



This year we have launched our CSR strategy “Doing our bit” which is focused on three strands: Equality – striving for equality and diversity throughout our workforce and supply chain; Community – being an active part of the communities in which we serve; and Environment – reducing, reusing and recycling all that we do to the best of our abilities.

We have executive committee sponsorship for the overall programme as well as members focusing on specific strands. We have underpinned our strategy by signing up to the BRC Better Retail, Better World Initiative which concentrates on five of the 17 United Nation Sustainability Development Goals which align to our three strands (see diagram above).

“We are committed to five of the United Nation Sustainable Development Goals of the BRC Better Retail, Better World Initiative.”

 EQUALITY

To ensure we strive for equality and diversity throughout our workforce and supply chain, we are focusing on our colleagues and our partners colleagues.

Our colleagues

We directly employ around 26,000 colleagues globally. We work hard at ensuring our colleagues are kept informed and offer two-way communications through a regular drumbeat of messages. These include newsletters, video diaries from our CEO and broader leadership group, leadership events and cascades, weekly huddles, live Yammer Q&A with the members of the executive committee, regular floor walks on major announcements and breakfast sessions. We also organise activities for colleagues, such as bring your dogs to work days and wellbeing days.

OUR BEHAVIOURS



Our behaviours

We have worked with colleagues from across the business to redefine our culture through creating a set of behaviours (see above diagram) to support the delivery of Debenhams Redesigned, harnessing the best of what we have today together with the cultural shifts needed to achieve our mission of making shopping confidence-boosting, sociable and fun. Our new behaviours complement the customer service behaviours rolled out to stores which are designed to drive a customer-led business.

Equal opportunities

We are committed to ensuring that colleagues are treated equally, regardless of gender, sexual orientation, religion or belief, age, mental status, social class, colour, race, ethnic origin, creed, disability, political or philosophical beliefs, or marital or civil partnership status.

Through our equal opportunities policy, we aim to create an environment that offers all colleagues the chance to use their skills and talent. Decisions on recruitment, training, promotion and employment conditions are based solely on objective, job-related criteria, and personal competence and performance.

We seek wherever possible to make reasonable adjustments to ensure that a colleague who becomes disabled during the course of his or her employment is able to continue working effectively. This includes providing equipment or altering working arrangements; providing additional training; re-allocating on a temporary or permanent basis some of the colleague's duties to other members of staff; transferring the colleague to a suitable alternative role; and adjusting working times. Any such adjustment will be monitored and reviewed on a regular basis to ensure it continues to be effective.

We are confident that our men and women are paid equally for doing equivalent jobs across our business and have an equal opportunity to participate in and earn incentives. Our current recruitment, progression, performance, reward and benefit policies and practices are not gender biased and we will continue to monitor them to ensure they remain fair and equitable.

We use gender pay data to inform talent targets, policies and processes to support the progression of women into more senior roles.

Our gender pay and bonus gap calculations include all UK colleagues employed by Debenhams Retail plc and in the spirit of being open and transparent we have chosen to include executive directors to give a complete picture. Our next gender pay gap report will be published in March 2019.

Building a pipeline of future leaders

We adopt a consistent approach to identify and develop talent across the stores and the support centres. We also use a consistent framework to develop our leaders of the future. We participate in the 30% club mentoring scheme, delivered by Women Ahead. This aims to develop a broader pipeline of women and achieve a gender balance at all levels. We also have three female leaders taking part in Retail Week's Be Inspired Senior Leadership Academy.

Diversity of candidates is key to us. We are growing followers on our social media recruitment channels, including LinkedIn, and the launch of a Debenhams Facebook Careers Page to build engagement and stay connected with a diverse audience of potential candidates for roles within Debenhams.

RESOURCES, RELATIONSHIPS AND SUSTAINABILITY CONTINUED

Apprenticeships

We continue to support apprenticeships in retail with 50 colleagues in England now getting ready for end point assessment in spring 2019, when they will achieve the Level 3 Team Leader Standard.

In line with our plan, we have started to explore the introduction of apprenticeships in specialist areas in the support centres, creating career paths for school leavers, with the appropriate skill set, who prefer a work-based learning programme to university.

Recruiting externally and upskilling existing colleagues through apprenticeships provides us with a pipeline of talent for the future. We continue to feed back to the National Apprenticeship Service on the development of occupational standards and quality of apprenticeships.

Our partners' colleagues

Our partners' programme is primarily supported by the Ethical Trade and Corporate Responsibility teams who sit within the sourcing division, forming part of the wider business function Fashion & Home. This structure supports alignment of the Ethical Trade strategy with the overarching Sourcing strategy, focusing on the salient risks and labour rights issues, therefore embedding responsible sourcing into the companies purchasing practices.

We operate a continuous monitoring programme which assesses all factories making own brand product, against the Supplier Code of Conduct. This is done through either an independent third party ethical audit or a remediation visit by Ethical Trade team members based in the UK, Hong Kong and Bangladesh.

China Capacity programme



- sharing working best practices
- 39 factories
- 16,000 workers in China

During FY2018 the Ethical Trade team conducted over 450 factory visits, to support remediation, conduct training and support implementation of corrective actions identified within the third party audit. This would have included: critical non-compliances, indicators of Modern Slavery, young workers, health and safety issues, wage violations, excessive working hours, lack of legal employment contracts and discrimination against migrant labour.

Top ten sourcing countries

Countries	Factory Count	Total workers
China	486	125,081
Bangladesh	67	165,043
India	122	44,608
Cambodia	23	17,200
Turkey	45	11,262
Sri Lanka	34	19,003
Vietnam	24	8,003
Romania	18	4,555
Pakistan	16	31,368
United Kingdom	23	2,198

Source: Aug 2018

34 sourcing countries
475 suppliers
450+ visits to factories

We continue to support suppliers through training and awareness so that they can take ownership of their remediation plans, which would include collaboration with other retailers and local actors to work on key issues.

We have achieved this by providing training on the empowerment of women and their communities, focusing on:

- Challenging gender stereotypes
- Health & wellbeing
- Financial literacy & inclusion

Open to both male and female employees, with the aim to educate and reduce gender inequality, whilst promoting diversity and inclusion.

SWASTI LIFE



- Focuses on Health & Wellbeing, Financial Literacy and Gender Violence Awareness.
- Impacts 5,000 workers in India

We have already seen positive results with the current SWASTI LIFE women empowerment programme in India, which we now plan to expand into other sourcing countries within the supply chain. Other existing programmes include, HER Finance supporting digital banking for Bangladesh factory workers and sexual harassment training conducted by ILO Better Work in Vietnam and Cambodia.

For more information, visit our webpage at www.sustainability.debenhamsplc.com/ethical-trade.

HUMAN RIGHTS & MODERN SLAVERY

As a fundamental part of our Supplier Code of Conduct, we respect International principles of Human Rights, including but not limited to those expressed in our Human Rights Policy, UN Declaration of Human Rights, United Nations Guiding Principles, Sustainable Development Goals and those principles contained within the Modern Slavery Act 2015.

All Ethical Trade policies have ownership at company board level, with the aim to protect the employee welfare and basic human rights within our supply chains. These policies have been made in line with the UN guiding principles and are influenced by civil society, unions, NGOs, multi-stakeholder and brand collaboration.

Over the past 12 months we have made the following changes to our company policies and processes, to support improvement of Human Rights within the supply chain:

- Modern Slavery clause is now integrated into all contracts (Conditions of Trading), including those made with our supplier partners and service providers
- We re-evaluated the Supplier Code of Conduct and made amendments referring to conventions related to International Principles of Human Rights, United Nation Guiding Principles and Modern Slavery Act

- The scope of our policies has been expanded to include goods not for resale (GNFR), service and labour providers, who support and operate within our business
- Continued the use of the Fast Forward programme to assess our own brand manufacturing sites in the UK, including warehouses and GNFR. The assessment programme helps us identify indicators of Modern Slavery and includes worker-voice feedback
- The full Tier 1 factory list is now publicly disclosed on our website as part of our ongoing pledge to support transparency
- Reinforce our partnership with our suppliers by providing capacity building through programmes such as China Capacity Building and ILO Better Work

A full version of Debenhams' statement on Modern Slavery is on our website at www.sustainability.debenhamsplc.com.

RESOURCES, RELATIONSHIPS AND SUSTAINABILITY CONTINUED



COMMUNITY

Supporting the local communities in which we serve is very important. For many years we have raised funds for national charity partners that have a presence across the UK and ROI and more recently, we have built on this foundation as part of our Doing Our Bit strategy.

Fundraising

This year we raised £1.3 million for our national charity partners: Look Good Feel Better; Help For Heroes; Breast Cancer Now; Children In Need; and Make A Wish Ireland. These funds are generated from a variety of activities including: a donation of profits from the sale of exclusive products; the sale of charity partners' merchandise; an annual supplier and business partner funded charity ball; as well as a range of colleague challenges from a 500km bike ride to bake sales. Customer and colleague donations raised throughout the year, linked to specific events and causes, complete the effort in both stores and our support centres.



We also raise funds and make donations to the Debenhams Retirement Association, the retailTRUST and Regent's Place Community Fund. In addition, outdated and surplus stock is donated to the Salvation Army Trading Company.

Volunteering

This year we have developed a number of volunteering initiatives to enable our colleagues to support our partner charities. Over 400 of the beauty sales consultants have voluntarily completed training with Look Good Feel Better to advise those undergoing treatment for cancer on how to deal with physical side effects.

A number of our London Support Centre colleagues have more recently volunteered to become mentors for the C4WS Jobs Club as part of its support for the Regent's Place Community Fund. In addition, colleagues are also invited to support fundraising activities in stores on a voluntary basis.



Local communities

We have a number of initiatives in place to support activities taking place in the areas that we serve including hosting Look Good Feel Better workshops in a number of our stores where customers can receive advice and support from trained colleagues. In addition, we have worked with Help For Heroes to support the Band of Sisters programme, creating respite areas in our restaurants for partners of service personnel who have been wounded, injured or sick as a result of their service, to meet and socialise.

Colleague awards

This year we invested in recognising our colleagues for the work that they do to raise funds, reduce our impact on the environment and support the local community with the first Doing Our Bit Awards. Colleagues were presented with awards by our Chief Executive at our annual charity ball in recognition for their efforts in these areas.



£1.3m

raised for national charities



ENVIRONMENT

Reducing, reusing and recycling all that we do to the best of our abilities is a far reaching challenge. We have created five focus areas to ensure we minimise our impact on the environment, namely: energy; emissions; waste; water; and sustain.

Energy

We are committed to continuously improving the energy efficiency of our buildings and operations. This has driven a material reduction in this year's carbon footprint. In FY2018; we invested over £3 million and retrofitted LED lighting in 12 stores. These projects have not only delivered excellent results in reducing energy use, but have also led to a more comfortable customer environment. For FY2019 we will be focusing on energy savings that can be achieved through behavioural change, primarily through the use of energy alerts that will be sent to store management teams if they breach energy thresholds.

Emissions

We cover emissions in three ways: greenhouse gas; carbon; and chemicals.

We have reported our greenhouse gas (GHG) emissions for our UK, Irish and Danish operations since FY2008. Since then, our footprint boundary has evolved to include areas such as other international offices, packaging, production of hangers, and

manufacture of catalogues, brochures and direct mail. This section provides a breakdown of our GHG emissions for this year. Further details of our GHG emissions can be found on our website www.sustainability.debenhamsplc.com.

With the support of Ricardo Energy & Environment, we have applied the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), and the UK Government Conversion Factors for Company Reporting, 2018, to calculate our carbon emissions. Our annual reporting year is 3 September 2017 to 1 September 2018 and we report GHG emissions in line with this period. We have followed the GHG Protocol's new, scope 2 emissions reporting guidance and used two different quantification methods: location-based¹ and market-based, as in previous years. Scope 2 emissions, using the market-based method, are lower than with the location-based approach, mainly because of our decision to purchase 100% renewable electricity in the Republic of Ireland and Northern Ireland.

This year, our overall carbon footprint has decreased by 21%, from 177,611 tonnes CO₂e in FY2017 to 140,352 tonnes CO₂e (using the location-based approach). Table 1 below provides a breakdown of these figures.

- 1 The location-based method reflects the average emissions intensity of grids on which energy consumption occurs, whereas the market-based method reflects emissions from the electricity that companies have chosen in the market (or their lack of choice).

Carbon footprint down

21%

Table 1: Absolute GHG emissions from scope 1, 2 and 3 shown in tonnes CO₂e

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Scope 1	17,786	15,989	19,668	14,241	13,721	9,135
Scope 2 (location-based)	139,607	149,068	139,354	125,453	103,754	81,887
Scope 2 (market-based)	Not calculated; market-based method was introduced in FY2016			113,134	81,914	78,091
Scope 3	16,687	28,308	31,908	64,442	60,137	49,329
Total	174,080	193,365	190,930	204,136*	177,611*	140,352*

* Total emissions calculated using the location-based scope 2 emissions figure.

RESOURCES, RELATIONSHIPS AND SUSTAINABILITY CONTINUED

Emissions data are made more meaningful when compared to a core business variable. We have used intensity ratios, alongside the absolute figures provided above, to report our GHG emissions in the context of our annual turnover and premises floor area.

Table 2 (below) shows the total annual turnover and floor area for the whole business. The total absolute emissions are then divided by these figures to provide tonnes of CO₂e per million pounds of turnover and tonnes of CO₂e per m² of floor area, respectively, as shown in Table 3 (below).

These tables show that the tonnes CO₂e for both intensity metrics have also decreased.

Table 2: Data used for intensity measurements

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Turnover (GTV £m)	2,777	2,824	2,860	2,939	2,954	2,900
Total floor area*(m ²)	1,808,398	1,850,874	1,867,291	1,876,533	1,873,568	1,904,937**

* This total floor area includes back of store, offices and distribution centres.

** For FY2018 the accuracy of the calculation of the back of store areas was improved, causing an increase in total floor area.

Table 3: Assessment of absolute footprint emissions

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Absolute emissions (tCO ₂ e)	174,080	193,365	190,930	204,136*	177,611*	140,352*
Absolute tCO ₂ e / £m Turnover	63	68	67	69	60	48
Absolute tCO ₂ e / m ²	0.096	0.104	0.102	0.109	0.095	0.074

* Total emissions calculated using the location-based scope 2 emissions figure.

100%

Bags for life are made from 100% recycled plastic



Reused and recycled

Hangers have been standardised and are reused and recycled back into the supply chain several times



The carbon footprint has decreased across all three scopes this year compared to FY2017. The main reasons for the decrease in the overall emissions is due to a reduction in: electricity consumption, including the associated grid losses (32% reduction) and air imports (27% reduction).

We have a carbon reduction target to reduce Group-wide scope 1 and 2 absolute operational CO₂e emissions by 10% by FY2020 against our FY2008 baseline. The FY2018 scope 1 and scope 2 total emissions have reduced by 47% compared to the scope 1 and 2 CO₂e emissions in FY2008.

Overall, the progress on improvement and monitoring management remains stringent and during the next few years towards FY2020, we aim to continue to positively contribute to the Better Retail Climate as part of our drive to save energy and protect the environment.

Our aim is to further reduce and or eradicate harmful chemicals where industry alternatives are available.

Restricted Substances List is available for suppliers whereby limit values are stated in line with REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) and governed by global regulations.

Waste

As a business 97% of our waste doesn't go to landfill, the majority of this is a result of recycling our product packaging. To further improve this, we have a number of initiatives to reduce, reuse and recycle all that we touch. This year we introduced 100% recycled bags for Life and also standardised our hangers, reducing the number of types from 1000 to 50, enabling much easier reuse.

We have a relationship with Salvation Army to recycle our stores' "not quite perfect" product. In FY2017 we donated 6.3 tonnes of product. Within our support centres, TRAIID collected 6.9 tonnes of samples in FY2018. Going forward the Salvation Army will cover both stores and the support centres.

Water

As part of our supply chain mapping programme, we will be reviewing the environmental impact of manufacturing, including reducing the consumption of water. The priority will be to focus on beyond Tier 1 supplier production sites, that require heavy water use, such as fabric mills, tanneries and other wet processing units, to actively work with our supplier partners to monitor and reduce their water usage through sustainable alternatives.

For denim production we are already using Avol oxy white, which reduces water usage and eliminates use of hazardous chemicals.

Sustain

We aim to continue the work around responsible sourcing and consumption through:

- Purchasing practices: Creating improvements around purchasing practices to provide a positive social and environmental impact within our supply chains. This will be done through education of our support centres' colleagues and engagement with collaborative industry initiatives, such as ACT Living Wage and the ETI (Ethical Trading Initiative)
- Sustainable Product Initiatives: Establishing the Sustainable Product Working group, with an aim to focus on sustainable CSR initiatives from a product perspective with a shared approach across Fashion & Home. The first activity for the working group was to research the current sustainable cotton initiatives, and to recommend the most suitable initiative for us. Future projects are to focus on other sustainable materials and fibres. Sustainable product is already within the business – REPVEVE Denim. This contains recycled materials such as plastic bottles and so results in the reduction of the use of petroleum and the emission of greenhouse gases
- Educating our customers: We continue to share information around sustainability via our public website and as of FY2019 we will be introducing instore CSR Ambassadors, who will engage with our customers to promote Debenhams sustainability initiatives. Debenhams carries out testing to ensure all products we sell are fit for purpose, also educating our customers on caring for their items post purchase. This is with the aim to significantly and positively extend the longevity of the product life cycle

NON-FINANCIAL REPORTING COMPLIANCE STATEMENT

The following table lists the policies we have in place to support and govern our CSR strategy, "Doing our bit". In accordance with the Non-Financial Reporting regulations, details of each policy, our governance, their implementation and management, can be found on our website www.sustainability.debenhamsplc.com.

Non-financial reporting matter	Our policies
Environmental Matters	<ul style="list-style-type: none"> • Environmental and Chemical • Supplier Code of Conduct
Employees	<ul style="list-style-type: none"> • Code of Business Conduct • Bullying and Harassment • Health & Safety at Work • Colleague Privacy
Human Rights	<ul style="list-style-type: none"> • Human Rights • Information Security • Modern Slavery Statement • Data Protection
Social Matters	<ul style="list-style-type: none"> • Supporting Charities
Anti-corruption and anti-bribery	<ul style="list-style-type: none"> • Anti-bribery and Corruption • Whistleblowing

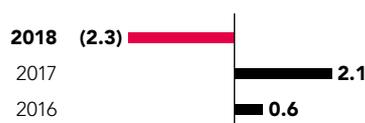
KEY PERFORMANCE INDICATORS

We established Key Performance Indicators (KPIs) under the Debenhams Redesigned strategy, linked to the Destination categories where Debenhams is targeting growth. More information on how management remuneration is linked can be found in the remuneration report starting on page 64. We have also maintained sustainable KPIs that ensure that the management of resources and relationships remains core to our business model.

All income statement numbers for FY2016 are given on a 52 week basis.

Group financial KPIs

Like-for-like sales change (%)



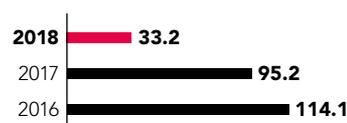
Rationale

Like-for-like (LFL) is a measure of the annual performance of stores that have been open for at least one year, plus digital sales growth, from our UK and international business.

2018 performance

Group LFL sales decreased by 2.3%. When adjusted for foreign exchange translation, constant currency LFL decreased by 2.7%, with a UK LFL decrease of 3.4% and international LFL growth of 0.2%.

Underlying profit before tax* (£m)



Rationale

Underlying profit before tax (PBT) is our principal measure of profitability, and excludes items that are one-off in nature.

2018 performance

Underlying PBT* declined by 65.1% to £33.2 million. This follows a 27.5% decline in EBITDA, with an increase in depreciation charges as a result of previous capital investment.

* Before exceptional items (FY2018: £524.7 million; FY2017: £36.2 million; FY2016: £12.4 million).

Underlying earnings per share* (pence)



Rationale

Basic earnings per share (EPS) divides earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial year.

2018 performance

Underlying EPS* declined by 65.6% to 2.2p, after a reduction in profit after tax.

* Before exceptional items (FY2018: £524.7 million; FY2017: £36.2 million; FY2016: £12.4 million).

Return on capital employed* (%)



Rationale

Return on capital employed (ROCE) measures the profitability of the Company relative to the size of assets used to generate returns.

2018 performance

Underlying ROCE declined from 11.1% to 9.4% reflecting the fall in profitability in the year.

* Lease-adjusted before exceptional items.

Net debt (£m)



Rationale

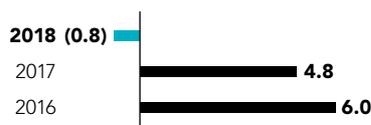
Net debt measures Group borrowings net of cash held at the balance sheet date, and reflects the movement in cash generated by the business after cash expenses.

2018 performance

Including cash outflow relating to the exceptional restructuring charges, year end net debt has increased to £321.3 million.

Strategic KPIs

Beauty & beauty services – gross transaction value growth (%)



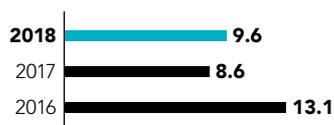
Rationale

Core destination category in which Debenhams will sustain market leadership.

2018 performance

In a market where growth has slowed, Beauty category sales declined by 0.8%. This reflected a decline in the make-up market, mitigated by growth in perfumery and skincare, and a strong performance in digital.

Growth in UK Food, drink & events – gross transaction value growth (%)



Rationale

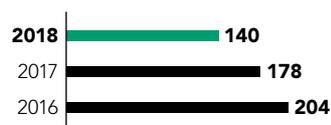
"Meet me @ Debenhams" is a core destination category that drives frequency of visits.

2018 performance

UK Food and drink gross transaction value (GTV) grew by 9.6% driven by further new third party brand introductions, and improved performance from our own in-house restaurants.

Sustainability KPI

Carbon emissions (CO₂e 000 tonnes)



Rationale

CO₂e is used as a measure of environmental impact. It takes into account harmful emissions from the six greenhouse gases identified by the Kyoto Protocol.

2018 performance

Emissions declined by 21%. This reflects a reduction in electricity consumption, supported by rolling out LED store lighting, and reduced air freight.

Growth in mobile penetration – mix of demand (%)



Rationale

Mobile@everywhere will be the primary form of customer interaction unifying channels and building loyalty.

2018 performance

Mobile demand grew by 20%, outpacing desktop demand and accounting for 58% of digital orders.

Accelerating warehouse automation – online cost improvement (bps improvement to GTV)



Rationale

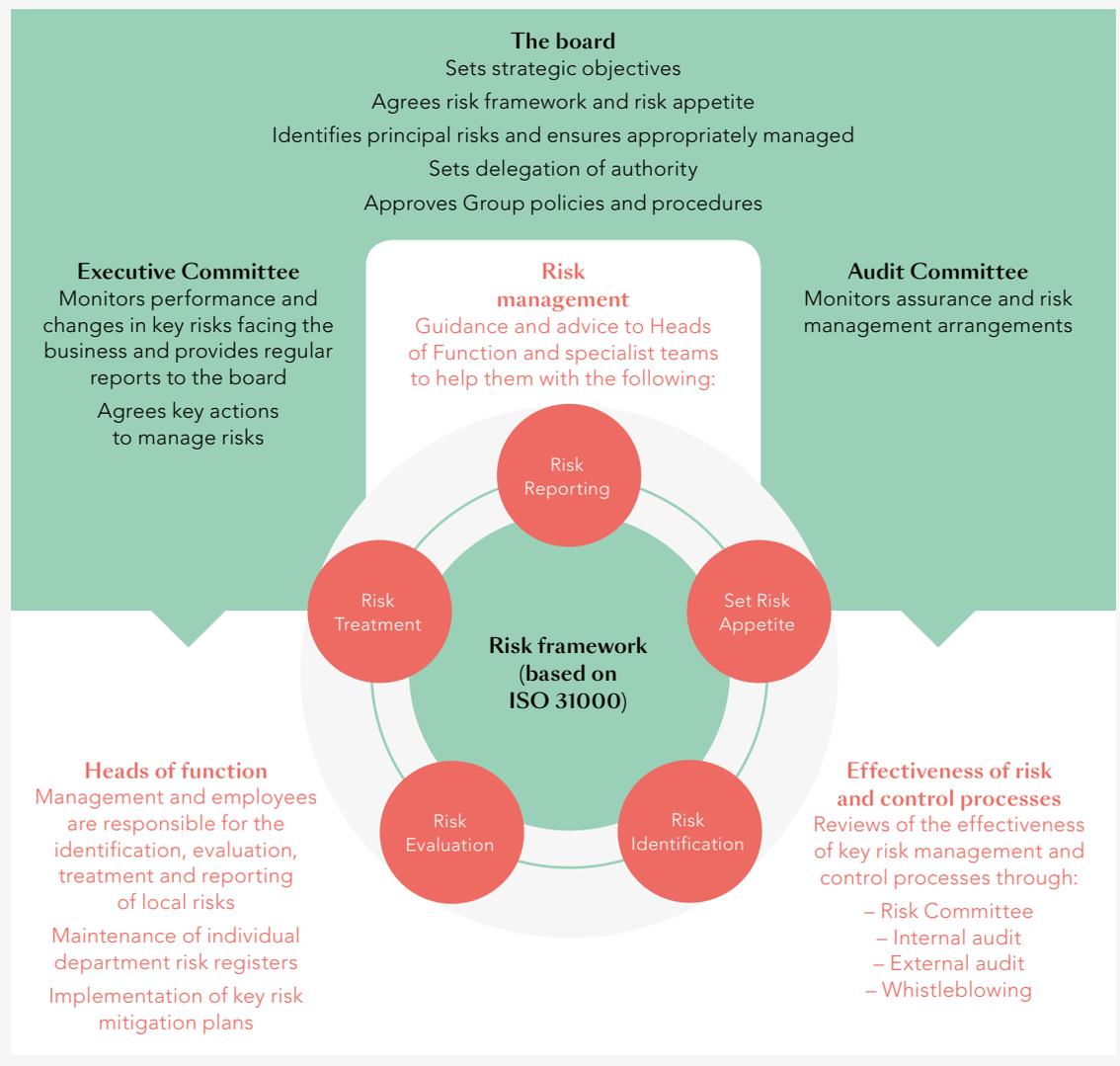
Driving efficiency through investment in warehouse automation to improve digital profitability.

2018 performance

Fulfilment cost ratios improved by 80 bps as a result of efficiencies made.

Optimising our risk management processes

Figure 1: Risk management framework



The board of Debenhams considers it important that there should be a regular and systematic approach to the management of risks in order to provide assurance that strategic and operational goals can be met and the Group's reputation is protected.

The board has conducted a review of the effectiveness of internal controls and is satisfied that those in place remain appropriate.

An overview of the risk management process including clearly defined roles and responsibilities is outlined in the risk management framework (figure 1).

Risk management activities

Risk appetite

The Group's risk appetite is defined by the board, and provides guidance on any requirement for additional controls, implementation timeframes and authority levels.

Risk identification

Risks are identified through a number of routes, including a regular organisation-wide review facilitated by the risk management team across each operating division on an ongoing cyclical basis. All senior managers participate in the exercise, including the executive committee.

Risk evaluation

In order to understand the impact specific risks would have on the Group, risks are evaluated based on the likelihood of occurrence and severity using a standardised scoring model, which considers the degree of change across one or more performance indicators.

Risk treatment

The organisation-wide review captures the controls used by management to mitigate identified risks, with the risk score determining if additional treatment is required based on the Group's risk appetite.

Risk reporting

The outputs from these processes are collated into the Group's risk register and linked together to define the principal risks faced by the Group. Performance is monitored by the board, executive committee, Audit Committee, Risk Committee, and other key governance groups. The overall risk profile is taken into consideration when setting the annual internal audit plan.

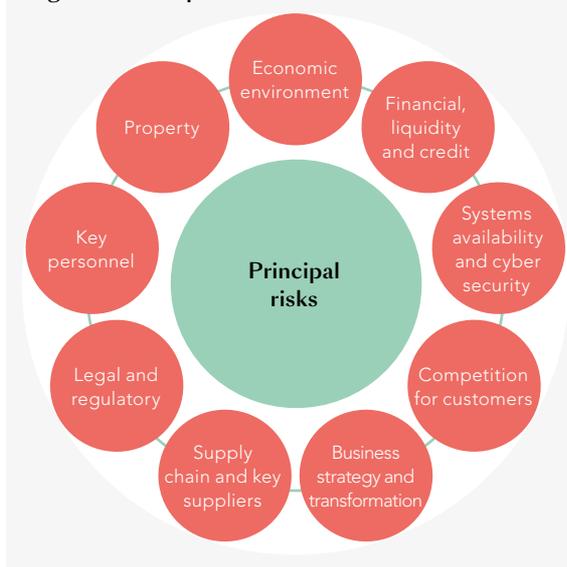
Viability assessment

The principal risks and uncertainties identified through these risk management activities are taken into consideration as part of the directors' assessment of ongoing viability, described in more detail on page 41.

Anti-Bribery and Corruption

Debenhams is committed to conducting its business affairs so as to ensure that it does not engage in or facilitate any form of bribery or corruption in any part of its supply chain. Expected standards of behaviour are outlined in the anti-bribery policy, which also provides guidance on the giving and receiving of gifts and hospitality, and is supported by an e-learning training programme for selected roles.

Figure 2: Principal risks



Whistleblowing

Two main routes are available to colleagues and direct supply chain workers to raise concerns over malpractices. The first encourages colleagues to talk to their line manager, their manager's manager or the human resources team. The second route is a confidential reporting line via which colleagues can speak to the Group's anti-fraud team. If a colleague feels that the matter is so serious that it cannot be discussed in any of these ways, they can contact the Company Secretary or the Director of Internal Audit and Risk Management. The Group policy on whistleblowing and the methods to raise issues are reviewed annually by the Audit Committee and any serious matters are raised with the chairman of the Audit Committee.

Principal risks and uncertainties

The risks detailed on pages 32 to 34 are the principal risks and uncertainties that may impact the Group's ability to achieve its strategic and operational goals. They are reviewed on, at least, an annual basis as part of the risk management process and are ranked based on overall risk to the business.

Whilst the impact of the UK's decision to exit the European Union (EU) cannot yet be fully quantified, a number of existing risks have already been identified as sensitive to Brexit and continue to be monitored carefully, with appropriate levels of mitigating action being considered as details emerge.

It should be noted that any system of risk management and internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

PRINCIPAL RISKS AND UNCERTAINTIES

1  <h2>Competition for customers</h2>	2  <h2>Business strategy and transformation</h2>	3  <h2>Supply chain and key suppliers</h2>
<p>Risk</p> <ul style="list-style-type: none"> • Inability to predict accurately or fulfil customer preferences or demand through competitive, economic and profitable channels • This is an increasing risk given the ongoing market conditions faced 	<p>Risk</p> <ul style="list-style-type: none"> • Failure to deliver Debenhams' redesigned strategic priorities • This is an increasing risk due to the importance of fully delivering the strategy 	<p>Risk</p> <ul style="list-style-type: none"> • Adverse events influencing either the sustainability of the supply chain or Debenhams' relationship with any of its major suppliers, service providers, international partners, designers, or concessionaires • This is an increasing risk due to the potential of reduced access to credit insurance for our supply base
<p>Potential impact</p> <ul style="list-style-type: none"> • Sales will be lower, market share will be reduced and the Group may be forced to rely on additional markdowns or promotional sales to dispose of excess or slow-moving inventory or may experience inventory shortfalls on popular merchandise • Channel shifts away from stores to online could lead to higher operational costs within the online channel and lower profitability, or even impairment, of store assets 	<p>Potential impact</p> <ul style="list-style-type: none"> • Could significantly delay or prevent the achievement of Debenhams' business plan and could have a material adverse effect on Debenhams' business, financial condition or results of operations 	<p>Potential impact</p> <ul style="list-style-type: none"> • Place pressure on margins and profitability or require the Group to divert financial and management resources from more beneficial uses • Additional unplanned costs required to transfer operations between providers or additional operational costs from a new provider • Changes in exclusivity arrangements with designers or any decline in their popularity • The loss of a number of key concession partners
<p>Examples of mitigation</p> <ul style="list-style-type: none"> • Making shopping confidence-boosting, sociable and fun is at the heart of Debenhams' strategy, which is outlined on pages 10 to 19 • In developing its strategy, the Group takes into consideration market, trend and customer research, with the customer insight team providing valuable intelligence on any changes in customer priorities • An understanding of customers and their needs is developed by listening to their views, market intelligence and reviewing KPIs which ensures that pricing is competitive and promotional activity is appropriate • The UK exiting the European Union may generate foreign exchange rate volatility, lead to delays at ports, or changes to trade agreements and duty rates, which could impede the organisation's ability to compete effectively, meaning this is a risk that is carefully monitored 	<p>Examples of mitigation</p> <ul style="list-style-type: none"> • Debenhams is reviewing and updating its business change roadmap to ensure its project portfolio focuses on the five key strategic areas outlined on pages 10 to 19 • Management supplies detailed updates on progress within the transformation programme, which are closely reviewed by the board to ensure that management is focused on key priorities, cost control and benefit realisation • The UK exiting the European Union may lead to loss of access to the free movement of goods, services, people and capital, making this a risk that is closely monitored • The volume and complexity of change being implemented, its importance to the business plan, and our reliance on third party specialist resource to support delivery make this a risk that is monitored carefully 	<p>Examples of mitigation</p> <ul style="list-style-type: none"> • Debenhams fosters close and collaborative relationships with its suppliers. Both parties work towards the objective of optimising sustainable fulfilment and costs, which is measured regularly by management through KPIs. You can read more about how the Group builds relationships with our suppliers on page 22 • Debenhams continues to develop its supplier base to mitigate the potential of cost-price inflation without compromising the quality of its products. In addition, the sourcing division has been strengthened to include additional expertise which assists with sourcing decisions, production consolidation and lead time reduction, amongst other things • Loss of supplier confidence impacts on quality or availability of key product
<p>Strategic focus</p> 	<p>Strategic focus</p> 	<p>Strategic focus</p> 

Key

📍 Destination 📱 Digital ⚡ Different 📌 Underpinned by Simplify & Focus

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Economic environment

Risk

- Continuing adverse economic conditions

Potential impact

- A decline in sales on discretionary purchases leading to a reduction in profit alongside a material adverse effect on Debenhams' results

Examples of mitigation

- The board conducts strategic business reviews which ensure that management is focused on key priorities and cost control. These reviews also focus on the Group's strategy to make shopping confidence-boosting, sociable and fun
- The continued volatility of the consumer environment make this a risk that is monitored carefully

Strategic focus

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Financial, liquidity and credit

Risk

- Exposure to market rates, liquidity and credit risks have an adverse impact of the Group's financial position or performance
- This is an increasing risk due to the recent fall in profitability and the reduction in credit insurance available for Debenhams' suppliers

Potential impact

- A material reduction in cash and liquidity could affect the financial position and/or performance of the Group
- Hinder ability to adjust rapidly to changing market conditions and impact earnings and cash flow

Examples of mitigation

- Committed funding lines are regularly reviewed for headroom and refinanced significantly in advance of expiry. Current facilities expire in June 2020 and July 2021
- Regular cash and liquidity forecasting supports proactive management of cash flows to meet the Group's obligations as they fall due
- Hedging policies are in place to manage interest and exchange rate risk to minimise the impact of any material market movements
- Further details on financial risks are included in the notes to the financial statements

Strategic focus

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Systems availability and cyber security

Risk

- Systems failure, external attack of systems, or data inaccuracy
- Inability to continue smooth operations following a major incident

Potential impact

- Failure in the stability, integrity or availability of information systems could adversely affect Debenhams' business operations and results or could cause inappropriate decisions to be made using wrong, missing or ambiguous information
- Cyber attack resulting in reduced availability of Debenhams' systems, loss of reputation and customer trust, and regulatory fines

Examples of mitigation

- A robust systems infrastructure is required to support the delivery of our strategic objectives which are outlined on page 7
- Information systems developments are key enablers and critical to ensure we can compete effectively, and these are monitored through a business change roadmap
- The overall governance framework has been further enhanced, and includes committees that focus on areas such as general data protection regulation and payment card industry compliance
- A business continuity policy and processes, ensure an effective framework is in place to enable the swift recovery and continuation of normal business operations, and this has been improved through the introduction of a new data centre
- This continues to be an area of high management focus given the rising levels of cybercrime globally and the increasing reliance on information assets

Strategic focus

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PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

 Property	 Legal and regulatory	 Key personnel
<p>Risk</p> <ul style="list-style-type: none"> • An adverse impact on performance from property-related events, such as store closures, business rates or rental increases • This is an increasing risk due to the potential for additional store closures, and associated costs of exit, following the comprehensive review of the UK portfolio 	<p>Risk</p> <ul style="list-style-type: none"> • Events that negatively impact the reputation of, or value associated with, Debenhams' brand 	<p>Risk</p> <ul style="list-style-type: none"> • Loss of key management or other personnel Debenhams depends upon • This is an increasing risk given the ongoing market conditions faced
<p>Potential impact</p> <ul style="list-style-type: none"> • Significant alterations in rental terms could have a material adverse effect on the business • Disputes over store modernisations may lead to reinstatement costs and termination of leases may lead to unexpected dilapidation costs being incurred 	<p>Potential impact</p> <ul style="list-style-type: none"> • Loss of stakeholder trust and confidence, including an adverse effect on Debenhams' ability to attract and retain third party brands, suppliers, designers, concessions and franchisees • Material adverse effect on Debenhams' business, financial condition or profitability 	<p>Potential impact</p> <ul style="list-style-type: none"> • Significantly delay or prevent the achievement of Debenhams' business plan • Material adverse effect on Debenhams' business, financial condition or results of operations
<p>Examples of mitigation</p> <ul style="list-style-type: none"> • Debenhams has a specialist property team which manages all aspects of leasehold property, including cost renegotiations, communication of the store modernisation programme, lease renewals and adherence to all legal obligations under the lease 	<p>Examples of mitigation</p> <ul style="list-style-type: none"> • Forums exist to focus on specific areas of legislation, with business policies and procedures in place to ensure roles and responsibilities are understood across the Group • Debenhams has specialist teams in place to monitor changes to legislation and standards, further supported by membership of key industry bodies to enhance awareness • All suppliers are expected to adhere to Debenhams' own supplier code of conduct, which is underpinned by Debenhams' robust policy on compliance that includes a focus on social and ethical standards • The uncertainty around the likely changes to UK legislation following the UK decision to exit the European Union mean this is a risk which is being monitored closely 	<p>Examples of mitigation</p> <ul style="list-style-type: none"> • In order to attract and retain talent, both succession and personal development plans are in place throughout the Group. In addition, target-led, performance-related incentive schemes exist • The UK decision to exit the European Union could impact on the availability of talent in the job market and the eligibility for individuals to work in certain jurisdictions, making this a risk that is monitored carefully
<p>Strategic focus</p> 	<p>Strategic focus</p> 	<p>Strategic focus</p> 