

Chairman's introduction to governance

PROTECTING SUSTAINABLE VALUE CREATION



DEAR SHAREHOLDER

On behalf of the board, I am pleased to present our corporate governance report for the financial year ended 2 September 2017.

Since Sergio's appointment as CEO in October 2016, our focus has been on devising and implementing the Debenhams Redesigned strategy which was outlined to the market in April 2017. We have also been hard at work fixing the basics and strengthening our management team.

We were delighted to welcome Lisa Myers as a non-executive director in September 2016. Lisa brings extensive knowledge of international retail to the board through her distinguished career in fund management and her appointment is supporting the execution of our strategy.

Nicky Kinnaird was appointed as a non-executive director in November 2016 and, due to her experience and understanding in brand development and the global beauty industry, is invaluable to Debenhams as it strives to be the preferred destination for beauty products and services.

Suzanne Harlow stepped down from the board on 20 October 2017. I would like to take this opportunity to thank Suzanne for her significant contribution over the 23 years she has worked for Debenhams.

In October 2017, we announced that David Adams was joining the board as a non-executive director. His knowledge of the consumer and leisure sectors as well

as his financial credentials will be a great addition to the board. In January 2018, David will chair our audit committee when Mark Rolfe, our current Chairman, will step down from the board. Mark has been an outstanding chairman of our audit committee and a valued member of the board.

The board is committed to promoting high standards of corporate governance and fully understands that an efficient, challenging and diverse board, in all aspects, is essential to enable Debenhams to successfully deliver its strategy. During the financial year we reviewed our approach to governance, which had been built upon the UK Corporate Governance Code. We now have an enhanced governance framework which determines how the board manages and controls the business and more information about this, together with our compliance statements can be found on pages 39 and 46.

Succession planning and corporate culture have also been a focus for the board during FY2017 (see pages 8 and 20) to ensure we have the right people, throughout our business, to support the future of Debenhams.

Finally, I look forward to meeting shareholders at our next Annual General Meeting which will be held on 11 January 2018 at 2.00pm at our registered office, 10 Brock Street, Regent's Place, London NW1 3FG.

Sir Ian Cheshire
Chairman

Leadership

BOARD STATEMENTS

The Directors consider that this annual report and accounts, taken as a whole, is fair, balanced and understandable and gives shareholders the information needed to assess the Group's performance, business model and strategy.

Further confirmations to support the disclosures provided within this annual report and accounts are provided below.

Requirement	Compliance statement	Where to find further information
Strategic Report	The strategic report was approved by the board of directors on 26 October 2017.	Pages 2 to 37
Compliance with the UK Corporate Governance Code	In accordance with the Listing Rules of the UK Listing Authority, the Company confirms that throughout the period ended 2 September 2017 and at the date of this annual report, it was compliant with all the relevant provisions as set out in the April 2016 UK Corporate Governance Code, copies of which can be obtained from the Financial Reporting Council website (www.frc.org.uk).	Pages 42 to 47
Going concern	Having assessed the principal risks and the other matters discussed in connection with the viability statement, the directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.	Page 79
Viability statement	The directors confirm that they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the three-year period under review.	Pages 37 and 79
Robust assessment of the principal risks facing the Group	The directors confirm they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its strategy, business model and future performance. The directors also assessed the Group's risk appetite with regard to each risk and considered how to manage and mitigate such risks.	Pages 28 to 30
Annual review of the systems of risk management and internal control	During FY2017, the Audit Committee provided transparency on the Group's systems of risk management and internal control which were confirmed as effective.	Pages 26 to 27
Remuneration report	The directors confirm that the remuneration report for the year ended 2 September 2017 complies with the requirements of the Listing Rules of the Listing Authority, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the provisions of the April 2016 UK Corporate Governance Code.	Pages 54 to 76
Competition and Markets Authority	The Audit Committee considers that the Company complied with the mandatory audit processes and audit committee responsibility provisions of the Competition and Markets Authority Audit Order for the period ending 2 September 2017.	Page 52
Modern Slavery Act 2015	The directors confirm, for the financial year ended 2 September 2017, that the steps that have been taken in relation to our responsibilities under section 54, part 6 of the Modern Slavery Act 2015 and our activities taken prior to this legislation have ensured and will continue to ensure that slavery and human trafficking is not taking place in Debenhams supply chains or in any part of our business operations.	Page 22 and see website www.sustainability.debenhamsplc.com

Leadership: Board of Directors

A GOOD BLEND OF SKILLS AND EXPERIENCE

1. SIR IAN CHESHIRE

Chairman

Date appointed to the board: Sir Ian joined the board in January 2016, becoming Chairman in April 2016

Tenure on board: 1 year 7 months

Independent: Yes

Committee membership: ① ②

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

Principal current external appointments:

Chairman of Menhaden Capital plc, President of Maisons du Monde and Chairman of Barclays' ring fenced bank, Barclays UK. He is also Government Lead non-executive, President of the Business Disability Forum and a Trustee of the Prince of Wales Charitable Trust.

Board committees key:

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

2. SERGIO BUCHER

Chief Executive Officer

Date appointed to the board: October 2016

Tenure on board: 10 months

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

Principal current external appointments: None

3. MATT SMITH ACA

Chief Financial Officer

Date appointed to the board: January 2015

Tenure on board: 2 years 8 months

Relevant skills and experience: Matt brings extensive experience of international and multi-channel retailing to his role as Chief Financial Officer. Matt worked for Mothercare as CFO from 2013 and, prior to that, he held a number of senior finance roles within Home Retail Group plc including Finance Director of Argos. Matt is a chartered accountant who has worked for KPMG in London and Sydney.

Principal current external appointment:

Director of blow LTD. and a non-executive director of Northampton Saints Plc and Northampton Rugby Football Club Ltd.

4. TERRY DUDDY

Senior Independent Director

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

Tenure on board: 2 years 5 months

Independent: Yes

Committee membership: ① ② ③

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

Principal current external appointments:

Non-executive director of Hammerson plc and Majid Al Futtaim Properties LLC and Chair of the Retail Trust.

5. MARTINA KING

Independent non-executive director

Date appointed to the board: August 2009

Tenure on board: 8 years 1 month

Independent: Yes

Committee memberships: ① ② ③



Relevant skills and experience: Martina has accumulated extensive experience in management and marketing through holding a number of senior positions in marketing and online media including as managing director of Aurasma, Yahoo! and Capital Radio. She has also served as a non-executive director of Capita.

Principal current external appointments: Chief Executive Officer of Featurespace Limited.

6. STEPHEN INGHAM

Independent non-executive director

Date appointed to the board: January 2013

Tenure on board: 4 years 7 months

Independent: Yes

Committee membership: ②

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

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

7. PETER FITZGERALD

Independent non-executive director

Date appointed to the board: October 2012

Tenure on board: 4 years 10 months

Independent: Yes

Committee membership: ③

Relevant skills and experience: Peter's experience as a leading e-commerce executive is invaluable to Debenhams

as we continue to grow our multi-channel business. Peter is country manager at Google Japan where he oversees every aspect of Google Japan's business. Before this, he was country sales director for Google UK/Eire, the biggest market for Google outside the US. Peter joined Google in 2007. From 1999 to 2007, Peter worked for Amazon in Europe and the USA.

Principal current external appointments: None

8. NICKY KINNAIRD

Independent non-executive director

Date appointed to the board: November 2016

Tenure on board: 9 months

Independent: Yes

Committee membership: None

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

Principal current external appointments: Director of Nicky Kinnauld Consulting Limited and Colorscience Inc. Nicky is also co-founder of Ancora Holdings LLC.

9. LISA MYERS

Independent non-executive director

Date appointed to the board: September 2016

Tenure on board: 1 year

Independent: Yes

Committee membership: ③

Relevant skills and experience: Lisa was lead portfolio manager of some of Templeton's flagship global funds and

Executive Vice-president at Franklin Templeton, managing or co-managing more than \$10 billion of assets. As the coordinator of Templeton's global consumer research, Lisa had direct research responsibility for the retail, textile and apparel and luxury good sectors. Most recently Lisa was Co-Head of Global Partnership Investing at BTG Pactual, Lisa brings an investor's perspective to the board together with a strong focus on revenue and profitability drivers, brand equity and return on invested capital.

Principal current external appointments: Partner at L Catterton, formerly known as Catterton Partners Corporation.

10. MARK ROLFE FCA

Independent non-executive director

Date appointed to the board: October 2010

Tenure on board: 6 years 10 months

Independent: Yes

Committee memberships: ① ② ③

Relevant skills and experience: Mark is a chartered accountant and has considerable financial and accounting experience having spent 20 years with Gallaher Group plc in various finance and executive roles including that of Finance Director. He has also served as a non-executive director of Barratt Developments Plc, Hornby plc and The Sage Group plc and as Chairman of Lane Clark & Peacock LLP.

Principal current external appointments: None

PAUL EARDLEY

Company Secretary and General Counsel

Date appointed: 15 October 2007



Corporate governance report

OUR REVISED CORPORATE GOVERNANCE FRAMEWORK SUPPORTS OUR STRATEGY

In accordance with the Listing Rules of the UK Listing Authority, the Company confirms that throughout the period ended 2 September 2017 and at the date of this annual report, it was compliant with all the relevant provisions as set out in the April 2016 UK Corporate Governance Code ("the Code"), copies of which can be downloaded from the Financial Reporting Council website (www.frc.org.uk).

LEADERSHIP

The board

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

Biographical details of the board of directors are on pages 40 and 41. As at 26 October 2017 the board has eleven members: the Chairman, eight independent non-executive directors and two executive directors.

The Chairman

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

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

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

The Chief Executive Officer

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

Sergio Bucher has been Debenhams' CEO since October 2016.

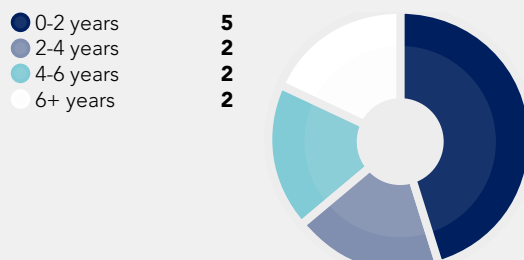
The Chief Financial Officer

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

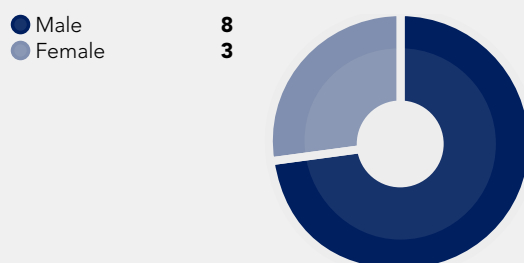
Matt Smith has been Debenhams' CFO since January 2015.

Chairman	Chief Executive Officer	Chief Financial Officer	Senior Independent Director	Independent non-executive directors
Sir Ian Cheshire	Sergio Bucher (appointed to the board: 17 October 2016)	Matt Smith	Terry Duddy	David Adams (appointed to the board: 19 October 2017) Peter Fitzgerald Stephen Ingham Martina King Nicky Kinnaird (appointed to the board: 15 November 2016) Lisa Myers (appointed to the board: 6 September 2016) Mark Rolfe (steps down from the board on 11 January 2018)

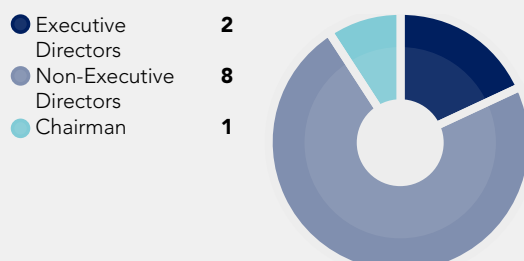
BOARD TENURE AT 26 OCTOBER 2017



BOARD BALANCE AT 26 OCTOBER 2017



BOARD COMPOSITION AT 26 OCTOBER 2017

**The Senior Independent Director ("SID")**

Any concerns that shareholders may have which are not appropriate for discussion through the normal channels of Chairman, CEO or CFO will be dealt with by the senior independent director, who also serves as an intermediary for the other directors as necessary and acts as a sounding board for the Chairman. In addition, the SID leads the annual appraisal of the Chairman's performance.

Terry Duddy has been the SID since January 2016.

Non-executive directors

As detailed in their biographies on pages 40 and 41 our non-executive directors have a diverse range of skills, experience and backgrounds and provide constructive challenge within the boardroom. They are well informed about the Company and have a strong command of the issues relevant to the business.

As at 2 September 2017, all the non-executive directors were considered by the board to be independent and free from any relationship or circumstances that could affect their independent judgement. David Adams, who was appointed to the board on 19 October 2017 is also considered to be independent.

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

Executive Committee

In order to support the delivery of the strategy, the business has created three new business units around our three Destinations: Fashion and Home; Beauty and Beauty Services, and Food and Events. Ross Clemmow leads the Food and Events unit and Richard Cristofoli the Beauty and Beauty Services unit. A new Executive Committee member responsible for Fashion and Home is to be appointed in due course. The CEO is responsible for that division in the interim period. The roles of the members of the Executive Committee are reflected in the diagram below.

Executive committee

Sergio Bucher
CEO

Matt Smith
CFO

Financial reporting and management, strategy, tax, treasury, internal audit, property, space planning, legal and secretariat, investor relations and procurement.

Ross Clemmow
Managing Director Retail, Digital, Food & Events

Food & Events and UK & ROI stores

Richard Cristofoli
Managing Director Beauty & Marketing

Beauty & Beauty Services, product marketing, advertising, PR, visual and creative and customer strategy and insight.

David Smith
Managing Director, International

Franchises, Magasin du Nord and responsibility for the international business strategy in all channels and markets

Angela Morrison
Technology & Supply Chain Director

Systems, imports and exports, distribution, logistics and sourcing

Sally Hyndman
HR Director

HR, culture, pay and reward, learning and development, recruitment, pensions, internal communications and engagement.

Corporate governance

Corporate governance report continued

The Company Secretary

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

The Company Secretary acts as secretary to the board and each of its committees. The appointment or removal of the Company Secretary is a matter for the board as a whole. Paul Eardley has been the Company Secretary since October 2007.

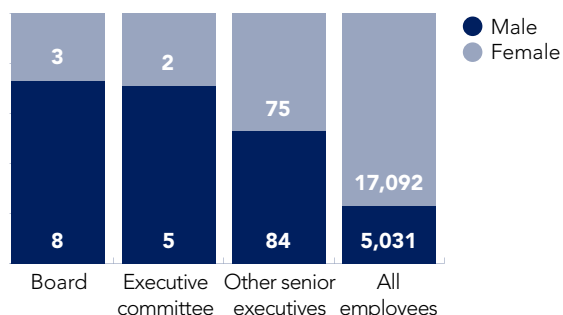
Board diversity

The Company's diversity policy was adopted by the board in FY2014. It is reviewed annually and has since been updated to reflect subsequent best practice recommendations including those within the Hampton-Alexander Review and the Parker Report.

It is the responsibility of the Nomination Committee to implement and monitor the objectives set out in the board's diversity policy and to review the policy annually (last reviewed September 2017). The main objectives of the policy are to ensure that the board is well balanced, comprises directors who are sufficiently experienced and independent in character and who will provide the necessary skillsets to drive the business forward and to bring challenge to the board room.

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

Gender diversity¹



¹ As at the date of this report.

Time commitment

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

Induction and ongoing development

On appointment, a director is provided with an induction programme which is tailored to his or her experience of listed company responsibilities and based on his or her knowledge of the retail sector. Meetings are arranged with advisors and visits to operations around the Group are arranged. One-to-one meetings are held with members of the Executive Committee, other senior executives in the business and external advisors as appropriate. The induction includes the provision of relevant current and historical information about the Company together with applicable business policies. The Company Secretary assists in the induction of new directors and their ongoing development as required and also undertakes a review with new directors following induction to consider any initiatives which would improve the induction process. During FY2017, the directors received updates on their obligations, as well those of the persons closely associated to them, under the EU Market Abuse Regulation.

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

Director	Date of appointment	Length of service as a non-executive director at 2 September 2017
Sir Ian Cheshire – Chairman	14 January 2016	1 year 7 months
Terry Duddy	10 April 2015	2 year 5 months
David Adams	19 October 2017	n/a
Peter Fitzgerald	4 October 2012	4 years 10 months
Stephen Ingham	8 January 2013	4 years 7 months
Martina King	1 August 2009	8 years 1 month
Nicky Kinnaird	5 November 2016	9 months
Lisa Myers	6 September 2016	1 year
Mark Rolfe	1 October 2010	6 years 10 months

Directors' conflicts of interest

The Nomination Committee annually reviews and considers the interests and other external appointments held by the members of the board. All conflicts declared were approved at its meeting in September 2017. The directors have a continuing duty to inform the board of any potential conflicts immediately so that such conflicts may be considered and, if authorised, included within the register of conflicts. We recognise that the non-executive directors have other business interests outside of the Company and that other directorships bring significant benefits to the board. All existing directorships are detailed within the director biographies on pages 40 and 41. Non-executive directors are required to obtain the approval of the Chairman before accepting any further appointments.

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

Indemnification of directors

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

Board meetings

The board held nine meetings during FY2017 which were fully attended by all the board members, save for the July meeting which Terry Duddy was unable to attend due to a bereavement. In addition to the directors, the operational section of each board meeting was attended by the members of the Executive Committee. Details of the principal items discussed at each meeting are shown in the table on page 47.

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

Board committees

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

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

Nomination Committee	Pages 48 and 49
Audit Committee	Pages 50 to 53
Remuneration Committee	Pages 54 to 76

PERFORMANCE EVALUATION

In accordance with the Code, the board, its committees and each individual director (including the Chairman) has been evaluated by an external facilitator, Lintstock Limited. Details of the review and the respective findings are given below.

The findings of the 2016 internal evaluation were that future agendas and presentations needed to be more strategic and less operational, and that timekeeping required more discipline. These recommendations have been implemented throughout FY2017.

This year's evaluation was externally facilitated by Lintstock who have performed evaluations for us before.

The board review concluded that we have an effective board with the composition of the board and board expertise highly rated. The performance of the committees supporting the board was also highly rated. The importance of further development of board diversity over the next 3-5 years was emphasised. The board was satisfied that it is kept updated on major developments between meetings and that its focus between strategic and operational issues is appropriate. The importance of focussing on execution against strategy was emphasised as was oversight of succession plans for key management positions below the board.

SHARE CAPITAL AND CONTROL

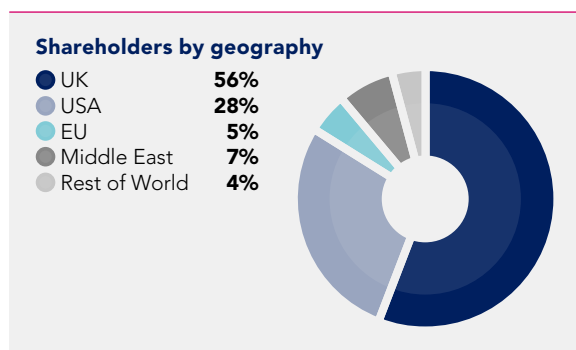
Information which the directors are required to disclose pursuant to section 992 of the Companies Act 2006 can be found on page 78 of the directors' report.

SHAREHOLDER ENGAGEMENT

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

JANUARY 2017 AGM – HIGHLIGHTS

- Between 849,007,978 and 864,685,303 votes were cast for each resolution
- The directors who retired and were elected/re-elected to the board received, on average, 99.04% of votes cast in favour
- The resolution to approve the directors' remuneration report for the period ended 3 September 2016 was passed with 95.46% of votes cast in favour



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

The major shareholders of the Company are listed on page 78 of the directors' report.

HOW GOVERNANCE SUPPORTS STRATEGY

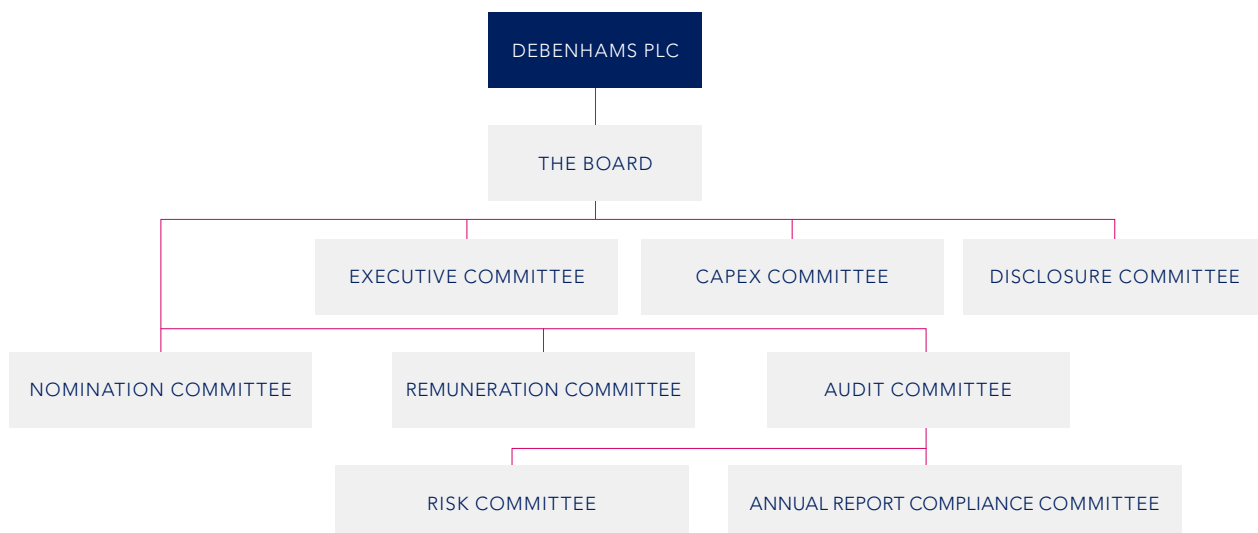
Our revised governance framework (see chart below), which has been adopted by the board, is underpinned by the UK Corporate Governance Code. It is designed to safeguard and enhance long-term shareholder value and to provide a platform to realise the Group's strategy, Debenhams Redesigned.

The board:

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

The framework is continually reviewed to ensure it remains fit for purpose. During FY2017, the Disclosure Committee was established to aid compliance further to the EU Market Abuse Regulation.

GOVERNANCE FRAMEWORK



BOARD ACTIVITY THROUGH THE YEAR – 2016-2017

SEPT	OCT	NOV	DEC	JAN
<ul style="list-style-type: none"> Approved the budget Autumn/Winter Launch B&M roadmap update International Overview Board Evaluation review 	<ul style="list-style-type: none"> Approved full year results, report and accounts and recommended the final dividend Approved the corporate risk map Presentation on Sourcing Presentation on the Christmas campaign 	<ul style="list-style-type: none"> Appointment of Nicky Kinnaird 	<ul style="list-style-type: none"> Trading update, CEO Overview 	<ul style="list-style-type: none"> Presentation on approach to strategic plan Presentation on the Supply Chain Met with shareholders at the Annual General Meeting
MAR	APR	JUN	JUL	
<ul style="list-style-type: none"> Strategy meeting 	<ul style="list-style-type: none"> Approved first half results and resolved to pay interim dividend Review of Strategic Plan Reviewed Schedule of Matters Reserved to the Board & Governance Framework 	<ul style="list-style-type: none"> Approved the June trading statement Reviewed draft budget Reviewed Board Diversity Policy 	<ul style="list-style-type: none"> HR Overview Technology and Supply Chain Overview Presentation on the Autumn/Winter launch and product e-marketing 	

INVESTOR RELATIONS CALENDAR

The key elements of the Group's investor relations calendar in FY2017 are shown in the table below.

September 2016	October 2016	November 2016	December 2016	January 2017	February 2017	April 2017	May 2017	June 2017	July 2017
UK investor meetings	Full year results	UK shareholder roadshow	UK investor meetings	Trading update	European investor meetings	First half results	US shareholder roadshow	Trading update	Broker sales team meeting
	UK shareholder roadshow	Investor conference meetings	Investor conference meetings	Annual General Meeting	UK investor meetings	UK shareholder roadshow	European conference meetings	Investor meetings	Pre-close analyst meetings
	CEO introductory meetings with major shareholders	Broker sales team meetings		UK investor meetings			UK investor meetings	US investor meetings	

Nomination Committee report

MANAGING SUCCESSION



SIR IAN CHESHIRE

Chairman, Nomination Committee

MEMBERSHIP OF THE NOMINATION COMMITTEE

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

Member	Date appointed Committee member	Attendance at meetings during the year
Sir Ian Cheshire (Committee Chairman)	14 January 2016	2/2
Terry Duddy	10 April 2015	2/2
Martina King	1 August 2009	2/2
Mark Rolfe	1 October 2010	2/2

DEAR SHAREHOLDER

On behalf of the Nomination Committee, I am pleased to present its report for the year ended 2 September 2017.

The key responsibilities of the Committee are:

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

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

ACTIVITIES DURING THE YEAR

The Committee met twice during the year at which it:

- Recommended the appointment of Lisa Myers and Nicky Kinnaird as non-executive directors. Both appointments were made to support the business's aims to grow the international business and to be the preferred destination for beauty products and services. Both appointments were facilitated by external search consultants, Lygon Group which has no connection to the Company. Lygon worked with the Chairman to provide a long list of candidates and then a short list. Candidates met with various members of the board after which the Committee was able to recommend their appointments to the board
- Reviewed the time commitments and length of service of the non-executive directors and recommended to the board the re-appointment of Mark Rolfe for a further year, effective from 1 October 2016
- Carried out an annual review of the directors' conflicts of interest register and the Committee's terms of reference

DIVERSITY

The goal at Debenhams is to ensure that the board is well balanced and appropriate for the needs of the business, comprising directors who are sufficiently experienced and independent of character and judgement. When recommending new directors to the board, the Nomination Committee has regard to the balance of skills, knowledge and experience required for the board and its committees to operate effectively. Board appointments are, of course, made on merit but the Committee is also mindful of the board's diversity policy.

Following the board changes which took place this year, the percentage of women on the Debenhams plc board at the end of FY2017 was 36%, which is above the current voluntary target set at a third of board members by 2020. Following Suzanne Harlow's departure and the appointment of David Adams, this is now 27%. Debenhams is keen to embrace diversity at all levels and is therefore assessing diversity, in the widest sense, in relation to the recruitment process throughout the business.

ACTIVITIES SINCE YEAR END

- Reviewed the Company's diversity policy following the recommendations made in the Hampton-Alexander Review and the Parker Report
- Recommended to the board the reappointment of Mark Rolfe for the period from 1 October 2017 to the conclusion of the Annual General Meeting.
- Recommended to the board the appointment of David Adams
- Externally evaluated the Nomination Committee's performance with the assistance of Lintstock and the Committee concluded that it is appropriately composed, uses its time effectively and reviews the composition of the board well

All directors will seek election/re-election at the next AGM apart from Mark Rolfe, who will step down from the board and its committees at the Annual General Meeting on 11 January 2018.

Sir Ian Cheshire
Chairman

Audit Committee report

CHAMPIONING THE INTEGRITY OF FINANCIAL REPORTING



MARK ROLFE

Chairman, Audit Committee

MEMBERSHIP OF THE AUDIT COMMITTEE

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

Member	Date appointed Committee member	Attendance at meetings during the year
Mark Rolfe (Committee chairman)	1 October 2010 (appointed Committee chairman 2 September 2012)	3/3
Terry Duddy	10 April 2015	3/3
Peter Fitzgerald	18 October 2012	3/3
Martina King	1 August 2009	3/3
Lisa Myers	6 September 2016	3/3

DEAR SHAREHOLDER,

On behalf of the Audit Committee ("the Committee"), I am pleased to present its report for the period ended 2 September 2017. The report sets out the remit of the Committee, its areas of focus during the year and the Company's relationship with the external auditors.

The Committee has satisfied itself that the Debenhams plc 2017 annual report and accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee therefore supports the board in making its formal statement on page 39.

The board has accepted the Committee's recommendations on the form of the viability statement and the assessment period.

We welcomed Lisa Myers as a member of the Committee following her appointment to the board of Debenhams plc on 6 September 2016.

In October 2017, we announced the appointment of David Adams as a non-executive director. David will become chair of the Audit Committee in January 2018 when I will step down. I wish him all the best in the role.

Mark Rolfe
Chairman, Audit Committee

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

In addition to the members of the Committee, the Chairman, the CFO, the director of internal audit and risk management and senior representatives of the Company's external auditors, PwC LLP, attend and receive papers for each meeting. The Company Secretary is secretary to the Committee assisted by the deputy company secretary. After each meeting, the chairman reports to the board on the matters discussed, on recommendations and on actions to be taken.

The Committee met three times during FY2017, with meetings timed to coincide with the financial and reporting cycles of the Company. Attendance at these meetings is set out on page 50. In addition, the Committee met with the Company's external auditor twice during the year without management being present and once with each of the CFO and the director of internal audit and risk management without other management being present.

RESPONSIBILITIES OF THE COMMITTEE

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

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

- Monitoring the integrity of financial statements (including any related information presented with the financial statements) and any formal announcements relating to the Company's financial performance
- Reviewing any changes in accounting principles, considering the appropriateness of accounting policies adopted by the Company, and the use of any alternative performance measures
- Reviewing the internal audit programme and ensuring that the internal audit function is properly resourced
- Agreeing with the external auditors the nature and scope of the audit and reviewing the output
- Reviewing and monitoring the effectiveness of the risk management and internal control systems within the business
- Considering the appointment of the external auditors and their independence and making recommendations to the board in relation to their appointment, remuneration and terms of engagement
- Reviewing the Company's plans for the prevention and detection of fraud, bribery and corruption

- Assessing the long-term viability of the Company over a three-year period taking into account its current position and principal risks
- Providing advice to the board on whether the Company's annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy

ACTIVITIES OF THE COMMITTEE DURING THE YEAR

Financial reporting

- The Committee reviewed the annual and interim financial statements during the year. It considered significant accounting policies, financial reporting issues and judgements together with the findings as set out in the reports from the external auditors
- The Committee also received a presentation on the process and stress testing undertaken in relation to the viability statement included in this report
- The Committee considered the clarity and completeness of the disclosures within the financial reports reviewed; and
- Reviewed the requirements of IFRS16 with regard to Debenhams lease portfolio in readiness for the adoption of the accounting standard in 2020

Internal audit and risk management

The Committee received and considered updates from the director of internal audit and risk management at each of its meetings during the year covering amongst other matters:

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

Governance

- Externally facilitated formal evaluations of the Committee together with the internal and external audit functions were conducted by Lintstock Ltd
- The compliance committee, chaired by Matt Smith, CFO, supported the Committee in assessing whether the Company's annual report, taken as a whole, is fair, balanced and understandable and complies with all legal and regulatory requirements. The compliance statements in relation to the disclosures within this annual report are provided on page 39

Corporate governance

Audit Committee report continued

- The Risk Committee, which is chaired by the director of internal audit and risk management, supported the Audit Committee in the identification and assessment of the Group's significant risks
- The Committee receives briefings and training by senior management which, this year, included the requirements of the new Public Tax Statement to be published by Debenhams. Previously, training has covered supplier income, leases, share-based payments, revenue recognition and retirement benefits costs

External audit

- The scope of the audit for FY2017 was agreed together with the fees and terms of engagement. Details of the amounts paid to the external auditors for the audit services for FY2017 are given on page 104 in note 6 to the financial statements
- The Committee considered the regulations contained within the Competition and Markets Authority Audit Order to ensure that the Company carries out specific functions in relation to audit services. The Company's statement of compliance with these regulations is provided on page 39

- The approach for the auditor tender process scheduled for FY2018 was agreed
- The non-audit work carried out by PwC in accordance with the Company's prevailing External Auditor's Independence Policy was approved and PwCs independence confirmed

SIGNIFICANT AREAS OF FOCUS IN RELATION TO THE FINANCIAL STATEMENTS

The significant areas of focus considered by the Committee in relation to FY2017 are provided in the table below.

The significant issues considered in relation to the Group's financial statements for the period ended 2 September 2017 are set out in the table below together with a summary of the actions taken. In addition, the Committee and the external auditors have discussed the other areas of focus of the audit as set out in the independent auditors' report on pages 81 to 88.

Matters considered	Actions
Revenue recognition As with most companies, there is a risk that, in order to achieve the planned results, revenue may be recognised in contravention of the Group's policy for revenue recognition.	The Committee has reviewed revenue recognition practice and the underlying assumptions and estimates. In addition, the internal audit function has reported to the Committee on the controls and processes in this area. The Committee also routinely monitors the views of the external auditors on revenue recognition issues.
Inventory valuation The Company continues to use the retail method in respect of valuation of inventory in the UK and Ireland which is reliant on a number of judgemental components, details of which are set out in note 5 to the financial statements on page 103.	During FY2017, the Committee received reports from both the internal and external auditors setting out inventory risk metrics and findings from the examination of controls in these areas. These reports indicated that inventory was valued satisfactorily.
Exceptional items As a result of the strategic reviews, the Group has incurred one-off costs totalling £36.2m (before tax), see note 7 on pages 104 to 105.	The exceptional costs incurred this year related to the strategic review and restructure and the strategic warehouse restructuring. The Committee has considered the quantum of each exceptional cost or charge and has approved the disclosures made.

PERFORMANCE EVALUATION

The Audit Committee performance evaluation was externally facilitated with the assistance of Lintstock. The process also included evaluation of the external auditors and the internal audit function.

The performance of the Committee was rated highly overall with effective monitoring of the management of risk, review of the quality of the group's financial reporting and assessment of the system of internal controls. Training is provided to Committee members alongside the meetings and an updated schedule of training relevant to the external challenges will be created.

The Committee were pleased with the results of the external and the internal audit evaluation. The external auditors were seen to be independent, objective, to understand the business risks and issues and to be firm in their challenges, when appropriate. The effectiveness with which internal audit meets the expectations of the Committee was highly rated.

EXTERNAL AUDITORS' INDEPENDENCE

In order to ensure that an appropriate relationship is maintained with the external auditors, a policy on auditor independence has been established and is reviewed annually. This policy covers matters such as auditors and their staff must have no family, financial, employment, investment or business relationship with the Company, the employment by the Company of former audit employees, the rotation of audit partners and the controls around the provision of non-audit services and specifically those services which the Company's auditors may never provide. As part of the committee's assessment of the ongoing independence of the auditor, the Committee receives details of any relationship between the Group and PwC that may have a bearing on their independence and seeks confirmation from PwC that they remain independent.

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

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

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

£0.1 million was paid by the Company to PwC for non-audit services which represents 17% of the total audit fee paid to PwC, see note 6 on page 104.

The audit fees paid by the pension schemes were £41,000.

EXTERNAL AUDITOR APPOINTMENT

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

The Committee has agreed with the Board that the external audit will be put out to tender during FY2018. The tender process is scheduled to commence in Spring 2018 with the successful auditor shadowing PwC during the 2018 year-end audit process and attending Committee meetings prior to their formal appointment. A recommendation will be proposed to shareholders at the Company's 2019 AGM to appoint the new auditor of the Company. PwC will not be invited to participate in the tender due to the prevailing rules on auditor rotation.

The Committee is satisfied that PwC remains independent and is best placed to conduct the Company's audit for FY2018 and therefore recommends that PwC be re-appointed as the Company's auditors.

Mark Rolfe
Chairman, Audit Committee