

Chairman's introduction to Remuneration

OUR REMUNERATION PHILOSOPHY SUPPORTS OUR LONG-TERM APPROACH



MARTINA KING

Chairman, Remuneration Committee

STRUCTURE OF THE REMUNERATION REPORT

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DEAR SHAREHOLDERS

On behalf of the Remuneration Committee ("the Committee"), I am pleased to present our annual remuneration report for FY2017 along with our new Directors' remuneration policy ("policy").

The trading environment has continued to be tough for Debenhams over the last 12 months and this is reflected in our incentive outcomes with no bonus or PSP payouts in respect of FY2017. The Committee's key focus during the year has been on undertaking a thorough review of our policy to ensure it aligns with our Debenhams' Redesigned strategy. On behalf of the Committee I have consulted extensively with shareholders regarding policy and its application and we are pleased with the level of support received.

May 2017 PSP award

In our FY2016 Directors' remuneration report we communicated that the Performance Share Plan ("PSP") awards due to be made in November 2016 would be deferred until May 2017 to ensure that the performance measures and targets were fully aligned with our Debenhams Redesigned strategy, which we announced in April 2017.

Prior to the grant of the PSP award, I wrote to our main shareholders to consult on our proposed performance measures. The awards granted in May 2017 are based 70% on earnings per share ("EPS") performance and 30% on

performance against strategic objectives, in-line with awards granted in prior years. We did, however, change our approach to setting EPS targets, setting absolute EPS targets for FY2019 rather than growth targets to provide a clear focus on achieving earnings goals. We also changed the strategic objectives used to ensure they fully reflected our new strategy. The strategic objectives are: beauty gross transaction value growth, food gross transaction value growth, mobile gross transaction value growth and online fulfilment cost per unit improvement. Further details are provided on pages 66 and 67.

Remuneration policy

In-line with the remuneration reporting regulations, we are required to seek shareholder approval for a revised Directors' remuneration policy at our AGM in January 2018. In light of the appointment of Sergio and the announcement of the Debenhams Redesigned strategy, the Committee took the opportunity to undertake a thorough review of the existing policy.

We considered a range of structures for our remuneration framework going forward, but ultimately concluded that, at present, it is appropriate to retain the same broad framework, being an annual bonus and PSP. As our remuneration policy framework is unchanged, the policy that we are submitting for shareholder approval at the January 2018 AGM is broadly unchanged from our current policy. Reflecting shareholder feedback we have reduced the pension opportunity set out in our policy for any new executive directors to a maximum of 15% of base salary.

To further align executives' interests with those of shareholders, we have increased the shareholding guideline to 200% of salary for the CEO and 150% of salary for the CFO (from 100% of salary for both executives). The executives will generally be expected to retain 50% of any vested shares under the PSP until this guideline is met.

For FY2018 our annual bonus plan will continue to be based 80% on Profit before Tax ("PBT") and 20% on customer service.

To reflect shareholder feedback, and to ensure alignment between the PSP, shareholder value creation and returns generated, we have further changed the performance measures used for the PSP. November 2017 awards will be based 50% on relative Total Shareholder Return ("TSR") against a bespoke group of retail comparators, 25% on EPS performance and 25% on Return on Capital Employed (ROCE). We again consulted with our major shareholders in relation to the changes in performance measures. Further details are provided on page 72.

For FY2018, award opportunities for the CEO will revert to an annual bonus opportunity of 100% of base salary and 150% of base salary PSP award following the higher awards granted in his first year for employment. Award opportunities for the CFO remain unchanged.

The CFO's salary was increased by 1.5% to £418,271 on 1 April 2017 as part of the normal annual review. This was in-line with the increase across the senior management

population and below the average increase across the wider workforce. The CEO elected to not receive a salary increase at this time.

Following the year end we have been restructuring the organisation to ensure we have the right framework in place to support the implementation of the Debenhams Redesigned strategy. As part of this a number of the members of the Executive Committee will be taking on additional responsibilities, including the CFO who, going forward will be responsible for strategy. To reflect the size and scope of this additional responsibility the Committee agreed it was appropriate to increase Matt Smith's salary by 5% from 1 November 2017 to £439,200.

The salary review date for the organisation is being moved to November and therefore salaries for executive directors will next be reviewed with effect from 1 November 2018.

FY2017 annual bonus

The annual bonus for FY2017 was based 80% on PBT targets and 20% on a customer measure – Net Promoter Score ("NPS"). The threshold PBT target was not met. The NPS performance significantly exceeded maximum target. Payment under this element, however, was also subject to the threshold PBT target being met. No annual bonus payment will therefore be made to executive directors in respect of FY2017. Further details are provided on pages 64 and 65.

FY2014 PSP award

For the PSP awards granted in November 2014 and May 2015, 70% of the award was subject to EPS performance and 30% to strategic objectives. The targets for awards were not met and therefore those PSP awards will lapse in November 2017 and May 2018. Further details are provided on page 65.

Board changes

Suzanne Harlow stepped down from the Board and left the business on 20 October 2017 following 23 years with the Company. I would like to echo Sir Ian and Sergio's thanks to Suzanne for her significant contribution over her career with us. In order to support the delivery of the Debenhams Redesigned strategy, the structure of the organisation has been changed as a result of which the main board role of the Group Trading Director no longer exists.

Suzanne Harlow's remuneration terms in relation to her departure are in line with her service agreement and the policy as approved by shareholders in December 2014. Further details are provided on page 69.

Our Directors' remuneration policy will be subject to a binding vote and our Directors' remuneration report will be subject to an advisory vote at the AGM on 11 January 2018. We look forward to receiving your support for the policy and report.

Martina King

Chairman, Remuneration Committee

Remuneration policy

This remuneration report for the year ended 2 September 2017 complies with the requirements of the Listing Rules of the UK Listing Authority, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the provisions of the UK Corporate Governance Code.

The following sets out our Directors' remuneration policy (the 'policy'). This policy will be put forward for shareholder approval at the AGM on 11 January 2018 and will apply to payments made from this date.

LINK BETWEEN REMUNERATION AND STRATEGY

Our executive remuneration Policy has been designed to support our Group strategy:

- **Reward philosophy** – Our reward philosophy is that remuneration arrangements should be set at a level that is considered by the Remuneration Committee (the "Committee") to be sufficient to recruit and retain individuals of the calibre required to run the business without paying more than is necessary to do so
- **Alignment with our business strategy** – Remuneration structures are designed to support the business strategy with the majority of the remuneration package being linked to the delivery of performance, paid in a combination of cash and shares. Short-term and long-term performance measures have been selected

to be aligned with the delivery of our business strategy. Market conditions are also taken into consideration when setting pay

- **Alignment with shareholders** – Variable remuneration opportunity is delivered through the Company's long-term share incentive plans and the cash annual bonus. The Committee operates a shareholding guideline policy for executive directors which aligns the interests of executives with our shareholders and demonstrates executives' ongoing commitment to the business

REMUNERATION POLICY TABLE FOR EXECUTIVE DIRECTORS

The table below sets out a summary of our remuneration Policy for executive directors. Further information regarding the implementation of the policy can be found in the annual report on remuneration commencing on page 64.

No substantive amendments have been made to the Policy from the directors' remuneration policy approved by shareholders at the 2014 AGM. Minor changes have been made to the Policy to reflect the terms of the Performance Share Plan 2016 (approved by shareholders on 14 January 2016), to remove share plans which are no longer in operation, to reduce the maximum pension opportunity for new recruits, to increase in shareholding guidelines, to reflect the revised performance measures for the Performance Share Plan (as outlined in the Chairman's letter) and to clarify the practical operation of the policy.

Element	Base salary
Purpose and link to strategy	<ul style="list-style-type: none"> • Supports the recruitment and retention of executive directors of the required calibre to fulfil the role without paying more than is considered necessary to do so • Rewards executives for the performance of their role
Key features/operation	<ul style="list-style-type: none"> • Paid in cash • Normally reviewed annually with effect from 1 November but may be reviewed more or less frequently at the Committee's discretion • In determining base salaries, the Committee considers: <ul style="list-style-type: none"> – Pay levels at companies of a similar size and complexity and other retail companies – External market conditions – Pay and conditions elsewhere in the Group – The individual's skills, knowledge, experience and performance
What is the maximum potential value?	<ul style="list-style-type: none"> • Whilst there is no defined maximum salary, any base salary increases will normally be in line with the increases awarded to other employees of the Group • However, increases may be made outside of this policy in exceptional circumstances, such as: <ul style="list-style-type: none"> – Where a director is appointed on a salary that is at the lower end of the market practice range, larger increases may be awarded as the executive gains experience to move the salary closer to a more typical market level – Where there has been a change in the responsibility and accountability of the role – Where there has been a significant change in market practice <p>Details of current salary levels are set out in the annual report on remuneration</p>
Performance metrics	None

Element	Pension
Purpose and link to strategy	<ul style="list-style-type: none"> Provides funds to allow executives to save for retirement Provides a market competitive retirement benefit thereby recruiting and retaining executives of the required calibre
Key features/operation	<ul style="list-style-type: none"> In determining pension arrangements, the Committee takes into account relevant market practice and practice throughout the Group Executive directors are generally provided with a cash allowance in lieu of a pension provision or a contribution to a defined contribution pension scheme or similar arrangement However, the Committee may determine that alternative pension provisions will operate for new appointments to the board if considered appropriate. If an alternative pension arrangement is provided, this will generally be of a similar level to current arrangements
What is the maximum potential value?	<ul style="list-style-type: none"> The CEO's annual cash pension allowance is 20% of base salary The annual pension contribution for the CFO is 15% of base salary New appointments would be entitled to a maximum pension contribution of 15% of salary
Performance metrics	None

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

Corporate governance

Remuneration policy continued

Element	Annual bonus
Purpose and link to strategy	<ul style="list-style-type: none"> Rewards and incentivises the achievement of annual objectives which are aligned with key financial and strategic goals and supports the enhancement of shareholder value
Key features/operation	<ul style="list-style-type: none"> Unless otherwise determined by the Committee, bonuses are paid in cash following the year end Bonuses are not pensionable Malus and clawback provisions apply (see page 59 for further information) Bonuses are based on annual performance targets The Committee retains the discretion to adjust the bonus award if it does not consider that it reflects underlying Company performance but may not exceed the maximum policy limit
What is the maximum potential value?	<ul style="list-style-type: none"> Maximum opportunity of 100% of base salary The bonus starts accruing from threshold levels of performance
Performance metrics	<ul style="list-style-type: none"> The Committee determines appropriate performance metrics to support the annual business strategy, external expectations and the enhancement of shareholder value on an annual basis The bonus may be based on a mix of profitability, strategic financial, strategic non-financial and individual performance targets At least 80% of the bonus will be based on financial performance targets Further information in relation to the performance measures is set out in the annual report on remuneration
Element	Performance Share Plan ("PSP")
Purpose and link to strategy	<ul style="list-style-type: none"> Incentivises executives to achieve Debenhams' long-term strategy and create sustainable shareholder value Aligns with shareholder interests through the delivery of shares Acts as a retention tool
Key features/operation	<ul style="list-style-type: none"> Awards normally vest based on performance assessed over a period not shorter than three years Awards may only vest to the extent the Committee is satisfied that the underlying financial performance of the Company over the relevant performance period justifies vesting. The Committee may also adjust the final vesting level if it does not consider that it reflects the underlying performance of the Company Malus and clawback provisions apply (see page 59 for further information) Awards may incorporate the right to receive (in cash or shares) the value of the dividends that would have been paid on the shares that vest (which may assume the dividends had been reinvested in the Company's shares). However, it is not the current intention of the Committee that dividend equivalents will be paid on shares that vest
What is the maximum potential value?	<ul style="list-style-type: none"> The maximum value of shares over which an individual can be granted an award in respect of any one financial year of the Company is normally 200% of base salary, although this limit may be increased to 250% of base salary in exceptional circumstances Typically 25% of an award vests for threshold levels of performance
Performance metrics	<ul style="list-style-type: none"> Awards granted in FY2018 will vest subject to a combination of relative TSR, underlying EPS and ROCE The Committee retains the discretion to alter the performance measures for future awards if it deems appropriate. However, the Committee will endeavour to consult with the Company's largest shareholders prior to doing so, other than for minor changes The Committee sets performance targets each year, taking into account the business plan, external expectations and market practice For further information in relation to the performance measures, weightings and targets for awards, see the annual report on remuneration

SHAREHOLDING GUIDELINES

In order to align the interests of executive directors with those of shareholders and to demonstrate the executive directors' ongoing personal financial commitment to the business, executive directors are expected to build and maintain a holding of Debenhams shares. The shareholding guideline is 200% of base salary for the CEO and 150% of base salary for the CFO. Executives are generally expected to retain 50% of any post-tax shares that vest under any share incentive plans until this shareholding is reached.

NOTES TO THE POLICY TABLE

Malus and clawback

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

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

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

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

Annual bonus performance measures

- The Committee sets annual bonus performance targets each year based on the measures that it considers are most appropriate for the business. Annual bonus targets are set with reference to internal forecasts and market expectations. Information in relation to the performance measures used has been set out in the annual report on remuneration
- The Committee considers that the annual bonus targets are market sensitive and therefore these will not be disclosed in advance. Details of performance against targets and any resulting annual bonus payout will normally be included in the annual report on remuneration for the year on which the bonus performance is based

Performance Share Plan performance measures

- For awards to be granted in FY2018, the Committee has chosen to use relative TSR (50%), underlying EPS (25%) and ROCE (25%). The Committee may use different measures or a different balance of measures in future years if it considers that it is appropriate to do so
- EPS and ROCE targets are set with reference to internal forecasts and market expectations. The parameters of the TSR performance measure have been structured based on market typical practice
- The Committee considers that these measures are aligned with our Debenhams Redesigned strategy announced in April 2017
- Details of the specific measures, weightings and targets applying to the PSP awards are disclosed in the annual report on remuneration

Difference in the remuneration policy for all employees

Debenhams employs a large number of people in a variety of roles across a range of geographies. Our reward framework for the business is altered as necessary to suit the needs of the business for different employee groups. Reward packages therefore differ, taking into account a number of appropriate factors including seniority, the individuals' impact on the business and local practice, custom and legislation.

Other information supporting the policy table

- The Committee may amend the terms of awards or the rules of share plans within the scope defined in the rules of the plans
- For share awards, in the event of a variation of the Company's share capital or a demerger, delisting, special dividend, rights issue or other event which may, in the Committee's opinion, materially affect the current or future value of awards, the number of awards and the exercise price applicable to those awards may be adjusted
- The Committee may amend the performance conditions applicable to share awards if it considers that the amended conditions are a fairer measure of performance and at least as challenging as the original conditions
- Share awards may be granted in the form of conditional share awards, forfeitable shares, nil or nominal cost options or in such other form that the Committee determines has the same economic effect. Awards may be settled in cash
- The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before 9 December 2014 (the date the Company's first shareholder-approved directors' remuneration policy came into effect); (ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved directors' remuneration policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes, "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted

Corporate governance

Remuneration policy continued

REMUNERATION OUTCOMES IN DIFFERENT PERFORMANCE SCENARIOS

The charts below set out an illustration of the policy for FY2018. The charts provide an illustration of the proportion of total remuneration made up of each component of the policy and the value of each component.

Three scenarios have been illustrated for each executive director:

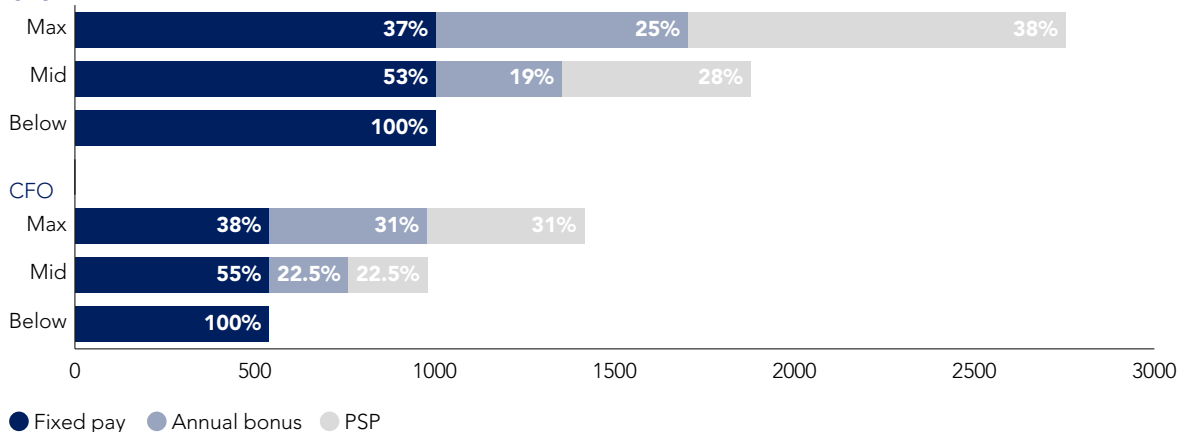
Below threshold performance	<ul style="list-style-type: none"> Fixed remuneration No annual bonus payout No vesting under the PSP
Mid-range performance	<ul style="list-style-type: none"> Fixed remuneration 50% annual bonus payout 50% vesting under the PSP
Maximum performance	<ul style="list-style-type: none"> Fixed remuneration 100% annual bonus payout 100% vesting under the PSP

Fixed pay currently comprises the following elements:

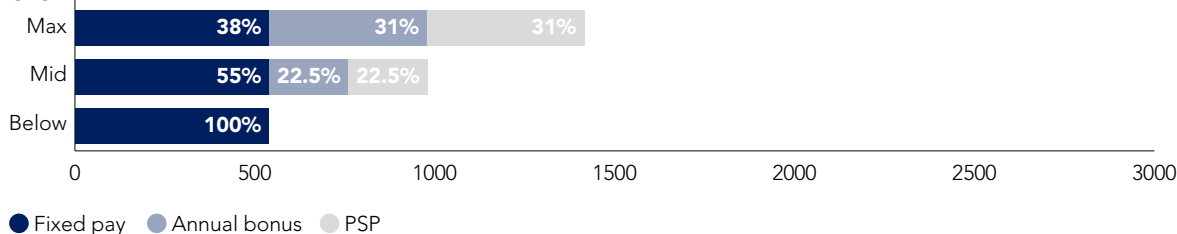
Director	Base salary	Benefits	Pension	Total
CEO – Sergio Bucher	£700,000	£163,409	£140,000	£1,003,409
CFO – Matt Smith	£439,200	£33,948	£65,880	£539,028

- Base salary is the base salary in place on appointment for Sergio Bucher and from 1 November 2017 for Matt Smith
- The benefits figure is based on the amount received during 2017 as per the single figure. This reflects the annual benefits allowance and the taxable value of other benefits provided during the year. Pension is based on the cash contribution of 20% of base salary for the CEO and 15% of base salary for the CFO
- The annual bonus is based on the annual policy maximum of 100% of base salary for both executive directors. The PSP is based on 150% of base salary for the CEO and 100% of base salary for the CFO

CEO



CFO



RECRUITMENT REMUNERATION ARRANGEMENTS

When determining the remuneration package for a newly appointed executive director, the Committee would seek to apply the following principles:

- The package should be market competitive to facilitate the recruitment of individuals of sufficient calibre to lead the business. At the same time, the Committee would intend to pay no more than it believes is necessary to secure the required talent
- The structure of the ongoing remuneration package would normally include some or all of the components set out in the policy table for executive directors
- In addition, the Committee has discretion to include any other remuneration component or award which it feels is appropriate taking into account the specific circumstances of the recruitment, subject to the limit on variable remuneration set out below. The key terms and rationale for any such component would be disclosed as appropriate in that year's annual report on remuneration
- Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate taking into account all relevant factors including the form of awards, expected value and vesting timeframe of

forfeited opportunities. When determining any such "buyout", the principle would be that awards would be on a "like-for-like" basis unless this is considered by the Committee not to be practical or appropriate

- The maximum level of variable remuneration which may be awarded (excluding any "buyout" awards referred to above) in respect of recruitment is 350% of salary, which is in line with the current maximum limit under the annual bonus and PSP
- Where an executive director is required to relocate from their home location to take up their role, the Committee may provide assistance with relocation (either via one-off or ongoing payments or benefits)

In the event that an internal candidate is promoted to the board, legacy terms and conditions would normally be honoured, including pension entitlements and any outstanding incentive awards.

In the event of recruitment the Committee may grant awards to a new executive director relying on the exemption in the Listing Rules which allows for the grant of awards, to facilitate, in unusual circumstances, the recruitment of an executive director, without seeking prior shareholder approval or under any other appropriate Company incentive plan.

The remuneration package for a newly appointed non-executive director would normally be in line with the structure set out in the policy table for non-executive directors.

Executive director service contracts

Notice period	<ul style="list-style-type: none"> • 12 months' notice by the Company or by the executive director • The notice period for any newly appointed executive director would be up to 12 months' on either side
Expiry date	<ul style="list-style-type: none"> • Sergio Bucher entered into his service contract on 25 May 2016 • Matt Smith entered into his service contract on 25 July 2014 • These are rolling contracts with no expiry date
Termination payments	<ul style="list-style-type: none"> • Payments in lieu of notice will be based on base salary, contractual benefits and any accrued but untaken holiday • Payments in lieu of notice for Sergio Bucher and Matt Smith may, at the Committee's discretion, be paid in equal monthly instalments which would, at the Committee's discretion, be subject to mitigation or as a lump sum. The Company's policy for new executive directors is that contracts would reflect these principles • The Committee reserves the right to make any other payments in connection with a director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a director's office or employment. Any such payments may include, but are not limited to, paying any fees for outplacement assistance and/or the director's legal and/or professional advice fees in connection with the cessation of office or employment

The service agreements are available to shareholders to view on request from the Company Secretary at the Company's registered office.

ARRANGEMENTS FOR DIRECTORS LEAVING DEBENHAMS

Details of the arrangements in relation to fixed remuneration are set out in the section on page 61.

Annual bonus

There is no automatic entitlement to an annual bonus in the year in which the executive director leaves the Group. The Committee may determine that an executive director is eligible to receive a bonus in respect of the year of cessation dependent upon the circumstances of the executive director's departure and individual performance. Any such payment would normally continue to be subject to performance and be pro-rated to take account of the time served during the year.

Performance share plan

If an individual ceases to be employed by a member of the Group or gives or is given notice terminating their employment before the end of the performance period, a participant's award will usually lapse, unless the Committee determines that it will vest, having regard to the performance of the Company and the length of time which has elapsed since the date of grant. The Committee may determine that the award will vest at the time of cessation of employment or at the "normal" vesting date. The number of shares over which an award may vest will be time pro-rated to reflect the proportion of the vesting period that has elapsed on cessation of employment. In the case of nil cost options, the Committee will determine the period during which the participant may exercise his or her options.

TAKEOVER OR MERGER OF THE COMPANY

In the event of a takeover or merger of the Company, outstanding PSP awards will vest to the extent that performance conditions are satisfied. Where awards vest in these circumstances, they may be pro-rated (on a monthly basis) to reflect the proportion of the vesting period that has elapsed, unless the Committee determines that a different proportion of the award should vest, taking into account Company performance and such other factors as it considers relevant.

Upon agreement with the acquiring company, the participant may choose to roll over their awards into awards in the acquiring company.

OTHER CORPORATE EVENTS

If the Company is voluntarily wound up, the Committee may allow awards to vest on the same basis as set out above for a takeover. If the Company is, or is expected to be, affected by a demerger, special dividend or other transaction which would materially affect the value of awards, the Committee may allow some or all of the outstanding awards to vest to the extent that, in the Committee's opinion, the performance conditions applicable to these awards have, or are likely to have, been met.

EXTERNAL APPOINTMENTS FOR EXECUTIVE DIRECTORS

Executive directors may undertake external directorships with the consent of the board. Any proposed external directorships are considered by the Nomination Committee to ensure that they do not cause a conflict of interest.

REMUNERATION POLICY TABLE FOR NON-EXECUTIVE DIRECTORS

Element	Fees
Purpose and link to remuneration strategy	<ul style="list-style-type: none"> Fees for non-executive directors are set at an appropriate level to recruit and retain directors of a sufficient calibre without paying more than is necessary to do so
Key features/operation	<ul style="list-style-type: none"> Paid in cash Fees for non-executive directors are set taking into account the time commitment required to fulfil the role and typical practice at other companies of a similar size and complexity to Debenhams The fees for the Chairman's role are set taking into account the time commitment of the role, the skills and experience of the individual and typical market practice for other companies of a similar size and complexity Our non-executive director fees policy is to pay a basic fee for membership of the board and additional fees for the Senior Independent Director, chairmanship of a committee and membership of a committee to take into account the additional responsibilities and time commitment of these roles Additional fees may be paid to reflect additional board or committee responsibilities or an increased time commitment as appropriate Fees are reviewed at appropriate intervals by the board
What is the maximum potential value?	<ul style="list-style-type: none"> Fees paid to non-executive directors and the non-executive Chairman will not exceed the aggregate limit set out in the Company's articles of association. Fee levels are set out in the annual report on remuneration

Element	Benefits and expenses
Purpose and link to remuneration strategy	<ul style="list-style-type: none"> To provide suitable arrangements to allow non-executive directors to discharge their duties effectively
Key features/operation	<ul style="list-style-type: none"> Reasonable costs in relation to travel and accommodation for business purposes are reimbursed to the Chairman and non-executive directors. The Company may meet any tax liabilities that may arise on such expenses The Chairman and non-executive directors are eligible for a staff discount and an annual health assessment The Chairman and non-executive directors are not entitled to participate in any of the Group's incentive plans or pension plans The Chairman and non-executive directors have the benefit of directors' and officers' liability insurance and provision of indemnity on the same basis as other directors and officers of other Group companies The board may introduce additional benefits for the Chairman or non-executive directors if it is considered appropriate to do so
What is the maximum potential value?	None

TERMS AND CONDITIONS FOR THE CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The Chairman has a letter of appointment from the Company covering matters such as duties, time commitment, fees and other business interests. The Chairman is appointed for an initial three years which may be extended for further terms of three years by mutual agreement.

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

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

CONSIDERING ALL-EMPLOYEE REMUNERATION ARRANGEMENTS

When determining the remuneration policy and arrangements for the executive directors, the Committee considers pay and employment conditions elsewhere in the Group to ensure that pay structures throughout the Group are appropriately aligned and that levels of remuneration remain appropriate in this context.

When considering salary increases for the executive directors, the Committee considers the general level of salary increase across the Group. Whilst the Committee does not consult directly with employees about executive director pay, it does receive informal feedback on employees' views via the HR Director and the Head of Pay & Reward.

The remuneration arrangements for the members of the Executive Committee who are not executive directors and the Company Secretary fall within the Committee's remit engendering a common approach to the design of reward and determining reward outcomes for the most senior people within the organisation.

CONSIDERING SHAREHOLDER VIEWS

The Committee is committed to an ongoing dialogue with shareholders and seeks shareholder views when any significant changes are being made to remuneration arrangements. Over the last few years, the Committee has consulted with shareholders regarding the performance measures for the annual bonus scheme and PSP together with shareholding guidelines. The Committee takes into account the views of shareholders when formulating and implementing the policy.

The annual report on remuneration

This report sets out details of the implementation of the remuneration policy during FY2017 and provides details as to how the Committee intends to implement the policy during FY2018. This part of the report will be subject to an advisory shareholder vote at the Annual General Meeting on 11 January 2018. This report contains unaudited information except where stated that it is audited.

What did executive directors earn in respect of FY2017 (audited) and FY2016 (audited)?

The table below sets out a single figure of remuneration for each executive director for FY2017 and FY2016.

2017

Executive director	Base salary (£)	Benefits (£)	Retirement benefits (£)	Bonus (£)	PSP awards (£)	Compensation (£)	Total (£)
Sergio Bucher – CEO ¹	612,949	163,409 ³	122,590	0	n/a	445,184 ⁴	1,344,132
Suzanne Harlow – Group Trading Director ⁵	429,666 ²	15,634	94,526	0	0	n/a	539,826
Matt Smith – CFO	429,666 ²	33,948 ⁶	62,200	0	0	n/a	525,814

2016

Executive director	Base salary (£)	Benefits (£)	Retirement benefits (£)	Bonus (£)	PSP awards (£)	Compensation (£)	Total (£)
Sergio Bucher – CEO ¹	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Suzanne Harlow – Group Trading Director ⁵	408,537 ²	30,800	79,932	0	n/a	n/a	519,269
Matt Smith – CFO	408,537 ²	32,183	61,280	0	n/a	n/a	502,000

1 Appointed to the board on 17 October 2016 so the 2017 disclosure is not a full year.

2 For the period 24 June 2016 until the date Sergio Bucher joined the board (17 October 2016), Matt Smith and Suzanne Harlow shared the CEO responsibilities. The Committee determined that it was appropriate for them to receive an additional duties allowance for this period of £30,000 each to reflect the increased scope of their role and additional responsibilities. £15,000 was paid to each of them during FY2016 with the balance of £15,000 being paid to each of them during the year ended 2 September 2017. This allowance, which is included in base salary for the purpose of the single figure, did not attract bonus, PSP or pension.

3 As part of the terms of his appointment, for the first two years of his employment Sergio is provided with a housing allowance and the Company agreed to meet reasonable relocation expenses. The amount therefore includes £99,129 in relation to housing allowance and £47,863 in relation to relocation expenses for FY2017.

4 As a consequence of joining Debenhams, Sergio forfeited an award of restricted stock in his previous employer's restricted stock plan. In order to compensate him for this he received a cash payment of £445,184 on joining the business (being around the date on which that restricted stock award would have vested). This payment represents the value of that stock on the business day prior to the announcement of his appointment on 26 May 2016.

5 Suzanne Harlow stepped down from the board of Debenhams plc on 20 October 2017.

6 During the year Matt Smith elected to receive a company car. As a result of this a total of £17,170 was deducted from his benefits allowance reflecting the cost of providing the car. The above single figure amount includes the P11D value of the car of £30,911.

The following details how the single figure for FY2017 has been calculated:

Base salary – Matt Smith and Suzanne Harlow received a salary increase of 1.5% on 1 April 2017 taking their base salaries to £418,271. Sergio Bucher elected to not receive a base salary increase during FY2017.

Benefits – Executive directors receive a benefits allowance which can be used to purchase benefits under the Group scheme. In addition, the executive directors receive life assurance. Suzanne Harlow purchased an additional five days' holiday during the year (£7,924). This amount has not been deducted from the above figures.

Retirement benefits – Sergio Bucher received a cash contribution in lieu of pension of 20% of base salary (£122,590). Matt Smith received a cash contribution in lieu of pension of 15% of base salary (£62,200). Suzanne Harlow is a deferred in service member of the Debenhams

Executive Pension Plan. The increase in her accrued pension, calculated using the methodology set out in the remuneration reporting regulations, was £11,172. Suzanne Harlow also received a cash contribution in lieu of pension of 18% of base salary up to 31 March 2017, rising to 23% of base salary, effective from 1 April 2017, based on age and having more than 20 years' pensionable service (£83,354).

Annual bonus for FY2017 – The maximum bonus for the year was 150% of base salary for the CEO and 100% for the CFO and the Group Trading Director. The bonus was based 80% on Group PBT and 20% on a customer focused measure, net promoter score. Bonuses start accruing for meeting threshold levels of performance with the maximum bonus only being payable for achieving performance significantly in excess of this level.

Bonus targets and performance achieved are set out in the table on the next page:

Measure	Threshold	Target	Maximum	Actual
Pay out (% of max)	10%	50%	100%	0%
PBT	£100m	£109.1m	£120.1m	£95.2m

Measure	Threshold	Target	Maximum	Actual
Payout (% of max)	0%	50%	100%	0%
NPS Moving Annual Target (improvement on prior year)	+0 points	+3 points	+5 points	+23 points

The payout of the portion of the bonus based on NPS was also subject to achieving a minimum level of profit performance. While the NPS performance significantly exceeded the maximum target, the minimum level of profit performance was not achieved and therefore no bonus will be paid to executive directors in respect of FY2017.

PSPs – PSP awards granted in November 2014 and May 2015 were subject to the following performance targets:

Measure		Target	Actual performance
EPS (70%)	EPS growth	3% per annum to 10% p.a. growth	(4.7%) per annum growth
Strategic objectives (30%)	Gross margin	90 bps	(40) bps
	Digital EBITDA Growth margin	25% per annum	11.2% per annum
	UK GTV Growth	3.8% per annum	1.1% per annum
	International EBITDA Growth	16.0% per annum	0.5% per annum

25% of the EPS amount vests for meeting threshold levels of performance and 100% vesting for reaching maximum levels of performance with straight line vesting between threshold and maximum. The strategic objectives were subject to a single performance hurdle.

The EPS performance targets and targets for strategic objectives were not met and the awards will therefore lapse in full on 3 November 2017 and 1 May 2018.

Pensions (audited)

Suzanne Harlow was a deferred in service member of the Debenhams Executive Pension Plan. The table below shows the pension accrued at the year end.

	Accumulated total accrued pension at 2 September 2017 (£pa)	Transfer value of accrued pension as at 2 September 2017 (£)	Transfer value of accrued pension as at 3 September 2016 (£)	Increase in accrued pension during the year (£pa)	Increase in accrued pension during the year (net of inflation) (£pa)	Increase/ (decrease) in transfer value during the period (£)
Suzanne Harlow	41,136	1,257,274	1,451,702	960	558	(194,428)

Suzanne Harlow participated in the Debenhams Executive Pension Plan until 2006 when it was closed to future accruals and then became a deferred in service member of this scheme. Her normal retirement date under this plan was 31 July 2026. She was not entitled to any additional benefits if she retired prior to this date; any benefits drawn early would have been actuarially reduced to reflect early retirement. She also received a cash allowance in lieu of pension contribution of 18% of base salary up to 31 March 2017, rising to 23% on 1 April 2017 based on age and having more than 20 years' pensionable service.

Scheme interests awarded during the financial year (audited)

In light of Sergio Bucher's appointment and the strategic review of the business, we announced in our FY2016 remuneration report that the PSP awards that were due to be granted in November 2016 would be deferred to ensure that the performance measures and targets were fully aligned with the new strategic direction for the business. Accordingly, awards with the following performance targets (which were announced to the market at the time of grant) were made on 31 May 2017.

Corporate governance

The annual report on remuneration continued

Scheme interests awarded during the financial year (audited) continued

Individual	Type of interest	Basis on which award made	Number of shares awarded	Face value of shares (£) ¹	Percentage vesting at threshold	Performance period end
Sergio Bucher	0.01 pence option	200% of base salary ²	2,794,411	£1,400,000	25%	29 August 2020
Suzanne Harlow	0.01 pence option	100% of base salary	834,872	£418,271	25%	29 August 2020
Matt Smith	0.01 pence option	100% of base salary	834,872	£418,271	25%	29 August 2020

1 The face value of shares awarded was calculated using the closing mid-market share price on the date of award (31 May 2017), which was 50.1 pence.

2 Sergio Bucher's award for FY2017 was set at 200% of base salary in connection with his appointment. His award level for FY2018 will revert to 150% of base salary.

These awards are based 70% on EPS growth targets and 30% on financial measures that underpin our strategy.

EPS targets

The May 2017 PSP awards vest based on underlying EPS performance for FY2019. Rather than growth targets, we set absolute EPS targets to ensure a clear focus on achieving this goal. The EPS targets are as follows:

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

These targets were set taking into account our business plan, market conditions and external expectations of our performance. The Committee believes these targets are appropriate and suitably stretching. Target performance was calibrated and aligned with market consensus for our performance for FY2019 at the time the targets were set. The maximum target was set to be significantly in excess of market expectations and the Committee believes that if this is achieved it will represent exceptional performance in a challenging market.

Strategic objectives

Following the review the strategic objectives were changed compared to the November 2015 awards to ensure the strategic objectives fully reflected the Debenhams Redesigned strategy. The following objectives apply:

Strategic objective	Proposed metric (7.5% of award each)	Rationale
Destination Grow market leading position in premium beauty & beauty services	Beauty gross transaction value growth	Debenhams already holds a market leading position in premium beauty and this remains a significant target for growth. We see the £4 billion beauty services market as a prime opportunity to extend our reach in this category.
Destination Meet me @ Debenhams – step change food and drink offer in store	Food gross transaction value growth	Leisure and hospitality are becoming an intrinsic part of the social shopping experience. We see this category – both the development of own brands and the creation of new strategic relationships – as a key driver of footfall to stores.
Digital Mobile @ Everywhere – re platform and harness the power of mobile to unify across all channels	Mobile gross transaction value growth	Leveraging our digital platform and moving from being functional and reliable to sociable and fun will be critical to connecting with customers and broadening Debenhams reach globally.
Simplify & Focus Accelerated warehouse automation	Online cost per unit improvement	Focus on reducing per unit fulfilment costs as online sales growth remains a key focus for the business.

In order for the award to vest, the Committee must be satisfied that the underlying financial performance of the Company over the performance period is sufficient to justify the vesting of the award. Vesting in respect of these strategic measures is also subject to the company meeting a ROCE underpin whereby ROCE for FY2019 must be greater than 10%.

The financial targets for the strategic measures are considered by the Board to be market sensitive and therefore we are not able to disclose these measures at the current time. We will however disclose the targets in full, along with actual performance against targets, at the time of vesting. The financial strategic targets set are specific and measurable and full vesting will not be achieved unless performance is significantly ahead of our plan. In previous years targets have been set as a single 'cliff edge' target but for the May 2017 award a range has been set with 25% of the relevant measure vesting for hitting target and 100% vesting for hitting maximum.

Shareholding guidelines

In order to align the interests of executive directors with those of shareholders and to demonstrate the executive directors' ongoing personal financial commitment to the business, executive directors are expected to build and maintain a holding of Debenhams shares. Reflecting shareholder feedback and prevailing market practice, the shareholding guideline has been increased from 100% of salary to 200% of base salary for the CEO and to 150% of base salary for the CFO.

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

Directors' shareholdings and share interests (audited)

The value of the directors' current shareholding shown in the table below has been calculated using the three month average closing share price to 2 September 2017 of 43.55p. This table relates to the shareholding guidelines in place during FY2017 and therefore does not reflect the increase in shareholding guidelines for FY2018.

	Ordinary shares held at 26 October 2017	Ordinary shares held at 2 September 2017	Ordinary shares held at 3 September 2016	Unvested awards subject to performance	Unvested options subject to performance	Vested options not exercised	Shareholding requirement	Current shareholding	Requirement met?
Sergio Bucher – CEO ¹	187,617	187,617	–	2,794,411	–	–	£700,000	£81,707	No
Suzanne Harlow – Group Trading Director	617,287	617,287	617,287	2,327,203 ²	–	169,689	£418,271	£268,828	No
Matt Smith – CFO	97,465	97,465	53,000	2,302,178 ²	–	–	£418,271	£42,446	No

1 Sergio Bucher joined the board on 17 October 2016.

2 Suzanne Harlow was awarded 925,925 shares on 3 November 2014 and Matt Smith was awarded 900,900 shares on 1 May 2015. As noted above, the performance targets for the three years ended 2 September 2017 have not been met and these awards therefore will therefore lapse in FY2018.

Corporate governance

The annual report on remuneration continued

Scheme interests (audited)

Performance Share Plan

Director	Date of award	Number of shares held at 3 September 2016	Shares awarded during the year	Shares lapsed during the year	Shares exercised during the year	Number of shares held at 2 September 2017	Market value on date of award	Market value on date of exercise	Earliest date of vesting	Expiry date of vesting period
Sergio Bucher	31 May 2017	–	2,794,411	–	–	2,794,411	50.1p	–	31.5.20	30.11.20
Matt Smith	1 May 2015 ¹	900,900	–	–	–	900,900	88.8p	–	1.5.18	1.10.18
	3 November 2015	566,406	–	–	–	566,406	89.6p	–	3.11.18	3.5.19
	31 May 2017	–	834,872	–	–	834,872	50.1p	–	31.5.20	30.11.20
Suzanne Harlow	3 November 2014 ¹	925,925	–	–	–	925,925	64.8p	–	3.11.17	3.5.18
	3 November 2015	566,406	–	–	–	566,406	89.6p	–	3.11.18	3.5.19
	31 May 2017	–	834,872	–	–	834,872	50.1p	–	31.05.20	30.11.20

- 1 The awards granted on 3 November 2014 and 1 May 2015 have not met the applicable performance targets during the 3 year performance period to 2 September 2017 and will therefore lapse in full on 3 November 2017 and 1 May 2018 respectively. Targets are outlined on page 65.
- 2 Awards granted in FY2016 are subject 70% to EPS growth and 30% subject to strategic objectives. For the EPS element 25% of the award vests for achievement of 3% per annum growth with 100% of the award vesting for achieving 10% per annum EPS growth.
- 3 Performance targets for awards granted in FY2017 are outlined on page 66.

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

The measures and performance targets for awards granted in November 2014 and May 2015 are disclosed on page 65 of the report. These targets were not met and the awards will lapse.

For PSP awards granted in November 2015 and May 2016, 30% of the shares vest subject to the satisfaction of the four key strategic measures of the Group being: Group gross margin improvement, online EBITDA growth rate, UK gross transaction value growth and International EBITDA growth rate.

The Committee set stretching targets for these metrics taking into account our long-term strategic plan. The exact targets were not disclosed at the time of award as they were considered to be commercially sensitive.

Notwithstanding that the Group has made further progress against its strategic priorities, due to the very stretching nature of the targets set for the strategic measures, performance is currently behind target. Vesting will be determined based on performance in FY2016, FY2017 and FY2018.

For awards granted in May 2017, the four strategic measures were as follows: beauty gross transaction value, food gross transaction value, mobile gross transaction value and online cost per unit improvement.

The Committee set stretching targets and these were not disclosed at the time of the award as they were considered to be commercially sensitive. It is still early in the performance cycle but two of the measures are currently ahead of target and two are currently behind. Vesting will be determined based on performance in FY2017, FY2018 and FY2019.

Executive Share Option Plan (ESOP)

Director	Date of award	Number of shares held at 3 September 2016	Shares granted during the year	Shares lapsed during the year	Shares vested during the year	Number of shares held at 2 September 2017	Option price	Earliest date of exercise	Expiry date of options
Suzanne Harlow	Approved scheme 24 November 2009	35,108	–	–	–	35,108	85.45p	24.11.12	24.11.19
	Unapproved scheme 24 November 2009	134,581	–	–	–	134,581	85.45p	24.11.12	24.11.19

Payments to past directors (audited)

As disclosed in last year's report, Michael Sharp continued to receive monthly payments in lieu of notice, based on his final base salary, benefits and pension supplement, during the period 4 September 2017 to 13 April 2017 being the end of the twelve month period following his cessation.

Payments for loss of office (audited)

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

Leaving arrangements for Suzanne Harlow

Suzanne Harlow stepped down from the board and left the business on 20 October 2017 following 23 years' service. In order to support the delivery of the Debenhams' Redesigned strategy, the structure of the organisation has been changed and the main board role of the Group Trading Director no longer exists.

Suzanne Harlow's remuneration terms in relation to her departure are in line with her service agreement and the remuneration policy as approved by shareholders in December 2014 and are as follows:

- Suzanne Harlow was made a payment in lieu of notice comprising 12 months' salary and benefits. She also received £30,000 in respect of her statutory rights in connection with her departure
- Outplacement support in the amount of £54,000 (inclusive of VAT), and up to £15,000 (plus VAT) in respect of legal fees incurred in connection with her departure will also be paid
- Suzanne Harlow remained entitled to participate in the annual bonus for FY2017 as she was in employment for the full financial year. As stated on pages 64 and 65, the performance targets for the annual bonus were not met and no payment was made. She will not participate in the annual bonus plan for FY2018
- Suzanne Harlow has been treated as a good leaver for the purpose of the Performance Share Plan. As stated on page 65, the performance targets for awards

granted in November 2014 were not met and these awards will lapse in full. PSP awards granted in 2015 and 2017 will continue to vest under the normal timetable subject to the achievement of performance conditions. The awards will be pro-rated to reflect service from the respective grant dates to 20 October 2017. She will not receive a PSP award in November 2017

- Suzanne is also eligible to receive her staff discount for two years from leaving

Executive director service contracts

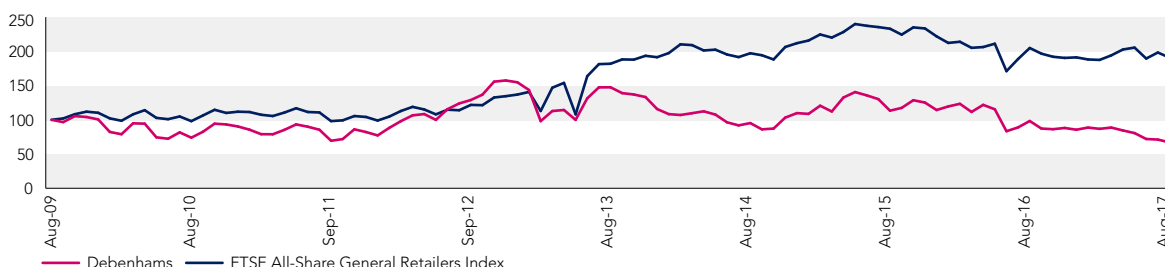
Notice period	12 months' notice by the Company or by the executive director
	Sergio Bucher entered into his service agreement on 25 May 2016
	Matt Smith entered into his service agreement on 25 July 2014
	Suzanne Harlow entered into her service agreement on 11 December 2013 and it terminated on 20 October 2017
Expiry date	All are rolling contracts with no expiry date

External appointments for executive directors

Executive directors may undertake external directorships with the consent of the board. Any proposed external directorships are considered by the Nomination Committee to ensure that they do not cause a conflict of interest. Suzanne Harlow resigned as director of Ermes Department Stores Plc and fees in respect of that directorship during the period 4 September 2016 to 10 January 2017 (her resignation date) were paid to and retained by Debenhams Retail plc. Matt Smith was appointed a director of blow LTD. on 12 September 2017 and no fees are payable in respect of that directorship.

Total shareholder return performance graph

The performance graph below shows the Company's total shareholder return against the FTSE All-Share General Retailers Index over the period from 29 August 2009 to 2 September 2017. The FTSE All-Share General Retailers Index has been chosen as it is made up of a broad spectrum of retail competitors (including major general retail listed comparators) in the principal product areas in which the Company trades.



Corporate governance

The annual report on remuneration continued

Historical Chief Executive Officer pay

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

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

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

2 No PSP award was granted in FY2016.

3 Sergio Bucher was not in the role of CEO during FY2015 and therefore did not receive a PSP award. The performance conditions for PSP awards granted during FY2015 to other participants were not met and therefore 0% of the award will vest.

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

Percentage change in remuneration of the CEO

The change in remuneration from FY2016 to FY2017 of the CEO and the Group's UK employee population is shown below. This group has been chosen as the comparator group as the majority of Debenhams employees are based in the UK.

	CEO	UK employees (average full time equivalent)
Base salary	12.1%	4.73%
Benefits	206%	5.8%
Bonus	0.0%	0.0%

Michael Sharp stepped down from the board in June 2016 and at the point he left the Company his basic salary was £624,255. Sergio Bucher joined the Company in October 2016 with a starting base salary of £700,000.

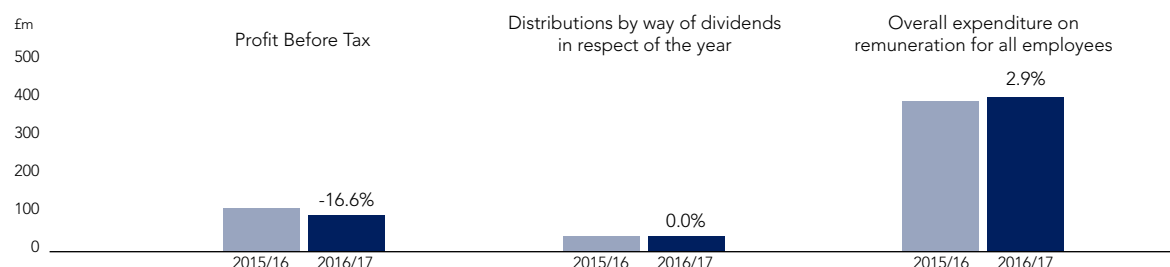
Sergio Bucher waived his right to receive a base salary increase during FY2017.

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

No bonus was paid to the CEO in respect of FY2016 and FY2017.

Relative importance of spend on pay

The chart below sets out the amounts paid in FY2016 and FY2017 in respect of the remuneration of all employees and dividends to shareholders.



The Debenhams Retail Employee Trust 2004

The Debenhams Retail Employee Trust 2004 ("the Trust") currently holds 1,673,537 shares in the Company. Any shares allocated under the Debenhams 2008 Share Incentive Plan (a plan for employees below board level) are held by the Trust. Dividends arising on the shares held in the Trust are waived on the recommendation of the Company.

Funding of share schemes

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

Current levels of shareholder dilution are FY2017: 2.03% (FY2016: 1.08%) of share capital.

Implementation of policy for FY2018

The following summarises how policy will be implemented for FY2018:

	Opportunity	Performance measures	Changes from FY2017
Salary	CEO – £700,000 CFO – £439,200	n/a	<ul style="list-style-type: none"> The salary for the CFO was increased by 1.5% on 1 April 2017. The CEO elected to not receive a pay rise Following the year end we have been restructuring the organisation to ensure we have the right framework in place to support the implementation of the Debenhams Redesigned strategy. As part of this a number of the members of the Executive Committee will be taking on additional responsibilities, including the CFO who, going forward will be responsible for strategy. To reflect the size and scope of this additional responsibility the Committee agreed it was appropriate to increase Matt Smith's salary by 5% from 1 November 2017 to £439,200 The annual salary review date for the Company is being amended and therefore salaries will next be reviewed with effect from 1 November 2018
Pension and benefits	CEO – 20% of salary CFO – 15% of salary Benefits as set out in policy		<ul style="list-style-type: none"> No changes
Annual bonus	CEO – 100% of salary CFO – 100% of salary	80% PBT 20% customer measure The portion of the annual bonus subject to customer services is also subject to meeting a minimum level of profit performance.	<ul style="list-style-type: none"> No changes to performance measures The CEO's annual bonus opportunity for FY2017 was 150% as agreed on his appointment. This has reverted to 100% for FY2018
PSP	CEO – 150% of salary CFO – 100% of salary	50% relative TSR compared to a bespoke peer group of retail companies 25% EPS 25% ROCE	<ul style="list-style-type: none"> Performance measures for awards to be granted in FY2018 have been reviewed to reflect shareholder feedback and to ensure alignment between the PSP and shareholder value creation and returns generated Details of measures and targets are set out on page 59 The CEO's annual PSP opportunity for FY2017 was 200% as agreed on his appointment. This has reverted to 150% for FY2018

Corporate governance

The annual report on remuneration continued

FY2018 PSP performance measures

PSP awards to be granted in FY2018 will be subject to performance conditions with 50% of the award keyed off relative TSR compared to a bespoke peer group of retail companies, 25% of the award keyed off EPS performance and 25% keyed off ROCE performance.

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

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

EPS targets are as follows:

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

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

ROCE targets are as follows:

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

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

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

Element	Key features/operation	Implementation for FY2018
Fees	<p>Our non-executive director fees policy is to pay a basic fee for membership of the board and additional fees for the Senior Independent Director, chairmanship of a committee and membership of a committee to take into account the additional responsibilities and time commitment of these roles</p> <p>Fees are reviewed at appropriate intervals by the board</p> <p>The Chairman is paid an all-inclusive fee</p>	<p>Fees for the year are:</p> <p>Basic fee – £40,000</p> <p>Senior Independent Director – £10,000</p> <p>Committee chairmanship fee (Audit and Remuneration) – £10,000</p> <p>Committee membership fee (per committee) – £2,500</p> <p>The non-executive Chairman's fee is £200,000</p>
Benefits and expenses	<p>Reasonable costs in relation to travel and accommodation for business purposes are reimbursed to the Chairman and non-executive directors. The Company may meet any tax liabilities that may arise on such expenses</p> <p>The Chairman and non-executive directors are eligible for a staff discount and an annual health assessment</p>	

Terms and conditions for the Chairman and non-executive directors

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

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

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

Name	Date of appointment	Contract end date
Sir Ian Cheshire	14 January 2016	Appointed for a term of three years ending on 13 January 2019
Terry Duddy	10 April 2015	Appointed for a term of three years ending on 9 April 2018
David Adams	19 October 2017	Appointed for a term of three years ending on 18 October 2020
Peter Fitzgerald	4 October 2012	Contract renewed for a further three years at the end of his initial term. The end date for his current contract is 3 October 2018
Stephen Ingham	8 January 2013	Contract renewed for a further three years at the end of his initial term. The end date for his current contract is 7 January 2019
Martina King	1 August 2009	Contract renewed for a further three years at the end of her second term. The end date for her current contract is 31 July 2018
Nicky Kinnaird	15 November 2016	Appointed for a term of three years ending on 14 November 2019
Lisa Myers	6 September 2016	Appointed for a term of three years ending on 5 September 2019
Mark Rolfe	1 October 2010	Having served 7 years, his contract has been renewed and expires at the conclusion of the next Annual General Meeting. The end date for his current contract is 11 January 2018

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

Corporate governance

The annual report on remuneration continued

What did non-executive directors earn in respect of FY2017 (audited) and FY2016 (audited)

The table below sets out the fees payable to each director not performing an executive function in respect of FY2017 and FY2016.

		2017			2016		
		Fees	Benefits	Total	Fees	Benefits	Total
Sir Ian Cheshire	Non-executive Chairman, chairman of Nomination Committee, member of Remuneration Committee	£200,000	–	£200,000	£127,435	–	£127,435
Terry Duddy	Senior Independent Director and member of Remuneration, Audit and Nomination committees	£57,500	–	£57,500	£53,782	–	£53,782
Peter Fitzgerald	Member of Audit Committee	£42,500	–	£42,500	£42,500	–	£42,500
Stephen Ingham	Member of Remuneration Committee	£42,500	–	£42,500	£42,500	–	£42,500
Martina King	Chairman of the Remuneration & Sustainability ¹ Committees, member of Audit and Nomination committees	£62,500	–	£62,500	£59,711	–	£59,711
Mark Rolfe	Chairman of Audit Committee, member of Remuneration and Nomination committees	£55,000	–	£55,000	£55,000	–	£55,000
Lisa Myers ²	Non-executive Director and Member of Audit Committee	£42,064	–	£42,064	–	–	–
Nicky Kinnaird ³	Non-executive Director	£31,846	–	£31,846	–	–	–

1 The Sustainability Committee was disbanded on 3 September 2017 and no further fees will be payable from that date.

2 Lisa Myers joined 6 September 2016.

3 Nicky Kinnaird joined 15 November 2016.

Former Director (audited)

		2017			2016		
		Fees	Benefits	Total	Fees	Benefits	Total
Dennis Millard ¹	Non-independent non-executive director and a member of the Nomination Committee and of the Remuneration Committee	£15,801	–	£15,801	£50,865	–	£50,865

1 Dennis Millard stepped down from the board on 12 January 2017.

The total interests of the Chairman and non-executive directors in the share capital of the Company as at 2 September 2017 are shown below.

Director	Ordinary shares held at 3 September 2016	Ordinary shares held at 2 September 2017	Ordinary shares held at 26 October 2017
Sir Ian Cheshire	575,000	625,000	625,000
Terry Duddy	140,000	140,000	140,000
Peter Fitzgerald	–	–	–
Stephen Ingham	74,557	74,557	74,557
Martina King	10,000	10,000	10,000
Dennis Millard (resigned 14 January 2017)	69,455	69,455 ¹	n/a
Mark Rolfe	30,000	30,000	30,000
Lisa Myers (appointed 6 September 2016)	–	–	–
Nicky Kinnaird (appointed 15 November 2016)	–	–	–

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

The information in the table above is audited.

Consideration of matters in relation to directors' remuneration

Remuneration Committee members during the year

Martina King is chairman of the Committee and is joined by Sir Ian Cheshire, Terry Duddy, Stephen Ingham, and Mark Rolfe.

Details of the members' background and experience is provided within their biography on pages 40 to 41.

Director	Position	Number of meetings held and attended during the year (of those eligible to attend)
Martina King, Committee Chairman	Independent non-executive director	4/4
Sir Ian Cheshire	Independent non-executive Chairman	4/4
Terry Duddy ¹	Senior Independent non-executive director	3/4
Stephen Ingham	Independent non-executive director	4/4
Mark Rolfe	Independent non-executive director	4/4

¹ Terry Duddy was unable to attend the meeting held in July 2017 due to a family bereavement.

Role of the Committee

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

Corporate governance

The annual report on remuneration continued

The Committee's main activities during the year

- Approved the recruitment arrangements for Sergio Bucher
- Approved the directors' remuneration report for FY2016
- Reviewed performance against targets for the executive directors' FY2017 bonuses
- Reviewed the operation of the PSP, particularly the performance measures for the 31 May 2017 PSP awards
- Approved a pay increase for the CFO and Group Trading Director. Sergio Bucher elected not to receive a pay rise
- Reviewed the executive remuneration strategy for FY2018 and consulted with shareholders on a new remuneration policy for approval at the AGM to be held in January 2018
- Approved the executive directors' bonus plan for FY2018
- Evaluated the performance of the Committee
- Approved the terms of Suzanne Harlow's severance agreement

Performance evaluation of the Committee

This year's formal evaluation of the Committee was conducted by Lintstock Ltd, and concluded that the quality of the information that the committee receives is high and this enables it to use its time effectively. The experience of the members was rated particularly high in an ever-changing regulatory environment around remuneration.

Advisors to the Committee

In performing its duties, the Committee has received advice from Deloitte LLP ("Deloitte") which acted as external advisor to the Committee throughout the financial year, providing independent advice on directors' remuneration and share incentives. The fees for advice provided to the Committee during the financial year were £59,500.

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

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

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

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

Summary of shareholder voting

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

The following table sets out actual voting in respect of the previous policy and the FY2016 annual remuneration report:

Director	For	Against
2014 directors remuneration policy (2014 AGM)	98.65%	1.35%
2016 annual remuneration report (2017 AGM)	95.46%	4.54%

289,364 and 64,091 votes were withheld in relation to the policy report and annual remuneration report resolutions respectively.

On behalf of the board

Martina King
Chairman, Remuneration Committee
26 October 2017