STRATEGIC REPORT
DEAR SHAREHOLDER,
This is my first letter since succeeding Sir John Peace as Chairman following the AGM on 12 July 2018. I would like to begin by paying tribute to Sir John for all he achieved during his 16 years as Chairman of Burberry. Since becoming Chairman I have immersed myself in the business, visiting our manufacturing sites, distribution centres, retail stores and outlets and many of our key offices across the world. During these visits I have always been struck by the enthusiasm, dedication and commitment of our teams and their passion for our unique Burberry brand.

STRATEGY
It has been an exciting year for Burberry with the brand relaunch and our new Chief Creative Officer Riccardo Tisci’s debut collections both landing well with consumers, influencers and our wholesale partners. We have also made significant progress on the evolution of our distribution channels, our operational excellence programme and ensuring we have the talent to deliver our strategy. These areas are explained in more detail on pages 22 to 41. We recognise that our strategy is all-absorbing and has had a huge impact on all parts of the business. We are currently at the apex of our creative transition and our Chief Executive Officer Marco Gobbetti and our management team are managing the business dynamically through this exciting but challenging transformation.

CULTURE AND PURPOSE
Burberry has a unique culture, which is implicit in everything we do. We are mindful of the changes introduced by the 2018 Corporate Governance Code and are working to articulate more explicitly and holistically our purpose and values and how they relate to all our stakeholders, not least our customers. We are also building on our formal and informal communication mechanisms to ensure there is meaningful two-way dialogue between our workforce and the Board, as explained in the Corporate Governance Report on page 100.

We are committed to being an industry leader in responsible and sustainable luxury fashion, a commitment that underpins everything we do. During the year we continued to make real progress and more details on Burberry’s approach to responsibility can be found on pages 42 to 55.

However, there were two significant instances, which reinforced our resolve in this area: the challenge in July 2018 to the industry-wide practice of destroying unsaleable finished products and a perception from our February 2019 runway show that we lacked sensitivity to important vulnerability and cultural issues in our society. The Board, while very concerned about both incidents, is reassured by the total commitment of Marco and our management team to addressing these issues and by the speed and vigour of their response.

SHAREHOLDER RETURNS
The Group ended the year with a strong cash balance of £837 million, in line with the prior year after a £150 million share buyback and £171 million of dividends. Consequently, the Board has recommended a 3% increase in the full-year dividend to 42.5p, in line with our progressive dividend policy, resulting in a 52% pay-out ratio based on reported earnings per share. This reflects the Board’s continued confidence in the future growth of the business.
“We are currently at the apex of our creative transition and we are managing the business dynamically through this exciting but challenging transformation.”

Our approach to capital allocation is based on a clear set of priorities that balance investment in sustaining and growing our business, returning cash to our shareholders and maintaining a strong balance sheet with solid credit ratings.

Over the past five years, Burberry has returned around £808.7 million to shareholders through dividends, and over the past three years has completed £600 million of share buybacks. We have approved a continuation of the share buyback programme in FY 2019/20.

BOARD DEVELOPMENTS
We have continued to focus on the evolution of the Board throughout the year. Our aim is to continue to refresh the Board with new and different perspectives while ensuring stability and continuity during a period of transformation for the business.

Changes to the Board during the year to 30 March 2019 are as follows:

- I joined the Board as Chairman designate on the 17 May 2018.
- Sir John Peace retired from the Board following the AGM on the 12 July 2018.

Our longest-serving directors, Stephanie George and Ian Carter will retire from the Board following our AGM in July. We will miss their wise counsel and thank them both for their outstanding service to Burberry during a period of enormous growth and value creation.

FOCUS FOR THE FUTURE
In FY 2019/20, we will continue to focus on the creative transition and completing the first phase of our brand transformation. By the time we issue next year’s Annual Report, substantially all products in our mainline stores will be Riccardo’s. We are well on the way to completing the rationalisation of our wholesale and retail network and to establishing our new positioning.

We will refine our work on purpose and responsibility as the year progresses and we will continue to invest in re-energising our products and our technology, our stores and our people, the pillars on which Burberry’s exciting future will rest.

I would like to end by thanking all our colleagues for their continued hard work and you our shareholders for your patience and support during this period of transformation.

GERRY MURPHY
Chairman
DEAR SHAREHOLDER,
Looking back on the past 12 months, I am extremely proud of our people and the progress we have made on our plan to transform and reposition Burberry and deliver sustainable long-term value. We achieved a huge amount in the period, starting with the launch of our new creative vision in the summer and building to the delivery of Riccardo Tisci’s first collection in late February. Although we are only halfway through the first phase of Burberry’s transformation, the positive initial reaction from customers is very encouraging.

FY 2018/19 PERFORMANCE
Our focus in this first phase is on investing to re-energise our brand and aligning distribution to our new positioning, while creating the foundations of a new product offering. Against this backdrop, we delivered FY 2018/19 results that met the objectives we had set for the business.

- Revenue was £2.7 billion, flat at reported rates, and up 2% at constant exchange rates (CER), excluding Beauty wholesale.
- Reported operating profit was £437 million, up 7%.
- Adjusted operating profit was £438 million, unchanged at CER.
- Diluted Earnings Per Share (EPS) was 81.7p, up 19%.
- Adjusted Diluted EPS was 82.1p, up 7% at CER.

Our performance was underpinned by operational and financial discipline, enabling us to self-fund our transformation. We delivered £105 million of cumulative cost savings, which was ahead of plan.

INTRODUCING A NEW BURBERRY
To signal a new era for the brand, we refreshed our logo for the first time in 20 years and revived the Thomas Burberry monogram inspired by our heritage. We brought these to life in surprising, engaging and impactful ways, generating exceptional visibility and presenting the new Burberry to millions of luxury consumers globally.

We unveiled Riccardo’s debut collection Kingdom in London in September. His vision is of a Burberry that is as much for the young as for the old. Street influences play as important a role as the codes of luxury and sophistication. The response from press and wholesale partners was excellent.

Digital innovation has never been more important in luxury and we asserted our leadership in this area with our award-winning B Series. Available on social platforms, the monthly drop of limited-edition products has proved extremely popular and attracted new and younger customers to the brand. We also partnered with Instagram to launch checkout, a new feature enabling customers to buy products directly from the Burberry Instagram shop for a more seamless shopping experience.

Creating the right store environment for our brand is essential and over the course of the year, we began to align our distribution network to our new creative vision, starting with stores in key fashion cities, including London, Paris, New York, Seoul, Shanghai and Tokyo. In wholesale, we accelerated the closure of non-luxury doors in the US, while opening new, image-driving locations around the world to reach new customers and reinforce our brand positioning.
“Over the course of the coming year, we will continue to build the new Burberry. We are energised by the early results.”
AN ENGAGED TEAM
As a global company with more than 10,000 employees across 33 countries, creating shared purpose and unifying around our values and behaviours are vital to the successful delivery of our strategy. During the year, we focused on building capability and driving engagement among our teams. This included new training programmes for all retail associates and implementing plans we laid out last year to strengthen our pipeline of women leaders.

Erica Bourne joined Burberry as our new Chief Human Resources Officer. We also welcomed Gavin Haig as Chief Commercial Officer with responsibility for all regions and Rod Manley as our new Chief Marketing Officer. All three are great additions to our Executive Committee and are already having a positive impact on the business.

DRIVING POSITIVE CHANGE
As the Chairman noted in his letter, the year was not without challenges but I was impressed by the passion and determination of our people to respond and learn from them. We are stronger for it. The progress we made on our Responsibility Agenda was particularly satisfying and led to us being recognised as the leading luxury brand in the 2018 Dow Jones Sustainability Index.

We strengthened our commitment to revalue waste and ended the practice of destroying unsaleable products. We stopped using real fur. We pledged to reduce plastic usage in our supply chain. We also joined the UN Fashion Industry Charter for Climate Action and we are now carbon neutral across the Americas region, EMEIA retail stores and our UK operations. At the same time, we broadened and deepened our commitment to diversity and inclusion. We are passionate about driving positive change for our industry, our communities and the environment and we have ambitious plans for the year ahead.

LOOKING AHEAD
Over the course of the FY 2019/20, we will continue to build the new Burberry, while managing the business to maintain stable results. The range of products designed by Riccardo will steadily increase in stores and we will accelerate the transformation of our retail network.

The implementation of our plan is on track. What we have achieved this year gives me huge confidence for the future and we are energised by the early results.

I would like to take this opportunity to thank the Burberry team and our partners who made FY 2018/19 so successful. Their passion, commitment and energy has been integral to our progress and I am excited to see our plans come alive in the months ahead.

MARCO GOBBETTI
Chief Executive Officer
DRIVING POSITIVE CHANGE

Modern luxury means being socially and environmentally responsible.

This belief is core to us and key to our long-term success.

For over a decade we have worked to help the communities that support our industry and protect the natural resources on which our business depends. Our programmes, which cover our operations, our supply chain and extended communities, are designed to drive positive change and build a more sustainable future through innovation and collaboration.

As part of our five-year Responsibility Agenda, we have set ourselves ambitious goals for 2022. These support the aims of the Paris Climate Agreement, as well as a number of the United Nations Sustainable Development Goals. Key targets are owned by members of the Executive Committee and their teams with more than 140 people across various functions at Burberry accountable for their delivery.

In the past year, we have made significant progress against each of our goals, which has been recognised externally with Burberry ranked the leading luxury brand in the textiles, apparel and luxury goods sector in the 2018 Dow Jones Sustainability Index.

You can read more about our Responsibility Agenda and our progress against our goals on pages 42 to 55.

Leading luxury brand in the 2018 Dow Jones Sustainability Index.

Principal partner of the Living Wage Foundation since 2016.

Core partner of the Ellen MacArthur Foundation’s Make Fashion Circular Initiative.

Signatory of the New Plastics Economy Global Commitment, led by the Ellen MacArthur Foundation in collaboration with UN Environment.

Founding signatory of the UN Fashion Charter for Climate Action.

Active member of The Prince’s Accounting for Sustainability Project.
## FINANCIAL AND OPERATIONAL HIGHLIGHTS

<table>
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<tr>
<th>Year</th>
<th>Revenue</th>
<th>Adjusted Operating Profit</th>
<th>Operating Profit</th>
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<tr>
<td>2019</td>
<td>£2,720m</td>
<td>£438m</td>
<td>£437m</td>
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<tr>
<td>2018</td>
<td>£2,733m</td>
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<th>Retail</th>
<th>Wholesale</th>
<th>Licensing</th>
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<tr>
<td>2019</td>
<td>£2,186m, 0%</td>
<td>£488m, +7%</td>
<td>£46m, +53%</td>
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Alternative performance measures, including adjusting measures, are defined on page 71.
We have a total of 431 directly operated stores, including mainline, concession and outlet. This excludes 44 franchise stores.

**REVENUE BY PRODUCT**

<table>
<thead>
<tr>
<th>Accessories</th>
<th>Women’s</th>
<th>Men’s</th>
<th>Children</th>
<th>Beauty</th>
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<tbody>
<tr>
<td>£1,013m, -3%</td>
<td>£837m, +3%</td>
<td>£698m, +8%</td>
<td>£120m, +2%</td>
<td>£6m, -44%</td>
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1. All references to revenue growth on pages 14 and 15 are presented at CER. All references to revenue and revenue growth on pages 14 and 15 are excluding Beauty wholesale. See page 67 for reconciliation to total revenue.
2. Retail/wholesale revenue.
3. For more detail on performance see page 66.
BUSINESS MODEL

Our business model is designed to create long-term sustainable value for all our stakeholders.

ASSETS

We are a globally recognised luxury brand with a distinctive British attitude and 163 years of heritage. We have an extensive network of both owned and franchised stores which allow us to interact directly with luxury customers around the world and provide a strong sales base. We are digital pioneers, and innovative technology underpins every aspect of our business, from product design to distribution and marketing. Our wide-ranging marketing activities enable us to engage with luxury consumers across channels, from digital media and social platforms to image-driving print media and innovative installations. We leverage our strong financial position to develop and invest in capabilities in line with our capital allocation framework. To learn more about our investment case and capital allocation framework, see page 72.

INNOVATION

Our design process begins at our headquarters in London, where our creative teams work across womenswear, menswear, childrenswear and accessories. We collaborate with licensing partners on our Beauty offering. We innovate to bring our designs to life with new materials, techniques and combinations to remain at the forefront of fashion while ensuring our activities have a positive social and environmental impact.

PRODUCTION

We source materials based on their quality and sustainability, working closely with our network of suppliers to ensure we receive the highest quality materials and goods while supporting our partners to drive social and environmental improvements in their operations. We have fully owned manufacturing facilities in the UK and Italy, which allow us to maintain control of quality and design in key elements of our supply chain. To read more about our new manufacturing site in Italy, see page 29. Across our own facilities and those of our partners we are committed to implementing a zero-waste mindset. We are focused on reducing, reusing and recycling any waste we create while looking for innovative solutions to move towards a circular business model.

DISTRIBUTION AND COMMUNICATION

We have a large network of owned and franchised stores located in the top fashion destinations around the world, and our own e-commerce capability serving 44 countries. We also work with select luxury wholesale and licensing partners, including third-party digital providers, to complement our distribution. We enhance our customer touchpoints with our digital capabilities, from the moment of inspiration to the post-purchase experience. Our communications place product at their heart, reaching customers through their preferred channel, from editorial to influencer, across key fashion cities and amplified through made-for-social activations.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

We are committed to being an agent for positive change. Through our operations and supply chain we are reducing our environmental impact, while with research partnerships and creative design we aim to stimulate demand for more sustainable raw materials. We are also committed to supporting the people and communities touched by our operations with worker well-being, youth inspiration and community cohesion programmes, as well as social and economic empowerment. To learn more about our Responsibility Agenda, see pages 42 to 55.

VALUE CREATION

We create beautiful and distinctive products of the highest quality, representing the best of British fashion. We invest in the communities in which we operate to drive social good and support well-being and growth. By growing our core business in a responsible manner, increasing revenues and margins over time, we also drive long-term, sustainable shareholder value and return cash to shareholders.
The luxury market grew by 5% in 2018, in line with 2017. All segments performed well. Many of the trends evident in 2017 have continued into 2018, including growing demand from Chinese consumers, the rise of digital and the increasing number of young consumers entering the market.

**Luxury Consumers**
In 2018, consumers around the globe continued to be demanding of luxury brands, widely researching products prior to purchase and expecting exceptional in-store service levels. The high appetite for fashion-forward and innovative products was sustained by existing consumers, and reinforced by younger consumers entering the luxury market.

**Fashion and newness**
Consumers are increasingly using luxury products to express their point of view, individualism and personal style. This has resulted in the outperformance of fashion-forward products, including those designed through collaborations and sold through limited-edition drops. This trend was most pronounced in the fastest-growing luxury consumer segments, with both young consumers and Chinese consumers expecting to buy an increasing amount of products they would describe as “fashionable.”

**Polarisation between mass and luxury**
Consumers continued to prefer products positioned at the highest and lowest ends of the market over mid-market and premium products.

The growing emphasis on product as a way of expressing personal values and point of view supported a consumer trend of mixing and matching products from luxury and mass market brands. As a result, the strongest growth this year was from brands at the luxury and mass market ends of the spectrum, while growth at premium and mid-market operators plateaued.

**Young consumers drive growth and demand purpose**
In 2018, 100% of growth in the luxury market was driven by Generation Z and millennial consumers, compared to 85% in 2017. Both millennials and Generation Z are demonstrating highly differentiated preferences in both shopping and products. Generation Z consumers are more willing to shop in a physical store (although they demand a digitally enhanced experience); orientate towards heavily logoed products and are less brand loyal. Millennials place a higher value on social experiences and focus on travel and mobility across geographies as an aspirational goal. However, both groups of consumers are highly socially and environmentally aware, with sustainability and a brand’s social or political stance a key factor in their purchasing decision process.

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1. Growth figures refer to growth in 2018, while discussion of trends covers FY 2018/19 (April 2018 – March 2019). All figures at CER.
LUXURY SECTOR
Diverging performance
There were clear winners and losers in terms of performance over the year. Across fashion retail, 97% of profit was earned by just 20 companies. For both under- and over-performing brands, growth has become more expensive to achieve, requiring investment in capabilities such as digital and brand experience over physical infrastructure. While about 65% of luxury companies saw revenue growth, only a third of those companies translated that into an increase in profits.¹ The largest players have invested in marketing as they try to attract the new luxury consumer.

LUXURY GEOGRAPHIES²
Global businesses operated in a climate of instability in 2018. While concern over global security issues was less prevalent than in 2017, there was increased uncertainty in diplomatic and trade relations across China, the US and Europe in response to the US/China trade negotiations and a lack of clarity around the UK’s withdrawal from the EU.

China
With luxury sales in Mainland China increasing by 20% in 2018, Chinese consumers continued to drive growth in the luxury market. As well as being bolstered by an uptick in consumer numbers, growth in China was supported by a repatriation of spend following Chinese import duty reductions; heightened regulations around the practice of purchasing abroad and reselling within China, and increased development of duty-free shops. Globally, Chinese spending at home and abroad now accounts for 33% of the luxury industry, up from 32% in 2017.

The Americas
The Americas grew 5% in 2018, supported by a strong US economy and robust local spending. However, in late 2018 and early 2019, there was a softening of consumer sentiment, which weighed on US footfall. In the US, where tourist spending accounts for a relatively small portion of the luxury industry, a strong US dollar resulted in weaker spend by Asian and Latin American tourists. Spending in Latin America remained subdued and impacted by political uncertainty.

Europe
Sales in Europe grew 1% in the year. Tourist spend, which accounts for a significant proportion of the European market, was impacted by a strong euro. However, local consumption continued to grow, albeit impacted by political and economic uncertainty including the UK’s withdrawal from the EU in the UK and the “yellow vest” protests in France.

Other regions
Spending across the rest of Asia was strong during 2018, with Hong Kong, Macau and Japan benefitting from travelling Chinese consumers due to the relative strengthening of the Chinese yuan and strong local consumption in Korea. In Asia excluding China and Japan, luxury retail sales grew 9%, while Japan grew 6%. Trends in the Middle East remained stagnant due to flat oil prices and government spending restrictions.

“The fastest-growing luxury consumer market, China, continues to be supported by a growing middle class, with latest indications of consumer confidence remaining positive.”
CHANNELS
Retail
Sales from retail channels grew 4% in 2018, with three quarters of that growth coming from like-for-like sales. Store openings continued to stagnate, with brands increasingly transitioning from store as a point of sale to store as a point of touch, and bricks-and-mortar stores focusing on creating an engaging brand experience.

Wholesale
Wholesale channels grew at 1% in 2018. High-end department stores again faced a strong challenge from online multi-brand retailers, who offer an increasingly luxurious service via their online experience. Speciality and niche stores, which had previously performed well against online competition, also felt the impact of digital this year.

Digital
Digital was again the fastest-growing luxury sales channel, growing 22% in 2018 to make up 10% of all luxury sales. The US continued to make up the majority (44%) of online sales, while growth in digital was driven by Asia. Almost all wholesale and retail sales are now influenced by digital at some point along the customer journey. The split of online players remains the same as last year, with e-tailers leading (39%), followed by brands (31%) and retailer e-commerce sites (30%).

Travel
Tourist spending was flat globally. Strong tourist flows were offset by currency fluctuations, which reduced spending per tourist. By region, Asia benefitted from Chinese tourism, while Europe felt the negative impact of the strong euro.

PRODUCTS
Apparel
The apparel category shrank by 1% in 2018, with positive growth in womenswear offset by a weaker performance in menswear. The softening of menswear was largely due to performance in the Americas and Europe. Growth in this category is predicted to outpace womenswear over the long term due to the rise of streetwear, a category historically popular with men.

Accessories
The handbag category continued to deliver good growth, increasing by 5% in 2018 as consumers responded to product innovations. Both shoes and jewellery increased 7% in 2018, outperforming overall industry growth. Shoes benefitted from the casualisation trend driven by younger consumers, with strong growth in sneakers. Growth in jewellery was driven by younger and Asian customers.

Outlook
Growth in the luxury market in 2019 is predicted to be the same or slightly lower than 2018, with estimates ranging from 3% to 5%. This is underpinned by supportive market fundamentals but partly offset by ongoing geopolitical uncertainty, with international trade and investment weakening globally. The fastest-growing luxury consumer market, China, continues to be supported by a growing middle class, with latest indications of consumer confidence remaining positive. Looking further ahead, growth estimates for the luxury market over the next five years remain in line with 2019 estimates, ranging from 3% to 5%.

All figures at CER
1. Bain Luxury Study, Fall/Winter 2018
In November 2017, we set out our multi-year strategy to establish our position firmly in luxury fashion, inspiring luxury customers and delivering long-term sustainable value for our shareholders.

A full description of the underlying principles of each pillar and the progress we have made on each is found on pages 26 to 41.
OUR STRATEGY
Over the past 163 years, we have built a global business with a distinctively British attitude, becoming one of the most valuable and iconic brands in the world. Since our Initial Public Offering in 2002, we have driven strong growth through a focus on digital leadership, expanding our luxury retail footprint, and developing strength across multiple product categories.

As set out on pages 18 to 20, the luxury sector continues to change rapidly. With this in mind, we are sharpening our brand positioning, changing our approach to products, communication and customer experience. Building on our strong existing brand assets, our vision is to establish Burberry firmly in luxury fashion. By doing so, we will operate in the most rewarding, enduring segment of the market, and deliver sustainable long-term value for all our stakeholders.

Our actions are underpinned by a continued focus on productivity, simplification and financial discipline. We will continue to engage and motivate our teams and reinforce our culture and values.

RATIONALE
Our move to luxury fashion is in response to two key market changes:

Fashion: today’s luxury consumers are more demanding with respect to personalisation, newness and fashion-forward products. They are moving away from traditional notions of luxury and elegance and are looking for casual, fun fashion, such as streetwear that fits with their lifestyles. They want innovative, exciting assortments, which can be used to express their opinions and points of view.

Luxury: the increasingly blurred line between luxury and casual has meant customers are more comfortable mixing luxury and mass market products, as they look to define an individual and unique sense of style. As a result, the market is polarising, with premium and mid-market retailers left behind while growth at the top and bottom ends of the market remains strong.

DEVELOPING OUR STRATEGY
We developed our strategy over the course of 2017, led by our Chief Executive Officer and the Executive Committee. Over FY 2018/19, we closely monitored our strategic progress and provided regular updates to our Board, and to the wider business. Given the pace of change in the sector, being agile is a priority for us, and we continuously test and refine our implementation and tactical priorities.

Underpinning our strategy are six pillars: four revenue drivers to support our sales, and two enablers to ensure our organisation is optimised.

DELIVERING OUR STRATEGY
We are implementing our strategic vision in two stages. Our initial two-year phase is focused on building a strong foundation: re-energising our brand, rationalising our distribution and managing through the creative transition. In the second phase, we expect growth to accelerate in a sustainable and enduring manner, underpinning strong financial performance.

In FY 2018/19, we embarked on the first stage of our transformation. We invested in building brand heat through global campaigns, exciting collaborations and brand activations. Major brand moments included the launch of our new logo and a refreshed Thomas Burberry monogram inspired by our heritage. This was extremely well received and drove engagement from industry insiders, influencers, press and wholesale partners.

Significant progress was also made on our distribution evolution. In the second half of the year, we stepped up our closure programme of non-luxury doors in the US, while in retail, the new creative aesthetic was brought to life in 14 of our stores. We focused on the Operational Excellence and Inspired People pillars of our strategy to support the transformation, delivering £105 million of cumulative cost savings, which was ahead of plan.

FY 2018/19 was also a year of transition for our products. The first deliveries of Riccardo Tisci’s products reached stores in February 2019. As the proportion of products designed by him continues to grow over FY 2019/20, we will focus on supporting his vision for the brand. We will do this through our marketing and digital activities, while also continuing to transform our store network and providing extensive training and support for our retail colleagues.
The groundwork undertaken in FY 2018/19 allows us to move at pace to complete this phase of the brand’s transformation.

OUTLOOK
We are at the halfway point in the first phase of our strategy’s implementation, which offers us not only a vantage point on how effective our foundation-building efforts have been so far but also on the work that remains to be done in the year ahead. With reignited brand heat and a newly energised product offering and retail network, the groundwork undertaken in FY 2018/19 allows us to move at pace to complete this phase of the brand’s transformation.

With Riccardo Tisci’s first collections existing and potential customers were given an insight into what they can expect from the brand going forward. As we continue to grow the proportion of new products in the year ahead, we will further underscore our positioning in the luxury fashion arena. Meanwhile, the introduction in September 2018 of B Series will continue to support Burberry’s luxury fashion-forward positioning and create opportunities to build on excitement around the brand on an ongoing basis. We will continue to integrate the refreshed Thomas Burberry monogram into the brand’s visual lexicon and with it convey Burberry’s new spirit and personality. The creation in 2018 of Burberry Manifattura, our leather goods centre of excellence, gives us the infrastructure required to support our plan to gain greater prominence in the leather goods category.

From a distribution perspective, we will continue to build upon the significant progress made in transforming our network in FY 2018/19 so that our customers’ in-store experience aligns with our overall brand vision.

In the second phase of our transformation, which will begin in FY 2020/21, we will accelerate growth by building on our new brand positioning and new creative vision, and by completing the evolution of our distribution network. This, alongside our improved operating model, simplified processes and inspired organisation, will support sustainable increases in our operating margin and revenues, while driving positive social impact. An in-depth look at our progress so far can be found on pages 26 to 41.
STRATEGIC REPORT

PRODUCT

Product is at the heart of our strategy and brand vision. We are focused on re-energising our product offering to signal immediate and visible change, and win the attention of luxury consumers, while retaining our core customer. In the first year of transition we worked to evolve our assortment to align with Riccardo Tisci’s creative vision. Our progress included the development of our product calendar to deliver frequent newness, the evolution of our leather goods strategy, and our commitment to going fur-free.

Spring/Summer 2019 show
Kingdom, Riccardo Tisci’s debut collection, paid homage to the individuality, eccentricity and inimitable attitude of Britain. The collection, unveiled during London Fashion Week in September, celebrated creativity and style traditions, from the punk and rebellious to the formal and refined. It defined a new visual language and lexicon for Burberry. Rankings from Vogue.com and the Financial Times indicated that the show was the second most viewed collection in September 2018. Products started to reach stores globally at the end of February 2019 and initial signs around the launch of the wider collection are very encouraging, with customers and wholesale partners responding positively.
Burberry & Vivienne Westwood
In December, we collaborated with legendary designer Vivienne Westwood, releasing a limited-edition collection of her iconic pieces re-imagined in Burberry Vintage Check. British Vogue described this as “one of the most unexpected and exciting collaborations of the year.” The launch drove a significant uplift in traffic to Burberry.com, while the Vintage Check beret sold out online within two hours. Burberry and Vivienne Westwood were united by a shared vision to support and promote Cool Earth, a UK-based non-profit organisation that works alongside rainforest communities to halt deforestation and climate change.

Going fur-free
In September 2018, we committed to going fur-free. This commitment builds on the goals we set in 2017 as part of our five-year Responsibility Agenda.

Autumn/Winter 2019 show
For Autumn/Winter 2019, Riccardo Tisci evolved the cues and codes set out in his debut collection, taking inspiration from the contrasts in British culture, weather and marine themes. The collection, Tempest, was unveiled in February in two contrasting show environments within the Tate Modern Tanks in London. One space was more structured, traditional and formal, with rigid wood seating set above a dimly lit runway, while the other was more rebellious and played host to more than 100 young people who scaled the walls of the venue.
“Burberry Manifattura is a major milestone for us and a statement of our ambition in this strategically important category.”

MARCO GOBBETTI
Chief Executive Officer

A focus on leather goods
During the year, we enhanced our leather goods offering and expanded our product architecture by launching new leather handbag styles and updating our classic styles. We improved the prominence of our handbags within our retail network and supported new shapes through dedicated social media and marketing content. For example a travelling global pop-up store concept, the Burberry Conservatory, visited 11 cities to market the Belt Bag.

In September 2018, we completed the acquisition of a division of a long-standing Italian partner and created a new centre of excellence known as Burberry Manifattura. This covers all activities from prototyping, product innovation and engineering to the co-ordination of production.

With over 100 expert craftsmen and craftswomen specialising in the development of luxury handbags and accessories, Burberry Manifattura gives us greater control over quality, cost, delivery and sustainability of our leather goods.
COMMUNICATION

Our communications approach is product led and tailored for social channels. In this phase we have focused on re-energising our brand and reaching consumers through influencers and key opinion leaders. Key focuses for FY 2018/19 were bringing Riccardo Tisci’s creative vision to life, re-igniting brand heat and shifting consumer perceptions.

Relaunching our brand

In 2018, we collaborated with graphic designer Peter Saville on a new logo alongside a refreshed Thomas Burberry monogram inspired by our heritage. To bring this to life for our customers, we created high-impact activations and brand experiences to major fashion cities worldwide. This included wrapping the outside of high-profile stores in Milan, Hong Kong and Seoul in the Thomas Burberry monogram and displaying large-scale Thomas Burberry Bears in New York, Shanghai and London. We reached more than 60 million consumers directly with these activations and the impact was amplified through social networks, influencers and press.
Social first
Over the year, we re-imagined the content and cadence of our social media presence, with an increased frequency of posts, tailored social media campaigns and a deeper focus on products. This approach was exemplified by B Series, (see page 33). As a result of this social-first strategy, we have seen significant improvements across reach, engagement and volume of followers.

Evolving our influencer approach
We have expanded our approach to influencers, aligning with our new creative vision to stretch from global personalities to emerging influencers, whose posts resonate strongly with smaller but highly engaged audiences. We focused on building communities to encourage conversation with our target audience, through a programme of product engagement activities including dressings, drops and bespoke pieces for global personalities. This resulted in many of the most-followed Instagram users engaging with the brand on social media over FY 2018/19, while multiple emerging names shared our shows and capsule collections. We also created unique experiences for our influencers, such as the Vivienne Westwood & Burberry launch party.
Delivering newness with B Series
In September, we launched B Series, limited-edition product drops released on the 17th of each month for a restricted time period and sold predominantly through social media platforms. B Series resonated strongly with new and young consumers and was endorsed by key influencers around the world. This new go-to market model of frequent product drops keeps our customers engaged and excited by continued newness. B Series won a Webby award in 2019 and is a significant contributor to our overall improving social engagement.

A Burberry Christmas
Our Christmas campaign “Close Your Eyes and Think of Christmas,” celebrated the eccentricity of a British Christmas and featured an all-star cast, including Kristin Scott-Thomas, M.I.A., Matt Smith, Naomi Campbell and Valerie Campbell, Naomi’s mother.

From the unpredictable British weather, to family togetherness, delayed trains and feasts, British artist and photographer Juno Calypso captured Christmas traditions and rituals through a subversive and original lens.
STRATEGIC REPORT

DISTRIBUTION

Burberry is changing and we are evolving our distribution network to reflect the brand’s new positioning in luxury fashion. To ensure the in-store Burberry experience reflects our vision for the brand, a refurbishment programme for our retail stores is underway and we are enhancing our level of customer service. We are also rationalising our non-luxury wholesale and retail doors. We made progress across each of these areas in FY 2018/19, with highlights including our retail store refreshes, our wholesale transition, and upgrades to our customer experience.

Regent Street experience
To coincide with Riccardo Tisci’s first collection for Burberry, we re-imagined our 121 Regent Street flagship store for September 2018 celebrating the past and future of Burberry. Inspired by the building’s history as a cinema, each room was decorated with draped curtains and luxuriously carpeted floors. Trench-inspired hues, ranging from stone to honey, featured throughout the store alongside accents of rose and pistachio. Individual rooms were also curated to celebrate iconic products, such as The Heritage Trench Coat and The Car Coat, while another room was dedicated entirely to the Vintage Check. At the heart of the newly transformed space was “Sisyphus Reclined,” an immersive and interactive art installation by artist Graham Hudson.

Enhancing our mainline stores
We translated our new creative vision to our stores with a new architectural and visual concept to align with our luxury positioning. We aligned 14 of our stores to the new creative aesthetic including Regent Street and Bond Street in London, 57th Street in New York City, Kerry Centre in Shanghai and Cheongdam-dong in Seoul. At the same time, we continued to refine our directly operated store network to fully reflect our luxury positioning, closing 18 net stores in the year.

We took a segmented approach to our store refresh programme, tailoring each store to its location while reflecting our new creative vision. In our Bond Street store, we created a floral room, with fashion photographer Nick Knight’s photograph of a rose covering the entire space from floor to ceiling. In contrast, men’s streetwear was showcased in an “under construction” room, which was stripped to its shell, complete with concrete flooring. Customers were invited to graffiti the walls.

Our broader mainline store network also played a significant role across key brand moments, with Burberry’s new creative vision brought to life in our windows and across store fronts worldwide.
Evolving our wholesale footprint
We made significant progress evolving our wholesale distribution. We accelerated the rationalisation and relocation of non-luxury doors in the US. We also entered new image-driving doors around the world to reach new customers and reinforce our brand positioning. Luxury wholesale clients responded positively to the new creative vision and product aesthetic, with a number of high-profile activations around the launch of our Spring/Summer 2019 collection in February, such as our window takeovers and pop-ups at Barneys across the US and Isetan in Tokyo.

Enhancing our customer experience
To enhance our customer service proposition in stores, we implemented a new programme to improve front and back of house capabilities in more than 50 of our top stores. In addition, across the wider store network, we enhanced sales associate digital tools, rolled out merchandise-led retail associate training programmes and held regional retail leadership conferences to better align skills globally and engage our teams to deliver exemplary luxury service.
Evolving Burberry.com
During the year we significantly evolved Burberry.com to align with our new brand positioning and deliver improved functionality and more immersive storytelling. This included introducing fresh and curated editorial content with more frequency, and enhancing all our product pages with styling suggestions and easy-to-navigate product and brand information.
Enhancing personalisation

Delivering a personalised experience is important across all our brand touchpoints, and digital is a key enabler. One area of focus has been the interaction between our online and offline customer experiences by creating a link between the highly personal service we offer in our stores and the personalisation available through our digital channels. This year we introduced the “For You” page on Burberry.com, which shows customers suggested products, store locations and relevant capsule collections. On the Burberry app, we launched a function to allow sales associates to communicate directly with customers, offering one-to-one service at any time. This channel of communication was also used to offer exclusive opportunities to select customers, including early access to new products.

Partnerships

In line with our strategy, we have made good progress with digital third parties. Over FY 2018/19 we partnered with Instagram and WeChat to launch social shopping for the first time. We became the first luxury brand to integrate our full Chinese stock onto the WeChat platform, allowing customers to pay through WePay. In March, we became one of only six luxury businesses to partner with Instagram on the launch of an integrated shopping experience, allowing customers to navigate products within the app and use integrated payment systems, such as Apple Pay. We have also continued to deepen our relationship with Farfetch, enabling customers to access our full range of inventory in more than 150 countries, and rolling out access to our regional fulfilment hub for US customers. The same business model was used as a template to launch with additional third parties over the year, serving customers across Europe, the US and China.
OPERATIONAL EXCELLENCE
We are focused on increasing Burberry’s flexibility and agility, optimising our performance against the backdrop of a rapidly changing business environment. Over the year we made good progress across all of these areas, evolving our supply chain to support our new strategic ambitions; delivering new technology to support customers’ experience in store, and delivering cumulative savings of £105 million in FY 2018/19, ahead of plan.

Improving simplification and efficiency
Burberry Business Services (BBS), our shared service centre in Leeds which opened in 2017, has continued to embed and expand its role in the business. Now employing 400 people across five core functions, BBS is a central part of our efforts to simplify processes across our business, ensuring we are as focused and streamlined as possible.

Changes during the year included:

• Appointing global process owners for key enabling processes across the business.
• Simplifying our key product processes across Merchandising, Allocation and Planning, including the integration of our financial forecasts into merchandising plans.
• Developing an aligned revenue/cost matrix to unlock efficient, accurate and standardised reporting across all business segments.

We continued to focus on achieving procurement savings this year. Through a managed service provider we launched new technology to simplify and centralise our management of contingent labour. In addition, we simplified a number of our buying, payment and administrative process tasks, reducing the level of manual intervention and ensuring purchases are processed quickly and efficiently.

Developing a more agile supply chain
Our progress in supply chain has supported our go-to market model of frequent product drops. Our internal supply chain teams and external partners have collaborated to create new ways of working, simplifying decision-making and implementing technology to speed up processes.

We have been enhancing the quality and efficiency of our supply chain. All priority category product is inspected before leaving the manufacturer and we have introduced an accreditation programme in quality management for top suppliers. We also continued to make progress on our multi-year business and IT transformation programme to improve omnichannel capabilities globally. This will enable us to transform our ways of working and optimise our product flow, delivering better lead times for customers. Additionally, we relocated our Asia hub, successfully optimising our product flow into Asia and increasing operational synergies.

Using technology to support our in-store experience
One key focus over the year has been supporting the retail associate experience and elevating Customer Service. We completed the deployment of our global standardised point-of-sale system in all but a handful of stores, with the remainder on track to complete in early FY 2019/20. In addition, all sales associates received access to our new mobile-based client engagement tool, R-World. To enhance our customer engagement through this channel, we are developing a comprehensive road map for evolving R-World and how it is used, based on input from our sales associates. Throughout the year, we continued to enhance our omnichannel capabilities globally and made good progress in the transformation of the entire IT function. This included completing the establishment of our IT team within BBS, enhancing our cybersecurity capabilities and strengthening ways of working with strategic partners.
“Johnstons have supplied Burberry since 1900 and we have never worked more closely than we do today. This year we received accreditation for self-inspection, meaning that Burberry’s high quality standards are assured at our mill and not rechecked in Burberry distribution centres. This was a huge statement of trust in our ability, which was founded upon more than a year of training and testing, alongside the development of shared information and audit processes. The net result is a leaner supply chain, with right-first-time quality and better delivery performance to the store. While the pace of change and level of innovation when working with Burberry can be daunting, it also feels like a shared endeavour, as with challenge comes support. We feel like partners in a common supply chain, rather than simply vendors. We share a lot of values with Burberry and their support allows us to move forward more quickly than we otherwise could on sustainability projects. The elimination of harmful chemicals from the supply chain, our involvement with the Sustainable Fibre Alliance to support cashmere herders in Mongolia, and recycling and energy management projects all benefit from our partnership.”

CHRIS GAFFNEY
Group Finance Director and Managing Director Elgin Mill, Johnstons of Elgin
INSPIRED PEOPLE

We are committed to making Burberry the best place to work for our 10,000 colleagues across 33 countries. We have designed an ambitious Inspired People agenda to deliver this goal, with work focused on leadership; culture and engagement; talent and capabilities; ways of working; and responsibility. While our programme has a multi-year horizon, we made good progress over FY 2018/19, which has been reflected in positive early results, including an improvement in employee engagement and a decrease in attrition. Employee engagement overall has risen by two points to 74%, and 87% of our people are proud to work at Burberry.

Leadership

We are focused on building capability and driving engagement notably in our design, product and digital teams. We have prioritised deepening capability in the areas most critical to delivering our strategy. The Burberry Leaders group, made up of our most senior employees globally, is responsible for galvanising the organisation and delivering our strategic goals.

To further strengthen the capability of our leadership population and accelerate delivery of our strategy, this year we launched our new Leadership Development Programme, delivered over nine months and including 360 feedback, tailored coaching and support, and an intensive three-day gathering of global leaders. Over 80 of our most senior leaders have completed the programme with all other leaders to be enrolled by the end of FY 2019/20. The programme is grounded in the Burberry Behaviours, which were launched in 2018 and underpin the way we work. Our annual Global Icon Awards celebrate the employees who best bring to life these behaviours day to day. The Behaviours are: Putting Customers First; Being Bold And Open to New Ideas; Being One Team; and Being Accountable And Responsive.

The Burberry Leaders group has also led the engagement of the wider business in our strategy. To ensure leaders are fully equipped to do this, we increased communication and engagement across this group, for example hosting a global Strategy Offsite in June 2018. Focus on this area has driven clear results, with our engagement survey showing significant improvement in employee understanding of our Company direction.
Culture
At Burberry, we have always sought to build a culture that is diverse, open and inclusive and one where all perspectives are valued. We value and respect people of all cultures, nationalities, races, religions and ethnicities, regardless of characteristics such as gender, gender identity and/or expression, age, disability or sexual orientation. We are passionate about attracting, developing and rewarding the most talented and skilled individuals and ensuring they feel a sense of belonging. At our London headquarters, 60 different nationalities are represented.

Over the last 12 months, we continued to focus on evolving strategies for recruiting and developing key talent within the business in a way which promotes our cultural values. We are committed to delivering training for all managers on how to build an inclusive environment, as well as unconscious bias training for all employees. We are also expanding our scholarship programme, which supports students who would not otherwise have the financial resources to attend top fashion schools, and offer one-year placements post-graduation to provide valuable work experience.

With respect to our senior women, we are proud to have the highest representation of women in Executive Committee and direct report positions (58.5%) in the FTSE 100. This was recognised in the 2018 Hampton Alexander Review where Burberry was named the top performer.

As at 30 March 2019, the representation of women in the workforce is set out below:

<table>
<thead>
<tr>
<th></th>
<th>Number of women</th>
<th>Percentage of women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Committee</td>
<td>9</td>
<td>33%</td>
</tr>
<tr>
<td>Leadership (Director and above)</td>
<td>288</td>
<td>51%</td>
</tr>
<tr>
<td>All Workforce</td>
<td>10,332</td>
<td>67%</td>
</tr>
</tbody>
</table>

We offer continued support for the LGBTQ+ community through our ongoing membership of LGBTQ+ group INvolve. As part of this membership, we have nominated senior LGBTQ+ leaders onto a board-readiness programme and senior Burberry leaders have mentored LGBTQ+ employees from other organisations.

Broadening and deepening our Diversity and Inclusion agenda is a key priority for the business in FY 2019/20. The strategy will be supported by both an employee council focused on raising awareness globally and fostering a culture of belonging, as well as an external advisory board.
CREATING TOMORROW’S HERITAGE

Our Responsibility Agenda is designed to drive positive change and build a more sustainable future. We have set ourselves ambitious goals for 2022, split into three focus areas.

Overall responsibility for the delivery of our social and environmental programmes lies with our Chief Supply Chain Officer, who reports on progress against targets to the Ethics Committee, the Risk Committee and the Board.

Objectives and progress are regularly reviewed by the Burberry Responsibility Advisory Committee, comprising external expert stakeholders from Non-Governmental Organisations (NGOs), social enterprise and an ethical trade, human rights and labour standards consultancy, to ensure we stay focused on the most material issues and drive real positive impact for the long-term.
Progress: 36%^ of product with more than one positive attribute
Goal: to have 100% of product with more than one positive attribute by 2022, where positive attributes relate to social and/or environmental improvements achieved at either raw material sourcing or product manufacturing stage.

Progress: 68%^ of cotton procured through the Better Cotton Initiative (BCI)
Goal: to source 100% of cotton through the BCI, a not-for-profit organisation focused on making global cotton production better for the people who produce it, better for the environment it grows in and better for the sector’s future.

Progress: 49% of leather sourced from tanneries with environmental, traceability and social certifications
Goal: to source 100% of leather from certified tanneries by 2022. The significant increase from 1% in FY 2017/18 was achieved by working closely with key tanneries in Italy to improve particularly the traceability of leather.

Progress: 43%^ reduction in market-based emissions since base year FY 2016/17
Goal: to achieve a zero-carbon footprint in our own operational energy use by reducing absolute emissions, improving energy efficiency and switching to renewable energy sources, before offsetting any remaining emissions.

Progress: 68% of electricity procured from renewable sources
Goal: as part of our RE100 membership, we have committed to 100% renewable electricity by 2022 and are driving this through close collaboration with our procurement and retail teams and engagement with landlords.

Progress: Ended the practice of destroying unsaleable finished products
Goal: reduce and revalue waste. We already reuse, repair, donate or recycle unsaleable products and we will continue to expand these efforts.

Progress: 125,000^ people positively impacted in our communities since base year FY 2016/17
Goal: we aim to positively impact 1 million people by 2022. Progress during FY 2018/19 includes:

- 65,000 students and teachers engaged in Yorkshire, UK, through school workshops, teacher training, guest speaker sessions and work experience at Burberry.
- 18,000 people in Tuscany, Italy, benefitting from enhanced multi-cultural spaces and events, new youth mentoring programmes and better access to community support services.
- 7,000 people in Afghanistan benefitting from training on more sustainable livestock management and participation in community-owned collective action organisations.
We create products using the highest quality materials involving many manufacturing communities around the world. 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.

Our goal is to ensure that all our products have more than one positive attribute by 2022. A product may, for example, have a positive attribute if it is made from leather sourced from tanneries with environmental, traceability and social certifications, or if it was manufactured in a facility with employee health and well-being programmes. In the second year of our strategy, we have reached 30%^ of product with one positive attribute and a further 36%^ of product with more than one positive attribute.

With our 2022 goals, we are taking our supply chain programmes to the next level, focusing on:

Stimulating demand for more sustainable raw materials

Cotton, cashmere and leather are three of our key raw materials, representing approximately 30% of our overall greenhouse gas (GHG) emissions. We are focused on improving the traceability and sourcing of these materials and have set two goals for 2022: to procure 100% of our cotton through the Better Cotton Initiative (currently at 68%^, up from 21% in FY 2017/18) and to source 100% of our leather from tanneries with environmental, traceability and social compliance certifications (currently at 49%, up from 1% in FY 2017/18). During FY 2018/19 we made significant progress particularly on leather traceability, by working closely with our Italian tanneries.

We continue to support the Sustainable Fibre Alliance (SFA) to help promote sustainable cashmere production in Mongolia. During 2018, over 3,800 herding families producing approximately 170 tonnes of cashmere committed to the SFA’s Codes of Practice on Rangeland Stewardship and Animal Welfare. These programmes aim to stimulate positive change beyond our footprint and make sustainable materials more mainstream across the industry.

Promoting worker well-being

To ensure compliance with our Responsible Business Principles, our Ethical Trading Programme covers all finished goods vendors, subcontractors and key raw material suppliers. Our Ethical Trading teams visit supply chain partners on a regular basis, engaging with both management and workers to review performance and drive improvements.

We conduct scheduled and unscheduled audits at intervals of three to 18 months, depending on findings, and work closely with supply chain partners to help them achieve more than regulatory compliance. During FY 2018/19 we conducted 481 audits and assessments (446 in FY 2017/18) and completed 221 training and engagement visits (263 in FY 2017/18), to support our partners in building stronger human resource management systems and introducing innovative worker engagement and well-being programmes. We continued to roll out a new Worker Well-being Survey, developed in collaboration with Oxfam. Since launching the survey in 2018, we have engaged with approximately 1,400 workers across eight key facilities worldwide.

Our global supply chain comprises of first-, second- and third-tier facilities, including vendors, subcontractors and raw material suppliers. While driving and supporting improvements at facilities we directly engage with, through our Vendor Ownership Programme, we also help our partners build their own capacity and set up their own ethical trading programme to monitor and improve working conditions in their upstream supply chain. We currently have 16 key supply chain partners involved in the programme.

We are accredited as a UK Living Wage employer and a Principal Partner of the Living Wage Foundation. We are supporting the global Living Wage initiative, which aims to harness the increasing interest in a global Living Wage approach to address in-work poverty across all sectors and multiple geographies. We believe that all workers have the right to a living wage and continue to promote this standard throughout our supply chain. Further details of our supply chain activities, including our ethical trading programme and Human Rights Statement, are available at www.burberryplc.com.

- Please see page 54 for details on external assurance.
CREATING NEW SUSTAINABLE PACKAGING

To coincide with the launch of our Spring/Summer 2019 collection in February, we rolled out new sustainable packaging.

Using an innovative manufacturing technique, 40% of the new packaging material is made from recycled coffee cups. The resulting product, which has a beautiful, luxurious feel, is fully recyclable and is certified by the Forest Stewardship Council (FSC).

Further to our commitment to the Ellen MacArthur Foundation New Plastics Economy initiative in November 2018, we are also making changes that will reduce the plastic footprint of our transit packaging. We will introduce new transit hangers made from a bio-based compostable alternative. In addition, we are switching our garment bags to a compostable PHA-blended material.
Leading chemical management and elimination
We work closely with our supply chain partners to improve chemical management in the manufacturing of our products. Our program goes significantly beyond the required international environmental and safety standards. We have set all our chemical requirements at levels that are more stringent than legal limits and have committed to eliminating the use of chemicals that may have a negative environmental impact. To achieve this, we are working closely with our supply chain partners, setting clear standards and guidelines and providing focused training and support. During the year, we hosted a chemical management event with other luxury brands at the Politecnico in Milan, Italy. More than 250 representatives of finished goods vendors, mills and tanneries attended the event.

To achieve our goals, we have trained over 1,000 people in chemical management. During FY 2018/19, 41% of product achieved a positive attribute in this area, based on both a product’s finished goods vendor and main raw material supplier achieving a rating of “green” for their chemical management practices, as assessed through Burberry’s Partner Progress Tool. More information on our assessment tool can be found on www.burberryplc.com.

We are also Board members of the Zero Discharge of Hazardous Chemical (ZDHC) Foundation, the most prominent multi-stakeholder initiative in this field, and are collaborating with 26 other leading brands to drive positive change more widely across our industry and global supply chains.

Managing energy use in manufacturing
We continue to evolve our energy reduction programme, which, for wet processing facilities, has been modelled on the Natural Resource Defence Council’s “Clean by Design” principles. Through this programme, we work directly with both finished goods and raw material facilities to identify and implement energy saving opportunities. During FY 2018/19, 19 facilities were involved in the programme, with the aim of achieving at least a 5% reduction in carbon emissions.

Examples of energy-saving measures include lighting replacements and process improvements. We also work with our supply chain partners to promote the use of renewable energy across our supply chain. As a result, in FY 2018/19, 7% of our products were manufactured in facilities that procure a significant proportion of their energy from renewable sources.

Minimising our water footprint
Water resources are vital to sustaining both our communities and our industry. We are committed to carefully managing water use and quality across our supply chain and apply the World Wildlife Fund for Nature’s water risk assessment tool each year to identify potential areas of risk. We require regular effluent testing and work with over 40 wet processing facilities, who represent approximately 50% of Burberry’s raw material procurement volume, to monitor and improve their effluent management practices. We work with suppliers to identify water-saving opportunities, such as water recycling and leak repairs.

Driving innovation in sustainable 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. During FY 2018/19, we held a two-day internal event showcasing new materials and technologies. A group of industry experts discussed innovation in the areas of Fashion, Sustainability, Science and Technology.

In our continuous pursuit of more sustainable garments, we worked with company 37.5 to incorporate thermoregulation technology in our men’s quilted jackets. Using volcanic sand and waste coconut shells, this new heat management technology enables customers to feel more comfortable in a range of climates. A further example is a high-quality nylon fabric we have developed from ECONYL yarn. ECONYL yarn is produced from nylon waste collected from landfill and oceans around the world. We will be using this fabric in some of our outerwear garments for Autumn/Winter 2019. We also continue to integrate recycled fibres, such as recycled cashmere and wool, into our collections, and have started making our dust bags from REFIBRA yarn, a new yarn produced by upcycling cotton leftovers at our internal manufacturing site in Yorkshire.

Inspiring the next generation of designers and engineers
During FY 2018/19, we continued to support The Burberry Foundation’s five-year partnership with the Royal College of Art. This involved advancing the work of the Burberry Material Futures Research Group, the first of its kind in the world, and expanding the Burberry Design Scholarship Fund, benefiting 15 students in FY 2018/19. The Research Group is the first explicit “Science, Technology, Engineering, Art and Mathematics” (STEAM) research centre at a traditional art-and-design university. It applies radical thinking to invent more sustainable materials, advance manufacturing processes and transform user experiences. All research will be made publicly available for the benefit of our industry and the wider community.
BECOMING CARBON NEUTRAL AND REVALUING WASTE

While our biggest environmental impacts occur in the supply chain, we are just as committed to addressing climate change impacts from our own operations, including offices, stores, manufacturing and distribution sites. We have set two goals for 2022: to become carbon neutral in our own operational energy use, with a focus on driving energy efficiencies and renewable energy procurement; and to revalue waste, by leading a makers’ movement and creating innovative solutions.

Becoming carbon neutral in our own operational energy use
We aim to achieve a zero-carbon footprint by improving energy efficiency, reducing absolute consumption and switching to renewable energy sources, before offsetting any remaining emissions. Our retail network is responsible for 76% of our direct carbon emissions. We have set energy targets for all our stores globally, spearheaded by regional leadership and reinforced by a training programme and technical support. Over the last year, we established a network of Responsibility champions in key stores, whose objective is to inspire and support retail teams to improve energy efficiency and engage with the Responsibility Agenda more broadly. We are now carbon neutral across the Americas region, EMEIA retail stores and our UK operations.

We reduced our global, absolute energy consumption by 7%, primarily through behavioural changes and LED lighting. We then used the cost savings from energy reductions to finance additional renewable energy procurement. On track to achieve our RE100 commitments, we now obtain 58%^ of our total energy (including 68%^ of our electricity) from renewable sources, an increase of 13% from last year. We assess our progress towards carbon neutrality by looking at the reduction in our total market-based carbon dioxide equivalent (CO$_2$e) emissions year on year and since the launch of our strategy in 2017, we have reduced our emissions by 43%^.

ENERGY AND GLOBAL GREENHOUSE GAS EMISSIONS
The disclosures required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are included below.

(Year to 30 March 2019)

<table>
<thead>
<tr>
<th>Reporting year 18/19</th>
<th>Reporting year 17/18</th>
<th>Reporting year 16/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total energy (KWH) - including energy from fuel used in vehicles</td>
<td>76,575,371^</td>
<td>82,309,197</td>
</tr>
<tr>
<td>Combustion of fuel and operation of facilities (Scope 1) (Kg CO$_2$e)</td>
<td>2,096,267^</td>
<td>2,144,091</td>
</tr>
<tr>
<td>Electricity, heat, steam and cooling purchased for own use (Scope 2) (Kg CO$_2$e)</td>
<td>29,111,338^</td>
<td>32,072,001</td>
</tr>
<tr>
<td>Total emissions location based (Scope 1 &amp; 2) (Kg CO$_2$e)</td>
<td>31,207,605^</td>
<td>34,216,092</td>
</tr>
<tr>
<td>Electricity, heat, steam and cooling purchased for own use (Scope 2) (Kg CO$_2$e)</td>
<td>12,729,675^</td>
<td>18,060,686</td>
</tr>
<tr>
<td>MARKET BASED APPROACH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total emissions market based (Scope 1 &amp; 2) (Kg CO$_2$e)</td>
<td>14,825,942^</td>
<td>20,204,777</td>
</tr>
<tr>
<td>Total emissions offset by Verified Emissions Reduction Certificates (Kg CO$_2$e)</td>
<td>352,729^</td>
<td>170,411</td>
</tr>
<tr>
<td>Intensity measurement (Location based Kg CO$_2$e per £1000 sales revenue)</td>
<td>11.5^</td>
<td>12.5</td>
</tr>
<tr>
<td>% of Energy (kWh) from Renewable Sources</td>
<td>58%^</td>
<td>48%</td>
</tr>
</tbody>
</table>

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 94% of our sq. ft. (net selling space). Emissions resulting from activities in the UK amount to 22% of total global emissions (29% of total energy consumption). 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 and IEA guidance. All material sources of emissions are reported. Refrigerant gases were deemed not material and are not reported. Burberry has updated GHG data for FY 2016/17 and FY 2017/18 to account for updated emission factors and improvements in data availability and estimation methods. Further detail is available within Burberry’s basis of reporting at www.burberryplc.com.

^ Please see page 54 for details on external assurance.
"We are now carbon neutral across the Americas region, EMEIA retail stores and our UK operations."
EXPANDING OUR AMBITIONS
We started looking beyond 2022, setting ambitious carbon goals for 2030. Our targets have been approved by the Science Based Target Initiative (SBTi) and include a commitment to reduce our Scope 1 and 2 emissions by 95% by 2022 and our Scope 3 emissions by 30% by 2030, both from a 2016 base year. Targets are classed as science based if they are in line with the level of carbon reduction required to keep the global temperature increase to 1.5 degrees Celsius, compared to pre-industrial levels, as described in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change. In December 2018, we joined the UN Fashion Industry Charter for Climate Action. One of its aims is to reduce aggregate GHG emissions across the fashion industry by 30% by 2030. Representatives of the Responsibility team actively participate in the working groups and chair one of them.

Reducing and revaluing waste
Our five-year Responsibility Agenda also includes a goal to help tackle the waste challenge facing our industry. In September 2018, we strengthened our commitment by becoming the first luxury company to announce that we were stopping, with immediate effect, the practice of destroying unsaleable finished products.

During the year, we expanded existing reuse, repair, donation and recycling routes, while developing new partnerships and revaluation solutions. We also focused on limiting the causes of waste, enabled by an increasingly global view of inventory management and our new model of tighter more frequent collections, which allows us to be much more targeted and precise in the way we design, buy and sell.

In FY2018/19, we handled around 20,000 repair and replacement part enquiries for products ranging from well-loved leather goods to vintage items. We also donated more than 20,000 items of business clothing as part of our long-term partnerships with charities such as Smart Works. The UK-based charity supports unemployed women with interview training, smart clothing and styling advice as they prepare for potentially life-changing interviews. To celebrate International Women’s Day 2018, we hosted a special event at Horseferry House for some Smart Works clients who have gained employment through the service. The clients received a special Burberry styling session from members of our retail teams and were gifted their Burberry wardrobes to keep and wear to their new job.

Prior to our announcement in September, we had destroyed £1.4 million of unsaleable finished products, following the waste hierarchy. This represented a significant reduction on the prior years. In addition, to respect regulatory constraints, £0.8 million of damaged, defective or expired beauty products were destroyed where recycling was not an option.

Raw materials are a significant waste stream for the luxury fashion industry. For leather, even when product patterns are carefully planned to maximise the use of a hide, the process inevitably creates small offcuts. Through The Burberry Foundation, we are working with sustainable luxury company Elvis & Kresse to transform leather offcuts from the production of Burberry products into a range of accessories and homeware by 2022. Half of the profits from this range are donated to charitable organisations promoting renewable energy, while the remaining half is reinvested by Elvis & Kresse to expand their work and generate apprenticeship and work experience opportunities. Since the launch of this partnership in 2017, 3.7 tonnes of leather offcuts have been transformed into products and over 5,000 potential “makers” have been inspired about waste revaluation.

As members of the Prince of Wales Accounting for Sustainability (A4S) initiative, we are working towards implementing the recommendations of the Financial Stability Board’s Task Force for Climate-related Financial Disclosures. In line with their recommendations and to future-proof our business, climate change is included as a principal risk in our Risk and Viability Report. During FY 2018/19, we conducted three scenario-planning workshops, involving senior leadership from key functions across the business, including Risk, Strategy, Investor Relations, Customer Insight, Responsibility, Supply Chain, IT and External Communications. Facilitated by Forum for the Future, the workshops helped us identify and assess long-term environmental, social and technological trends that could significantly impact Burberry’s business model and operations over the next 20 years. These trends will inform our long-term supply chain strategy and our strategic response to climate change risks, a process that has already started with the presentation of key insights to the Board in March 2019.
During the year, we supported the London College of Fashion with raw materials to launch their “1000 Coats” project, which aims to provide women in East London with technical sewing skills and knowledge by making 1000 coats for children in need, while creating potential new employment opportunities for the women involved.

Similarly, we have initiated a partnership and started donating excess fabric to Progetto Quid in Italy, a women-led not-for-profit cooperative, providing women and men from disadvantaged backgrounds with employment opportunities through sustainable fashion.

When waste is inevitable, we work with innovative organisations to recycle it. For example, in Italy last year, we recycled 70 tonnes of pre-consumer textiles into regenerated yarns, fabrics and automotive insulation materials. We are also conducting trials to explore ways of repurposing raw materials and some unsaleable finished products.

To further strengthen our existing commitments, in May 2018 we were proud to become a core partner of the Ellen MacArthur Foundation’s Make Fashion Circular Initiative, joining other leading organisations to explore how our industry can work towards the vision of a circular fashion economy. In December 2018, we joined the New Plastics Economy Global Commitment, which aims to eradicate plastic waste and pollution by 2025. The commitment is also led by the Ellen MacArthur Foundation in collaboration with UN Environment and aims to create a new normal for plastic packaging globally. As part of this, we are working to eliminate problematic or unnecessary plastic packaging; ensure plastic in our packaging can be easily reused, recycled or composted; and circulate any plastic packaging so that it can be made into new packaging or products. We have also completed a Plastic Footprint Mapping exercise, identifying the use of plastic across our activities worldwide.
POSITIVELY IMPACTING ONE MILLION PEOPLE BY 2022
We have a long history of investing in the communities in which we operate, enabling employees to dedicate up to three working days a year to support their local communities and donating each year 1% of adjusted Group profit before tax to charitable causes. These range from supporting disaster relief efforts, to nurturing emerging talent through scholarships at the Royal College of Art, with a significant proportion going to The Burberry Foundation (UK registered charity number 1154468).

The Burberry Foundation takes a strategic and long-term approach and partners with leading organisations to support key communities sustaining the luxury industry. We aim to impact one million people mainly by supporting community programmes through financial contribution and employee volunteering. We helped to positively impact nearly 103,000 people in FY 2018/19.

The Foundation’s efforts are specifically tailored to address social and/or environmental priorities in selected communities, with a view to tackling the causes as well as treating the symptoms.

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 due to poverty, youth unemployment and economic migration. In 2017, we supported The Burberry Foundation in launching a five-year partnership with Oxfam, aimed at fostering cohesion between local and migrant communities. During FY 2018/19, the partnership helped four local community centres expand their day-to-day services and deliver large-scale multicultural events. It launched a new community information desk and appointed 8 facilitators to improve access to vital support services. It also engaged 10 schools in a peer-to-peer mentoring scheme and an innovative teacher-training programme on inclusive education. Overall, more than 18,000 community members benefitted from these activities in FY 2018/19.

Supporting social and economic empowerment of rural communities in Afghanistan
Despite persistent armed conflict and extreme poverty, Afghanistan remains the world’s third-largest producer of cashmere fibre, behind Mongolia and China, and a key sourcing region for the luxury fashion industry. In partnership with Oxfam and PUR Projet, The Burberry Foundation is implementing a long-term programme focused on developing a more inclusive and sustainable cashmere industry and helping herders enhance their livelihoods. During FY 2018/19, a new goat breeding facility designed to help herders improve the quality and yield of their cashmere production was opened. It currently hosts over 150 “elite” cashmere goats. In addition, more than 2,500 herders have been trained on sustainable cashmere harvesting and livestock management practices. Key local stakeholders have been engaged to facilitate the development of community-owned collective action organisations, pro-actively involving women in their design and management. Overall, more than 7,000 community members benefitted from these activities during the year.

Tackling educational inequality and enhancing career advice for young people in the UK
In the second year of The Burberry Foundation’s partnership with Teach First, The Careers & Enterprise Company and MyKindaFuture, the three organisations have continued to support young people in disadvantaged communities across Yorkshire and London. Our objective is to inspire and prepare young people for the world of work and improve access to the creative industries. During FY 2018/19 over 60,000 students and teachers were engaged in a range of activities, including school workshops, teacher training, guest speaker sessions and work experience weeks at Burberry. Three new Enterprise Advisers were appointed, connecting 29 schools with local employers and supporting the development of robust, school-wide career programmes. These benefitted more than 15,000 students this year.

In October 2018, The Burberry Foundation launched Burberry Inspire, partnering with the Ideas Foundation to deliver a four-year programme in and around Leeds to help young people transcend their circumstances and reach their potential through in-depth exposure to arts and culture. The programme is delivered in collaboration with the Northern Ballet, the Hepworth Wakefield, Leeds Young Film and Leeds Playhouse, and has already provided exciting new opportunities for 3,130 students across eight participating schools. We plan to roll out Burberry Inspire globally in FY 2019/20.
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 our own operations and extended supply chain, 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 Chief Executive Officer. 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, 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 www.burberryplc.com.

We conduct a Human Rights Impact Assessment every two years 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, each process involving 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 developed “theories of change” for key themes arising from our FY 2018/19 Human Rights Impact Assessment, including migrant workers, income-vulnerable workers, diversity and inclusion. We conduct interviews with relevant stakeholder groups to better understand their needs and perceptions, get insight into the direct and indirect impacts of our business and develop focused mitigation plans. For example, we provide grievance mechanisms for our global employees, as well as confidential hotlines run by Non-Governmental Organisations for workers in our supply chain. Currently, more than 11,000 workers across 21 factories are provided with improved access to remedy and confidential support, including advice and information on workers’ rights and well-being. The effectiveness of the hotlines is regularly reviewed. During FY 2018/19, Burberry-sponsored hotlines received 572 calls and their resolutions have been monitored closely by our local Responsibility teams.

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 www.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 2018/19. Information forming part of the assurance scope is denoted with a ^ on pages 43 to 52. The assurance statement and Burberry’s basis of reporting are available at www.burberryplc.com.
TRANSFORMING OUR APPROACH TO WASTE THROUGH PARTNERSHIP

“We have partnered with The Burberry Foundation to solve our most ambitious material challenge to date: the vast amounts of waste created through the production of leather goods. Through this partnership, we demonstrate how the traditional leather goods supply chain can be disrupted and changed for the better. We also transform at least 120 tonnes of leather offcuts from the production of Burberry products into accessories and homeware.”

KRESSE WESLING MBE
Co-Founder of Elvis & Kresse
OUR INVESTMENT CASE

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. We have four strategic pillars supporting revenue growth to enable us to achieve this:

- **PRODUCT**
  Evolve our product offer to signal change and attract further luxury consumers.

- **COMMUNICATION**
  Develop our communication approach to be led by product and tailored for 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 displaying highly curated product assortments and personalised stories, and editorialising our website.
ADJUSTED OPERATING PROFIT MARGIN ACCRETION**

Burberry currently generates an Adjusted Operating Profit Margin of 16.1%. 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:

** CAPITAL EFFICIENCY

Burberry has a history of strong free cash flow generation, with our cash conversion averaging 106% over the last five years. We have a clear capital allocation framework, which prioritises our uses of cash, while maintaining an appropriate capital structure for the business. Our target is to maintain a strong balance sheet with solid investment grade credit metrics. Our uses of cash are summarised below.

OPERATING LEVERAGE

Leverage the fixed and semi-fixed 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-saving programme aims to deliver £135 million annualised cost savings by FY 2021/22.*

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.

* Base year FY 2016/17

** At constant exchange rates

REINVEST

Reinvest for organic growth.

DIVIDEND

Pay our progressive dividend.

STRATEGIC INVESTMENT

Invest in strategic initiatives.

CAPITAL RETURNED

Return excess cash to shareholders.

Our capital allocation framework is set out and discussed in full on page 72. Over the past five years, Burberry has returned £809 million to shareholders through dividends, and over the past three years has completed £600 million of share buybacks.
KEY PERFORMANCE INDICATORS

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

<table>
<thead>
<tr>
<th>KPI</th>
<th>REVENUE GROWTH*</th>
<th>COMPARABLE SALES GROWTH*</th>
<th>ADJUSTED OPERATING PROFIT GROWTH*</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td></td>
<td>This measures the appeal of the Burberry brand for customers, through all our sales channels. Financial ambition High single-digit top-line growth.*</td>
<td>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 closures and refurbishments, and includes all digital revenue. Financial ambition High single-digit top-line growth.*</td>
<td>This measure tracks our ongoing operating profitability and reflects the combination of revenue growth and cost management. Financial ambition Adjusted operating profit growth ahead of revenue growth.*</td>
</tr>
<tr>
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<tr>
<td>FY 2018/19 revenue declined 1%. Total retail sales was flat at CER. Wholesale growth excluding Beauty was up 7% at CER. This was offset by the loss of Beauty wholesale revenue following the beauty license with Coty. Excluding Beauty wholesale, revenue growth was 2%.</td>
<td>Comparable sales grew 2% in FY 2018/19, with low single-digit growth across all three regions.</td>
<td>Adjusted operating profit in FY 2018/19 was flat year on year with gross margin and operating margin stable at CER. Incremental cost savings of £41 million, offset inflationary cost pressures and strategic investments.</td>
<td></td>
</tr>
</tbody>
</table>

* At CER
Details of alternative performance measures are shown on page 71
**Financial Measures**

We believe it is vital to ensure alignment between our Executive Committee’s 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. You can read more about our Remuneration Policy on pages 123 to 144.

<table>
<thead>
<tr>
<th>Adjusted Operating Profit Margin</th>
<th>Adjusted Profit before Tax (PBT) Growth*</th>
<th>Adjusted Diluted EPS Growth</th>
<th>Adjusted Retail Wholesale ROIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>Adjusted PBT growth is a key profitability measure to assess the ongoing performance of the Company.</td>
<td>Growth in EPS reflects the increase in profitability of the business, improvement in the tax rate and share repurchase accretion.</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Financial ambition</strong></td>
<td><strong>Financial ambition</strong></td>
<td><strong>Financial ambition</strong></td>
<td><strong>Financial ambition</strong></td>
</tr>
<tr>
<td>Meaningful operating margin expansion.*</td>
<td>Adjusted PBT growth ahead of revenue growth.*</td>
<td>Adjusted EPS growth ahead of revenue growth.*</td>
<td>ROIC significantly ahead of WACC.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CER growth %</th>
<th>Reported growth %</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>+7</td>
<td>+2</td>
<td>17.9</td>
</tr>
<tr>
<td>-10</td>
<td>-9</td>
<td>14.7</td>
</tr>
<tr>
<td>-21</td>
<td>+11</td>
<td>15.4</td>
</tr>
<tr>
<td>+5</td>
<td>+6</td>
<td>16.3</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
<td>15.5</td>
</tr>
</tbody>
</table>

| Adjusted operating profit margin | Adjusted PBT in FY 2018/19 was flat year on year with gross margin and operating margin stable at CER. Incremental cost savings of £41 million, offset inflationary cost pressures and strategic investments. | Adjusted diluted EPS (EPSA) was flat year on year at 82.1p in FY 2018/19. Before the impact of foreign exchange, EPSA rose 7% due to an effective tax rate reduction of 200bps and the impact of share repurchases. | Adjusted retail/wholesale ROIC 15.5%, -80 bps due to the reduction in reported profits as a result of exchange rates. |
KEY PERFORMANCE INDICATORS

NON-FINANCIAL MEASURES
We have developed non-financial measures to assess our performance against our ongoing people 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 42 to 55. 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.

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>MEASURE</th>
<th>PERFORMANCE</th>
</tr>
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</table>
| 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 2018/19 Performance: 74% of employees are engaged

<table>
<thead>
<tr>
<th>RESPONSIBILITY</th>
<th>PRODUCT</th>
<th>MEASURE</th>
<th>PERFORMANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMPLOYEES</td>
<td>Ensure our policies, processes, practices and resources promote equal gender representation in our Leadership population</td>
<td>Number of women globally in Director and above roles, divided by total number of Director and above roles</td>
<td>FY 2018/19 Performance: women account for 51% of the Leadership population</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RESPONSIBILITY</th>
<th>PRODUCT</th>
<th>MEASURE</th>
<th>PERFORMANCE</th>
</tr>
</thead>
</table>
| EMPLOYEES | 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 well-being | % of products with more than one positive attribute | FY 2018/19 Performance: 30% of product with one positive attribute and a further 36% of product with more than one positive attribute

<table>
<thead>
<tr>
<th>RESPONSIBILITY</th>
<th>PRODUCT</th>
<th>MEASURE</th>
<th>PERFORMANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPANY</td>
<td>Become carbon neutral in our own operational energy use by 2022 and meet our newly approved science based targets:</td>
<td>Absolute CO₂e emissions</td>
<td>FY 2018/19 Performance against our carbon neutral goal: 14,825,942 kg CO₂e market-based emissions (43% reduction from a FY 2016/17 base year)</td>
</tr>
<tr>
<td>- Reduce absolute Scope 1 and 2 GHG emissions 95% by 2022 from a FY 2016/17 base year</td>
<td></td>
<td></td>
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<tr>
<td>- Reduce absolute Scope 3 GHG emissions 30% by 2030 from a FY 2016/17 base year</td>
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<table>
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<tr>
<th>RESPONSIBILITY</th>
<th>PRODUCT</th>
<th>MEASURE</th>
<th>PERFORMANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPANY</td>
<td>Positively impact 1 million people 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</td>
<td>Number of individuals positively impacted</td>
<td>FY 2018/19 Performance: 103,000 people positively impacted (a total of 125,000 people from a FY 2016/17 base year)</td>
</tr>
</tbody>
</table>

1. Employee engagement score as measured by Mercer Sirota employee engagement index. Engagement index based on completed survey responses only.
2. 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.
3. Positive product attributes: sourcing of raw materials and making of products impact both people and the environment. At point of purchase, we are committed to ensuring that these activities not only minimise any potential negative impacts, but actually drive positive change.
STAKEHOLDER ENGAGEMENT

Understanding the views and values of all our stakeholders is critical to Burberry's success and we use a range of tools to foster an open dialogue with all of them.

**CUSTOMERS**

**Consumer insights:** we develop our understanding of the luxury fashion consumer, what excites them, and how we can best meet their needs through analysis, research and external support. We use these insights to enhance our customer proposition.

**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 via social, email, Burberry.com and in store.

**Customer analytics:** we use extensive data from our customer feedback and intelligent analytics to understand our customers, ensuring decisions are data driven and client focused.

**Social:** we engage with consumers through our digital platforms, highlighting our products and important brand moments such as the fashion shows and the unveiling of our refreshed Thomas Burberry monogram. In September 2018, we launched B Series, allowing customers to purchase limited-edition products on Instagram, WeChat, Kakao and LINE.

**EMPLOYEES**

**Engagement survey:** our second annual global survey took place in 2018 and we were pleased to see nearly 90% of our employees taking part. Findings showed our overall employee engagement score increased by 2%, and improvement across several other areas, including understanding of company direction up 6%. We use these results to identify and drive change across the Group. Last year it led us to focus on three specific areas: career development, well-being and operational efficiency.

**Retail:** we communicated extensively with our sales associates this year, providing regular operational updates and training around our creative transition and new products.

**Innovation programmes:** we support our employees in innovative thinking through programmes such as cross-functional problem-solving days to find creative solutions to opportunities and challenges.

**Recognition:** we celebrate exceptional employee contributions at our annual Global Icon Awards. Nominees are put forward and voted for by our employees.

**Communication:** we constantly cascade our strategy and updates from senior leadership throughout the business. Videos and podcasts from key figures are made available via Burberry World, our company-wide platform. There are quarterly in-person opportunities for our top leaders to engage with the Executive Committee and Board. We use Burberry World to share news, significant brand events, company announcements and support for day-to-day working. We are constantly evolving the platform to include more information around the areas that matter most to our teams and our Group.

**Development:** we have an ongoing commitment to ensure our employees are growing and developing, which we deliver through 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.
Annual General Meeting: our 2018 AGM was well attended, with all resolutions passed.

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

Ongoing engagement: our Investor Relations team and members of our senior management held over 300 meetings with investors during FY 2018/19, for those with smaller and larger shareholdings.

Board engagement: the Board receives monthly updates from Investor Relations as well as quarterly updates on trading and strategy, while our Chairman, Senior Independent Director and Chair of our Remuneration Committee maintain ongoing relationships with our investors and other stakeholders.

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

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. For a full list of partners, see the Collaborations and Partnerships section of www.burberryplc.com.

Government: 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.

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.

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: this four-year programme provides eight Yorkshire schools with an artist in residence, as well as unique opportunities for their students to experience theatre, film, dance and art at local and national organisations.

Career inspiration: we work with schools in Greater London and Yorkshire 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 food banks, sports coaching and revaluing waste through upcycling.

Financial support: we donate 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. Partnerships have ranged from tackling educational inequality and driving social and economic empowerment of vulnerable communities, to finding new solutions to the endemic waste challenge facing our industry.

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

Shareholders

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Financial support: we donate 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. Partnerships have ranged from tackling educational inequality and driving social and economic empowerment of vulnerable communities, to finding new solutions to the endemic waste challenge facing our industry.

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

Communities

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. For a full list of partners, see the Collaborations and Partnerships section of www.burberryplc.com.
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.

<table>
<thead>
<tr>
<th>REPORTING REQUIREMENT</th>
<th>POLICIES AND STANDARDS WHICH GOVERN OUR APPROACH</th>
<th>INFORMATION NECESSARY TO UNDERSTAND OUR BUSINESS AND ITS IMPACT, POLICY DUE DILIGENCE AND OUTCOMES</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENVIRONMENTAL MATTERS</td>
<td>• Global Environmental Policy&lt;br&gt;• Responsible Sourcing Policy&lt;br&gt;• Chemical Management Standards&lt;br&gt;• Science Based Targets&lt;br&gt;• Make Fashion Circular Initiative&lt;br&gt;• New Plastics Economy Global Commitment&lt;br&gt;• UNFCCC Fashion Industry Charter for Climate Action</td>
<td>• Responsibility goals and commitments, in particular our Product and Company goals page 42&lt;br&gt;• Responsibility section on <a href="http://www.burberryplc.com">www.burberryplc.com</a></td>
</tr>
<tr>
<td>EMPLOYEES</td>
<td>• Our Culture and Values&lt;br&gt;• Global Health and Safety Policy&lt;br&gt;• Human Rights Policy&lt;br&gt;• Ethical Trading Code of Conduct&lt;br&gt;• Responsible Business Principles&lt;br&gt;• Model Wellbeing Policy</td>
<td>• Inspired People page 40&lt;br&gt;• Stakeholder Engagement page 62&lt;br&gt;• Gender Pay Gap Report found in the People section on <a href="http://www.burberryplc.com">www.burberryplc.com</a>&lt;br&gt;• People and Responsibility sections on <a href="http://www.burberryplc.com">www.burberryplc.com</a></td>
</tr>
<tr>
<td>RESPECT FOR HUMAN RIGHTS</td>
<td>• Human Rights Policy&lt;br&gt;• Ethical Trading Code of Conduct&lt;br&gt;• Transparency in the Supply Chain and Modern Slavery Statement&lt;br&gt;• Data Privacy Policy&lt;br&gt;• Information and Cyber Security Policy</td>
<td>• Human Rights Statement page 54&lt;br&gt;• Responsibility section on <a href="http://www.burberryplc.com">www.burberryplc.com</a></td>
</tr>
<tr>
<td>SOCIAL MATTERS</td>
<td>• Responsible Business Principles&lt;br&gt;• Ethical Trading Code of Conduct&lt;br&gt;• Local Stakeholder Engagement Policy&lt;br&gt;• Volunteering &amp; Match Funding</td>
<td>• Responsibility section on <a href="http://www.burberryplc.com">www.burberryplc.com</a></td>
</tr>
<tr>
<td>ANTI-CORRUPTION AND ANTI-BRIBERY</td>
<td>• Anti-Bribery and Corruption Policy&lt;br&gt;• Anti-Money Laundering and Counter-Terrorist Financing Policy&lt;br&gt;• Fraud Risk Management Policy</td>
<td>• Reflecting the needs of our stakeholders: Customers, page 62&lt;br&gt;• Reflecting the needs of our stakeholders: Employees, page 62</td>
</tr>
<tr>
<td>ADDITIONAL DISCLOSURE</td>
<td></td>
<td>• Our business model page 17&lt;br&gt;• KPIs page 58&lt;br&gt;• Principal risks page 74&lt;br&gt;• People page 40</td>
</tr>
</tbody>
</table>
FINANCIAL REVIEW

• Revenue (excluding Beauty wholesale) +2% CER, +2% reported
• Comparable store sales +2%, wholesale ex beauty +7% at CER

• Total Revenue £2,720 million, -1% CER and flat reported
• Adjusted operating profit £438 million, flat CER, -6% reported
• Gross margin down 100bps negatively impacted by FX and growing investment in product, whilst operating expenses benefited from incremental cost savings of £41 million, ahead of plan

• Adjusted operating margin of 16.1% +10bps at CER, -100bps reported
• Reported operating profit £437 million, +7% after adjusting charges of £1 million (2018: £57 million)

• Adjusted diluted EPS 82.1p, +7% CER, flat reported supported by an effective tax rate reduction of 200bp and 7 million share repurchases. Reported diluted EPS 81.7p, +19% at reported

• Free cash flow of £301 million (2018: £484 million) with the prior year benefiting from very high cash conversion reflecting reduced inventory and a receivables inflow relating to the beauty business. Cash conversion in FY 2019 remained strong at 93%

• Net cash of £837 million at 30 March 2019 after returning £321 million cash to shareholders through a combination of dividends (£171 million) and share buybacks (£150 million)

• Full year dividend per share up 3% to 42.5p (2018: 41.3p), in line with progressive dividend policy

SUMMARY INCOME STATEMENT

<table>
<thead>
<tr>
<th>Period ended</th>
<th>30 March 2019</th>
<th>31 March 2018</th>
<th>% change reported FX CER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2,720</td>
<td>2,733</td>
<td>0</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(859)</td>
<td>(836)</td>
<td>3</td>
</tr>
<tr>
<td>Gross profit</td>
<td>1,861</td>
<td>1,897</td>
<td>(2)</td>
</tr>
<tr>
<td>Gross margin%</td>
<td>68.4%</td>
<td>69.4%</td>
<td></td>
</tr>
<tr>
<td>Operating expenses*</td>
<td>(1,423)</td>
<td>(1,430)</td>
<td>(1)</td>
</tr>
<tr>
<td>Opex as a % of sales</td>
<td>52.3%</td>
<td>52.3%</td>
<td></td>
</tr>
<tr>
<td>Adjusted operating profit*</td>
<td>438</td>
<td>467</td>
<td>(6)</td>
</tr>
<tr>
<td>Adjusted operating margin</td>
<td>16.1%</td>
<td>17.1%</td>
<td></td>
</tr>
<tr>
<td>Adjusting operating items</td>
<td>(1)</td>
<td>(57)</td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>437</td>
<td>410</td>
<td>7</td>
</tr>
<tr>
<td>Net finance credit**</td>
<td>4</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>441</td>
<td>413</td>
<td>7</td>
</tr>
<tr>
<td>Taxation***</td>
<td>(102)</td>
<td>(119)</td>
<td></td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Attributable profit</td>
<td>339</td>
<td>294</td>
<td></td>
</tr>
<tr>
<td>Adjusted profit before taxation</td>
<td>443</td>
<td>471</td>
<td>(6)</td>
</tr>
<tr>
<td>Adjusted EPS (pence)**^</td>
<td>82.1</td>
<td>82.1</td>
<td>0</td>
</tr>
<tr>
<td>EPS (pence)^</td>
<td>81.7</td>
<td>68.4</td>
<td>19</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares (millions)^</td>
<td>415.1</td>
<td>429.4</td>
<td></td>
</tr>
</tbody>
</table>

* Excludes adjusting items
** Includes adjusting finance charge of £1 million (2018: £2 million)
*** Includes adjusting tax charge of £nil (2018: £12 million)
^ EPS is presented on a diluted basis
RETAIL

• Retail sales flat at CER, flat reported
• Comparable store sales 2% (H1: 3%; H2: 1%)
• Net impact of space on revenue -1% as guided

Comparable store sales by region:
• Asia Pacific: Low single digit percentage growth
  • Mainland China delivered low single digit percentage growth, with a stronger second half due to the shift of Chinese spending away from other Asian tourist locations
  • Hong Kong was broadly stable with softer trends in the second half
  • Korea increased low single digits benefiting from growth in local consumption as well as exceptional spending from travelling Chinese consumers in the first half of the year
  • Japan declined by a low single digit percentage impacted by softer tourist flows towards the end of the year

• EMEA: Low single digit percentage growth
  • The UK delivered mid-single digit percentage growth, benefiting from improved tourist spending in the second half
  • Continental Europe grew low single digit and the Middle East declined, impacted by the macro-environment

• Americas: Low single digit percentage growth
  • The US grew by a low single digit percentage with the second half negatively impacted by softer local footfall trends
  • Tourist flows in the US remained subdued throughout the year

By product, mainline and digital customers responded positively to seasonal product and innovation, however, previous collections were softer year on year:

• Strong initial response to Riccardo-designed product arriving in stores from end of February with strong double digit percentage growth, consistent with our ambitions
• Full look merchandising initiative drove improvements in cross-selling, benefiting the performance of tops, skirts and trousers
• Customers responded positively to new bags as we continued to build out a fuller leather goods architecture. However, the overall category performance was impacted by softness in older lines

Store footprint:
• Continued to upgrade our retail distribution network, closing a net 18 stores (seven mainline, nine concessions and two outlets)
• Store openings included the relocation and expansion of our Dubai flagship and openings in Shin Kong Place, Xian (China)
• 14 of our retail stores aligned to our new aesthetic by the end of the period

Digital:
• Growth in digital driven by Asia, mobile and new third party relationships
• Innovated in social commerce including the B-Series, a monthly drop of limited edition product, and by partnering with Instagram on the launch of check-out in the US

REVENUE ANALYSIS

<table>
<thead>
<tr>
<th>Revenue by channel</th>
<th>30 March 2019</th>
<th>31 March 2018</th>
<th>% change reported FX</th>
<th>CER</th>
</tr>
</thead>
<tbody>
<tr>
<td>£ million</td>
<td>2,186</td>
<td>2,177</td>
<td>0</td>
<td>0*</td>
</tr>
<tr>
<td>Retail comparable store sales</td>
<td>2%</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale ex Beauty</td>
<td>488</td>
<td>453</td>
<td>8</td>
<td>7**</td>
</tr>
<tr>
<td>Licensing</td>
<td>46</td>
<td>30</td>
<td>54</td>
<td>53</td>
</tr>
<tr>
<td>Revenue ex Beauty wholesale</td>
<td>2,720</td>
<td>2,660</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Beauty wholesale</td>
<td>0</td>
<td>73</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group revenue</td>
<td>2,720</td>
<td>2,733</td>
<td>0</td>
<td>(1)</td>
</tr>
</tbody>
</table>

* Includes impact of space -1.2%, retail calendar -0.2% and IFRS 15 -0.1%
** Includes impact of IFRS 15 -0.4%
WHOLESALE
• Wholesale revenue +7% excluding Beauty at CER, +8% reported, slightly ahead of our expectations due to timing of shipments:
  • Asia Pacific delivered exceptional growth supported by strong Chinese spending in travel retail
  • EMEIA grew mid-single digits with growth from luxury doors more than offsetting the closures of non-luxury doors
  • The Americas declined by a mid-single digit percentage impacted by our strategic rationalisation of non-luxury doors in the second half

• In October 2017, Beauty transitioned from a wholesale business to a licensed partnership with Coty. Including the impact of this change on our H1 2019 results, full year total wholesale revenue decreased by 8% at CER (down 7% reported)

OPERATING PROFIT ANALYSIS

<table>
<thead>
<tr>
<th>Adjusted operating profit</th>
<th>30 March 2019</th>
<th>31 March 2018</th>
<th>% change reported FX CER</th>
</tr>
</thead>
<tbody>
<tr>
<td>£ million</td>
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<td></td>
</tr>
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<td>438</td>
<td>467</td>
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</tr>
<tr>
<td>Adjusted operating margin</td>
<td>16.1%</td>
<td>17.1%</td>
<td></td>
</tr>
</tbody>
</table>

Adjusted operating profit was flat and margin increased by 10bps at CER.

• Gross margin was stable at CER with investments in design, product development and quality offset by favourable movements in inventory provisions, duty credits and Beauty transitioning to a licence model.
• Opex as a percentage of sales was also stable with an incremental £41 million of cost savings (ahead of the planned £36 million) offsetting continued inflationary pressures and strategic investments.

Including a £29 million headwind from currency, adjusted operating profit declined 6% at reported rates and margin fell 100bps.

After a net finance credit of £5 million, adjusted profit before tax was £443 million stable at CER and down 6% at reported rates.

LICENSING
Licencing revenue of £46 million, 53% at CER and 54% at reported, benefiting from Beauty transitioning from a wholesale to licensed business model. Excluding the impact of Beauty, licensing declined £3 million due to the non-renewal of the watch licence with Fossil.

Restructuring costs: Restructuring costs of £12 million related to both our cost and efficiency programme and our non-strategic store rationalisation.

Disposal of Beauty business: The income of £7 million reflects the reassessment of the provisions relating to both beauty contract terminations and beauty trade receivables.

Goodwill impairment: The goodwill impairment charge in the prior year relates to our Saudi Arabian business due to challenging macroeconomic conditions. There was no charge in the current year.

Burberry Middle East (BME) deferred consideration: The £4 million income reflects the revaluation of the deferred consideration balance.

TAXATION
The effective tax rate on adjusted profit in FY 2019 reduced 200bps to 23.1% (2018: 25.1%) reflecting a change in the geographic mix of profits and a lower US tax rate. This was largely in line with the effective tax rate on reported profit of 23.0%* (2018: 28.8%). The total tax charge was £102 million (2018: £119 million).

* For detail see note 10 of the Financial Statements

* For additional detail on adjusting items notes 6 to 7 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 2019, the total taxes borne and collected by the Group amounted to £436 million. In the UK, where the Group is headquartered and has significant operations, Burberry paid business taxes of £73 million and collected a further £32 million of taxes on behalf of the UK Exchequer. For further information see www.burberryplc.com

**CASH FLOW**
Free cash flow generated in FY 2019 was £301 million and cash conversion remained strong at 93% (2018: 128%). In the prior year, free cash flow was unusually high (£484 million), benefiting from an inventory reduction and a receivables inflow relating to the transfer of our beauty business to a licensed business model. These impacts did not repeat in the current year with the key flows reflecting the following:

- Inventory up 10% at CER resulting in a £59 million outflow predominantly reflecting our investment into product quality, our on-going product transition and higher raw materials due to the Burberry Manifattura acquisition
- Trade and other receivables resulting in a £55 million outflow predominantly reflecting non-trade related factors such as taxes and prepayments
- Trade and other payables resulting in a £55 million inflow relating to higher accruals and the timing of payments

**OUTLOOK**
As we set out in November 2017, FY 2020 represents the final year of our foundational period. As planned, during the year, we will focus on managing through our creative transition and continuing to align our distribution network to our new vision. We started these activities in FY 2019, but they will step up in FY 2020.

We confirm our financial guidance for broadly stable revenue and adjusted operating margin at CER in FY 2020* including cumulative cost savings of £120 million. We are raising our cumulative cost saving guidance to £135 million by FY 2022.

As planned, we anticipate a more pronounced weighting of operating profit in H2 2020 relative to H1 than in the prior year. This results in a decline in H1 2020 at CER largely due to the strong comparator in the prior year. We expect growth to be re-established in H2 as Riccardo’s collections build through the year.

**DETAILED GUIDANCE FOR FY 2020***

<table>
<thead>
<tr>
<th>Item</th>
<th>Financial impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
</tr>
<tr>
<td>Retail revenues</td>
<td>No expected impact from net space on our retail revenue with the headwind from non-strategic store rationalisation programme offset by strategic store openings</td>
</tr>
<tr>
<td></td>
<td>• H1 2020 -1%</td>
</tr>
<tr>
<td></td>
<td>• H2 2020 +1%</td>
</tr>
<tr>
<td>Wholesale revenues</td>
<td>Reduce by a mid-single digit percentage reflecting the strength from luxury doors partly offsetting non-luxury door closures</td>
</tr>
<tr>
<td>Gross margin</td>
<td>FY down around 100bps reflecting investment into product with a more pronounced impact in H1 2020</td>
</tr>
<tr>
<td>Cost savings</td>
<td>Cost savings will reach a cumulative £120 million, an incremental £15 million from the prior year</td>
</tr>
<tr>
<td>Operating margin</td>
<td>We expect operating margin to be broadly stable at CER</td>
</tr>
<tr>
<td>Tax</td>
<td>We anticipate a further c100bps reduction to around 22% in FY 2020</td>
</tr>
<tr>
<td>Currency</td>
<td>At 30 April spot rates**, the expected impact of year-on-year exchange rate movements on reported adjusted operating profit is a £7 million headwind. The headwind to revenue is expected to be c.£20 million</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>£16 million (including the non-strategic store rationalisation)</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>£200 million with the incremental spend predominantly reflecting new store openings and our store refurbishment programme</td>
</tr>
<tr>
<td>Share buyback</td>
<td>£150 million</td>
</tr>
<tr>
<td><strong>Capital expenditure of £110 million (2018: £106 million), below original guidance due to the timing of payments between FY 2019 and FY 2020</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Tax paid of £111 million (2018: £118 million)</strong></td>
<td></td>
</tr>
</tbody>
</table>

Net cash at 30 March 2019 was £837 million (2018: £892 million) with £321 million returned to shareholders (dividends of £171 million and share buyback of £150 million). Lease adjusted net debt at 30 March 2019 was £409 million (2018: £327 million).
Currency sensitivity: In FY 2019, a +/-5% move in sterling would have resulted in a -/+£45-50 million impact on the adjusted operating profit of £438 million.

IFRS 16: We will adopt new lease standard IFRS 16 in FY 2020. This will materially impact the Group’s balance sheet and income statement:

- Income statement: we anticipate profit before tax will be £10 million-£30 million lower than under current accounting standards. This arises as lease interest expense is front end loaded under IFRS 16 compared with rent expense being recognised over a straight line under current standards
- Balance sheet: we anticipate the recognition of a lease liability of around £1.0 billion-£1.2 billion and right of use asset of around £1.0 billion-£1.2 billion
- Cash flow: There will be no impact on net cash flow
- Lease adjusted debt: For the purposes of the assessment of our net debt ratio, we intend to refine our current measure of lease adjusted net debt following adoption of the new standard. We will provide a further update at H1

* Guidance assumes constant exchange rates, a stable economic environment and current tax legislation. It excludes the impact of the adoption of IFRS 16 and the UK’s possible withdrawal from the EU without an agreement. In the event of the UK withdrawing from the European Union without an agreement, there is likely to be a material but manageable operational and financial impact on Burberry’s business. We continue to prepare mitigating actions to limit the operational and financial impact in the short term


~ For more detail relating to IFRS 16 see note 1 of the Financial Statements

**STORE PORTFOLIO**

<table>
<thead>
<tr>
<th>Directly-operated stores</th>
<th>Stores</th>
<th>Concessions</th>
<th>Outlets</th>
<th>Total</th>
<th>Franchise stores</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 31 March 2018</strong></td>
<td>240</td>
<td>155</td>
<td>54</td>
<td>449</td>
<td>46</td>
</tr>
<tr>
<td>Additions</td>
<td>11</td>
<td>5</td>
<td>1</td>
<td>17</td>
<td>–</td>
</tr>
<tr>
<td>Closures</td>
<td>(18)</td>
<td>(14)</td>
<td>(3)</td>
<td>(35)</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>At 30 March 2019</strong></td>
<td>233</td>
<td>146</td>
<td>52</td>
<td>431</td>
<td>44</td>
</tr>
</tbody>
</table>

* Excludes the impact of pop up stores

**STORE PORTFOLIO BY REGION**

<table>
<thead>
<tr>
<th>Directly-operated stores</th>
<th>Stores</th>
<th>Concessions</th>
<th>Outlets</th>
<th>Total</th>
<th>Franchise stores</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 30 March 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>95</td>
<td>85</td>
<td>14</td>
<td>194</td>
<td>6</td>
</tr>
<tr>
<td>EMEA</td>
<td>67</td>
<td>54</td>
<td>21</td>
<td>142</td>
<td>38</td>
</tr>
<tr>
<td>Americas</td>
<td>71</td>
<td>7</td>
<td>17</td>
<td>95</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>233</td>
<td>146</td>
<td>52</td>
<td>431</td>
<td>44</td>
</tr>
</tbody>
</table>

* 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.

<table>
<thead>
<tr>
<th>APM</th>
<th>Description and purpose</th>
<th>GAAP measure reconciled to</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Constant Exchange Rates (CER)</strong></td>
<td>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.</td>
<td>Results at reported rates</td>
</tr>
<tr>
<td><strong>Comparable sales</strong></td>
<td>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 store openings and closings, allowing a comparison of equivalent store performance against the prior period.</td>
<td>Retail Revenue:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Period ended</td>
</tr>
<tr>
<td></td>
<td></td>
<td>YoY%</td>
</tr>
<tr>
<td></td>
<td>Comparable sales</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>Change in space</td>
<td>(1%)</td>
</tr>
<tr>
<td></td>
<td>IFRS 15/Retail Calendar</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>FX</td>
<td>(1%)</td>
</tr>
<tr>
<td></td>
<td>Retail revenue</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Revenue excluding beauty wholesale</strong></td>
<td>Revenue excluding beauty wholesale is presented to exclude beauty wholesale from total revenue. This provides an equivalent measure of revenue against the prior period, following the disposal of the beauty business in October 2017.</td>
<td>Total Revenue:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Period ended</td>
</tr>
<tr>
<td></td>
<td></td>
<td>£m</td>
</tr>
<tr>
<td></td>
<td>Revenue excluding beauty wholesale</td>
<td>2,720</td>
</tr>
<tr>
<td></td>
<td>Beauty wholesale</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total Revenue</td>
<td>2,720</td>
</tr>
<tr>
<td><strong>Adjusted Profit</strong></td>
<td>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.</td>
<td>Reported Profit:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>Free cash flow is defined as net cash generated from operating activities less capital expenditure plus cash inflows from disposal of fixed assets and excluding the net one-off operating cash inflow for deferred income relating to the beauty licence.</td>
<td>Net cash generated from operating activities:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Period ended</td>
</tr>
<tr>
<td></td>
<td></td>
<td>£m</td>
</tr>
<tr>
<td></td>
<td>Net cash generated from operating activities</td>
<td>411</td>
</tr>
<tr>
<td></td>
<td>Capital expenditure</td>
<td>(110)</td>
</tr>
<tr>
<td></td>
<td>One-off cash inflow for beauty licence</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Free cash flow</td>
<td>301</td>
</tr>
<tr>
<td><strong>Cash Conversion</strong></td>
<td>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.</td>
<td>Period ended</td>
</tr>
<tr>
<td></td>
<td></td>
<td>£m</td>
</tr>
<tr>
<td></td>
<td>Cash conversion</td>
<td>93%</td>
</tr>
<tr>
<td><strong>Lease Adjusted Net Debt</strong></td>
<td>Defined as five times minimum lease payments, adjusted for charges and utilisation of onerous lease provisions, less net cash. This is considered to be a reasonable estimate of the Group’s net debt, including operating lease debt which is currently off balance sheet.</td>
<td>Net cash:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Period ended</td>
</tr>
<tr>
<td></td>
<td></td>
<td>£m</td>
</tr>
<tr>
<td></td>
<td>Net cash</td>
<td>837</td>
</tr>
<tr>
<td></td>
<td>Operating lease debt</td>
<td>(1,246)</td>
</tr>
<tr>
<td></td>
<td>Lease adjusted net debt</td>
<td>(409)</td>
</tr>
</tbody>
</table>
Burberry’s Capital Allocation Framework is used 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.

### Capital Structure Metrics

<table>
<thead>
<tr>
<th>FY 2018/19</th>
<th>FY 2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash</td>
<td>£837m</td>
</tr>
<tr>
<td>Lease-adjusted net debt</td>
<td>(£409m)</td>
</tr>
</tbody>
</table>

Burberry has applied its capital allocation framework during the year ended 30 March 2019 as follows:

- Reinvested £110 million into the business as capital expenditure.
- Increased its full-year dividend by 3% to 42.5p.
- Paid £14.5 million upon completion of the acquisition of a luxury leather goods business, to create a leather goods centre of excellence in Italy. Payments of £11.1 million were made in the year in respect of the acquisition of a non-controlling interest in Burberry Middle East LLC.
- Returned a further £150 million to shareholders via a share buyback programme.
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 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 our Internal Audit and other control functions, which provide assurance to our Risk Committee, and ultimately to our Board and Board Committees, as shown in the diagram on page 102.

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 with our unique British twist. 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 sustained growth, and in doing so minimise risk.

OUR PRINCIPAL RISKS
Our risk management process has identified a broad range of risks and uncertainties, which we believe could adversely impact the profitability or prospects of the Group. Our principal risks are defined as those that we regard as the most relevant to our business. These are the risks that we see as most material to our performance and could threaten our business model or the future long-term performance, solvency or liquidity of Burberry.

Our risk framework is structured around the following categories of risk: Strategic and Financial, Operational and Compliance. 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 to reflect new emerging external risks 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.
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.

MANAGEMENT RISK COMMITTEE (CHAIRLED BY CHIEF OPERATING AND FINANCIAL OFFICER)

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 significant risks and the effectiveness and adequacy of mitigating actions to achieve agreed risk tolerance levels.

Reviews risk register updates from risk owners.

GROUP RISK AND ASSURANCE TEAM

Cross-functional attendees, encompassing senior management from IT, Finance, Legal, HR, Supply Chain and Retail.

FUNCTIONS AND BUSINESS RISK OWNERS

INTERNAL AUDIT AND COMPLIANCE FUNCTIONS

- Establishes risk management framework.
- Facilitates updates to risk registers.
- Provides resources and training to support risk management process.
- Prepares Board and Risk Committee updates.

- 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 codes 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.

- Carry out day-to-day risk management activities.
- Identify and assess risk and implement action to mitigate risk within their area.
- Assign owners to risks to update risk registers.

- 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, Responsibility).
EXECUTION OF STRATEGIC PLAN

Focused execution of the strategy through our six strategic pillars (Product, Communication, Distribution, Digital, 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.

Failure 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 in our ability to deliver the strategy.

We operate in the global luxury market, where competition is intensifying. Today’s luxury customers demand creativity, curation, excitement, innovation and personalisation. Our ability to make the right strategic investment decisions in response to these changes is vital to our success.

LINK TO STRATEGY

All strategic pillars.

RISK TOLERANCE

We will pursue growth and accept a certain level of risk to ignite brand heat and 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 is dependent on creating new and innovative 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 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.

• Throughout FY 2018/19 we focused on building the capabilities to develop and deliver our strategy. Key executive-level appointments were made to drive the Communication and Distribution strategies.

• The Executive Committee is accountable for the conduct of these programmes and delivery of outcomes in accordance with our Board-approved plan.

• A Transformation Management Office co-ordinates delivery of the programme, monitors the risks associated with each of the major programmes, and tracks progress and benefits.

• We have increased our focus on measuring and demonstrating progress in our transformation. We have designed a set of lead indicators to assess progress in product, communications, store performance and service.

• FY 2018/19 was an important year in advancing our Product and Communication strategies with significant interest generated ahead of commercialising Riccardo Tisci’s first collections. The product assortment and cadence of release has been altered with a stronger focus on leather goods and collaborations, and some ranges being sold exclusively through digital channels.

• We continued to increase our focus on digital and ensure that our social channels and their content are relevant for the different markets in which we operate.

• 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.

• Our Operational Excellence programme continues apace and has now delivered cost savings of £105 million since its inception in FY 2016/17.

• Our IT strategy, prepared by the Chief Information Officer and the IT Leadership Team, comprises a portfolio of IT projects linked to the Group’s strategic objectives. IT projects are managed by the IT Portfolio Forum.
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 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 on collaborations in product design exposes the Group to increased reputational risk.

LINK TO STRATEGY
All strategic pillars.

RISK TOLERANCE
Protecting the brand and its reputation globally is at the heart of everything we do. We take a risk-averse approach, adopting a strategy to avoid or mitigate any reputational/brand risk.

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 Well-being Policy could result in reputational or legal risk.
- Failure to understand social issues and respect cultural sensitivities 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 examples of the actions and programmes that have been put in place 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.
- Introducing additional training to strengthen our understanding of and sensitivity to a range of perspectives to help us live our values and fully embrace diversity and inclusion.
- Establishing employee councils focused on diversity and inclusion.
- Assembling an advisory board of external experts to provide insight and help raise Burberry’s consciousness and understanding of social issues.
- Increasing awareness of and training with respect to Burberry’s Model Well-being Policy to all people who engage with model on Burberry’s behalf, including employees, freelancers, casting agents, contractors and external third parties to ensure they adhere 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 or the economic, regulatory, social and/or political environment in China could adversely impact the domestic consumer group's disposable income or confidence. Such changes could also lead to Chinese consumers scaling back on international travel, which could impact the Group's revenue and profits outside China.

**LINK TO STRATEGY**
All strategic pillars.

**RISK TOLERANCE**
We will pursue growth and accept a certain level of risk to ignite brand heat with Chinese consumers and firmly establish our position in luxury fashion.

**EXAMPLES OF RISKS**
- Burberry’s growth from Asia does not reach expectations either in magnitude or timing, especially in China (where growth rates are highest).
- Significant short-term slowdown in luxury goods consumption by Chinese consumers.

**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 form of the UK’s withdrawal from the EU or other developments, could impact Burberry’s revenues, margins, profits and cash flows.

**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. 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.

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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.

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.

LINK TO STRATEGY
Having a resilient technology landscape is integral to delivering our Operational Excellence and Digital strategic pillars.

RISK TOLERANCE
Protecting the brand and its reputation globally is at the heart of everything we do. We take a risk-averse approach, adopting a strategy to avoid or mitigate any reputational/brand risk.

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 www.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 the cross-functional Cyber Security Steering Group with Executive membership and sponsorship.
• Continued investment in the cybersecurity programme and completion of independent risk assessments to validate the strategy and identify capabilities required to achieve the appropriate levels of security.
• Expanded cybersecurity scorecard monitoring to Executive and IT management through monthly reporting.
• Security monitoring, which provides monitoring of the network and computers 24/7, 365 days a year, supported by robust security incident response processes.
• Creation of an Information Security Advisory function to embed security in new projects and initiatives.
• Security Training and Awareness rolled out to employees globally with completion monitoring. This included completion of multiple phishing awareness campaigns.
• Implementation of solutions to detect personal and sensitive data loss with improved control over user access management.
• Established process for third-party security assessments.
• Data Privacy Steering Committee, a cross-functional group to review data controls around existing systems as well as 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 to ensure policies are adhered to in 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.

#### No change

### LINK TO STRATEGY
Delivery of our strategy relies on our ability to ensure our people continue to be driven and inspired to deliver outstanding results for the Group. This is done through fostering a dynamic and inclusive culture where all employees feel engaged, empowering and equipping our leaders, strengthening capabilities and expanding our talent plans, simplifying how we work, and driving positive change and a more sustainable future across every part of our footprint.

### ACTIONS TAKEN BY MANAGEMENT

#### Leadership and Culture
- A new Leadership Development Programme, built around Burberry Behaviours, is being rolled out to engage and equip leaders. The programme is run over nine months and comprises 360 feedback, coaching and a three-day event. To date, the Executive Committee, senior leadership team and 62 leaders have attended the three-day event, with all other leaders to be enrolled by the end of FY 2019/20.
- A second global employee engagement survey was carried out in July 2018, with results published in September, with 87% of employees confirming that they were proud to work at Burberry. Leaders are held accountable for delivering against agreed action plans. A third global engagement survey will take place in July 2019.
- Leaders were equipped with regular strategy updates, including talking points and exercises, 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 significant shift in employees’ understanding of the Group’s direction (from 68% in 2017 to 74% in 2018).

#### Talent and Careers
- A new careers site has been created and launched, including experience maps, to engage the workforce on the Burberry careers proposition, in line with feedback received through the employee engagement survey.
- An approach for identifying high potentials across the organisation has been rolled out.
- All line managers have been invited to attend “Career Conversations” training, rolled out for all employees in career development. We have also held Global and Regional Careers Awareness weeks.

#### Performance, Reward and Recognition
- Simplified, more effective performance management process across the business rolled out with a four-point performance rating scale.
- Continuation of embedding Burberry Behaviours into performance management.
- Our Executive Committee ensures there is a competitive total reward offering, both financial and non-financial, to retain our people and to attract new hires.

#### Diversity, Inclusion and Employee Relations
- We have developed a plan focused on increasing understanding, diversifying the pipeline of talent and championing those who help others to ensure we create and promote a more diverse and inclusive workforce.
- We are in the process of hiring a Director of Diversity and Inclusion and a VP, Employee Relations.

#### Well-being
- 51 UK employees have now been trained as qualified mental health first aiders, with further courses scheduled.
- Further plans to define Burberry’s Well-being strategy in place.

### 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
- Failure to engage or equip our teams to deliver our strategy, or address key capability gaps.
- Failure to build the right capabilities and behaviours in our leadership population.
- Loss of critical talent/knowledge/unmanageable levels of attrition due to ongoing transition period/change fatigue.
- The long-term impact of the UK’s withdrawal from the EU on the Group’s EU workforce.
**IT OPERATIONS**  
IT operations fail to support critical processes across the Group including Retail, Digital and Group functions such as Supply Chain and Finance.

* No change

**LINK TO STRATEGY**  
All strategic pillars.

**RISK TOLERANCE**  
In operating our business and managing the possible disruption to our IT operations, we have a low tolerance for risk.

**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 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**
- IT function has been further strengthened with clear alignment between the IT teams, the strategic pillars, business functions and operations.
- Controls to maintain the continuity of the Group's IT systems are in place, 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 close high-impact events.
- Programmes that will improve IT’s ability to support operations are in place with a clear portfolio of IT projects linked to the Group’s strategic objectives. Delivery of these projects is overseen by our IT Portfolio Forum, which regularly monitors progress.
STRATEGIC REPORT

SUSTAINABILITY AND 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.

To address long-term sustainability challenges and understand potential impacts of climate change on our business, in both operational and financial terms, we have been working with Forum for the Future to explore global environmental, social and technological trends and how they could affect our business model. This exercise has involved senior leadership from across the business and results are now informing the development of cross-functional action plans to help us mitigate long-term risks and future-proof our business.

ACTION TAKEN BY MANAGEMENT

Our Chief Supply Chain Officer is responsible for ethical trading, environmental sustainability and community investment matters and reports on these topics to the Ethics Committee, Risk Committee and the Board.

Long-standing responsibility programmes, coupled with our 2022 Responsibility goals, are driving continuous improvements while supporting our supply chain partners in moving beyond social and environmental compliance. See more on pages 42 to 55.

We continuously explore more sustainable materials and manufacturing processes. Recent examples are included on page 47.

During FY 2018/19, we completed three scenario analysis workshops to assess long-term environmental, social and technological trends that could significantly impact our business model and operations over the next 20 years. We explored the uncertainties, risks and opportunities that lie ahead, in light of forecasted climate change impacts to 2040, which will inform our strategic response to climate change.

We have set science based targets to address our GHG emissions along our entire value chain. Our targets have been approved by the Science Based Target Initiative (SBTi) and are in line with the Paris Agreement to limit global warming to 1.5 degrees from pre-industrial levels.

We are signatories of the UNFCCC Fashion Industry Charter for Climate Action, which aims to reduce aggregate GHG emissions across the fashion industry by 30% by 2030. Representatives of our Responsibility team participate in the working groups and chair one of them.

In September 2018, we were the first luxury company to announce that we were stopping the practice of destroying any unsaleable finished products. We are implementing a zero-waste mindset across our global operations, with a focus on improving inventory management, extending the life cycle of our products and maximising donation, repurposing and recycling routes, while developing new partnerships and solutions for revaluing waste.

We are core partners of the Ellen MacArthur Foundation’s ‘Make Fashion Circular’ initiative, which aims to create a new, circular textiles economy, and signatories of the New Plastics Economy Global Commitment, which aims to eradicate plastic waste and pollution by 2025.

We continue to support programmes led by The Burberry Foundation that tackle educational inequality in Yorkshire, foster community cohesion in Italy, and enhance social and economic empowerment in Afghanistan.

We use the WWF water risk assessment tool and the Aqueduct Water Risk Atlas to understand potential future strains on water resources and long-term risks in our supply chain. This informs the roll-out of our energy and water reduction programme to key supply chain partners.

We are a founding partner of the Sustainable Fibre Alliance (SFA), a UK-based NGO working with key stakeholders in Mongolia to improve the impacts of cashmere production by restoring grasslands, promoting animal welfare and supporting a decent living for cashmere goat herders.

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 we all depend on. 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 OR RISKS

• Resource scarcity, coupled with increasing demand, could affect the production, availability, quality and cost of raw materials.

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

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

• Our industry is sustained by many agricultural and manufacturing communities around the world. Failure to support them in preserving key skills and building more sustainable livelihoods could cause social, economic and operational challenges, from community tensions and disruption to production to a reduced talent pool.

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BUSINESS INTERRUPTION
A major incident at one of the Group’s main locations, at its suppliers or affecting key products, which significantly interrupts the business.

This could be caused by a wide range of events, including natural catastrophe, fire, terrorism or quality-control failures.

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 in respect of 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 fires, floods and terrorism.
• Burberry works with several suppliers of luxury goods, which would 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.

Our Group Incident Management Teams managed 21 incidents in the year. Twelve of these related to severe weather warnings, wild fires and natural disasters. Two related to terrorist incidents in cities where we have stores or employees and we moved quickly to ensure our customers, employees and assets remained safe and secure. The remainder were localised issues linked to office, store or system interruptions.

• We have policies and procedures 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 21 incidents in the year. Twelve of these related to severe weather warnings, wild fires and natural disasters. Two related to terrorist incidents in cities where we have stores or employees and we moved quickly to ensure our customers, employees and assets remained safe and secure. The remainder were localised issues linked to office, store or system interruptions.
• Our Group Incident Management Team 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 the 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 and 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.

LINK TO STRATEGY
Compliance with applicable laws and regulations and behaving in accordance with our values as a business underlie 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 well-being.
• Non-compliance with labour, human rights and environmental standards across our own operations and extended supply chain would go against our Responsible Business Principles and 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 and regulations and that employees are aware of the laws and regulations relevant to their roles.
• 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 www.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.
• Roll out 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 and corporate locations, and where it is legally permitted. All calls and emails are logged and independently reviewed and followed up. During the year 136 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 3,345 employees. The training reached a 96% completion rate. Any incidents or potential areas of concern are investigated by highly experienced investigators in our Asset Profit and 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.

Counterfeiting, copyright, trademark and design infringement in the marketplace could reduce the 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.

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 while 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.
- Increased newness and shorter lead times make it more challenging to prevent infringements and counterfeiting of our brand.
- 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, including in the digital environment. Where infringements are identified these are addressed through a mixture of criminal and civil legal action and negotiated settlements.
- IP rights are driven largely by national laws, which afford varying degrees of protection and enforcement priorities depending on the country.
- Trademark, copyright and design registrations 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.
- Exploring new and emerging threats and ways to combat threats.
- Inspiring Burberry associates and partners to engage with us in protecting our brand.
- Partnering with enforcement agencies and our digital partners to minimise the visibility of counterfeit and parallel trade products both online and offline.
- Disrupting the flow of counterfeit products by enforcing at source level.
- Implementation of brand protection controls to safeguard the brand in connection with our commitment to stop destroying unsaleable finished products.
# EXTERNAL RISKS

## MACRO-ECONOMIC AND POLITICAL INSTABILITY
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 macro-economic conditions or country-specific changes to the operating or regulatory environment or civil unrest may impact the spending habits of key consumer groups and cause increased operational costs.

### 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 are more difficult to mitigate as they are often outside of our control.

### EXAMPLES OF RISKS
- The strategy does not address how the changes created by macro-economic trends and uncertainty in the outlook for the luxury sector globally or within significant consumer groups could impact our performance.

### ACTIONS TAKEN BY MANAGEMENT
- Our global reach helps to mitigate reliance on particular consumer groups. In addition, our brand has wide appeal across multiple consumer segments, including a broad set of ages and preferences.

## UK'S WITHDRAWAL FROM THE EU
Various scenarios could impact the Group’s financial position, supply chain and people.

### LINK TO STRATEGY
Volatility caused by the UK’s withdrawal from the EU may impact our overall financial performance and our ambitions under supply chain operational excellence.

### RISK TOLERANCE
We have a low tolerance for risk caused by the UK’s withdrawal from the EU, however, there remains uncertainty about the long-term impact.

### EXAMPLES OF RISKS
- Additional customs duty from exiting the EU single market and the cessation of the UK’s access to the EU’s free trade agreements.
- Disruption to business operations.
- Impact on some current business road maps.
- Extended supply chain lead times could increase inventory levels.
- Uncertainty over the rights of EU nationals has increased 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 UK’s withdrawal from the EU and oversees our response.
- We have prepared for a no-deal scenario across all business activities including supply chain, trade compliance, intellectual property and people.
- Any transitional arrangement potentially offers some temporary relief for longer-term mitigation planning and implementation.
- We engage with UK government departments and other external stakeholders to ensure they are fully informed of our circumstances.
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. These 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 2018.

**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 2019. These will be used to set tolerance limits and target risks for each of the principal risks and refine mitigation plans.

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 Transformation Management Office (TMO) undertakes 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:

- **Reputation:** a third-party review of reputation risk was performed and presented to the Board.
- **Climate change:** a climate change 2040 scenario analysis exercise was performed to explore future trends and risks that might require a strategic response. The exercise was facilitated by an external party and the results were reviewed and presented to the Board.
- **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 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 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 including: 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.
ASSESSMENT OF PROSPECTS

Burberry’s 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.

The strategic plan 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 Chief Executive Officer and Chief Operating and Financial Officer. 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 page 112).

The key assumptions considered in our strategic plan are future sales performance by product, channel and geography, expenditure plans and cash generation. We also consider the Group’s projected liquidity, balance sheet strength and the potential impact of the plan on shareholder returns.

The Group’s strategy is set out on pages 22 to 41. Key factors affecting the Group’s prospects are:

- Our iconic brand, Burberry, with its unique positioning as a major global British luxury brand. The strength of our brand supports the Group’s performance and provides a platform for future growth.
- The performance of our products. We are reshaping our offer, increasing and invigorating the fashion content. We will create compelling luxury leather goods and accessories to attract new customers. We will build on the strength of our apparel and re-energise it. We will build our offer to provide a complete look for our customers, while continuing to simplify our ranges.
- The success of our communications. We will put product at the centre of our communications. We will leverage our extensive digital reach to convey new energy. We will be bold in the way we engage luxury consumers, reinventing our editorial content and experiences.
- The customer experience when interacting with the brand. We will transform our in-store experience by refurbishing our stores and enhancing our luxury service. We will continue to lead innovation in digital, delivering personalised experiences and true omnichannel services.
- Our financial discipline. We will continue to focus on productivity, simplification and financial discipline, and maintain our commitment to the capital allocation framework.

VIABILITY ASSESSMENT

During the year, our Directors have carried out a robust assessment of the principal risks of the Group, which is set out on pages 74 to 87. The Directors have also identified the nature and potential impact of those risks on the viability of the Group, together with the likelihood of them materialising.

This analysis has been used to carry out an assessment of the ability of the Group to continue in operation and meet its obligations. The assessment covers the three-year period from April 2019 to March 2022. This was considered appropriate by the Directors because:

- It is sufficient to almost complete all currently approved capital expenditure projects.
- As the Group has little contracted income, and as most current business development projects will be completed in the three-year period, any projections beyond March 2022 will only contain long-term growth assumptions.

For the purposes of the viability assessment, the principal risks have been separated into:

- Risks potentially impacting the trading performance of the Group.
- Risks arising from one-off events which may interrupt the Group’s trading activities.

The risks potentially impacting trading performance have been assessed through stress testing involving estimating the impact of revenue sensitivities on profitability and cash generation in the Group’s strategic plan, together with reverse stress testing to identify the theoretical revenue sensitivity that the Group could absorb, without impacting its viability. The tests applied included the following scenarios:

- Nil comparative sales growth across the three-year period.
- The maximum decrease in revenue, across the three-year period, which could reasonably be absorbed, with and without additional annual reductions in profit of up to £100m to allow for the potential impact of adverse foreign exchange rate movements and for additional duty costs following the UK’s withdrawal from the EU.

The sensitivities took account of the likely mitigating actions available to the Directors through adjustments to the operating plan in the normal course of business. They also took account of the impact of changes in performance on returns to shareholders.
The impact of the risks arising from one-off events have been assessed by considering the potential losses arising from these events. Potential one-off impacts modelled were the loss of data or cyberattack, IT operations, people, regulatory risk and ethical/environmental standards. A loss of £100 million was included in the assessment to allow for the combined risk of one-off events.

In assessing the viability of the Group, the Directors have also considered the Group’s current liquidity and available facilities (set out in note 22 of the Financial Statements) and financial risk management objectives and hedging activities (set out in note 26).

Based on this assessment, our Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities over the period to March 2022.

In making this statement, the Directors have made the key assumption that there is no material long-term impairment to the Burberry brand.

The Strategic Report up to and including page 89 was approved for issue by the Board on 15 May 2019 and signed on its behalf by:

MARCO GOBBETTI
Chief Executive Officer