CHAIR'S INTRODUCTION TO REMUNERATION

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

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

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	• 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	• 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: – 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?	• 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: – 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 Details of current salary levels are set out in the annual report on remuneration
Performance metrics	None

Element	Pension
Purpose and link to strategy	• 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	• 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?	• 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	• Provides a market competitive level of benefits for executive directors, thereby recruiting and retaining executives of the required calibre
Key features/operation	• 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?	• 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

Element	Annual bonus
Purpose and link to strategy	• 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	• 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?	• Maximum opportunity of 100% of base salary • The bonus starts accruing from threshold levels of performance
Performance metrics	• 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	• 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	• 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?	• 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	• 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.

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

1 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.
2 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.
3 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.
4 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.
5 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 Smith[2]	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).

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.

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

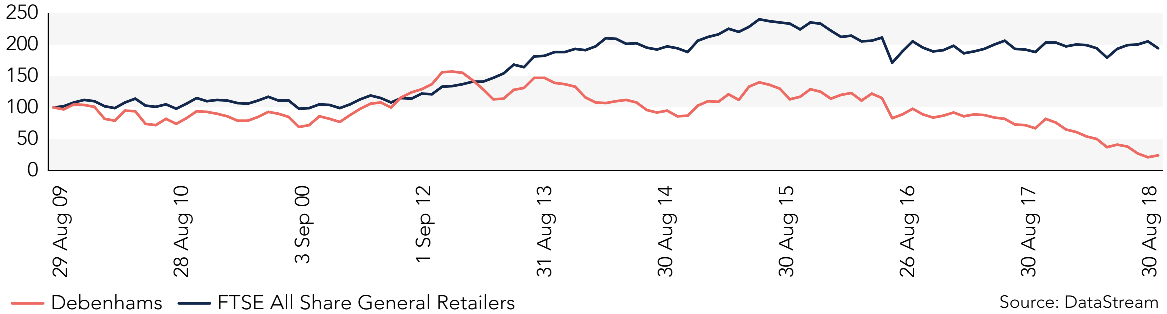
Notice period	12 months' notice by the Company or by the executive director
	Sergio Bucher entered into his service agreement on 25 May 2016
	Matt Smith entered into his service agreement on 25 July 2014 and it terminated on 31 August 2018
	Rachel Osborne entered into her service agreement on 19 August 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%

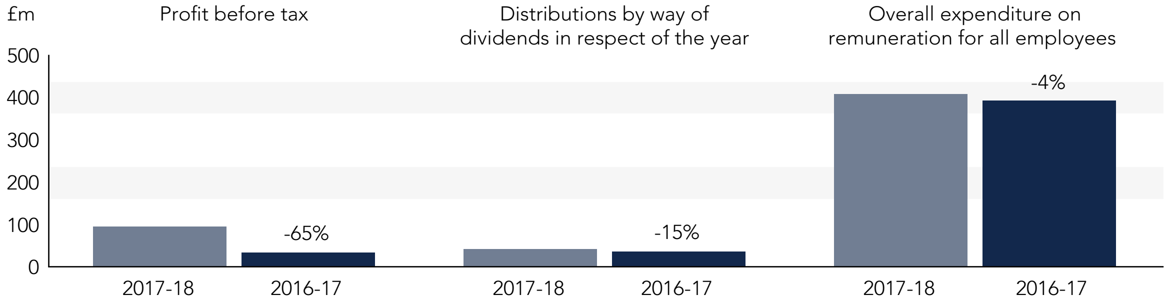
The CEO did not receive a salary increase or bonus during FY2018.

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.

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	• 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		• 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		• 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	• 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	• 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.

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.

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