

RESOURCES, RELATIONSHIPS AND SUSTAINABILITY

Ensuring our ability to endure

No. of factories

941

Female senior management

47%

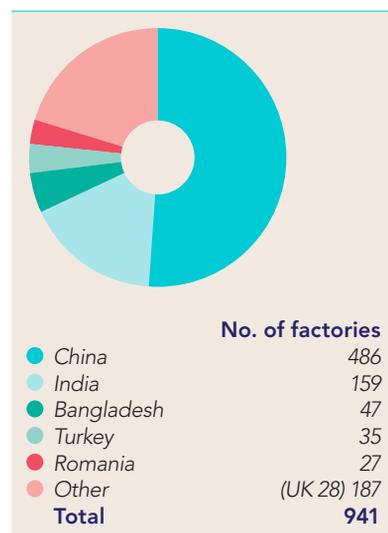
Debenhams Foundation funds raised in 2015

£1.7m

Employee engagement

79%

Top sourcing countries



MANAGING OUR RESOURCES AND RELATIONSHIPS

In order to deliver a compelling customer proposition at great value, our sustainable ethical sourcing strategy underpins everything that we do as a responsible retailer. Our customers have the right to expect that we source and select the highest quality products from suppliers with best practice due diligence and regular audits of ethical compliance and technical capability in line with our code of conduct, conditions of trading and company policies.

We source product from 1,246 suppliers, of which 586 are own brand label suppliers, operating out of 941 factories in diverse markets around the world. Further details can be found on our website: <http://sustainability.debenhamsplc.com/>.

Business sustainability

Our sustainability committee is chaired by Martina King, a non-executive director. The committee is made up of senior executives from key functions across the business. The committee's primary goal is to take a medium to long-term view of the world in which we trade, ensuring that all aspects of our business remain sustainable, enabling us to continue as a successful international retailer and to achieve our strategic targets. Debenhams has been serving our customers for more than 200 years and as global trends impact on our business, we aim to ensure that we will continue to serve our customers for another 200 years.

The committee considers key global trends, the environment and new technologies in order to identify business risks, and opportunities to support our continual development and growth.

GLOBAL SOURCING

Working together, our ethical compliance and corporate responsibility teams, buying function and our global sourcing division ensure a consistent and cost effective flow of goods.

As set out in our policies and conditions of trading, our suppliers and factories must ensure that their employees are paid a fair wage, treated with dignity, not discriminated against or exploited in any way and have a safe working environment. In addition, they undertake not to sub-contract under any circumstances.

We have two overseas offices based in Hong Kong and Bangladesh working with the London sourcing, ethical compliance and quality assurance teams. The Bangladesh office supports our strategy to increase direct sourcing, enabling us to have more direct open working relationships and more flexibility, control and transparency, as well as benefiting from improved margins.

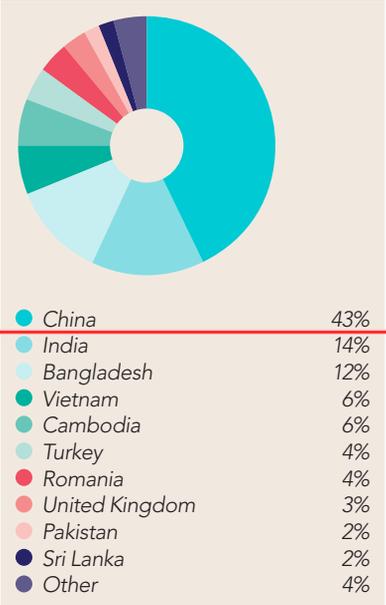
In India, our representative office supports the management of ethical compliance and quality assurance alongside our own sourcing team.

Due to our international and e-commerce growth a revised environmental and chemical policy is due to be published in 2015/16.





Business share by country (%)



▲ Top: Dhaka – BBW factory presentation

▲ Bottom: Dhaka production finishing line

Due diligence and monitoring
 We operate a comprehensive factory approval and audit process. During 2014/15, all 941 factories were audited or re-visited for follow up remediation as part of our ongoing monitoring programme. The audit reports and remediation plans must be approved before any further business with the Company can be transacted. Whilst we recognise the international independent third party audit companies, our nominated audit partner is Intertek (ITS).

We run our own spot check programme, whereby each month factories are randomly selected for unannounced inspections to check for any subcontracting.

During the course of 2014/15, we visited more than 700 factories; the majority of these were unannounced, including factory visits in the UK made by Martina King, chair of the sustainability committee and our Director of Ethical Trade and Corporate Responsibility. We also facilitated a visit to a fully vertical manufacturing site in Bangladesh by a global investment organisation to see first-hand the standard of the factories we partner with and to understand the extent of what is happening on the ground since the tragic collapse of Rana Plaza in 2013.

WORKER WELLBEING
 We have a number of projects in relation to improving the lives of those within our supply chain. In particular, female empowerment and worker wellbeing form two of our key ethical strategies. The following projects we have developed or participate in as wider collaborative retailer initiatives and full details can be found on our website: <http://sustainability.debenhamsplc.com/>

LIFE
 Life Skills for Empowering Women ("LIFE") is a partnership established during 2015 with a health resource NGO in India, Swasti: www.swasti.org. The purpose is to empower female workers by strengthening their life skills, using a peer education approach.

Benefits for Business and Workers ("BBW") programme
 BBW is currently run in Bangladesh and India by Impactt, which is a leading consultancy specialising in ethical trade, human rights, labour standards, gender and international development. Impactt works with retailers, governments and NGOs to maximise positive impact on workers and local communities. The objective of the programme is to train factory management on productivity,

HR practices and treatment of workers. Further details are available on our own website and at www.impacttlimited.com.

ILO Better Work Programme
 We are part of Better Factories Cambodia ("BFC") and Better Work Vietnam ("BWV") which under a partnership between the International Labour Organisation ("ILO") and manufacturers aim to promote rights at work and enhance social protection.

Bangladesh Accord
 We remain a signatory to the Accord and act as Lead Brand to a group of factories in Bangladesh. We continue to support our suppliers and factories to ensure the remediation from the Accord inspections is being completed to ensure worker safety.

Sudokkho skills and employment programme
 Debenhams is the first retailer to be involved in this programme which aims to improve skill levels within factories for the Bangladesh workforce, in coordination with Bangladesh's Ministry of Education and the UK Department for International Development.

DEBENHAMS FOUNDATION
 The Debenhams Foundation was set up in March 2012 to ensure Debenhams has a strong, consistent charitable approach. The aim of the Debenhams Foundation is primarily to raise money for its key charity partners which reflect the causes that Debenhams' customers hold dear. The key charity partners are: Children in Need, Help for Heroes and Breast Cancer Now. In FY2015 the Debenhams Foundation raised £1.7 million. The total funds raised by the Debenhams Foundation since its inception now stands at £3.9 million. Further details on the work and achievements of the Debenhams Foundation can be found at <http://Debenhamsplc.com>.

OUR EMPLOYEES
 Debenhams directly employs around 28,000 people in the UK, Denmark, the Republic of Ireland, Hong Kong and Bangladesh. Debenhams is committed to ensuring that employees or applicants for employment are treated equally regardless of gender, race, ethnic or national origin, religious, political or philosophical beliefs, disability, marital or civil partnership status, sexual orientation, gender reassignment or age.

RESOURCES, RELATIONSHIPS AND SUSTAINABILITY CONTINUED



INDUSTRY PARTNERSHIPS

We are an active member of the BRC and involved in several working groups. Some of the working groups that we participate in, include:

- Environment
- Better Retail Climate
- Ethical Labour
- Modern Slavery
- Timber
- Chemical

Debenhams remains a member of the Ethical Trading Initiative ("ETI"): the ETI Base Code is an internationally recognised code of labour practice. We are involved with various activities such as the Leicester working group, Living Wages, the China working group and in the past 12 months we worked in collaboration with the ETI, other retailers and the Home Office on the Modern Slavery Act 2015.

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

Wherever possible the Company makes reasonable adjustments to ensure that disabled employees are able to work effectively including the provision of equipment, training and adjustment of the work environment or working times.

Gender split at financial year end

	Male	Female
Directors	8	2
Senior management	79	70
All employees	5,603	18,180

Debenhams has a number of policies in place to protect and promote employee welfare and is committed to supporting all human rights in our business operations and in our relationships with our suppliers and other stakeholders.

HUMAN RIGHTS AND MODERN SLAVERY

Respecting human rights across our global reach is a fundamental part of our Company ethics and integrity. We have followed the UN Guiding Principles on Business and Human Rights in order to judge our salient issues and associated risks to our business as an international retailer. We welcome the UK Government's Modern Slavery Act of March 2015 and fully support this legislation, which will help create a level playing field across industry and supply chains. We have already incorporated additional clauses into our supplier conditions of trading, business policies and code of conduct and in due course will publish our Human Rights policy, providing relevant training to employees and our global supply base.

We promote and respect human rights through policy and stakeholder dialogues, and participate in various industry forums and working groups. On 30 March 2015, we held a supplier conference at our head office for all UK suppliers and factories to introduce the Modern Slavery Act 2015. We required our UK supply base to attend workshops on a new initiative of which we are a founding member, alongside other major UK retailers, called Fast Forward. This is to introduce a new audit model, the methodology and preparatory requirements, which at present replaces the industry standard SMETA for the UK supply base. We continue to use the SMETA methodology globally.

As an immediate priority during the remaining part of 2015 we are conducting these audits at each factory in the UK, and inspections will also be conducted for outsourced labour providers. We continue to work closely with the ETI and BRC and remain an active member of the relevant working groups.



Engagement survey

The results of the third annual employee survey "Your Voice 2015" show that our engagement score has improved to 79%. In line with last year, more than 21,000 colleagues participated in the survey.



What has been particularly pleasing is to see some of the gains on both last year and two years ago in the areas where we have had specific management focus or investment. We believe initiatives such as the Learning@Work events, a new performance management process and local "Your Voice" action plans have driven these improvements.

Building employee performance

We launched our goal setting process for all employees in 2013/14, supported by performance-focused goal setting sessions for all managers. The aim is for all employees to clearly see and be rewarded for the part they play in driving the performance of the business for future success. We aim to build on our new performance review process, defining and embedding the Debenhams Success factors as behaviours required from our employees.

Business information and key messages are cascaded to all employees throughout the business via personal briefings and email. Briefings are also held by the Chief Executive and senior management to update employees on the performance of the Company and the Company's strategy. The Employee Consultation Forum, which is attended by elected representatives from stores and head office, is another medium by which employees receive information on the Company as well as giving employees the opportunity to be consulted on certain activities of the business.

Building a pipeline of leaders and managers

We launched a new robust process to define talent throughout the business and to support succession planning. In addition, we launched a new series of development programmes to support talented store employees progressing from sales advisor through to store manager, which has seen over 1,000 non-management staff working towards being the store managers of the future.

For Head Office, our talent development programmes continue to evolve, focusing on areas of growth for the business. Business focused projects have been integrated into development programmes to add continuous learning opportunities as well as build effective cross-functional working.

We are currently participating in the government trailblazer initiative for industries to design and own apprenticeship standards. In addition to our current retail apprenticeships run in key stores we are trialling a food apprenticeship in our restaurants in a sample of stores in the North West.

We have taken business placements from a broad range of top universities. Our business placement participants undergo an intensive training programme, with 60% returning to us on completion of their full time education.

ENVIRONMENT

SCAP – Sustainable Clothing Action Plan and TRAIID

The Sustainable Clothing Action Plan ("SCAP") aims to improve garment sustainability. We are amongst other leading clothing companies that have pledged to measure and reduce their environmental footprint and are a signatory to the SCAP 2020 Commitment. Further details are available on our website. As part of our commitment we have partnered with TRAIID, a charity working to stop textiles and footwear from being thrown to landfill, reducing waste and carbon emissions while raising funds to fight global poverty.

We have launched a head office recycling initiative for staff to dispose of both samples and their own clothing, footwear and accessories. In 2015/16 we aim to operate a customer facing option for stores and online.

Energy efficiency

Debenhams has reported its greenhouse gas ("GHG") emissions since 2008 and reported online to the Carbon Disclosure Project since 2010. We participate in the UK Government's CRC Energy Efficiency Scheme where we are in the top quartile of the CRC league table. Our GHG footprinting, reporting and assurance services are provided by Ricardo-AEA.



▲ Top/Middle: Bangladeshi factory employees

▲ Bottom: LIFE Team training Bangalore employees

RESOURCES, RELATIONSHIPS AND SUSTAINABILITY CONTINUED

"OUR CARBON FOOTPRINT HAS DECREASED BY 1.3%"



Energy efficiency is a key component of our store expansion and modernisation programmes. New stores in Borehamwood and Scunthorpe have benefited from full LED lighting schemes on the shop floor and in the back of house areas, reducing total energy usage by 19% compared with conventional lighting. Following a successful trial at Birmingham Bullring we are investing £2 million in 2016 on initiatives to retrofit LED lighting in a number of stores to reduce our energy consumption whilst also improving the in-store environment for customers and employees.

Logistics

With the continued growth in click & collect and recognising the benefits of an improved service to our stores, we have combined several parts of our delivery operation to provide a cost effective and high frequency delivery model. This allows delivery of all of our own bought click & collect parcels on Debenhams-owned and managed assets, improving cost effectiveness and the quality of the service to our customers. This has additionally provided a more frequent delivery service to our stores enabling faster movement of stock through our supply chain. We have also invested in enhancing our transport telematics tools, providing increased visibility on all movements and improved service monitoring.

We have also contracted with rail freight providers to move as many containers as possible by rail from ports of arrival to our Sherburn Distribution Centre ("DC"). This has successfully generated cost savings as well as reducing CO₂ emissions.

We opened our first overseas distribution hub, in Singapore, in April 2013. We currently process more than 5 million units per year through the facility and service our Middle East franchise partner with direct shipments of more than 65% of their total stock package. Most of our Asian origin stock now ships directly from point of manufacture via Singapore into the relevant Middle East market.

This has delivered both significant cost savings and improved lead times, as well as reduced CO₂ emissions and shorter travel distance. It will also add to our DC sustainability project by diverting volume from our prime UK DCs.

We plan to extend the use of this facility by adding more franchise partners in the region.

Waste management

Debenhams is committed to minimising the amount of waste generated not only to improve our environmental footprint, but also to make financial savings. Our aim was to send zero store waste to landfill by January 2014. We have achieved 94% which is a 38% increase since 2011 and 101 stores are at 100%. To help drive down the 6% landfill diversion we have worked with new partners to assist us to divert our by-product. For example, our collaboration with Dulux Paints has enabled us to reduce costs and take advantage of their take back scheme, where the paint is either recycled or used within community projects.

GREENHOUSE GAS "GHG" REPORT 2014/15

Debenhams has reported its GHG emissions for its UK, Irish and Danish operations since 2008. Since then its footprint boundary has evolved to include areas such as other international offices, packaging, hanger (production and recycling) waste and production of catalogue, brochure and direct mail. This section provides a breakdown of our GHG emissions for this year. For further details of our GHG emissions visit our website: <http://sustainability.debenhamsplc.com/>.

Supported by Ricardo-AEA, we have applied the GHG Protocol Corporate Accounting and Reporting Standard 2013 and the UK Government Conversion Factors for Company Reporting to calculate our carbon emissions. Our GHG emissions are reported in line with the Group's financial year.

This year, based on the data provided, our overall carbon footprint has decreased by 1.3%, from 193,365 tonnes CO₂e in 2014 to 190,930 tonnes CO₂e in 2015. A breakdown of this is shown in figure 1.

The decrease in overall emissions is mainly due to a reduction in electricity consumption both in terms of energy measured in kWh and in emissions measured in tonnes CO₂e. The increase in Scope 1 emissions this year reflects newly available refrigeration emissions. Scope 3 emissions have increased due to the inclusion of a new emission source, the production of catalogue, brochure and direct mail.





We will continue to capture more emissions sources in the future. In addition, we will continue to invest in projects that will further support the reduction of our footprint and environmental impacts. This year we invested £739,628 across energy efficiency projects such as lighting, heating, cooling and controls, with additional investment planned in for 2015/16.

Figure 1: Scope 1, 2 and 3 absolute GHG emissions shown in tonnes CO₂e

	2010/11	2011/12	2012/13	2013/14	2014/15
Scope 1	22,198	14,850	17,786	15,989	19,668
Scope 2	149,732	144,536	139,607	149,068	139,354
Scope 3	28,418	19,071	16,687	28,308	31,908
Total	200,348	178,457	174,080	193,365	190,930

Scope 1: Direct CO₂e emissions sources such as gas and oil consumption, business travel and refrigeration.

Scope 2: Indirect CO₂e emissions from the consumption of purchased electricity, heat or steam.

Scope 3: Other indirect CO₂e emissions from sources such as transport of goods in vehicles not owned or controlled by Debenhams, water consumption and waste disposal.

Emissions data are made more meaningful when compared to a core business variable. We have used intensity ratios for both the total footprint using the annual GTV and premises floor area. Figure 2 shows the total annual GTV and floor area for the whole business. The total absolute emissions are then divided by these figures to provide tonnes of CO₂e per million pounds of GTV and tonnes of CO₂e per square metre of floor area, respectively, as shown in figure 3.

These tables show that the GTV and floor area have increased this year; and yet the intensity metrics have decreased.

Figure 2: Data used for intensity measurements

	2010/11	2011/12	2012/13	2013/14	2014/15
GTV (£m)	2,640	2,708	2,777	2,824	2,860
Total floor area* (m ²)	1,931,449	1,838,924	1,808,398	1,850,874	1,894,926

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

Figure 3: Assessment of absolute footprint emissions

Assessment	2010/11	2011/12	2012/13	2013/14	2014/15
Absolute emissions (tCO ₂ e)	200,348	178,457	174,080	193,365	190,930
Absolute tCO ₂ e/£m GTV	76	66	63	68	67
Absolute tCO ₂ e/m ²	0.104	0.097	0.096	0.104	0.101

Overall, with stringent monitoring management we expect to continue to show improvement in these metrics in the next five years, and continue to contribute positively to the Better Retailing Climate as part of our drive to save energy and protect the environment.

STRATEGIC REPORT

The strategic report was approved by a duly authorised committee of the board of directors on 21 October 2015 and signed on its behalf by:

MATT SMITH
CHIEF FINANCIAL OFFICER
22 OCTOBER 2015

