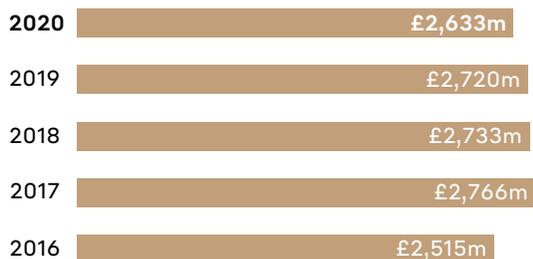


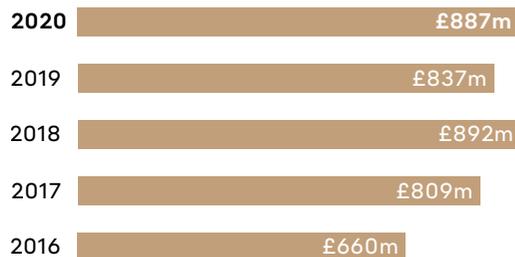
STRATEGIC REPORT

FINANCIAL AND OPERATIONAL HIGHLIGHTS

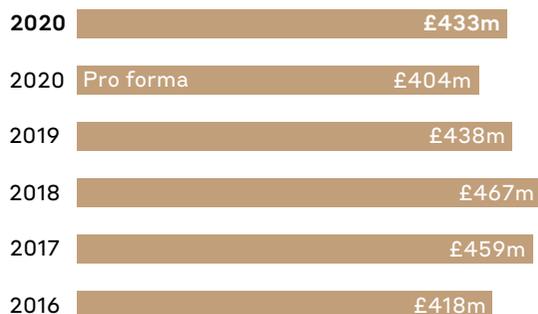
REVENUE



CASH (NET OF OVERDRAFTS)*



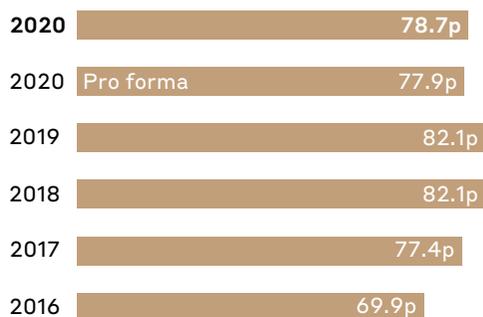
ADJUSTED OPERATING PROFIT



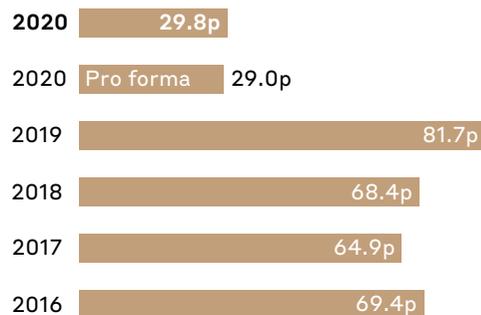
OPERATING PROFIT



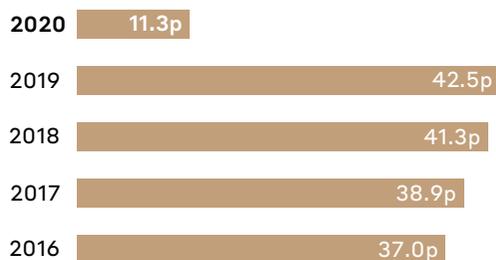
ADJUSTED DILUTED EPS



EPS

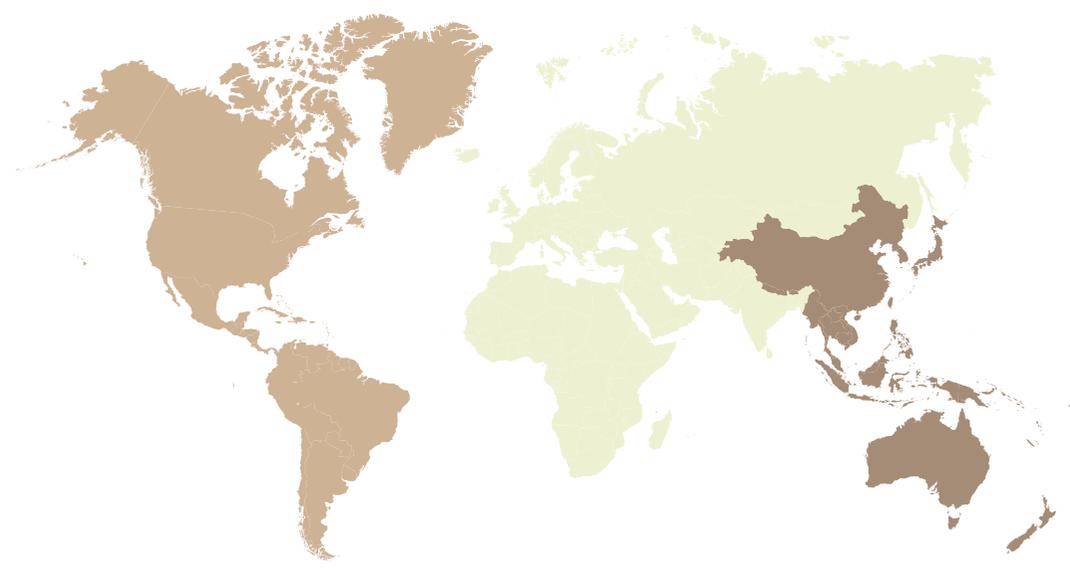


DIVIDEND PER SHARE



Alternative performance measures, including adjusting measures, are defined on page 88. Pro forma is an estimation of the FY 2019/20 results when applying the previous accounting standard for leases, IAS 17 Leases, to be consistent with FY 2018/19 reporting.

* Cash of £887m at March 2020 includes £300m drawn from the Group's revolving credit facility in March 2020.

REVENUE BY REGION^{1,2,3}

Americas
£585m, -7% at CER
Number of stores
91

EMEA
£960m, +1% at CER
Number of stores
131

Asia Pacific
£1,041m, -6% at CER
Number of stores
199

REVENUE BY CHANNEL

Period ending £m	28 March 2020	30 March 2019
Retail	2,110	2,186
Wholesale	476	488
Licensing	47	46

REVENUE BY PRODUCT²

Retail/wholesale revenue by product division

Period ending £m	28 March 2020	30 March 2019
Accessories	948	1,013
Women's	796	837
Men's	715	698
Children's, Beauty and other	127	126

1. All references to revenue growth on pages 4 and 5 are presented at CER. See page 85 for reconciliation to total revenue.

2. Retail/wholesale revenue.

3. For more detail on performance see page 84.



GERRY MURPHY
Chairman

CHAIRMAN'S LETTER

DEAR SHAREHOLDER,

Our world is experiencing a period of unprecedented turmoil. The COVID-19 pandemic is a painful moment in history that is testing us not only as individuals, but also as families, communities, businesses, nations and as a global society.

How we respond to these challenges speaks to the essence of who we are. I am particularly proud of Burberry's response to the pandemic. Under Marco Gobbetti's leadership, the resilience and fortitude of our employees shows a strength of purpose that is rooted deep in the Company's heritage and values.

PURPOSE

Before the outbreak of COVID-19, work was already underway to articulate Burberry's purpose. In today's increasingly complex world, we wanted to be able to express in a few simple words our reason for being. After extensive research involving almost half of our employees, we agreed that the simple phrase "Creativity Opens Spaces" is the perfect way to express Burberry's longstanding commitment to innovative thinking and the endless possibilities offered by that mindset. Our purpose is our North Star which connects all our employees around the world. We know that companies with a strong sense of purpose perform better, uniting everyone in common values. Therefore, underpinning our purpose, we have four core values: creatively driven; open and caring; proud of our heritage; and forward thinking. We believe in the power of creativity and we are passionate about what we do. In a virtuous circle, our teams at Burberry find inspiration in our history and archive as they create our future.

Today, ingenuity is needed more than ever as we come to terms with new realities. We are currently adapting to respond to a global crisis while staying true to our purpose and relying on our ability to devise creative solutions to challenges that were previously unimaginable. Looking through this crisis, I am certain that our creativity and agility will be fundamental to our growth and development as we navigate the dynamic potential of the global luxury market in the years to come and that creativity will continue to open spaces for the Burberry of the future.

COVID-19

In line with our purpose, we continue to explore new ways of making a positive impact on the health and wellbeing of our employees and other stakeholders. This could not be more pressing during these uncertain times. As Marco mentions in his letter, and also referenced in detail on pages 56 to 58, I'm very proud that Burberry responded quickly to the developing crisis and re-tooled our historic Castleford factory in Yorkshire to produce personal protective equipment for frontline healthcare workers.

PROGRESS

At the time of the initial COVID-19 outbreak in early 2020, we were approaching the successful conclusion of the first two-year phase of our strategy. We had made significant inroads in aligning our distribution network with our luxury ambitions and the energy and momentum in all parts of Burberry was palpable, as I had the pleasure to witness during my visits to our stores, offices and logistics hubs across Europe, the Americas and Asia. We can be proud of those achievements and we continue to believe that our strategy is the right one. Given today's uncertain global outlook, however, we will be as agile and flexible as we need to be to ensure we safeguard our business and protect our stakeholders wherever possible.

REMUNERATION

Our new Remuneration Policy, which will be presented to shareholders for approval at the Annual General Meeting in July 2020, is set out on pages 161-171.

Orna NiChionna, Chair of our Remuneration Committee, conducted an extensive engagement programme, engaging with shareholders controlling around 60% of our issued share capital. We are very grateful for their feedback, which is reflected in our latest proposals which also take into account the current environment. Orna's letter on pages 151 to 158 provides more detail regarding our proposed policy and the consultation process and we look forward to receiving your support.

BOARD CHANGES

Stephanie George and Ian Carter retired from the Board in July 2019. On behalf of the Board, I thank them for their service and wise counsel and wish them well in all their future endeavours. It is my pleasure to welcome Debra Lee and Sam Fischer, who joined the Board as Independent Non-Executive Directors in October and November 2019, respectively. Debra and Sam bring to our Board new perspectives and experiences that I'm certain will add to our diversity of thought as we navigate the many challenges and opportunities ahead.

“We continue to believe that our strategy is the right one. Given today's uncertain global outlook, however, we will be as agile and flexible as we need to be to ensure we safeguard our business and protect our stakeholders wherever possible.”

Jeremy Darroch has informed the Board that he will not stand for re-election at the Company's forthcoming Annual General Meeting. On behalf of the Board I would like to thank him for his dedication and wish him well for the future. Dame Carolyn McCall will assume the role of Senior Independent Director with effect from the Company's Annual General Meeting on 15 July 2020.

As always, I am very grateful to my fellow Board members for their wisdom and steadfastness, especially during this extraordinary period. I would also like to thank the entire Burberry management team, our employees, our investors and the wider Burberry community for their commitment and determination. We remain confident in our direction and, guided by a newly re-imagined sense of our purpose, we will continue to work together to deliver the potential of our iconic brand.

GERRY MURPHY
Chairman





MARCO GOBETTI
Chief Executive Officer

CEO'S LETTER

“Now more than ever, our strategy to anchor Burberry firmly in luxury fashion is key.”

DEAR SHAREHOLDER,

Recent months have been unlike any others I have experienced at Burberry, or indeed in my career. The COVID-19 pandemic has created upheaval on a global scale while changing the smallest details of our everyday lives and I would like to express my deepest sympathy to anyone who has been personally affected by the virus.

At the time of writing, many of us at Burberry are still working remotely but I am pleased to confirm that the energy, passion and commitment of our teams remain undimmed. Technology is enabling us to be more connected than ever and we have a robust plan in place to navigate the next 12 months.

Prior to the outbreak of the disease, we were on track to move to the second phase of our transformation. We had strong momentum around our brand, building heat through high-impact campaigns and immersive experiences. The consumer response to our product was very positive, with new collections delivering double-digit growth on the prior year and our new leather goods styles performing well. We made good headway aligning our distribution network to our new creative vision, while opening new flagship stores in key cities such as Tokyo and Beijing and completing the transition of our US wholesale to luxury fashion. In digital, we built on our leadership position, innovating with games and our B Series product drops, which drove record consumer engagement.

This contributed to sales growth in the first nine months of the year that was ahead of our expectations, despite the challenges in Hong Kong S.A.R.

The global health emergency has inevitably checked some of our momentum and led to a material impact on our business in the fourth quarter. By the end of March, we had closed 60 percent of our retail stores. Our factories and distribution centres were either shut or operating at reduced capacity and the majority of our office-based teams were working remotely.

FY 2019/20 PERFORMANCE

As a consequence, we delivered FY 2019/20 results that were significantly below where we had expected to be by the end of the financial year.

- Revenue was £2.6 billion, down 3% at reported rates, and 4% at constant exchange rates (CER).
- Adjusted operating profit on a pro forma* basis was £404 million, down 8% at CER.
- Reported operating profit was £189 million, down 57%, after charging £244m of adjusting items, predominantly related to asset impairments resulting from the expected impact of the pandemic on our future trading.
- Pro forma* adjusted diluted earnings per share (EPS) was 77.9p, down 5% at CER.
- Diluted EPS was 29.8p, down 64%.

RESPONDING TO COVID-19

The progress we made over the past two years has enabled us to respond quickly and adapt our business. Our enhanced brand and product offering, as well as our digital strength, have also made Burberry more resilient as we navigate these challenging times. Now more than ever, our strategy to anchor Burberry firmly in luxury fashion is key.

We took swift action to contain costs and protect our financial position, while reallocating resources to focus on growing markets and in preparation for a rebound. We created new ways and opportunities to deepen our connection with consumers, leveraging our digital capability. Throughout, we prioritised the safety and wellbeing of our teams, our customers and our partners.

At the same time, we looked beyond Burberry, mobilising our business to support the relief efforts. We contributed to funding emergency vaccine research at the University of Oxford. We made significant donations to charities alleviating food poverty and we set up the Burberry Foundation COVID-19 Community Fund to raise additional contributions globally.

We also retooled our trench coat factory in Castleford to manufacture personal protective equipment (PPE) for medical and care workers and sourced surgical masks through our supply chain. By the end of May, we had donated more than 150,000 pieces of PPE to the UK's National Health Service and healthcare charities, and this number has been growing by the thousands daily.

I would like to give special mention to our inspirational teams in Castleford, our mill in Keighley and our distribution centre in Blyth for their support towards the relief efforts. I am humbled by the way they have continued Thomas Burberry's legacy of protecting others and caring for the community.

OUR PURPOSE AND VALUES

In such unprecedented circumstances, it has been vital for us to understand why we do what we do and why that matters. As the Chairman noted in his letter, Burberry's purpose reflects our shared belief that creativity has the power to open spaces – for ourselves, for our customers and for our communities. This was our founder's outlook. Being creatively driven, open and caring, proud of our heritage and forward thinking describe Burberry at its best, from Thomas Burberry to today, and never have such values been more relevant. Our purpose is our North Star and it will continue to guide us.

Creating a culture that is truly open and inclusive is part of this. We want to ensure that our working environment and practices create the best possible professional experience for our employees and a sense of belonging so they all feel supported and encouraged to succeed, particularly during times of change. During the course of the year, we set up internal and external councils to support these goals and ensure we continue to evolve. In addition, we launched a new global parental leave policy, setting a coherent and equitable approach in all markets.

We also continued to drive positive change and build a more sustainable future, making good progress on our Responsibility Agenda. This included launching a Regeneration Fund to help further reduce our carbon footprint; working with cotton growers in the USA to develop a fully-traceable organic cotton supply; and rolling out dedicated sustainability product labelling across all key-product categories so our customers could better understand our environmental credentials.

LOOKING AHEAD

Although it is impossible to determine the precise course of the pandemic and its economic consequences, we are well prepared for a range of potential outcomes.

We have a strong set of initiatives in place to continue to excite and inspire our customers and maintain brand heat, which has remained strong. We are building bespoke plans for each market, rapidly reallocating resources towards rebounding economies. Given decreased travel, we have also intensified our focus on local consumers to meet domestic demand.

* Pro forma result is an estimation of the FY 2019/20 results when applying the previous accounting standard for leases, IAS 17.

“I would like to give special mention to our inspirational teams in Castleford, our mill in Keighley and our distribution centre in Blyth for their support towards the relief efforts. I am humbled by the way they have continued Thomas Burberry’s legacy of protecting others and caring for the community.”

We are encouraged by the early signs in Mainland China and South Korea, which, within weeks of reopening have returned to positive growth. Our rebound in these markets has been supported by the strong brand positioning we hold there. With COVID-19 accelerating the connection between online and offline, we are particularly excited about the launch of our new social retail store in Shenzhen with Chinese technology leader Tencent later this year. We believe this will be a fundamental testing ground for the new way in which consumers will experience our stores.

Creating new ways of reaching our customers, such as through live streaming and remote selling, will remain critically important over the next few months as lockdowns gradually ease and consumers slowly regain their confidence.

Digital, where we have seen strong double-digit increases in demand throughout the crisis, will also be transformational. We will continue to focus here, driving performance through large scale, immersive activations and innovations, including gaming and through WeChat Work, part of our collaboration with Tencent.

In terms of product, we will extend our Spring and Summer seasons to make up for lost trading and adjust the timeline for our Autumn and Winter deliveries to optimise sales of the collections when they arrive in store. We will continue to engage customers through our upcoming capsules and building on the good trajectory we have established, leather will remain an important part of our offer.

All our efforts will be underpinned by rigorous financial discipline to maintain and secure liquidity as required, while leaving space for investment as markets recover.

I would like to thank our teams worldwide for their dedication and resilience over the past year. It will take time to heal from this terrible pandemic but I believe our customers will look to Burberry to make them dream again. It is up to us to surprise and delight them through ingenuity, innovation and above all beautiful product. Witnessing the resourcefulness and creativity of our teams in recent months, I am confident that we will as we focus on securing our position in luxury fashion.

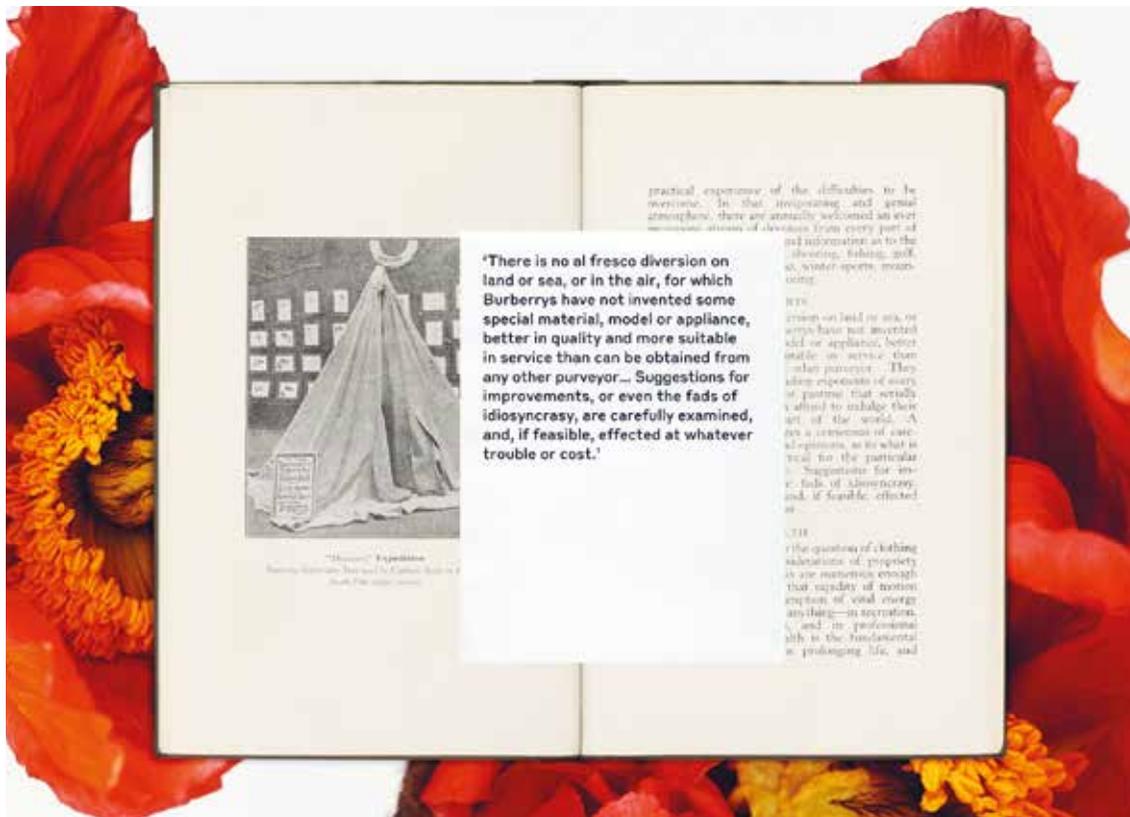
On behalf of everyone at Burberry, I hope that you, our shareholders, and your loved ones keep safe and healthy as we navigate these extraordinary times.

MARCO GOBBETTI
Chief Executive Officer

CREATIVITY OPENS SPACES



Our purpose statement, Creativity Opens Spaces, is our North Star, a thread, which connects us with our past as we forge our future. Giving space to creativity has opened a myriad of opportunities for Burberry from its early days under our founder, Thomas Burberry, through to today. From the invention of gabardine to the exploration of augmented reality-enhanced retail, allowing creativity to thrive is integral to how Burberry operates as a Company. By allowing our purpose to guide us, we remain true to Burberry's reason for being and set the Company apart from its peers.



OUR PURPOSE

OPEN SPACES

Thomas Burberry's Open Spaces manifesto, which was published posthumously around 1930, set out his vision for the brand and shared early customer testimonials. The phrase "open spaces" had a dual meaning. Firstly, it referred to the tiny pockets of air found within the weave of gabardine, the fabric he invented, which revolutionised rainwear by being at once breathable, weatherproof and hard wearing. It also described the freedom his products gave to the pioneering men and women who wore Burberry clothing, including explorer Sir Ernest Shackleton and aviator Betty Kirby-Green, and the open spaces they explored. We have reinterpreted this phrase to speak to the desire to open new spaces and opportunities.

OUR PURPOSE AND VALUES

Our purpose is encapsulated in the phrase Creativity Opens Spaces and alludes to our enduring belief in the power of creativity to open new possibilities. Grounded in our heritage and culture, our purpose underpins the choices we make for Burberry today and informs our long-term goals.

Over the last year we have worked together as a Company to articulate that purpose, which has guided the business from when it was founded by Thomas Burberry to today, and express succinctly why Burberry exists and why what we do matters.

We know that companies with a strong sense of purpose perform better, attract talent and are more trusted by customers. In a fast-changing world, we felt it was particularly important to be clear on the unchanging core of our business. Our goal was not to create a new purpose

for Burberry, but to articulate the existing belief that guides the business.

Given our conviction that a company's purpose is enduring, we took a two-pronged approach to our research. We turned to the Burberry archive, and Thomas Burberry's book in particular, to explore Burberry's roots, and to our employees and stakeholders to understand their thoughts on its present and future. It was important to us to make our purpose journey as inclusive as possible, inviting the whole organisation to take part. We crafted an approach that combined traditional methods of input, for example archival research, global surveys and focus groups, with more creative information gathering, like doodle walls. We were delighted by the response with almost half of the organisation offering their opinion.

Burberry's purpose became a popular subject of discussion at Company gatherings, including global retail conferences, town hall meetings and on our intranet site. A Purpose Box, a letterbox where employees could "post" their thoughts about our purpose, travelled around Burberry locations and collected 2000 handwritten note cards. We had over 4000 responses to our survey. Focus groups exploring the topic attracted 500 attendees and 150 purpose-themed doodle walls sprang up across our offices and store networks globally. Feedback on our findings was shared regularly via Company-wide email blasts and through our intranet site, which encouraged ongoing dialogue on the subject.

Senior executives were interviewed at several points throughout the process. Members of our Board were involved in purpose discussions at the beginning of the



CREATIVELY DRIVEN

- We find beauty in every detail
- Put passion and creativity in everything we do
- Committed to excellence
- Challenging the ordinary to pursue the extraordinary

See page 36



OPEN AND CARING

- Harnessing strength in diversity
- United to achieve common goals
- Responsible, guided by our conscience
- Upholding a legacy of respect and inclusivity

See page 42

journey and submitted note cards to our Purpose Box. In addition, they took part in an immersive working session held at Horseferry House, reviewing the global findings and shaping the final output. To ensure our articulation was robust and built on a range of perspectives, we also spoke to experts, long-standing partners, industry luminaries and customers.

WHAT WE LEARNED

While feedback on what makes Burberry unique came from all over the world, in different languages and touched on everything from our British heritage to our work with goat herders in Afghanistan, a small number of themes were repeated time and again, including the enduring resonance of Thomas Burberry and his story. Indeed, with creativity and innovation among the core themes highlighted by our purpose journey’s findings, Thomas Burberry’s pioneering vision is as relevant to the brand today as when he founded the Company.

Buoyed by our close inspection of the Burberry archive and our belief that Burberry always has and always will be fuelled by the power of creativity, we articulated Burberry’s purpose with the statement, Creativity Opens Spaces. It is a shared belief that through creativity we can push boundaries and explore new possibilities for ourselves, our customers and our communities.

In addition to our purpose, our research journey identified four values, which are intrinsic to Burberry’s DNA and express who we are when we are at our best. These values, listed in the blue boxes on this and the previous page, have been introduced to the business alongside our purpose. They express what we expect from ourselves and each other.



PROUD OF OUR HERITAGE

- Inspired by our past, as we create our future
- Globally minded, learning from others
- Championing contrasts from royals to rebels
- Representing Britain on the global stage

See page 46

“I think one of the things that makes Burberry different is that we’re always looking forward – experimenting, trying new things and pushing boundaries.”

BURBERRY EMPLOYEE

“We were born from creativity and invention. That spirit is deep within us.”

BURBERRY EMPLOYEE



FORWARD THINKING

- An open space for imagination
- Free to explore, push boundaries, pioneer
- Unafraid to stand out
- Our creativity drives us forward

See page 50

OUR PURPOSE CONTINUED

THOMAS BURBERRY 1835-1926

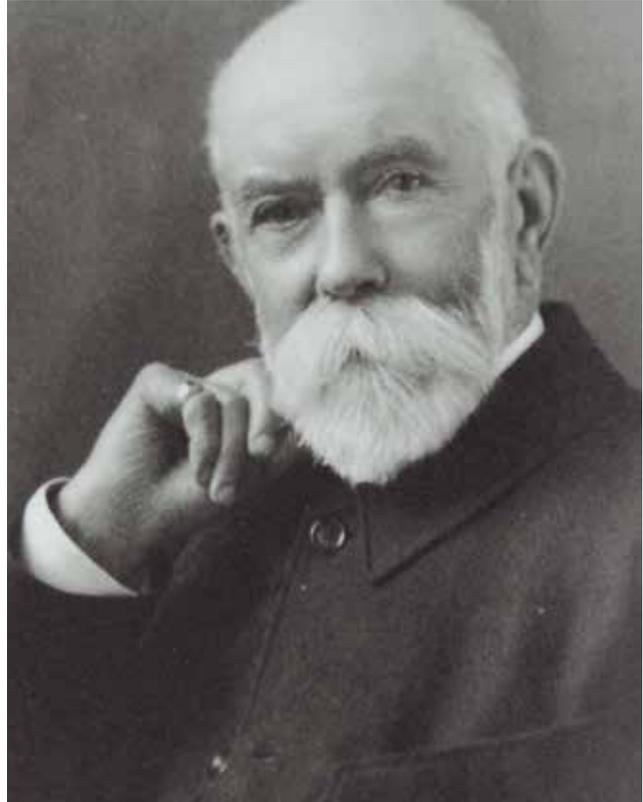
Thomas Burberry was just 21 years old when he founded his outfitting business in Basingstoke, England. However, it was in 1879 that he secured his legacy as a visionary and innovator with his invention of gabardine. Before the advent of the fabric, outerwear worn to protect against the often inclement British weather tended to be made from rubber, oil and wax. After hearing from a doctor that it was better to get wet through rather than stay dry in such clothing as it was odorous, hot and believed to induce ill-health, Thomas Burberry set out to create a breathable and weatherproof alternative. His invention, gabardine, revolutionised rainwear. The open spaces in the weave of the fabric allowed airflow and made for lightweight and comfortable garments.

Such was the fabric's reputation that in 1893 Norwegian polar explorer, zoologist and recipient of the Nobel Peace Prize, Dr Fridtjof Nansen, took Burberry gabardine with him when he set sail bound for the Arctic Circle. Many more explorers and adventurers turned to Burberry gabardine in the years that followed. Gabardine is still used in the manufacture of Burberry Heritage Trench Coats today.

Affectionately known as "Old Tom", Thomas Burberry was described by his employees as "the kindest of chiefs". During his lifetime he devoted significant time to humanitarian causes and gave generously to local charities. He was considered to have been thoughtful and ambitious, and was said to have conducted his career through "straightforward dealings and sound principles".

He retired in 1917 but remained on the Board of Burberrys Ltd until his death in 1926 at the age of 90.

In 2018, we refreshed our logo for the first time in 20 years and revived the Thomas Burberry Monogram, which celebrates our heritage and pays homage to our founder.



THOMAS BURBERRY
Founder

“The firm’s progress was due not only to the assistance it was able to give explorers and pioneers in all parts of the world, but to its ability to meet the everyday wants of ordinary men and women, engaged in the less formidable pursuits of pleasure or duty, but nevertheless subservient to the daily necessity of trying to solve the meteorological conundrums of our island Sphinx.”

THOMAS BURBERRY, OPEN SPACES, PAGE 32

BUSINESS MODEL

RESOURCES

EMPLOYEES: Our employees are our primary asset. We nurture and invest in their development, while creating unity around our purpose.

CUSTOMERS: The relationship we have with our customers is critical to our success. We strive to understand them, meet their needs and deepen our connection with them.

STORES: Our global network of stores and our e-commerce platform enable us to serve and interact with customers. We continue to enhance the luxury experience we provide to ensure it is aligned with our brand vision.

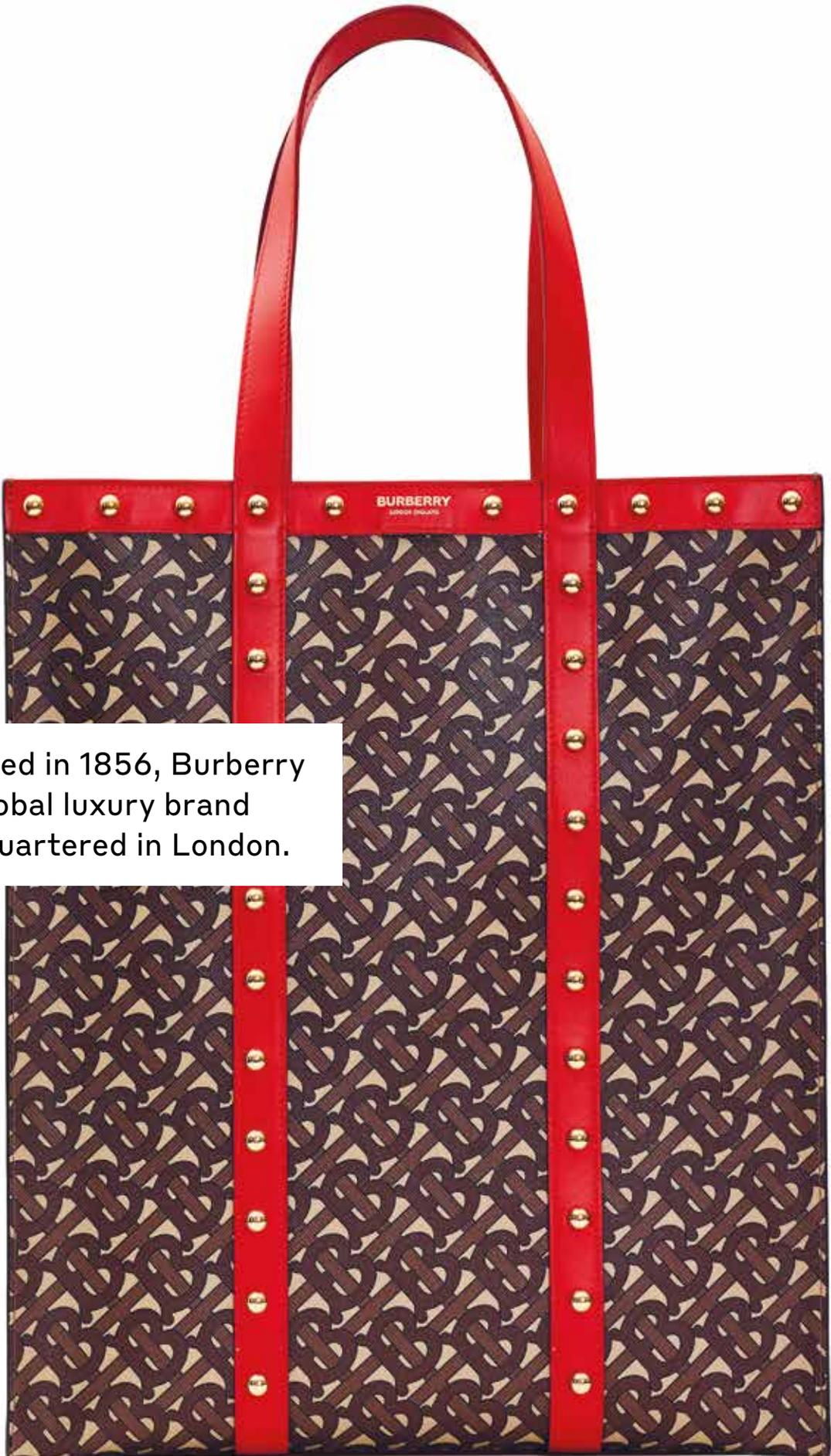
MATERIALS: Raw materials are one of the top resources we need to create our product. We are acutely aware of our environmental impact and work towards its reduction.

FINANCIAL: Burberry Group plc is listed on the London Stock Exchange and is a member of the FTSE100 index. We invest appropriately in the business to deliver growth and shareholder value.

BRAND: Burberry is one of the most recognised luxury brands globally. Our brand, its iconic and seasonal designs, and its intellectual property are protected across the world.

MANUFACTURING: A large proportion of the manufacturing of our products, at Burberry-owned and third-party locations, takes place in Europe. We weave gabardine at our mill in Keighley and make our iconic Heritage Trench Coats in Castleford, both in Yorkshire, UK. We also own a leather goods centre of excellence in Italy and work with a network of suppliers globally.

RELATIONSHIPS: We value the relationships we have with suppliers, partners, governments and regulators. We adopt an open and collaborative approach to working with them and other stakeholders.



Founded in 1856, Burberry is a global luxury brand headquartered in London.

WHAT WE DO

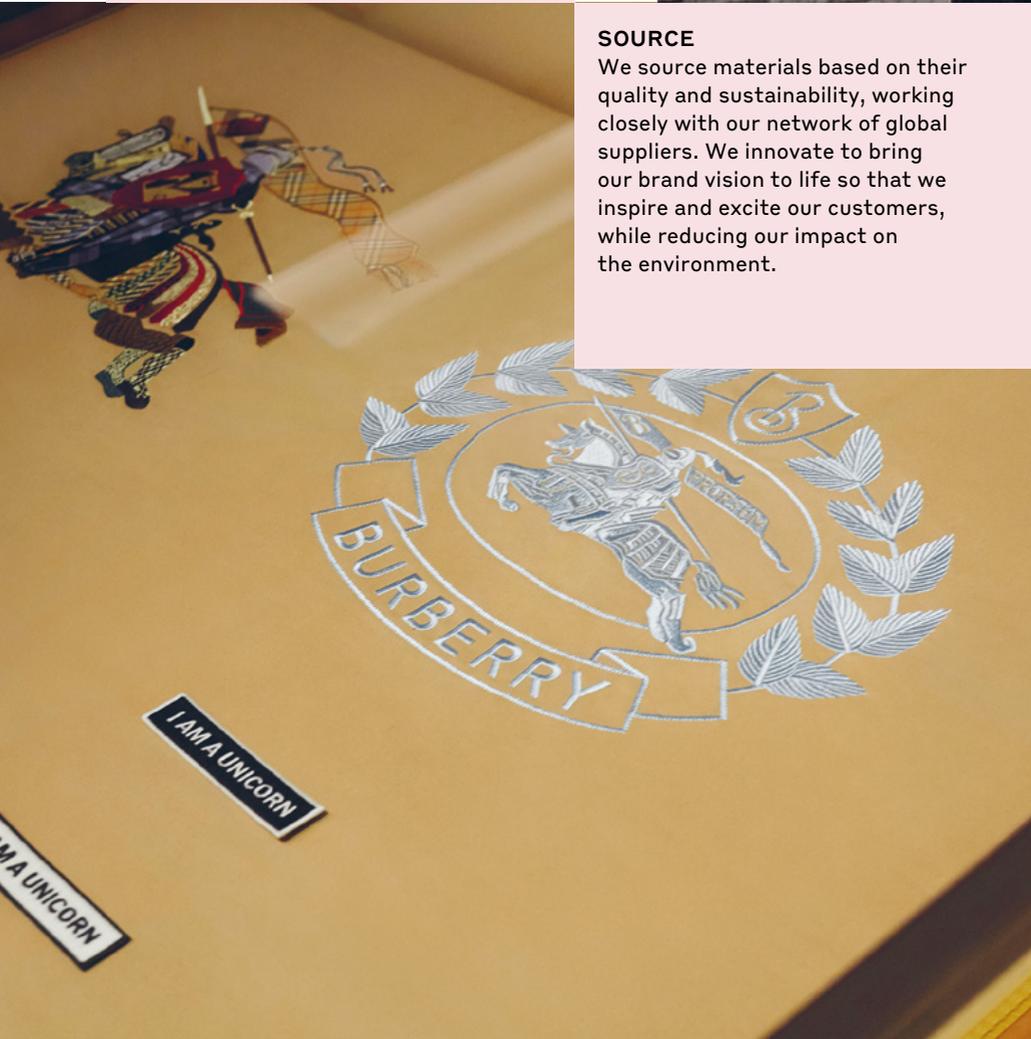
DESIGN

Several functions within our business, including design, strategy, marketing and sustainability, are involved in the earliest stages of product development. Having a cross-functional approach ensures we remain relevant to our customers and meet our sustainability goals while enabling us to deliver maximum value and control costs.



SOURCE

We source materials based on their quality and sustainability, working closely with our network of global suppliers. We innovate to bring our brand vision to life so that we inspire and excite our customers, while reducing our impact on the environment.



MAKE

We manufacture our products at both Burberry-owned and third-party locations. We continue to invest in product to drive improvements in quality, as well as focus on reducing, reusing and recycling the waste we create, while looking for innovative solutions to move towards a circular business model.

VALUE ADDED



SELL

We sell our products through our stores (directly operated and franchised), online and through wholesale partners. In a few select areas, such as Beauty and Eyewear, we use the product and distribution expertise of licensing partners. Our creative, marketing and communications teams ensure that product is at the heart of all that we do and build a connection with our customers through innovative and inspiring content and experiences.

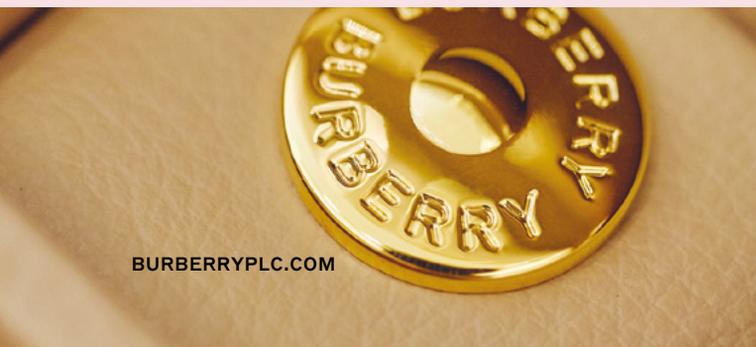
EMPLOYMENT: Burberry's business activities generate income and career development for our employees.

CUSTOMER EXPERIENCE: We create beautiful and distinctive products of the highest quality, representing the best of British fashion. To inspire and excite our customers, we create opportunities to engage with Burberry in innovative ways.

OPERATIONAL EFFICIENCY: We manage the business dynamically to achieve sustainable growth. This includes focusing on operational efficiency, strategic initiatives and responsibility.

COMPANY VALUE: Our framework for long-term value creation centres around three major pillars, which are revenue growth, operating margin accretion and capital efficiency. Shareholders benefit from the growth of our profits and cash returns. Read more on pages 22 to 23.

CONTRIBUTING TO LOCAL ECONOMIES AND PARTNER VALUE: Operating across the world, we know we contribute to local economies and support the communities around us. We are adding value to societies both directly and indirectly through our business operations and by partnering with NGOs on community programmes.



A STRONG INVESTMENT

Our framework for long-term value creation centres around three major pillars: revenue growth, operating margin accretion and capital efficiency.

REVENUE GROWTH

Burberry operates in the luxury goods sector, where industry growth tends to deliver ahead of overall global Gross Domestic Product (GDP) growth per annum. Our ambition, in the medium term, is to drive towards high single-digit top-line growth. To enable us to achieve this, we have four strategic pillars supporting revenue growth. These are summarised below.

PRODUCT

Evolve our product offer to signal change and attract additional luxury consumers.

COMMUNICATION

Develop our communications approach to be led by product and tailored to social channels.

DISTRIBUTION

Transform our distribution to achieve a network that is consistent with our luxury positioning.

DIGITAL

Revolutionise our digital proposition, finding new and exciting ways to engage customers by editorialising our website and displaying highly curated product assortments and personalised stories.

ADJUSTED OPERATING PROFIT MARGIN ACCRETION

Burberry generated an adjusted operating profit margin of 16.4% in FY 2019/20. In the medium term, our ambition is to deliver meaningful adjusted operating profit margin improvements each year. There are two significant factors underpinning our ambition, which are summarised below.

OPERATING LEVERAGE

Leverage the fixed and semifixed cost components of our operating expenses.

COST-EFFICIENCY PROGRAMME

Work more efficiently and effectively, including adapting our approach to procurement, to generate cost savings. Our current cost-savings programme aims to deliver £140 million annualised cost savings by FY 2020/21.

This will be achieved by driving simplification and efficiency through our organisation, including optimising back office functions, generating procurement savings, and through technology initiatives that increase our business agility.

CAPITAL EFFICIENCY

Burberry has a capital allocation framework, which prioritises use of cash, while maintaining an appropriate capital structure for the business. While this framework remains unchanged, given the uncertainty resulting from COVID-19, in the short term we are taking a prudent approach, looking to focus on business resilience and securing our liquidity as set out on page 90. Although this has temporary implications for the application of the framework, which are detailed on page 90, our target is to maintain a strong balance sheet with solid investment-grade credit metrics. Our uses of cash are summarised below.

REINVEST

Reinvest for organic growth.

DIVIDEND

Pay progressive dividend.

STRATEGIC INVESTMENT

Invest in strategic initiatives.

CAPITAL RETURNED

Return excess cash to shareholders.

LUXURY MARKET ENVIRONMENT

THE LUXURY SECTOR

In 2019, the luxury market grew by 4%, continuing the positive trajectory of 2018 (5%).¹ Throughout the calendar year, all regions performed well, with the exception of Hong Kong S.A.R., where disruptions affected the retail environment.

GEN-Z AND MILLENNIAL CUSTOMERS

Growth was fuelled by Gen Z and millennial shoppers, while Chinese customers continued to increase their share of the overall market. Gen Z and millennial customers have specific expectations: they have a constant appetite for newness, seek an ongoing conversation, and prefer brands that can speak to them in an authentic way. While they seamlessly blend online and offline channels to get inspiration and research brands, they still prefer to purchase luxury items in stores.

Chinese demand for luxury goods, which accelerated in the year, was driven by shifts in demographics, including the increase of the affluent middle class and a growing willingness to purchase luxury.

THE IMPORTANCE OF INSPIRATION

The inspiration phase of the purchase journey has become key to the customer's luxury experience: globally, customers spend 50% of their purchase journey in the discovery-and-search phase. To be inspired, they are seeking an emotional connection with brands through meaningful storytelling. As customers become more socially and ethically aware, they are increasingly receptive to brands that are in tune with their values and communicate these coherently across their channels.

BLURRING THE LINES BETWEEN ONLINE AND OFFLINE

Integration between online and offline channels has also grown in importance in luxury fashion as the purchase journey blurs between channels. Physical retail spaces are a key source of inspiration and remain the prominent channel for making purchases. They are where customers gravitate to have a full brand experience and represent an important touchpoint for brands to create storytelling opportunities. Among physical retail spaces, pop-ups have become an important tool for brands to provide unexpected and immersive brand experiences.

COVID-19

The COVID-19 pandemic has had a profound effect on the luxury sector, starting in China and moving through all main luxury markets. Severe travel and mobility restrictions have impacted all areas of luxury supply chains and led to widespread store closures. Concern around related economic impacts has negatively affected consumer sentiment.

As of April 2020, some Asian countries such as Mainland China and South Korea were showing early signs of recovery as lockdown measures were eased, while the evolution in other markets signalled longer recovery times.

Significant uncertainty remains for the rest of 2020, with recovery timelines different for each market. COVID-19 and the measures taken worldwide to tackle the pandemic will likely amplify the impact of the key trends identified in 2019.

- **Gen Z and millennial customers:** these groups are expected to be the most resilient in luxury and to lead the recovery for the luxury fashion market.²
- **The importance of inspiration:** customers are expected to seek escapism and a sense of community through their online interactions, while continuing to be extremely selective in their spending.
- **Blurring the lines between online and offline:** the crisis has accelerated the shift towards digital channels and the need to rethink physical touchpoints. With luxury stores still closed in many markets at the time of writing, brands are developing new ways to reach consumers, while intensifying their focus on digital channels.

1. Source: Bain Altagamma 2019.

2. Source: Bain 2020.



LUXURY GEOGRAPHIES

Asia

Luxury sales in Mainland China increased by 26%¹ in 2019, buoyed by the growing affluent middle class and the repatriation of spend, following government actions and the disruptions in Hong Kong S.A.R.

In the first quarter of 2020, Chinese luxury sales showed significant volatility due to the impact of COVID-19. Luxury brands announced the closure of a large share of their store networks and cut brand-building activities. By April 2020, Mainland China was beginning to show the clearest signs of recovery of any market as the majority of stores reopened and customer sentiment steadily improved.

Spending across the rest of Asia grew 6% in 2019, led by South Korea. After a decline in sales due to the COVID-19 outbreak in the first quarter of 2020, signs of recovery started to appear in South Korea.

Disruptions strongly impacted economic dynamism in Hong Kong S.A.R. resulting in year-on-year sales declining by 20% in 2019¹.

The Americas

The Americas delivered flat growth in 2019.¹ Positive customer confidence resulted in a boost to domestic demand while a strong dollar and tensions around trade with China negatively impacted tourist consumption. Canada's performance was also affected by a contraction in Chinese tourism. Latin America saw a slowdown, with Mexico and Brazil negatively impacted by socio-economic tensions. In the first quarter of 2020, the USA was greatly impacted by the COVID-19 outbreak. As of April 2020, the majority of stores across the country were closed and customer sentiment was in decline. There is a high degree of uncertainty on the recovery trajectory, with variation between states and regions likely.

Europe

Luxury sales increased 1% in Europe, though growth varied by country. There were strong performances in Russia, Spain and the UK and softer trends in Germany and France. Growth continued through January 2020 but reversed later in the first quarter due to a collapse in Chinese tourism and travel restrictions brought on by the pandemic. With key markets such as France, Italy, Spain and the UK still significantly impacted by COVID-19 at the time of writing, the recovery in this region is likely to be prolonged and uneven. Continued disruption in the Italian market is also likely to have supply chain implications on luxury production for many brands.

Rest of the world

In the rest of the world, sales were flat,¹ though they fell in the Middle East where local consumer confidence decreased due to the macro-economic situation.

CHANNELS

Retail

In 2019, the share of sales from retail channels grew by 1%,¹ with the majority of growth coming from like-for-like sales in Asian countries, as well as the roll-out of pop-up stores and other temporary spaces.

The retail environment has changed significantly in 2020 with temporary store closures occurring globally and for several weeks across all key regions in the first quarter of the year. A reduction in international travel has also significantly impacted luxury sales in airports with a high degree of uncertainty on the recovery of this channel. This has accelerated the shift towards digital channels.

Wholesale

The share of sales from wholesale channels grew 1%¹ in 2019. High-end department stores again faced a strong challenge from online multi-brand retailers. This has intensified amid the COVID-19 pandemic. It is expected that the wholesale channel will come under significant pressure in 2020 due to the financial impact of lockdowns and heavy promotional activity to liquidate excess inventory.

Digital

Digital was the fastest-growing luxury sales channel in 2019, growing 22% versus previous year¹ and representing 12%¹ of all luxury sales. Almost all wholesale and retail purchases included a digital touchpoint at some stage along the customer journey.

Following store closures in the first quarter of 2020, digital channels became the primary channel for luxury purchases. This is expected to further shape consumer behaviour and accelerate the share of sales from digital channels in the long term.

1. Source: Bain Altagamma 2019.



PRODUCTS

Apparel

The apparel category grew by 1%¹ in 2019 versus the previous year, with improvements across menswear and womenswear. Growth was led by streetwear and younger consumers. In the first quarter of 2020, sales of apparel deteriorated as a result of COVID-19.

Handbags and small leather goods

The handbag category grew 7% in 2019 compared with the previous year¹. Small leather goods sales benefitted from increased demand for entry-price items.

The trend has continued in 2020 with consumers favouring non-apparel purchases, and looking to low-priced leather goods items in the midst of the global slowdown.

Shoes and jewellery

Shoes and jewellery both grew 9% in 2019 versus the previous year.¹ Growth in shoes was driven by demand for streetwear and casual wear among younger customers, with sneakers reporting strong growth. Gains in jewellery were driven by high-end items in Japan and China.

STRATEGY

Launched in November 2017, our strategy focuses on rooting Burberry firmly in luxury fashion. We believe that by fostering the creativity that has driven our brand since its inception, we will introduce Burberry to new customers while delighting our existing customer base. In doing so, we aim to deliver sustainable long-term value for our shareholders.

FY2019/20 was the second year of our journey to transform Burberry. Our focus in this first phase was on re-energising our brand, aligning our distribution to our new positioning in luxury fashion and establishing a new product offering. Against these objectives, we made strong progress in the year, successfully establishing a foundational platform from which to leverage the Burberry brand over the coming years.

We increased momentum around our brand, building heat through high-impact campaigns and immersive experiences. The consumer response to our product was very positive, with new collections delivering double-digit growth on the prior year and our new leather-goods styles performing well. We made good headway aligning our distribution network to our new creative vision, while opening new flagship stores in key cities such as Tokyo and Beijing and completing the transition of our US wholesale to luxury fashion. In digital, we built on our leadership position, innovating with games such as B Bounce and Ratberry and our B Series product drops, which drove record consumer engagement.

Our purpose remains our guiding principle, from the products we design to the operational aspects of our business. It permeates the four pillars of our strategy: Product, Communication, Distribution and Digital, and their enablers, Operational Excellence and Inspired People. To illustrate this, we have classified examples of our strategic progress in FY2019/20 by their relevant strategic pillar and the intrinsic key values, which support our purpose. These can be found on pages 16 to 17.

In early 2020, our business was materially impacted by the COVID-19 outbreak. In line with government guidelines, we implemented store closures, starting in China and expanding to other parts of Asia as well as Europe and the Americas. Even in stores that remained open, many operated on reduced hours, with significantly reduced footfall.

There were also disruptions on the supply side. While these were manageable overall and did not limit our capacity, the crisis resulted in greater operating complexity, for example in shifting inventory between markets, fulfilment and product development.

To limit the impact of the outbreak and protect our business, we took swift action across four areas: protecting our people and communities; tightly managing cash and costs; securing our product, inventory and supply chain; and optimising revenue. The work we have done over the past two years enabled us to respond quickly to the challenges presented by COVID-19, adapting our business and diverting resources as needed. Our enhanced brand and product offering, as well as our digital strength, has also made the business more resilient in these times.

There is little doubt that 2020 will be challenging for the luxury industry. The health emergency, restrictions to public life and economic recession are likely to persist for months to come and their ultimate impact on luxury demand is difficult to assess. It is also likely that 2021 will feel the economic impact of the pandemic, with different patterns emerging by region and by country.

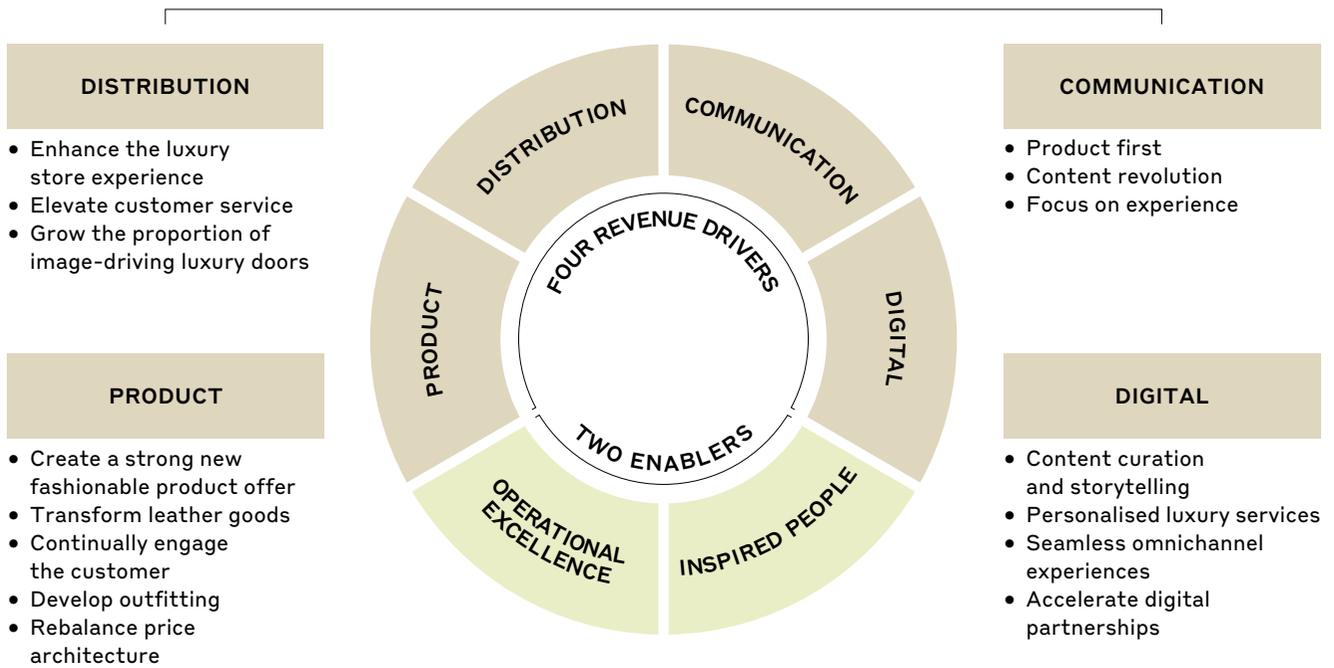
We are encouraged by the early signs of a rebound in some parts of Asia. We remain confident in our strategy and the strength of our brand and we are well prepared to navigate the next 12 months. Now more than ever, our strategy to anchor Burberry in luxury is key.

TWO PHASED TRANSFORMATION JOURNEY



Before the outbreak of COVID-19, we were on track to move to the second phase of our transformation in FY 2020/21. While the overall strategy for Burberry remains unchanged, in the short term, we will continue to strengthen the brand, complete the product transition and adapt our strategic initiatives to address the current market environment.

FOUR REVENUE DRIVERS



TWO ENABLERS



STRATEGY OUTLOOK

We remain confident in our strategic direction and trajectory. Our strategic priorities over the short term will be focused on areas that will be critical to our success.

The COVID-19 outbreak has created unprecedented challenges globally and the ultimate impact on demand for luxury is difficult to assess. We believe customers will become more discerning in their purchases, focusing on strong brands. The market is likely to polarise further between luxury and mass. Diminished demand is likely to increase competition and reinforce the importance of investing in brand and inspiration. This makes our strategy to reposition Burberry firmly in luxury fashion even more important at this time.

While our overall vision for Burberry remains the same, our strategic priorities over the short term will be focused on four areas that will be critical for our success: brand; localisation; direct-to-consumer (DTC) and digital; and product, inventory and supply chain. These will be underpinned by rigorously managing our balance sheet and liquidity, and supporting our people and communities.

BRAND

A strong luxury positioning will be paramount during this period. Customers want to connect emotionally with our brand. In the current environment, we are re-inventing the way we communicate and enhancing our focus on content and storytelling. We will continue to amplify our voice through partnerships and collaborations, while offering our brand as a platform to nurture communities, another key element at this time. To ensure we have cut through with customers, we are working in new ways to create content within physical limitations and on reduced budgets in line with our efforts to preserve cash. We will remain flexible by allocating resources quickly between markets and channels.

LOCALISATION

The crisis has highlighted the importance of a bespoke and localised approach for each market as recovery timelines and domestic policies will vary by country. We have localised our go-to-market approach and increased our focus on domestic luxury customers, fostering clienteling and one-to-one outreach programmes that acknowledge the local environment and sentiment. Focusing on Asia is key, given the region's recovery timeline is ahead of other key markets.

DIRECT-TO-CONSUMER AND DIGITAL

With wholesale facing significant challenges, this crisis has demonstrated the importance of DTC at scale, and particularly digital. Burberry is predominantly a DTC brand, with a strong retail presence across digital and offline. In this dynamic environment, we will tailor our distribution focus and formats to best capture sales opportunities. Creating new ways of reaching our customers, such as through live streaming and remote selling, will remain critically important as lockdowns gradually ease and consumers slowly regain their confidence.

Digital will also be transformational. We will continue to focus here, driving performance through large scale, immersive activations and innovations, including gaming and through WeChat Work, part of our collaboration with Tencent.

PRODUCT, INVENTORY AND SUPPLY CHAIN

In the near term, we expect a greater shift towards leather goods and quality will remain paramount as luxury customers become more discerning in their purchases.

We will build on the product architecture that we have developed to enhance our leather goods proposition, which is a important component of our luxury positioning. We will maintain our focus on fashionable product, and continue to inject energy and newness with capsules and pop-up spaces.

With the industry facing widespread store and factory closures, optimising inventory levels and supply chain is key. To respond to this challenge, we are closely managing our stock position by reducing the production of upcoming collections, proactively re-allocating current stock across channels and regions to meet demand, and strategically leveraging our clearance channels. In terms of supply chain we are securing capacity, adapting our sourcing and continuing our focus on safety, agility and flexibility.



ENABLERS

These initiatives will be underpinned by rigorous management of cash and costs and support for our people and communities. Our objective is to manage the business efficiently and flexibly, maintaining control and preserving the long-term value of the Burberry brand while ensuring we preserve the financial headroom required to fuel growth when the market opportunity returns. For more details see pages 87 to 88.

One of our key priorities as we manage through this period of unprecedented uncertainty is to conserve our cash. We have prepared tailored cost and cash mitigation plans for a range of demand outcomes. While we are facing unprecedented times, at Burberry we remain confident in our strategic direction and trajectory. Our immediate focus is to ensure the wellbeing and safety of our people, our customers and communities. The strategic initiatives for the year will provide us with greater agility and flexibility, ensuring we can respond rapidly to changing market dynamics and optimise our growth in recovering markets.

KEY PERFORMANCE INDICATORS

Key Performance Indicators (KPIs) help management measure progress against our six strategic pillars and Responsibility targets.

	REVENUE GROWTH*	COMPARABLE SALES GROWTH*	ADJUSTED OPERATING PROFIT GROWTH*																																																			
KPI	<p>This measures the appeal of the Burberry brand to customers through all of our sales channels.</p> <p>Financial ambition over time High single-digit KPI top-line growth.*</p>	<p>This measures the growth in productivity of existing stores. It is calculated as the annual percentage increase in sales from retail stores that have been open for more than 12 months. It is adjusted for permanent closures and refurbishments, and includes all digital revenue.</p> <p>Financial ambition over time High single-digit top-line growth.*</p>	<p>This measure tracks our ongoing operating profitability and reflects the combination of revenue growth and cost management.</p> <p>Financial ambition over time Adjusted operating profit growth ahead of revenue growth.*</p>																																																			
MEASURE	<table border="1"> <caption>Revenue Growth (CER growth %)</caption> <thead> <tr> <th>FY</th> <th>CER growth %</th> <th>Revenue (£m)</th> </tr> </thead> <tbody> <tr> <td>16</td> <td>-1</td> <td>£2,515m</td> </tr> <tr> <td>17</td> <td>-2</td> <td>£2,766m</td> </tr> <tr> <td>18</td> <td>-1</td> <td>£2,733m</td> </tr> <tr> <td>19</td> <td>-1</td> <td>£2,720m</td> </tr> <tr> <td>20</td> <td>-4</td> <td>£2,633m</td> </tr> </tbody> </table>	FY	CER growth %	Revenue (£m)	16	-1	£2,515m	17	-2	£2,766m	18	-1	£2,733m	19	-1	£2,720m	20	-4	£2,633m	<table border="1"> <caption>Comparable Sales Growth (CER growth %)</caption> <thead> <tr> <th>FY</th> <th>CER growth %</th> </tr> </thead> <tbody> <tr> <td>16</td> <td>-1</td> </tr> <tr> <td>17</td> <td>+1</td> </tr> <tr> <td>18</td> <td>+3</td> </tr> <tr> <td>19</td> <td>+2</td> </tr> <tr> <td>20</td> <td>-3</td> </tr> </tbody> </table>	FY	CER growth %	16	-1	17	+1	18	+3	19	+2	20	-3	<table border="1"> <caption>Adjusted Operating Profit Growth (CER growth %)</caption> <thead> <tr> <th>FY</th> <th>CER growth %</th> <th>Profit (£m)</th> </tr> </thead> <tbody> <tr> <td>16</td> <td>-11</td> <td>£418m</td> </tr> <tr> <td>17</td> <td>-21</td> <td>£459m</td> </tr> <tr> <td>18</td> <td>+5</td> <td>£467m</td> </tr> <tr> <td>19</td> <td>0</td> <td>£438m</td> </tr> <tr> <td>20</td> <td>-8</td> <td>Pro forma £404m</td> </tr> <tr> <td>20</td> <td>-1</td> <td>£433m</td> </tr> </tbody> </table>	FY	CER growth %	Profit (£m)	16	-11	£418m	17	-21	£459m	18	+5	£467m	19	0	£438m	20	-8	Pro forma £404m	20	-1	£433m
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PERFORMANCE	<p>FY 2019/20 revenue declined by 4% at CER with retail sales down 4% and wholesale down 3%. The decline was as a result of the impact of COVID-19 on Q4 trading.</p>	<p>Comparable sales declined 3% in FY 2019/20. Growth of 4% YTD after three quarters was offset by the impact of COVID-19 in Q4.</p>	<p>Pro forma adjusted operating profit in FY 2019/20 was 8% down year on year, mainly as a result of the impact of COVID-19 on revenue. Reported adjusted operating profit was down 1% year on year, due to the some of the cost of leases being recorded in finance cost under IFRS 16.</p>																																																			

* At CER

Details of alternative performance measures are shown on page 88. Pro forma is an estimation of the FY 2019/20 results when applying the previous accounting standard for leases, IAS 17, consistent with FY 2018/19. The calculation of ROIC is set out on page 259.

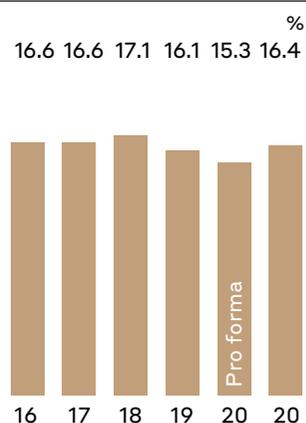
FINANCIAL MEASURES

We believe it is vital to ensure alignment between our strategic focus and the long-term interests of shareholders. As a result, elements of executive remuneration are based on performance against the following measures: revenue growth, adjusted profit before tax growth, and adjusted retail/wholesale return on invested capital. Read more about our Directors' Remuneration Policy on pages 151 to 185.

ADJUSTED OPERATING PROFIT MARGIN

This measures how we drive operational leverage and disciplined cost control, with thoughtful investment for future growth building the long-term value of the brand.

Financial ambition over time
Meaningful adjusted operating margin expansion.*

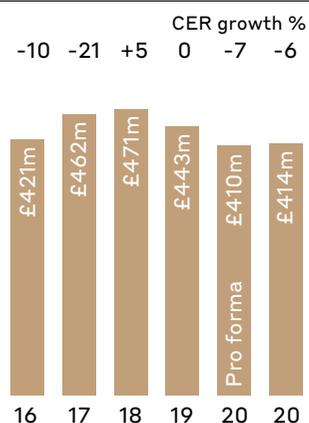


Pro forma adjusted operating profit margin -70bps at CER due to reduction in revenue more than offsetting a 4% reduction in adjusted operating costs. Reported adjusted operating profit margin +30bps due to impact of adoption of IFRS 16.

ADJUSTED PROFIT BEFORE TAX (PBT) GROWTH*

Adjusted PBT growth is a key profitability measure to assess the ongoing performance of the Company.

Financial ambition over time
Adjusted PBT growth ahead of revenue growth.*

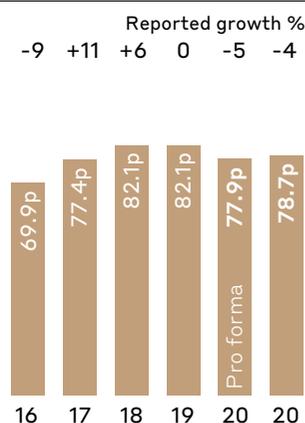


Pro forma adjusted PBT in FY 2019/20 was down 7% year on year at CER, in line with operating profit decline. Reported adjusted PBT at CER was also down 6%, reflecting the insignificant impact on PBT of adopting IFRS 16 in the year.

ADJUSTED DILUTED EPS GROWTH

Growth in EPS reflects the increase in profitability of the business, improvement in the tax rate and share repurchase accretion.

Financial ambition over time
Adjusted EPS growth ahead of revenue growth.*

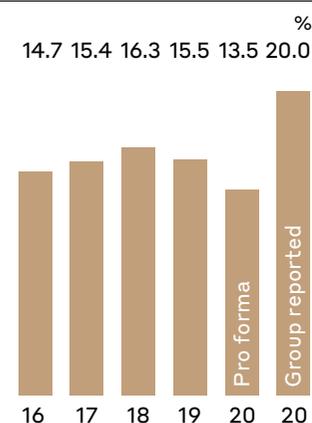


Adjusted diluted EPS was down 4% year on year at 78.7p in FY 2019/20. This reduction was due to the decline in adjusted PBT, partly offset by a reduced effective tax rate and the impact of the share buyback programme.

ADJUSTED RETAIL WHOLESALE ROIC

Adjusted retail/wholesale ROIC measures the efficient use of capital on investments. It is calculated as the post-tax adjusted retail/wholesale operating profit divided by average operating assets over the period.

Financial ambition over time
ROIC significantly ahead of WACC.



Pro forma adjusted retail/wholesale ROIC was 13.5% in FY 2019/20, down 200bps due to lower profitability. Group ROIC reported under IFRS 16 is also presented. At 20.0%, this is ahead of pro forma ROIC due to the inclusion of licensing segment and the higher operating profit under IFRS 16 compared to IAS 17. The Group will adopt Group ROIC under IFRS 16 as its return measure in future.

KEY PERFORMANCE INDICATORS

NON-FINANCIAL MEASURES

We have developed non-financial measures to assess our performance against our ongoing employee objectives and 2022 Responsibility targets. Progress is regularly monitored by our Board through the Inspired People pillar of our strategy. For further details on our Responsibility activities and progress against 2022 targets, see pages 60 to 71. The Group has considered the new non-financial reporting requirements under sections 414CA and 414CB of the Companies Act 2006 and has included relevant details in the Annual Report.

OBJECTIVE	MEASURE	PERFORMANCE
EMPLOYEES		
Create an environment where all our employees are actively engaged in delivering outstanding results for the business	Employee engagement score as measured by Mercer Sirota	FY 2019/20 Performance: 75% of employees are engaged ¹
Ensure our policies, processes, practices and resources promote equal gender representation in our Leadership population	Number of women globally in Director and above roles, divided by total number of Director and above roles	FY 2019/20 Performance: women account for 53% of the Leadership population
RESPONSIBILITY		
Product		
Drive positive change through 100% of our products, by increasing demand for more sustainable raw materials and supporting our supply chain partners in going beyond social and environmental compliance, to improve resource efficiency and worker wellbeing	% of products with more than one positive attribute ²	FY 2019/20 Performance: 89% [^] of Burberry products with at least one positive attribute and 67% [^] with more than one ³
Company		
Become carbon neutral in our own operational energy use by 2022 and meet our newly approved science-based targets: <ul style="list-style-type: none"> • Reduce absolute Scope 1 and 2 GHG emissions 95% by 2022 from a FY 2016/17 base year • Reduce absolute Scope 3 GHG emissions 30% by 2030 from a FY 2016/17 base year 	Absolute market-based CO ₂ emissions	FY 2019/20 Performance against our carbon neutral goal: 5,206,437kg [^] CO ₂ e absolute market-based emissions (86% reduction from a FY 2016/17 base year)
Communities		
Positively impact one million people ³ by supporting programmes led by The Burberry Foundation. These initiatives are focused on youth inspiration and employability, community cohesion, and social and economic empowerment in communities sustaining the luxury industry	Number of individuals positively impacted	FY 2019/20 Performance: 290,426 [^] people positively impacted (a total of 416,089 [^] since the start of the programme in FY 2017/18)

1. Employee engagement score as measured by Mercer Sirota employee engagement index. Engagement index based on completed survey responses only.
2. Positive product attributes: we have defined key positive attributes relating to a range of social and environmental programmes, which drive improvements in the raw material and manufacturing stages of our supply chain.
3. Positively impact people: we are supporting The Burberry Foundation and its partners in addressing key community needs within our industry's footprint. This is giving rise to different impacts, depending on geographies and community needs. Impacts are being assessed and reported at regular intervals over the course of five years.

[^] Please see page 71 for details on external assurance.



A YEAR IN REVIEW

CREATIVELY DRIVEN



WE FIND BEAUTY IN EVERY DETAIL

PUT PASSION AND CREATIVITY INTO EVERYTHING WE DO

COMMITTED TO EXCELLENCE

CHALLENGING THE ORDINARY TO PURSUE THE EXTRAORDINARY

We believe in the power of creativity and are passionate about what we do. We combine this with a commitment to excellence.





RUNWAY SHOWS

Product is at the heart of our strategy. We continue to invest in the highest quality materials and exquisite craftsmanship to ensure Burberry designs delight our customers season after season.

Over FY 2019/20, our runway collections and new takes on our classic lines sparked excitement and renewed interest in the brand.

Memories, our Autumn/Winter 2020 collection, was inspired by Riccardo Tisci's reflections on his formative years as a young designer, and is imbued with references to the places he visited, the people he met and the music he listened to at the start of his career.

Meanwhile, Evolution, our Spring/Summer 2020 collection, featured Victorian-inspired silhouettes, combining innovative design techniques and fabrics with classic touches and nods to the brand's heritage.

Takes on Burberry's past were also evident in our accessories introduced in the year. The Supersized Pocket Bag, which was unveiled at our February show, is a modern twist on a design from our archive (see page 48), for instance. The Olympia bag collection, the Society holdall and a duffle bag in plaid were also shown at the February show.

The creative force behind Burberry's transformation is being recognised

externally. Riccardo Tisci was named 2019's Fashion Innovator by the Wall Street Journal. Burberry has also consistently been listed in the top 10 hottest brands in the Lyst Index, reflecting our growing brand heat both on social media and online overall.

While encouraging creativity to thrive, we also keep Burberry's Responsibility Agenda top of mind at all times. For instance, we ensured both of our 2020 runway shows were carbon neutral.

In addition, on the day of our Autumn/Winter 2020 show in February 2020, we announced the creation of our Regeneration Fund, which is designed to support a portfolio of carbon insetting projects to

tackle the environmental impact of our operations. The projects will enable us to store carbon at source and remove it from the atmosphere. Kick-starting the programme, Burberry has partnered with PUR Projet to design and implement regenerative agricultural practices with some of its wool producers in Australia. The project will work at farm level to improve carbon capture in soils, enhance watershed and soil health, reduce dryland salinity and promote biodiverse habitats.

Strategic Pillar: Product



POP-UP SPACES

Pop-up stores, whether standalone doors or themed areas in store, provide an opportunity to connect with customers in immediate and surprising ways. They allow us to display new products and collections in creative ways to inspire the customer. As part of our FY 2019/20 marketing programme, we opened over 25 pop-ups in influential luxury fashion cities, including Dubai, Tokyo, Paris and London.

To support our refreshed Thomas Burberry Monogram, we installed a series of themed spaces within our stores. These performed particularly well, with notable increases in sales and traffic in the stores hosting this type of activation.

To showcase the inspiration behind the Spring/Summer 2020 collection, in February and March, we arranged takeovers of the windows and atrium at the Printemps department store in Paris and collaborated with Selfridges The Corner Shop in London. The pop-up at The Corner Shop was a custom-built space celebrating our rich history in discovery and exploration. Recalling an era when Burberry's protective gabardine was favoured by polar pioneers, we created an abstract snowy landscape featuring silver mirrored cubes and expedition sleds with Burberry silk scarves for sails. The installation included model penguins, which were brought to life through an augmented reality (AR) experience.

The penguins were a reference to famous pioneering polar explorers, such as Sir Ernest Shackleton, who wore Burberry while exploring the Antarctic at the beginning of the 20th century.

Strategic Pillar:
Distribution

INTRODUCING GAMES

In October 2019, we launched our first online game, B Bounce. This brought the gaming experience to customers globally on Burberry.com. Gamification, which is the use of elements of game design in non-gaming contexts, is becoming a powerful source of real-world inspiration for luxury costumers. It offers another opportunity for us to inspire and connect with the Burberry community online.

In this engaging and playful experience, which was built in-house by our digital team, players raced a deer-shaped character to the moon using supercharged Thomas Burberry Monogram puffer jackets. Players competed for special B Bounce prizes,

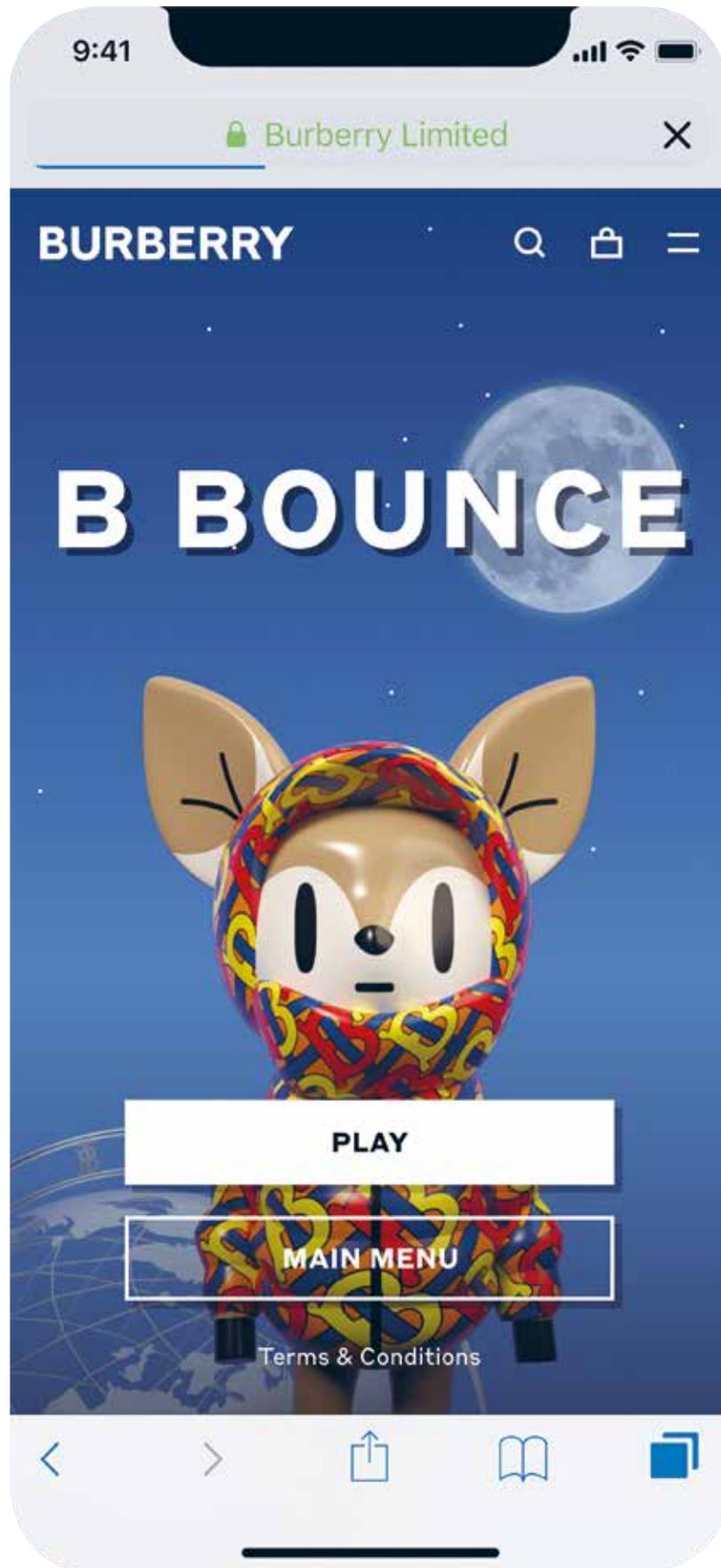
with winners awarded custom-made GIFs and virtual Burberry puffer jackets edited onto a digital picture of their choice. The first prize was a real jacket from the 2019 Burberry puffer collection.

In the first three months, B Bounce was played 1.5 million times in 40 countries. Building on the success of the game, as part of our 2020 Lunar New Year campaign in January, we launched our second game, Ratberry.

We have previously experimented with gaming in China, but B Bounce is our first playful extension into a format which allows us to entertain and connect with our new, younger customers around the world. Such activations offer an opportunity for our customers, who are living in increasingly gamified environments both online and offline, to join the Burberry community and explore our products in this way.

Strategic Pillar: Digital





A YEAR IN REVIEW

OPEN AND CARING



HARNESSING STRENGTH IN DIVERSITY

UNITED TO ACHIEVE COMMON GOALS

RESPONSIBLE, GUIDED BY OUR CONSCIENCE

UPHOLDING A LEGACY OF RESPECT AND INCLUSIVITY

We are committed to nurturing an open, inclusive and united culture. Upholding a legacy of respect and belonging that stretches back to our founder.





DIVERSITY AND INCLUSION

Burberry is an open and caring employer, which aims to offer our employees, representing almost 120 nationalities across 34 countries, an optimal working environment where they feel valued and appreciated. In November 2019, we launched an Internal Diversity and Inclusion Council. The 12 members of the council were recruited from throughout Burberry’s operations and are reflective of our employee population. The council, which will convene remotely four times per year, is tasked with acting as an internal sounding board for Burberry on matters pertaining to diversity and inclusion.

In addition, an external Cultural Advisory Council was formed in December 2019 with the aim of gaining insight into our external environment from diverse perspectives.

Comprising six experts from various fields, including academia and the arts, this council will convene remotely three times a year and its findings will be fed back to the Board. The Cultural Advisory Council will communicate with the Internal Diversity and Inclusion Council regularly to share insights and findings.

We continue to focus on evolving strategies for recruiting and developing talent, which promote our cultural values and ensure diverse representation across the business. We are reviewing our human resources systems to ensure that additional infrastructure, which will simplify our processes, is considered in the future. As part of championing meaningful partnerships and bringing different perspectives to Burberry, we are developing multi-faceted programmes to mark key calendar moments. These

programmes provide an opportunity to raise awareness around our commitments and further engage with our employees.

One of these moments was International Women’s Day 2020. We held wide-ranging panel discussions and hosted young ambassadors from The Prince’s Trust Women Supporting Women initiative in the week preceding Sunday 8 March. Panellists included Burberry leaders from different areas of the business, as well as experts from other industries who provided external perspectives. The programme of three panel discussions touched on themes around the career journeys of different women at Burberry, how men can be advocates for change and the importance of intersectionality and identity. We saw strong participation in our International Women’s Day panels, both online and in person. Video recordings

of the discussions were also made available on our internal site, Burberry World. In addition, other regions celebrated International Women’s Day with their own internal panel discussions and donation activities.

The young ambassadors from The Prince’s Trust, many fashion entrepreneurs themselves and participants in Women Supporting Women programmes, got a chance to talk to the panellists after the sessions and went to the Regent Street flagship to learn more about Burberry as a brand.

Later this year, we are launching our new diversity and inclusion strategy, which is aligned with our wellbeing strategy. We have already started rolling out digital training on unconscious bias for all employees.

Strategic Pillar: Inspired People

As of March 2020, the representation of women and men in the workplace is set out below:

	Total	Number of Women	Percentage of Women	Number of Men	Percentage of Men
Executive Committee	11	3	27%	8	73%
Leadership (Director and above)	329	174	53%	155	47%
All workforce	10,161	6,755	66%	3,406	34%



WELLBEING

We have continued advancing our Inspired People Agenda responding to feedback from our annual Employee Engagement Survey. In FY 2019/20, our employee engagement rose by 1% overall to 75%, with 87% of people proud to work at Burberry and 82% motivated to go above what is expected to make Burberry successful. We believe that wellbeing is the responsibility of the organisation, its leaders and each employee. In FY 2019/20, we focused on three key initiatives to improve employee

wellbeing: mental health awareness, managing energy and providing employees with tools that empower them to manage their professional lives more effectively. We saw increased engagement around World Mental Health Day on 10 October 2019 as we encouraged teams to talk about their mental wellbeing. This sparked an increase of over 300% in traffic to our Employee Assistance Programme (EAP), while over 280 #OneChange posts appeared on our Burberry World internal intranet.

Later in the year, we announced a new inclusive global parental leave policy, which provides a minimum of 18 weeks' paid leave to all new parents. In addition, as part of our phased return to work programme for new parents, colleagues are able to work four days per week while receiving full pay during a four-week period. The policy launched on 1 April 2020.

Strategic Pillar: Inspired People

A YEAR IN REVIEW

PROUD OF OUR HERITAGE



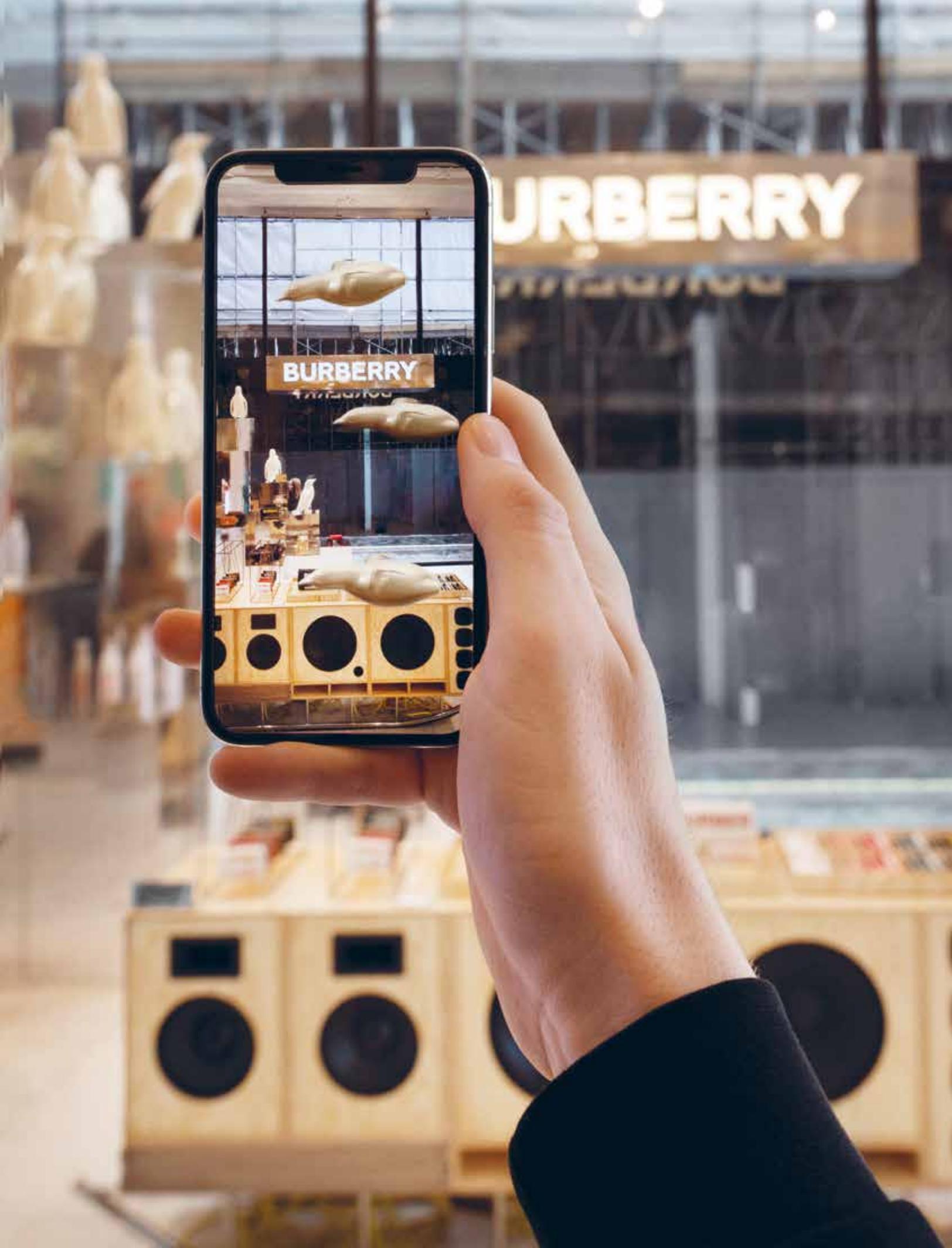
INSPIRED BY OUR PAST, AS WE CREATE OUR FUTURE

GLOBALLY MINDED, LEARNING FROM OTHERS

CHAMPIONING CONTRASTS FROM ROYALS TO REBELS

REPRESENTING BRITAIN ON THE GLOBAL STAGE

We honour Burberry's DNA, combining a strong sense of heritage with a desire to learn from the world. We are inspired by our past as we shape the future.



BURBERRY

BURBERRY

ADOPTING A LOCALISED CONTENT APPROACH

During FY 2019/20, we continued to pursue a communications strategy incorporating market-specific content and collaborations with local media partners to improve messaging relevance for consumers. For instance, to mark the launch of the Autumn/Winter 2019 campaign, we collaborated with Nowness (UK, US, China), Dazed (Korea) and Mille (UAE) to bring the brand to life with local audiences. In November 2019, to celebrate the opening of our new flagship store in Tokyo, we decorated local metro stations and streets with the limited-edition pistachio Thomas Burberry Monogram print.

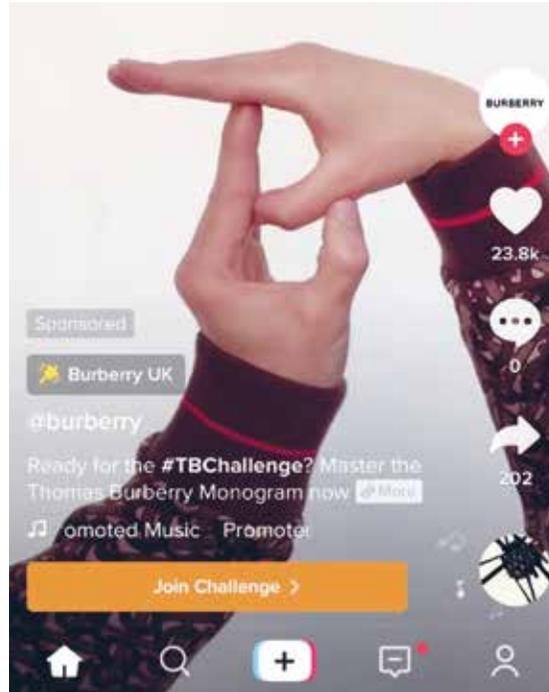
We chose Lunar New Year as an opportunity to connect with our Chinese consumers in a festive way. Brand ambassador Zhou Dongyu starred in a vivid red campaign alongside models He Cong and Liang Jiyuan. We also introduced the Ratberry game (read more on page 40) and published a WeChat content series exploring Lunar New Year customs and how young people today

spend the traditional festive period. In a series of short videos, Ratberry interacted with a number of celebrities on the social platform Weibo. This activity contributed to increased brand heat across our priority social platforms.

We have also increased investment in localised content to communicate in a more authentic and relevant way with our consumers. In August 2019, our campaign for the Qi Xi Jie festival in China (similar to Valentine’s Day) was one of our most successful campaigns to date, with over 200 million views.

For our Thomas Burberry Monogram campaign, we devised our TB challenges, which encouraged viewers to make the shape of a T and B with their hands on Douyin and TikTok, generating over one billion views. This enabled us to connect with young consumers in a way that felt authentic to them. Burberry is the first luxury brand to stage a major campaign on TikTok.

Strategic Pillar: Communication



INSPIRED BY THE BURBERRY ARCHIVE: THE POCKET BAG

Burberry's history continues to act as a rich source of inspiration for our brand. Our design team regularly explores the Burberry archive, allowing our heritage to be an influence on our new collections. For instance, the Pocket Bag, a key piece from our Spring/Summer 2020 campaign, was inspired by the Michelle, a Burberry bag sold between 1981 and 1990. Also known as the Michelle Shopper, the soft luggage-style bag featured leather details and the Burberry Check, one of our registered trademarks. The modern version has been updated with a distinctive front pocket, which inspired its moniker. The Pocket Bag exemplifies how our new collections celebrate our heritage.

Strategic Pillar: Product

**TRENCH BESPOKE**

Building on our brand's heritage and our strong connection with our founder Thomas Burberry, we have continued to enhance our Trench Coat offering. This Burberry icon was given a fresh interpretation in FY 2019/20 with the launch of Trench Bespoke. Designed to be an elevated in-store experience, our customers have the option to order a Trench Coat to their specifications through a private consultation.

Offering this service reasserts Burberry's ownership of the trench category. Trench Bespoke drives a desire for a timeless and relevant icon among a new fashion audience.

Strategic Pillar: Product

A YEAR IN REVIEW

FORWARD THINKING



AN OPEN SPACE FOR IMAGINATION

FREE TO EXPLORE, PUSH BOUNDARIES, PIONEER

UNAFRAID TO STAND OUT

OUR CREATIVITY DRIVES US FORWARD

We challenge ourselves to keep thinking ahead, creating the space to explore new ideas and possibilities.



AUGMENTED REALITY

In line with Burberry's longstanding commitment to digital innovation, we are embracing Augmented Reality (AR) as a means of connecting, engaging and inspiring customers. Our creative team works in a "test and learn" manner, constantly exploring how AR can best support our strategy.

The inspiration phase of the purchase journey is becoming increasingly important for luxury customers. We are exploring how we can incorporate AR to enhance the inspiration agenda and create a unique experience. With the knowledge that younger luxury customers want to feel part of a community, we have been creating interactive experiences, which may be shared on social media. To celebrate the opening of our flagship store in Tokyo, Japan, in November 2019, visitors could take part in an exclusive AR experience. Activated using QR codes, the AR lens allowed users to locate hidden Burberry deer on the streets of Ginza and then share their discoveries on social media. In addition, in December 2019, Burberry launched a digital pop-up experience powered by Google Lens in London where users could

see an aerial live feed of themselves on their phones, surrounded by a herd of Burberry deer.

Using AR in commerce transforms the product discovery-and-search phase by blurring the lines between online shopping and the in-store experience. At the beginning of 2020, we launched an AR shopping tool through Google Search technology, which allows consumers to experience Burberry products embedded in the environment around them. When searching for Burberry items on Google Search on their phones, consumers can see an AR version of the product in their own physical space and evaluate the product at scale against other objects, allowing them to understand the sizing and details of an item. For example, a user can simulate the in-store experience by placing a TB Bag next to an existing outfit to gain a better understanding of the product before purchasing. This feature was trialled with Alibaba on Tmall in June 2019, where customers could virtually try on Burberry products. Burberry is one of the first luxury retailers to take advantage of this new tool from Google to bring AR technology to the online retail space.

We are also using AR to share stories around our heritage. For instance, in March 2020, Burberry opened an immersive pop-up installation in Selfridges' flagship creative retail space, The Corner Shop. The interactive pop-up celebrated Burberry's links to exploration and recalled when the brand's protective gabardine was favoured by polar pioneers. Penguins were brought to life via an AR experience by scanning various QR codes in and outside the store. The use of AR at the pop-up was a great conversation starter, which offered a storytelling opportunity for Sales Associates while customers interacted with the experience.

Strategic Pillar: Digital



THE LAUNCH OF BURBERRY'S OWN MESSAGING PLATFORM

R World, which was built in collaboration with Apple, gives Burberry Sales Associates access to product, brand and customer information all on the same mobile app. Following its successful launch in 2018, our digital team looked at ways to further enhance productivity in store. We know that our customers look for tailored and personalised experiences from luxury brands, so we launched R

Message in September 2019. R Message is a direct messaging platform, which connects our in-store app R World with the customer-facing Burberry app. It adds a sense of bespoke service and a personal touch to online transactions by giving our in-store Sales Associates the power to chat directly with their customers, regardless of where they are in the world. They can also schedule appointments with customers or let them know about our latest product launches. The customer can also purchase items

discussed in chats.

R Message gives our Sales Associates an opportunity to further enhance service levels and create a seamless, bespoke, online retail experience for their top clients. The platform, which is available to UK customers by invitation only, has integrated mobile payment features, like Apple Pay.

Strategic Pillar: Digital



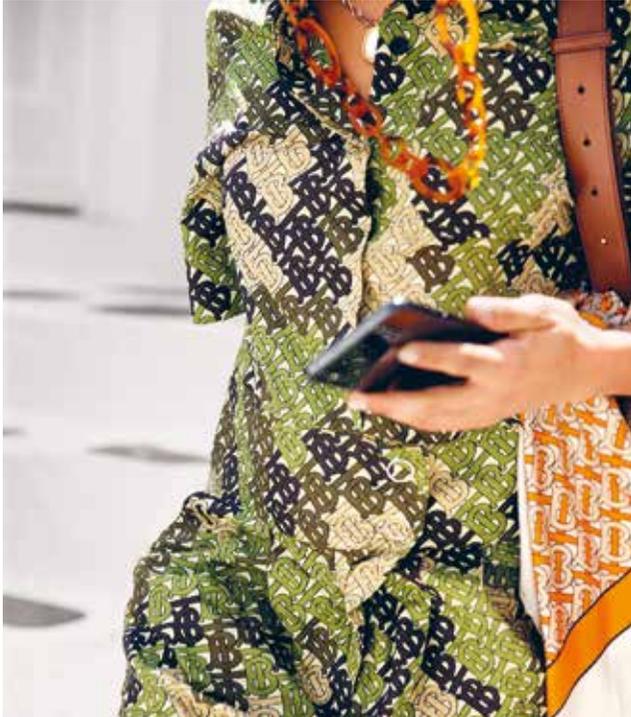
PREPARING FOR THE UK'S DEPARTURE FROM THE EUROPEAN UNION

Authorised Economic Operator (AEO) status is an internationally recognised quality mark. This is awarded to businesses able to demonstrate their role in the international supply chain is secure and they exercise customs controls and procedures that meet UK and EU standards. AEO status gives quicker access to simplified customs procedures and the right to fast-track shipments through customs, safety and security procedures. Ahead of Britain leaving the European Union, we decided to work towards AEO accreditation to increase our operational efficiency and security.

This required a substantial collaborative effort across the business, involving cross-functional co-operation and showcasing Burberry's "one team" approach. All Burberry UK employees contributed to the preparation and audit process. This entailed developing, implementing and documenting changes to policies, procedures and ways of working across all our UK sites. All employees assumed responsibility for ensuring they had the relevant knowledge and were consistently demonstrating the activities and behaviours required to meet AEO standards. Our Company-wide efforts resulted in Burberry becoming AEO accredited in February 2020.

AEO accreditation increases our operational efficiency in delivering products to our customers, as well as moving our goods, samples and prototypes in and out of the UK. AEO status will also be an important operational management asset in light of the UK's departure from the EU.

Strategic Pillar:
Operational Excellence



THE FUTURE OF SOCIAL RETAIL

In November 2019, Burberry and Chinese technology company Tencent announced an exclusive partnership to develop social retail in China. This is a revolutionising concept blending social media and retail to create digital and physical spaces for engaged communities to interact, share and shop.

In FY 2020/21, Burberry will open a pilot store powered by Tencent technology in Shenzhen, China's technology hub. The space will provide experiences that will connect luxury customers' social and online presence with their physical

environments. Located in the new Shenzhen Bay MixC development, the store will act as a laboratory and a space to trial innovative concepts for potential roll-out to the rest of the Burberry network.

China, with its high levels of social media usage among customers and prowess in the fields of innovation and technology, presents the perfect environment for this pioneering partnership.

Strategic Pillar:
Distribution

OPERATIONAL EXCELLENCE IN A RAPIDLY CHANGING ENVIRONMENT

In FY 2019/20, we continued to focus on improving our agility and efficiency to optimise our performance against the backdrop of a rapidly changing business environment.

The levers we used to achieve this included, simplifying processes, driving procurement savings and enhancing technology to support the customer experience in store. We continued to improve our ways of working and we completed the deployment of our global standardised point-of-sale system. We also expanded our mobile client engagement tool, R World, to Sales Associates globally.

Strategic Pillar:
Operational Excellence

COVID-19

In challenging times, we must pull together. The COVID-19 pandemic has fundamentally changed our everyday lives. By working together and harnessing our creativity, we will overcome the challenges it presents.

ADAPTING IN THE PANDEMIC CLIMATE

The COVID-19 pandemic and responses to its outbreak dramatically impacted the personal and professional lives of individuals and communities across the globe. How companies conduct business changed in a matter of weeks.

At Burberry, we immediately recognised the need to adapt our ways of working, making sure the safety of our people, customers and communities remained our highest priority. The Group's response is being managed through five key workstreams chaired by the CEO. We are pushing boundaries and coming together to find new ways to adapt our day-to-day business practices. Since January 2020, we have temporarily closed sites across Asia, EMEIA and the Americas, ahead or in line with government restrictions in order to protect our employees, our customers and our communities. This included the closure of our head office in London as well as internal manufacturing sites across the UK and Italy. At time of writing, many of our teams are still working remotely. The continuing spread of COVID-19 and the associated restrictions on public life are expected to significantly impact our business. The impact and timing of a return to normality and growth are uncertain. Although it is impossible to determine the precise course of the pandemic and its economic consequences, we are well prepared for a range of potential outcomes.

The potential impact on Burberry and beyond has been estimated by modelling various scenarios. In order to limit the impact of the outbreak on our business, we implemented mitigating actions to contain costs and protect our financial position. These included prioritising capital expenditure, renegotiating rents, restricting recruitment and reducing travel and discretionary spending. We have also leveraged our digital platform to continue to connect with customers that are unable to visit our stores. This has included bringing our products to our clients through remote selling and roadshows and live streaming events.

Both the Board and Executive Committee are connecting with our stakeholders, keeping them abreast of our actions. As mentioned on page 29, COVID-19 could delay the

implementation of some aspects of our strategy, however the strategy has not fundamentally changed.

In addition to adapting our own business, we have sought meaningful ways to support relief efforts both through external contributions and by mobilising employees within our organisation.

Internal ways of working

We closely monitored the escalating situation as it impacted different countries to varying degrees over time. In corporate offices, employees were asked to work remotely, with teams quickly adapting to not being on site together. Alongside regular virtual check-ins, we have come together in less formal ways to share advice on working remotely and maintaining wellbeing. This has helped our teams and the wider Burberry community to remain connected during this period of uncertainty. The work we have done over the past two years allowed us to respond quickly to the challenges presented by COVID-19, adapting our business and diverting resources as needed. Our enhanced brand and product offering, as well as digital strength, has also made the business more resilient in these times.

Our commitments

As the COVID-19 crisis unfolded in the UK, it was clear that mutual support and innovative thinking would be the cornerstones of Burberry's response, both as a business and a member of the broader global community. Our founder, Thomas Burberry, collaborated with the communities around him to support progress, empower others and give back to those in need. Burberry has always been fuelled by the power of creativity and operated in ways that support our communities. When it came to understanding how we could best assist relief efforts, our priorities were to support medical and care workers, help communities struggling to access basic food supplies and participate in funding scientific research into finding a long-term solution.

Bringing people together

Alongside our external commitments, many of our employees around the world looked to Burberry for guidance



on how they could help the COVID-19 relief efforts. Burberry teams around the world volunteered their time generously, mobilising to help local communities and charities by preparing care packages, delivering meals, stocking food banks and supporting vulnerable neighbours. In a short space of time, The Burberry Foundation also launched a global COVID-19 community appeal, which offered employees a way of supporting emergency response efforts by donating to the community fund. All funds raised by The Burberry Foundation's COVID-19 community fund appeal are supporting emergency response efforts, including the procurement and distribution of personal protective equipment (PPE) and other medical materials, contributions to foodbanks, donations to healthcare charities and additional support for those working to tackle the pandemic.

SUPPORTING MEDICAL AND CARE WORKERS

We retooled our trench coat factory in Castleford to manufacture non-surgical gowns for medical and care workers and sourced surgical masks through our global supply chain. By the end of May, we had donated more than 150,000 pieces of personal protective equipment to the UK's National Health Service and healthcare charities, and this number has continued to grow.

PROVIDING RESOURCES FOR OTHER COMPANIES TO HELP WITH PPE PROCUREMENT AND PRODUCTION

Burberry engaged with industry and governmental organisations on coordinated responses to the pandemic. In support of the UK Government, we also produced a document, which provided information on adapting operations to procure and/or manufacture PPE. This document was designed to be shared with companies across sectors looking to respond to the COVID-19 pandemic.

SUPPORTING FOOD CHARITIES

We donated to registered charities, including FareShare, The Trussell Trust and The Felix Project, which are dedicated to tackling food poverty across the UK.

With pressure mounting on food supplies, the charities expanded their efforts to help those struggling as a result of the outbreak. This included setting up community produce hubs, delivering food to young people reliant on free school meals and providing more pre-packed food parcels to help foodbanks cope with increased demand.

Burberry's donation to The Felix Project funded the delivery of food equating to 495,000 meals across London, going to those who could not access basic nutrition.

SUPPORTING RESEARCH INTO A SOLUTION

We helped to fund research undertaken by the University of Oxford into the development of a single-dose vaccine. The university has one of the world's best track records in emergency vaccine development, with past success in fighting Ebola and Middle East Respiratory Syndrome (MERS).

SUPPORTING CREATIVE COMMUNITIES

To support creatives, artists and photographers facing greater uncertainty during the COVID-19 pandemic, we have commissioned works to showcase on our Instagram news feed. Riccardo Tisci started this initiative as a way to celebrate and support members of the creative community. Burberry has always believed in the power of craft and creativity. In a twist on our heritage of discovery and exploration, we asked artists to respond to the theme of "Inside Nature" and offer their take on an outdoor world from within.

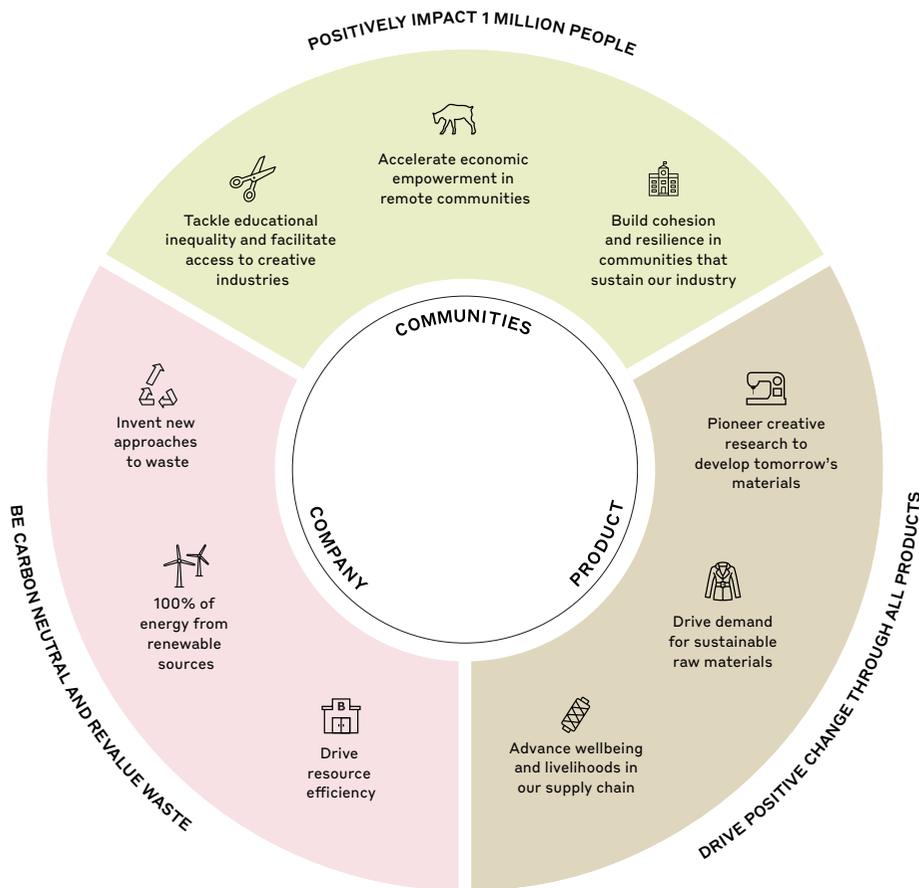
More information on COVID-19 can be found on the following pages:

Chairman's Letter	See page 7
CEO's Letter	See page 11
Risk	See page 92
Strategy	See page 28
Strategy outlook	See page 30
Corporate Governance Report	See page 129
Directors' Remuneration Report	See page 151



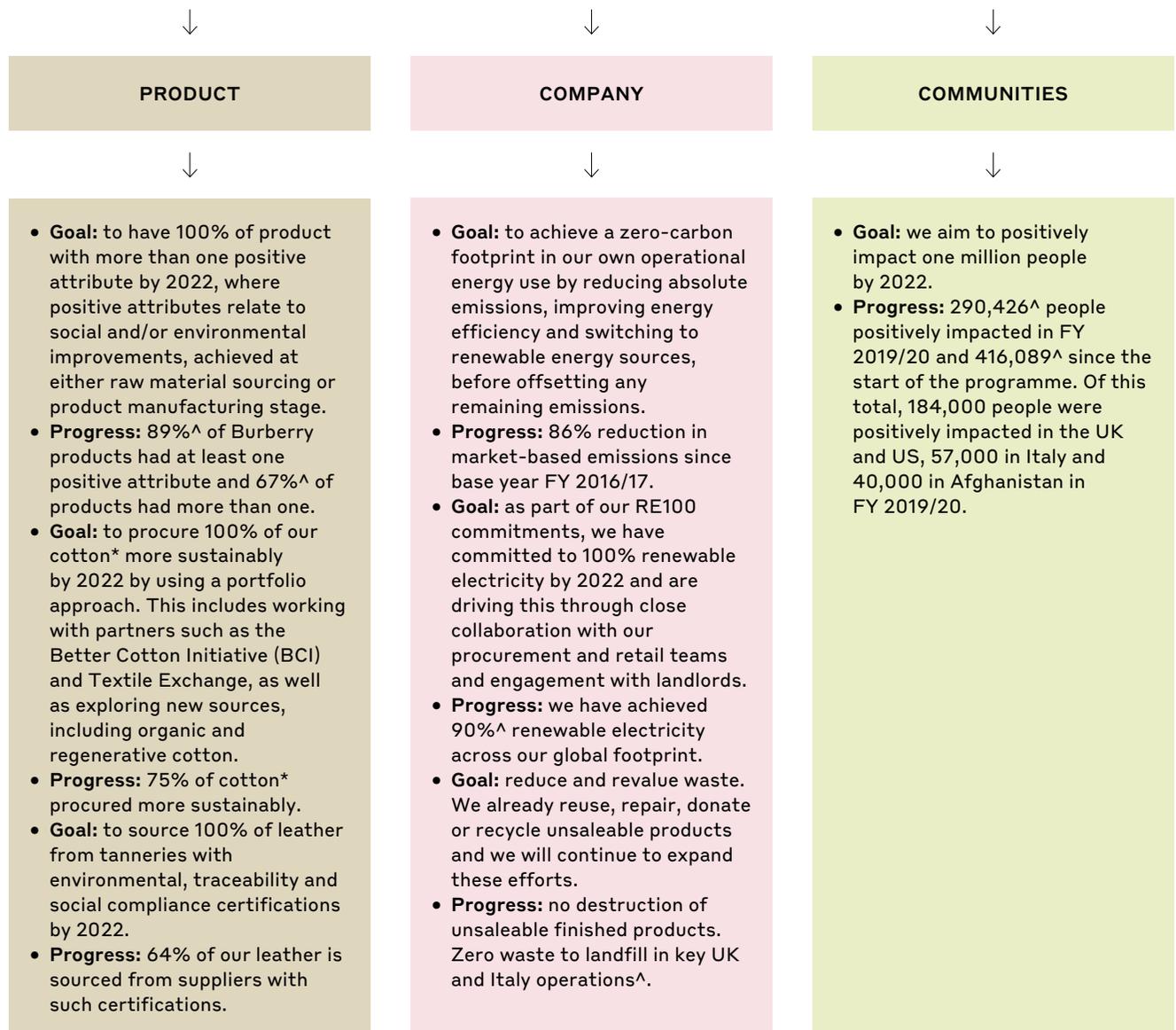
BUILDING A MORE SUSTAINABLE FUTURE

Burberry's commitment to sustainability is long-standing, grounded in the belief that for our future growth, we need to actively address the challenges facing our industry and the world in which we live. We are dedicated to reducing our environmental footprint and enabling social progress as we help transform our industry through powerful collaborations.



CREATING TOMORROW'S HERITAGE

Taking steps to protect our planet and ensure we have a positive impact on those in our supply chain and communities.



^ Please see page 71 for details on external assurance.

* Where cotton is the product's main material.

We are halfway through our current five-year Responsibility Agenda, which focuses on three main areas: company, product and communities. The strategy was developed in collaboration with key stakeholders, to address the most material social and environmental impacts along our value chain and builds on 15 years of expertise. Our strategy is aligned to the Paris Climate Agreement and informed by the UN's Sustainable Development Goals (SDGs). Our contribution towards the goals is referenced on page 63.

A Sustainability Steering Group (SSG) was established in 2019 to review and oversee the Group's strategy on environmental and social issues. The SSG will convene at least three times a year and is chaired by the CEO who is accountable for ensuring oversight of climate-related risks and opportunities. It is also attended by the CO&FO, who is also a member of the Leadership Network for the Accounting for Sustainability initiative. Our Responsibility targets to 2022 are owned by senior leadership across key departments and progress is reviewed by the SSG. Updates are shared regularly with the Ethics Committee, Risk Committee and the Board.

Objectives and progress are regularly reviewed by the Burberry Responsibility Advisory Committee, comprising independent external experts who play the role of "critical friends". The committee liaises with the Burberry Responsibility team four times per year to hear progress updates, provide challenge and offer support.

Our employees play a crucial role in delivering our Responsibility goals, for example, by driving energy efficiency across our operations and helping to raise levels of awareness. This year, we ran a series of engagement campaigns to promote climate action across our employee base, continuing our successful partnership with Big Clean Switch to encourage UK employees to change to renewable energy at home. Inspired by younger generations, we also ran intergenerational "Kids for Climate" events with our employees and their children in London and Hong Kong S.A.R., in collaboration with the World Wide Fund for Nature (WWF). The events aimed to educate and capture the imagination of our employees and leaders.

PROGRESSING OUR STRATEGY

As the global climate crisis becomes more critical, our sustainability priorities and focus areas require constant review. This year, we reviewed our Responsibility strategy in light of the changing external environment and confirmed our priority areas. This built on the work we did in FY 2018/19, when we explored the uncertainties, risks and opportunities associated with climate change impacts to 2040, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Read more about our progress on pages 110 to 115.

In FY 2017/18, we set the goal of sourcing 100% of our cotton through the BCI. As the dynamic cotton supply chain continues to innovate and evolve, we have broadened the scope of our target and ambition. We are now focused on reaching our target to procure 100% of our cotton* more sustainably by 2022. This will be achieved through a portfolio approach, which includes working with partners, such as the BCI and Textile Exchange, as well as exploring new sources, including organic and regenerative cotton.

PARTNERSHIPS

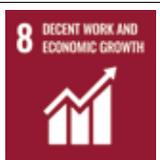
To deliver our Responsibility goals and create real change in the industry, we recognise the need to work in partnership with others. Through The Burberry Foundation, we are proud to partner with organisations such as Pur Projet, Oxfam, Progetto Quid and Teach First, among many others. Our work with these organisations is changing the lives of people within communities impacted by the luxury fashion industry and its supply chains. We are a signatory to the United Nations Framework Convention on Climate Change (UN Climate Change) Fashion Industry Charter for Climate Action, The Fashion Pact, a G7 climate change initiative, and the Ellen MacArthur Foundation's Make Fashion Circular Initiative. We also sit on the board of The Sustainable Fibre Alliance (SFA) and the Zero Discharge of Hazardous Chemicals (ZDHC) group. As a principal partner of The Living Wage Foundation and The Global Living Wage Initiative, we are helping to lead a collaborative effort to promote fair and responsible employment.

* Where cotton is the product's main material.

OUR CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Our Responsibility Agenda contributes to a range of the United Nations Sustainable Development Goals, where we feel we are uniquely placed to make a positive difference. We recognise the power of working in collaboration to drive real change in the industry, which is why SDG 17 runs across the breadth of our strategy enabling progress in all areas of our work.

RELEVANT SDGs

<p>PRODUCT See pages 64 to 65</p>					<p>SDG 6.3 SDG 6.4 SDG 8.7 SDG 8.8 SDG 9.4 SDG 12.5 SDG 12.6 SDG 13.3 SDG 15.A SDG 17.17</p>
					
<p>COMPANY See pages 66 to 68</p>					<p>SDG 7.2 SDG 7.3 SDG 7.A SDG 12.2 SDG 12.5 SDG 13.3 SDG 17.17</p>
<p>COMMUNITIES See pages 69 to 71</p>					<p>SDG 1.4 SDG 4.1 SDG 4.4 SDG 4.C SDG 5.5 SDG 8.3 SDG 8.6 SDG 10.2 SDG 17.17</p>
					

PRODUCT

We are committed to using our position and influence to drive social and environmental improvements and foster innovation in our supply chain, from the sourcing of raw materials to the manufacturing of finished products.

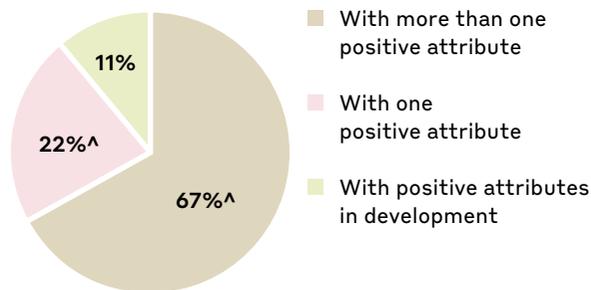
DRIVING POSITIVE CHANGE THROUGH 100% OF OUR PRODUCTS

We continue to make good progress towards our 2022 goal to drive positive change through all of our products. We have defined key positive attributes relating to a range of social and environmental programmes, which drive improvements in the raw material and manufacturing stages of our supply chain. A positive attribute could include leather from a tannery with social, environmental and traceability certifications or a product that has been manufactured in a facility that is running a wellbeing programme for workers.

At just over the halfway point in our five-year Responsibility strategy, in FY 2019/20, 89%^ of Burberry products had at least one positive attribute and 67%^ had more than one. We continue to foster an environment of innovation and collaborate with our suppliers to drive improvements in areas such as sustainable materials, worker wellbeing, chemical management, energy reduction, renewable energy purchasing, water reduction and waste recycling to drive towards our 2022 goals.

In addition, the environmental improvements we are promoting across our supply chain contribute significantly to our science-based target to reduce Scope 3 emissions by 30% by 2030.

% OF PRODUCTS WITH POSITIVE ATTRIBUTES



^ Please see page 71 for details on external assurance.
 * Where cotton is the product's main material.

STIMULATING DEMAND FOR MORE SUSTAINABLE RAW MATERIALS

Ever since our founder, Thomas Burberry, invented gabardine in 1879, materials innovation has formed part of our DNA and continues to be a key focus today. Our goal is to incorporate more sustainable materials into our products to stimulate demand for more innovative materials across the industry as a whole.

Cotton, cashmere and leather are our key raw materials, representing approximately 30% of our overall greenhouse gas emissions. We have implemented a series of innovative programmes within our supply chain, which are designed to reduce the carbon, water and biodiversity impacts of these materials.

Cotton: we aim to procure 100% of our cotton more sustainably by 2022 by using a portfolio approach. This includes working with partners such as the BCI and Textile Exchange, as well as exploring new sources, including organic and regenerative cotton. Over 75% of our cotton was sourced more sustainably in FY 2019/20*. This compares to 68% in the prior year*. Our programmes include working with BCI, who trains farmers on how to grow cotton more sustainably through efficient soil, water and land use, while improving the livelihoods of farming communities. We continue to promote more sustainable farming practices among our suppliers and also remain committed to driving demand for organic cotton. In FY 2019/20, we worked directly with cotton growers in the US to develop a fully traceable organic cotton supply for the future.

Cashmere: in FY 2019/20, we explored cashmere farming practices in China, working cross-industry with other brands and non-governmental organisations (NGOs). We also continued our support for the Sustainable Fibre Alliance in Mongolia. By the end of FY 2019/20, over 4000 herding families had committed to the SFA's Codes of Practice on Animal Husbandry and Cashmere Fibre Harvesting.

Leather: during FY 2019/20, we made significant progress, particularly on leather traceability, by working closely with our Italian tanneries. Our goal is to source 100% of our leather from tanneries with environmental, traceability and social compliance certifications. Currently 64% of our leather is sourced from suppliers with such certifications.

In addition, we have programmes to ensure that we proactively tackle the impacts of other raw materials, such as viscose, within our business. In FY 2019/20, we partnered with Canopy, an NGO that works to protect the world's ancient and endangered forests and species by collaborating with business leaders and supply chain partners, to ensure we only source viscose from responsible sources.

PROMOTING WORKER WELLBEING

Our ethical trading programme works with all finished goods vendors, subcontractors and key raw material suppliers and involves engaging with both management and workers to review performance and drive improvements. We work closely with supply chain partners to go beyond regulatory compliance and have a positive impact on workers' lives. During FY 2019/20, we conducted 631 audits and assessments, and completed 71 training and engagement visits, to support our partners in building stronger human resource management systems and introducing innovative worker engagement and wellbeing programmes.

Worker wellbeing monitoring continued across our supply chain through the roll-out of our Worker Wellbeing Survey. Launched in 2018, the survey, which was developed in collaboration with an international NGO, has been used to engage with approximately 2750 workers across 15 facilities worldwide. In response to results of the survey, we developed a programme that aims to improve communication and empathy between workers, supervisors and management. It was developed and delivered in collaboration with an expert third party organisation and led to improved wellbeing scores across all indicators.

As well as supporting improvements at the facilities of our vendors, subcontractors and raw materials suppliers, we encourage our partners to do the same with their upstream supply chains too. In FY 2019/20, 16 of our key supply chain partners were involved with our Vendor Ownership Programme, which helps them to set up their own ethical trading programmes to monitor and improve working conditions in their supply chain.

We are accredited as a UK Living Wage employer, and promote living wages in our supply chain in line with our commitment to fair and responsible employment. We are a Principal Partner of the Living Wage Foundation and are on the steering group of the Global Living Wage Initiative. In 2019, we contributed to the Living Wage Foundation's "The Sustainable Development Goals and The Living Wage" report, which shows how a global expansion of the Living Wage could help to deliver a range of SDGs.

Our strategic supplier of cashmere scarves, Johnstons of Elgin, who we have partnered with for 120 years, became accredited as a Living Wage Employer in 2019. It was named the winner of the Anchor Institution Award by Living Wage Scotland because of the impact accreditation had on its staff.

MINIMISING OUR WATER FOOTPRINT

As a retailer and manufacturer, we are mindful of our use of water and are always looking for ways to reduce our impact. Our Water Conservation programme focuses on promoting best practice and new technologies in the supply chain, as well as introducing water-efficient materials into the product range and identifying opportunities to recycle process water back into the manufacturing processes. In FY 2019/20, 80% of our key wet processing facilities were engaged in the early stages of our Water Conservation Programme. We are committed to evolving our position on water stewardship beyond our existing programmes in key agricultural supply chains from cashmere goat and cotton farms through to tanneries. We regularly evaluate our water impact by utilising the WWF Water Risk Tool.

LEADERSHIP IN CHEMICAL MANAGEMENT

In FY 2019/20, we continued to deliver on our commitment to eliminate the use and release of unwanted chemicals. We commissioned an external review of our chemical management programme to verify achievements and identify opportunities for improvement. We also launched an enhanced chemical management assessment framework, which introduced significantly advanced requirements for our business partners. We also conducted over 100 on-site chemical management assessments.

We continue to build capacity with our partners and have initiated an accreditation process for individuals to be trained and qualified to perform chemical management assessments. We promote the use of technology to drive efficient chemical management and have partnered with an external provider to create an online tool to help facilities procure better chemical formulations. Approximately 50 facilities within the supply chain are using this tool in their day-to-day chemical management.

We recognise that supply chain chemical management is an industry-wide challenge and are actively involved in collaborative initiatives, including acting as a ZDHC Board member.

COMPANY

We believe in respecting the environment and conducting our business in a responsible way. The success of our business over the long term depends on the environmental sustainability of our operations, the resilience of our supply chain and our ability to manage climate change impacts.

BECOMING CARBON NEUTRAL

Our goal is to be carbon neutral in our own operational energy use by 2022 and to obtain 100% of our electricity from renewable sources in the same time frame. Our commitments in relation to climate change extend beyond our business operations and activities.

We have two climate goals approved by the Science Based Target initiative (SBTi): to reduce our absolute Scope 1 and 2 greenhouse gas emissions by 95% by 2022 and our absolute Scope 3 greenhouse gas emissions by 30% by 2030 (all from a 2016 base year). The Scope 1 and 2 target focuses on emissions from our direct operations (including electricity and gas consumption at our stores, offices, internal manufacturing and distribution sites), while the Scope 3 target relates to indirect emissions in our extended supply chain (which includes the impact from the sourcing of raw materials and manufacturing of finished goods). The targets covering greenhouse gas emissions from Burberry's operations (Scopes 1 and 2) are consistent with reductions required to keep warming to 1.5°C, the most ambitious goal of the Paris Agreement. To date, we have reduced our Scope 1 and 2 emissions by 82% compared to FY 2016/17.

At Burberry, to achieve our climate-related goals we focus on energy efficiency first and foremost. We drive energy efficiency across our stores by instilling good practice behaviour and installing more efficient lighting systems at our new and refurbished stores. We then reinvest savings into renewable energy procurement in the region, before finally offsetting any remaining emissions, reducing our emissions footprint to zero. We are now carbon neutral in our own operational energy use across 85% of our sites globally and procure 83%^ of our total energy (90%^ of electricity) from renewable sources.

Through engaging with our suppliers on energy efficiency and renewable energy, we have reduced emissions in the supply chain by more than 1600 tonnes of carbon. These initiatives, alongside our transition to more sustainable raw materials, are contributing to our Scope 3 science based target.

We are supporting the UN Climate Change's efforts in the fashion industry and have taken a leadership position by collaborating with other brands to promote energy efficiency and renewable energy across the entire fashion industry. In addition, we signed the Fashion Charter Communique at the 25th session of the Conference of the Parties. The Communique encourages countries with major fashion production and consumer markets to partner with us to bring the industry in line with the Paris Agreement goal of limiting average global temperature rise to 1.5°C.

In FY 2019/20, we extended our commitment to carbon neutrality to our runway shows. See page 38 for further details of our Regeneration Fund, which is designed to reduce the carbon impact of our raw materials and improve biodiversity. Further information on our carbon commitments and impact can be found on page 34 and pages 110 to 115.

^ ^ Please see page 71 for details on external assurance.

GLOBAL GREENHOUSE GAS EMISSIONS	Reporting year 19/20		Reporting year 18/19		Reporting year 17/18	
	Global	UK and UK offshore only	Global	UK and UK offshore only	Global	UK and UK offshore only
Total energy, including energy from fuel used in vehicles / kWh	69,022,600 [^]	22,915,011	76,657,440	24,210,561	82,309,197	27,294,512
Combustion of fuel and operation of facilities (Scope 1) / Kg CO ₂ e	1,853,911 [^]	1,485,987	2,079,000	1,433,808	2,144,091	1,746,440
Combustion of fuel use from owned or leased transport (Scope 1) / Kg CO ₂ e	77,936	4,592	85,305	1,515	n/a	n/a
Electricity purchased and used for operations (Scope 2) / Kg CO ₂ e	23,770,998 [^]	3,660,968	26,521,247	4,083,794	29,268,407	4,457,747
Total emissions location based (Scope 1 & 2) / Kg CO ₂ e	25,702,845 [^]	5,151,547	28,685,552	5,519,117	31,412,498	6,204,187
Electricity purchased and used for operations (Scope 2, market-based) / Kg CO ₂ e	3,274,590 [^]	0	12,489,981	60,546	17,529,866	101,705
Total emissions (Scope 1 & 2, market-based) / Kg CO ₂ e	5,206,437 [^]	807,805	14,654,286	62,061	19,673,957	1,714,807
Total emissions offset by Verified Emissions Reduction Certificates / Kg CO ₂ e	1,060,547 [^]	803,214	371,316	0	170,411	0
Location-based Kg CO ₂ e per £1000 sales revenue	9.8 [^]	n/a	10.5	n/a	11.5	n/a
% of energy from renewable sources	83% [^]	81%	58%	68%	48%	65%

Note: Burberry applies an operational control approach to defining its organisational boundaries. Data is reported for sites where it is considered that Burberry has the ability to influence energy management. Data is not reported for sites where Burberry has a physical presence, but does not influence the energy management for those sites, such as a concession within a department store. Overall, the emissions inventory reported equates to 99% of our sq. ft. (net selling space). The Company uses the Greenhouse Gas Protocol (using a location and market-based approach to reporting Scope 2 emissions) to estimate emissions and applies conversion factors from Defra, IEA and RE-DISS. All material sources of emissions are reported. Refrigerant gases were deemed not material and are not reported. Combustion of fuel use from owned or leased transport is reported from 2018/19 FY onwards. Burberry has updated GHG data for FY 2017/18 and FY 2018/19 to account for updated emission factors and improvements in data availability and estimation methods. Further information about Burberry's basis of reporting is available at Burberryplc.com.

[^] Please see page 71 for details on external assurance.

REDUCING AND REVALUING WASTE

We are committed to revaluing waste across our operations and supply chain through our collaborative approach and creative spirit. We follow a clearly defined waste hierarchy to guide our workstreams. We continue to challenge ourselves with new and existing partners to reduce, reuse and recycle. Our work to address the systemic waste challenge facing the industry cannot be tackled alone, therefore we are working in collaboration with peers and partners, including the Ellen MacArthur Foundation.

A key element of our strategy is addressing waste from a creative point of view. We are engaging our creative community through training on circular design, which aims to reduce the amount of waste we produce by anticipating what the next life of a product will be. A range of product disassembly workshops have been carried out to help teams better understand the extended life of our products.

A creative approach has also been adopted by our Merchandising Computer Aided Design (CAD) team who have designed 3D runway and ready-to-wear samples, known as "Digital Product Twins," to help reduce reliance upon physical sampling.

Our beautifully made products are designed to last and we are committed to helping customers enjoy them for as long as possible. In FY 2019/20, we handled around 14,750 repair and replacement part enquiries, ranging from Trench Coat re-proofing to repairing vintage items. This financial year, we also launched a pilot in the US with The RealReal, a luxury consignment marketplace where customers can consign secondhand luxury goods, to encourage our customers to extend the life of their products through resale. This offers us an opportunity to champion a more circular future.

We employ innovative solutions to repurpose products and offcut waste. In the UK, we continue to work with sustainable luxury company Elvis & Kresse, which revalues our leather offcuts by transforming them into accessories and homewares. In Italy, we continue to donate material to Progetto Quid, a not-for-profit co-operative, which upcycles excess materials into clothes and accessories, employing mostly women from vulnerable backgrounds. This financial year, we also launched a new partnership in Italy with Alta Scuola di Pelletteria Italiana, a leather school, and San Patrignano, an organisation supporting marginalised youth. The school will train San Patrignano residents in leather goods disassembly and repurposing using donated unsaleable Burberry leather products.

In addition, we have donated products and raw materials to various charities, design schools and colleges globally, including the Royal College of Art and the Manchester Fashion Institute. In 2018, Burberry became the first luxury company to cease destroying unsaleable finished products. As of 28 March 2020, we were running finished product revaluing pilots with 10 new partners.

We are mindful of ensuring that our supply chain partners also take responsibility for the waste generated during production, which is why we established a positive product attribute count to monitor and recognise waste recycling initiatives in our supply chain. We are also working to repurpose and reinvent products by adding seasonal and on-trend embellishments such as embroideries and appliquéd patches.

CONTINUING SUSTAINABLE PACKAGING INNOVATION

As a signatory of the Ellen MacArthur Foundation's New Plastics Economy Global Commitment, we pledged to eliminate unnecessary and problematic plastic, to use 100% reusable, recyclable or compostable plastic, and to use at least 20% recycled content across all own-branded plastic packaging by 2025. We have made good progress towards our goal by removing plastic lamination from our branded retail and digital packaging.

All of our paper-based customer-facing packaging is reusable or recyclable and certified by the Forest Stewardship Council. As the packaging composition includes a minimum of 40% recycled coffee cups, since February 2019, Burberry has been responsible for recycling 58 million cups. We will work to further increase the use of recycled materials in our products and transport packaging, as well as support industry-wide scaling of alternative materials by 2025. We continue to constantly innovate and trial new packaging materials to find more sustainable solutions for our customers.

COMMUNITIES

As noted on pages 15 to 17, Creativity Opens Spaces is a shared belief that through creativity we can push boundaries and explore new possibilities for ourselves, our customers and our communities. Our purpose and values inform the choices we make in every aspect of the business. In 2017, we identified key locations along our value chain where we have the biggest impacts and where we are uniquely placed to make a difference. We then liaised with external expert organisations to identify local community needs and effective ways of addressing these, which in turn informed the design of our communities strategy.

POSITIVELY IMPACTING ONE MILLION PEOPLE BY 2022

Burberry donates 1% of adjusted Group profit before tax to charitable initiatives. The three pillars of our strategy focus on projects that promote the Science, Technology, Engineering, Arts and Maths agenda in schools, tackle educational inequality, support social and economic development and community cohesion. Much of our philanthropic work is carried out through The Burberry Foundation (UK registered charity number 1154468). Independent of Burberry Group plc, The Burberry Foundation is dedicated to using the power of creativity to drive positive change in global communities and build a more sustainable future through innovation. The Burberry Foundation works with leading organisations to support communities that sustain the luxury industry. It plays a vital role in our goal to positively impact one million people by 2022. Since the launch of this target we have positively impacted the lives of 416,089[^] people. Our employees can also contribute to our commitments in this area by spending up to three working days a year supporting their local communities. In FY 2019/20, 26% of Burberry employees participated in volunteering and fundraising activities and collectively contributed almost 11,000 hours to charitable causes.

TACKLING EDUCATIONAL INEQUALITY FOR YOUNG PEOPLE IN THE UK AND THE US

At Burberry, we believe that diversity and inclusion enrich our brand with fresh ideas and new perspectives. Part of the work of The Burberry Foundation is to open up the creative industries to people who may not otherwise have had access to or felt equipped to pursue a career in this arena.

The Burberry Foundation has partnered with Teach First, The Careers & Enterprise Company and MyKindaFuture, with the goal of opening up opportunities to young people from disadvantaged communities in Yorkshire and London. The aim is to improve young people's access to the creative industries and inspire them to consider roles they may not have previously been exposed to while also helping them to prepare for employment. During FY 2019/20, 183,000 students and teachers were engaged in a variety of activities, including school workshops, teacher training, guest speaker sessions and work experience weeks at Burberry. Burberry volunteers participated by supporting Teach First's Careers Leaders Programme, which has been rolled out across England and Wales.

Burberry Inspire, funded by The Burberry Foundation, is the first in-school art and culture programme of its scope and scale designed to understand how exposure to the arts can have a positive effect on young people's lives. The programme is active in both Yorkshire and New York. In Yorkshire, the programme works in partnership with The Ideas Foundation, The Hepworth Wakefield, Leeds Playhouse, Leeds Young Film and Northern Ballet. It is evaluated by The Policy Institute, King's College London. Burberry Inspire in New York is run in partnership with the City University of New York's Creative Arts Team, alongside American Ballet Theatre, Reel Works and Studio in a School NYC. The Office of Research, Evaluation, and Program Support of the City University of New York will measure the impact of this programme, evidencing how exposure to the programme impacts students' hopes for the future, confidence, self-belief, critical thinking skills, and other areas of growth.

FOSTERING COMMUNITY COHESION AND SUPPORTING YOUTH EMPLOYABILITY IN ITALY

The Florentine area of Italy has a long tradition of creativity and craftsmanship and is renowned for its production of garments and luxury leather goods. In recent years, the region has faced challenges from youth unemployment and economic migration. The Burberry Foundation has a five-year partnership with Oxfam aimed at fostering cohesion between local and migrant communities. During FY 2019/20, the programme implemented in-school mentoring schemes in 12 Tuscan schools and trained their teachers to introduce a new style of inclusive teaching into their classes. The Burberry Foundation also partnered with four local community centres to help them to expand their day-to-day services, deliver large-scale multicultural events and set up a network of community facilitators in the region. Overall, more than 57,000 community members benefited from these activities in FY 2019/20.

[^] Please see page 71 for details on external assurance

RESPONSIBILITY CONTINUED

SUPPORTING SOCIAL AND ECONOMIC EMPOWERMENT OF RURAL COMMUNITIES IN AFGHANISTAN

As the world's third-largest producer of cashmere fibre, Afghanistan is a key sourcing region for the luxury fashion industry, despite the country's ongoing armed conflict and extreme poverty. Launched in FY 2017/18, a programme developed in partnership between The Burberry Foundation, Oxfam and PUR Projet aims to improve the livelihoods of Afghan cashmere herding communities by helping them to develop a more sustainable and inclusive cashmere industry in the country. One aspect of this initiative is a training programme developed to help raise herders' awareness of best practice cashmere harvesting and herding techniques

to enhance their income and livelihoods. Through the medium of a radio drama, information is shared to enable cashmere goat herding communities to improve their livestock management practices and the quality of their cashmere. Educational public service announcements are also broadcast, which provide key information on goat health. Since opening in FY 2018/19, a goat breeding facility has hosted over 400 superior quality cashmere goats. Three elite bucks have been distributed to herders in a village to pilot a breeding programme with the aim of improving the genetic variety of goats at village level. The programme has also established community-owned groups for collective gathering and sales of cashmere, enabling herders to bargain for better cashmere prices.



HUMAN RIGHTS STATEMENT

While we respect and uphold human rights wherever we operate, we are aware that risks can arise in relation to our own workforce, our supply chain, our communities and customers. Burberry's Human Rights Policy sets out our procedures to uphold human rights across these stakeholder groups, and the mechanisms we use to identify and address any instances of potential infringement. The policy was developed with reference to the International Bill of Human Rights and follows the UN Guiding Principles on Business and Human Rights for the implementation of the UN's "Protect, Respect and Remedy" framework. Responsibility for the policy lies with Burberry's CEO. To ensure compliance with the policy, we assess human rights impacts and monitor labour conditions across our own operations and extended supply chain on a regular basis through our ethical trading programme, which is delivered by an established global team of ethical trading experts. Details of the programme and a full copy of our Human Rights Policy can be found at Burberryplc.com.

We conduct a Human Rights Impact Assessment every two years as part of our broader Human Rights Due Diligence process to confirm potential areas of risk, capture any emerging risks in relation to new operations and projects, and review or develop mitigation plans as required. We have completed three impact assessments since 2014 and will be conducting our next assessment in FY 2020/21. Each process involves mapping our own operations and those of our extended supply chain, and assessing them in terms of their potential impact on human rights as set out in the Universal Declaration of Human Rights. For both our FY 2016/17 and FY 2018/19 assessments, we reviewed key findings and mitigation plans with Ergon, a specialist human rights consultancy. To strengthen our efforts in this field even further, we have identified key themes arising from our FY 2018/19 Human Rights Impact Assessment. We will continue our work in enhancing the lives of migrant workers and income-vulnerable workers, as well as promoting diversity and inclusion within our supply chain. In FY 2019/20, we further embedded these work streams into our broader Responsibility strategy. During ethical trade audits

and as part of our broader Responsibility programme, we conduct interviews with relevant stakeholder groups to better understand their needs and perceptions, while gathering insights into the direct and indirect impacts of our business and developing focused mitigation plans where required. For example, we provide grievance mechanisms for our global employees, as well as confidential hotlines run by NGOs for workers in our supply chain. Currently, more than 13,000 workers across 31 factories are provided with improved access to remedy and confidential support, including advice and information on workers' rights and wellbeing. The effectiveness of these hotlines is regularly reviewed. During FY 2019/20, Burberry-sponsored hotlines received 598 calls and their resolutions have been monitored closely by our Responsibility team. We also introduced a Global Model Wellbeing Policy to safeguard the health, privacy and wellbeing of models engaged with across Burberry's global operations, the scope of which includes but is not limited to shoots, shows, events and fittings.

Supporting our human rights commitment is our Modern Slavery Statement. This is published in line with the UK Modern Slavery Act and can be found at Burberryplc.com.

EXTERNAL ASSURANCE OF CORPORATE RESPONSIBILITY DISCLOSURES

Burberry has appointed PricewaterhouseCoopers LLP (PwC) to provide limited assurance over selected Company, Product and Community information for FY 2019/20. Information forming part of the assurance scope is denoted with a ^ on pages 34 to 69. The assurance statement and Burberry's basis of reporting are available at Burberryplc.com.

NON-FINANCIAL INFORMATION STATEMENT

This section of the strategic report constitutes Burberry's Non-Financial Information Statement, produced to comply with sections 414CA and 414CB of the Companies Act 2006. The information listed is incorporated by cross reference.

REPORTING REQUIREMENT	POLICIES AND STANDARDS WHICH GOVERN OUR APPROACH	INFORMATION NECESSARY TO UNDERSTAND OUR BUSINESS AND ITS IMPACT, POLICY DUE DILIGENCE AND OUTCOMES
ENVIRONMENTAL MATTERS	<ul style="list-style-type: none"> • Global Environmental Policy • Responsible Sourcing Policy • Chemical Management Standards • Science Based Targets • Make Fashion Circular Initiative • New Plastics Economy Global Commitment • UN Climate Change Fashion Industry Charter for Climate Action 	<ul style="list-style-type: none"> • Responsibility goals and commitments, in particular our Product and Company goals, pages 60-61 • Responsibility section on Burberryplc.com
EMPLOYEES	<ul style="list-style-type: none"> • Our Culture and Values • Global Health and Safety Policy • Ethical Trading Code of Conduct • Responsible Business Principles 	<ul style="list-style-type: none"> • Purpose, pages 14-19 • Stakeholder Engagement pages 73-83 • Gender Pay Gap Report found on Burberryplc.com • People and Responsibility sections on Burberryplc.com • Diversity and Inclusion, page 44
RESPECT FOR HUMAN RIGHTS	<ul style="list-style-type: none"> • Human Rights Policy • Ethical Trading Code of Conduct • Transparency in the Supply Chain and Modern Slavery Statement • Data Privacy Policy • Information and Cybersecurity Policy • Model Wellbeing Policy 	<ul style="list-style-type: none"> • Human Rights Statement page 71 • Responsibility section on Burberryplc.com
SOCIAL MATTERS	<ul style="list-style-type: none"> • Responsible Business Principles • Ethical Trading Code of Conduct • Local Stakeholder Engagement Policy • Volunteering and Match Funding 	<ul style="list-style-type: none"> • Responsibility section on Burberryplc.com
ANTI-CORRUPTION AND ANTI-BRIBERY	<ul style="list-style-type: none"> • Anti-Bribery and Corruption Policy • Anti-Money Laundering and Counter Terrorist Financing Policy • Fraud Risk Management Policy 	<ul style="list-style-type: none"> • Reflecting the needs of our stakeholders, Customers, pages 76-77 • Reflecting the needs of our stakeholders, Employees, pages 74-75
ADDITIONAL DISCLOSURE		<ul style="list-style-type: none"> • Business Model, pages 20-21 • Key Performance Indicators, pages 32-33 • Principal Risks, page 92 • Purpose, pages 14-19 • Diversity and Inclusion, page 44

STAKEHOLDER ENGAGEMENT



Understanding the views and values of all our stakeholders is critical to Burberry's success, and we value their broad range of perspectives. Our stakeholders include employees, customers, communities, partners, shareholders and governments. Comprehensive engagement allows us to make informed decisions, while taking into account the consequences of our actions on the different stakeholder groups.

The Board is mindful of all our stakeholders when making decisions of strategic importance. Papers submitted to the Board for approval take into account the impact of the proposals on relevant stakeholder groups.

SECTION 172(1) STATEMENT AND STATEMENT OF ENGAGEMENT WITH EMPLOYEES AND OTHER STAKEHOLDERS

In accordance with the Companies Act 2006 (the Act) as amended by the Companies (Miscellaneous Reporting) Regulations 2018, the Directors provide this statement to describe how they have engaged with and had regard to the interests of our key stakeholders when performing their duty to promote the success of the Company, under section 172 of the Act.

However, given the importance of our stakeholders and the impact they have on our strategy, reputation and the Group's long-term success, consideration has been given to them throughout the FY 2019/20 Annual Report and the table on page 83 identifies where they are discussed.

EMPLOYEES

WHY EFFECTIVE ENGAGEMENT IS IMPORTANT

Our employees are our biggest asset. Having people who bring a diverse range of talents and perspectives, and who feel engaged in their roles is of paramount importance to Burberry's long-term success.

Our employees have been instrumental in making Burberry the luxury fashion brand it is today. They will also be key to driving the brand forward and ensuring it remains relevant in the future.

WHAT MATTERS TO EMPLOYEES

- Operational efficiency, including flexible working
- Wellbeing
- Career development
- Fostering a diverse and inclusive culture

HOW THE COMPANY ENGAGES

Employee Engagement Survey: our third annual global survey took place in 2019 and indicated improvement across several areas with 85% of employees understanding how their job contributes to Burberry's overall goals. Additionally, the results confirmed that 87% of employees were proud to work at Burberry and 82% of employees confirmed they were motivated to go above and beyond what is expected to make Burberry successful. We use these results to identify and drive change across the Group.

Communication: we communicate daily with our teams across the business to keep them informed and engaged, listen to their feedback and build a sense of belonging. Written communications, videos and podcasts are made available via Burberry World, our global intranet. We hold calls and in-person briefings and our teams have opportunities to engage with the Executive Committee and the Board. We communicated extensively with our Sales Associates during the year, providing regular operational updates and training around our creative transition and new products. We also made our purpose journey as inclusive as possible, inviting the whole organisation to take part. We crafted an approach that combined the traditional elements of input, such as archival research, global surveys and focus groups, with more creative information gathering like doodle walls

Development: we have an ongoing commitment to ensure our colleagues are growing and developing. To do this, we use tools and services such as My Career, our online career development tool, and Burberry Voices, a podcast about the career journeys of our leaders, as well as our Leadership Development Programme, which has been rolled out globally. Burberry's Career Development Programme focuses on enabling employees to make informed decisions about future opportunities, experiences and career moves. Following the success of the UK Careers Week in 2018, we rolled out Careers Weeks globally in Hong Kong S.A.R., Leeds, London, New York and Shanghai. These were face-to-face and virtual events focusing on learning, development and careers. Burberry also launched new Learning and Development Tools through our digital intranet Burberry World to support employees in their development of new skills. For example, we support our colleagues in innovative thinking through programmes such as cross-functional problem-solving days, which involve finding creative solutions to opportunities and challenges.

Smarter Working: to improve wellbeing, a smarter working model was introduced in the financial year to encourage office-based employees to work off-site one day per week. The results showed that working off-site improves work-life balance by reducing participating employees' time spent commuting. In addition, it has a positive impact on wellness, productivity and morale, while also reducing our employees' carbon footprint. To help employees adapt to off-site working, new technologies and behavioural guidelines were also introduced. These practices also meant that we had the infrastructure to enable our employees to work remotely following the outbreak of COVID-19.



Diversity and inclusion: we have introduced a new and inclusive Parental Leave Policy, which provides a minimum of 18 weeks' paid leave to all new parents. Read more on page 46. In November 2019, we launched an Internal Diversity and Inclusion Council. The council, which will meet four times per year, is tasked with acting as an internal sounding board for Burberry on matters pertaining to diversity and inclusion. Read more on page 45. A Wellbeing Council and Wellbeing forum were set up in 2019. The Forum comprises representatives from across different functions and regions. Their role is to ensure employees' voices are heard. The Council comprises senior leaders who can help influence decision-making in the business.

HOW THE BOARD ENGAGES

Global Workforce Advisory Forum: in accordance with the 2018 Corporate Governance Code (the Code), the Board approved the establishment of a Global Workforce Advisory Forum in order to ensure meaningful two-way communication between the Board and the workforce. The aim was to better understand the views of the workforce when making decisions in the boardroom. The Global Workforce Advisory Forum is made up of representatives from a variety of roles globally and during FY 2019/20 it met twice to discuss a wide range of topics. These included employee views on executive remuneration and its alignment

with wider Group pay, the importance of balancing global brand language and embracing local influences, building an inclusive environment across Burberry, sustainability and operating responsibly. Gerry Murphy, our Chairman, and Orna NiChionna, Independent Non-Executive Director and Chair of the Remuneration Committee, represented the Board at two meetings and shared with the Board the engagement process, outcomes and insights from these meetings. These insights were particularly helpful to the Board in formulating the proposed 2020 Directors' Remuneration Policy and in their consideration of the Group's diversity and inclusion approach. More information on the Global Workforce Advisory Forum can be found on page 44 and additional information on the Group's approach to diversity and inclusion can also be found on page 44.

Employee Engagement Survey: the Board reviewed the results of the Employee Engagement Survey, which highlighted opportunities for continued improvement in relation to operational efficiency, wellbeing and career development. Actions to address these areas were discussed and agreed with the Board prior to implementation by senior management.

Direct interaction: members of the Board also meet employees in a variety of ways throughout the year. Examples include visiting stores and other sites, speaking at town hall meetings and at events such as our International Women's Day celebration. In March 2020, in celebration of International Women's Day, Orna NiChionna, along with two other Burberry employees, participated in a panel at Burberry's London offices discussing the important role women have played in shaping Burberry's heritage and will continue to play in influencing Burberry's future. These opportunities for interaction help the Board individually and collectively understand areas of importance for employees and other stakeholders. More information on International Women's Day can be found on page 44.

COVID-19: more information about Burberry's response to the COVID-19 pandemic and its impact on our employees can be found on pages 56 to 58.

CUSTOMERS

WHY EFFECTIVE ENGAGEMENT IS IMPORTANT

Our customers are those who have purchased a Burberry product or will do so in the future. To deliver great service in a way that customers value, we need to listen and engage with them. We develop relationships with our customers based on mutual trust and open, constructive dialogue.

We have a diverse customer base across the world, which we serve through online, directly operated stores, concessions and wholesale partners.

WHAT MATTERS TO CUSTOMERS

- Product innovation and newness
- Customer service and in-store experience
- Sales channels that offer growth and value creation while addressing evolving customer habits

HOW THE COMPANY ENGAGES

Customer insights: we use insights to develop our understanding of luxury fashion customers and enhance our customer proposition. Through research and analysis, we explore what inspires and excites them and use data and analytics to inform our decision making so we can best meet their needs.

Customer service: we are constantly increasing and improving the assistance we offer to customers to ensure they are able to contact us at any time of the day or night through their preferred medium, including phone, email, social and Burberry.com chat. At present, we offer customer service assistance in 14 languages.

Personalised luxury: we enhance the depth and meaningfulness of customer interaction with our brand by offering frequent opportunities for personalisation across all channels, including social, email, Burberry.com and in store. In September 2019, we launched R Message, a direct messaging platform on the Burberry app allowing Sales Associates to communicate directly with customers and offer one-to-one service at any time. The messaging platform uses technology to augment human relationships and enhance the luxury service Burberry offers its clients both in stores and online.

Social: we engage with customers through our digital platforms, highlighting our products and important brand moments, such as our fashion shows and the unveiling of our refreshed Thomas Burberry Monogram. September 2020 will mark the two-year anniversary of the launch of B Series, a unique socially-native experience allowing customers to purchase limited-edition products only on Instagram, WeChat, Kakao and LINE. In 2019, Burberry was one of the first luxury companies to stage a major campaign on TikTok. Our TB challenges on Douyin and TikTok generated over a billion views and allowed us to connect with young consumers in a way that felt authentic to them.

Experiences: we are using augmented reality to inspire our customers by creating unique interactive experiences. To celebrate the opening of our flagship store in Tokyo in November 2019, visitors could take part in an exclusive augmented reality experience. In December 2019, Burberry launched a digital pop-up experience powered by Google Lens in London. In March 2020, we opened an immersive pop-up installation in Selfridges, offering an augmented reality experience that brought penguins to life by scanning various QR codes inside and outside the store.



Online retail: at the beginning of 2020, we launched an augmented reality shopping tool through Google Search technology. Using augmented reality in commerce transforms the product discovery-and-search phase of the retail journey, by reducing the friction between online shopping and the in-store experience. Incorporating augmented reality into the online retail space provides customers with additional knowledge, offering an experience that they could previously only get in stores.

HOW THE BOARD ENGAGES

Customer experience: as customers themselves, the Board regularly engages with the business across all of our channels. Insights, whether in relation to packaging, product curation or ease of use of digital platforms, are regularly discussed with management.

Customer insights: most of Burberry's engagement with customers is at the operational level. The Board receives regular updates from the CEO and other members of the senior management team on sales performance and brand heat. Updates are also shared in relation to evolving relationships with customers as we respond to market conditions and trends. These updates assist the Board in developing and maintaining its understanding of customer trends, as well as potential issues and how these could be addressed.

COVID-19: more information about Burberry's response to the COVID-19 pandemic and its impact on our customers can be found on pages 56 and 58.

SHAREHOLDERS

WHY EFFECTIVE ENGAGEMENT IS IMPORTANT

Our investors and retail shareholders provide capital for our business. We value our shareholders and investors and want to ensure they have a deep understanding of our business, our strategy, the luxury market environment and our governance arrangements. It is important to us that we foster an open and transparent relationship with each individual investing in Burberry, to enable them to make effective investment decisions.

WHAT MATTERS TO SHAREHOLDERS

- Capital gain through share price appreciation and capital return via dividend
- Profitability and business growth potential
- Quality of governance
- Responsibility and fairness

HOW THE COMPANY ENGAGES

Investment community: the Board benefits from the views of the investment community in their decision-making and we therefore encourage multichannel engagement through our Investor Relations team, Company Secretariat, Board and Executive Team.

Multichannel engagement: we make available all our investor announcements, including our Interim and Preliminary results, through multiple channels, including audiocasts and webcasts. Investors are also invited to attend major announcements in person.

Ongoing engagement: during FY 2019/20, our Investor Relations team and members of our senior management held over 300 meetings with investors, both with smaller and larger shareholdings.

Perception gauge: we use an independent third party, commissioned by the Board, to interview all significant shareholders and evaluate investor sentiment.

HOW THE BOARD ENGAGES

Board engagement: the Board receives monthly updates from the Investor Relations team, providing an overview of market sentiment, share price performance and any meetings held with investors. In addition to the meetings undertaken by management throughout the year, various Non-Executive Directors, including the Chairman and Chair of our Remuneration Committee, have engaged with shareholders in relation to governance and remuneration topics. In particular, as part of the shareholder consultation undertaken in advance of proposing the 2020 Directors' Remuneration Policy, the Chair of the Remuneration Committee consulted with more than twenty of our largest shareholders. More information on the Directors' Remuneration Policy can be found on pages 151 to 185 of the Directors' Remuneration Report.

The Board and management regularly receive and respond to queries from shareholders on a wide range of Environmental, Social and Governance (ESG) topics such as, sustainability, climate change, recycling and waste and human capital management.

During the year, views from investors informed the Board's decisions on areas such as the operation of the Capital Allocation Framework, which included the quantum of the share buyback programme in FY 2019/20. More information on the Capital Allocation Framework can be found on page 90.

Communications: under Burberry's corporate governance framework the Board reviews and approves Burberry's material communications to investors, such as the trading updates and results announcements, the Annual Report and Accounts and Notice of Annual General Meeting (AGM).

Annual General Meeting: the AGM is also an important opportunity for the Board to share directly with shareholders the performance and strategic direction of the Company. In 2019, 29 shareholders attended the AGM, 77.99 % of total voting rights voted and all resolutions were passed.

COVID-19: more information about Burberry's response to the COVID-19 pandemic and its impact on our shareholders can be found on pages 56 to 58.

COMMUNITIES

WHY EFFECTIVE ENGAGEMENT IS IMPORTANT

Burberry has a vast network of people who live and work alongside the Company and our partners.

We know that we can build trust by understanding the issues core to our communities, operating responsibly and addressing issues that are material to them.

We aim to create long-term partnerships that drive positive change in our communities and help build a more sustainable future through innovation. Read more about our communities and Responsibility on pages 60-71.

WHAT MATTERS TO COMMUNITIES

- Being socially responsible
- Developing sustainable practices
- Positively impacting the communities living and working around us
- Employment within community

HOW THE COMPANY ENGAGES

COVID-19: since the outbreak of COVID-19, the Board and management's priority has been the safety and wellbeing of our employees, our partners, customers and our communities. Throughout, the Board supported management efforts in following government and health authority guidelines and the measures that have been put in place aligned with these that are designed to help prevent the spread of the virus. Read more on pages 56 to 58.

Career inspiration: throughout the school year, we invite local students to take part in a variety of activities, such as Inspiration Days and Work Experience. Burberry's Student Engagement programme supports our goal to positively impact the lives of one million people in our communities.

Responsibility Advisory Committee: since 2013, we have met quarterly with a group of external expert stakeholders from NGOs, social enterprise and academia so that they can challenge and comment upon Burberry's Responsibility Agenda.

Burberry Inspire: we work with schools in Greater London, Yorkshire and New York to enhance young people's awareness of and access to the creative industries through in-school workshops, inspiration days and work experience weeks at Burberry.

Burberry apprentices: through our apprenticeship scheme, we offer young people training opportunities in areas such as craftsmanship and luxury business, encouraging them to develop the skills, confidence and experience required to pursue careers within the luxury industry and beyond.

Employee volunteering: employees are encouraged to donate up to three working days a year to support their local communities, with colleagues getting involved in activities as diverse as cooking for foodbanks, sports coaching and revaluing waste through upcycling.

Financial support: we donated 1% of Group adjusted profits before tax to charitable causes each year, including disaster relief support, scholarships and long-term community programmes led by The Burberry Foundation.

The Burberry Foundation: we support The Burberry Foundation (UK registered charity number 1154468) in creating long-term partnerships that drive positive change in our communities and help build a more sustainable future through innovation.

In-kind donations: we donate raw materials and finished goods to support a variety of causes, including assisting young people on creative courses and providing business clothing for employability programmes.

STAKEHOLDER ENGAGEMENT CONTINUED

HOW THE BOARD ENGAGES

Strategy updates: the Board receives regular updates on the implementation of the Burberry Foundation's five-year strategy, which aims to positively impact one million people by 2020 through supporting community programmes, making financial contributions and encouraging employee volunteering.

Sustainability Steering Group (SSG): in 2019, Burberry established a SSG which will meet at least three times a year to oversee the Group's strategy on environmental and social issues. The SSG is chaired by Burberry's CEO, who is accountable for ensuring oversight of climate-related risks and opportunities. It is also attended by the CO&FO, who is also a member of the Leadership Network for the Accounting for Sustainability (A4S) initiative.

Supporting communities: the Board understands the importance of sustainability in the fashion industry and receives updates on the sustainability initiatives and projects currently being undertaken by the Group. In November 2019, the Board received an immersive update on the refresh of Burberry's Sustainability Strategy and were supportive of the approach and objectives. This built on the work we did in FY 2018/19, when we explored the uncertainties, risks and opportunities associated with climate impacts to 2040, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). More information on Burberry's Responsibility Agenda can be found on pages 60 to 71. Further information on Burberry's progress in meeting the recommendations of TCFD can be found on page 112.

The Burberry Foundation: the work of The Burberry Foundation is key to Burberry's Responsibility Agenda. In FY 2019/20, the Board agreed to donate 1% of Group adjusted profits before tax to social and community causes worldwide, which include disaster relief support, scholarships and long-term community programmes led by The Burberry Foundation.

COVID-19: more information about Burberry's response to the COVID-19 pandemic and its impact on our communities can be found on pages 56 to 58.

PARTNERS

WHY EFFECTIVE ENGAGEMENT IS IMPORTANT

We work with companies and NGOs, including our suppliers, innovation teams and retail third parties.

We believe in an open and collaborative business approach and we take pride in sharing knowledge and expertise to find solutions and opportunities for innovation.

We aim to use all of our resources as efficiently as possible, reducing costs to the Company. This collaborative approach is particularly important to ensure a healthy, sustainable supply chain. The NGOs we partner with have a key contributing role in our plans to develop and support community and environmental initiatives.

WHAT MATTERS TO PARTNERS

- Environmental impact of operations
- Human rights
- Sustainable sourcing

HOW THE COMPANY ENGAGES

Sustainability partners: we pursue our goals through strategic partnerships with NGOs, industry peers, initiatives and business partners, including the Ethical Trading Initiative, the Ellen MacArthur Foundation, and the Fashion Industry Charter for Climate Action.

Burberry Foundation: during FY 2017/18, five-year partnerships were launched with Teach First and The Careers & Enterprise Company, the Royal College of Art, Oxfam, PUR Projet and Elvis & Kresse.

Innovation: we collaborate with other companies to create the best experiences for our customers.

Wholesalers: we nurture close relationships with our wholesale partners through monthly and weekly updates to understand their product needs and ongoing preferences.

Licensees: we maintain a frequent cycle of meetings and reviews with our licensing partners, covering all aspects of product, brand, marketing, merchandising and financial results.

Supply chain partners: we work with members of our supply chain on an ongoing basis to drive social and environmental improvements, focusing on every step in our sourcing and manufacturing processes. We involve our supply chain partners in initiatives that support our 2022 Responsibility goal of driving positive change through 100% of our products, and ensure that they comply with our Responsible Business Principles.

Brand protection: governments influence long-term retail environments, environmental priorities, trade, intellectual property, quality and payment and other business matters, which are all key areas for Burberry. We, therefore, regularly engage with governments in the countries where we operate to understand their challenges so we can seek solutions to shared environmental, social, economic and governance issues.

HOW THE BOARD ENGAGES

Environmental impact on operations: throughout the year, the Board received updates on sustainability-related matters, including those related to climate change. These were supported by insights from independent sustainability strategy consultants.

During FY 2019/20 a cross-functional TCFD Working Group was established to assess and implement the required governance and strategy for climate-related risks and opportunities, and the metrics and targets used to assess and manage these. The TCFD Working Group reports to the Risk Committee, which is chaired by Julie Brown, the CO&FO.

In support of TCFD, the Remuneration Committee is in the process of considering non-financial performance metrics, including the achievement of ESG targets for senior leaders across the Group. More information on Burberry's approach to implementing TCFD can be found on page 112.

Ethical trading: the Board approved the Transparency in Supply Chains and Modern Slavery Statement, which widened the scope of the ethical trading programme to include packaging, visual merchandising and recycling facilities. More information on the Human Rights Statement can be found on page 71 and our Modern Slavery Act Statement can be found at Burberryplc.com.

COVID-19: more information about Burberry's response to the COVID-19 pandemic and its impact on our partners can be found on pages 56 to 58.

GOVERNMENTS

WHY EFFECTIVE ENGAGEMENT IS IMPORTANT

We work alongside the British government to collaborate on key initiatives concerning the luxury industry, including our role as a founding member of the Business Against Slavery Forum.

We also work with ministries and regulators across the countries in which we operate.

We consider it our responsibility to communicate our views and share knowledge to influence those who have the potential to impact the laws, regulations and policies relevant to our industry.

WHAT MATTERS TO GOVERNMENTS

- Environmental Policies
- Industry/product policies such as taxes, restrictions, trade and regulations
- Employment

HOW THE COMPANY ENGAGES

Governmental priorities: governments influence long-term retail environments, environmental priorities, employment laws, trade and other business matters, which are all key areas for Burberry. We therefore regularly engage with governments in the countries where we operate to understand their concerns so we can seek solutions to shared environmental, social, economic and governance issues.

For example, in FY 2019/20, we applied for and achieved AEO status. This is an internationally recognised quality mark awarded to businesses capable of demonstrating that their role in the international supply chain is secure and that they exercise customs controls and procedures that meet UK and EU standards.

HOW THE BOARD ENGAGES

Preparing for the UK's withdrawal from the EU: the Board received regular updates on the work being carried out by the business in relation to the UK's withdrawal from the EU.

AEO updates: the Board received updates on the work being undertaken by the Company to achieve AEO status, which included the benefits of attaining AEO accreditation and the key requirements for employees. The Board also received AEO training in February 2020. More information on the Company's AEO accreditation can be found on page 54.

COVID-19: more information about Burberry's response to the COVID-19 pandemic and Burberry's efforts in supporting the UK Government can be found on pages 56 to 58.



SECTION 172 RESPONSIBILITIES

(a) Long-term results – the likely consequences of any decision in the long term	Strategic Report: Business Model (page 20) Chairman’s Letter (pages 6-8) CEO’s Letter (pages 10-13) Capital Allocation Framework (page 90) Investment Case (pages 22-23) Key Performance Indicators (pages 32-34) Risk and Viability Report (pages 92-118) Corporate Governance Report: Report of the Audit Committee (page 143)
(b) Our workforce – the interests of the Group’s employees	Strategic Report: Business Model (page 20) Purpose (pages 14-19) Diversity and Inclusion (page 44) Operational Risks (page 103) Wellbeing (page 45) Responsibility (pages 60-71) COVID-19 (pages 56-58) Stakeholder Engagement (pages 73-83) Burberryplc.com: People and Responsibility Corporate Governance Report: Chairman’s Letter (pages 122-123) Board Roles (page 131) Directors’ Remuneration Report (pages 151-185) 2020 Directors’ Remuneration Policy (pages 161-171) Report of the Audit Committee (pages 143-150) Remuneration: Burberryplc.com: Gender Pay Gap Report Burberryplc.com: People and Responsibility
(c) Our business relationships – the importance of developing the Group’s business relationship with suppliers, customers and others	Strategic Report: Business Model (page 20) Responsibility (pages 60-71) Stakeholder Engagement (pages 73-83) COVID-19 (pages 56-58)
(d) The community and our environment – the impact of the Group’s operations on the community and the environment	Strategic Report: Responsibility (pages 60-71) Climate Change Risks (pages 110-111) Task Force on Climate-related Financial Disclosures (page 112) Corporate Governance: Burberryplc.com: Responsibility
(e) Our reputation/our desire to maintain our reputation for high standards of business conduct	Strategic Report: Responsibility (pages 60-71) Board Roles (page 131) Human Rights Statement (page 71) Compliance Risks (page 108) Non-Financial Information Statement (page 72) Other Governance Disclosures and Tax Governance Framework (page 142) Corporate Governance: Burberryplc.com: Modern Slavery Statement
(f) Fairness between our shareholders – our aim to act fairly as between members of the Company	Strategic Report: Stakeholder Engagement (pages 73-83) Corporate Governance Report: Engagement with Shareholders (page 78) Directors’ Remuneration Report (pages 151-185) Board Roles (page 131)

FINANCIAL REVIEW

REVENUE

- Revenue £2,633m, -4% CER, -3% reported
- Comparable retail store sales -3% (H1: +4%; H2: -9%) with Q4 -27%, materially impacted by the COVID-19 outbreak

PRO FORMA PROFIT MEASURES

- In FY 2019/20, we have adopted new accounting standard IFRS 16, recognising operating leases as right of use assets and lease liabilities on the balance sheet, the impact of which is set out on page 209 to 211. Throughout this review, to aid comparability, a pro forma FY 2019/20 (see detail on page 260) has been included to be comparable with FY 2018/19 results
- Pro forma adjusted operating profit £404m, -8% CER. Pro forma margin 15.3%, down 70bps at CER
- Gross margin before adjusting items down 100bps as investments in product quality were partly offset by lower levels of discounting
- Operating expenses before adjusting items -4% year on year benefiting from our cost saving programme and mitigating actions
- Pro forma adjusted diluted EPS 77.9p, -5% at both CER and reported, supported by an effective tax rate reduction of 80bps and 7m share repurchases prior to COVID-19

REPORTED PROFIT MEASURES

- Operating profit £189m, -57% reported, principally due to £244m of adjusting operating items relating to store impairments, inventory provisions and other charges resulting from the expected impact of the COVID-19 pandemic on our future trading
- Diluted EPS 29.8p, -64% reported, principally due to adjusting items relating to COVID-19

CASH MEASURES

- Free cash flow of £66m (2019: £301m) due to lower profit, accelerated timing of UK tax payments resulting from new HMRC rules, increased capital investments and working capital outflows
- Cash of £887m at 28 March 2020 including £300m from a drawdown of the revolving credit facility in March 2020 and after returning £325m cash to shareholders through a combination of dividends (£175m) and share buybacks (£150m) completed before the COVID-19 outbreak
- Full year dividend 11.3p, down 73% (2019: 42.5p) to protect our future cash position

SUMMARY INCOME STATEMENT

Period ended £ million	28 Mar 2020	30 Mar 2019	% change reported FX	28 Mar	% change pro forma vs Mar 2019	
				2020 pro forma***	Reported FX	CER
Revenue	2,633	2,720	(3)	2,633	(3)	(4)
Cost of sales*	(859)	(859)	-	(859)	-	
Gross profit*	1,774	1,861	(5)	1,774	(5)	
Gross margin %*	67.4%	68.4%	(100bps)	67.4%	(100bps)	
Operating expenses*	(1,341)	(1,423)	(6)	(1,370)	(4)	
Opex as a % of sales*	51.0%	52.3%		52.1%		
Adjusted operating profit*	433	438	(1)	404	(8)	(8)
Adjusted operating margin*	16.4%	16.1%	30bps	15.3%	(80bps)	(70bps)
Adjusting operating items	(244)	(1)		(244)		
Operating profit	189	437	(57)	160	(63)	
Operating margin	7.2%	16.1%		6.1%		
Net finance (charge)/credit**	(20)	4		5		
Profit before taxation	169	441	(62)	165	(63)	
Taxation	(47)	(102)		(46)		
Attributable profit	122	339		119		
Adjusted profit before taxation*	414	443	(7)	410	(7)	(7)
Adjusted EPS (pence)*^	78.7	82.1	(4)	77.9	(5)	(5)
EPS (pence)^	29.8	81.7	(64)	29.0	(65)	
Weighted average number of ordinary shares (millions)	409.0	415.1		409.0		

* Excludes adjusting items.

** Includes adjusting finance charge of £1m (2019: £1m).

^ EPS is presented on a diluted basis.

*** Pro forma is an estimation of the FY 2020 results when applying the previous accounting standard for leases, IAS 17 Leases consistent with FY 2019.

REVENUE ANALYSIS

Revenue by channel

Period ending £ million	28 March 2020	30 March 2019	% change	
			reported FX	CER
Retail	2,110	2,186	(3)	(4)
Comparable retail store sales	(3%)	2%		
Wholesale	476	488	(2)	(3)
Licensing	47	46	1	1
Revenue	2,633	2,720	(3)	(4)

RETAIL

- Retail sales -4% at CER, -3% reported
- Comparable store sales -3% (H1: +4%; H2: -9% with Q3 YTD: +4% and Q4: -27%)
- Net impact of space on revenue -1%, slightly below guidance due to the low productivity of new space in the final weeks of the year

Comparable store sales by region:

- **Asia Pacific** declined by a mid-single digit percentage
 - In the first 9 months Asia Pacific grew by a mid-single digit percentage with Mainland China up mid-teens and we had a strong lead up to Lunar New Year. However, from the end of January, sales were severely impacted by store closures across Mainland China and materially reduced footfall trends across the region
 - For the full year Mainland China and Korea grew low single digits, whilst Japan declined low single digits and Hong Kong S.A.R declined around 40% impacted by the disruptions from August

- **EMEIA** was stable year on year
- In the first 9 months EMEIA grew by a mid-single digit percentage and sales in January were strong, up double digits. However, consumption from travelling customers weakened materially in February and in the final weeks of the year our sales were curtailed by store closures
- For the full year the UK was stable, Continental Europe grew low single digits and the Middle East declined low single digits
- **The Americas** declined by a low single digit percentage
 - In the first 9 months, the Americas grew by a low single digit percentage and the performance in January was stable. However, February sales were impacted by negative tourist flows and store closures materially impacted our performance in March
 - For the full year, the US declined low single digits whilst Canada and Mexico declined double digits

By product,

- New product is now around 85% of the mainline store assortment
- We saw a strong consumer response to the new collections, delivering double digit growth for the first 9 months

- Replenishment lines remained softer through the period, however, we started our work to identify the products that could be icons of the future and the early consumer response was positive
- Accessories benefited from a fuller leather goods assortment and proved slightly more resilient to the decrease in luxury demand caused by the COVID-19 outbreak

Store footprint:

- The transformation of our directly operated distribution network is well underway:
 - Store openings included new flagship stores in China World Beijing, IFC Shanghai and Ginza Tokyo
 - A cumulative 64 stores are now aligned to our new creative vision, including one in every major city globally
 - 23 of the non-strategic stores previously announced for closure have now been rationalised with most remaining stores expected to close in FY 2021

WHOLESALE

- Wholesale revenue declined 3% year on year at CER and declined 2% at reported. In the first 10 months of the year, wholesale revenue increased +2% with the impact of COVID-19 related cancellations impacting the performance in February and March. Growth in luxury wholesale accounts was more than offset by the rationalisation of non-luxury doors. By region:
 - Asia Pacific declined by a low double digit percentage reflecting lower year on year sales to Asian travel retail partners resulting from a high comparative base as well as COVID-19 related cancellations
 - EMEIA grew by a low double digit percentage with strong growth in luxury accounts more than offsetting non luxury door closures
 - The Americas declined double digits impacted by our strategic rationalisation of non-luxury doors, which was completed by the end of the year

LICENSING

Licensing revenue was up 1% year on year at CER and reported, with eyewear performing particularly well in the period.

OPERATING PROFIT ANALYSIS

Adjusted operating profit

Period ended £ million	28 March 2020	30 March 2019	% change reported FX	28 March	% change pro forma vs March 2019	
				2020 pro forma*	reported FX	CER
Revenue	2,633	2,720	(3)	2,633	(3)	(4)
Cost of sales	(859)	(859)	–	(859)	–	
Gross profit	1,774	1,861	(5)	1,774	(5)	
Gross margin %	67.4%	68.4%		67.4%		
Operating expenses	(1,341)	(1,423)	(6)	(1,370)	(4)	
Opex as a % of sales	51.0%	52.3%		52.1%		
Adjusted operating profit	433	438	(1)	404	(8)	(8)
Adjusted operating margin %	16.4%	16.1%	+30bps	15.3%	(80bps)	(70bps)

* Pro forma is an estimation of the FY 2020 results when applying the previous accounting standard for leases, IAS 17 Leases consistent with FY 2019.

Pro forma adjusted operating profit declined 8% and margin decreased by 70bps at CER.

- Gross margin excluding adjusting items declined 100bps, ahead of our guidance as investments in design, product development and quality were partly offset by lower discount levels
- Operating expenses excluding adjusting items as a percentage of sales declined 20bps and overall reduced 4% year on year. This reflected benefits from the cost saving and the store rationalisation programmes, as well as the impact of cost mitigation relating to COVID-19

After a net finance charge of £19m (excluding adjusting items), adjusted profit before tax was £414m.

Adjusting items*

Adjusting items amounted to a £245m charge (FY 2019: £2m charge) with £244m adjusting operating items and £1m adjusting finance items.

The most significant items totalling £241m related to asset impairments resulting from the expected impact of COVID-19 on our future trading, including store impairments of £157m and inventory provisions of £68m.

* For additional details on adjusting items see notes 5 and 6 of the Financial Statements.

ADJUSTING ITEMS**Adjusting items***

Period ending £ million	28 March 2020	30 March 2019
The impact of COVID-19		
Store impairments	(157)	–
Stock provisions	(68)	–
Assets under the course of construction impairment	(10)	–
Receivables impairment	(11)	–
Related other sundry items	5	–
COVID-19 adjusting items**	(241)	–
Restructuring costs	(10)	(12)
BME deferred consideration income	2	4
Disposal of beauty business	5	7
Total adjusting operating items	(244)	(1)
Adjusting financing items	(1)	(1)
Adjusting items	(245)	(2)

* For more details see note 6 of the Financial Statements.

** COVID adjusting item includes a £68m charge that has been recognised through COGS relating to inventory provisions.

TAXATION

The effective tax rate on adjusted profit reduced 80bps to 22.3% (2019: 23.1%) reflecting a change in the geographical mix of profits. The effective tax rate on reported profit is 27.9%* (2019: 23.0%) due to the non-recognition of the tax effect on certain adjusting items. The reported tax charge was £47m (2019: £102m).

* For detail see note 9 of the Financial Statements.

TOTAL TAX CONTRIBUTION

The Group makes a significant economic contribution to the countries where it operates through taxation, either borne by the Group or collected on behalf of and paid to the relevant tax authorities. In FY 2020, the total taxes borne and collected by the Group amounted to £466 million. In the UK, where the Group is headquartered and has significant operations, Burberry paid business taxes of £111 million and collected a further £22 million of taxes on behalf of the UK Exchequer. For further information see note 10.

Cash flow**Represented statement of cash flows**

The following table is a representation of the cash flows, excluding the impact of adjusting items, to highlight the underlying movements.

Period ended £ million	28 March 2020	30 March 2019
Adj operating profit	433	438
Depreciation and amortisation*	331	116
Working capital	(130)	(45)
Other	(9)	7
Cash inflow from operations	625	516
Payment of lease liabilities	(244)	–
Capex net of proceeds on disposal**	(146)	(110)
Interest*	(19)	6
Tax	(150)	(111)
Free cash flow	66	301

* Depreciation and amortisation, and interest in FY 2020 includes the impact of the adoption of IFRS 16

** In FY 2020 capex was £149m with proceeds on disposal of £3m

Free cash flow was £66m and cash conversion was 52% (2019: 93%) with the outbreak of COVID-19 towards the end of the period impacting profitability and cash generation. We had the following key flows:

- Inventories increased 11% in gross terms, generating an outflow of £41m due to the drop off in Q4 sales relating to the COVID-19 impact
- Trade and other receivables resulted in a £21m outflow largely due to an increase in the VAT receivable resulting from the reduction in Q4 sales
- Trade and other payables resulting in a £68m outflow relating to the earlier timing of payments to suppliers
- Capital expenditure £149m (2019: £110m), in line with guidance
- Tax paid of £150m (2019: £111m) reflecting the accelerated timing of UK tax payments this year resulting from the new HMRC rules

Cash net of overdrafts at 28 March 2020 was £887m (2019: £837m) including an inflow from drawing down the RCF of £300m. During the year, we returned £325m to shareholders through a combination of dividends of £175m and a share buyback of £150m. Our net debt including lease liabilities at 28 March was £538m (30 March 2019: lease adjusted net debt £409m).

In March 2020, we drew down our revolving credit facility and since the year end we have also secured funding of £300m under the UK Government sponsored COVID Corporate Finance Facility (CCFF) to mid-March 2021. These measures have been taken to protect the liquidity of the group through the COVID pandemic.

FY 2021 OUTLOOK

We are not in a position to provide specific guidance for FY 2021 at this stage as it is currently challenging to predict the course of the pandemic and the longer lasting economic consequences. However, we currently have 50% of our store network closed and we expect our first quarter (to end June 2020) to be severely impacted with store closures likely to be at or near peak for most of the quarter.

We feel confident in the strength of the Burberry brand and are encouraged by the recovery we are experiencing in Mainland China and Korea with cumulative sales in both markets since the beginning of April ahead of the prior year, albeit it is likely there is a benefit from some repatriation of spending in Mainland China. However, as government restrictions ease across the globe, consumers in different markets are likely to respond in distinct ways, with the travelling consumer likely to take longer to return. As a result, it could take some time for the luxury industry to recover to pre-crisis levels.

Given the current uncertainties, we have developed a range of possible recovery scenarios based on scientific, epidemiological and economic forecasts and we have prepared tailored capital expenditure and cost mitigation plans for these outcomes. This has included a comprehensive review of all the components of our cost base, with savings identified in variable costs, discretionary spend and property-related expenditure. We have also tiered our capital expenditure projects by priority.

In addition, we have tightened our management of inventory, balancing our objective to conserve cash with allowing capacity to realise sales opportunities as markets recover. Specifically, we have increased our agility and shortened supply chain lead times, as well as working in collaboration with our wholesale partners to control inventory levels.

FINANCIAL REVIEW CONTINUED

Embedded into our plans is flexibility to invest in consumer facing activities to fuel growth when demand increases. This includes tailoring our approach to individual markets, mirroring their stages of recovery, and capitalising on our digital platform to forge stronger connections with our customers.

For the purposes of liquidity, we are aiming to ensure that the company maintains sufficient funding headroom even in an especially protracted period of significant store closures. Our capital allocation policy remains in place, prioritising investment in the long-term growth of our business and dividend distribution to shareholders. However, given the uncertainty caused by COVID-19, we believe it is prudent to protect our liquidity position at this time. As a result, a final dividend has not been declared with future dividend payments to be reviewed at end of FY 2021 with the intention of the earliest possible return to our stated progressive dividend policy.

Our objective is to manage the business efficiently and flexibly, maintaining control and securing the long term value of the Burberry brand whilst ensuring we preserve the headroom required to fuel growth when the market opportunity returns.

Store portfolio*	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
At 30 March 2019	233	146	52	431	44
Additions	19	15	5	39	1
Closures	(34)	(12)	(3)	(49)	(1)
At 28 March 2020	218	149	54	421	44

* Excludes the impact of pop up stores

Store portfolio by region*	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
At 28 March 2020					
Asia Pacific	92	89	18	199	7
EMEA	61	51	19	131	37
Americas	65	9	17	91	–
Total	218	149	54	421	44

* Excludes the impact of pop up stores

ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures (APMs) are non-GAAP measures. The Board uses the following APMs to describe the Group's financial performance and for internal budgeting, performance monitoring, management remuneration target setting and for external reporting purposes.

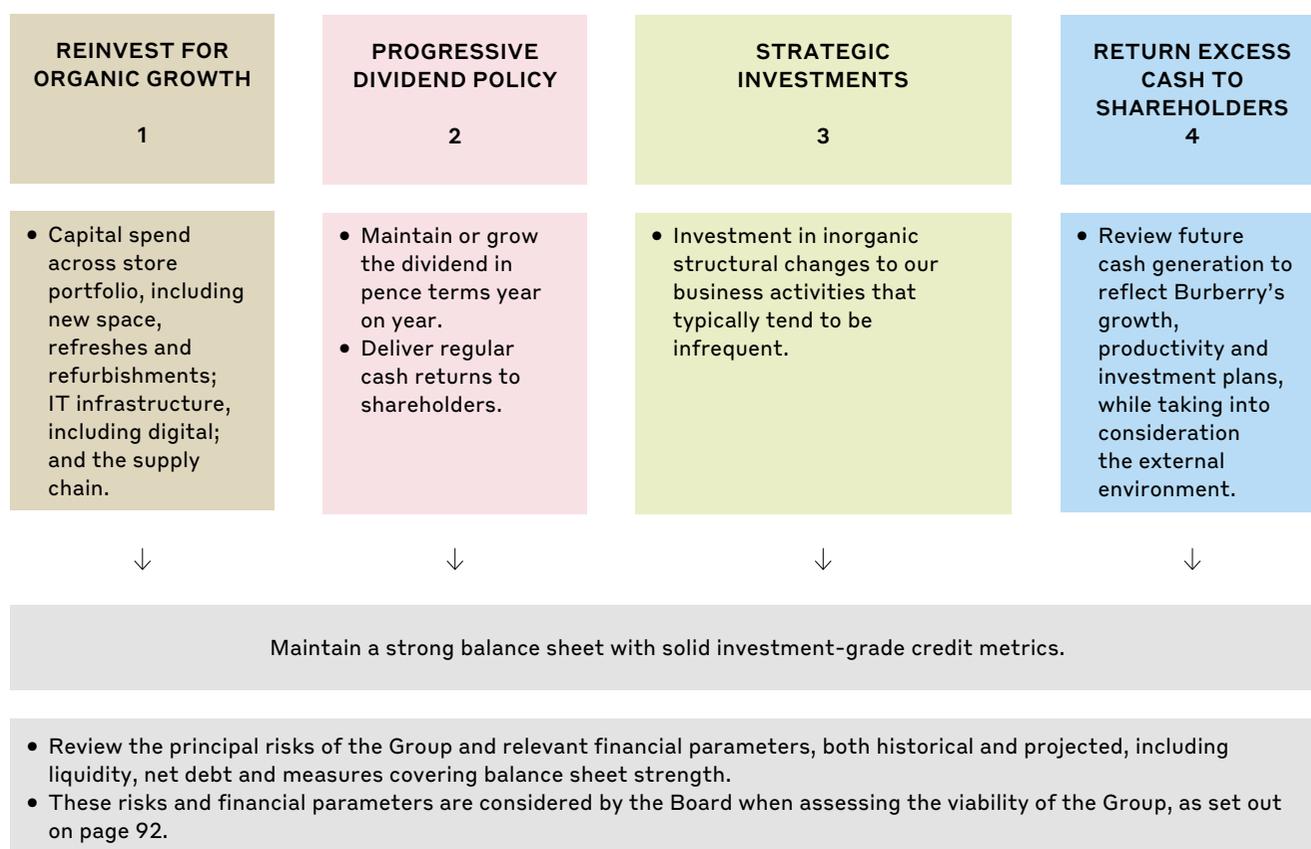
APM	DESCRIPTION AND PURPOSE	GAAP MEASURE RECONCILED TO
Pro forma results	This measure is an estimation of the results for the period when applying the previous accounting standard for leases, IAS 17 Leases. It has been included as IFRS 16 was adopted without restatement of the prior period.	Reported results for the same period This is set out on page 260
Constant Exchange Rates (CER)	This measure removes the effect of changes in exchange rates compared to the prior period. It incorporates both the impact of the movement in exchange rates on the translation of overseas subsidiaries' results and also on foreign currency procurement and sales through the Group's UK supply chain.	Results at reported rates

APM	DESCRIPTION AND PURPOSE	GAAP MEASURE RECONCILED TO		
Comparable sales	The year-on-year change in sales from stores trading over equivalent time periods and measured at constant foreign exchange rates. It also includes online sales. This measure is used to strip out the impact of permanent store openings and closings, or those closures relating to refurbishments, allowing a comparison of equivalent store performance against the prior period. The measurement of comparable sales has not excluded stores temporarily closed as a result of the COVID-19 outbreak.	Retail Revenue:		
		Period ended	28 March	30 March
		YoY%	2020	2019
		Comparable sales	(3%)	2%
		Change in space	(1%)	(1%)
		FX	1%	(1%)
		Retail revenue	(3%)	0%
Adjusted Profit	Adjusted profit measures are presented to provide additional consideration of the underlying performance of the Group's ongoing business. These measures remove the impact of those items which should be excluded to provide a consistent and comparable view of performance.	Reported Profit: A reconciliation of reported profit before tax to adjusted profit before tax is included in the income statement on page 204. The Group's accounting policy for adjusted profit before tax is set out in note 2 to the financial statements.		
Free Cash Flow	Free cash flow is defined as net cash generated from operating activities less capital expenditure plus cash inflows from disposal of fixed assets and including cash outflows for lease principal payments and other lease related items following the adoption of IFRS 16 in this period.	Net cash generated from operating activities:		
		Period ended	28 March	30 March
		£m	2020	2019
		Net cash generated from operating activities	456	411
		Capital expenditure	(149)	(110)
		Lease outflows	(244)	–
		Other items	3	–
		Free cash flow	66	301
Cash Conversion	Cash conversion is defined as free cash flow pre tax/adjusted profit before tax. It provides a measure of the Group's effectiveness in converting its profit into cash.	Period ended	28 March	30 March
		£m	2020	2019
		Cash conversion	52%	93%
Net Debt	Net debt is defined as the lease liability recognised on the balance sheet plus borrowings less cash net of overdrafts. * Prior to the adoption of IFRS 16, lease adjusted net debt was defined as five times minimum lease payments, adjusted for charges and utilisation of onerous lease provisions, less cash net of overdrafts.	Cash:		
		Period ended	28 March	30 March
		£m	2020	2019
		Cash	887	837
		Lease liability/ Operating lease debt	(1,125)	(1,246)
		Borrowings	(300)	–
		Net debt	(538)	(409)*

CAPITAL ALLOCATION FRAMEWORK

Burberry's Capital Allocation Framework is applied to prioritise the use of cash generated by the Group. The framework addresses the investment needs of the business, regular dividend payments and additional returns to shareholders. The framework also seeks to maintain an appropriate capital structure for the business and a strong balance sheet with solid investment-grade credit metrics. The diagram below summarises the key priorities.

While our capital allocation principles remain unchanged, given the uncertainty resulting from COVID-19, in the short term we are taking a prudent approach to conserve cash and secure liquidity to support the business as well as prepare for the reopening of markets as set out on pages 56 to 58. This has temporary implications for the application of the framework, including reduced capital investment to focus on the highest priority projects, not declaring a final dividend in respect of FY 2019/20 and keeping future capital returns under review. Our intention is the earliest possible return to our stated progressive dividend policy.



Capital structure metrics	FY 2019/20	FY 2018/19
Cash	£887m	£837m
Lease liability/Operating lease debt	(£1,125m)	(£1,246m)
Borrowings	(£300m)	–
Net debt	(£538m)	(£409m)

As described above, the material impact of COVID-19 on our business has required Burberry to protect liquidity during the pandemic. As a result, a final dividend was not declared in respect of FY 2020. A summary of our capital investments and shareholder returns in the year ended 28 March 2020 are listed below:

- Reinvested £149 million into the business through capital expenditure.
- Declared a full-year dividend of 11.3p, down 73%, to protect our cash position.
- Returned £150 million to shareholders via a share buyback programme.



RISK AND VIABILITY REPORT

OUR APPROACH TO RISK

The Group's strategy takes into account risks, as well as opportunities, which need to be actively managed. Effective risk management is essential to executing our strategy, achieving sustainable shareholder value, protecting the brand and ensuring good governance.

The Board is ultimately responsible for determining the nature and extent of the principal risks it is willing to take to achieve our strategic objectives (the Board's risk appetite), and challenging management's implementation of effective systems of risk identification, assessment and mitigation.

The Audit Committee has been delegated the responsibility for reviewing the effectiveness of the Group's internal controls and risk management arrangements. Ongoing review of these controls is provided through internal governance processes and the work of the Group functions is overseen by the Executive Committee, particularly the work of Group Risk and Internal Audit and the Risk and Ethics Committees.

An integral part of our business, our risk management process is co-ordinated by our Group Risk and Assurance team, reporting to our Chief Operating and Financial Officer. Risk management activities include identifying risks, undertaking risk assessments and determining mitigating actions. These activities are reviewed by Internal Audit and other control functions, which provide assurance to our Risk Committee, and ultimately to our Board, as shown in the diagram on page 128.

RISK APPETITE

The Board reviews and validates the Group's risk appetite on an annual basis. This is integrated into our wider risk management framework to support better decision-making and prioritisation.

We will pursue growth and are prepared to accept a certain level of risk to firmly establish our position in luxury fashion and inspire our customers. We operate in a competitive, dynamic sector with long-term growth potential. Within categories of risk our tolerance for risk may vary.

Complying with applicable laws and doing the right thing is part of our culture and underpins our strategic ambition. In exploring risks and opportunities, we prioritise the interests and safety of our customers and employees, we seek to protect the long-term value and reputation of the brand, maximising commercial benefits to support responsible and sustainable global growth within our defined risk tolerance.

OUR PRINCIPAL RISKS AND THE TREATMENT OF COVID-19 PANDEMIC RISKS

The Board considers the principal risks to be the most significant risks faced by the Group and those that are the most material to our performance and that could threaten

our business model or the future long-term performance, solvency or liquidity of Burberry. They do not comprise all the risks associated with our business and are not set out in priority order. Additional risks not known to management at present, or currently deemed to be less material, may also have an adverse effect on our business.

COVID-19 was declared a global pandemic on 11 March 2020 by the World Health Organization, with unprecedented restrictive measures being put in place worldwide to help prevent the spread of COVID-19, ensure safety and wellbeing, protect health services and try and stabilise the economy. Information on how the impact of COVID-19 on Burberry has been addressed in the FY 2019/20 accounts is as follows:

1. The impact on the fourth quarter of FY 2019/20 trading performance is explained on pages 84-89. The high level of uncertainty and the severity of the disruption has negatively impacted the global economy resulting in downturns in consumer confidence and demand across the luxury fashion industry. Burberry saw a significant impact on our results in the final quarter of the FY 2019/20 including one-off charges of £240.9m.
2. The continuing spread of COVID-19 and the associated restrictions on public life are expected to significantly impact FY 2020/21 trading performance, however, the impact and timing of the return to normality and growth is uncertain. The potential impact on FY 2020/21 and beyond has been estimated by modelling various sales, supply chain, cost and liquidity scenarios based on a range of scientific and economic assumptions and considering various mitigating activities to reduce the impact on cash and EBIT. This work is summarised and explained on page 84.
3. Risk disclosures have been dealt with as follows:
 - The risk of prolonged COVID-19 disruption, beyond the range of assumptions that have been used to develop the reasonably expected outcomes, has been incorporated as a new principal risk for the Group.
 - The impact on each of the other principal risks from the pandemic is also explained in the detail for each risk.
 - The macro-economic risk includes the risk of a deep global economic recession, which is considered to be one of the most significant possible future impacts.
4. For the Viability Statement the risks of the pandemic and the potential repercussions for the global economy on trading performance have been incorporated in modelling a range of outcomes together with revenue and cost sensitivities, and as part of the stress testing of the liquidity needed to support the Group's strategic plan. We have conducted reverse stress testing to identify the theoretical loss of revenue and liquidity that the Group could manage without impacting its viability.

Our risk framework is structured around the following categories of risk: External, Strategic and Financial, Operational, Compliance and Climate Change. Each principal risk is linked to one of these categories and may impact one or more of our strategic priorities.

We have reviewed and updated the descriptions and mitigating actions of our principal risks and have added new emerging external risks, including the further disruption caused by the COVID-19 pandemic, and any new strategic priorities that have been announced. We reviewed whether the level of risk associated with each of the principal risks is increasing or decreasing compared to the previous financial year and noted new risks, which do not have a basis for comparison.

Our risk management processes are designed to enable us to identify risks that can be partially mitigated through insurance. We focus our insurance resources on the most critical areas, or where there is a legal requirement, and where we can get best value for money for risk transfer.

EMERGING RISKS

Potential emerging risks are an area of focus. We undertake horizon scanning in conjunction with our strategy team to monitor any potential risks that could change our industry and/or our business, looking at both the inherent risk and opportunity. Emerging risks are new and evolving, and thus their full potential impact is still uncertain. To manage this, we involve specialist third parties where necessary to understand how our risk profile could change over a longer time period. Our risk management approach considers short term to be one year, medium term to be two to five years and long term more than five years.

EMERGING RISKS	
Macro	Pandemics: impact of the COVID-19 pandemic may be prolonged, leading to longer-term disruptions to supply chain, shifts in consumer demand, and travel restrictions
	Protectionism: countries protecting domestic production may use tariffs and trade restrictions, which would increase the cost of moving goods into key markets
	Changing regulatory environment: financial reporting regulation may increase the risk of non-compliance
Consumer	Changing consumer preferences: increased expectations around product and Company sustainability
	Significance of influential groups/individuals on consumer spending patterns: for example, growing influence of Gen Z on entire consumer base through social media
Industry	Industry concentration: increase in concentration on key consumer groups resulting in greater competition for growth targets
	Emerging disrupter brands: trend for pop-up and emerging brands increases as a market share and attracts Burberry's consumer
	New technology: leading to changes in consumer spending habits, for example virtual stores
	Circularity: new business models and increase in product re-sale markets, including fashion rental
	Full supply chain traceability: requiring investment in new technologies

RISK MANAGEMENT PROCESS

BOARD AND BOARD COMMITTEES

Responsible for regular oversight of risk management, annual strategic risk review, and setting the Group’s risk appetite.	Monitors risks through Board processes, including regular reviews of strategy, management reports and deep dives into selected risk areas.	Audit Committee reviews effectiveness of risk management process with support from Internal Audit.
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MANAGEMENT RISK COMMITTEE (CHAIRD BY CO&FO)

Reviews external and internal environment for emerging risks. Performs deep-dive reviews of principal risks.	Meets at least three times per year and reports key findings to the Audit Committee.	Identifies changes to principal risks and the effectiveness and adequacy of mitigating actions to achieve agreed risk tolerance levels.
Reviews risk register updates from risk owners.	Cross-functional attendees, encompassing senior management from IT, Finance, Legal, HR, Supply Chain and Retail.	



GROUP RISK AND ASSURANCE TEAM	ETHICS COMMITTEE	FUNCTIONS AND BUSINESS RISK OWNERS	INTERNAL AUDIT AND COMPLIANCE FUNCTIONS
<ul style="list-style-type: none"> Establishes risk management framework. Identifies emerging risks, working with the Strategy team. Facilitates risk assessments and updates to risk mitigations. Provides resources and training to support risk management process. Facilitates strategic risk assessment as part of the central planning process Prepares Board and Risk Committee updates. 	<ul style="list-style-type: none"> Reviews and monitors ethical risks, as well as behavioural and responsibility practices across the Group. Approves policies relating to such ethical matters, including the Group’s Code of Conduct. Performs deep-dive reviews and assesses results of investigations and corrective actions. Supports the Group in managing ethical and associated reputational risks, including overseeing awareness and training across the Group to reinforce business ethics and good practice. Monitors whistleblower activity and Burberry Confidential. 	<ul style="list-style-type: none"> Carry out day-to-day risk management activities. Identify and assess risk and implement mitigating actions. Assign owners to update risk registers. 	<ul style="list-style-type: none"> Review risk management process periodically. Compliance functions provide independent assurance to management and the Board on risk status (Health and Safety, Legal, Brand Protection, Quality, Asset and Profit Protection, Corporate Responsibility).

EXTERNAL RISKS

COVID-19 FURTHER IMPACT

The timing of a return to growth following the COVID-19 pandemic is uncertain. There is a risk that the spread of the COVID-19 pandemic continues and/or the recovery is prolonged. In response to COVID-19, we have prepared a number of planning scenarios based on a range of assumptions and potential outcomes. The risk remains of further significant impact on our future operations, cash flows and viability beyond the range of assumptions that have been used to develop the modelled scenarios. In addition, there could be impacts on impairment of retail assets, inventory and carrying value of assets.

Risk movement and outlook

COVID-19 is a new principal risk this year. While the group had considered the possibility of a range of incidents that could disrupt a key business location, the likelihood of the occurrence of a global pandemic causing disruption on the scale of COVID-19 across the business had not been considered as a stand-alone risk. Although there is continued uncertainty about the timing of a return to growth, we remain confident in our strategy to reposition Burberry firmly in luxury fashion and are committed to the strategic vision for Burberry. Our strategic initiatives have been shaped to the current situation with focussed execution to ensure a successful recovery.

Link to strategy

The timeframe of implementing the strategy has been impacted by COVID-19, however the fundamentals and trajectory of our strategy remain right.

Risk tolerance

Doing the right thing is part of Burberry's culture and underpins our strategic ambition. Burberry has prioritised the safety and wellbeing of our people, our customers and our communities. We have followed all government and health authority guidance and advice to reduce the risk of spreading the virus and have supported relief efforts to reduce the impact of the virus on peoples' lives globally.

Examples of risks

- Further increase in the spread of the pandemic results in the loss of key employees and/or impacts the health of our employees and their ability to operate effectively.
- There is not sufficient liquidity to manage operations and meet liabilities as they fall due.
- The Group's trading performance and cash flows are significantly impacted by further extended periods of closures of Burberry retail stores, manufacturing facilities and distribution centres imposed by governments.
- Further impairment of retail assets and inventory.
- Continuing closure of retail stores impacts our cash generation, increases leverage and limits our ability to source adequate financing to continue to operate.
- The rebound is delayed by a resurgence in virus infections particularly in Mainland China.

Actions taken by management

- The Group Incident Management Team (GIMT) was set up to co-ordinate the business response to the COVID-19 outbreak. The Group's response is being managed through five key workstreams led by the Executive Committee and chaired by our CEO.
- The health and safety of our people is paramount. The key focus of our response has been on our people, our customers and our communities. We have prioritised their wellbeing and communicated regularly with all our stakeholders.
- We have devised a plan of strategic initiatives to navigate through this period of decreased demand and capture opportunities as consumer confidence and markets rebound.
- Burberry has significant financial headroom in the form of £0.9 billion cash balances including £0.3 billion drawn from the Revolving Credit Facility. The Group has completed detailed stress testing to understand the extent to which the Group could withstand a loss of sales within the limits of its available financial resources. Details of this stress testing are set out in the viability assessment on page 117.
- We closed sites across Asia, EMEIA and the Americas, ahead or in line with government restrictions in order to prevent the spread of COVID-19 and ensure our employees', our customers' and our communities' safety and wellbeing. This includes the closure of our head office in London as well as internal manufacturing sites across the UK and in Italy.
- As part of our overarching response we are monitoring the regulatory landscape. We are engaging regularly with government and local authorities in each of our core geographies to ensure we have the right support for our business and for our people.

COVID-19 FURTHER IMPACT CONTINUED

Examples of risks continued

- The continued outbreak impacts the ability of the Group to execute the strategic plan and maintain momentum in building brand heat.
- Closures of Burberry’s internal manufacturing sites and global network of storage and distribution hubs significantly impacts the supply chain and the speed we can rebound when government restrictions are lifted.
- Technology and IT infrastructure is not able to adapt to sustained working from home requirements imposed by governments.

Actions taken by management continued

- We are managing cash and costs to protect the Group’s liquidity. A comprehensive cost mitigation programme has been established, which includes delaying discretionary capital expenditure to focus only on that which is essential and to strengthen the brand.
- We keep product, inventory and supply chain under constant review to maintain supply chain operations while optimising buying commitments.
- We have adapted our technology for greater home working to ensure all vital operations and projects remain on track. A dedicated support page and helpline has been set up to support employees with any concerns they have.

MACRO-ECONOMIC AND CIVIL UNREST

The Group operates in a wide range of markets and is exposed to changing economic, regulatory, social and political developments that may impact consumer demand, disrupt operations and impact profitability. Adverse macroeconomic conditions or country-specific changes to the operating or regulatory environment, natural disaster, global health emergency or civil unrest may impact the spending habits of key consumer groups and lead to increased operational costs.

Risk movement and outlook

The risk is deemed to have increased in the year and the outlook is uncertain due to a number of significant macro-economic and political events such as the protests in Hong Kong S.A.R. and is overlapped by the COVID-19 risk. External factors such as global health emergencies and natural disasters are difficult to predict.

Link to strategy

Volatility in the external environment could impact our overall financial performance and operations.

Risk tolerance

We have a low tolerance for risk in this area but recognise external factors can be more difficult to mitigate as they are often outside of our control.

Examples of risks

- Unexpected shifts in domestic or tourist demand from key customer groups due to uncertainty in the economic outlook for the luxury sector caused by global recession, socio-political tensions.
- Global health emergencies affecting particular countries and regions.
- Unexpected disruptions to the supply chain.

Actions taken by management

- We have defined a strategy that leverages our brand appeal and global reach across multiple customer segments and regions to mitigate reliance on a particular customer group, however, we recognise the importance of Mainland China and the Chinese consumer to the luxury industry, as explained in the Global Chinese Consumer Spending risk.
- In the short term, we continue to assess shifts occurring in the industry and with customers to ensure our plans are dynamic and responsive to the market.
- We monitor external macroeconomic and regulatory changes and perform horizon scanning supported by insights from the Treasury and Strategy teams into macroeconomic trends.

UK'S WITHDRAWAL FROM THE EU

Various scenarios could impact the Group's financial position, operating model and people.

Risk movement and outlook

This risk has increased due to elevated uncertainty over the UK's withdrawal from the EU on 31 December 2020 given the disruption to trade negotiations caused by the COVID-19 pandemic and the limited time available to secure a comprehensive free trade agreement.

Link to strategy

Volatility arising from uncertainty around the trading relationship between the UK and the EU following the end of the transition period may impact our overall financial and operating performance, as well as our ambitions with respect to supply chain Operational Excellence.

Risk tolerance

We have a low tolerance for risk arising from uncertainty regarding the trading relationship between the UK and the EU following the end of the transition period, which may have a long-term impact.

Examples of risks

- Additional customs duty based on the post-transition trading relationship between the UK and the EU, and cessation of the UK's access to the EU's free trade agreements after 2020.
- Disruption to business operations.
- Impact on some current business project road maps.
- Extended supply chain lead times could increase inventory levels.
- Uncertainty over the rights of EU nationals and UK immigration law could increase the risk of being unable to recruit and retain talent.
- Exchange rate volatility impacts Group revenues, margins, profits and cash flow.

Actions taken by management

- Our steering committee continually monitors the evolving impact of the post-transition trading relationship between the UK and the EU, and oversees our approach.
- While the transition period until 31 December 2020 offers temporary relief, we are prepared for a no-trade-deal scenario at the end of 2020 across all business activities, including supply chain, trade compliance, intellectual property and people.
- We engage with UK Government departments and other external stakeholders to ensure they are fully informed of our circumstances.

STRATEGIC RISKS

EXECUTION OF STRATEGIC PLAN

Focused execution of the strategy through our four strategic pillars (Product, Communication, Distribution and Digital) and their supporting enablers (Operational Excellence and Inspired People) is key to sustainable shareholder value. Success depends on the value and relevance of our brand to luxury consumers around the world and our ability to innovate.

Inability to execute the projects that underpin these strategies successfully could result in under-delivery on the expected growth, productivity and efficiency targets. This could have a significant impact on the value of the business and market confidence.

We operate in the global luxury market, where competition is intensifying. Today's luxury consumers are increasingly more demanding of luxury brands, seeking creativity, inspiration and a meaningful connection, quality and innovation. Our ability to make the right strategic investment decisions in response to these changes is vital to our success.

Risk movement and outlook

We have reviewed the impact of the COVID-19 pandemic on the luxury industry and consumer demand, and assessed the need for changes to our strategic plan. Although the timeframe of implementing the strategy has been impacted, the fundamentals and trajectory of our strategy remain right.

Link to strategy

All strategic pillars.

Risk tolerance

We will pursue growth and accept a certain level of risk to ignite brand heat and continue our transition to firmly establish our position in luxury fashion. We approve capital investment in strategic projects and accept moderate to high earnings volatility in pursuit of innovation and profitable growth, balancing a reasonable return on capital for a reasonable level of commercial risk within the approved capital allocation framework.

Examples of risks

- Firmly positioning the brand in luxury fashion is dependent on creating new and high quality luxury products that excite our global customers. If we are unable to innovate effectively and get these new products into the market with speed, our sales or margins could be adversely affected.
- Our development and deployment of content through communication channels does not create sufficient brand heat and engagement globally.
- We do not achieve the required organisational alignment and enhance our capabilities and culture to compete and grow effectively and at the pace required to deliver the targets.
- Failure to sufficiently transform operational processes could undermine our ability to deliver the required cost savings and margin improvements.
- Failure to deliver the technology innovation required to empower changes in the Group's business model and to deliver the anticipated benefits from key investment strategies in Digital, Retail and Group Operations.
- A pause to delivery of the strategy due to major external factors reduces momentum in building brand heat and reduced consumer confidence.
- Inability to capture demand as consumers become more discerning in their purchases amid overall demand decreasing in a global recession.

Actions taken by management

- FY 2019/20 marked the end of our multi-year strategy's first phase, which focused on re-energising the brand, optimising our distribution networks and ensuring a smooth creative transition to reflect Riccardo Tisci's vision for Burberry.
- The strategy team and creative business owners for each pillar co-ordinate delivery of the programme, monitor the risks associated with each of the major programmes, and track progress and benefits.
- We have increased our focus on measuring progress in our transformation. We have designed a set of lead indicators to assess progress in product, communications, store performance and service.
- We continued to strengthen consumers' perception of our brand, signalling luxury through our campaigns and disruptive media experiences.
- We continued to deliver newness and exceptional product, having established our new product architecture and strengthening in leather.
- We have made good headway in transforming our distribution channels by aligning our mainline stores to the new creative vision, and completing the transition of our US wholesale to luxury fashion.
- On digital, we remained focus on strengthening our relationship with customers with unexpected and innovative activations, such as games and social drops.
- Our Inspired People initiatives include leading the Group-wide Engagement Survey. This has shown a marked increase in the understanding of our strategic goals and transformation plan within the Group.
- Within the business, we prioritised building resilience in a period characterised by exceptional uncertainty by taking a series of rapid actions across four areas: protecting our people and communities; tightly managing cash and costs; securing our product, inventory and supply chain; and driving revenue.
- We have devised a plan of strategic initiatives set out on page 30 to navigate through this period of decreased demand due to the COVID-19 pandemic and capture opportunities as consumer confidence and markets rebound.

IMAGE AND REPUTATION

The Group carefully safeguards its image and reputational assets. Unfavourable incidents, unethical behaviour or erroneous media coverage relating to the Group’s senior executives, products, practices or supply chain operations could damage the Group’s reputation.

As our customers continue to engage with the brand through multiple channels including social media, a misleading perception of the Group’s values and performance could potentially lead to a slowdown in sales.

Burberry’s increasing reliance on influencers in its marketing and collaborations in product design could potentially expose the Group to increased reputational risk.

Risk movement and outlook

While internal enhancements have been made to further safeguard Burberry’s image and reputation, in the current environment there is increased scrutiny of Burberry. The external environment of collaborators and influencers is dynamic, which creates risk. Therefore constant monitoring is required to ensure that Burberry’s image and reputation is protected.

Link to strategy

All strategic pillars.

Risk tolerance

Protecting the brand and its reputation globally is at the heart of everything we do. We have a moderate risk appetite in order to deliver our strategy supported by processes to avoid or mitigate any reputational/brand risk where possible.

Examples of risks

- An unfavourable incident relating to a senior executive, erroneous media coverage or negative discussions on social networks could damage Burberry’s reputation.
- A celebrity, influencer, collaborator or model associated with Burberry becoming involved in a reputational incident could potentially lead to pressure on Burberry to distance the brand from them and could reflect poorly on Burberry, negatively impacting Burberry’s reputation.
- Unfavourable or erroneous media coverage or negative discussions on social networks about the Group’s products, content or practices could impact brand reputation.
- Unethical behaviour on the part of individuals or entities connected with the Group could attract negative attention to the brand.
- If suppliers or partners do not respect the Group’s Responsible Business Principles this could reflect negatively on Burberry.
- Failure of employees or those acting on Burberry’s behalf to adhere to Burberry’s Model Wellbeing Policy could result in reputational or legal risk.
- Failure to understand social issues and respect cultural sensitivities around product and marketing content could negatively impact Burberry’s reputation.

Actions taken by management

- Training and monitoring of adherence by personnel to the requirements in the Group’s Responsible Business Principles.
- Codified incident management policy, monitoring of social networks and response procedures.
- Oversight of mitigation of reputational issues by the Ethics and Risk Committees.
- The Group has established Corporate Responsibility (CR) standards, which aim to ensure compliance with labour, human rights, health and safety and environmental standards across our operations and extended supply chain.
- Supplier audits and supplier training programmes are in place to ensure compliance in day-to-day operations.
- Strengthening our approval processes and editorial controls to ensure all product and content is reviewed and signed off prior to external release.
- Onboarding of a Director of Diversity and Inclusion; development of a global Diversity and Inclusion strategy, and the creation of an External Advisory Council comprised of thought leaders across the diversity and inclusion landscape to provide insight and help raise Burberry’s consciousness and understanding of social issues. Creation of an Internal Diversity and Inclusion Council to support the implementation of the strategy.
- Increasing awareness of and training with respect to Burberry’s Model Wellbeing Policy to all people who engage with models on Burberry’s behalf, including employees, freelancers, casting agents, contractors and external third parties to ensure adherence to the policy.

GLOBAL CHINESE CONSUMER SPENDING

Global Chinese consumer spending patterns significantly change having an immediate adverse impact on Group sales. Any significant change to Chinese consumer spending habits globally due to changes in economic, regulatory, social or political environment changes in China, including a further health emergency or a natural disaster, may adversely impact the domestic consumer Group's disposable income or confidence. Such changes could also lead to Chinese consumers scaling back on travel, which could impact the Group's global revenue and profits outside Mainland China, which may not be compensated for by the repatriation of spend in China.

Risk movement and outlook

The risk has increased since the prior year. Mainland China is forecast by economists to be the only growing global economy in FY 2020/21 and remains a key market for Burberry. While our business in Mainland China has started to rebound to more normal sales levels, the Group's trading performance could be impacted if there is a recurrence of COVID-19 in Mainland China or the recovery is delayed.

Link to strategy

All strategic pillars.

Risk tolerance

We accept a certain level of concentration risk in relation to consumer nationality to maximise the greatest growth opportunities and to achieve our objective of firmly establishing our position in luxury fashion.

Examples of risks

- Increasing nervousness with investors about the dependency on growth from global Chinese consumers in FY 2020/21 and the ability of the world's economies to respond to the impact of the pandemic. Mainland China is the only global country where economists have forecast growth.
- Slower recovery in Asia from the global pandemic because of reinfections.
- Burberry's growth from Asia does not meet the expectations either in magnitude or timing, especially in Mainland China.
- We suffer a major reputational shock in Mainland China causing brand fallout.
- We are unable to recapture our share of the spend in Mainland China because of the strength and success of our competitors, for example, in marketing campaigns and investment in brand heat.
- We are unable to capture additional consumer spend in Mainland China to offset the loss of revenue as a result of disruptions in Hong Kong S.A.R.

Actions taken by management

- Burberry took prompt action across Asia to comply with local health guidelines and protect our people, our customers and our communities.
- Scenario planning and analysis was undertaken to understand the long-term impact of the global pandemic on Mainland China, including a review of the fixed and variable cost strategy.
- Prior to the outbreak of COVID-19 there had been significant focus on building brand heat in Mainland China. A clear strategy had been set, including building new strategic social partnerships, such as with Tencent, and strategic locations and making customer experiences, storytelling and products more locally relevant. This strategy will continue assuming China continues to rebound from COVID-19.
- Development and execution of Mainland China strategy, including specific product designed for Lunar New Year and additional marketing spend to support growth targets.
- Investment in inventory and technology to support Mainland China digital across our own platforms and those of our third-party partner platforms.
- Supporting investment and growth strategies in other global markets to reduce Burberry's exposure to an individual country or group of customers.

FOREIGN EXCHANGE

Volatility in foreign exchange rates could have a significant impact on the Group’s reported results. Burberry is exposed to uncertainty through foreign exchange movements. Major events such as the COVID-19 pandemic and the outcome of the UK’s withdrawal from the EU may have a major impact on foreign exchange rates, which in turn could cause significant change in our Group reported results.

Risk movement and outlook

The risk is deemed to have increased substantially since the prior year primarily as a result of COVID-19 and the UK’s withdrawal from the European Union. Foreign exchange is expected to remain volatile in FY 2020/21 as the actions taken by governments globally in response to the COVID-19 pandemic and other macro-economic and political factors, such as the election in the USA, are absorbed.

Link to strategy

Volatility in foreign exchange rates could impact our overall financial performance.

Risk tolerance

Burberry does not seek to manage structural foreign exchange risk relating to its overseas retail operations.

Examples of risks

- Burberry operates on a global basis and earns revenues, incurs costs and makes investments in a number of currencies. Burberry’s financial results are reported in pound sterling. Most reported revenues are earned in non-pound sterling currencies, with a significant proportion of costs in pound sterling. Therefore, changes in exchange rates, which are driven by several factors, such as global economic trends, the COVID-19 pandemic and the form of the UK’s withdrawal from the EU, could impact Burberry’s revenues, margins, profits and cash flows.
- Changes in exchange rates driven by global economic trends could reduce the attractiveness of international shopping for travelling tourists.

Actions taken by management

- Burberry seeks to hedge anticipated foreign currency transactional cash flows using financial instruments. These are mainly in Burberry’s centralised supply chain and wholesale business. Burberry does not hedge intragroup foreign currency transactions at present.
- Burberry monitors the desirability of hedging the net assets of non-pound sterling subsidiaries when translated into pound sterling for reporting purposes. We have only entered into modest transactions for this purpose in the current and previous year.
- Burberry monitors the overall impact of unhedged exchange movements and provides guidance to shareholders if exchange rates move on a quarterly basis.

OPERATIONAL RISKS

LOSS OF DATA OR CYBERATTACK

A cyberattack results in a system outage, impacting core operations and/or results in a major data loss leading to reputational damage and financial loss.

A cyber risk-aware workforce and the Group's technology environment is critical to success. A robust control environment helps decrease the risks to core business operations and/or major data loss.

Risk movement and outlook

The impact and likelihood of this risk is assessed to have increased as a result of the COVID-19 pandemic.

Link to strategy

Having a cyber risk-aware workforce and resilient technology landscape is integral to delivering our business strategy.

Risk tolerance

Protecting the brand and its reputation globally is at the heart of everything we do. We adopt a strategy to avoid or mitigate key reputational/brand risks wherever possible.

Examples of risks

- Malware results in a loss of system control causing business disruption and/or major data loss.
- Credential compromise of customer or employee accounts leading to business disruption and/or major data loss.
- Accidental personal data loss or disclosure leading to regulatory fines.
- Attack on Burberry.com causing business disruption and/or major data loss.
- Compromise or misconfiguration of externally facing assets causing business disruption and/or major data loss.
- Fines due to failure to comply with EU General Data Protection Regulation (GDPR) and/or equivalent applicable data protection legislation globally.

Actions taken by management

- Governance provided through a cross-functional Cyber Security Steering Group with Executive membership and sponsorship.
- Continued investment in Information Security capabilities.
- Second line assurance checks reporting on control effectiveness to Executive and IT management through monthly scorecards.
- 24/7/365 Security Monitoring and Analytics capability supported by robust security incident response processes.
- Information Security Advisory function to embed security in new projects and initiatives.
- Security Training and Awareness and phishing tests rolled out to employees globally with completion monitoring.
- Implementation of solutions to help detect personal and sensitive data loss with improved control over user access management.
- Test responses to cybersecurity incidents through simulations.
- Data Privacy Steering Committee, a cross-functional group to review data controls around existing systems and assess the potential data risks (from both a legal and reputational perspective) associated with new IT, Marketing, Retail and Digital initiatives across Burberry.
- Ongoing collaboration between the Data Protection office, Legal, IT and Information Security functions to ensure policies are adhered to with respect to the appropriate collection, security, storage, retention and deletion of personal data.

PEOPLE

Inability to attract, motivate, develop and retain our people to perform to the best of their ability in order to meet our strategic objectives.

Risk movement and outlook

The risk is deemed to have increased since the prior year, primarily in an environment of uncertainty and change as a result of the UK's withdrawal from the EU and the COVID-19 pandemic. Global trading disruption has impacted our people's ability to meet planned business goals.

Link to strategy

Delivery of our strategy relies on our ability to engage and inspire our people to deliver outstanding results for the Group. This is accomplished through:

- strengthening capabilities and enhancing our approach to talent management throughout the organisation
- fostering an inclusive culture where all employees feel connected to their work
- empowering and equipping leaders to lead through change
- simplifying how we work to enhance operational efficiency
- rewarding performance and creating a pay for performance culture
- engaging employees through our ongoing commitment to corporate responsibility
- driving positive change to promote sustainability across the business

Risk tolerance

We recognise the value and importance of successfully delivering our Inspired People strategy and therefore have a low tolerance for risk in this area.

Examples of risks

- Loss of critical talent/knowledge/unmanageable levels of attrition due to ongoing transition period/change fatigue and heightened by challenging business conditions.
- Failure to build the right capabilities and behaviours in our leadership population.
- The long-term impact of the UK's withdrawal from the EU on the Group's EU workforce.
- The impact of the downturn in business performance related to a macro event such as a global health emergency.

Actions taken by management

Leadership and Culture

- The Leadership Development Programme ran for its second year, with two additional cohorts going through the programme to engage and equip leaders. The programme comprises 360 feedback, coaching and a three-day event. To date, the Executive Committee, senior leadership team and 150 leaders have completed the programme.
- A third global Employee Engagement Survey was carried out in July 2019, with results published in September. We saw overall engagement increase by 1%, with 87% of employees confirming that they were proud to work at Burberry. Leaders are held accountable for delivering against agreed action plans.
- Leaders were equipped with regular strategy updates, including talking points and regular leaders calls aimed at the director plus population, to engage their teams on the strategic direction and build a sense of belonging to the inclusive culture at Burberry. The Engagement Survey illustrated a positive shift that 'senior leaders give employees a clear picture of the direction Burberry is headed' (from 69% in 2018 to 71% in 2019).

Talent and Careers

- The identification of all critical roles was completed across the business and succession planning for all Executive Committee, Senior Leadership and key creative and commercial roles was carried out.
- A framework for talent management was defined and presented to the Board of Directors; a new VP of Talent joined the organisation and will help embed the evolution of our talent management approach.
- Inclusive Leadership training was delivered to 90% of all people leaders, including Retail Managers at Retail Conferences, and is now being offered as a part of our regular learning curriculum.
- A recruitment toolkit and accompanying training was rolled out for all hiring managers, ensuring that we get diverse and representative talent with the right organisational fit in a fair and consistent manner.

PEOPLE CONTINUED

Examples of risks continued

Actions taken by management continued

Reward & Recognition

- A simplified, more effective performance management process across the business has been rolled out with a five-point performance rating scale and a new framework for quarterly performance conversations between all managers and their direct reports.
- A new set of reward plans to drive increased sales and ATV was rolled out for the retail population in EMEA and the Americas; a further rollout for Asia is planned for the upcoming year.
- A review of our compensation plans for which over a third of our workforce is eligible has been conducted to ensure alignment between the wider workforce and the new Directors' Remuneration Report (which will be proposed for approval at the 2020 AGM).

Diversity and Inclusion and Employee Relations

- The onboarding of a new Director of Diversity and Inclusion has been completed as well as the development of Burberry's global Diversity and Inclusion strategy, which was presented to the Board of Directors in March.
- An External Advisory Council, comprised of thought leaders from across the diversity and inclusion landscape, as well as an Internal Diversity and Inclusion Council, comprising Burberry employees, have been established to act as a sounding board for the implementation of the global Diversity and Inclusion strategy.
- The onboarding of a new VP of Employee Relations has seen the refinement of the Employee Relations operating model and a revision of our core policies and procedures.
- The rollout of a new global parental leave policy has seen an increase in the amount of paid leave globally for all employees, with all new parents receiving 18 weeks' paid leave and four weeks on reduced hours when they return to work.
- The celebration of global events such as World Mental Health Day, International Women's Day and Black History Month (in the USA) saw great participation across our global employee population.

Wellbeing

- The rollout of the Smarter Working programme, underpinned by Microsoft technology platform and a new flexible working policy, has allowed employees to work more flexibly.
- 63 employees across the UK, Hong Kong S.A.R. and the UAE have now been trained as qualified mental health first aiders, with further courses scheduled.
- Our Employee Assistance Program is now available to all employees globally, offering a range of services, including individual counselling.

IT OPERATIONS

IT operations fail to support critical processes across the Group, including Retail and Digital, as well as Group functions, such as Supply Chain and Finance.

Risk movement and outlook

The impact of this risk has increased, however, the likelihood has reduced due to the progress made in upgrading legacy solutions, which have increased resiliency and security.

Link to strategy

All strategic pillars.

Risk tolerance

We adopt a strategy to avoid or mitigate key risks to the disruption of IT operations wherever possible.

Examples of risks

- Failure to provide technology platforms that meet customer demands and support innovation could result in failure to deliver the strategy and loss of revenue.
- Failure to provide stable and resilient technology platforms that meet business demands across retail and corporate sites could result in failure to deliver the strategy and negatively impact operations due to poor system performance and/or system outages.

Actions taken by management

- Establishment of an IT Portfolio Forum with Executive representation to support IT investment decisions and oversee delivery of prioritised IT programmes and initiatives.
- IT function has been strengthened with clear alignment between the IT teams, the strategic pillars, business functions and operations.
- Implementation of Controls to help maintain the continuity of the Group’s IT systems, including business continuity and IT recovery plans, which would be implemented in the event of a major failure.
- A tested Group incident management framework is in place to report, escalate and respond to high-impact events.

BUSINESS INTERRUPTION

A major incident impacts countries where the Group operates, has its main locations or where its suppliers are located, and significantly interrupts the business. This could be caused by a wide range of events at a country level, including natural catastrophe, pandemic or changes in regulations, through to localised issues, such as fire, terrorism or quality control failures.

Risk movement and outlook

The risk has been increased due to the ongoing COVID-19 pandemic and the impact of longer term repercussions, a more uncertain global economic environment and the potential for key suppliers to face financial difficulty and ongoing political and regulatory changes making it more difficult for the supply chain to source, produce and ship products internationally.

Link to strategy

Our Product and Distribution strategic pillars enable us to operate effectively and efficiently, delivering Operational Excellence through continuity of supply of compliant products and services of the highest quality to our customers. Ensuring our ability to continually execute and operate key sites and factories to develop, manufacture, distribute and sell our products is a key strategic priority.

Risk tolerance

We have a low tolerance for risk in this area, particularly with respect to product safety and quality.

Examples of risks

- Burberry operates three owned factories and a global network of storage and distribution hubs. These face typical property risks, such as fire, flood and terrorism.
- Burberry works with several suppliers of luxury goods, which could be difficult to replace quickly. Their loss could interrupt the delivery of core products or a seasonal range.
- A serious product quality issue could result in a product recall.
- Socio-political tension, like the gilets jaunes movement in France, can significantly impair local footfall and trade.
- A global health emergency impacts a key market, which reduces consumption or significantly impacts the supply chain.

Actions taken by management

- We have policies and procedures in place designed to ensure the health and safety of our employees and to deal with major incidents, including business continuity and disaster recovery.
- The Group continues to evolve its supply chain organisational design to develop its manufacturing base, reducing dependence on key sites and vendors.
- A Group incident management framework is in place to ensure that incidents are reported and managed effectively. Across the Group, our Incident Management Teams managed 16 incidents in the year. The two longest running incidents were related to the Hong Kong S.A.R. disruptions and the COVID-19 pandemic. In both cases, teams worked to mitigate the impact on our employees, customers and the business. The remainder of these incidents were localised to fire and flood related issues or interruptions in the regular running of stores, offices and systems.
- Our Group Incident Management Team and Regional Incident Management Teams all took part in training and incident management exercises involving large parts of the Group, our customers and media relations function. Our plans as tested during the year were found to be effective.
- Our product suppliers and vendors are subject to a quality control programme, which includes regular site inspections and independent product testing.
- Robust security arrangements are in place across our store network to protect people and products in case of security incidents.
- Business continuity plans are in place for our 10 main sites, including our three major distribution centres and our two UK factories. Business continuity plans are being developed for our third factory, Burberry Manifattura in Italy.
- The Group's key IT systems are protected to prevent and minimise any potential interruption. This includes resilient design and the provision of disaster recovery services to continue operating within pre-agreed times in case of a major incident. Our plans as tested during the year were found to be effective.
- Management regularly reviews and manages business continuity and disaster recovery risks, recognising that these plans cannot always ensure the uninterrupted operation of the business, particularly in the short term.
- A comprehensive insurance programme is in place to offset the financial consequences of insured events, including fires, flood, natural catastrophes and product liabilities.

COMPLIANCE RISKS

REGULATORY RISK AND ETHICAL/ENVIRONMENTAL STANDARDS

The Group’s operations are subject to a broad spectrum of national and regional laws as well as regulations in the various jurisdictions in which we operate.

These include product safety, trademarks, competition, data, corporate governance, employment, tax and employee and customer health and safety. Changes to laws and regulations, or a major compliance breach, could have a material impact on the business.

Risk movement and outlook

The relative significance of this risk has increased because of the changing regulatory environment despite the mitigating steps we have taken to ensure compliance.

Link to strategy

Compliance with applicable laws and regulations and behaving in accordance with our values as a business underly all our strategic pillars.

Risk tolerance

In complying with laws and regulations, including customer and employee safety, and bribery and corruption, we have a low tolerance for risk.

Examples of risks

- Regulatory non-compliance.
- Failure by the Group or associated third parties to act in an ethical manner consistent with our Code of Conduct and our Responsibility Agenda, for example with regard to model wellbeing.
- Non-compliance with labour, human rights and environmental standards across our own operations and extended supply chain could result in financial penalties, disruption in production and reputational damage to our business.
- Failure to comply with GDPR and/or equivalent applicable data protection legislation globally.
- Tax is a complex area where laws and their interpretations are changing regularly. Non-compliance by Burberry and its associated third parties in this area could result in unexpected tax and financial loss.

Actions taken by management

- The Group monitors and seeks to continuously improve processes to gain assurance that its licensees, suppliers, franchisees, distributors and agents comply with the Group’s contractual terms and conditions, its ethical and business policies, and relevant legislation.
- Specialist teams at corporate and regional level, supported by third-party specialists where required, are responsible for ensuring the Group’s compliance with applicable laws, ethical and business policies and regulations, and that employees are aware of the policies, laws and regulations relevant to their roles.
- Ethical trading, environmental sustainability and community investment matters reported to the Ethics Committee, Risk Committee and the Board.
- Assurance processes are in place to monitor compliance in a number of key risk areas, with results being reported to our Risk Committee and Audit Committee.
- We have an established framework of policies that aim to drive best practice across our direct and indirect operations, including our Responsible Business Principles and Global Environmental Policy. Policies available at Burberryplc.com, are owned by senior leadership and are issued to all supply chain partners. Their implementation is monitored on a regular basis.
- We have established a Data Privacy Steering Committee to oversee compliance with applicable data legislation.
- International tax reform is a key focus of attention with significant developments reported to the Audit Committee.
- We have a wide range of global programmes that tackle educational inequality, foster community cohesion and enhance social and economic empowerment
- Rollout of annual mandatory training to all employees and to targeted functions to ensure awareness and compliance with our policies governing anti-bribery and anti-corruption (ABAC), Market Abuse Regulations, annual conflict declarations, criminal finances, anti-money laundering and privacy.
- Our culture and policies encourage employees to speak up and report any issues without fear of retribution. A global confidential employee helpline is in place in almost all countries where we have retail or corporate locations, and where it is legally permitted. All calls and emails are logged and independently reviewed and followed up. During the year 158 cases were received and the results and themes are reviewed by the Ethics Committee. No significant issues were identified from these cases during the year.
- In accordance with our ABAC policy, annual training is required to be performed. This year the annual e-learning module was rolled out to all corporate staff and manufacturing and retail employees of manager level and above, a total of 3,614 employees. The training reached a 96% completion rate. Any incidents or potential areas of concern are investigated by highly experienced investigators in our Asset and Profit Protection team and ABAC risks are covered as part of the scope of Internal Audit reviews. During the year there were no ABAC-related issues.

INTELLECTUAL PROPERTY AND BRAND PROTECTION

Sustained breaches of Burberry's intellectual property (IP) rights or allegations of infringement by Burberry pose risk to the brand. Counterfeiting, copyright, trademark and design infringement in the marketplace could reduce demand for genuine Burberry merchandise.

Failure to implement appropriate brand protection controls in connection with our commitment to stop destroying unsaleable finished products could negatively impact the integrity and the luxury positioning of the brand.

Risk movement and outlook

The likelihood of risk has increased in the past year for several reasons, including the increased brand heat under our new creative direction; the frequent launch of new designs and motifs, which may not always be immediately protected, and the potential increase of sales in the parallel market in light of the COVID-19 pandemic.

Link to strategy

Protecting the integrity of the brand, safeguarding and elevating its luxury position, complying with applicable laws and regulations and doing the right thing underlie all our strategic pillars.

Risk tolerance

We have a low tolerance for risk in protecting the integrity of the brand, asserting our IP rights and ensuring due respect is given to the IP rights of others.

Examples of risks

- Counterfeiting, parallel trade, copyright, trademark and design infringement in the marketplace can reduce the demand for genuine Burberry merchandise and impact revenues.
- Unauthorised use of trademarks and other IP, as well as the unauthorised sale of Burberry products and distribution of counterfeit products, damages Burberry's brand image and profits.
- Brand heat as well as sophistication in counterfeiters' ability to manufacture at pace have increased infringements and counterfeiting of our brand.
- New branding may not immediately be protected and we must rely on national laws to secure IP rights, which afford varying degrees of protection and enforcement opportunities depending on the country.
- Allegations from third parties of IP infringement by Burberry could negatively impact Burberry's reputation, result in claims and financial loss through withdrawing infringing products.
- Distribution outside of our authorised network could negatively impact the demand for Burberry products and negatively impact our luxury reputation.

Actions taken by management

- The Group's global Brand Protection team is responsible for brand protection efforts globally, online and offline. Where infringements are identified these are addressed through a mixture of criminal, civil and administrative legal action and negotiated settlements.
- Trademarks, copyrights and designs are registered globally across all appropriate categories.
- The Brand Protection team partners closely with the design and merchandising teams to ensure that our products do not infringe the rights of third parties and to ensure that we have adequate protections in place prior to market entry.
- The teams explore new and emerging threats and ways to combat threats.
- The team partners regionally with enforcement agencies and our digital partners to minimise the visibility of counterfeit and parallel trade products both online and offline.
- We aim to disrupt the flow of counterfeit products by enforcing at source level.
- Brand protection controls have been implemented to safeguard the brand in connection with our commitment to stop destroying unsaleable finished products.

CLIMATE CHANGE RISKS

CLIMATE CHANGE

The success of our business over the long term will depend on the social and environmental sustainability of our operations, the resilience of our supply chain and our ability to manage the impact of any potential climate change on our business model and performance.

As the global climate crisis becomes more critical we recognise the importance of addressing long-term sustainability challenges and the potential impacts of climate change on our business, in reputational, operational and financial terms. Failure to implement appropriate cross-functional action plans, incorporating the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) and Science Based Targets initiative, could hinder efforts to mitigate long-term risks and future-proof our business.

Risk movement and outlook

The risk of climate change has increased and will continue to increase incrementally year on year without significant global effort, including our network of suppliers, and adaptation across companies and countries.

Link to strategy

Our commitment to being an industry leader in responsible and sustainable luxury underpins our vision to establish ourselves firmly in luxury fashion and deliver sustainable, long-term value.

Risk tolerance

We have a low tolerance for risk when it comes to protecting the human and environmental resources on which we all depend. However, given the long-term nature of some sustainability risks and the level of uncertainty associated with their occurrence and impact, we accept that some risks are inevitable. We therefore focus on helping to minimise global risks while building resilience in our operations and supply chain.

Examples of risks

Physical risks

Acute

- Increased severity of extreme weather events, from floods to droughts, could cause disruption in our supply chain, impact our business model and affect the sourcing of raw materials, as well as the production and distribution of finished goods.

Chronic

- Our industry is sustained by many agricultural and manufacturing communities around the world. Longer-term shifts in climate patterns and loss of biodiversity caused by changes in precipitation patterns, rising mean temperatures and rising sea levels could cause social, economic and operational challenges.
- Failure to address and mitigate these risks could result in resource availability limitations (for example cotton, leather and cashmere) and disruptions to key operations.

Actions taken by management

Physical Risks

- To help identify future areas for focus to mitigate climate-related physical risks we completed three scenario analysis workshops, which assessed long-term environmental, social and technological trends.
- In the short term, we are conducting specific analysis of the acute risk of our locations and operations.
- We have assessed the climate change risk in our finished goods and raw material supply chain by evaluating the exposure, vulnerability and readiness of the countries we operate in and where our key supply chain partners are located.
- In our own operations and supply chain we continue to use the WWF water risk assessment tool and the Aqueduct Water Risk Atlas to identify current risks, anticipate potential future strains on water resources, and understand emerging long-term risks.
- We use science-based targets to focus our efforts in order to address GHG emissions along our entire value chain. This is described in our Responsibility section (page 67).
- We support a number of industry initiatives that address climate change impacts, including the Ellen MacArthur Foundation's Make Fashion Circular Initiative, New Plastics Economy Global Commitment, UN Fashion Industry Charter for Climate Change, The Fashion Pact and the SFA.
- We invest in programmes that help to sustain our industry and supplier communities, specifically initiatives that tackle educational inequality, support social and economic development and community cohesion.
- In FY 2019/20, we established a Regeneration Fund to support inseting projects in the supply chain that will reduce the carbon impact of our raw materials and improve biodiversity and local producer livelihoods.
- We continuously engage and educate employees around the topic of climate change through focused events, strategic communications and volunteering opportunities.

CLIMATE CHANGE CONTINUED

Examples of risks continued

Transitional Risks

Policy and Legal

- Increased regulation and more stringent environmental standards could impact our business by affecting production costs and flexibility of operations.

Market

- Resource scarcity, coupled with increasing demand and changes in customer behaviour, could affect the production, availability, quality and cost of raw materials.

Technology

- Substitution and transition costs associated with implementing new technologies that enable sustainability and climate change initiatives.

Reputation

- Failure to meet consumer demand regarding sustainability could threaten our relationship with customers, employees, regulators and interest groups, which could impact Group revenues.

Actions taken by management continued

Transitional Risks

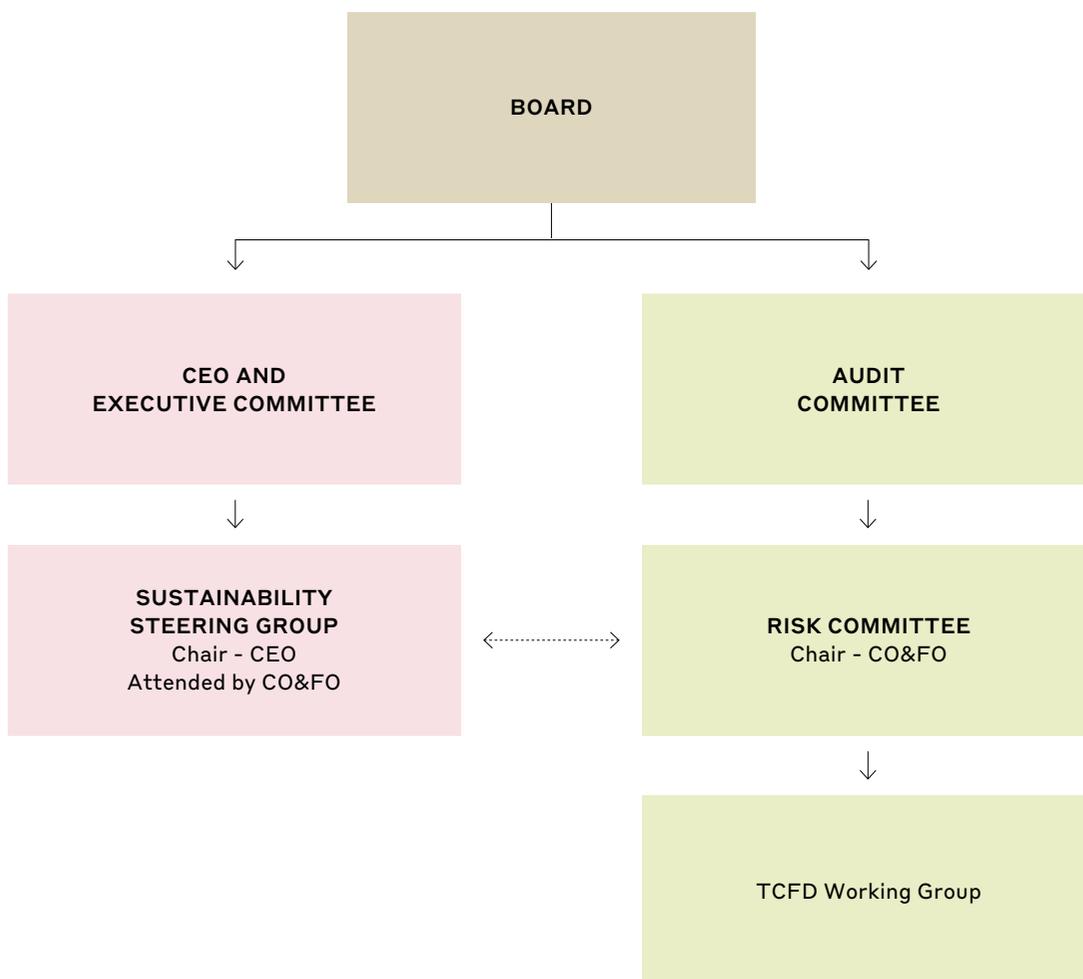
- Through our memberships with various industry bodies, associations (for example, The Climate Group) and external assurance partners, we contribute to consultations and are kept informed of upcoming environmental legislative changes.
- Environmental sustainability matters are reported to the Sustainability Steering Group, the Ethics Committee, the Risk Committee and the Board.
- Our longstanding responsibility programmes, coupled with our 2022 Responsibility goals, are driving continuous improvements in moving beyond social and environmental compliance.
- We identify and explore scarce resources while also developing alternative materials through research and development.
- Our target is for 100% of our products to have more than one positive attribute by 2022.
- We continue to increase our sustainable product mix, by including recycled content, bio-based materials and more sustainable cotton in our collections. We have also worked directly with cotton growers in the USA to develop a fully traceable organic cotton supply for the future.
- In FY 2019/20 we assessed the potential impact of commodity price changes over the medium term.
- In FY 2019/20 we introduced our product sustainability messaging to make customers aware of our improved sustainability credentials. We also increased sustainability messaging in brand-related communications.
- As part of scenario analysis workshops we assessed long-term technological trends that could significantly impact our business model.
- Our IT Innovation team is exploring new systems and ways in which sustainability priorities can be supported by advancements in technology.
- We continue to increase our focus on zero-waste mindset across the business and have a clearly defined waste hierarchy. We have established a waste baseline and are setting targets and KPIs that will cover operational, manufacturing and finished goods waste as well as packaging. Since FY 2018/19 we have publicly committed to not destroying unsaleable finished products.
- Our climate goals are approved by the Science Based Targets initiative (SBTi) and in line with the Paris Agreement goal of reducing carbon levels to keep the global temperature increase under 1.5°C.
- In line with the increased expectations of our stakeholders, we are providing more transparency in our corporate reporting, as well as disclosing a number of Environmental, Social and Governance (ESG) investor indices.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Burberry is committed to implementing the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

A cross-functional working group has been established to assess and implement the required governance and strategy for climate-related risks and opportunities, and the metrics and targets used to assess and manage these.

Governance for managing climate-related risks and opportunities across the Group is incorporated into the existing governance framework as shown below. This includes oversight of implementation of the recommendations of the TCFD.



GOVERNANCE

A Sustainability Steering Group (SSG) was established in the year to review and oversee the Group's strategy on environmental and social issues. The SSG will convene at least three times a year and is chaired by the Chief Executive Officer who is accountable for ensuring oversight of climate-related risks and opportunities, and is attended by the Chief Operating and Finance Officer, who is also a member of the Leadership Network for the Accounting for Sustainability (A4S) initiative. The cross-functional TCFD working group reports to the Risk Committee, which is chaired by the CO&FO.

We have evolved our governance structure to manage climate-related risks and opportunities and the Board has received updates on sustainability-related matters, including those related to climate change. These were supported by insights from independent sustainability strategy consultants.

Next Steps: The Remuneration Committee is considering how to include non-financial performance metrics including the achievement of ESG targets for senior leaders across the Group.

STRATEGY

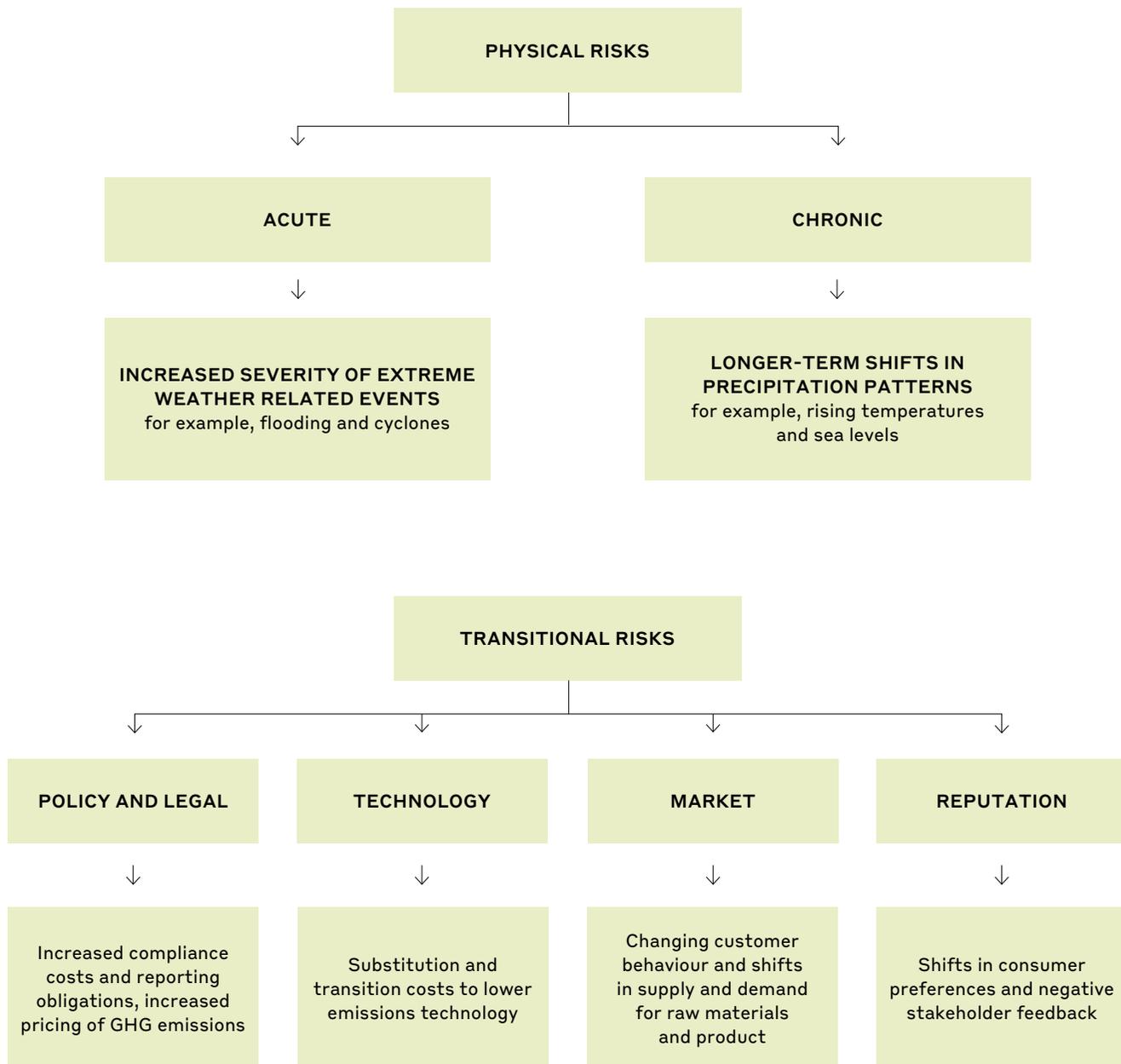
Building on the scenario analysis undertaken in FY 2018/19 regarding forecasted climate-change impacts to 2040, this year the Group strategy team initiated a review of our broader sustainability commitment and identified key priorities and areas of risk that require increased focus. The key risks that impact the overall Company strategy over the short, medium and long term include water scarcity, our carbon impacts and raw material availability. We have implemented a number of initiatives to help inform our longer-term strategy. These are discussed further in the Responsibility section (pages 60-71).

Our approach to sustainability and our commitment to the issue have been recognised. Burberry has received awards from The Walpole Awards for Luxury Business with a Heart; the RobecoSAM Sustainability Yearbook (Burberry received Gold Class Distinction), and has been included in the Dow Jones Sustainability Index for the fifth consecutive year.

Areas for focus over the next 12 months include ensuring climate change risks and opportunities are considered in our long-term business strategy and quantifying short-, medium- and long-term climate change risks and opportunities to inform business strategy and financial planning.

RISK MANAGEMENT

Climate change forms one of our Group principal risks (see page 92). This principal risk incorporates the six risk areas set out in the TCFD requirements as explained below.



During the year we performed an exercise to identify the short-, medium- and long-term risks and opportunities using the 2040 climate change scenario work performed in FY 2018/19. The cross-functional TCFD Working Group, which includes members from the Risk Management, Finance and Responsibility teams, has defined the risk management methodology and approach for identifying and assessing climate-related risks. This includes an assessment of impact and likelihood across several global temperature increase scenarios and incorporates an analysis of country-specific risk classification.

In addition to discrete exercises such as these, our Enterprise Risk Management process, overseen by the Risk Committee, enables us to identify, assess and manage all risks, both existing and emerging, that may impact our strategic objectives.

When sustainability and climate-related risks are assessed, existing mitigating activities and controls are highlighted, and where relevant and appropriate, additional activities and controls are implemented. Progress against these mitigating activities are assessed by the Risk Committee, and are subject to independent and objective review by Internal Audit where they form part of the annual audit plan.

Through our continued use of the WWF Water Risk Mapping tool, we are able to identify facilities, which are exposed to substantive water risk driven by water pollution, water scarcity and flooding or other extreme weather events. We have also assessed the climate change risk in our supply chain by evaluating the exposure, vulnerability and readiness of the countries where our key supply chain partners are located.

Key next steps will be to build on the work we have done so far and to quantify the longer-term financial impact associated with identified risks against our current business model and consider whether any further mitigating controls and activities are required.

METRICS AND TARGETS

We align our reporting against climate-related metrics to recognised standards, including the Greenhouse Gas (GHG) Protocol. In addition, we have company targets, which cover absolute energy and carbon reductions, renewable energy procurement and delivery of products with positive attributes. Further information on our non-financial KPIs can be found on page 34.

Performance is measured against the aforementioned targets and metrics, and, where appropriate, senior leadership team members have direct accountability against meeting Company targets.

Burberry has a science-based target to reduce absolute **Scope 1 and 2** GHG emissions by **95%** by 2022 and to reduce absolute **Scope 3** GHG emissions by 30% by 2030, both from a 2016/17 base year.

- Scope 1 and 2 target focuses on emissions from our direct operations (including electricity and gas consumption at our stores, offices, internal manufacturing and distribution sites).
- Scope 3 target relates to indirect emissions in our extended supply chain (such as from the sourcing of raw materials and manufacturing of finished goods).

To drive positive change through our products we have set 2022 targets to source 100% of our cotton more sustainably, and source 100% of leather from certified tanneries. In addition, we monitor the percentage of low-carbon products, which comprise recycled or bio-based content, as well as those which are manufactured in facilities proactively reducing their emissions impact.

When defining metrics and targets we consider them in two ways:

Mitigation metrics	Monitoring metrics
% reduction in absolute energy consumption	% reduction in location-based tCO ₂ e versus base year (2016/17)
% of energy procured from renewable sources	% reduction in market-based tCO ₂ e versus base year (2016/17)
% of low-carbon products	TCO ₂ e reductions in Scope 3 emissions

In the year ahead we will report on our progress towards our Scope 3 science-based target and model climate risks and opportunities against financial goals and loss tolerances.

RISK MANAGEMENT ACTIVITIES IN FY 2019/20

The Board and its Committees undertook a number of risk management activities throughout the year.

IDENTIFICATION OF RISKS

Monitoring of risks

We identify and review risk through two processes:

- a “bottom-up” process undertaken across the Group’s business areas and functions to identify and manage risks in their areas
- a “top-down” process overseen by the Risk Committee to identify key risks to our strategic priorities

During the year, the key risks identified through these two processes were mapped against each other and were reviewed and revised to reflect changes in the business and the external environment.

As the COVID-19 pandemic started to spread in Mainland China, the GMT was set up to coordinate the business response to the outbreak. The treatment of COVID-19 for risk management purposes, was reviewed with the Risk Committee and Audit Committee in March 2020. A decision was taken to treat the COVID-19 pandemic as a new principal risk.

The Group principal risks were then regrouped to produce a revised schedule of principal risks, which were discussed at our Risk Committee and presented to the Audit Committee in May 2020.

Emerging risks

Potential emerging risks have always been an area of focus, however, an exercise has been performed to identify and disclose these.

Strategic risk

An exercise was performed with the Executive Committee to identify the risks to delivering the new strategic objectives. This was reviewed and presented to the Board.

Risk appetite

The Group’s risk appetite and tolerance levels were presented to the Board and approved in March 2020. These will be used to set tolerance limits and target risks for each of the principal risks and refine mitigation plans.

MANAGEMENT ACTIONS AND DEEP DIVES

Compliance functions provide independent assurance to management, the Audit Committee and the Board on the effectiveness of management actions.

Our Internal Audit function periodically reviews the risk management process. Third-party reviews have been performed on cybersecurity and health and safety.

Our strategy team and the business owners for each strategic pillar undertake regular reviews of progress towards our strategy with the Executive Committee and the Board. Additionally, we have undertaken a number of deep dives at Board and Audit Committee level into the management of the risks being examined.

- **COVID-19:** the GMT was set up to coordinate the business response to the COVID-19 outbreak.
- **Strategy:** an exercise was performed with the Executive Committee to identify the risks to delivering the new strategic objectives. This was reviewed and presented to the Board.
- **Climate change:** presentation to the Board on climate-related risks and opportunities, as well as committing to implementing the recommendations of the TCFD.
- **Digital:** Board presentation on Digital strategy and technology risk presented by senior digital leadership team.
- **Marketing:** deep dive into Marketing Brand guidelines.
- **Risk appetite:** the Board performed its annual review and discussion of the Group risk appetite statement in March 2020.
- **IT/cyber:** report to each Audit Committee on IT and cybersecurity.
- **Compliance and Legal:** regular reports on compliance matters and risks to the Ethics and Risk Committees, including updates on intellectual property, legal matters, health and safety, data privacy and compliance with GDPR.
- **Talent management:** annual discussion on succession planning at the Nomination Committee.
- **Operational:** presentations to the Board on inventory and the supply chain, regular reports on quality risks.
- **Financial:** presentation to the Audit Committee on the Group’s tax policy.
- **Change programmes:** presentation to the Board on the Group’s major transformation programmes across IT, HR and supply chain.
- **UK withdrawal from the EU:** the Group has engaged proactively with key external stakeholders and established a cross-functional internal steering committee to understand, assess, plan and implement operational actions that may be required. The Group has assessed a no-deal withdrawal scenario and has taken appropriate actions. These include engagement with government and regulators; relocation of inventory and materials; appointment of additional carriers and changes to logistics plans and shipping routes; arrangements for a UK tariff, and banking arrangements.

OUR VIABILITY STATEMENT

CORPORATE PLANNING PROCESS

Burberry's normal annual corporate planning process consists of preparing a strategic plan, reforecasting the current year business performance during the year, and preparing a more detailed budget for the following year. This is the main basis for assessing the longer-term prospects of the Group. Our strategic planning process involves a detailed review of the plan by our CEO and CO&FO. This is done in conjunction with our regional and functional management teams, followed by a presentation and discussion of the strategic plan at the Board. Delivery against the plan is monitored through our annual budget process and subsequent forecast updates, see pages 30-31.

The key assumptions considered in our strategic plan are future sales performance by product, channel and geography, expenditure plans, cash generation and that there is no material long-term impairment to the Burberry brand. We also consider the Group's projected liquidity, balance sheet strength and the potential impact of the plan on shareholder returns. Where appropriate, we have made adjustments to our planning process and key assumptions as a result of the impact of COVID-19 as detailed below.

ASSESSMENT OF PROSPECTS AND IMPACT OF COVID-19

In light of the impact of COVID-19 on our business, we have prepared a number of planning scenarios based on a range of assumptions and potential outcomes. In early 2020, the COVID-19 outbreak severely impacted communities worldwide, which affected the luxury market and our business. We remain confident in our strategy to reposition Burberry firmly in luxury fashion and are committed to the strategic vision for Burberry. Our strategic initiatives have been shaped to the current situation with focussed execution to ensure a successful recovery.

The Group's strategy is set out on pages 30-31. Key factors affecting the Group's prospects are:

- **Brand:** A strong luxury positioning will be paramount during this period. Burberry will continue to strengthen its luxury positioning including prioritising investment in inspiration. In this environment, consumers are likely to become increasingly discerning in their purchases, orientating towards strong brands, and the market performance is likely to polarise further between luxury and mass and accessible fashion. Diminished demand is also likely to increase competition and reinforce the importance of investing in brand and inspiration.
- **Localisation:** It is likely the COVID-19 outbreak will result in reduced travel and disparate economic growth by region. This makes a localised approach more important. In line with this, we have adopted tailored and bespoke localised plans to ensure we optimise revenue opportunities in all markets.

- **Direct to Consumer and Digital:** The COVID-19 crisis is likely to have a continuing impact on luxury distribution throughout 2020. With wholesale facing significant short-term challenges, the crisis has demonstrated the importance of a direct to consumer approach, particularly digital. In this respect Burberry is well positioned. In FY 2020, we generated 80% of our sales through the retail channel and we continue to be a leader in digital.
- **Product, inventory and supply chain:** In the short term, we expect a greater consumer shift towards leather goods offering, casualwear and entry price points. Again Burberry is well positioned in this respect having transformed its product offer including its leather goods assortment over the last year. We are also increasing our supply chain agility and amending our seasonal calendar to optimise sell through of our current and future collections.
- **Balance sheet and liquidity:** Managing the COVID-19 crisis will require very tight control of cost and cash management. We have prepared cost and cash mitigation plans. Our objective is to manage the business efficiently and flexibly, maintaining control and preserving the long term value of the Burberry brand whilst ensuring we secure the financial headroom required to fuel growth as market opportunities present.

We remain confident in our strategic direction and trajectory. Our priorities as we navigate through this period will be to focus our investment on market and channel opportunities as countries recover from the pandemic and to maintain sufficient liquidity to manage the business during the current period of uncertainty.

VIABILITY ASSESSMENT APPROACH

In assessing the viability of the Group, the Board has carried out a robust assessment of the principal risks of the Group, including those arising from the COVID-19 virus, as set out in the Risk Report on page 92 and the principal risks and uncertainties as set out on page 92. The Directors have considered the potential impact of the risks on the viability of the Group.

BASIS OF ASSESSMENT

The assessment of viability has been made with reference to the Group's current position and expected performance over a three-year period. This is considered appropriate for use by the Directors because it covers the central planning view of the timeframe for the response to and recovery from the COVID-19 pandemic. The recovery is expected to start from Q1 FY 2020/21 with stores projected to reopen globally during the year and execution of the strategy resuming in FY 2021/22, with longer-term growth assumptions being applied for FY 2022/23.

SCENARIOS

A range of downside scenarios resulting from the potential impact of COVID-19 have been developed. These scenarios were informed by a comprehensive review of the macroeconomic downside scenarios using third party projections of scientific, epidemiological and macroeconomic data for the luxury fashion industry:

- The Group central planning scenario is based on a significant reduction to FY 2019/20 revenues reflecting a protracted period of lockdown and the resultant store closures and footfall declines across key regions, with a gradual improvement in FY 2021/22 and FY 2022/23.
- As a sensitivity, this central planning scenario has been flexed to reflect a further 15% downgrade to revenues throughout the three-year period and the associated consequences for EBITDA and cash. Management consider this represents a severe but plausible downside scenario appropriate for assessing going concern and viability. This was designed to test an even more challenging trading environment as a result of COVID-19 together with the potential impacts of one or more of the Group's other principal risks.
- For the purposes of a liquidity stress test, we flexed our central planning scenario. This test assessed a £1.6 billion (61%) revenue downgrade from FY 2019/20 in FY 2020/21, a gradual improvement in FY 2021/22 to a £0.6 billion revenue downgrade from FY 2019/20 and then flat growth in FY 2022/23. We have used this to perform reverse stress testing to understand the funding headroom limits.

The reverse stress test includes the following:

- A significant short-term decrease in FY 2020/21 revenue compared to the central planning scenario caused by reinfection in Mainland China and a second lockdown or a delay or slower recovery in EMEIA or Americas as well as a long-term decline in travelling consumers resulting from prolonged travel restrictions.
- A longer-term decrease in revenue during the three-year period caused by a macroeconomic downturn depressing consumer demand.
- Foreign exchange volatility impacted by changes to macro-economic forces.
- The impact of one or more of the principal risks arising from one-off events, represented by a £100 million reduction in annual profit and cash, for example: business or supply chain interruptions within Burberry and its vendors as the business recovers from the pandemic, a cyber-attack resulting in significant loss of data, or additional duty costs associated with the UK's withdrawal from the European Union.

This approach provides the Board reasonable comfort that the Group's going concern and viability positions have been assessed to a severity level which more than accommodates the current assessment of the shape and scale of the economic impact of the COVID-19 pandemic and the impact of one or more of the Group's principal risks.

FUNDING

In assessing the viability of the Group, the Directors have also considered the Group's current liquidity and available facilities (set out in note 28 of the Financial Statements) and financial risk management objectives and hedging activities (set out in note 28). In our central planning and severe but plausible downside scenarios, the Group maintained the necessary liquidity levels. On 20 March 2020, we drew down our £300m Revolving Credit Facility (RCF) for maximum flexibility. In order to cover a significant downside scenario, we are currently renegotiating the terms of this RCF. Since the year end, we have also secured funding of £300m under the UK Government sponsored COVID Corporate Finance Facility (CCFF) to mid-March 2021.

CONCLUSION

The impact of each of the scenarios showed declining earnings, cash outflows and increasing leverage. The Board believes it could sufficiently mitigate these impacts through further broad-based cost savings initiatives, working capital reduction measures, the suspension of future dividends and through access to additional sources of funding as required.

Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities over the period to March 2023. In making this statement, the Directors have assumed delivery of cost saving initiatives and continued access to the RCF and CCFF funding.

The Strategic Report up to and including page 118 was approved for issue by the Board on 22 May 2020 and signed on its behalf by:

MARCO GOBBETTI
Chief Executive Officer

