Code and evolving market practice the Committee has decided, however, to introduce a post-vesting holding period for PSP awards granted from November 2018 onwards. Executive directors will be required to hold half of any vested PSP shares for a further year from vesting (ie four years in total) and they will be required to hold the remaining half for two years from vesting (ie five years in total).

Our directors' remuneration report will be subject to advisory votes at the AGM on 10 January 2019. We look forward to receiving your support for the report.

Nicky Kinnaird

Chair, Remuneration Committee

Corporate governance
REMUNERATION POLICY

This remuneration report for the year ended 1 September 2018 complies with the requirements of the Listing Rules of the UK Listing Authority, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the provisions of the UK Corporate Governance Code in force at the date of publication.

REMUNERATION POLICY TABLE FOR EXECUTIVE DIRECTORS

Our remuneration policy was approved by shareholders at the AGM on 11 January 2018 and took effect from that date. The full policy can be found on our website www.debenhamsplc.com.

We have provided a summary of the policy table for executive directors below along with a summary of how we intend to implement policy for FY2019 on page 70.

Element	Base salary
Purpose and link to strategy	<ul style="list-style-type: none"> • Supports the recruitment and retention of executive directors of the required calibre to fulfil the role without paying more than is considered necessary to do so • Rewards executives for the performance of their role
Key features/operation	<ul style="list-style-type: none"> • Paid in cash • Normally reviewed annually with effect from 1 November but may be reviewed more or less frequently at the Committee's discretion • In determining base salaries, the Committee considers: <ul style="list-style-type: none"> – Pay levels at companies of a similar size and complexity and other retail companies – External market conditions – Pay and conditions elsewhere in the Group – The individual's skills, knowledge, experience and performance
What is the maximum potential value?	<ul style="list-style-type: none"> • Whilst there is no defined maximum salary, any base salary increases will normally be in line with the increases awarded to other employees of the Group • However, increases may be made outside of this policy in exceptional circumstances, such as: <ul style="list-style-type: none"> – Where a director is appointed on a salary that is at the lower end of the market practice range, larger increases may be awarded as the executive gains experience to move the salary closer to a more typical market level – Where there has been a change in the responsibility and accountability of the role – Where there has been a significant change in market practice <p style="text-align: right;">Details of current salary levels are set out in the annual report on remuneration</p>
Performance metrics	None
Element	Pension
Purpose and link to strategy	<ul style="list-style-type: none"> • Provides funds to allow executives to save for retirement • Provides a market competitive retirement benefit thereby recruiting and retaining executives of the required calibre
Key features/operation	<ul style="list-style-type: none"> • In determining pension arrangements, the Committee takes into account relevant market practice and practice throughout the Group • Executive directors are generally provided with a cash allowance in lieu of a pension provision or a contribution to a defined contribution pension scheme or similar arrangement • However, the Committee may determine that alternative pension provisions will operate for new appointments to the board if considered appropriate. If an alternative pension arrangement is provided, this will generally be of a similar level to current arrangements
What is the maximum potential value?	<ul style="list-style-type: none"> • The CEO's annual cash pension allowance is 20% of base salary • The annual pension contribution for the CFO is 15% of base salary • New appointments would be entitled to a maximum pension contribution of 15% of salary
Performance metrics	None

Element	Benefits
Purpose and link to strategy	<ul style="list-style-type: none"> Provides a market competitive level of benefits for executive directors, thereby recruiting and retaining executives of the required calibre
Key features/operation	<ul style="list-style-type: none"> Executive directors receive a benefits allowance which can be used to fund a range of benefits (in line with the allowance provided to the wider management population) Executive directors also benefit from the Company's directors' and officers' liability and indemnity insurance Executive directors may participate in any all-employee share plans which may be operated by the Company on the same terms as other employees Executive directors receive life assurance and an annual health assessment In accordance with the terms of his appointment, the CEO receives a housing allowance for the first two years of his employment and reasonable re-location expenses were met by the Company Executive directors may buy or sell a week's holiday with the approval of the Committee Executive directors are eligible to receive a staff discount in line with other senior executives The Committee may determine that executive directors should receive additional reasonable benefits if appropriate, taking into account typical market practice Executive directors may be reimbursed for all reasonable expenses and the Company may settle any tax incurred in relation to these Where an executive director is required to relocate to perform their role, they may be provided with reasonable benefits as determined by the Committee in connection with this relocation (on either a one-off or ongoing basis), including any expatriate benefits such as housing, travel or education allowances
What is the maximum potential value?	<ul style="list-style-type: none"> It is the Committee's policy to provide benefits at a market competitive level taking into account local market practice in the location in which the executive director operates The overall value of benefits will depend on the individual's circumstances and the cost of providing such benefits by the Company and therefore there is no maximum The current level of benefit allowance for the CEO is £18,375 and £17,850 for the CFO (this may be changed during the life of the policy) The executive directors' participation in any all-employee share plans will be in line with relevant statutory limits
Performance metrics	None

Corporate governance
REMUNERATION POLICY
 CONTINUED

Element	Annual bonus
Purpose and link to strategy	<ul style="list-style-type: none"> • Rewards and incentivises the achievement of annual objectives which are aligned with key financial and strategic goals and supports the enhancement of shareholder value
Key features/operation	<ul style="list-style-type: none"> • Unless otherwise determined by the Committee, bonuses are paid in cash following the year end • Bonuses are not pensionable • Malus and clawback provisions apply (see page 63 for further information) • Bonuses are based on annual performance targets • The Committee retains the discretion to adjust the bonus award if it does not consider that it reflects underlying Company performance but may not exceed the maximum policy limit
What is the maximum potential value?	<ul style="list-style-type: none"> • Maximum opportunity of 100% of base salary • The bonus starts accruing from threshold levels of performance
Performance metrics	<ul style="list-style-type: none"> • The Committee determines appropriate performance metrics to support the annual business strategy, external expectations and the enhancement of shareholder value on an annual basis • The bonus may be based on a mix of profitability, strategic financial, strategic non-financial and individual performance targets • At least 80% of the bonus will be based on financial performance targets • Further information in relation to the performance measures is set out in the annual report on remuneration

Element	Performance Share Plan (PSP)
Purpose and link to strategy	<ul style="list-style-type: none"> • Incentivises executives to achieve Debenhams' long-term strategy and create sustainable shareholder value • Aligns with shareholder interests through the delivery of shares • Acts as a retention tool
Key features/operation	<ul style="list-style-type: none"> • Awards normally vest based on performance assessed over a period not shorter than three years • Awards may only vest to the extent the Committee is satisfied that the underlying financial performance of the Company over the relevant performance period justifies vesting. The Committee may also adjust the final vesting level if it does not consider that it reflects the underlying performance of the Company • Malus and clawback provisions apply (see page 63 for further information) • Awards may incorporate the right to receive (in cash or shares) the value of the dividends that would have been paid on the shares that vest (which may assume the dividends had been reinvested in the Company's shares). However, it is not the current intention of the Committee that dividend equivalents will be paid on shares that vest
What is the maximum potential value?	<ul style="list-style-type: none"> • The maximum value of shares over which an individual can be granted an award in respect of any one financial year of the Company is normally 200% of base salary, although this limit may be increased to 250% of base salary in exceptional circumstances • Typically 25% of an award vests for threshold levels of performance • The Committee retains the discretion to alter the performance measures for future awards if it deems appropriate. However, the Committee will endeavour to consult with the Company's largest shareholders prior to doing so, other than for minor changes
Performance metrics	<ul style="list-style-type: none"> • The Committee sets performance targets each year, taking into account the business plan, external expectations and market practice • For further information in relation to the performance measures, weightings and targets for awards, see the annual report on remuneration

Executive directors also have a shareholding guideline. Further details are provided on page 66 of the annual report on remuneration.

NOTES TO THE POLICY TABLE

Malus and clawback

Malus and clawback provisions apply to the annual bonus and PSP. Annual bonus payments may be subject to clawback for a period of three years following the payment of the cash bonus. PSP awards may be subject to clawback for a period of three years following vesting.

The Committee has the discretion to reduce or withhold an award ("malus") or clawback awards in the following circumstances:

- Material misstatement of financial or other data
- Gross misconduct (includes inappropriate conduct by a participant and behaviour which fails to reflect the Company's governance and business values)
- Fraud effected by or with the knowledge of the participant

Malus may also apply in other circumstances at the discretion of the Committee.

Corporate governance

THE ANNUAL REPORT ON REMUNERATION

This report sets out details of the implementation of the remuneration policy during FY2018 and provides details as to how the Committee intends to implement the policy during FY2019. The report will be subject to an advisory shareholder vote at the Annual General Meeting on 10 January 2019. This report contains unaudited information except where stated that it is audited.

What did executive directors earn in respect of FY2018 (audited) and FY2017 (audited)?

The table below sets out a single figure of remuneration for each executive director for FY2018 and FY2017.

2018

Executive director	Base salary (£)	Benefits (£)	Retirement benefits (£)	Bonus (£)	PSP awards (£)	Total (£)
Sergio Bucher – CEO ¹	700,000	132,763	140,000	0	0	972,763
Matt Smith – CFO ²	443,313	34,554	66,497	0	0	544,364
Suzanne Harlow ⁵	51,058	25,646	107,868	0	0	184,572

2017

Executive director	Base salary (£)	Benefits (£)	Retirement benefits (£)	Bonus (£)	PSP awards (£)	Compensation ³ (£)	Total (£)
Sergio Bucher – CEO ¹	612,949	163,409	122,590	0	N/A	445,184	1,344,132
Matt Smith – CFO ²	429,666	33,948 ⁴	62,200	0	0	N/A	525,814
Suzanne Harlow	429,666	15,634	94,526	0	0	N/A	539,826

- As part of the terms of his appointment, for the first two years of his employment Sergio Bucher is provided with a housing allowance. The amount therefore includes £113,204 in relation to housing allowance.
- Matt Smith stepped down from the board of Debenhams plc on 31 August 2018. An additional £7,601 is included in the base salary column in respect of holiday pay.
- As a consequence of joining Debenhams, Sergio forfeited an award of restricted stock in his previous employer's restricted stock plan. In order to compensate him for this he received a cash payment of £445,184 on joining the business (being around the date on which that restricted stock award would have vested). This payment represented the value of that stock on the business day prior to the announcement of his appointment on 26 May 2016.
- During FY2017 and FY2018 Matt Smith elected to receive a company car. As a result of this a total of £17,170 in FY2017 and £17,170 in FY2018 was deducted from his benefits allowance reflecting the cost of providing the car. The above single figure amount includes the P11D value of the car of £30,911 for FY2017 and £31,769 for FY2018.
- Suzanne Harlow stepped down from the board on 20 October 2018 and remuneration paid is shown to this date.

The following details how the single figure for FY2018 has been calculated:

Base salary – As disclosed in last year's report, Matt Smith received a salary increase of 5% on 1 November 2017 taking his base salary to £439,200. This was to reflect his additional responsibility for strategy. For the second consecutive year Sergio Bucher did not receive a base salary increase during FY2018.

Benefits – The CEO receives a benefits allowance which can be used to purchase benefits under the Group scheme. The CFO receives a car allowance and medical insurance. In addition, the executive directors receive life assurance.

Retirement benefits – Sergio Bucher received a cash contribution in lieu of pension of 20% of base salary (£140,000). Matt Smith received a cash contribution in lieu of pension of 15% of base salary (£66,497).

Annual bonus for FY2018 – The maximum bonus for the year was 100% of base salary for the CEO and 100% for the CFO. The bonus was based 80% on Group PBT and 20% on a customer-focused measure, net promoter score. Bonuses start accruing for meeting threshold levels of performance with the maximum bonus only being payable for achieving performance significantly in excess of this level.

Bonus targets and performance achieved are set out in the table below:

Measure	Threshold	Target	Maximum	Actual
Payout (% of max)	10%	50%	100%	0%
PBT*	£85m	£100.0m	£115.6m	£33.2m

Measure	Threshold	Target	Maximum	Actual
Payout (% of max)	0%	50%	100%	0%
NPS Moving Annual Target (improvement on prior year)	+2 points	+3 points	+5 points	+4 points

* Before exceptional items.

The payout of the portion of the bonus based on NPS was also subject to achieving a minimum level of profit performance. While NPS performance exceeded the target required to trigger a payment under this element of the bonus, the minimum level of profit performance was not achieved and therefore no bonus will be paid to executive directors in respect of FY2018.

PSPs – PSP awards granted in November 2015 and May 2016 were subject to the following performance targets:

Measure	Benefits	Target	Actual performance
EPS (70% of award)	EPS growth	3% per annum to 10% pa growth	(33.85)% per annum growth
Four strategic objectives (each objective equal to 7.5% of award)	Delivering a compelling customer proposition	Group gross margin improvement (>65bps)	(170)bps
	Increasing availability and choice through multi-channel	Online EBITDA growth rate (>21.5%)	+14.5%
	Focusing on UK Retail	UK GTV >2.9%	(0.5)%
	Expanding the brand internationally	International EBITDA growth rate >11.8%	+3.3%

25% of the EPS amount vests for meeting threshold levels of performance and 100% vesting for reaching maximum levels of performance with straight line vesting between threshold and maximum.

The strategic objectives were subject to a single performance hurdle and were subject to meeting a ROCE underpin.

The EPS performance targets and the targets for strategic objectives were not met and the awards will therefore lapse in full on 3 November 2018 and 3 May 2019.

Scheme interests awarded during the financial year (audited)

Awards with the following performance targets (which were announced to the market at the time of grant) were made on 3 November 2017.

Director	Type of interest	Basis on which award made	Number of shares awarded	Face value of shares (£) ¹	Percentage vesting at threshold	Performance period end
Sergio Bucher	0.01 pence option	150% of base salary	2,553,191	£1,050,000	25%	29 August 2020
Matt Smith²	0.01 pence option	100% of base salary	1,067,963	£439,200	25%	29 August 2020

1 The face value of shares awarded was calculated using the closing mid-market share price on the date of award (3 November 2017), which was 41.125 pence.

2 Matt Smith stepped down from the board on 31 August 2018 and, in accordance with the PSP rules, the award lapsed at that date.

These awards are based on 50% relative total shareholder return (TSR) against a bespoke group of retail comparators, 25% on EPS performance and 25% on return on capital employed (ROCE).

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The bespoke group of companies include AO World, B&M European Value Retail, Card Factory, Dixons Carphone, Dunelm Group, Halfords Group, JD Sports Fashion, Marks & Spencer Group, Mothercare, Next, Pets At Home Group, Sports Direct International and WH Smith.

For the relative TSR measure, 25% vests for achieving median performance against the bespoke group with 100% vesting for the upper-quartile performance.

For the EPS element, we set absolute EPS targets for EPS performance for FY2020 to ensure a clear focus on achieving this goal. The EPS targets are as follows:

Entry (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
5.8p	6.3p	8.2p

Target performance was set to be aligned with market consensus for our performance for FY2020 at the time the targets were set. The maximum target was set to be significantly in excess of market expectations and the Committee believes that if this is achieved it will represent exceptional performance in a challenging market.

The November 2017 PSP awards are based on ROCE for FY2020. The ROCE targets are as follows:

Entry (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
10.7%	10.9%	11.8%

For the purpose of defining ROCE, capital employed will include a capitalised value of future store rental payments at an eight times multiple and profitability items on a pre-rental basis.

In order for the PSP award to vest, the Committee must also be satisfied that the underlying financial performance of the Company over the performance period is sufficient to justify the vesting of the award.

Shareholding guidelines

In order to align the interests of executive directors with those of shareholders and to demonstrate the executive directors' ongoing personal financial commitment to the business, executive directors are expected to build and maintain a holding of Debenhams shares as follows:

CEO – shareholding to equal 200% of base salary.

CFO – shareholding to equal 150% of base salary.

Executives are generally expected to retain 50% of any post-tax shares that vest under any share incentive plans until this shareholding is reached.

Directors' shareholdings and share interests (audited)

The value of the directors' current shareholding shown in the table below has been calculated using the three month average closing share price to 1 September 2018 of 14.76p.

	Ordinary shares held at 25 October 2018	Ordinary shares held at 1 September 2018	Ordinary shares held at 2 September 2017	Unvested awards subject to performance	Unvested options subject to performance	Vested options not exercised	Awards lapsed	Shareholding requirement	Shareholding held at 1 September 2018	Requirement met?
Sergio Bucher – CEO	356,617	356,617	187,617	5,347,602	–	–	–	£1,400,000	£52,637	No
Matt Smith ¹ – CFO	97,465	97,465	97,465	–	–	–	3,370,141	£658,800	£14,386	No

¹ Matt Smith stepped down from the board on 31 August 2018 and, in accordance with the Rules of the PSP Performance Share Plan, all of his awards lapsed on his leave date.

Scheme interests (audited)

Performance Share Plan

Director	Date of award	Number of shares held at 3 September 2017	Shares awarded during the year	Shares lapsed during the year	Shares exercised during the year	Number of shares held at 1 September 2018	Market value on date of award	Market value on date of exercise	Earliest date of vesting	Expiry date of vesting period
Sergio Bucher	31 May 2017	2,794,411	–	–	–	2,794,411	50.1p	–	31.5.20	30.11.20
	3 November 2017 ¹	–	2,553,191	–	–	2,553,191	41.125p	–	3.11.20	3.5.21
Matt Smith	1 May 2015 ²	900,900	–	900,900	–	–	88.8p	–	1.5.18	1.10.18
	3 November 2015 ²	566,406	–	566,406	–	–	89.6p	–	3.11.18	3.5.19
	31 May 2017 ²	834,872	–	834,872	–	–	50.1p	–	31.5.20	30.11.20
	3 November 2017 ^{1,2}	–	1,067,963	1,067,963	–	–	41.125p	–	3.11.20	3.5.21

1 The awards granted on 3 November 2017 are subject to 50% relative TSR, 25% EPS and 25% ROCE. Performance targets for awards granted in FY2018 are outlined on pages 65 and 66.

2 Matt Smith stepped down from the board on 31 August 2018 and, in accordance with the Rules of the PSP Performance Share Plan, all of his awards lapsed on his leave date.

Update on performance against strategic measures for “in-flight” PSP awards

The measures and performance targets for awards granted in November 2015 and May 2016 are disclosed on page 65 of the report. These targets were not met and the awards will lapse.

For awards granted in May 2017, 70% is based on EPS performance and 30% on four strategic measures which were as follows: beauty gross transaction value, food gross transaction value, mobile gross transaction value and online cost per unit improvement.

The Committee set stretching targets and these were not disclosed at the time of the awards as they were considered to be commercially sensitive. We are now two years into the performance cycle and currently some of the metrics are tracking to vest. Vesting will be determined based on performance in FY2017, FY2018 and FY2019.

Performance targets for May 2017 awards

70% of the PSP awards granted in May 2017 is based on EPS performance and 30% is subject to the following strategic objectives which are themselves subject to a meeting a ROCE underpin:

Measure	Benefits	Metric
Four strategic objectives (each objective equal to 7.5% of award)	Grow market-leading position in Premium Beauty	Beauty GTV growth
	Meet me @ Debenhams – step change food and drink offer instore	Food GTV growth
	Mobile @ Everywhere – re platform and harness the power of mobile to unify across all channels	Mobile GTV
	Accelerated warehouse automation	Online cost per unit improvement

The strategic objectives are considered by the board to be market sensitive and therefore will be disclosed in full, along with actual performance against targets, at the time of vesting.

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The EPS targets for May 2017 awards are as follows:

Entry (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
5.6p	6.0p	8.0p

Payments to past directors (audited)

As set out in last year's report, Suzanne Harlow stepped down from the board and left the business on 20 October 2017 following 23 years' service. Suzanne Harlow's remuneration terms in relation to her departure were in line with her service agreement and the remuneration policy as approved by shareholders in December 2014 and were as follows:

- Suzanne Harlow was made a payment in lieu of notice comprising 12 months' salary and benefits (£418,271). She also received £30,000 in respect of her statutory rights in connection with her departure
- Outplacement support in the amount of £54,000 (inclusive of VAT), and up to £15,000 (plus VAT) in respect of legal fees incurred in connection with her departure may also be paid
- Suzanne Harlow was treated as a good leaver for the purpose of the Performance Share Plan. The awards are pro-rated to reflect service from the respective grant dates to 20 October 2017 and remain subject to meeting the relevant performance targets. As noted, on page 65, November 2015 PSP awards will not vest
- Suzanne is also eligible to receive her staff discount for two years from leaving

Payments for loss of office (audited)

No payments were made for loss of office during the year.

Leaving arrangements for Matt Smith

Matt Smith announced his intention to leave the business in April 2018 and stepped down from the board on 31 August 2018. Matt Smith received his salary, benefits and pension until the date of leaving. He will not receive a bonus for FY2018 and his outstanding Performance Share Plan awards lapsed on the date he left. No other payments were made in connection with his departure.

Executive director service contracts

Notice period	12 months' notice by the Company or by the executive director Sergio Bucher entered into his service agreement on 25 May 2016 Matt Smith entered into his service agreement on 25 July 2014 and it terminated on 31 August 2018 Rachel Osborne entered into her service agreement on 19 August 2018
Expiry date	All are rolling contracts with no expiry date

External appointments for executive directors

Executive directors may undertake external directorships with the consent of the board. Any proposed external directorships are considered by the Nomination Committee to ensure that they do not cause a conflict of interest. Matt Smith was appointed a director of blow LTD on 12 September 2017 and resigned on 31 August 2018. No fees were payable in respect of that directorship.

Total shareholder return performance graph

The performance graph below shows the Company's total shareholder return against the FTSE All-Share General Retailers Index over the period from 29 August 2009 to 1 September 2018. The FTSE All-Share General Retailers Index has been chosen as it is made up of a broad spectrum of retail competitors (including major general retail listed comparators) in the principal product areas in which the Company trades.



Historical Chief Executive Officer pay

The table below sets out details of the CEO's pay for the current year and the previous eight years and the payout of incentive awards as a proportion of the maximum opportunity for each period. The CEO's pay is calculated as per the single figure of remuneration shown on page 64.

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Single figure of total remuneration	£1,477,607	£1,044,515	£1,288,857	£754,396	£990,959	£986,323	£690,530	£898,948 ¹	£972,763
Annual variable element award rates against maximum opportunity	100%	33.3%	40%	0%	0%	0%	0%	0%	0%
Long-term incentive vesting rates against maximum opportunity	N/A	N/A	PSP: 32% ESOP: 100%	N/A	22%	17%	N/A ²	N/A ³	0%

1 This figure excludes a cash payment of £445,184 made to Sergio Bucher to compensate him for remuneration foregone at his previous employer. Including this buyout gives a total single figure for the year of £1,344,132.

2 No PSP award was granted in FY2016.

3 Sergio Bucher was not in the role of CEO during FY2014 and therefore did not receive a PSP award.

The CEO for FY2010 and FY2011 was Rob Templeman. Michael Sharp was CEO from the start of FY2012 to 24 June 2016. For the remainder of 2016 and for the period from 4 September 2016 to 16 October 2016, Matt Smith and Suzanne Harlow shared the CEO responsibilities. Their pay for those additional responsibilities has not been included in this analysis as they were acting in a temporary capacity. Sergio Bucher was appointed CEO on 17 October 2016.

Percentage change in remuneration of the CEO

The change in remuneration from FY2017 to FY2018 of the CEO and the Group's UK employee population is shown below. This group has been chosen as the comparator group as the majority of Debenhams employees are based in the UK.

	CEO	UK employees (average full time equivalent)
Base salary	0%	1.2%
Benefits	14%	16.7%
Bonus	0%	0%

The CEO did not receive a salary increase or bonus during FY2018.

There have been no changes to Sergio's benefit package during FY2018. Sergio joined the business part way through FY2017 and therefore his benefits for this year were pro-rated. If Sergio had been in employment for the full year in FY2017 then the change in his benefits recorded in the table above would be 0% rather than the 14% shown.

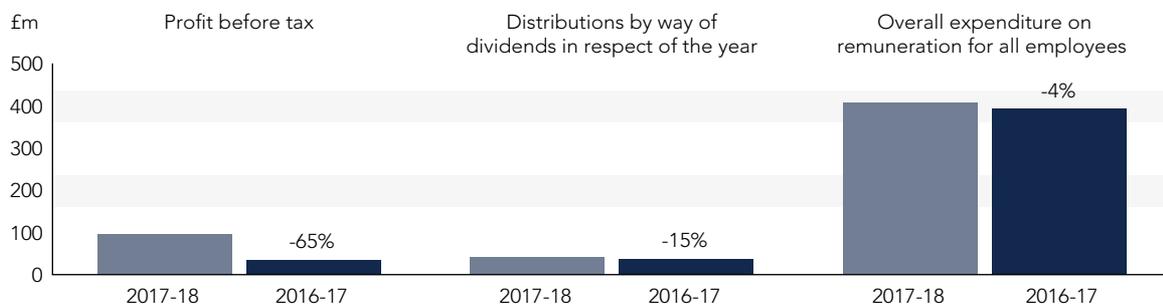
As part of the terms of Sergio Bucher's appointment, for the first two years of his employment Sergio is provided with a housing allowance and reasonable relocation expenses which were paid in FY2017. The expenses relating to Sergio's relocation paid in FY2017 have not been included in this analysis.

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Relative importance of spend on pay

The chart below sets out the amounts paid in FY2017 and FY2018 in respect of the remuneration of all employees and dividends to shareholders.



The Debenhams Retail Employee Trust 2004

The Debenhams Retail Employee Trust 2004 ("the Trust") currently holds 1,222,274 shares in the Company. Any shares allocated under the Debenhams 2008 Share Incentive Plan (a plan for employees below board level) are held by the Trust. Dividends arising on the shares held in the Trust are waived on the recommendation of the Company.

Funding of share schemes

It is the Company's current intention to satisfy any future requirements of its share schemes in a method best suited to the interests of the Company, either by utilising shares held as treasury shares, acquiring shares in the market or issuing new shares. Where the awards are satisfied by newly issued shares or treasury shares, the Company will comply with Investment Association guidelines on shareholder dilution.

Current levels of shareholder dilution are FY2018: 2.39% (FY2017: 2.03%) of share capital.

Implementation of the policy for FY2019

The following summarises how the policy will be implemented for FY2019:

	Operation and opportunity	Performance measures	Changes
Salary	CEO – £700,000 CFO – £439,000	N/A	<ul style="list-style-type: none"> Salaries will not be increased with effect from 1 November 2018 The next review will be on 1 November 2019
Pension	Cash pension allowance CEO – 20% of salary CFO – 15% of salary		<ul style="list-style-type: none"> No changes
Benefits	The CEO receives a benefits allowance of £18,376 and the CFO receives a car allowance of £17,850 and medical insurance. In addition to these allowances, executives receive life assurance and an annual health assessment		<ul style="list-style-type: none"> No changes
Annual bonus	Paid in cash following year end Malus and clawback provisions apply Maximum opportunity: CEO – 100% of salary CFO – 100% of salary	100% based on underlying PBT performance	<ul style="list-style-type: none"> To ensure a clear focus on profit performance, annual bonus measures have been changed from 80% based on PBT and 20% based on NPS performance to 100% based on PBT
PSP	Award of shares which vest based on performance over a three year period Malus and clawback provisions apply Maximum opportunity: CEO – 100% of salary (reduced from 150%) CFO – 67% of salary (reduced from 100%)	50% relative TSR compared to a bespoke peer group of retail companies, 25% EPS, 25% ROCE. 25% of the award vests for threshold performance	<ul style="list-style-type: none"> In light of the new Code and evolving market practice, the Committee has decided, however, to introduce a post-vesting holding period for PSP awards granted from November 2018 onwards Executive directors will be required to hold half of any vested PSP shares for a further year from vesting (ie four years in total) and they will be required to hold the remaining half for two years from vesting (ie five years in total)

The Committee very carefully considered the level of PSP award that should be granted to executive directors in November 2018 in light of the fall in share price since awards were last granted. The Committee decided to reduce PSP awards by one third. The 2018 PSP award to the CEO will therefore be 100% of base salary rather than 150% of salary and the award to the CFO will be 67% of base salary rather than 100% of salary. The Committee believes these reduced awards strike an appropriate balance between addressing the share price fall and guarding against the potential for windfall gains and the need to motivate management to deliver our long-term plans in a challenging environment.

FY2019 PSP performance measures

PSP awards to be granted in FY2019 will be subject to performance conditions with 50% of the award keyed off relative TSR compared to a bespoke peer group of retail companies, 25% of the award keyed off EPS performance and 25% keyed off ROCE performance.

For the relative TSR measures, 25% vests for achieving median performance against the peer group, with 100% vesting for upper-quartile performance.

The peer group includes the following companies: AO World; B&M European Value Retail; Card Factory; Dixons Carphone; Dunelm Group; Halfords Group; JD Sports Fashion; Marks & Spencer Group; Mothercare; Next; Pets At Home Group; Sports Direct International; and WH Smith.

EPS targets are as follows:

Entry (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
2.7p	3.5p	4.3p

Entry level vesting has been set to be aligned with market consensus for our performance for FY2021. The maximum target has been set to be significantly in excess of market expectations and the Committee believes that if this is achieved, it will represent exceptional performance in a challenging market.

ROCE targets are as follows:

Entry (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
11.1%	11.6%	12.0%

In order for the award to vest, the Committee must also be satisfied that the underlying financial performance of the Company over the performance period is sufficient to justify the vesting of the award.

For the purpose of defining ROCE, capital employed will include a capitalised value of future store rental payments at an eight times multiple and profitability items on a pre-rental basis.

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Summary remuneration policy for non-executive directors

Element	Key features/operation	Implementation for FY2019
Fees	Our non-executive director fees policy is to pay a basic fee for membership of the board and additional fees for the Senior Independent Director, chairmanship of a committee and membership of a committee to take into account the additional responsibilities and time commitment of these roles. The Chairman is paid an all-inclusive fee.	Fees for the year are: Basic fee – £40,000 Senior Independent Director – £10,000 Committee chairmanship fee (Audit and Remuneration) – £10,000 Committee membership fee (per committee) – £2,500 The non-executive Chairman's fee is £200,000 Effective from 1 August 2018, David Adams also received an additional £10,000 per month in relation to the review of the capital structure of the business during the period before the appointment of Rachel Osborne as CFO. This arrangement was for a period of three months and therefore expired in November 2018.
Benefits and expenses	Reasonable costs in relation to travel and accommodation for business purposes are reimbursed to the Chairman and non-executive directors. The Company may meet any tax liabilities that may arise on such expenses. The Chairman and non-executive directors are eligible for a staff discount and an annual health assessment.	

Terms and conditions for the Chairman and non-executive directors

The Chairman's appointment may be terminated by the Company in accordance with the Company's Articles of Association and the Companies Act 2006 or upon the Chairman's resignation. In the event that the Chairman's appointment is terminated early, there will be no payment for loss of office or for the unexpired appointment term. The Chairman is permitted to hold other directorships provided that any such appointment does not interfere with his position at the Company.

The non-executive directors have letters of appointment from the Company covering matters such as duties, time commitment, fees and other business interests. The non-executive directors are appointed for an initial three years which may be extended for further terms of three years by mutual agreement. Non-executive director appointments may be terminated by the Company in accordance with the Company's Articles of Association and the Companies Act 2006 or upon the director's resignation. In the event that a non-executive director's appointment is terminated early, there will be no payment for loss of office or for the unexpired appointment term.

The following summarises when the current non-executives were appointed and the end of their current contract.

Name	Date of appointment	Contract end date
Sir Ian Cheshire	14 January 2016	Appointed for a term of three years ending on 13 January 2019
Terry Duddy	10 April 2015	Contract renewed for a further three years at the end of his initial term. The end date for his current contract is 9 April 2021
David Adams	19 October 2017	Appointed for a term of three years ending on 18 October 2020
Peter Fitzgerald	4 October 2012	Having served two three year terms, Peter Fitzgerald stepped down from the board on 24 October 2018
Stephen Ingham	8 January 2013	Contract renewed for a further three years at the end of his initial term. The end date for his current contract is 7 January 2019
Nicky Kinnaird	15 November 2016	Appointed for a term of three years ending on 14 November 2019
Lisa Myers	6 September 2016	Appointed for a term of three years ending on 5 September 2019

All appointments are subject to the Company's Articles of Association and annual re-election by shareholders.

What did non-executive directors earn in respect of FY2018 (audited) and FY2017 (audited)

The table below sets out the fees payable to each director not performing an executive function in respect of FY2018 and FY2017.

		2018			2017		
		Fees	Benefits	Total	Fees	Benefits	Total
Sir Ian Cheshire	Non-executive Chairman, chairman of Nomination Committee, member of Remuneration Committee	£200,000	–	£200,000	£200,000	–	£200,000
Terry Duddy	Senior Independent Director and member of Remuneration, Audit and Nomination committees	£57,500	–	£57,500	£57,500	–	£57,500
David Adams ¹	Chairman of Audit Committee, member of Remuneration and Nomination committees	£54,247	–	£54,247	–	–	–
Peter Fitzgerald ²	Member of Audit Committee	£42,500	–	£42,500	£42,500	–	£42,500
Stephen Ingham	Member of Remuneration Committee	£42,500	–	£42,500	£42,500	–	£42,500
Nicky Kinnaird ³	Chair of the Remuneration Committee	£40,833	–	£40,833	£31,846	–	£31,846
Lisa Myers	Non-executive Director and Member of Audit Committee	£42,500	–	£42,500	£42,064	–	£42,064

1 David Adams joined the Company on 19 October 2017 and became chairman of the Audit Committee on 12 January 2018 further to Mark Rolfe stepping down from the Company on 11 January 2018. Prior to the appointment of Rachel Osborne as CFO, David Adams was asked to support the Company by undertaking a review of the capital structure of the business. Due to the significant additional time commitment this required, it was agreed that David would receive an additional fee of £10,000 per month, effective from 1 August 2018. This arrangement was for a period of three months and therefore expired in November 2018.

2 Peter Fitzgerald stepped down from the board on 24 October 2018 having served six years on the board.

3 Nicky Kinnaird took over chairmanship of the Remuneration Committee on 1 August 2018 further to Martina King stepping down from the Company on 31 July 2018.

Former Director (audited)

		2018			2017		
		Fees	Benefits	Total	Fees	Benefits	Total
Martina King ¹	Chairman of the Remuneration Committee, member of the Audit and Nomination Committees	£50,417	–	£50,417	£62,500	–	£62,500
Mark Rolfe ²	Chairman of the Audit and a member of the Nomination and Remuneration Committees	£20,237	–	£20,237	£55,000	–	£55,000

1 Martina King stepped down from the board on 31 July 2018.

2 Mark Rolfe stepped down from the board on 11 January 2018.

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The total interests of the Chairman and non-executive directors in the share capital of the Company as at 1 September 2018 are shown below.

Director	Ordinary shares held at 3 September 2017	Ordinary shares held at 1 September 2018	Ordinary shares held at 24 October 2018
Sir Ian Cheshire	625,000	800,000	800,000
Terry Duddy	140,000	140,000	140,000
David Adams	–	75,000	75,000
Peter Fitzgerald	–	–	–
Stephen Ingham	74,557	74,557	74,557
Martina King ¹	10,000	10,000 ¹	10,000 ¹
Mark Rolfe ¹	30,000	30,000 ¹	30,000 ¹
Lisa Myers	–	–	–
Nicky Kinnaird	–	–	–

¹ Balance of shares disclosed is as at date of resignation.

The information in the table above is audited.

Consideration of matters in relation to directors' remuneration

Remuneration Committee members during the year

Nicky Kinnaird became chair of the Committee on 1 August 2018 following Martina King stepping down from the board on 31 July 2018. The other members of the Committee are Sir Ian Cheshire, David Adams, Terry Duddy and Stephen Ingham. Mark Rolfe stepped down from the board during the year on 11 January 2018.

Details of the members' background and experience is provided within their biography on pages 44 and 45.

Director	Position	Number of meetings held and attended during the year (of those eligible to attend)
Nicky Kinnaird ¹ , Committee Chair	Independent non-executive director	1/1
Sir Ian Cheshire	Independent non-executive Chairman	3/3
David Adams ²	Independent non-executive director	2/2
Terry Duddy	Senior Independent non-executive director	3/3
Stephen Ingham	Independent non-executive director	3/3
Mark Rolfe ³	Independent non-executive director	2/2
Martina King	Independent non-executive director	3/3

¹ Nicky Kinnaird was invited to attend the meeting held in April 2018 to shadow Martina King before she assumed the role of the chair of the Remuneration Committee, effective 1 August 2018.

² David Adams was appointed as a member of the Committee on 19 October 2017 and was therefore only able to attend the meetings scheduled subsequent to that date.

³ Mark Rolfe stepped down from the board on 11 January 2018 and was therefore only eligible to attend two of the three meetings held during FY2018.

Role of the Committee

The full terms of reference for the Remuneration Committee, which are reviewed annually, are available on the Company's website at www.debenhamsplc.com. In summary, the Committee has responsibility for determining all elements of the remuneration of the executive committee and the Company Secretary together with the provisions of their service agreements, reviewing the bonus structure for the executive committee, reviewing the appropriateness and relevance of the Company's remuneration policy (taking into account the remuneration arrangements and levels across the Company) and administering all aspects of any share incentives in operation for senior management. The remuneration of the non-executive directors is a matter for the Company's Chairman and the executive members of the board.

The Committee's main activities during the year

- Approved the directors' remuneration report for FY2018
- Reviewed performance against targets for the executive directors' FY2018 bonuses
- Reviewed the operation of the PSP, particularly the performance measures for the 3 November 2017 PSP awards
- Approved a pay increase for Matt Smith, the previous CFO
- Approved the executive directors' bonus plan for FY2019
- Approved the performance conditions for the PSP awards to be granted in FY2019
- Evaluated the performance of the Committee and the remuneration consultants
- Approved the departure arrangements for Suzanne Harlow and Matt Smith
- Approved the recruitment arrangements for Rachel Osborne
- Considered executive pay in the context of arrangements across the wider workforce
- Considered remuneration arrangements for other roles within the Committee's remit

Advisors to the Committee

In performing its duties, the Committee has received advice from Deloitte LLP ("Deloitte") which acted as external advisor to the Committee throughout the financial year, providing independent advice on directors' remuneration and share incentives. The fees for advice provided to the Committee during the financial year were £14,400.

Deloitte is one of the founding members of the Remuneration Consulting Group. The Committee has been fully briefed on Deloitte's compliance with the voluntary code of conduct in respect of the provision of remuneration consulting services. Deloitte provides industry and comparative employee remuneration data to Debenhams' management. Deloitte also provided unrelated advisory services in respect of share schemes, and corporate employment and personal taxes during the year.

Deloitte was appointed by the Committee. It is the view of the Committee that the Deloitte LLP engagement partner and team that provide remuneration advice to the Committee do not have connections with Debenhams that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

The Committee consider that the advice received from the advisors is independent, straightforward, relevant and appropriate and that it has an appropriate level of access to them and has confidence in their advice.

The CEO, Matt Smith (the previous CFO), the HR Director and the Head of Pay & Reward have attended certain Committee meetings and provided advice to the Committee during the year. They are not in attendance when matters relating to their own compensation or contracts are discussed.

Performance evaluation of the Committee and its Advisors

This year's evaluation of the Committee and Deloitte LLP was conducted via the circulation of internal questionnaires. Full details can be found on pages 49 and 50.

Summary of shareholder voting

Debenhams remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. In the event of a substantial vote against a resolution in relation to directors' remuneration, Debenhams would seek to understand the reasons for any such vote and would set out in the following annual report and accounts any actions in response to it.

The following table sets out actual voting in respect of the current policy and the FY2017 annual remuneration report:

Director	For	Against
2017 directors remuneration policy (2018 AGM)	98.57%	1.43%
2017 annual remuneration report (2018 AGM)	98.55%	1.45%

1,851,132 and 3,266,626 votes were withheld in relation to the policy report and annual remuneration report resolutions respectively.

On behalf of the board

Nicky Kinnaird

Chair, Remuneration Committee
25 October 2018

Corporate governance

DIRECTORS' REPORT

As required by the Companies Act 2006, the directors' report of Debenhams plc for the year ended 1 September 2018 is comprised of these pages 76 to 78 and information found in the following sections of the annual report and accounts, all of which are incorporated into this report by reference.

The content of the directors' report has been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the directors is restricted to the extent prescribed by the Companies Act 2006.

Information	Location in annual report
Review of the business, principal risks and uncertainties and KPIs	Business model and strategy, key performance indicators, financial review, and principal risks and uncertainties
Strategy	Business model and strategy and CEO's strategic perspective
Business model	Business model and strategy in action
Future business developments	CEO's strategic perspective
Non Financial Reporting: <ul style="list-style-type: none"> • Environmental matters (including GHG emissions), employees and social, community and human rights issues • Anti-corruption and Anti-bribery 	Resources, relationships & sustainability
Employment policy for disabled persons and employee engagement throughout the workforce	Resources, relationships & sustainability
Gender diversity	Nomination Committee report

PROFIT AND DIVIDENDS

The total loss after tax for the financial year ended 1 September 2018 was £461.0 million (2017: profit £48.8 million). The board has decided not to declare a final dividend in order to prioritise generating cash and reducing debt. The interim dividend of 0.50 pence per share was paid on 6 July 2018.

DIRECTORS

The following persons were directors of the Company during the period ended 1 September 2018 and unless otherwise stated at the date of this annual report and accounts:

Sir Ian Cheshire
 Sergio Bucher
 Matt Smith (resigned 31 August 2018)

Terry Duddy
 David Adams (appointed 19 October 2017)
 Peter Fitzgerald (resigned 24 October 2018)
 Stephen Ingham
 Martina King (resigned 31 July 2018)
 Mark Rolfe (resigned 11 January 2018)
 Lisa Myers
 Nicky Kinnaird

The membership of the board and biographical details of the directors are given on pages 44 and 45. The business of the Company is managed by the board which exercises all the powers of the Company, subject to the provisions of the Companies Act 2006, the Company's Articles of Association and any shareholder resolution. In accordance with the Company's Articles of Association, the directors shall be no less than two but is not subject to any maximum number. Directors may be appointed by the Company by ordinary resolution or by the board. A director appointed by the board holds office only until the next Annual General Meeting. The Company may, by ordinary resolution, remove any director from office. The office of a director is vacated if s/he (i) resigns or retires; (ii) becomes bankrupt or makes an arrangement or composition with his or her creditors generally; (iii) becomes physically or mentally incapable of acting as a director and may remain so for more than three months, or by reason of his or her mental health a court has made an order that prevents the director from acting, and in either case, the board resolves that his or her office is vacated; (iv) has been absent for more than six consecutive months without the board's permission from meetings of the board held during that period and his or her alternate director (if any) has not attended in his or her place during that period and the board resolves that his/her office be vacated; or (v) receives a notice signed by not less than three quarters of the other directors stating that the person should cease to be a director. Any amendments to the Company's Articles of Association may be made in accordance with the Companies Act 2006 by way of special resolution.

In accordance with the UK Corporate Governance Code, all of our directors will retire at the forthcoming Annual General Meeting of the Company and they all offer themselves for re-election. A formal evaluation of the performance of each director and of the board has been carried out and the performance of each of them continues to be effective and demonstrates commitment to his or her role. There is more information on the evaluation and its outcome within the corporate governance report on page 49. Following the end of the year, Rachel Osborne was appointed CFO on 17 September 2018. As a result, Rachel Osborne will be offering herself for election to the board at the Annual General Meeting.

In addition to the indemnity provisions in their Articles of Association, the Company and other Group companies have entered into a direct indemnity agreement with each of the directors and certain other officers or senior employees of the Group. These indemnities constitute qualifying indemnities for the purposes of the Companies Act 2006 and remain in force at the date of approval of

this report without any payment having been made under them. The Company also maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors.

No director had, during or at the end of the year, any material interest in any contract of significance in relation to the Group's business.

MAJOR SHAREHOLDERS

In accordance with Listing Rule 9.8.6(2), the following investor interests have been disclosed to the Company, as at 1 September 2018, pursuant to the Disclosure Guidance and Transparency Rules. This information was correct at the date of notification. It should be noted that these holdings may have changed since being notified to the Company. Notification of any changes is not required until the next applicable threshold is crossed.

Shareholder	Number of shares	Percentage of issued share capital
Sports Direct International plc	364,698,818	29.70%
Brandes Investment Partners LP	151,371,716	12.33%
Schroders plc	119,889,662	9.76%
Milestone (Landmark Group)	89,183,155	7.26%
Invesco	67,238,107	5.47%
Standard Life Aberdeen	54,570,445	4.44%

The following notification(s) have been received since 1 September 2018 and up to 24 October 2018:

Shareholder	Number of shares	Percentage of issued share capital
Brandes Investment Partners LP	150,996,594	12.29%
Schroders plc	65,073,685	5.30%

Any notifications received during the period 25 October 2018 and 4 November 2018, being one month prior to the date of the notice of Annual General Meeting will be included in the notes to that notice.

SHARE CAPITAL

As at 1 September 2018, the issued share capital of the Company was 1,227,822,150 ordinary shares of 0.01 pence each and 59,041,231 ordinary shares of 0.01 pence each were held in Treasury. In addition to the shares trading on the London Stock Exchange, the Company operates a level 1 American depository receipt programme. Each American depository share represents four ordinary shares of 0.01p each. No shares were transferred out of treasury during the year.

At the January 2018 Annual General Meeting, shareholders authorised the Company to purchase up to 122,782,215 ordinary shares in the market. Although this authority was not utilised by the Company during the last financial year, approval will be sought from shareholders at the forthcoming Annual General Meeting to renew its authority to purchase shares in the market for a further year. This is a standard annual authority that the Company seeks and it is the Company's present intention, should shares be bought

back, for them to be cancelled or retained in treasury pending a subsequent sale, cancellation or transfer. The directors have no present intention of exercising the authority to purchase the Company's ordinary shares. The authority will be exercised only if the directors believe that to do so would result in an increase in earnings per share and would be likely to promote the success of the Company for the benefit of its shareholders as a whole.

VOTING RIGHTS

If voting on a resolution at any general meeting of the Company is on a show of hands, every member present in person has one vote and every proxy appointed by one or more members has one vote regardless of the number of shares held by the shareholder or represented by the proxy. On a poll, every shareholder who is present in person or by proxy has one vote for every share held by that shareholder, but a shareholder or proxy entitled to more than one vote need not cast all his/her votes or cast them all the same way. No member shall be entitled to vote at any general meeting of the Company, either in person or by proxy, in respect of any share held unless all monies payable in respect of that share have been paid. There are no known arrangements which may restrict voting rights.

As at 1 September 2018, the Debenhams Retail Employee Trust 2004 ("the Trust") holds 1,222,274 ordinary shares in the Company (0.10%). Any voting or other similar decisions relating to the shares held by the Trust would be taken by the trustees, who may take account of any recommendations of the Company.

TRANSFER OF SHARES

Any member may transfer all or any of his or her certificated shares by an instrument of transfer in any usual form or in any form which the board may approve. The board may, in its absolute discretion, decline to register any instrument of transfer of a certificated share which is not a fully paid share (although not so as to prevent dealings in shares taking place on an open and proper basis). The board may also refuse to register the transfer of a certificated share where the instrument of transfer is invalid. There are no known arrangements which may restrict the transfer of shares.

SIGNIFICANT AGREEMENTS

There are some agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid. Details of the significant agreements of this kind are as follows:

- The multi-currency revolving credit facility dated 25 February 2016 contains mandatory prepayment
- The terms and conditions of the 5.25% senior notes due 2021 contain a requirement for the Company to make an offer to repurchase all of the notes at a price equal to 101% of the principal amount thereof, plus any accrued unpaid interest
- The Company's performance share plan contains provision regarding change of control. Awards under the plan may vest subject to the satisfaction of any performance conditions

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DIRECTORS' REPORT
CONTINUED

Other than the provisions of the Company's share plans, there are no agreements providing for compensation for directors or employees on change of control. Details concerning the impact on share options and share awards held by directors or employees in the event of a change of control are set out in the remuneration policy.

POLITICAL DONATIONS

There were no disclosable expenses made during the financial year which fall within the definition of a political donation under the Political Parties, Elections and Referendums Act 2000. It is the Group's policy not to make donations to political organisations or independent election candidates or incur political expenditure.

FINANCIAL INSTRUMENTS

Debenhams does not enter into financial instruments for speculative trade. Details of financial instruments entered into for underlying risks are set out in note 24 on pages 127 and 128 of the financial statements. Information regarding the Group's financial risk management policies is set out in note 23 to the financial statements on pages 122 to 127.

EVENTS SINCE YEAR END

- Rachel Osborne was appointed CFO on 17 September 2018
- Peter Fitzgerald stepped down from the board on 24 October 2018

GOING CONCERN

Having assessed the Group's liquidity outlook on the basis of the business projections and sensitivities, the board concluded that the Group would continue to have sufficient headroom to its committed borrowing facilities to ensure it can operate as a going concern for at least the next 12 months. For this reason the board concluded it could continue to adopt the going concern basis in preparing the financial statements (see page 40 for more details).

LONG-TERM VIABILITY STATEMENT

The directors have assessed the viability of Debenhams over the three year period to 28 August 2021. This period has been selected because it reflects the pace of change in retail; uncertainty surrounding the UK's decision to exit the European Union; aligns with the Group's plans under its Debenhams Redesigned strategy and its three year planning process; and presents the board and the readers of the annual report with a reasonable degree of confidence whilst still providing an appropriate longer-term outlook. The board is in agreement that Debenhams is a viable business and the viability statement can be found in the strategic report on page 41.

In making this statement the directors have considered the resilience of Debenhams, taking account of its current position and historical financial performance, the principal risks facing the business in severe but theoretical scenarios, and the effectiveness of any mitigating actions.

This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period. In assessing these impacts, the directors also considered specific supplier risks in relation to credit insurance and the potential impact that working capital may be impacted by such risks.

As noted in note 22 of the financial statements on page 121, the Group's revolving credit facility is due to expire in June 2020 and its issued senior notes expire in June 2021. While recognising the challenging retail environment will increase the risks and costs around the future refinancing of these facilities, based on current market conditions the directors believe Debenhams has the appropriate plans and mitigations in place to maximise the prospects of a successful refinancing of these facilities in advance of the 2020 and 2021 expiries.

CORPORATE GOVERNANCE STATEMENT

In accordance with the Financial Conduct Authority's Disclosure Guidance and Transparency Rule (DTR) 7.2.1, the disclosures required by DTR 7.2.2R to DTR 7.2.7 and DTR 7.2.10 are within the corporate governance report on pages 46 to 51 and risk management report on pages 30 to 34 and are therefore incorporated into this report by reference.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the directors of the Company at the time when the directors' report was approved confirms that:

- a) so far as the director is aware, there is no information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware; and
- b) s/he has taken all the steps that s/he ought to have taken as a director in order to make herself or himself aware of any information needed by the Company's auditors in connection with preparing the report and to establish that the Company's auditors are aware of that information

INDEPENDENT AUDITORS

Ernst and Young LLP has indicated its willingness to be appointed auditors of the Company and a resolution dealing with their appointment as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

ANNUAL GENERAL MEETING

The Annual General Meeting of Debenhams plc will be held at Debenhams Head Office, 10 Brock Street, Regent's Place, London NW1 3FG on 10 January 2019. The Notice of meeting is given, together with explanatory notes, in the booklet which accompanies this report.

The directors' report was approved by a duly appointed and authorised committee of the board of directors on 24 October 2018 and signed on its order by:

Rosalynde Harrison
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in the corporate governance section of this report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the directors' report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces

On behalf of the board

Sergio Bucher
Chief Executive Officer
25 October 2018