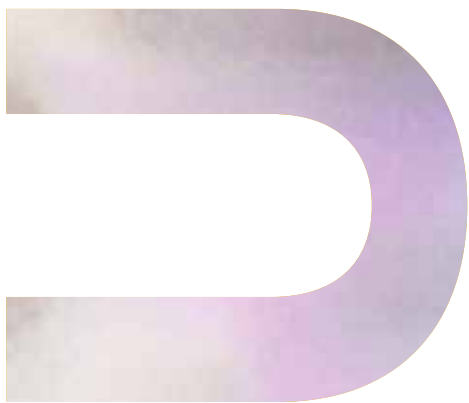
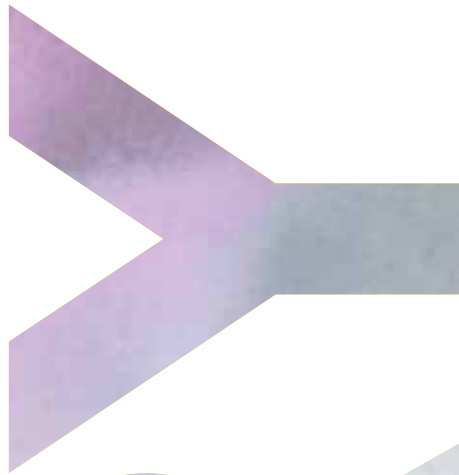




CREATIVITY OPENS SPACES



You will come across this symbol in several places in this report. It indicates that you can use your smartphone's camera to access content online.

Open your smartphone's camera application. Hold your smartphone over the symbol so it appears in the viewfinder. Explore.

CONTENTS

STRATEGIC REPORT

4	Financial and Operational Highlights
6	Chairman's Letter
10	CEO's Letter
14	Our Purpose
20	Business Model
22	Investment Case
24	Luxury Market Environment
28	Strategy
32	Key Performance Indicators
36	A Year in Review
56	COVID-19
60	Responsibility
72	Non-Financial Information Statement
73	Stakeholder Engagement
84	Financial Review
90	Capital Allocation Framework
92	Risk and Viability Report
112	Taskforce for Climate-Related Financial Disclosures (TCFD)
116	Risk Management Activities in FY 2019/20

CORPORATE GOVERNANCE STATEMENT

122	Chairman's Introduction
124	Board of Directors
128	Executive Committee
129	Corporate Governance Report
143	Report of the Audit Committee
148	Report of the Nomination Committee
151	Directors' Remuneration Report
186	Directors' Report

FINANCIAL STATEMENTS

194	Statement of Directors' Responsibilities
195	Independent Auditors' Report to the Members of Burberry Group plc
204	Group Income Statement
205	Group Statement of Comprehensive Income
206	Group Balance Sheet
207	Group Statement of Changes in Equity
208	Group Statement of Cash Flows
208	Analysis of Net Cash
209	Notes to the Financial Statements
257	Five-Year Summary
261	Company Balance Sheet
262	Company Statement of Changes in Equity
263	Notes to the Company Financial Statements
270	Shareholder Information

STRATEGIC REPORT

FINANCIAL AND OPERATIONAL HIGHLIGHTS

REVENUE

2020	£2,633m
2019	£2,720m
2018	£2,733m
2017	£2,766m
2016	£2,515m

ADJUSTED OPERATING PROFIT

2020	£433m
2020 Pro forma	£404m
2019	£438m
2018	£467m
2017	£459m
2016	£418m

ADJUSTED DILUTED EPS

2020	78.7p
2020 Pro forma	77.9p
2019	82.1p
2018	82.1p
2017	77.4p
2016	69.9p

DIVIDEND PER SHARE

2020	11.3p
2019	42.5p
2018	41.3p
2017	38.9p
2016	37.0p

CASH (NET OF OVERDRAFTS)*

2020	£887m
2019	£837m
2018	£892m
2017	£809m
2016	£660m

OPERATING PROFIT

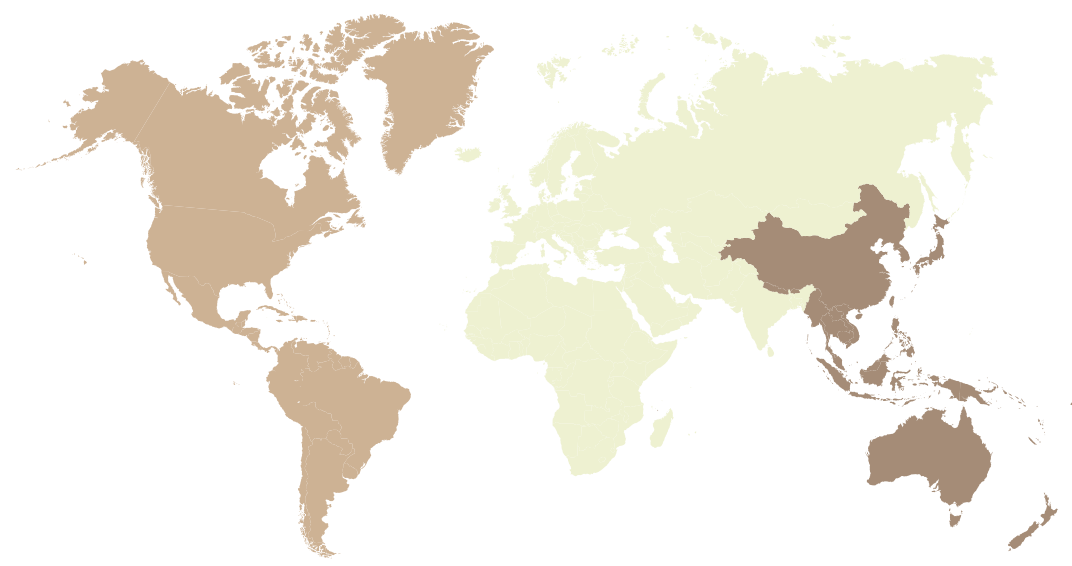
2020	£189m
2020 Pro forma	£160m
2019	£437m
2018	£410m
2017	£394m
2016	£403m

EPS

2020	29.8p
2020 Pro forma	29.0p
2019	81.7p
2018	68.4p
2017	64.9p
2016	69.4p

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

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

REVENUE BY REGION^{1,2,3}

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

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

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

REVENUE BY CHANNEL

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

REVENUE BY PRODUCT²

Retail/wholesale revenue by product division

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

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

2. Retail/wholesale revenue.

3. For more detail on performance see page 84.



GERRY MURPHY
Chairman

CHAIRMAN'S LETTER

DEAR SHAREHOLDER,

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

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

PURPOSE

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

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

COVID-19

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

PROGRESS

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

REMUNERATION

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

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

BOARD CHANGES

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

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

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

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

GERRY MURPHY
Chairman





MARCO GOBBETTI
Chief Executive Officer

CEO'S LETTER

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

DEAR SHAREHOLDER,

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

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

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

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

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

FY 2019/20 PERFORMANCE

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

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

RESPONDING TO COVID-19

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

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

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

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

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

OUR PURPOSE AND VALUES

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

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

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

LOOKING AHEAD

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

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

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

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

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

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

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

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

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

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

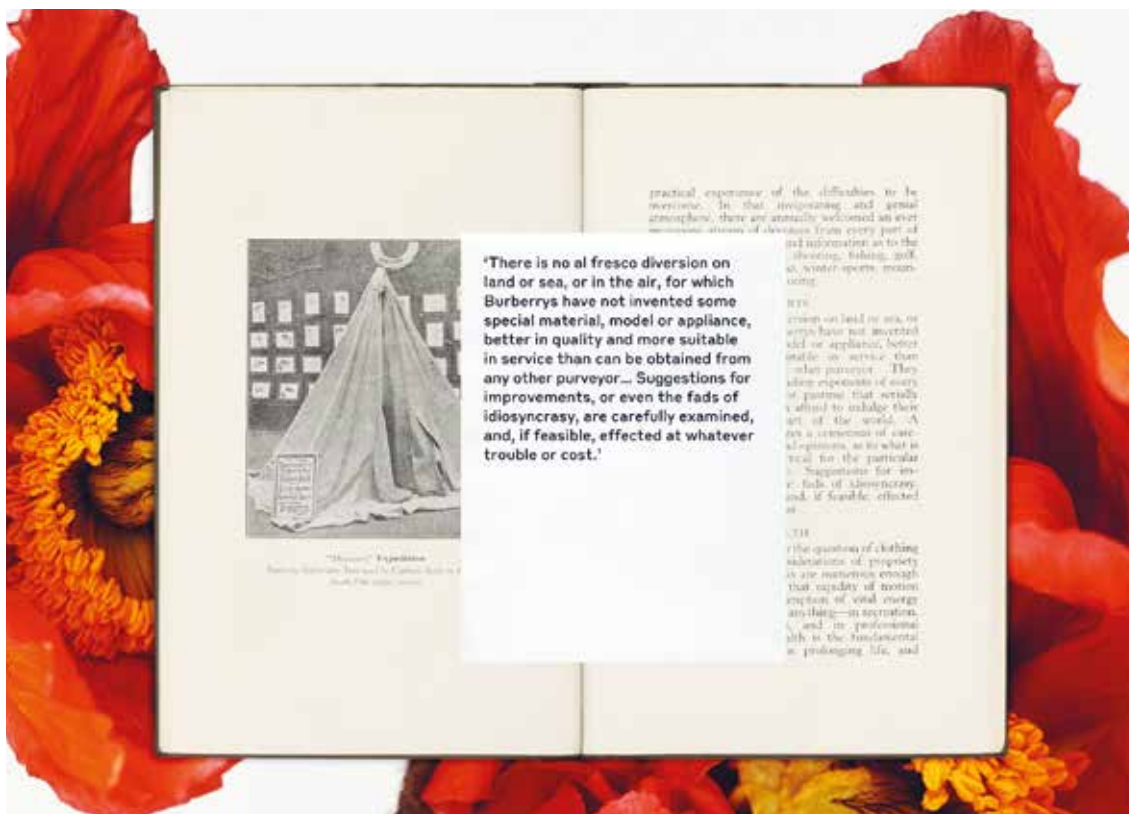
On behalf of everyone at Burberry, I hope that you, our shareholders, and your loved ones keep safe and healthy as we navigate these extraordinary times.

MARCO GOBBETTI
Chief Executive Officer

CREATIVITY OPENS SPACES



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



OUR PURPOSE

OPEN SPACES

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

OUR PURPOSE AND VALUES

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

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

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

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

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

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

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



CREATIVELY DRIVEN

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

See page 36



OPEN AND CARING

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

See page 42

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

WHAT WE LEARNED

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

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

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



PROUD OF OUR HERITAGE

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

See page 46

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

BURBERRY EMPLOYEE

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

BURBERRY EMPLOYEE



FORWARD THINKING

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

See page 50

OUR PURPOSE CONTINUED

THOMAS BURBERRY 1835-1926

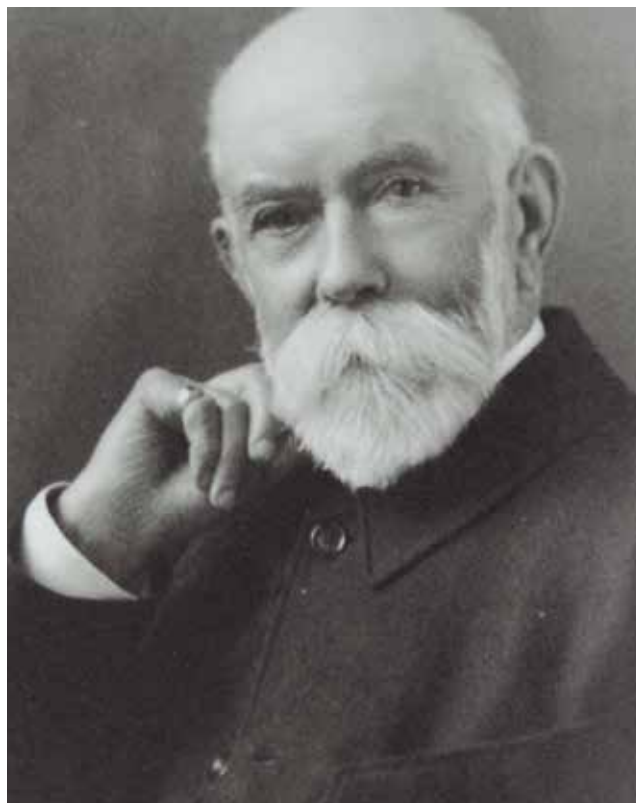
Thomas Burberry was just 21 years old when he founded his outfitting business in Basingstoke, England. However, it was in 1879 that he secured his legacy as a visionary and innovator with his invention of gabardine. Before the advent of the fabric, outerwear worn to protect against the often inclement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

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

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

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

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



THOMAS BURBERRY
Founder

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

THOMAS BURBERRY, OPEN SPACES, PAGE 32

BUSINESS MODEL

RESOURCES

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

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

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

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

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

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

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

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



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

WHAT WE DO

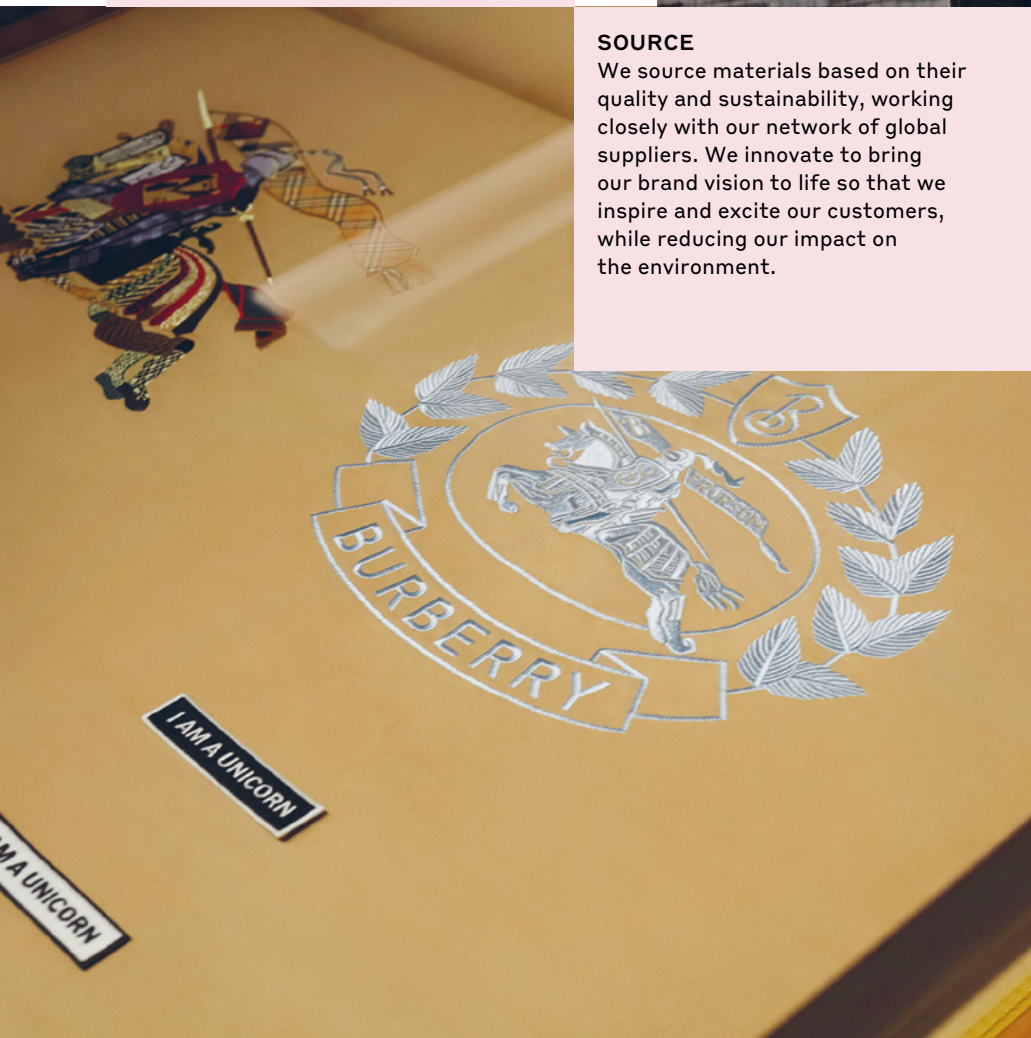
DESIGN

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



SOURCE

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



MAKE

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



SELL

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



VALUE ADDED

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

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

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

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

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

A STRONG INVESTMENT

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

REVENUE GROWTH

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

PRODUCT

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

COMMUNICATION

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

DISTRIBUTION

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

DIGITAL

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

ADJUSTED OPERATING PROFIT MARGIN ACCRETION

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

OPERATING LEVERAGE

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

COST-EFFICIENCY PROGRAMME

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

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

CAPITAL EFFICIENCY

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

REINVEST

Reinvest for organic growth.

DIVIDEND

Pay progressive dividend.

STRATEGIC INVESTMENT

Invest in strategic initiatives.

CAPITAL RETURNED

Return excess cash to shareholders.

LUXURY MARKET ENVIRONMENT

THE LUXURY SECTOR

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

GEN-Z AND MILLENNIAL CUSTOMERS

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

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

THE IMPORTANCE OF INSPIRATION

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

BLURRING THE LINES BETWEEN ONLINE AND OFFLINE

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

COVID-19

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

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

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

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

1. Source: Bain Altagamma 2019.

2. Source: Bain 2020.



LUXURY GEOGRAPHIES

Asia

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

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

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

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

The Americas

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

Europe

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

Rest of the world

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

CHANNELS

Retail

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

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

Wholesale

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

Digital

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

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

1. Source: Bain Altagamma 2019.



PRODUCTS

Apparel

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

Handbags and small leather goods

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

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

Shoes and jewellery

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

STRATEGY

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

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

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

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

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

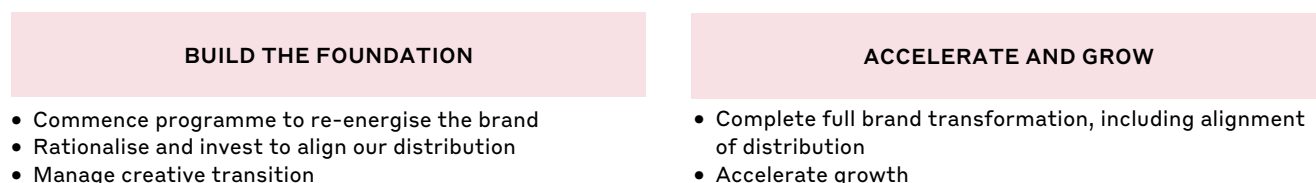
There were also disruptions on the supply side. While these were manageable overall and did not limit our capacity, the crisis resulted in greater operating complexity, for example in shifting inventory between markets, fulfilment and product development.

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

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

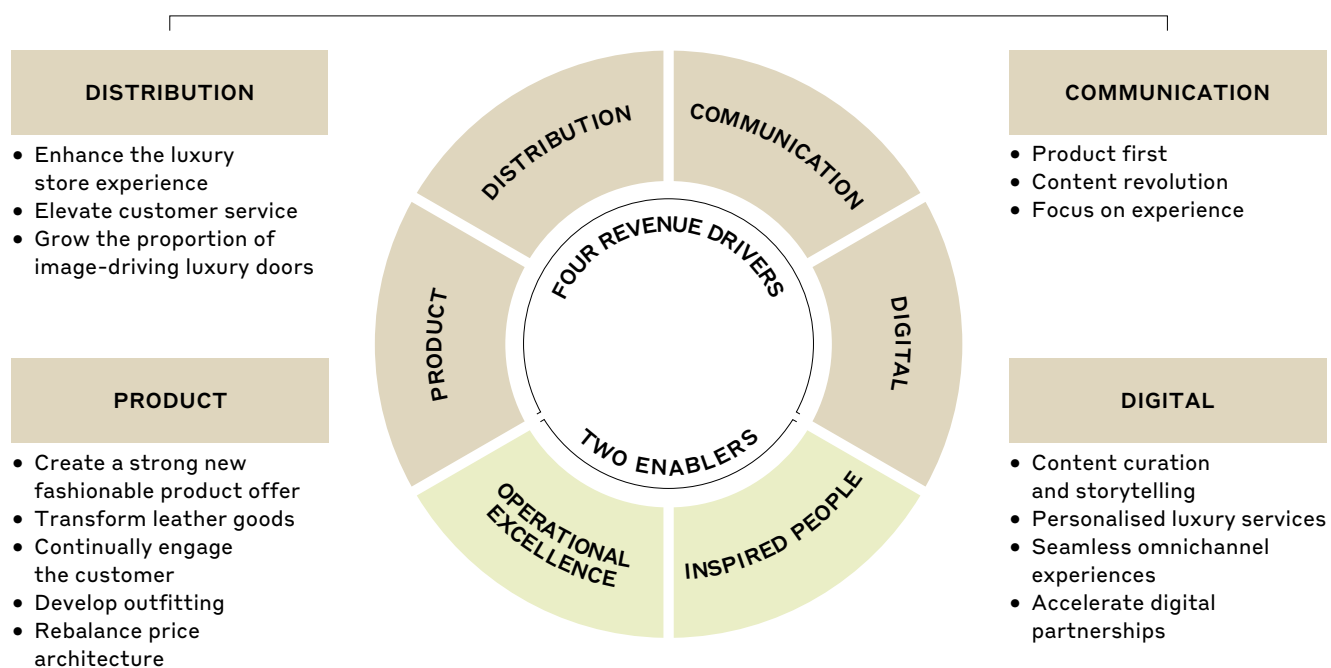
We are encouraged by the early signs of a rebound in some parts of Asia. We remain confident in our strategy and the strength of our brand and we are well prepared to navigate the next 12 months. Now more than ever, our strategy to anchor Burberry in luxury is key.

TWO PHASED TRANSFORMATION JOURNEY



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

FOUR REVENUE DRIVERS



STRATEGY OUTLOOK

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

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

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

BRAND

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

LOCALISATION

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

DIRECT-TO-CONSUMER AND DIGITAL

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

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

PRODUCT, INVENTORY AND SUPPLY CHAIN

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

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

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

**ENABLERS**

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

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

KEY PERFORMANCE INDICATORS

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

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

* At CER

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

FINANCIAL MEASURES

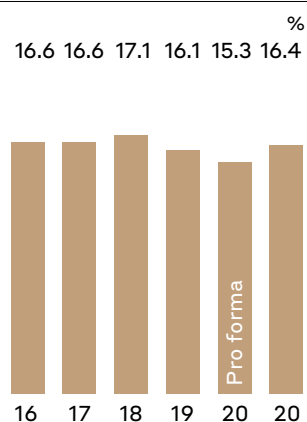
We believe it is vital to ensure alignment between our strategic focus and the long-term interests of shareholders. As a result, elements of executive remuneration are based on performance against the following measures: revenue growth, adjusted profit before tax growth, and adjusted retail/wholesale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

ADJUSTED OPERATING PROFIT MARGIN

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

Financial ambition over time

Meaningful adjusted operating margin expansion.*



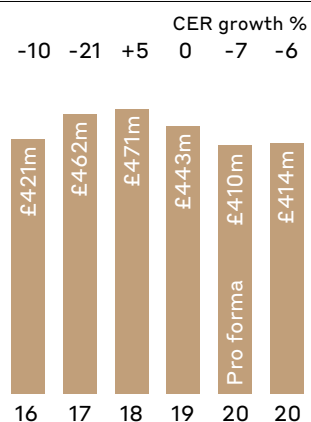
Pro forma adjusted operating profit margin -70bps at CER due to reduction in revenue more than offsetting a 4% reduction in adjusted operating costs. Reported adjusted operating profit margin +30bps due to impact of adoption of IFRS 16.

ADJUSTED PROFIT BEFORE TAX (PBT) GROWTH*

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

Financial ambition over time

Adjusted PBT growth ahead of revenue growth.*



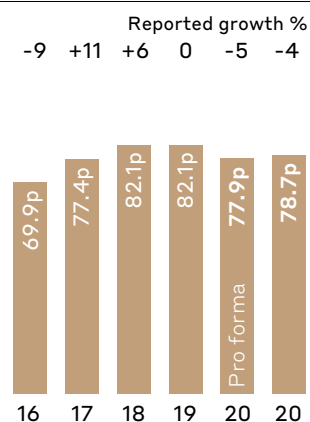
Pro forma adjusted PBT in FY 2019/20 was down 7% year on year at CER, in line with operating profit decline. Reported adjusted PBT at CER was also down 6%, reflecting the insignificant impact on PBT of adopting IFRS 16 in the year.

ADJUSTED DILUTED EPS GROWTH

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

Financial ambition over time

Adjusted EPS growth ahead of revenue growth.*



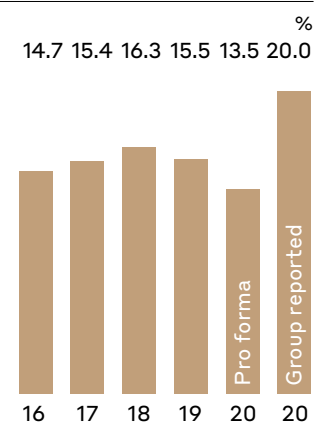
Adjusted diluted EPS was down 4% year on year at 78.7p in FY 2019/20. This reduction was due to the decline in adjusted PBT, partly offset by a reduced effective tax rate and the impact of the share buyback programme.

ADJUSTED RETAIL WHOLESALE ROIC

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

Financial ambition over time

ROIC significantly ahead of WACC.



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

KEY PERFORMANCE INDICATORS

NON-FINANCIAL MEASURES

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

OBJECTIVE	MEASURE	PERFORMANCE
EMPLOYEES		
Create an environment where all our employees are actively engaged in delivering outstanding results for the business	Employee engagement score as measured by Mercer Sirota	FY 2019/20 Performance: 75% of employees are engaged ¹
Ensure our policies, processes, practices and resources promote equal gender representation in our Leadership population	Number of women globally in Director and above roles, divided by total number of Director and above roles	FY 2019/20 Performance: women account for 53% of the Leadership population
RESPONSIBILITY		
Product		
Drive positive change through 100% of our products, by increasing demand for more sustainable raw materials and supporting our supply chain partners in going beyond social and environmental compliance, to improve resource efficiency and worker wellbeing	% of products with more than one positive attribute ²	FY 2019/20 Performance: 89% [^] of Burberry products with at least one positive attribute and 67% [^] with more than one ³
Company		
Become carbon neutral in our own operational energy use by 2022 and meet our newly approved science-based targets: • Reduce absolute Scope 1 and 2 GHG emissions 95% by 2022 from a FY 2016/17 base year • Reduce absolute Scope 3 GHG emissions 30% by 2030 from a FY 2016/17 base year	Absolute market-based CO ₂ emissions	FY 2019/20 Performance against our carbon neutral goal: 5,206,437kg [^] CO ₂ e absolute market-based emissions (86% reduction from a FY 2016/17 base year)
Communities		
Positively impact one million people ³ by supporting programmes led by The Burberry Foundation. These initiatives are focused on youth inspiration and employability, community cohesion, and social and economic empowerment in communities sustaining the luxury industry	Number of individuals positively impacted	FY 2019/20 Performance: 290,426 [^] people positively impacted (a total of 416,089 [^] since the start of the programme in FY 2017/18)

1. Employee engagement score as measured by Mercer Sirota employee engagement index. Engagement index based on completed survey responses only.
 2. Positive product attributes: we have defined key positive attributes relating to a range of social and environmental programmes, which drive improvements in the raw material and manufacturing stages of our supply chain.
 3. Positively impact people: we are supporting The Burberry Foundation and its partners in addressing key community needs within our industry's footprint. This is giving rise to different impacts, depending on geographies and community needs. Impacts are being assessed and reported at regular intervals over the course of five years.
- [^] Please see page 71 for details on external assurance.



A YEAR IN REVIEW

CREATIVELY DRIVEN



WE FIND BEAUTY IN EVERY DETAIL

PUT PASSION AND CREATIVITY INTO EVERYTHING WE DO

COMMITTED TO EXCELLENCE

CHALLENGING THE ORDINARY TO PURSUE THE EXTRAORDINARY

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





RUNWAY SHOWS

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

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

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

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

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

The creative force behind Burberry's transformation is being recognised

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

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

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

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

Strategic Pillar: Product



POP-UP SPACES

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

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

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

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

Strategic Pillar:
Distribution

INTRODUCING GAMES

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

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

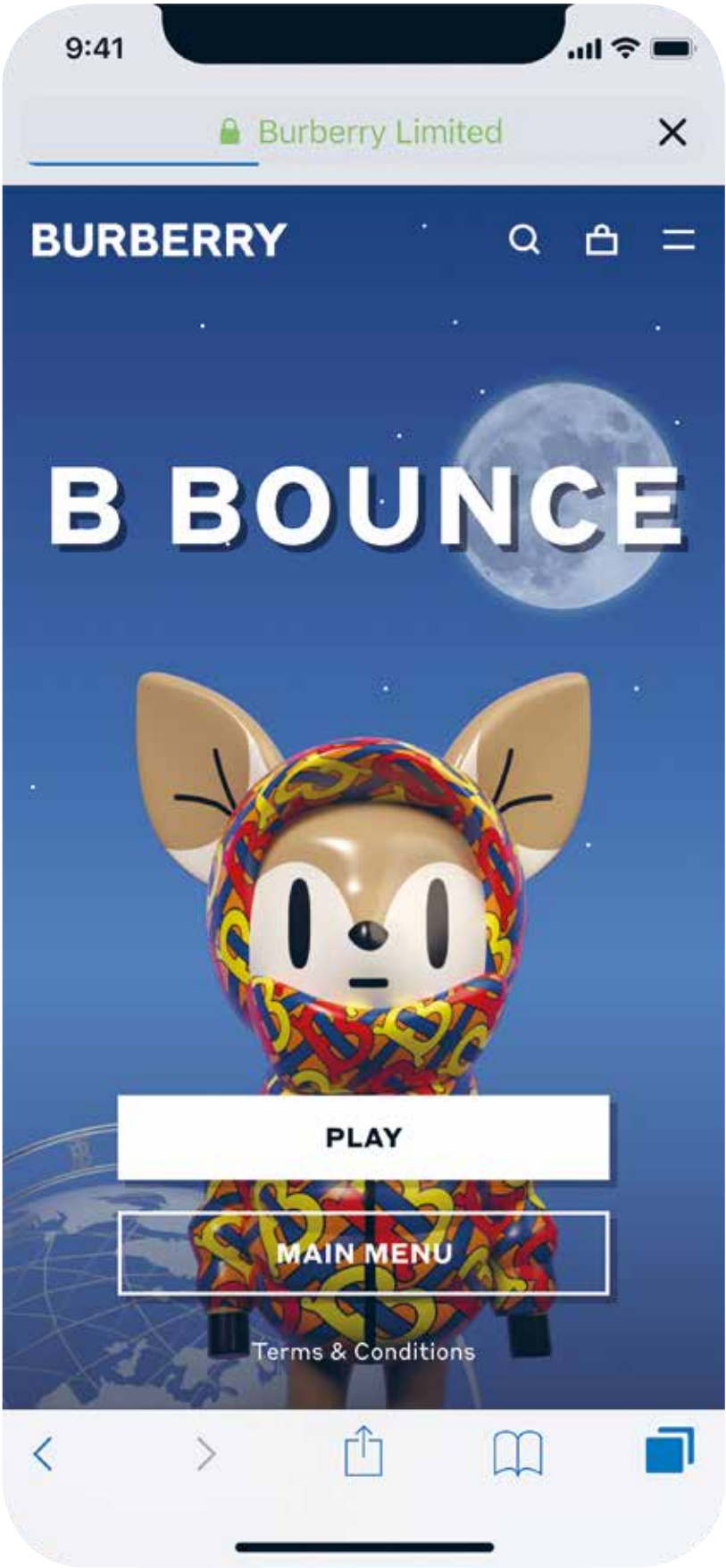
with winners awarded custom-made GIFs and virtual Burberry puffer jackets edited onto a digital picture of their choice. The first prize was a real jacket from the 2019 Burberry puffer collection.

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

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

Strategic Pillar: Digital





A YEAR IN REVIEW

OPEN AND CARING



HARNESSING STRENGTH IN DIVERSITY

UNITED TO ACHIEVE COMMON GOALS

RESPONSIBLE, GUIDED BY OUR CONSCIENCE

UPHOLDING A LEGACY OF RESPECT AND INCLUSIVITY

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





DIVERSITY AND INCLUSION

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

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

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

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

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

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

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

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

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

Strategic Pillar: Inspired People

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

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



WELLBEING

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

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

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

Strategic Pillar: Inspired People

A YEAR IN REVIEW

PROUD OF OUR HERITAGE



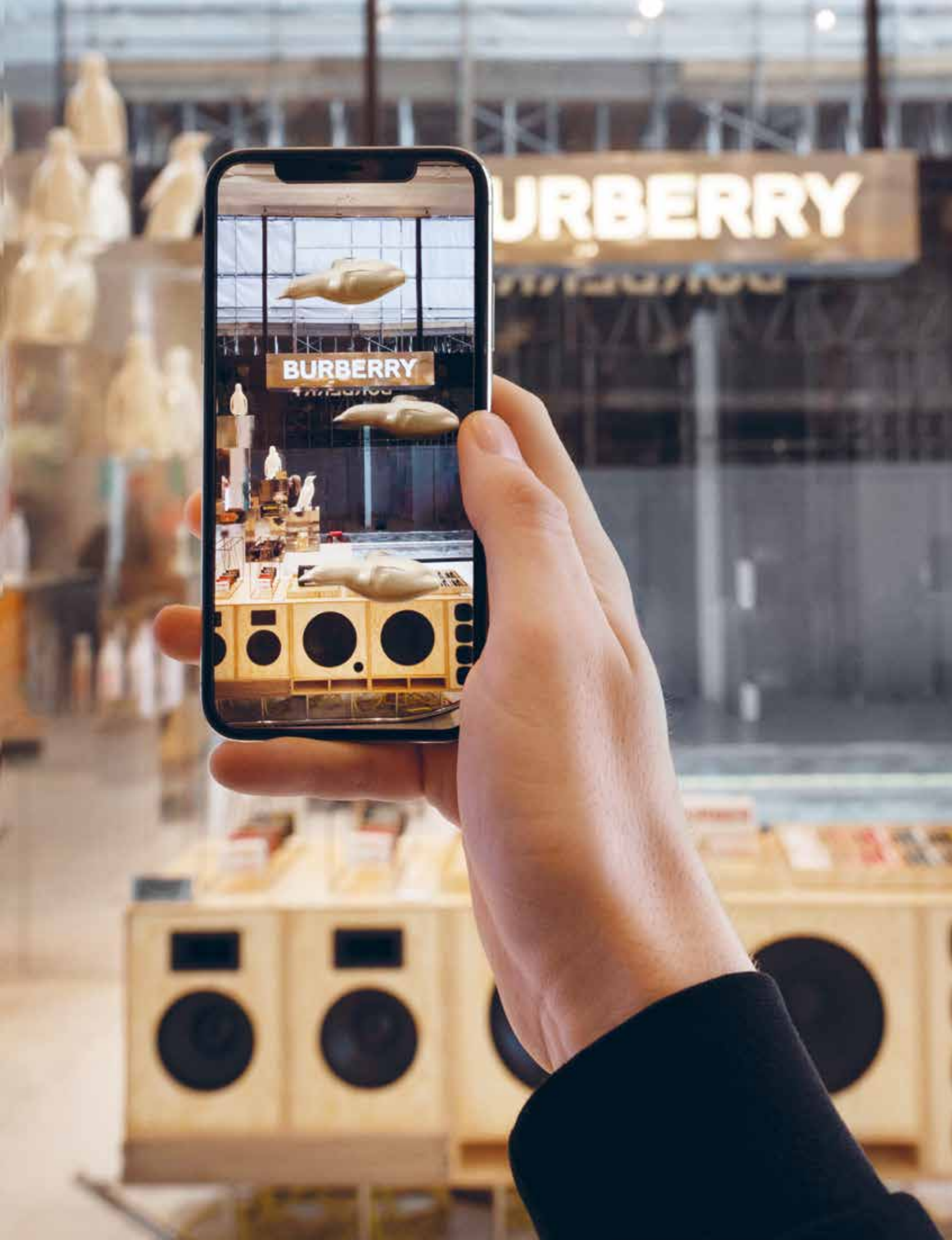
INSPIRED BY OUR PAST, AS WE CREATE OUR FUTURE

GLOBALLY MINDED, LEARNING FROM OTHERS

CHAMPIONING CONTRASTS FROM ROYALS TO REBELS

REPRESENTING BRITAIN ON THE GLOBAL STAGE

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



ADOPTING A LOCALISED CONTENT APPROACH

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

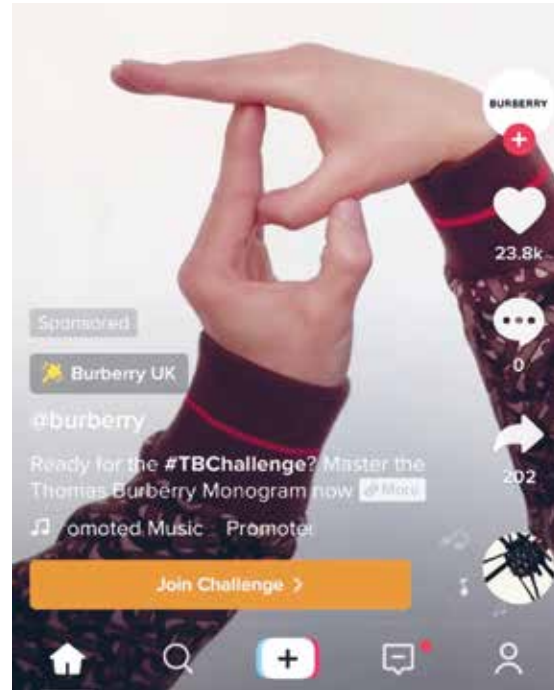
We chose Lunar New Year as an opportunity to connect with our Chinese consumers in a festive way. Brand ambassador Zhou Dongyu starred in a vivid red campaign alongside models He Cong and Liang Jiyuan. We also introduced the Ratberry game (read more on page 40) and published a WeChat content series exploring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

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

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

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

Strategic Pillar:
Communication



INSPIRED BY THE BURBERRY ARCHIVE: THE POCKET BAG

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

Strategic Pillar: Product

**TRENCH BESPOKE**

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

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

Strategic Pillar: Product

A YEAR IN REVIEW

FORWARD THINKING



AN OPEN SPACE FOR IMAGINATION

FREE TO EXPLORE, PUSH BOUNDARIES, PIONEER

UNAFRAID TO STAND OUT

OUR CREATIVITY DRIVES US FORWARD

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



AUGMENTED REALITY

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

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

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

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

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

Strategic Pillar: Digital



THE LAUNCH OF BURBERRY'S OWN MESSAGING PLATFORM

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

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

discussed in chats.

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

Strategic Pillar: Digital



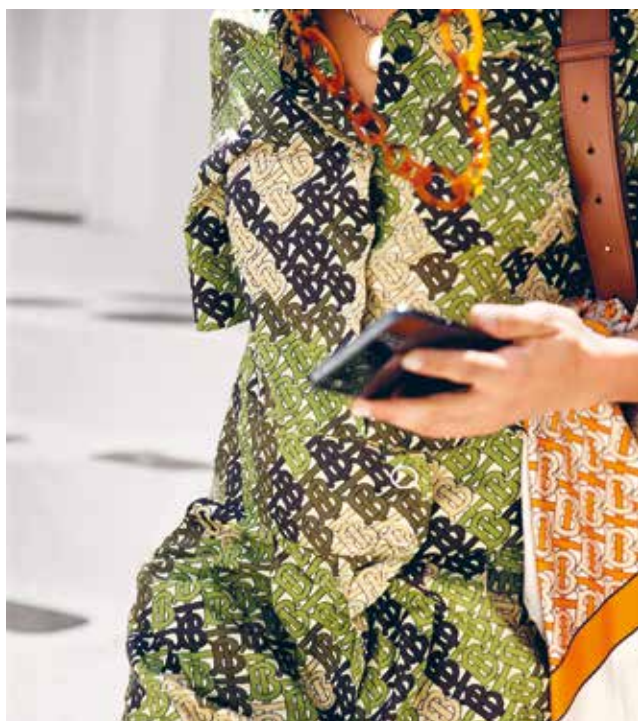
PREPARING FOR THE UK'S DEPARTURE FROM THE EUROPEAN UNION

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

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

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

Strategic Pillar:
Operational Excellence



THE FUTURE OF SOCIAL RETAIL

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

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

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

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

Strategic Pillar:
Distribution

OPERATIONAL EXCELLENCE IN A RAPIDLY CHANGING ENVIRONMENT

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

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

Strategic Pillar:
Operational Excellence

COVID-19

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

ADAPTING IN THE PANDEMIC CLIMATE

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

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

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

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

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

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

Internal ways of working

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

Our commitments

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

Bringing people together

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



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

SUPPORTING MEDICAL AND CARE WORKERS

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

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

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

SUPPORTING FOOD CHARITIES

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

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

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

SUPPORTING RESEARCH INTO A SOLUTION

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

SUPPORTING CREATIVE COMMUNITIES

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

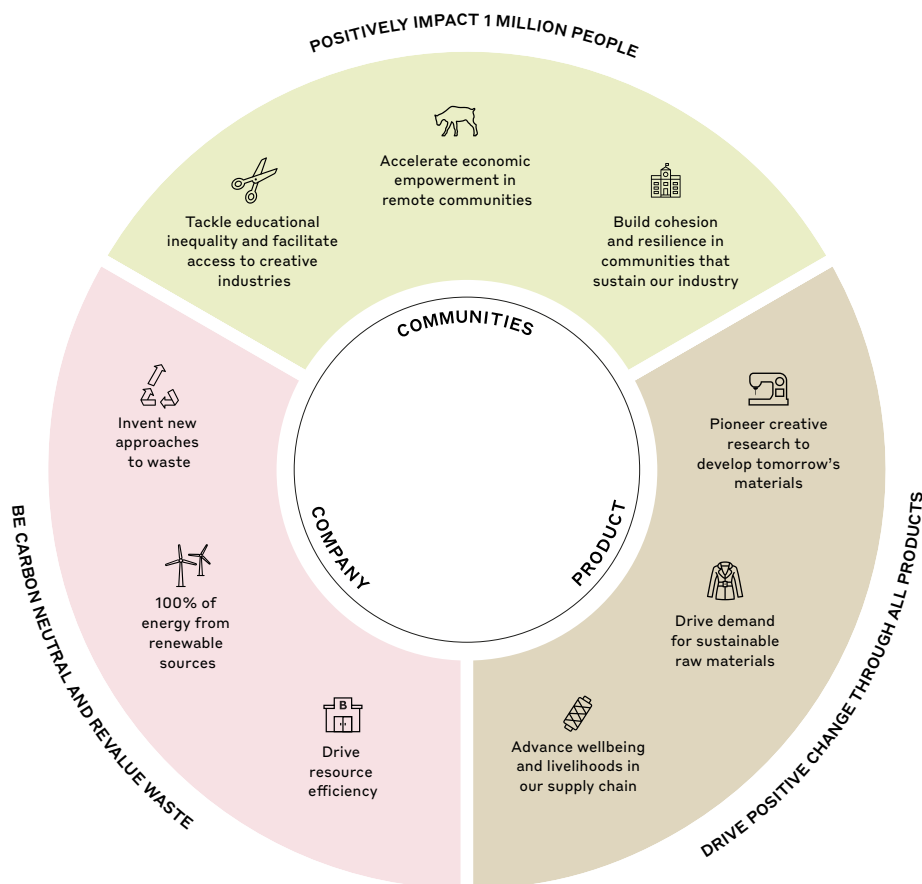
More information on COVID-19 can be found on the following pages:

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



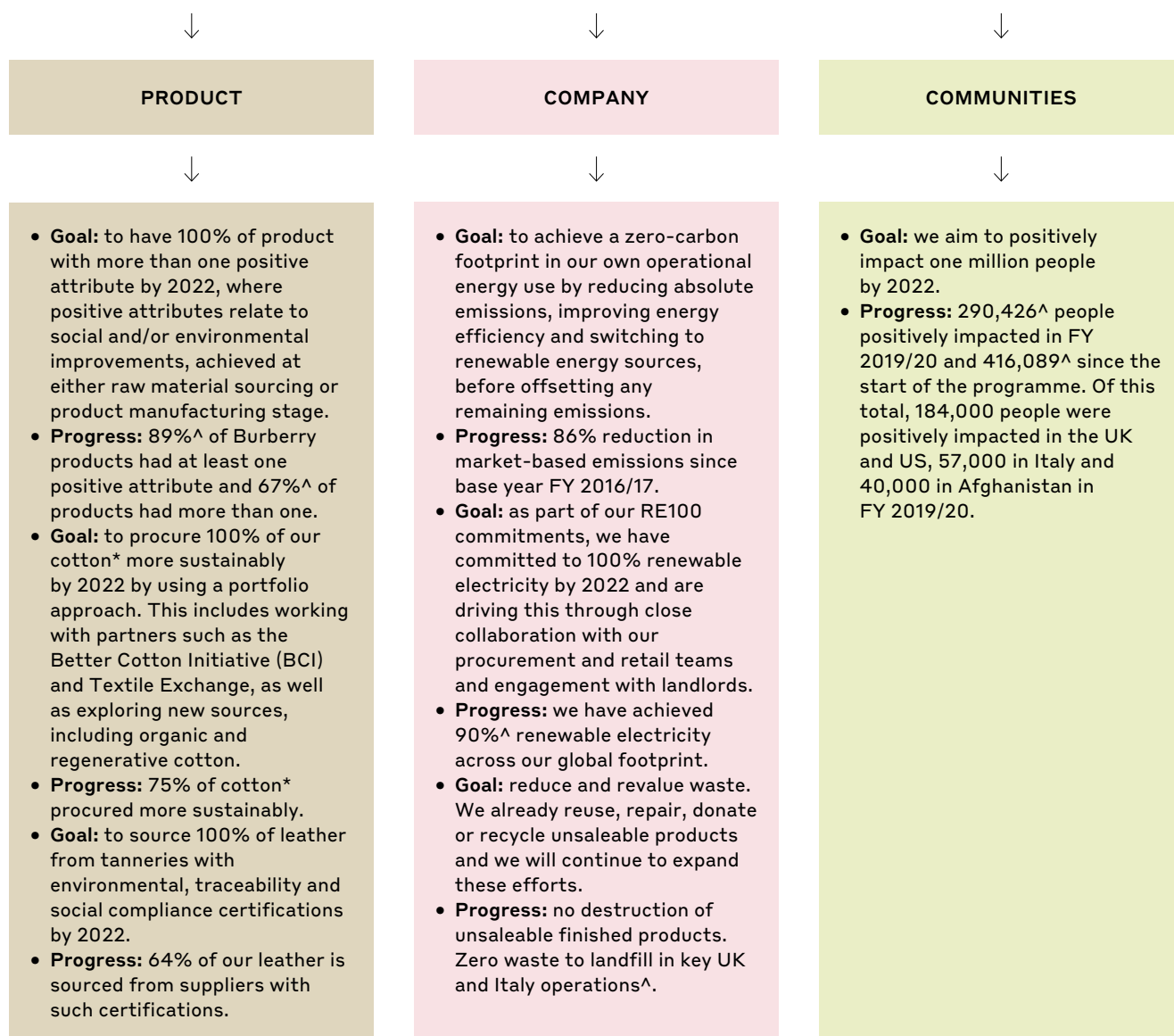
BUILDING A MORE SUSTAINABLE FUTURE

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



CREATING TOMORROW'S HERITAGE

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



^ Please see page 71 for details on external assurance.

* Where cotton is the product's main material.

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

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

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

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

PROGRESSING OUR STRATEGY

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

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

PARTNERSHIPS

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

* Where cotton is the product's main material.

OUR CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

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

RELEVANT SDGs

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

PRODUCT

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

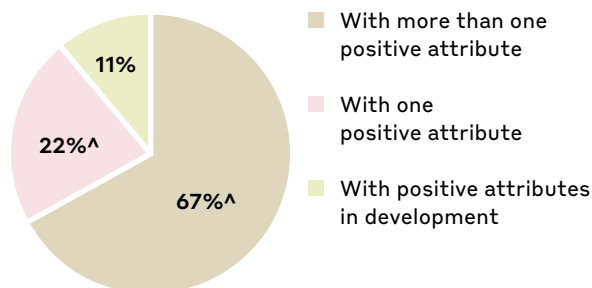
DRIVING POSITIVE CHANGE THROUGH 100% OF OUR PRODUCTS

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

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

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

% OF PRODUCTS WITH POSITIVE ATTRIBUTES



^ Please see page 71 for details on external assurance.

* Where cotton is the product's main material.

STIMULATING DEMAND FOR MORE SUSTAINABLE RAW MATERIALS

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

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

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

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

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

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

PROMOTING WORKER WELLBEING

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

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

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

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

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

MINIMISING OUR WATER FOOTPRINT

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

LEADERSHIP IN CHEMICAL MANAGEMENT

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

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

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

COMPANY

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

BECOMING CARBON NEUTRAL

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

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

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

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

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

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

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

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

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

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

REDUCING AND REVALUING WASTE

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

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

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

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

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

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

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

CONTINUING SUSTAINABLE PACKAGING INNOVATION

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

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

COMMUNITIES

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

POSITIVELY IMPACTING ONE MILLION PEOPLE BY 2022

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

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

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

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

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

FOSTERING COMMUNITY COHESION AND SUPPORTING YOUTH EMPLOYABILITY IN ITALY

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

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

SUPPORTING SOCIAL AND ECONOMIC EMPOWERMENT OF RURAL COMMUNITIES IN AFGHANISTAN

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

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



HUMAN RIGHTS STATEMENT

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

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

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

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

EXTERNAL ASSURANCE OF CORPORATE RESPONSIBILITY DISCLOSURES

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

NON-FINANCIAL INFORMATION STATEMENT

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

REPORTING REQUIREMENT	POLICIES AND STANDARDS WHICH GOVERN OUR APPROACH	INFORMATION NECESSARY TO UNDERSTAND OUR BUSINESS AND ITS IMPACT, POLICY DUE DILIGENCE AND OUTCOMES
ENVIRONMENTAL MATTERS	• Global Environmental Policy • Responsible Sourcing Policy • Chemical Management Standards • Science Based Targets • Make Fashion Circular Initiative • New Plastics Economy Global Commitment • UN Climate Change Fashion Industry Charter for Climate Action	• Responsibility goals and commitments, in particular our Product and Company goals, pages 60-61 • Responsibility section on Burberryplc.com
EMPLOYEES	• Our Culture and Values • Global Health and Safety Policy • Ethical Trading Code of Conduct • Responsible Business Principles	• Purpose, pages 14-19 • Stakeholder Engagement pages 73-83 • Gender Pay Gap Report found on Burberryplc.com • People and Responsibility sections on Burberryplc.com • Diversity and Inclusion, page 44
RESPECT FOR HUMAN RIGHTS	• Human Rights Policy • Ethical Trading Code of Conduct • Transparency in the Supply Chain and Modern Slavery Statement • Data Privacy Policy • Information and Cybersecurity Policy • Model Wellbeing Policy	• Human Rights Statement page 71 • Responsibility section on Burberryplc.com
SOCIAL MATTERS	• Responsible Business Principles • Ethical Trading Code of Conduct • Local Stakeholder Engagement Policy • Volunteering and Match Funding	• Responsibility section on Burberryplc.com
ANTI-CORRUPTION AND ANTI-BRIBERY	• Anti-Bribery and Corruption Policy • Anti-Money Laundering and Counter Terrorist Financing Policy • Fraud Risk Management Policy	• Reflecting the needs of our stakeholders, Customers, pages 76-77 • Reflecting the needs of our stakeholders, Employees, pages 74-75
ADDITIONAL DISCLOSURE		• Business Model, pages 20-21 • Key Performance Indicators, pages 32-33 • Principal Risks, page 92 • Purpose, pages 14-19 • Diversity and Inclusion, page 44

STAKEHOLDER ENGAGEMENT



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

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

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

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

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

EMPLOYEES

WHY EFFECTIVE ENGAGEMENT IS IMPORTANT

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

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

WHAT MATTERS TO EMPLOYEES

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

HOW THE COMPANY ENGAGES

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

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

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

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



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

HOW THE BOARD ENGAGES

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

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

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

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

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

CUSTOMERS

WHY EFFECTIVE ENGAGEMENT IS IMPORTANT

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

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

WHAT MATTERS TO CUSTOMERS

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

HOW THE COMPANY ENGAGES

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

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

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

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

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



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

HOW THE BOARD ENGAGES

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

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

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

SHAREHOLDERS

WHY EFFECTIVE ENGAGEMENT IS IMPORTANT

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

WHAT MATTERS TO SHAREHOLDERS

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

HOW THE COMPANY ENGAGES

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

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

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

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

HOW THE BOARD ENGAGES

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

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

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

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

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

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

COMMUNITIES

WHY EFFECTIVE ENGAGEMENT IS IMPORTANT

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

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

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

WHAT MATTERS TO COMMUNITIES

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

HOW THE COMPANY ENGAGES

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

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

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

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

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

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

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

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

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

HOW THE BOARD ENGAGES

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

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

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

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

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

PARTNERS

WHY EFFECTIVE ENGAGEMENT IS IMPORTANT

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

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

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

WHAT MATTERS TO PARTNERS

- Environmental impact of operations
- Human rights
- Sustainable sourcing

HOW THE COMPANY ENGAGES

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

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

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

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

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

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

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

HOW THE BOARD ENGAGES

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

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

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

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

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

GOVERNMENTS

WHY EFFECTIVE ENGAGEMENT IS IMPORTANT

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

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

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

WHAT MATTERS TO GOVERNMENTS

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

HOW THE COMPANY ENGAGES

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

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

HOW THE BOARD ENGAGES

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

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

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



SECTION 172 RESPONSIBILITIES

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

FINANCIAL REVIEW

REVENUE

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

PRO FORMA PROFIT MEASURES

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

REPORTED PROFIT MEASURES

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

CASH MEASURES

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

SUMMARY INCOME STATEMENT

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

* Excludes adjusting items.

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

^ EPS is presented on a diluted basis.

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

REVENUE ANALYSIS

Revenue by channel

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

RETAIL

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

Comparable store sales by region:

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

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

By product,

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

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

Store footprint:

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

WHOLESALE

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

LICENSING

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

OPERATING PROFIT ANALYSIS

Adjusted operating profit

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

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

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

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

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

Adjusting items*

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

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

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

ADJUSTING ITEMS**Adjusting items***

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

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

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

TAXATION

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

* For detail see note 9 of the Financial Statements.

TOTAL TAX CONTRIBUTION

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

Cash flow

Represented statement of cash flows

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

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

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

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

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

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

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

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

FY 2021 OUTLOOK

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

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

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

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

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

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

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

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

* Excludes the impact of pop up stores

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

* Excludes the impact of pop up stores

ALTERNATIVE PERFORMANCE MEASURES

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

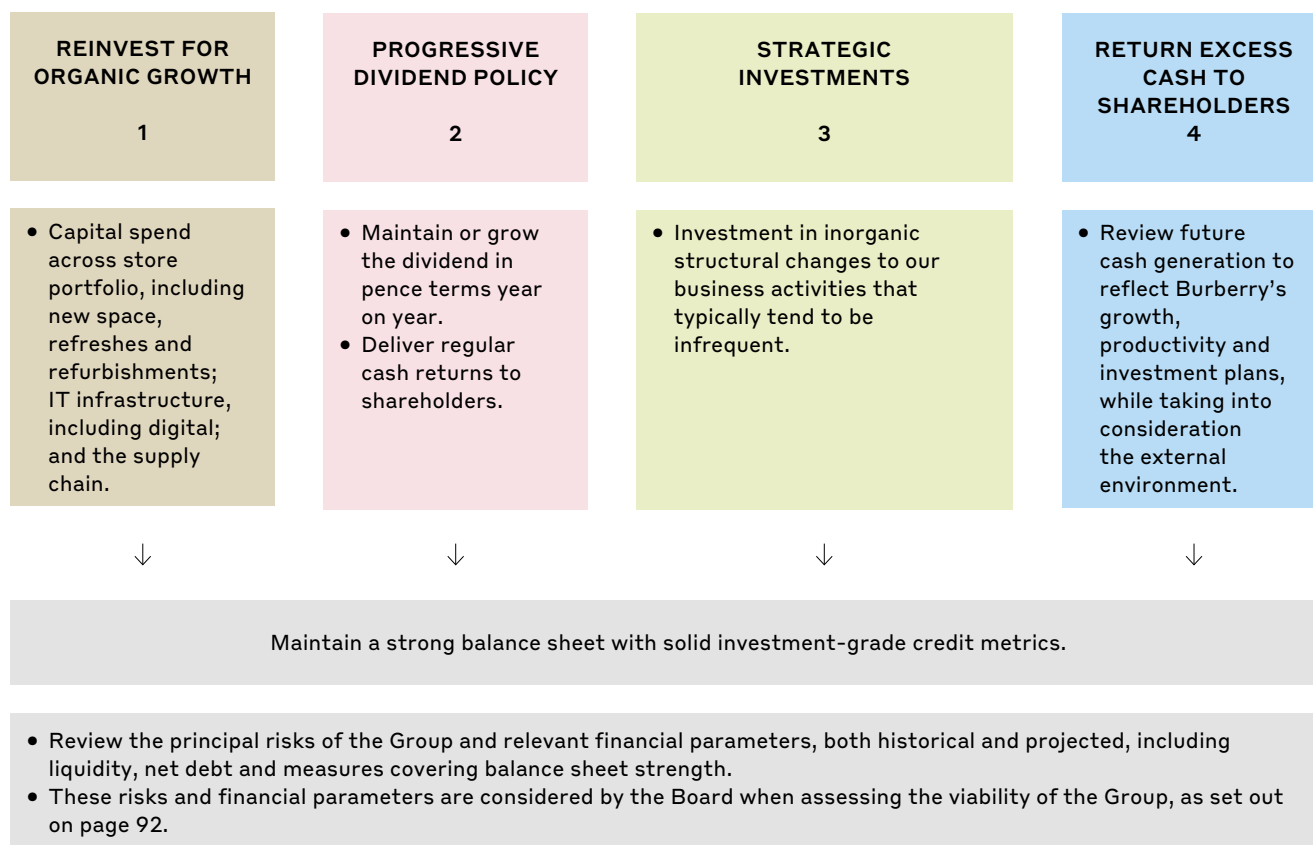
APM	DESCRIPTION AND PURPOSE	GAAP MEASURE RECONCILED TO
Pro forma results	This measure is an estimation of the results for the period when applying the previous accounting standard for leases, IAS 17 Leases. It has been included as IFRS 16 was adopted without restatement of the prior period.	Reported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

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

CAPITAL ALLOCATION FRAMEWORK

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

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



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

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

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



RISK AND VIABILITY REPORT

OUR APPROACH TO RISK

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

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

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

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

RISK APPETITE

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

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

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

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

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

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

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

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

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

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

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

EMERGING RISKS

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

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

RISK MANAGEMENT PROCESS

BOARD AND BOARD COMMITTEES

Responsible for regular oversight of risk management, annual strategic risk review, and setting the Group's risk appetite.

Monitors risks through Board processes, including regular reviews of strategy, management reports and deep dives into selected risk areas.

Audit Committee reviews effectiveness of risk management process with support from Internal Audit.



MANAGEMENT RISK COMMITTEE (CHAired BY CO&FO)

Reviews external and internal environment for emerging risks. Performs deep-dive reviews of principal risks.

Meets at least three times per year and reports key findings to the Audit Committee.

Identifies changes to principal risks and the effectiveness and adequacy of mitigating actions to achieve agreed risk tolerance levels.

Reviews risk register updates from risk owners.

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



GROUP RISK AND ASSURANCE TEAM	ETHICS COMMITTEE	FUNCTIONS AND BUSINESS RISK OWNERS	INTERNAL AUDIT AND COMPLIANCE FUNCTIONS
- Establishes risk management framework. - Identifies emerging risks, working with the Strategy team. - Facilitates risk assessments and updates to risk mitigations. - Provides resources and training to support risk management process. - Facilitates strategic risk assessment as part of the central planning process - Prepares Board and Risk Committee updates.	- Reviews and monitors ethical risks, as well as behavioural and responsibility practices across the Group. Approves policies relating to such ethical matters, including the Group's Code of Conduct. - Performs deep-dive reviews and assesses results of investigations and corrective actions. - Supports the Group in managing ethical and associated reputational risks, including overseeing awareness and training across the Group to reinforce business ethics and good practice. - Monitors whistleblower activity and Burberry Confidential.	- Carry out day-to-day risk management activities. - Identify and assess risk and implement mitigating actions. - Assign owners 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, Corporate Responsibility).

EXTERNAL RISKS

COVID-19 FURTHER IMPACT

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

Risk movement and outlook

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

Link to strategy

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

Risk tolerance

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

Examples of risks

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

Actions taken by management

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

COVID-19 FURTHER IMPACT CONTINUED

Examples of risks continued

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

Actions taken by management continued

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

MACRO-ECONOMIC AND CIVIL UNREST

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

Risk movement and outlook

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

Link to strategy

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

Risk tolerance

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

Examples of risks

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

Actions taken by management

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

UK'S WITHDRAWAL FROM THE EU

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

Risk movement and outlook

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

Link to strategy

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

Risk tolerance

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

Examples of risks

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

Actions taken by management

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

STRATEGIC RISKS

EXECUTION OF STRATEGIC PLAN

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

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

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

Risk movement and outlook

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

Link to strategy

All strategic pillars.

Risk tolerance

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

Examples of risks

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

Actions taken by management

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

IMAGE AND REPUTATION

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

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

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

Risk movement and outlook

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

Link to strategy

All strategic pillars.

Risk tolerance

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

Examples of risks

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

Actions taken by management

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

GLOBAL CHINESE CONSUMER SPENDING

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

Risk movement and outlook

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

Link to strategy

All strategic pillars.

Risk tolerance

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

Examples of risks

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

Actions taken by management

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

FOREIGN EXCHANGE

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

Risk movement and outlook

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

Link to strategy

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

Risk tolerance

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

Examples of risks

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

Actions taken by management

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

OPERATIONAL RISKS

LOSS OF DATA OR CYBERATTACK

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

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

Risk movement and outlook

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

Link to strategy

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

Risk tolerance

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

Examples of risks

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

Actions taken by management

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

PEOPLE

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

Risk movement and outlook

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

Link to strategy	Actions taken by management
Delivery of our strategy relies on our ability to engage and inspire our people to deliver outstanding results for the Group. This is accomplished through: - strengthening capabilities and enhancing our approach to talent management throughout the organisation - fostering an inclusive culture where all employees feel connected to their work - empowering and equipping leaders to lead through change - simplifying how we work to enhance operational efficiency - rewarding performance and creating a pay for performance culture - engaging employees through our ongoing commitment to corporate responsibility - driving positive change to promote sustainability across the business Risk tolerance We recognise the value and importance of successfully delivering our Inspired People strategy and therefore have a low tolerance for risk in this area. Examples of risks - Loss of critical talent/knowledge/unmanageable levels of attrition due to ongoing transition period/change fatigue and heightened by challenging business conditions. - Failure to build the right capabilities and behaviours in our leadership population. - The long-term impact of the UK's withdrawal from the EU on the Group's EU workforce. - The impact of the downturn in business performance related to a macro event such as a global health emergency.	Leadership and Culture - The Leadership Development Programme ran for its second year, with two additional cohorts going through the programme to engage and equip leaders. The programme comprises 360 feedback, coaching and a three-day event. To date, the Executive Committee, senior leadership team and 150 leaders have completed the programme. - A third global Employee Engagement Survey was carried out in July 2019, with results published in September. We saw overall engagement increase by 1%, with 87% of employees confirming that they were proud to work at Burberry. Leaders are held accountable for delivering against agreed action plans. - Leaders were equipped with regular strategy updates, including talking points and regular leaders calls aimed at the director plus population, to engage their teams on the strategic direction and build a sense of belonging to the inclusive culture at Burberry. The Engagement Survey illustrated a positive shift that 'senior leaders give employees a clear picture of the direction Burberry is headed' (from 69% in 2018 to 71% in 2019). Talent and Careers - The identification of all critical roles was completed across the business and succession planning for all Executive Committee, Senior Leadership and key creative and commercial roles was carried out. - A framework for talent management was defined and presented to the Board of Directors; a new VP of Talent joined the organisation and will help embed the evolution of our talent management approach. - Inclusive Leadership training was delivered to 90% of all people leaders, including Retail Managers at Retail Conferences, and is now being offered as a part of our regular learning curriculum. - A recruitment toolkit and accompanying training was rolled out for all hiring managers, ensuring that we get diverse and representative talent with the right organisational fit in a fair and consistent manner.

PEOPLE CONTINUED

Examples of risks continued

Actions taken by management continued

Reward & Recognition

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

Diversity and Inclusion and Employee Relations

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

Wellbeing

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

IT OPERATIONS

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

Risk movement and outlook

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

Link to strategy

All strategic pillars.

Risk tolerance

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

Examples of risks

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

Actions taken by management

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

BUSINESS INTERRUPTION

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

Risk movement and outlook

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

Link to strategy

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

Risk tolerance

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

Examples of risks

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

Actions taken by management

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

COMPLIANCE RISKS

REGULATORY RISK AND ETHICAL/ENVIRONMENTAL STANDARDS

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

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

Risk movement and outlook

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

Link to strategy

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

Risk tolerance

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

Examples of risks

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

Actions taken by management

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

INTELLECTUAL PROPERTY AND BRAND PROTECTION

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

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

Risk movement and outlook

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

Link to strategy

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

Risk tolerance

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

Examples of risks

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

Actions taken by management

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

CLIMATE CHANGE RISKS

CLIMATE CHANGE

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

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

Risk movement and outlook

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

Link to strategy

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

Risk tolerance

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

Examples of risks

Physical risks

Acute

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

Chronic

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

Actions taken by management

Physical Risks

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

CLIMATE CHANGE CONTINUED

Examples of risks continued

Transitional Risks

Policy and Legal

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

Market

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

Technology

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

Reputation

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

Actions taken by management continued

Transitional Risks

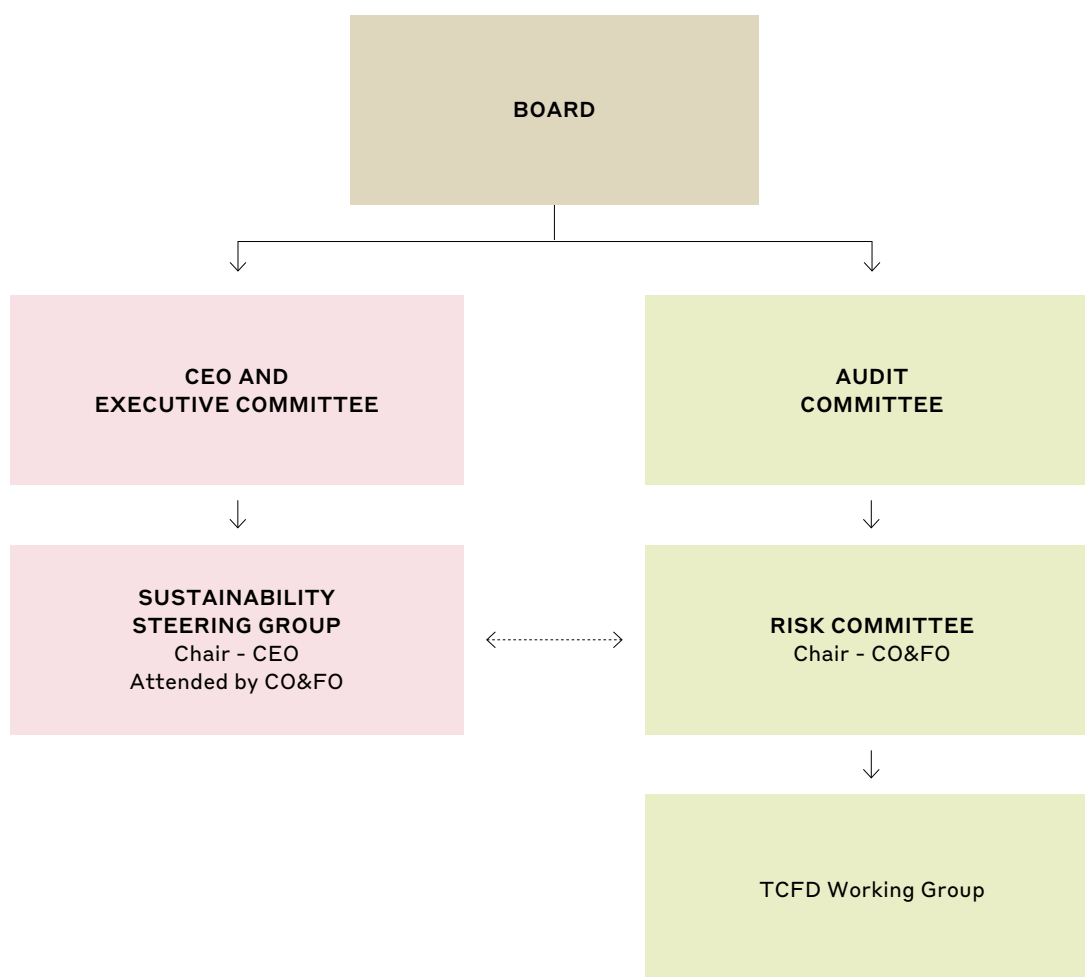
- Through our memberships with various industry bodies, associations (for example, The Climate Group) and external assurance partners, we contribute to consultations and are kept informed of upcoming environmental legislative changes.
- Environmental sustainability matters are reported to the Sustainability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

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

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

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

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



GOVERNANCE

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

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

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

STRATEGY

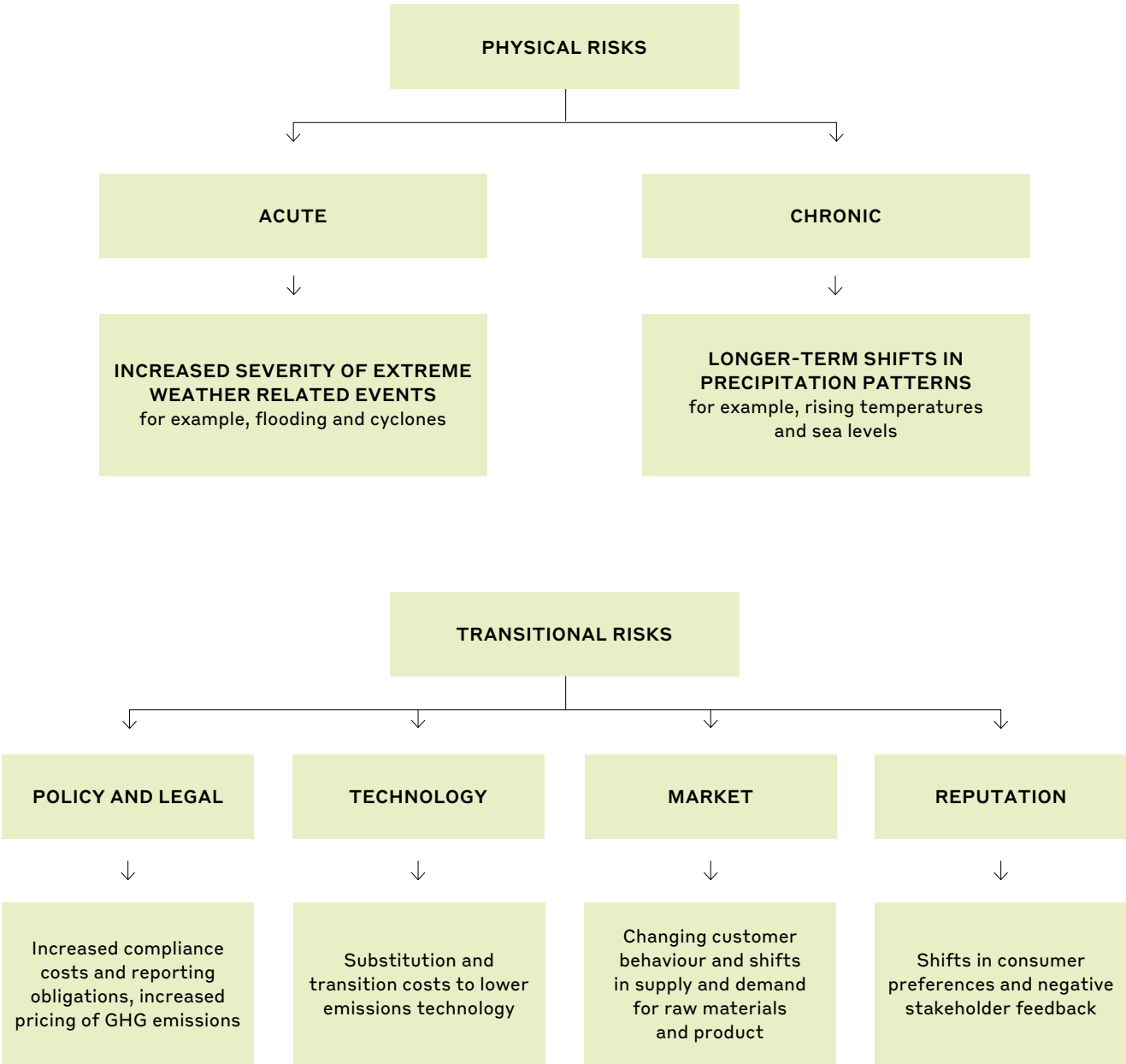
Building on the scenario analysis undertaken in FY 2018/19 regarding forecasted climate-change impacts to 2040, this year the Group strategy team initiated a review of our broader sustainability commitment and identified key priorities and areas of risk that require increased focus. The key risks that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

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

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

RISK MANAGEMENT

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



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

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

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

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

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

METRICS AND TARGETS

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

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

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

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

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

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

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

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

RISK MANAGEMENT ACTIVITIES IN FY 2019/20

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

IDENTIFICATION OF RISKS

Monitoring of risks

We identify and review risk through two processes:

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

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

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

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

Emerging risks

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

Strategic risk

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

Risk appetite

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

MANAGEMENT ACTIONS AND DEEP DIVES

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

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

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

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

OUR VIABILITY STATEMENT

CORPORATE PLANNING PROCESS

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

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

ASSESSMENT OF PROSPECTS AND IMPACT OF COVID-19

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

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

- **Brand:** A strong luxury positioning will be paramount during this period. Burberry will continue to strengthen its luxury positioning including prioritising investment in inspiration. In this environment, consumers are likely to become increasingly discerning in their purchases, orientating towards strong brands, and the market performance is likely to polarise further between luxury and mass and accessible fashion. Diminished demand is also likely to increase competition and reinforce the importance of investing in brand and inspiration.
- **Localisation:** It is likely the COVID-19 outbreak will result in reduced travel and disparate economic growth by region. This makes a localised approach more important. In line with this, we have adopted tailored and bespoke localised plans to ensure we optimise revenue opportunities in all markets.
- **Direct to Consumer and Digital:** The COVID-19 crisis is likely to have a continuing impact on luxury distribution throughout 2020. With wholesale facing significant short-term challenges, the crisis has demonstrated the importance of a direct to consumer approach, particularly digital. In this respect Burberry is well positioned. In FY 2020, we generated 80% of our sales through the retail channel and we continue to be a leader in digital.
- **Product, inventory and supply chain:** In the short term, we expect a greater consumer shift towards leather goods offering, casualwear and entry price points. Again Burberry is well positioned in this respect having transformed its product offer including its leather goods assortment over the last year. We are also increasing our supply chain agility and amending our seasonal calendar to optimise sell through of our current and future collections.
- **Balance sheet and liquidity:** Managing the COVID-19 crisis will require very tight control of cost and cash management. We have prepared cost and cash mitigation plans. Our objective is to manage the business efficiently and flexibly, maintaining control and preserving the long term value of the Burberry brand whilst ensuring we secure the financial headroom required to fuel growth as market opportunities present.

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

VIABILITY ASSESSMENT APPROACH

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

BASIS OF ASSESSMENT

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

SCENARIOS

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

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

The reverse stress test includes the following:

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

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

FUNDING

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

CONCLUSION

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

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

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

MARCO GOBBETTI
Chief Executive Officer



CORPORATE GOVERNANCE STATEMENT

122	Chairman's Introduction
124	Board of Directors
128	Executive Committee
129	Corporate Governance Report
143	Report of the Audit Committee
148	Report of the Nomination Committee
151	Directors' Remuneration Report
186	Directors' Report



GERRY MURPHY
Chairman

CHAIRMAN'S INTRODUCTION

DEAR SHAREHOLDER,

On behalf of the Board I'm pleased to present the Corporate Governance Report for the year ended 28 March 2020. This report describes Burberry's Corporate Governance structures and procedures, as well as summarising the work of the Board and its Committees to illustrate how we have discharged our responsibilities this year.

The Board is collectively responsible for how Burberry is directed and controlled. Its responsibilities include: promoting Burberry's long-term success; setting its strategic aims and values; supporting the leadership to put them into effect; supervising and constructively challenging the leadership on the operational running of the business; ensuring a framework of prudent and effective controls; and reporting to shareholders on the Board's stewardship.

As Chairman, I am responsible for leading and ensuring an effective Board. It has been an important year for the Board, we have been implementing the new requirements of the 2018 Corporate Governance Code (the Code) including those relating to communication between the Board and the Company's stakeholders. During FY 2019/20, Board members attended two Global Workforce Advisory Forum meetings, consulted with shareholders on our new Remuneration Policy and, in the closing months following the outbreak of the COVID-19 pandemic, partnered closely with management to safeguard our employees, customers, communities and our business to ensure Burberry is in the best possible place to move forward once the pandemic has abated. The Board recognises its duties and responsibilities to our shareholders and other stakeholders, including the communities in which we operate, and I believe our response to COVID-19 demonstrates this. Further details of how the Board takes account of shareholder and wider stakeholder interests in its strategic planning and decision-making processes are set out on pages 73 to 83.

The year under review was the first for which the Code applied to Burberry and I can confirm that during FY 2019/20 the Company complied with the requirements of the Code with the exception of Provision 38 to align Executive Directors' pension payments with the wider workforce. This will be addressed as set out in the Directors' Remuneration Report on page 153.

ESTABLISHING BURBERRY'S PURPOSE AND VALUES

As explained earlier on pages 15 to 19 this year we have undertaken an extensive and inclusive project to re-articulate Burberry's purpose. The Board was fully engaged in this exercise, participating in planning discussions, meeting members of the working group at an immersive experience workshop and considering and contributing to the final output. We believe our new purpose line "Creativity Opens Spaces" and the supporting values clarifies what Burberry has always been and will help guide our future decisions and behaviours. Grounded in the words and beliefs of our founder, we are confident that the inclusive approach to its selection will help it stand the test of time.

BOARD CHANGES DURING FY 2019/20

Board succession planning has been an important area of focus during FY 2019/20. In July 2019, Ian Carter and Stephanie George retired from the Board following the conclusion of our 2019 Annual General Meeting. Ian and Stephanie were much valued colleagues and we wish them well for the future. Following a recruitment process led by the Nomination Committee, we appointed Debra Lee and Sam Fischer to join the Board on 1 October 2019 and 1 November 2019, respectively. As I wrote in my Chairman's letter, Debra and Sam bring our Board new perspectives and experiences, which will add to our deliberations in the years ahead.

BOARD EFFECTIVENESS

The Board undertook an internal review of its effectiveness during the year. The process undertaken and the findings of the review can be found on page 136 together with an update on our progress in addressing the actions identified following the FY 2018/19 review.

With the expectation that the year ahead will continue to be impacted by challenging external factors, the Board will continue to work with management to deliver on our strategic goals while ensuring that we continue to safeguard our business and the wellbeing of our employees, customers, partners and communities.

GERRY MURPHY

Chairman

BOARD OF DIRECTORS

As a Board we have collective responsibility for the long-term success of Burberry and are accountable to Burberry's stakeholders.

KEY

○ Chair

R Remuneration Committee

N Nomination Committee

A Audit Committee

DR GERRY MURPHY (64)
Chairman



Appointed:
17 May 2018
Nationality: Irish
Committees: (N)

Experience

Gerry was appointed Chairman at the AGM on 12 July 2018. He has been Chairman of Tate & Lyle plc since 2017. From 2008 to 2019, Gerry undertook a number of roles at the principal European entity of The Blackstone Group, including serving as Chairman (2009-2019) and as a partner in the firm's private equity investment unit (2008-2017). From 2003 to 2008, Gerry was CEO of Kingfisher plc. He was also previously CEO of Carlton Communications plc (now ITV) from 2000 to 2003, Exel plc from 1995 to 2000, Greencore Group plc from 1991 to 1995 and spent his earlier career with Grand Metropolitan plc (now Diageo plc). Gerry has served as a Non-Executive Director on the Boards of British American Tobacco plc from 2009 to 2017, Merlin Entertainments plc from 2009 to 2015, Reckitt Benckiser plc from 2005 to 2008, Abbey National plc in 2004 and Novar plc from 1997 to 2003.

Key Skills

Gerry brings to the Board experience of managing business transformations and has substantial international business and senior management experience. His in-depth understanding of UK corporate governance requirements and his extensive experience in the retail sector provides the Board with highly relevant and valuable leadership as Burberry continues to focus on delivering long-term sustainable value for all our stakeholders.

MARCO GOBBETTI (61)
Chief Executive Officer



Appointed:
5 July 2017
Nationality: Italian

Experience

Marco joined Burberry from the French luxury leather group Céline, where he was Chairman and CEO from 2008 to 2016. Marco has previously served as Chairman and CEO of Givenchy and was CEO of Moschino from 1993 to 2004. In his early career Marco worked as Marketing and Sales Director at Bottega Veneta, before joining luxury leather specialist Valestra as Managing Director.

Key Skills

Marco has spent more than two decades working in a variety of executive positions for prestigious international fashion brands, with a focus on leather goods. He has an outstanding track record of delivering growth in the luxury industry and has a clear vision for the luxury sector and how it will evolve. Whilst working at Céline, he revamped the entire product offering and significantly increased profits. His extensive understanding of international brand transformation and retail execution is highly relevant to Burberry as we continue to re-energise the brand, drive forward with our strategy and strive for long-term growth in the rapidly changing environment in which we operate.

**JULIE
BROWN (58)**
Chief Operating and
Financial Officer

Appointed:
18 January 2017
Nationality: British



Experience

Julie joined Burberry from Smith & Nephew where she was the Group CFO from 2013-2017. Prior to this, she was Interim Group CFO of AstraZeneca after serving 25 years with AstraZeneca, working in three continents. In Julie's earlier career with AstraZeneca, she held a number of positions covering Group and Business Finance, together with Strategy and Commercial positions, including time as a Regional and Country head. She gained extensive M&A and transformational experience through the merger between Astra and Zeneca and her role in Smith & Nephew. Julie is also a Non-Executive Director and Audit Chair of Roche Holding Limited and on the Business Advisory Board to the Mayor of London. She is a Fellow of the Institute of Chartered Accountancy and the Institute of Tax, after qualifying with KPMG.

Key Skills

Julie has spent over 8 years in CFO positions in the FTSE 100 and has a strong track record of leading change and supporting businesses through her significant experience in financial, commercial and strategic roles. Her extensive experience in leading change and delivering shareholder value through major transformational programmes will be valuable to Burberry as we progress to the next phase of our Strategy.

**FABIOLA
ARREDONDO (53)**
Independent Non-
Executive Director

Appointed:
10 March 2015
Nationality: American
Committees: R N



Experience

Fabiola is currently the Managing Partner of Siempre Holdings, a private investment firm based in the US. She is also a Non-Executive Director at Campbell Soup Company and Fair Isaac Corporation which are both listed on the NYSE. Fabiola is also currently a National Council Member of the World Wildlife Fund and Member of the Council on Foreign Relations. She has previously served as a Non-Executive Director at FTSE 100 companies Experian plc and BOC Group plc (now Linde Group), Saks Incorporated (now Hudson's Bay Company) and Ixos 35 company Bankinter S.A. She has also held Non-Executive Directorships at National Public Radio, Rodale Inc., Intelsat Inc., Sesame Workshop and the World Wildlife Fund UK and US. Fabiola also held senior operating roles at Yahoo! Inc, the BBC and Bertelsmann AG.

Key Skills

Fabiola built and led a major division of Yahoo! Inc and brings directly relevant international strategic and operational experience in the internet and media sectors. Through her deep engagement at the World Wildlife Fund, Fabiola also has considerable experience of overseeing sustainability initiatives. Her digital and consumer background, coupled with her extensive international Non-Executive Directorship experience makes Fabiola an important member of the Board.

**JEREMY
DARROCH (57)**
Senior Independent
Director

Appointed:
5 February 2014
Nationality: British
Committees: A N



Experience

Jeremy is Group CEO of Sky, having joined the company as CFO in 2004. Prior to this, Jeremy was Group Finance Director of DSG International plc (formerly Dixons Group plc) and spent 12 years at Procter & Gamble in a variety of roles in the UK and Europe. From 2006 to 2013, Jeremy served as a Non-Executive Director and Chairman of the Audit Committee of Marks and Spencer Group plc.

Key Skills

Jeremy has considerable expertise in the consumer retail environment built up over a successful career at some of the UK's most high-profile companies. As Group CEO of Sky, he has transformed the business into Europe's leading entertainment company, which now operates in seven different markets. His proven track record of driving business performance and delivering shareholder value makes him a valuable member of the Board.

BOARD OF DIRECTORS CONTINUED

RON FRASCH (71)
Independent Non-Executive Director



Appointed:
1 September 2017
Nationality: American
Committees: A R N

Experience

Ron is currently CEO of Ron Frascch Associates LLC. He is also a Non-Executive Director of Crocs Inc. and Aztech Mountain. From 2004 to 2007, Ron served as Vice Chairman of Saks Fifth Avenue Inc. and from 2007 to 2013 he was President, with responsibility for fashion buying, merchandise planning, store planning, stores and visual. Prior to Saks, Ron spent four years as President and CEO of Bergdorf Goodman. He has also served as President of the Americas for an Italian licensing company of luxury fashion brands.

Key Skills

Ron has spent over 30 years working in the retail industry. He has clear strategic acumen, strong leadership skills and wide-ranging experience of working with luxury fashion brands. Whilst working at Saks he was the instrumental driving force behind developing the company's private-label collections. Ron's wealth of fashion experience and his well-established merchandising skills will continue to play a pivotal role as Burberry continues to grow and we strengthen our performance in the luxury fashion market.

MATTHEW KEY (57)
Independent Non-Executive Director



Appointed:
1 September 2013
Nationality: British
Committees: A R N

Experience

Matthew is currently a Non-Executive Director of BT Group plc and a Member of BT's Audit and Risk Committee and Nominating and Governance Committee. Matthew served as a member of the advisory Board of Samsung Europe between 2015 and 2017. Between 2007 to 2014, he held various positions at Telefonica, including Chairman and CEO of Telefonica Europe plc, and Chairman and CEO of Telefonica Digital, the global innovation arm of Telefonica. In his early career he held various financial positions at Grand Metropolitan plc, Kingfisher plc, Coca-Cola and Schweppes.

Key Skills

Matthew has significant strategic, regulatory and operational experience in the e-commerce and technology sectors. He brings to the Board significant experience of managing dynamic and fast-moving international companies and has an extensive understanding of the consumer market. Matthew's significant financial experience remains important to the Board, as reflected in his appointment as Chair of the Audit Committee.

DAME CAROLYN MCCALL (58)
Independent Non-Executive Director



Appointed:
1 September 2014
Nationality: British
Committees: A N

Experience

Carolyn joined ITV plc in 2018 as CEO. From 2010 to 2017 she was CEO of easyJet plc and held a number of roles at the Guardian Media Group plc, including CEO from 2006 to 2010. She has also previously served as a Non-Executive Director of Lloyds TSB, Tesco plc and New Look Group plc. In 2008, Carolyn was awarded an OBE for her services to women in business and in 2016 a damehood for her services to the aviation industry.

Key Skills

Carolyn has an impressive track record in media and is known for her experience of running international businesses. While at easyJet plc Carolyn transformed the company into one of the biggest airlines in Europe. Carolyn's clear strategic acumen and strong track record of driving operational excellence and managing change makes her an important member of the Board as Burberry strives to deliver long-term sustainable value for all our stakeholders.

**ORNA
NÍCHIONNA (64)**
Independent Non-
Executive Director



Appointed:
3 January 2018
Nationality: Irish
Committees: R N

Experience

Orna is currently Senior Independent Director at Saga plc, Deputy Chairman at the National Trust and Chair of Founders Intelligence. She has previously served on the Boards of Bupa, HMV, Northern Foods and Bank of Ireland UK and until recently was Senior Independent Director and Chair of the Remuneration Committee at Royal Mail plc. In addition, Orna spent 18 years at McKinsey & Company, where she co-led their European Retail Practice and has been an advisor to Apax Partners LLP.

Key Skills

Orna has strong UK plc and international business experience, especially in the consumer and retail markets. She also brings to the Board significant financial, strategic and governance experience. Orna is a committed environmentalist and was Chair of the Soil Association (which campaigns for organic food and farming) for six years. Her passion for the environment will be an asset to Burberry as we continue to drive positive change and build a more sustainable future through our ongoing Responsibility Agenda.

DEBRA LEE (65)
Independent
Non-Executive
Director



Appointed:
1 October 2019
Nationality: American
Committees: A N

Experience

Debra, CEO and founder of Leading Women Defined, Inc., is currently a Non-Executive Director at AT&T, Inc. and a Non-Executive Director and member of the Nominating and Corporate Governance Committees at Marriott International, Inc. From 2006 to 2018, Debra served as Chairman and Chief Executive Officer at Black Entertainment Television LLC, a division of Viacom, Inc. Debra also served as a Non-Executive Director of Twitter, Inc. from May 2016 to July 2019.

Key Skills

Debra is one of the most influential female voices in the entertainment industry and has a great understanding of the American consumer and culture. She served as the Chairman and CEO of BET Networks, the leading provider of entertainment for the African-American audience and consumers of black culture globally.

SAM FISCHER (52)
Independent
Non-Executive
Director



Appointed:
1 November 2019
Nationality: Australian
Committees: R N

Experience

Sam is currently President, Greater China and Asia Pacific at Diageo plc and is also a member of its Global Executive Committee. Since joining Diageo in 2007, Sam has held several senior roles including Managing Director of Greater China and Managing Director for South East Asia. Prior to Diageo, Sam held a number of commercial and general management roles at Colgate-Palmolive between 1991 and 2006, culminating in a role as Managing Director of Central Europe.

Key Skills

Sam has first-hand knowledge of leading iconic heritage premium brands, which will be a huge asset to Burberry as we grow our business in key Asian markets.

Directors serving for part of FY 2019/20

Ian Carter and Stephanie George stepped down from the Board on 17 July 2019.

EXECUTIVE COMMITTEE



**MARCO
GOBBETTI**
Chief Executive
Officer



**JÉRÔME LE
BLEIS**
Chief Supply
Chain Officer



JULIE BROWN
Chief Operating
and Financial
Officer



**JUDY
COLLINSON**
Chief
Merchandising
Officer



EDWARD RASH
General Counsel



**MARCO
GENTILE**
President of
Europe, Middle
East, India and
Africa



ERICA BOURNE
Chief People
Officer



**MARK
McCLENNON**
Chief
Information
Officer



GAVIN HAIG
Chief
Commercial
Officer



ROD MANLEY
Chief Marketing
Officer



**GIANLUCA
FLORE**
President of
Americas and
Global Retail
Excellence

Jérôme Le Bleis joined the Executive Committee on 6 January 2020.
Edward Rash joined the Executive Committee on 1 October 2019.
Mark McCleNNon joined the Executive Committee on
1 October 2019.

Roberto Canevari, Chief Supply Chain Officer, was a member of the
Executive Committee until the end of June 2019.

CORPORATE GOVERNANCE REPORT

Maintaining high standards of corporate governance is instrumental to Burberry's success.

The 2018 UK Corporate Governance Code (the Code) sets out the framework of governance for premium listed companies within the UK. The Code is published by the Financial Reporting Council (FRC) and can be found on its website www.frc.org.uk. It enhances governance practices in relation to board leadership and company purpose, division of responsibilities, composition, succession and evaluation, audit, risk and internal control and remuneration. As a premium listed company, we describe in the Annual Report Burberry's corporate governance from two points of view: the first dealing generally with the application of the Code's main principles, and the second dealing specifically with non-compliance with any of the Code's provisions.

Together with the Directors' Remuneration Report on pages 151 to 185, this report sets out the Board's approach to governance and the work undertaken during FY 2019/20 which was the first year for which the Code applied to Burberry. We have complied with the provisions of the Code during FY 2019/20 with the exception of Provision 38 to align Executive Directors' pension payments with the wider workforce. This will be addressed as set out in the Directors' Remuneration Report on page 153. Further information on how the Company has applied the principles of the Code is set out in this Corporate Governance Report.

STAKEHOLDER ENGAGEMENT

The Code introduced an increased emphasis on stakeholder engagement and in particular engagement between the Board and the workforce. As a result of this, the Burberry Global Workforce Advisory Forum was established in order to enhance the existing methods of communication between the Board and employees. Its members are drawn from around the world and represent all areas of the business at various levels of seniority. Board members attended two meetings with the Global Workforce Advisory Forum during FY 2019/20. At the inaugural meeting, forum members were asked to consider what the employees they represent would want the Board to know and conversely what questions the employees they represent would want to ask the Board. The second meeting was focused on remuneration topics as described in the Directors' Remuneration Report.

Discussions at both meetings were open and the feedback received was candid and informative. Additional information as to how the feedback has informed our decisions is included in the Directors' Remuneration Report on pages 151 to 185.

Information regarding how the Board engages with all our stakeholders is set out on pages 73-83.

OUR BOARD AND BOARD COMMITTEES

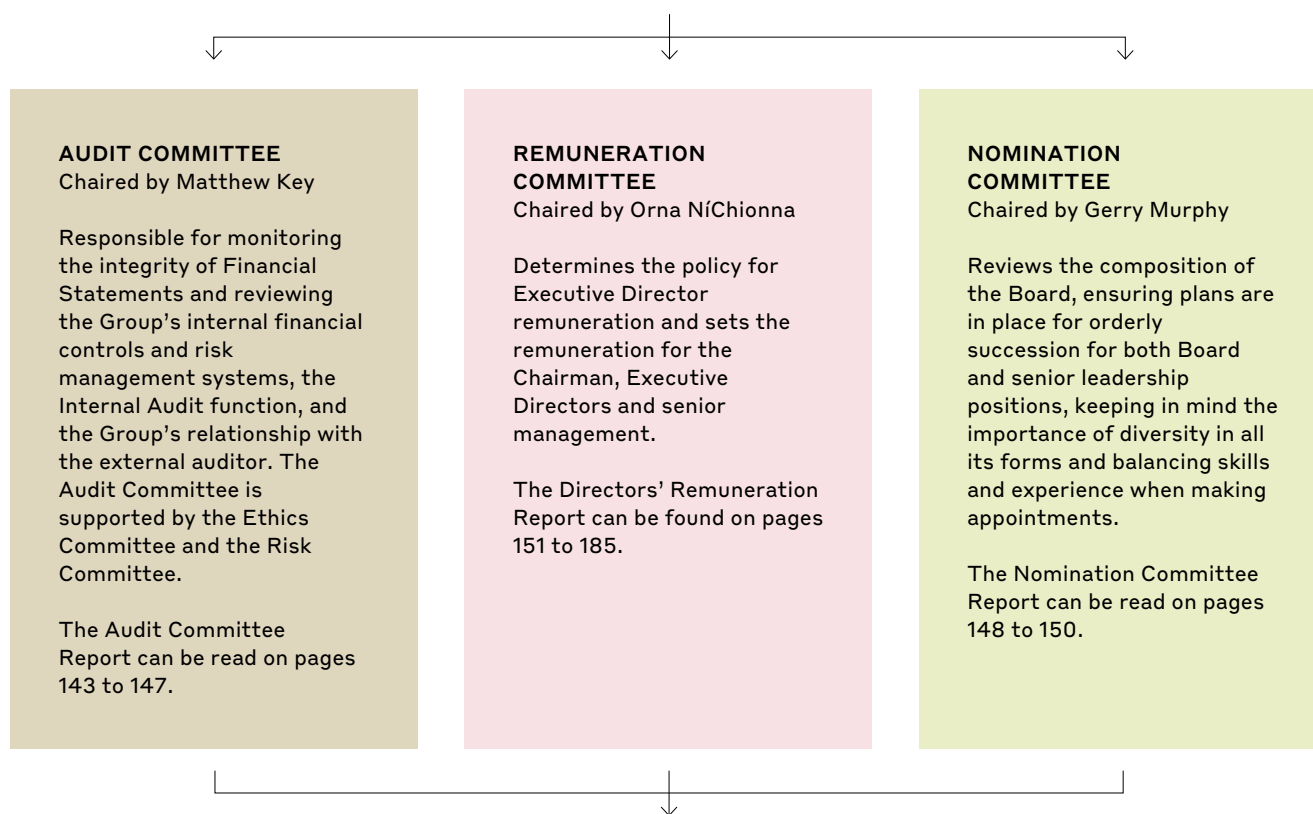
It is the responsibility of the Board to support management in its strategic aims, which are to enable the Company to continue to perform successfully and sustainably for our shareholders and wider stakeholders. The Board is supported in its activities by the Audit Committee, the Nomination Committee and the Remuneration Committee. The terms of reference for each of these Committees can be viewed in the Corporate Governance section of Burberryplc.com. The table on page 130 demonstrates our governance structure.

The Committees may engage third-party consultants and independent professional advisors. They may also call upon other Group resources to assist them in discharging their respective responsibilities. In addition to the Committee members and the Company Secretary, external advisors and, on occasion, other Directors and members of our senior management team attend Committee meetings at the invitation of the Chair of the relevant Committee.

BOARD

The Board is responsible for promoting Burberry's long-term success. This is achieved through effective governance and keeping the interests of stakeholders at the fore when making decisions. The Board provides leadership by establishing the Group's purpose and values and setting the Group's strategy, ensuring alignment with our culture and overseeing its implementation by management.

The Board is also responsible for oversight of the Group's governance, internal control and risk management, including the Group's risk appetite. A full schedule of matters reserved for the Board's decision is available in the Corporate Governance section of Burberryplc.com.



CEO AND EXECUTIVE COMMITTEE

The Board delegates the day-to-day responsibility for running the Group to the CEO, who is responsible for all commercial, operational, risk and financial elements. He is also responsible for management and development of

the strategic direction for consideration and approval by the Board. The Executive Committee assists the CEO to implement the strategy as approved by the Board.

BOARD ROLES

Our Board currently consists of 11 members, the Chairman, CEO, CO&FO, and eight Independent Non-Executive Directors who are experienced and influential individuals, drawn from a wide range of industries and backgrounds with the right skills to promote the long-term sustainable success of the Group. The Board has determined that all Non-Executive Directors are independent and the Chairman was also considered to be independent on appointment. Directors' biographies, tenures, key skills and external appointments are set out on pages 124 to 127.

All Directors are appointed to the Board for an initial fixed three-year term, subject to annual re-election by shareholders at the Company's Annual General Meeting (AGM). In accordance with the Code, at the 2020 AGM the Chairman and all the Directors will retire and offer themselves for re-election, with the exception of Jeremy Darroch who is retiring immediately after the AGM. Debra Lee and Sam Fischer will offer themselves for election.

The Board conducts an annual evaluation of its performance and the performance of individual Directors.

To ensure the Board performs effectively, there is a clear division of responsibilities between the leadership of the Board and the executive leadership of the business as set out below.

Our Chairman

- Chairing Board meetings, Nomination Committee meetings and the AGM, and setting the Board agenda.
- Ensuring there is effective communication between the Board, management, shareholders and the Group's wider stakeholders, while promoting a culture of openness and constructive debate.
- Ensuring Directors receive accurate, timely and clear information.
- Overseeing the annual Board evaluation and addressing any subsequent actions.
- Promoting the highest standards of corporate governance.
- Ensuring the views of stakeholders are taken into account when making decisions.
- A full description of the Chairman's role and responsibilities can be found in the Corporate Governance section of the Group's website Burberryplc.com.

Our Senior Independent Director

- Acting as a sounding board for the Chairman.
- Acting as an intermediary for the other Directors, where necessary.
- Chairing meetings in the absence of the Chairman.
- Being available to shareholders and stakeholders if they have any concerns, which they have been unable to resolve through normal channels.
- Together with the Non-Executive Directors, assessing the performance of the Chairman on an annual basis.
- Leading the search and appointment process and recommendation to the Board of a new Chairman, if necessary.
- A full description of the Senior Independent Director's role and responsibilities can be found in the Corporate Governance section of the Group's website Burberryplc.com.

Our Non-Executive Directors

- Providing effective and constructive challenge to the Board and scrutinising the performance of management.
- Assisting in the development and approval of the Group's strategy.
- Reviewing Group financial information and ensuring there are effective systems of governance, risk management and internal controls in place.
- Ensuring there is regular, open and constructive dialogue with shareholders.

Our CEO

- Day-to-day management of the Group.
- Responsible for all commercial, operational, risk and financial elements of the Group.
- Developing the Group's strategic direction and implementing the agreed strategy.
- Ensuring effective communication and information flows to the Board and the Chairman.
- Representing the Group to external stakeholders.
- Responsible for the oversight of the following key functions: Design, Marketing, Digital, Merchandising, Supply Chain, Corporate Affairs, Human Resources, Responsibility, Strategy and Global Commercial.
- A full description of the CEO's role and responsibilities can be found in the Corporate Governance section of the Group's website Burberryplc.com.

Our CO&FO

- Supporting the CEO in developing the Group's strategy and its implementation.
- Overseeing the global finance and Business Services functions and developing the Group's capital allocation framework.
- Responsible for establishing financial planning and maintaining adequate internal controls over financial reporting.
- Representing the Group to external stakeholders.
- Responsible for oversight of the following key functions: Investor Relations, Audit and Risk Management, Business Continuity, Burberry Business Services (BBS), Finance, IT, Tax, Treasury and Trade Compliance.

Our Company Secretary

- Providing advice and support to the Chairman and all Directors.
- Ensuring the Board receives high-quality information and resources in a timely manner so that the Board can operate effectively at meetings.
- Assisting in setting the agenda for Board and Committee meetings.
- Advising and keeping the Board up to date with all matters of Corporate Governance.
- Facilitating the induction programme for new Directors and, together with the Chairman, assessing ongoing training needs for all Directors.

During the financial year, the Board met for six scheduled meetings, including an in-depth two-day session on strategy. In addition, the Board met informally on a number of occasions to discuss the evolving COVID-19 pandemic. Throughout the year, Directors also devoted time outside scheduled meetings for site visits, training and meetings with members of senior management.

The Board and Committee agendas were shaped to ensure that discussion was focused on our key strategies and monitoring activities, as well as reviews of significant issues arising during the year, such as the global COVID-19 pandemic. The Group's ongoing performance against the strategic priorities is reviewed at each scheduled meeting.

A more detailed breakdown of the principal areas of focus for the Board during FY 2019/20 is set out on the following pages.

PRINCIPAL AREAS OF FOCUS FOR THE BOARD DURING FY 2019/20

	TOPIC	ACTIVITY	OUTCOME	RELEVANT STAKEHOLDERS AND S.172 DUTIES CONSIDERED
STRATEGY	Strategic review	• Reviewing strategy to take stock of progress and prioritise areas of focus within the long-term strategic plan. • Assessing changes in the luxury market context and implications on the strategic pillars: Product, Communication, Digital, Operational Excellence, Inspired People and Distribution. • Reviewing the refresh of Burberry's Sustainability Strategy.	• Providing feedback, questions and challenge throughout the process. • Support for the programmes being undertaken.	Relevant stakeholders: Customers Shareholders Employees Partners Communities s.172 duties: long-term results; workforce; environment; reputation; and business relationships
	Withdrawal from the EU	• Considering the implications of various scenarios relating to the UK's withdrawal from the EU as well as the risk of volatility in foreign exchange rates and their potential impact on Burberry. • Reviewing the benefits of AEO status and undertaking training.	• Preparing for a no-deal scenario across all business activities. • Support for the application process and HMRC audits of UK sites. • AEO accreditation received.	Relevant stakeholders: Employees Shareholders Communities Customers Partners Governments s.172 duties: long-term results; workforce; environment; reputation; and business relationships
MAJOR PROJECTS	COVID-19 pandemic	• Assessing the impact of the COVID-19 pandemic on the Company's people, finances and future plans. • Considering and approving Burberry's response to the pandemic across all areas of the business.	• Refer to pages 56 to 58 for further detail.	

	TOPIC	ACTIVITY	OUTCOME	RELEVANT STAKEHOLDERS AND S.172 DUTIES CONSIDERED
FINANCE	Budget and capital allocation	- Reviewing the sector context and considering the FY 2020/21 baseline business plan in the context of COVID-19. - Considering the indicative capital allocation proposals.	- Support in principle for the FY 2020/21 baseline business plan in the context of COVID-19. - Prior year (March and May 2019) budget and capital allocation approved and delivered to plan.	Relevant stakeholders: Shareholders Customers s.172 duties: long-term results; workforce; and fairness between our shareholders
	Purpose	- Considering the approach to defining Burberry's purpose and the associated activation plan and receiving regular updates. - Participating in an immersive purpose experience led by the cross-functional working team.	Approval of Burberry's purpose and values. Refer to pages 15 to 19 for further detail.	Relevant stakeholders: Shareholders Employees Customers s.172 duties: long-term results; workforce; and reputation
GOVERNANCE	Board evaluation	Discussing the results of the Board evaluation and reflecting on the effectiveness of the Board and its Committees.	Refer to page 136 covering the Board evaluation for further detail.	Key stakeholders: Shareholders Employees Customers s.172 duties: long-term results; workforce; and reputation
	Risk appetite	- Considering the Board's appetite for risk. - Consideration of emerging and principal risks.	- Approval of the Group's risk appetite. - Refer to pages 92 to 118 covering the Risk and Viability Report for further detail.	Relevant stakeholders: Shareholders Employees s.172 duties: long-term results; and reputation
RISK	Risk deep dives	- Digital strategy and technology risk. - Risk reviews of cybersecurity, data privacy and brand guidelines and stewardship by the Audit Committee.	Support for the programmes being undertaken.	

	TOPIC	ACTIVITY	OUTCOME	RELEVANT STAKEHOLDERS AND S.172 DUTIES CONSIDERED
PEOPLE, CULTURE AND VALUES	Culture and engagement	Discussing the Employee Engagement Survey results, including year-on-year trends and considering management's proposed initiatives.	Support for FY 2019/20 global priorities to address areas of focus.	Key stakeholders: Employees Communities Customers Shareholders Partners Governments
	Diversity and Inclusion	Reviewing the Global Diversity, Inclusion and Belonging strategy.	Providing feedback, and support for management's approach.	s.172 duties : long-term results; workforce; business relationships; reputation; and environment
	Responsibility	- Discussing our charitable activities, including donations to The Burberry Foundation and assessing how Burberry's brand values align with our community and charitable giving goals. - Reviewing and approving the Company's Modern Slavery Statement.	Approval in May 2019 to donate approximately 1% of FY 2018/19 adjusted profit before tax to social and community causes worldwide.	
SHAREHOLDER ENGAGEMENT	Shareholder feedback, including activist themes	- Reviewing updates from the Investor Relations team on share price, performance matters, register activity and analyst sentiment. - Discussing specific issues raised by shareholders. - Remuneration Policy Consultation.	- Inclusion of shareholder themes within the Board's strategic and/or other considerations. - Adapting Remuneration Policy proposals to reflect shareholder feedback.	Key stakeholders: Shareholders s.172 duties: long-term results; workforce, fairness between stakeholders; and reputation

EVALUATING OUR PERFORMANCE IN FY 2019/20

The Board undertakes a formal review of its performance and that of its Committees each financial year. The evaluation is externally facilitated every three years and the next external evaluation will be in respect of FY 2020/21.

During the year the Chairman, assisted by the Company Secretary, and the Chairs of each of the Audit, Nomination and Remuneration Committees, undertook an internal review of Board and Committee effectiveness. The reviews comprised online questionnaires using Thinking Board, Independent Audit's online questionnaire tool, adapted for Burberry. Views were sought on a number of topics such as Board composition and performance, succession planning, talent management, purpose, culture, financial reporting and controls, risk management, consideration of stakeholder views and diversity. The questionnaires were designed to capture progress versus the prior year

evaluation as well as assist in identifying areas of focus for FY 2020/21. Respondents completed the questionnaires confidentially and the results were collated and reported without attribution.

Detailed reports were received by the Chairman, and the Chairs of each of the Audit, Nomination and Remuneration Committees as appropriate and the output was discussed by the Board in May 2020. The evaluation confirmed that the Board and its Committees continue to operate effectively with an inclusive and transparent environment. Board members were considered to have a good representation of the skills and expertise required to both support and effectively challenge the business as appropriate.

The following four areas of focus were agreed as a means of addressing the development areas identified through the evaluation process:

Purpose, culture, values and behaviours	• Continued focus on embedding Burberry's culture, values and behaviours. • Considering ways to enhance the Board's monitoring of corporate culture.
People	• Continued focus on executive succession planning, including in relation to key person risks. • Increasing the Board's interaction with executives and high performers.
Strategy	• Increased Board focus on operating performance and the risk implications of strategic decisions. • Improving the Board's understanding of key competitors and markets.
Board processes	• Review Board agendas and materials in order to maximise the time available for discussion and debate at meetings.

PROGRESS UPDATE ON FOCUS AREAS IDENTIFIED FOLLOWING THE FY 2018/19 BOARD EVALUATION

ACTION	PROGRESS
Purpose, culture, values and behaviour	
Focus on refining and articulating the Company's purpose.	The Board was involved throughout the process undertaken to articulate and refine our purpose, receiving regular updates at Board meetings as well as participating in workshops culminating in the definition and launch of our purpose: Creativity Opens Spaces.
Ensuring the alignment of purpose with the culture, values and behaviours of the Company.	Our purpose and values were developed in tandem, to ensure they are aligned. Our leaders are engaged in ensuring they come to life across the business, to ensure they are reflected in every team's behaviours.
People	
Continued focus on executive succession planning and leadership development.	The Chief People Officer is leading the ongoing work to embed succession planning and build bench strength for critical roles throughout the organisation. The Nomination Committee discussed talent management and associated actions at its meeting in March 2020. Building on the Leadership Development Programme, there is increased focus on embedding leadership standards resulting in increased employee engagement and ensuring alignment with the Company's purpose and values.
Reviewing remuneration to ensure it encourages the right behaviour consistent with our purpose, values and strategy.	In considering its approach to the Remuneration Policy review, the Remuneration Committee sought to ensure that the future policy provides flexibility to align all remuneration, including short-term and long-term incentives to the strategy, purpose and values of the business. Further information on the Remuneration Policy review is included in the Directors' Remuneration Report on pages 151 to 185.
Reputation	
Further understanding the development of potential areas of exposure and appropriate mitigation.	To assist with this, we have strengthened brand communications governance, further embedding the product and content review process. We have renewed our commitment to diversity, inclusion and employee wellbeing, including establishing internal and external councils and a new parental leave policy. We have reviewed our sustainability strategy to ensure it remains responsive to the rapidly changing environment and have identified areas where there is opportunity for particular focus.

DIRECTORS' PERFORMANCE

Separately to the Board's evaluation, the Chairman held discussions with each of the Directors to discuss their individual performances. This allowed them the opportunity to raise any issues or concerns they may have had, including in relation to the management of the Company or Board/Committee effectiveness. No such issues or concerns were raised in FY2019/20. These discussions, together with the Nomination Committee's considerations of independence, time commitments and tenure are used as the basis for recommending the re-election of Directors by shareholders.

The Board is satisfied that all its Non-Executive Directors bring robust, independent oversight and continue to remain independent.

CHAIRMAN'S PERFORMANCE

In addition to the Board and Committee questionnaires, the Senior Independent Director led the Non-Executive Directors' assessment of the Chairman's performance. The results were analysed by the Senior Independent Director and subsequently discussed with the Chairman. Directors confirmed that the Chairman continued to perform effectively commending him on fostering a culture of transparency and openness in the boardroom and on his clear strategic approach to critical issues.

EXTERNAL DIRECTORSHIPS

Our Board's Executive Directors are permitted to hold only one external non-executive directorship. Details of the Directors' other directorships can be found in their biographies on pages 124 to 127.

TIME ALLOCATION

Each of our Non-Executive Directors has a letter of appointment, which sets out the terms and conditions of his or her directorship. The Non-Executive Directors are expected to devote the time necessary to perform their duties properly. This is expected to be approximately 20 days each year for basic duties.

The Chairman and Senior Independent Director are expected to spend additional time over and above this to carry out their extra responsibilities. The Chairman, Senior Independent Director and CEO also have clearly defined responsibilities which delineate the scope of their roles. A copy of these roles can be found in the Corporate Governance section of the Group's website Burberryplc.com. The Board has noted changes to Non-Executive Directors external appointments during the year and confirms that they were not perceived to impact their independence or responsibilities to the Company. The Board considers that the Chairman and all Non-Executive Directors have fulfilled their required time commitments during FY 2019/20.

The table below gives details of Directors' attendance at Board and Committee meetings during the year ended 28 March 2020. This is expressed as the number of meetings attended out of the number that each Director was eligible to attend.

	Board	Audit ¹	Nomination	Remuneration
Gerry Murphy	6/6	–	4/4	–
Marco Gobetti	6/6	–	–	–
Julie Brown	6/6	–	–	–
Dame Carolyn McCall	6/6	3/4	4/4	–
Debra Lee ³	4/4	3/3	3/3	–
Fabiola Arredondo	6/6	–	4/4	4/4
Ian Carter ²	2/2	–	1/1	1/1
Jeremy Darroch	6/6	3/4	4/4	–
Matthew Key	6/6	4/4	4/4	4/4
Orna NiChionna	6/6	–	4/4	4/4
Ron Frasch	6/6	4/4	4/4	4/4
Sam Fischer ³	3/3	–	2/2	3/3
Stephanie George ²	2/2	–	1/1	1/1

1. Non-Executive Directors unable to attend Audit Committee meetings due to prior commitments or illness gave their views to the Chair in advance of the meeting.

2. Ian Carter and Stephanie George stepped down from the Board on 17 July 2019.

3. Debra Lee and Sam Fischer joined the Board on 1 October 2019 and 1 November 2019, respectively.

INFORMATION FLOW AND PROFESSIONAL DEVELOPMENT

Our Chairman works closely with the Company Secretary in the planning of agendas and scheduling of Board and Committee meetings. Together, they ensure that information is made available to Board members on a timely basis and is of a quality appropriate to enable the Board to effectively carry out its duties.

The Board is kept up to date on legal, regulatory, compliance and governance matters through advice and regular papers from the General Counsel, the Company Secretary and other advisors.

The Company Secretary assists the Chairman in designing and facilitating an induction programme for new Directors and their ongoing training. Each newly appointed Director receives a formal and tailored induction programme to enable them to function effectively as quickly as possible, while building a deep understanding of the business. Each induction typically consists of meetings with both Executive and Non-Executive Directors and briefings from senior managers across our key business areas and operations. In addition, Non-Executive Directors are provided with opportunities to visit key stores, markets and facilities. This includes visits to our various operating facilities in the UK. The Chairman considers the training needs of individual Directors on an ongoing basis.

For the appointments of Debra Lee and Sam Fischer, the induction programme as outlined below has been followed:

- one-to-one meetings with senior executives to understand their roles at Burberry
- visits to key stores, providing the opportunity to meet colleagues and immerse themselves in our product and our brand
- meetings with external advisors, for example, our external auditor PricewaterhouseCoopers LLP (PwC) and our remuneration advisor, Deloitte, to explain the regulatory background of their roles on each Committee and how these are approached at Burberry
- assignment of a Board “buddy” to provide additional support while the Director gets to know Burberry and understand our ways of working

The Board has direct access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary is a matter reserved for the Board as a whole. To carry out their duties, Directors may also obtain independent professional advice, if necessary, at the Group's expense.

MANAGING CONFLICTS OF INTEREST

All Directors have a duty under the Companies Act 2006 to avoid a situation in which they have, or could have, a direct or indirect conflict of interest or possible conflict of interest with the Company and/or the Group.

Under the Company's Articles of Association, the Board has the authority to approve situational conflicts of interest. It has adopted procedures to manage and, where appropriate, approve such conflicts. Authorisations granted by the Board are recorded by the Company Secretary in a register and are noted by the Board at its next meeting. A review of situational conflicts that have been authorised is undertaken by the Board annually.

Following the last review, the Board concluded that the potential conflicts had been appropriately authorised, no circumstances existed which would necessitate that any prior authorisation be revoked or amended, and the authorisation process continued to operate effectively.

EVALUATION OF INTERNAL CONTROLS

Our Board is ultimately responsible for the Group's system of internal controls and risk management. It discharges its duties in this area by:

- determining the nature and extent of the principal and emerging risks it is willing to accept to achieve the Group's strategic objectives (the Board's risk appetite) and
- challenging management's implementation of effective systems of risk identification, assessment and mitigation.

Our Audit Committee is responsible for reviewing the effectiveness of the Group's internal controls and risk management arrangements. Details of the Group's risk management process and the management and mitigation of each principal risk together with the Group's viability statement can be found in our Risk and Viability Report on pages 92 to 118.

Ongoing review of these controls is provided through internal governance processes and the work of the Group is overseen by executive management, particularly the work of the Group Internal Audit team and the Risk Committee. Regular reports on these activities are provided to the Audit Committee as reflected in the standing items on the Audit Committee agenda.

The Board, through the Audit Committee, has conducted a robust assessment of our principal and emerging risks and internal control framework. It has considered the effectiveness of the system of internal controls in operation across the Group for the year covered by the Annual Report and Accounts and up to the date of its approval by the Board. This review covered the material controls, including financial, operational and compliance, as well as risk management arrangements. No significant control weaknesses were identified. The system of internal controls is designed to manage rather than eliminate the risk of not achieving business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The process followed by the Board, through the Audit Committee, in reviewing regularly the system of internal controls and risk management arrangements complies with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC. It also accords with the provisions of the Code.

CONTROL ENVIRONMENT

Our business model is based primarily on central design, supply chain and distribution operations to supply products to global markets via retail and wholesale channels, including digital. This is reflected in our internal control framework, which includes centralised direction, resource allocation, oversight and risk management of the key activities of marketing, inventory management, and brand and technology development. We have also established procedures for the delegation of authorities to ensure that approval for matters that are considered significant is provided at an appropriate level. In addition, we have policies and procedures in place that are designed to support risk management across the Group. These include policies relating to treasury and the conduct of employees and third parties with whom we conduct business, including prohibiting bribery and corruption. These authorities, policies and procedures are kept under regular review.

The Group operates a “three lines of defence” model, which helps to achieve effective risk management and internal control across the organisation.

- **First line of defence:** management owns and manages risk and is also responsible for implementing corrective actions to address process and control deficiencies.

- **Second line of defence:** to help ensure the first line is properly designed, established and operating effectively, management has also established various risk management and compliance functions to help build and/or monitor the first line of defence. These include, but are not limited to, functions such as Group Risk Management, Legal, Brand Protection, Company Secretariat, Finance Controls, Health and Safety, Data Protection, Asset and Profit Protection, and Business Continuity.
- **Third line of defence:** Internal Audit provides the Audit Committee and management with independent and objective assurance on the effectiveness of governance, risk management and internal controls. This includes the way in which the first and second lines of defence achieve risk management and control objectives.

INTERNAL AUDIT

The Internal Audit function is managed under the leadership of our Senior Vice President, Risk Management and Audit who reports to the CO&FO but has an independent reporting line to the Chair of the Audit Committee.

The scope of Internal Audit work is considered for each operating company and Group function. This takes account of risk assessments, input from senior management and the Audit Committee and previous audit findings. For example, this year there was an emphasis on assurance over the Group's major business transformation and IT implementation programmes across Finance, Supply Chain, HR and Digital. There was also a continued focus on assessing the maturity of controls over cybersecurity and IT operations, and the core financial controls that transferred to BBS in Leeds. Changes to the Group's risk profile are considered on an ongoing basis and amendments are made to the audit plan as necessary during the year. Any proposed changes to the plan are discussed with the CO&FO and reported to the Audit Committee. The effectiveness of Internal Audit is assessed every five years. Grant Thornton UK LLP performed a fully independent assessment during the year, which included a review of the structure and scope of Internal Audit's work, its capabilities, independence, the adequacy of the audit plan, quality of audit reports and its engagement with stakeholders. The review outlined to the Audit Committee that the function is performing well compared to good practice, and that the quality and effectiveness of the function represents leading practice in some areas. The review also found that the experience, expertise and focus of the function are appropriate for the business.

Ongoing visibility of the internal control environment is provided through internal audit reports to management and the Audit Committee. These reports are graded to reflect an overall assessment of the control environment under review, and the significance of any control weaknesses identified. Remedial actions to address findings are identified and agreed with management. The Audit Committee places high emphasis on actions being taken as a result of internal audits and regular reports are provided to the Audit Committee on the status of any overdue actions.

FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. These are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external reporting purposes.

We have comprehensive planning, budgeting, forecasting and monthly reporting processes in place. A summary of financial results, supported by commentary and performance measures, is provided to the Board each month.

In relation to the preparation of Group Financial Statements, the controls in place include:

- a centre of expertise responsible for reviewing new developments in reporting requirements and standards to ensure that these are reflected in Group accounting policies
- a global finance structure consisting of employees with the appropriate expertise to ensure that Group policies and procedures are correctly applied. Effective management and control of the finance structure is achieved through our finance leadership team, consisting of key finance employees from the regions, BBS and London headquarters

Our reporting process is supported by transactional and consolidation finance systems. Reviews of controls are carried out by senior members of the finance team. The results of these reviews are considered by the Board as part of its monitoring of the performance of controls around financial reporting controls.

The Audit Committee reviews the application of financial reporting standards and any significant accounting judgements made by management. These matters are also discussed with the external auditor.

IMPACT OF COVID-19

The disruption to working practices and the changing resource demands as a result of COVID-19 has led to the need for new forms of management and control. An assessment of year end financial reporting controls impacted by remote working arrangements due to COVID-19 has been performed to identify potential vulnerabilities in processes and determine key controls needed to operate during this period. Where required, controls have been adapted to reflect new ways of working, existing technology and IT infrastructure has been enhanced to support remote execution and contingency plans have been developed including back-up support for employees impacted by illness or remote working.

FAIR, BALANCED AND UNDERSTANDABLE

As a whole, the Annual Report and Accounts are required to be fair, balanced and understandable and to provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy. On behalf of the Board, the Audit Committee considered whether the fair, balanced and understandable statement could properly be given on behalf of the Directors. The processes followed to provide the Committee with assurance were considered and the Committee provided a recommendation to the Board that the fair, balanced and understandable statement could be given on behalf of the Directors. Based on this recommendation, the Board is satisfied that it has met this obligation. A summary of the Directors' responsibilities in relation to the Financial Statements is set out on page 194. The Independent Auditors' Report on pages 195 to 203 includes a statement concerning the auditor's reporting responsibilities.

OTHER GOVERNANCE DISCLOSURES

The Group is committed to acting with integrity and transparency on all tax matters and complying fully with the letter and spirit of the relevant tax law. The Group will only engage in responsible tax planning aligned with our commercial and economic activity. We will not use tax structures or undertake artificial transactions, the sole purpose of which is to create a contrived tax result. For example, we exclude transactions with parties based in tax haven jurisdictions when the transactions are not in the ordinary course of Group trading business or which could be perceived as artificially transferring value to low tax jurisdictions. We are also committed to engaging in open and constructive relationships with tax authorities in the territories in which we operate. The Group Tax Strategy directs our tax planning, reporting and compliance activities and is aligned with the Group's strategic objectives. Further information regarding the Group Tax Strategy is provided at Burberrypkc.com.

TAX GOVERNANCE FRAMEWORK

Our CO&FO is responsible for the Group Tax Strategy, the effectiveness of corporate tax processes and transparency of disclosures. The Group Tax Strategy is implemented by the global tax and trade compliance teams with the assistance of the finance leadership team. Compliance with the Group Tax Strategy is reviewed on an ongoing basis as part of the regular financial planning cycle. The Group's tax status is reported regularly to the Audit Committee. The Audit Committee is responsible for reviewing the Group Tax Strategy at least once a year and significant tax matters as they arise.

Share capital

Further information about the Company's share capital, including substantial shareholdings, can be found in the Directors' Report on page 188.

ENGAGEMENT WITH SHAREHOLDERS

The Board recognises the importance of regular, open and constructive dialogue with shareholders throughout the year.

Our Investor Relations team participated in over 250 investor meetings and events during the financial year. Meetings were also held with a combination of our Chairman, the Chair of the Remuneration Committee, Executive Directors and other members of senior management, totalling over 70 meetings. This engagement included presentations to institutional shareholders and analysts following the release of the Group's half and full year results (available on the Group's website at Burberrypkc.com), as well as meetings with the Group's 20 largest investors.

Topics discussed in investor meetings included, but were not limited to, luxury sector growth dynamics, the Group's strategic plans, progress against our strategy, the impact of the COVID-19 outbreak on our business and management actions to minimise its impact.

Our Investor Relations and Company Secretariat departments act as the centre for ongoing communication with shareholders, investors and analysts. The Board receives regular updates about the views of the Group's major shareholders and stakeholders from these departments as well as via direct contact.

REPORT OF THE AUDIT COMMITTEE



MATTHEW KEY
Chair, Audit Committee

DEAR SHAREHOLDER,

I am pleased to present the FY 2019/20 report of the Audit Committee. The purpose of this report is to describe how we carried out our responsibilities during the year.

The role of the Audit Committee is to monitor and review the integrity of financial information and to provide assurance to the Board that the Group's internal controls and risk management systems are appropriate and regularly reviewed. We also oversee the work of the external auditor, approve their remuneration and recommend their appointment. In addition to the disclosure requirements relating to Audit Committees under the Code, the Committee's report sets out areas of significant and particular focus for the Committee.

Over the course of FY 2019/20, we undertook our usual work as set out on page 145 and continued to focus on the Group's risk management with in-depth reviews of people risk, cybersecurity, data privacy and brand guidelines and stewardship.

During the last two months of FY 2019/20 and throughout our year end processes, we gave particular focus to the impact of COVID-19 on the business including in relation to the measurement of assets and liabilities at the year end and our Going Concern and Viability Statements. This is explained throughout the significant matters set out in the table on pages 145 to 146. Where these related to the Financial Statements for the year, the Committee requested papers from management setting out its approach and recommendations. The Committee reviewed and challenged management's approach, analysis and recommendations, seeking assistance from the Internal Audit team to review relevant estimates and judgements and taking into account input from the external auditor in order to conclude on the appropriateness of the treatment in the Financial Statements. All matters reviewed were concluded to the satisfaction of the Committee and our external auditor. Monitoring and assessing the impact of COVID-19 will continue to be a key area of focus for the Committee as the situation continues to evolve.

PwC has now completed its final audit as the Group's external auditor. As reported last year, Ernst & Young LLP (EY) has been selected as the Group's external auditor following a competitive tender process. Shareholder approval is to be sought at the 2020 Annual General Meeting to appoint EY as external auditor from FY 2020/21. Details of how the Audit Committee has monitored the auditor transition activities is available on page 147. PwC has continued to provide robust challenge throughout the FY 2019/20 audit process and I thank them for their work.

“I am confident that the Committee has carried out its duties in the year effectively and to a high standard.”

The Committee confirms that during FY 2019/20, the Group complied with the mandatory audit processes and Audit Committee responsibilities provisions of the Competition and Markets Authority Statutory Audit Services Order 2014. This report describes the work of the Committee in discharging its responsibilities.

The Committee has an open and constructive relationship with management. I thank the management team on behalf of the Committee for their assistance during the year. I am confident that the Committee has carried out its duties in the year effectively and to a high standard.

MATTHEW KEY

Chair, Audit Committee

AUDIT COMMITTEE MEMBERSHIP

Matthew Key, Jeremy Darroch, Ron Frascch and Dame Carolyn McCall served as members of the Committee throughout the year ended 28 March 2020. Debra Lee was appointed as a member of the Committee on 1 October 2019.

The Committee met formally four times during the year and, with the exception of two meetings, all members attended all scheduled meetings (see table on page 138). Where members were unable to attend, they provided feedback to the Chair on the matters to be discussed in advance of the meetings. In addition to the scheduled meetings, Committee members also attended additional ad hoc meetings as required.

The Chair of the Committee met separately with representatives of the external auditor, senior members of the finance function and the Senior Vice President, Risk Management and Audit on a regular basis, including prior to each meeting. In addition, he met with members of the internal audit team and other members of management on an ad hoc basis as required to fulfil his duties.

Regular attendees at Committee meetings include the Chairman of the Board; CEO; CO&FO; Chief People Officer; Company Secretary; Senior Vice President, Risk Management and Audit; Senior Vice President, Group Finance; Vice President, Group Financial Controller; the General Counsel, and representatives of the external auditor. At the end of each meeting the Committee met with the external auditor without management and with the Senior Vice President, Risk Management and Audit without management or the external auditor being present.

The Board is satisfied that both Matthew Key and Jeremy Darroch have recent and relevant financial experience, and that all other Committee members have past employment experience in either finance or accounting roles, or broad consumer experience and knowledge of financial reporting and/or international businesses. As a whole, the Board is satisfied that the Audit Committee has competence relevant to the business sector. Details of their experience can be found in their biographies on pages 124 to 127.

ROLE OF THE COMMITTEE

The main roles and responsibilities of the Committee are set out in written terms of reference, which are available on the Company's website at Burberrypkc.com. The Committee reviews its terms of reference annually and in light of its key responsibilities, the Committee considered the following items of usual business during the financial year:

- **Financial Reports:** the integrity of the Group's Financial Statements and formal announcements of the Group's performance.
- **Risk and Internal Controls:** the Group's internal financial, operational and compliance controls and risk identification and management systems. Review of Group policies for identifying and assessing risks and arrangements for employees to raise concerns (in confidence) about possible improprieties.
- **Viability:** consideration of the Group's Viability Statement as set out on pages 117 to 118.
- **Internal Audit:** review of the annual internal audit programme and the consideration of findings of any internal investigations and management's response. Review of effectiveness of the Internal Audit function as explained on page 140.
- **External Auditor:** recommending the appointment of external auditor, approving their remuneration and overseeing their work. Policies on the engagement of the external auditor for the supply of non-audit services. Review of effectiveness of the external auditor.

**SIGNIFICANT MATTERS
FOR THE YEAR ENDED
28 MARCH 2020**

HOW THE AUDIT COMMITTEE ADDRESSED THESE MATTERS

Impact of COVID-19	The COVID-19 pandemic has had a material impact on the Group, including the carrying value of assets on the balance sheet, the Group's strategy and its future prospects and viability. The Committee considered how the impact of COVID-19 was addressed throughout the Annual Report, in terms of consistency and clarity of reporting, as well as management's assessment of the impact on potential impairment of goodwill, retail cash generating units, inventory, receivables and assets under construction. Due to the material impact of COVID-19 on the Group's balance sheet, the Directors consider it appropriate to present separately the resulting charges as an adjusting item. The Committee considered the presentation, disclosure and completeness of these adjusting items.
Impairment assessment of goodwill	The Committee considered management's assessment of the recoverability of the carrying value of goodwill. Due to the impact of COVID-19 on the business, the Committee considered management's estimate of the value in use of those cash generating units containing goodwill under a range of potential outcomes over the next few years. The Committee approved management's view that, as the estimated recoverable amount of goodwill exceeded the carrying value, there was no indication of impairment.
Impairment assessment of property, plant and equipment and right-of-use assets held in retail cash generating units	The Committee considered management's assessment of the recoverability of the carrying value of assets held in retail cash generating units, including property, plant and equipment and right-of-use assets relating to store leases. The Committee considered the approach applied by management to review for potential indicators of impairment, in particular the extent of the impact of COVID-19 and business disruption in Hong Kong S.A.R. on the Group's retail cash generating units. The Committee reviewed management's assumptions regarding the impact and duration of these events and the implication for potential impairment of assets. The Committee requested that disclosures relating to sensitivities of estimates were extended to take account of these uncertainties. The results of the impairment assessment of assets held in retail cash generating units, together with related sensitivities, are set out in note 13 of the Financial Statements.

**SIGNIFICANT MATTERS
FOR THE YEAR ENDED
28 MARCH 2020**
HOW THE AUDIT COMMITTEE ADDRESSED THESE MATTERS

The recoverability of the cost of inventory and the resulting amount of provisioning required	The Committee considered the Group's current provisioning policy, the expected loss rates on inventory held at the balance sheet date and the nature and condition of current inventory. Following the effect of the COVID-19 outbreak on retail operations in the last quarter of the financial year and the closure of a significant proportion of the Group's retail stores due to lockdown in many countries, the Committee reviewed management's assumptions of the potential extent and duration of the pandemic, its impact on inventory management and the expected exit routes for the surplus inventory held at the balance sheet date. The Committee considered the resulting increase in inventory provisions, the potential sensitivities due to the significant degree of estimation in the assumptions applied, and the proposed disclosure of these sensitivities in the Financial Statements. Movements in inventory provisioning and the related sensitivities are set out in note 17 of the Financial Statements.
Impairment assessment of receivables	The Committee considered management's assessment of the collectability of receivables, taking into account the impact of COVID-19 on the global economy and management's assumptions of changes in expected credit losses. The Committee also reviewed the collection of receivables falling due after the balance sheet date.
Income and deferred taxes	The Committee reviewed the Group Tax Strategy, developments relating to discussions with tax authorities, the status of any ongoing tax audits, and their impact on the Financial Statements. The Committee reviewed and challenged the appropriateness of assumptions and estimates applied in order to estimate the amount of assets and liabilities to be recognised in relation to uncertain income tax and deferred tax positions, taking into account the impact of COVID-19 on recognition of deferred tax assets. The Committee concluded that the assets and liabilities recognised and disclosures contained in the Financial Statements for the period were appropriate. Details of movements in tax balances are set out in notes 9 and 15 of the Financial Statements and further disclosure of tax contingent liabilities is given in note 32. The impact of adopting IFRIC 23 was also reviewed.
Adoption of IFRS 16: Leases	The Committee reviewed the adoption of new accounting IFRS 16: Leases in the current year's Financial Statements. The Committee reviewed management's final assessment of the impacts of the standard, the new accounting policy applied for IFRS 16, and the adoption disclosures in the financial statements, including the impact of significant judgements applied on adoption. Given the significant impact of IFRS 16 on the Group, the Committee requested independent reviews of a sample of the Group's material lease contracts and of the calculations of the initial lease liabilities relating to these contracts on adoption of IFRS 16. The impact of adopting IFRS 16 is set out in note 1 of the Financial Statements.
Fair, balanced and understandable reporting	The Committee considered the Annual Report and Interim Report, on behalf of the Board, to ensure that they were fair, balanced and understandable, in accordance with requirements of the UK Corporate Governance Code. In particular, the Committee considered the wide-ranging impact of COVID-19 on the Group and the reporting of these impacts throughout the Annual Report. To assist in this process, the Committee reviewed the report from the strategic report drafting team, comments arising from the review of the Financial Statements by the Executive Directors and comments raised by the Group's auditors. The Committee also considered the use of alternative performance measures by the Group, including the appropriateness of their current use and their disclosure in the Financial Statements and Strategic Report. The Committee concluded that their current use was fair, balanced and understandable.
Other matters	At the May and November meetings, the Committee also considered management's papers on other subjects, including the recognition and measurement of adjusting items for restructuring costs.

EXTERNAL AUDITOR

The Committee oversees the work undertaken by PwC. During the year, the Committee met with the external auditor without members of management being present.

PwC has remained in place as auditor since prior to the Initial Public Offering (IPO) of the Company in 2002. The firm was reappointed with a new lead audit partner following a formal tender process undertaken by the Group for FY 2010/11. The external auditor is required to rotate the audit engagement partner every five years. The current engagement partner, Paul Cragg, began his appointment from FY 2015/16.

APPOINTMENT AND FEES

The Committee's primary responsibility is to make a recommendation on the appointment, reappointment and removal of the external auditor. Every year, the Committee assesses the qualifications, expertise, resources and independence of the external auditor, and the effectiveness of the previous audit process. Over the course of the year, the Committee reviewed the audit process and the quality and experience of the audit partners engaged in the audit. To support their assessment, a survey was sent to Audit Committee members, key members of the finance team and other members of the senior management team as part of the year end processes seeking feedback on the effectiveness of the external audit process. The Committee also reviewed the proposed audit fee and terms of engagement for FY 2019/20. Details of the fees paid to the external auditor during the financial year can be found in note 7 to the Financial Statements.

TRANSITION OF AUDITORS

As disclosed in last year's Audit Committee Report, following a competitive tender process, EY was selected as Burberry's external auditor from FY 2020/21, subject to shareholder approval at the 2020 AGM. During the year, the Audit Committee monitored the auditor transition activities, including:

- receiving reports by EY on the status of their transition activity
- attendance by EY at relevant sections of select Audit Committee meetings
- validating EY's independence prior to becoming Burberry's auditor for FY 2020/21
- confirming that EY agreed to comply with Burberry's non-audit services policy
- confirming that an appropriate "shadowing" plan was in place and agreed between management, PwC and EY for the FY 2019/20 year end

NON-AUDIT SERVICES

The Committee recognises that the independence of the external auditor is an essential part of the audit framework and the assurance that it provides. In line with the Revised Ethical Standard issued by the FRC in December 2019, the Committee has adopted a policy, which sets out a framework for determining whether it is appropriate to engage the Group's auditor for non-audit services and pre-approving non-audit fees. The Use of External Auditors for Non-Audit Services Policy was reviewed and updated during the year to reflect the updated Revised Ethical Standard, good practice and the change in external auditor for FY 2020/21.

The overall objective is to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity. This includes, but is not limited to, assessing:

- any threats to independence and objectivity resulting from the provision of such services; any safeguards in place to eliminate or reduce these threats to a level where they would not compromise the auditor's independence and objectivity; the nature of the non-audit services; and whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service
- the value of non-audit services that can be billed by the external auditor is restricted by a cap, which is set at 70% of the average audit fees for the preceding three years as defined by the FRC.

During FY 2019/20 Burberry's external auditor did not undertake non-audit work, which exceeded this threshold.

Proposed fees above £50,000 are approved by the Chair of the Audit Committee. Non-audit services with a value below £50,000 and which are in line with the Group's policy have been pre-approved by the Audit Committee. Compliance with the policy of engaging the Group's auditor for non-audit services and pre-approving non-audit fees is reviewed and monitored by the Senior Vice President, Risk Management and Audit. These fees must be activity based and not success related. At the half year and year end, the Audit Committee reviews all non-audit services provided by the auditor during the period, and the fees relating to these services.

During the year, the Group spent £0.3 million on non-audit services provided by PwC (12% of the average of Group audit fees received over the last three years). Further details can be found in note 7 to the Financial Statements.

REPORT OF THE NOMINATION COMMITTEE



GERRY MURPHY
Chair, Nomination Committee

“Succession planning for the Board and senior leadership positions is a key focus for the Committee.”

NOMINATION COMMITTEE MEMBERSHIP

All the Non-Executive Directors, under the leadership of Gerry Murphy as Chair, served as members of the Committee throughout the year ended 28 March 2020, with the exception of Debra Lee and Sam Fischer who were appointed to the Board and became members of the Committee on 1 October 2019 and 1 November 2019, respectively. The Committee met four times during the year and all members attended all meetings. Regular attendees at Committee meetings included: the CEO, the Chief People Officer and the Company Secretary.

ROLE OF THE COMMITTEE

The role of the Committee includes reviewing the composition of the Board, succession planning for the Board and, together with the CEO, succession planning for senior leadership positions. The Committee's full roles and responsibilities are set out in written terms of reference, which are available on the Company's website at Burberryplc.com

In light of its key responsibilities, the Committee considered the following items of usual business during the financial year:

- the structure, size and composition of the Board and its Committees
- succession planning for the Board and the Executive Committee roles
- the independence and time commitments of Non-Executive Directors
- the Board's policy on diversity as it relates to appointments to the Board
- the Committee's effectiveness
- the Committee's terms of reference

SUCCESSION PLANNING

Board succession planning is focused on ensuring the Board has the right mix of skills, experience, diversity and tenure. All new appointments are based on merit, keeping in mind the Board's composition principles, and are intended to:

- maintain current core competencies
- add new competencies which reflect the evolution of the Group's business
- ensure compatibility with Burberry's culture and values
- promote diversity, including parameters of gender, social and ethnic backgrounds, cognitive and personal strength

During the year, the Committee continued to focus on the evolution of the Board, identifying a need for two Non-Executive Directors who would enhance the Board's knowledge of the consumer experience and strengthen the Board's cultural awareness. The Committee developed candidate profiles for both roles, which were in line with the Board's composition principles and would complement the needs of the business and the Board as a whole. The Committee was advised by specialist board search firms Heidrick and Struggles and Lygon Group. Lygon Group has no other connection with the Company while Heidrick and Struggles has provided some additional HR services.

Having considered the shortlist of candidates for each role and interviewing the preferred candidates, the Committee recommended the appointments of Debra Lee and Sam Fischer to the Board for approval. The Committee further recommended that on appointment to the Board, Debra be appointed as a member of the Audit and Nomination Committees and Sam as a member of the Remuneration and Nomination Committees.

We believe that diverse boards with the appropriate competencies and values are better boards. We also believe that a diverse workforce not only encourages better performance, but also creates a more inclusive working environment with more engaged colleagues. We champion the development of all our people and ensure that employees of all backgrounds are treated equally. The Board is supportive of the Hampton-Alexander Review target to increase the number of women in senior leadership positions in all FTSE companies and were proud to note that Burberry was recognised in the 2019 Hampton-Alexander Review as being the top FTSE 100 performer in both the Women on Boards (50%) and Executive Committee and Direct Reports (61.3%) categories. As at 22 May 2020, 45% of our Board are women and 62% of our Executive Committee and their direct reports are women. A table setting out the representation of women in the work place is set out on page 44. We also endorse the spirit of the Parker Review, which aims to encourage greater ethnic diversity on UK boards and are pleased to report that we are in line with the Parker Review report's recommendation.

TALENT MANAGEMENT

During the year, the Committee received an update from the CEO, supported by the Chief People Officer, including an overview of Talent Management and the supporting philosophy used across the organisation. The Committee also reviewed the talent pipelines for the Executive Committee and other key roles.

ANNUAL RE-ELECTION OF DIRECTORS

As required by the Code, Directors offer themselves for annual re-election. The Committee considered the annual re-election of Directors at the AGM based on Director performance, independence, time commitments and tenure. As part of this process the Committee also assessed the external commitments of each Board member to ensure they have the time to properly fulfil their responsibilities as Directors of Burberry. The Committee recommended that all Directors stand for re-election or election at this year's AGM. Subsequent to this assessment, Jeremy Darroch has informed the Company that he will not stand for re-election at the 2020 AGM.

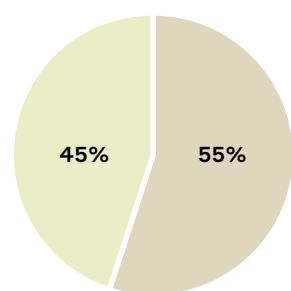
BOARD AND COMMITTEES EFFECTIVENESS

The Committee carried out an assessment of its performance as part of the Board and Committees evaluation process described on page 136.

A HIGHLY SKILLED AND BALANCED BOARD

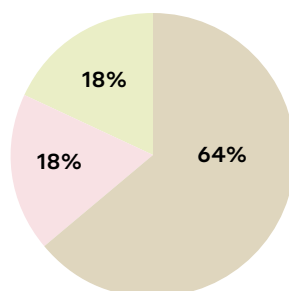
We have a balanced Board with complementary skills and experience enabling them to lead Burberry effectively.

GENDER



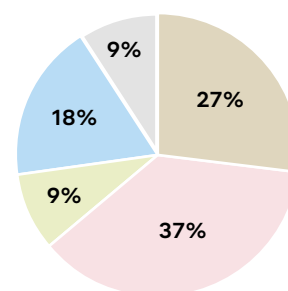
Men
Women

TENURE



0-3 years
3-6 years
6+ years

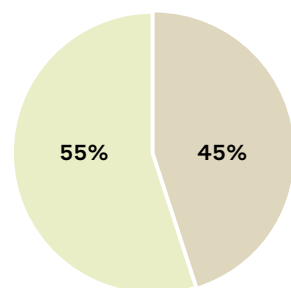
NATIONALITY



US
UK
Irish
Italian
Australian

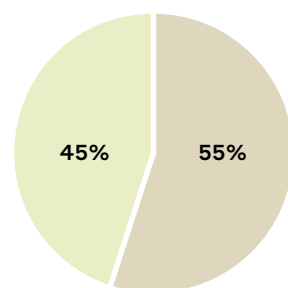
The diversity in our tenure, gender and nationality enables us to have sufficient balance to ensure the Board composition principles are maintained.

LUXURY GOODS



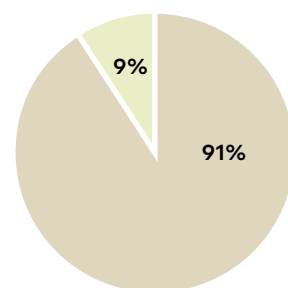
5 Directors

DIGITAL AND MEDIA



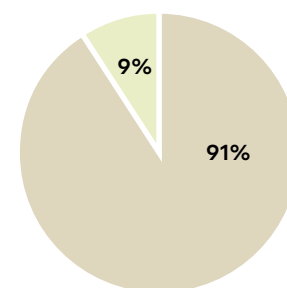
6 Directors

RETAIL, SALES AND MARKETING



10 Directors

OPERATIONAL EXCELLENCE



10 Directors

Each Board member brings a wide range of experience, skills and backgrounds, which complement the Group's strategy. All Board members have strong leadership experience at global businesses.

DIRECTORS' REMUNERATION REPORT

CONTENTS

CHAIR'S STATEMENT – PAGE 151

SUMMARY OF CHANGES TO DIRECTORS' REMUNERATION POLICY AND APPROACH TO IMPLEMENTATION FY 2020/21 – PAGE 159

2020 DIRECTORS' REMUNERATION POLICY – PAGE 161

ANNUAL REPORT ON REMUNERATION – PAGE 172

DEAR SHAREHOLDER,

I am pleased to present to you the Directors' Remuneration Report (DRR) for the year ended 28 March 2020, which has been approved by both the Remuneration Committee (the Committee) and the Board.

I am writing this letter from my home, and you may well read it at your home, during this extraordinary period of lockdown. I have been very impressed by the huge efforts made throughout Burberry to maintain our Company's focus and agility in this difficult period; and I am particularly proud of our recent practical initiatives to help address some of the immediate challenges posed by COVID-19, such as turning our factory in Yorkshire over to the manufacture of medical scrubs and our donations of PPE via our supply chain to frontline health workers. From 1 April, the Executive Directors voluntarily reduced their base salary by 20% for a three-month period, with the equivalent cash amount to be donated by the Company to The Burberry Foundation COVID-19 Community Fund. The Chairman and the Non-Executive Directors did likewise with their fees.

During FY 2019/20 we made very good progress on the implementation of our strategy. Our product ranges made a big impact, achieving substantial global coverage, and were supported by creative marketing campaigns both online and through traditional media, which resonated well with our customers, especially in China. We have also continued to invest in transforming our enabling corporate functions and our product distribution to improve business speed, efficiency and resilience. Much more remains to be done, but the sales trends until the fourth week in January this year, prior to the outbreak of the COVID-19 pandemic, were strong indicators that the Company was on track with the transformation.



ORNA NÍCHIONNA

Chair, Remuneration Committee

Despite this excellent progress, our sales fell sharply towards the end of January following the COVID-19 outbreak and steps taken by governments and authorities to limit its spread. The impact of this on our performance resulted in incentive targets for the year not being met. As a result, there will be no bonus payments for FY 2019/20 for the Executive Directors and their 2017 awards under the Burberry Group plc Executive Share Plan 2014 (ESP) will not vest.

During FY 2020/21 we will continue to have the dual challenge of managing the ongoing disruption to the business caused by COVID-19 while building on the momentum of the strategy to date. We will need to do this in the parts of the world where stores have reopened and where something approaching normality is resuming, and through continuing to connect with our customers in parts of the world where stores remain closed. Our Executive Team are adapting the execution of the strategy and key elements of our operations to protect the health and safety of our employees and customers, to ensure we optimise our sales and to take appropriate mitigating cost and cash conservation actions. This is a very demanding agenda but the commitment and resilience shown by our colleagues over the past months and the intensive work that has been undertaken give me confidence that Burberry will come through this disruption as a stronger company.

“The Committee kept our long-term strategy and the nature of the luxury market firmly in mind as part of the remuneration policy review undertaken this year”

DIRECTORS' REMUNERATION POLICY Becoming a True Global Luxury Brand

In November 2017, our CEO Marco Gobbetti set out our multi-year strategy to re-energise our brand, product and customer experience to establish our position firmly in luxury to enable us to drive sustainable growth and higher margins over time. Elevating our brand in this way requires us to reshape our offer, increasing and invigorating our products; and it requires us to make our customer experience truly exceptional and memorable, both in store and online. We are focused on communicating the vision for the brand in a creative and consistent way, through compelling advertising and innovative and inspiring content and storytelling on social media; and by reimagining our flagship stores and creating interactive experiences. Successful execution of this ambitious strategy will establish us as a true global luxury brand that can deliver enhanced long-term sustainable value for our shareholders. As mentioned above, the first two years of this strategy have been successful, but there is much more hard work to be done to achieve a sustainable luxury market position.

New Burberry Share Plan

The Committee kept our long-term strategy, the nature of the luxury market and our company purpose firmly in mind when reviewing its options as part of the remuneration policy review undertaken this year. After careful consideration, the Committee has determined that a restricted share plan fits better with the characteristics of the luxury industry, of which Burberry is a part, than a traditional long-term incentive plan. Indeed many of our global competitors – predominantly non-UK based and privately owned businesses – use restricted shares to reward their leaders.

We are therefore proposing to move away from the ESP and to introduce a new restricted share plan (the Burberry Share Plan 2020, BSP) under which the Executive Directors will receive awards with a lower value than under the ESP and subject to performance underpins. We believe that a restricted share plan is the right approach to support Burberry's long-term strategy for the following reasons:

- The key to success when building a truly compelling and resilient global luxury brand is to focus on elevating the brand over the long term to enhance its desirability and value. This requires highly specialist skills and steady investment to harness and amplify the creative vision consistently around the world over a number of years through the actions I have referred to earlier.
- It also requires the business to be agile and make the right investments when the opportunities arise to drive performance over the long term. For example, we have recently had opportunities to occupy super premium sites for flagship stores in Paris and in Shenzhen, China; key opinion-forming cities with influence far beyond their local populations. These stores require substantial initial investment to create spectacular physical spaces and in-store experiences which will significantly enhance our customer offering and global brand impact, thus driving improved revenues and margins over the long term.
- When building a long-term brand, it is important to avoid using levers that only enhance short-term revenues and profit, such as expanding distribution into non image-building stores or the use of excessive discounting, which can be damaging for the brand and long-term value for shareholders.

- The Committee believes that the proposed BSP will encourage management to focus on executing the transformation strategy to position Burberry firmly as a luxury brand, to provide the flexibility to make the right investments at the right time and to discourage the use of levers to increase revenue and profit in the short-term at the expense of the long-term shareholder experience.
- Our intention is that this approach will operate for all participants eligible for our long-term incentive and the Committee believes that moving to a restricted share plan approach will allow us to compete for the best talent in the market and enhance retention.
- A restricted share plan aligns Executive Directors with shareholders and provides a simple and transparent reward structure.

The maximum award under the proposed policy under the new BSP for the Chief Executive Officer (CEO) will be 162.5% of salary and the maximum award for the Chief Operating and Financial Officer (CO&FO) will be 150% of salary. This is half the level of awards under the current ESP, reflecting best practice and shareholder expectations.

Awards will vest in equal tranches three, four and five years following the date of award. This represents an extension of the vesting period compared to the ESP, which vests after years three and four. Awards will be subject to a holding period so that the total time horizon before any potential sale of shares (except to cover any tax liabilities arising from the award) is five years for the entire award. Vesting of BSP awards for the Executive Directors will be subject to performance underpins.

Other changes to policy

The Committee has also made the following changes to the Directors' Remuneration Policy to reflect evolving market practice and shareholder expectations and to comply with the 2018 UK Corporate Governance Code (the Code):

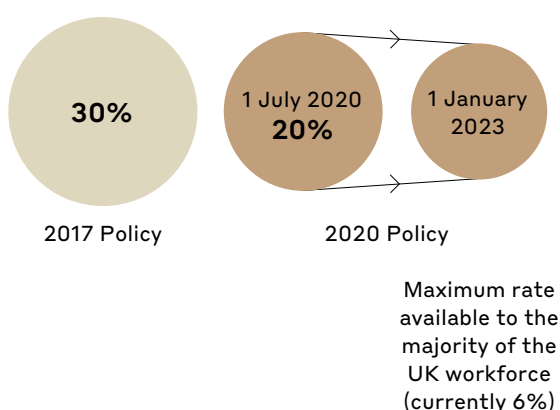
- Reduction in pension for current Executive Directors: the Committee has listened to shareholder views around aligning pension for Executive Directors with the rate available for the wider workforce. The Committee is also mindful that the pension allowance for the Executive Directors was agreed as part of their contractual arrangements for fixed pay at the time of their external recruitment in 2017. In light of this, the Committee has agreed with the Executive Directors that their pension allowance will be reduced by one third, from the current rate of 30% of base salary to 20% of base salary from 1 July 2020. In line with best practice and shareholder guidance, the pension allowance will then be further reduced on 1 January 2023 to align with the maximum rate available to the majority of the UK workforce at that time. This rate is currently 6% of salary but the Company intends to review the workforce pension offering over the next two to three years.
- Further reduction in pension for new appointments: the maximum pension allowance for any new Executive Director appointments to the Board is being further reduced to align with the maximum employer pension contribution rate available to the majority of the UK workforce (currently 6% of salary). As noted above the Company intends to review the workforce pension offering over the next two to three years.
- Introduction of post-employment shareholding guidelines: in light of evolving market practice and to comply with the Code, the Committee is proposing to introduce a post-employment shareholding guideline. Executive Directors will be expected to maintain a minimum shareholding of 300% of salary (or actual shareholding if lower) for two years following stepping down as an Executive Director. The guidelines will apply to shares from incentive awards vesting from the date of adoption of the policy.

CHANGES FOR FY 2020/21

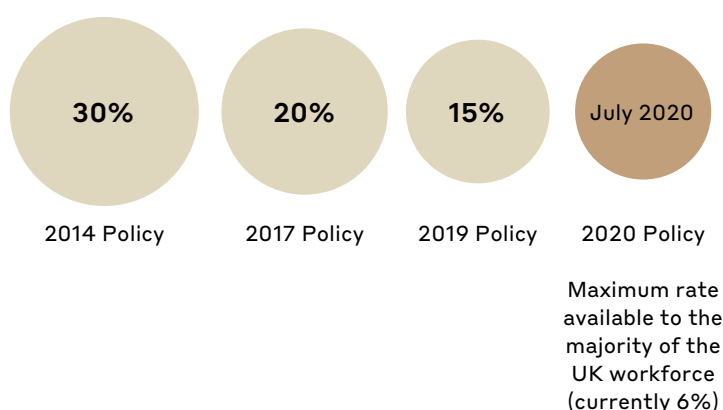
Pensions

With effect from July 2020 we are making changes to our Directors' Remuneration Policy in relation to pension allowances. From 1 January 2023 the maximum employer pension contribution rate for Executive Directors will be aligned with the rate available for the majority of the UK workforce.

Current Executive Directors - Pension Allowance % of base salary



New Executive Directors - Pension Allowance % of base salary



Subject to shareholder approval in July 2020, we are also introducing a new share plan, the BSP, and introducing post-employment shareholding guidelines:

Long-term incentive plan

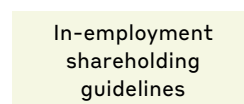
FY 2019/20



FY 2020/21



Shareholding guidelines



- Restricted share awards subject to performance underpins
- Maximum award of 162.5% of salary for CEO and 150% of salary for CO&FO (50% of previous ESP award level)
- Vesting in equal tranches three, four and five years after award with a holding period of five years from award

Policy applies to incentive awards vesting from July 2020 onwards

FY 2020/21 REMUNERATION APPROACH

Burberry operates a simple framework cascaded through the business

Burberry's broad remuneration framework, consisting of fixed pay, short-term incentives and long-term share awards, is cascaded across all employees in the Group.

FIXED PAY Consists of salary, benefits and pension	SHORT-TERM INCENTIVES All employees are eligible for performance-related pay based on short-term performance	LONG-TERM SHARE AWARDS All employees may participate in Burberry share plans
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For FY 2020/21 the policy will apply as follows for the Executive Directors:

SALARY	BENEFITS	ANNUAL BONUS	BURBERRY SHARE PLAN (BSP)
Marco Gobbetti: £1,140k Julie Brown: £725.5k (With effect from 1 July 2019; no increase awarded on 1 July 2020) From 1 April 2020 the Executive Directors voluntarily reduced their base salary by 20% for a three-month period, with the equivalent cash amount being donated by the Company to The Burberry Foundation COVID-19 Community Fund	Pension: 20% of salary from 1 July 2020, reducing to align with the maximum rate available to the majority of the UK workforce from 1 January 2023 Pension for new appointments reduced to align with the majority of the UK workforce Cash allowances and non-cash benefits	For FY 2020/21 the annual bonus will be limited to 25% of the normal maximum (i.e. 50% of salary), determined at year end taking into account performance against strategic objectives (response to COVID-19 and sustainability), overall business performance and shareholder experience 50% of any net amount received to be invested in Burberry shares until shareholding guideline met	Marco Gobbetti: 162.5% of base salary Julie Brown: 150% of base salary Award levels for 2020 to be reviewed before grant taking into account the share price at the time Awards vest in equal tranches three, four and five years from date of award subject to performance underpins based on three key areas: • Revenue • Group Return on Invested Capital • Brand value and sustainability Shares subject to a holding period of five years from award
OTHER Shareholding guidelines of 300% of salary Post-employment shareholding guidelines introduced Discretion, malus and clawback provisions on all annual and long-term incentives (other than all-employee share plans)			

Salary and Board Fees

Senior staff, including Marco Gobetti and Julie Brown, will not receive a salary increase for FY 2020/21. Their salaries will therefore continue to be £1,140,000 and £725,500 respectively. There will also be no increase in fees for the Chairman or the Non-Executive Directors. As mentioned in my introduction, the Board of Directors have agreed to a voluntary 20% reduction in their base salary and fees from 1 April 2020 for three months, with the equivalent cash amount to be donated by the Company to The Burberry Foundation COVID-19 Community Fund.

Annual bonus

The maximum annual bonus is normally 200% of base salary. Our intention is that bonus will normally be based 75% on adjusted operating profit targets and 25% on performance against strategic objectives.

However, in light of the uncertainty and challenges for the forthcoming year following the outbreak of COVID-19, the operation of the annual bonus will be modified for FY 2020/21. The maximum annual bonus that can be earned will be limited to 25% of the maximum, i.e. 50% of base salary. The Committee will determine the annual bonus for FY 2020/21 at the year-end taking into account performance against strategic objectives set around the Company's response to, and recovery from, COVID-19 (for example, the Company's cost mitigation programme, working capital management and supply chain management) and our strategy to build a more sustainable future (primarily focusing on product sustainability and carbon reduction), overall business performance and shareholder experience.

BSP awards

As noted earlier, going forward, awards under the ESP will be replaced with awards of restricted shares under the BSP. The maximum BSP award for the CEO will be 162.5% of base salary and the maximum award for the CO&FO will be 150% of base salary. Awards will vest in equal tranches after three, four and five years following the date of award, subject to a holding period to the fifth anniversary of award.

If the Company does not meet one or more of the performance underpins over the relevant vesting period then the Committee would consider whether it was appropriate to scale back the level of pay-out under the award to reflect this. The Committee would retain discretion to determine what level of scale-back was appropriate. It has proven challenging to select appropriate underpins at present with 50% of our stores closed and uncertainty in the global economic context which is giving rise to a wide range of external market forecasts, all of which are projecting a significant fall in the luxury market. Having considered the forecasts that are applicable and relevant to our sector, the Committee has determined to use the following performance underpins for the 2020 awards:

- Revenue – the level of Total Revenue at Constant Exchange Rates for the financial year which precedes the year of vesting being at least £2,000m
- ROIC – the level of Group Return on Invested Capital at reported exchange rates for the financial year which precedes the year of vesting being ahead of the Weighted Average Cost of Capital (WACC) currently c.9%
- Brand value and sustainability – appropriate progress having been achieved in respect of our brand value and our strategy to build a more sustainable future:
 - Brand value having shown appropriate progress over the vesting period, including relative to peers. The intention is that progress would be assessed taking into account a range of measures including the use of a third party assessment of brand value. The peer group will contain a range of peers, equivalent to our current level in the luxury market.
 - Appropriate progress with regards to our longer-term sustainability goals set as part of our strategy to build a more sustainable future.

The intention of the performance underpins is to provide a 'safeguard' to ensure that the BSP awards do not pay out if the Company has underperformed and vesting is not justified. The Committee believes that the selected underpins reflect a good overall balance of safeguarding the financial stability of the business, delivery of the strategy and elevation of the brand. The use of ROIC ensures a continued focus on the delivery of adjusted operating profit and secures a return on investment for shareholders.

These underpins have been selected to reflect the Company's key priorities for the medium term. The Committee will review the underpins ahead of the 2021 award and may select different underpins at that time.

In addition to the underpins described above the Committee also retains the discretion to adjust the vesting outcome if it is not considered to be reflective of underlying financial or non-financial performance of the business or the performance of the individual, where underpins are no longer considered appropriate or where the vesting outcome is not considered appropriate in the context of the experience of shareholders or other stakeholders.

The Committee is mindful of shareholder guidance that, where the share price has fallen significantly compared to prior years, it should take this into account when determining award levels. We are not due to grant awards until after the AGM this year and the Committee will very carefully consider the level of award for 2020 to ensure that it is appropriate.

FY 2019/20 PERFORMANCE AND REMUNERATION OUTCOMES

The annual bonus for FY 2019/20 was based on adjusted PBT performance. ESP awards granted in July 2017 were based 50% on adjusted PBT, 25% on revenue and 25% on ROIC.

Until the outbreak of COVID-19 in January 2020 Burberry had been performing strongly: the new ranges were very well received and the strategy on which we had embarked was being executed well with increasing momentum, despite the

disruptions in Hong Kong S.A.R., which is a significant market for Burberry. In January 2020 we were tracking to pay an annual bonus at around target level and for ESP awards to vest at just above threshold levels. As a result of the outbreak of COVID-19, there was a sudden significant decrease in sales from the end of January 2020 following widespread store closures. This reduced performance to below the threshold targets and therefore, as I indicated in my introduction, no bonus will be paid with respect to FY 2019/20 and the 2017 ESP award will not vest.

Single figure for FY 2019/20

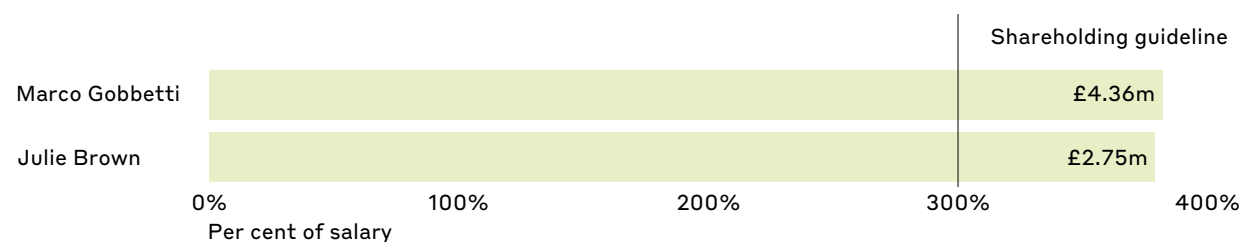
The chart below shows the breakdown of the single figure total remuneration for the Executive Directors in respect of FY 2019/20.



Note that no bonus is payable for FY 2019/20 and the 2017 ESP award will not vest.

Alignment between Executive Directors and shareholders

Executive Directors are subject to a shareholding guideline of 300% of salary, which drives long-term alignment with investors. The chart below illustrates the value of holdings at the year end and the status against the guideline. Both Marco Gobbetti and Julie Brown had met the shareholding guideline (see page 177 for more detail).



BROADER EMPLOYEE REWARD

When considering the remuneration arrangements for the Executive Directors and the Executive Committee, the Committee continues to take into account remuneration throughout the Group. During the year, the Committee continued to consider information on the policies and practices which exist throughout the business. We noted that, although Burberry has a diverse global workforce, the same broad underlying framework for remuneration and reward is cascaded throughout the Group, most notably the significant role of variable remuneration, including participation in share-based incentives. We also discussed our approach to, and results of, Burberry's gender pay gap reporting.

During the year we established the Global Workforce Advisory Forum, a group of employees drawn from a range of roles and locations, which was formed to support the Board in better understanding the views of the workforce as part of its decision-making process. During the year, the Global Workforce Advisory Forum received a briefing from the VP Head of Reward on the Company's approach to setting and determining executive remuneration policy. Our Chairman, Gerry Murphy, and I (as Remuneration Committee Chair) also met with the Global Workforce Advisory Forum twice during the year and gained direct feedback from colleagues on how we approach remuneration and the application of this across the organisation. This was a wide-ranging debate covering executive reward as well as all-employee reward. It gave the Committee good insights into our colleagues' views on how we can drive engagement and productivity through improved simplification and clear communication and consequently better motivate and inspire our people.

ENGAGEMENT WITH SHAREHOLDERS

We remain committed to engagement with our shareholders to ensure an open and transparent dialogue around executive remuneration arrangements at Burberry.

During the year, I engaged with nearly all of our top 20 shareholders on our proposed changes to the Directors' Remuneration Policy. We were very pleased with the level of shareholder support received for the adoption of the restricted share plan (BSP) with many shareholders commenting that they believe it is the right incentive to support our strategy and drive brand value within the current luxury environment. Shareholders were also supportive of the steps we have taken to align with best practice, particularly the changes to pension and the introduction of post-employment shareholding guidelines.

I would like to thank shareholders for all their feedback this year. I look forward to gaining your support on the Directors' Remuneration Policy and the Directors' Remuneration Report at the Annual General Meeting in July.

ORNA NÍCHIONNA

Chair, Remuneration Committee

SUMMARY OF CHANGES TO DIRECTORS' REMUNERATION POLICY AND APPROACH TO IMPLEMENTATION FY 2020/21

ELEMENT		APPROACH FOR FY 2019/20	APPROACH FOR FY 2020/21	CHANGES
SALARY		Salaries from 1 July 2019: CEO – £1,140,000 CO&FO – £725,500	Salaries from 1 July 2020: CEO – £1,140,000 CO&FO – £725,500	No increase in salaries from 1 July 2020. The CEO and CO&FO agreed to waive 20% of salary between April and June 2020 with the equivalent cash amount donated by the Company to The Burberry Foundation COVID-19 Community Fund.
ANNUAL BONUS	Opportunity	Maximum 200% of salary. Executives are required to invest 50% of any net bonus into shares until shareholding guidelines are met. Malus and clawback provisions apply.	For FY 2020/21 the annual bonus will be limited to 25% of the normal maximum, i.e. 50% of salary. Executives are required to invest 50% of any net bonus into shares until shareholding guidelines are met. Malus and clawback provisions apply.	In light of the uncertainty and challenges for the forthcoming year following the outbreak of COVID-19, the operation of the annual bonus will be modified for FY 2020/21. It is intended that for FY 2021/22 the annual bonus will revert to the normal structure (200% of salary based 75% on adjusted operating profit targets and 25% on strategic objectives).
	Performance measures	100% adjusted PBT.	The Committee will determine the annual bonus taking into account performance against strategic objectives (response to and recovery from COVID-19 and sustainability), overall business performance and shareholder experience.	
LONG-TERM INCENTIVE PLAN	Opportunity	ESP plan operated with vesting based on the achievement of performance targets. Maximum annual award levels: CEO – 325% of salary CO&FO – 300% of salary Vesting periods – three years 50%; four years 50%. Holding period to fifth anniversary of award while in employment. Malus and clawback provisions apply.	ESP replaced with a restricted share plan (the BSP) with a lower award level and performance underpins. Maximum annual award levels: CEO – 162.5% of salary CO&FO – 150% of salary Awards vest one third after three years, one third after four years and one third after five years. Awards subject to a holding period to fifth anniversary of award. Malus and clawback provisions apply.	ESP replaced by BSP. 50% reduction in award levels. The Committee is mindful of shareholder guidance that, where the share price has fallen significantly compared to prior years, the Committee should take this into account when determining award levels. We are not due to grant awards until after the AGM this year and the Committee will very carefully consider the level of award for 2020 to ensure that it is appropriate.

ELEMENT		APPROACH FOR FY 2019/20	APPROACH FOR FY 2020/21	CHANGES
LONG-TERM INCENTIVE PLAN	Performance measures/ underpin	Awards based: • 50% on adjusted PBT • 25% on Revenue • 25% on ROIC	The performance underpins for the 2020 awards are as follows: • Revenue – the level of Total Revenue at Constant Exchange Rates for the financial year which precedes the year of vesting being at least £2,000m • ROIC – the level of Group Return on Invested Capital at reported exchange rates for the financial year which precedes the year of vesting being ahead of the Weighted Average Cost of Capital (WACC) currently c.9% • Brand value and sustainability – appropriate progress having been achieved in respect of our brand value and our strategy to build a more sustainable future	Performance underpins introduced for BSP.
PENSION		CEO and CO&FO – 30% of salary Any new external appointment – 15% of salary	CEO and CO&FO – Pension reduced to 20% of base salary from 1 July 2020, with a further reduction to align with the maximum rate available to the majority of the UK workforce from 1 January 2023. Any new appointment – in line with the maximum employer pension contribution available to the majority of the UK workforce (currently 6% of salary).	Reduction to pension for the CEO and CO&FO. Pension policy for new appointments reduced to align with the wider UK workforce.
BENEFITS		Cash benefits allowance – CEO (£80,000) and CO&FO (£30,000) Non-cash benefits principally include private medical, long-term disability insurance and life assurance.	Cash benefits allowance – CEO (£80,000) and CO&FO (£30,000) Non-cash benefits principally include private medical, long-term disability insurance and life assurance.	There has been no change to the approach to benefits. The drafting of the benefits policy has been simplified to add clarity to our intended approach.
SHAREHOLDING GUIDELINES		300% of salary	300% of salary Post-employment shareholding guideline introduced whereby Executive Directors will be expected to retain a shareholding of 300% of salary (or actual shareholding if lower) for two years after stepping down as an Executive Director. The guidelines will apply to shares from incentive awards vesting from July.	Post-employment shareholding guideline introduced, reflecting Investment Association best practice.

2020 DIRECTORS' REMUNERATION POLICY

Burberry's Directors' Remuneration Policy as set out in this report (the 2020 Remuneration Policy) will be put to shareholders for approval at the 2020 AGM to be held on 15 July 2020. It is the Committee's intention that the 2020 Remuneration Policy will apply to payments made from the date of the 2020 AGM.

The Committee believes that Burberry's executive remuneration should be simple and transparent while being linked to business performance and strategic direction, taking into account the global markets in which the Company operates and from which it recruits talent as well as our approach to remuneration throughout the Group. The 2020 Remuneration Policy has been developed taking into account the following principles:

- **Simple and clear:** the remuneration framework should be simple and transparent to ensure that it is clear to shareholders, participants and other stakeholders. Our policy is that Executive Directors only participate in an annual bonus and a single restricted share plan, the BSP, going forward to ensure this simplicity. Incentive awards are capped so that the maximum potential award under each plan is transparent.
- **Aligned to culture, purpose and the wider workforce:** the remuneration framework has been designed to support our culture and business purpose. When developing the 2020 Remuneration Policy the Committee reviewed in detail our approach to remuneration throughout the organisation to ensure that arrangements are appropriate in the context of our approach to reward for the wider workforce.
- **Linked to the performance and strategy of the business:** the remuneration framework should provide a balance between incentivising key short-term objectives through the annual bonus and long-term business objectives and shareholder value creation through the BSP. More detail on the Company's Key Performance Indicators linked to executive remuneration and their strategic alignment is set out on pages 32-34.
- **Shareholder value and alignment:** remuneration should provide close alignment with long-term value creation for shareholders through the selection of appropriate performance measures and targets for the annual bonus and performance underpins for the BSP. Remuneration should also be aligned to the future success of the Company, and should emphasise variable reward outcomes and deliver a significant proportion of remuneration in shares, some of which are expected to be retained in accordance with the shareholding guidelines. From 2020, we have introduced a post-employment shareholding guideline which supports this alignment after the Executive Director steps down. Annual bonus plan targets are normally set taking into account our strategic plan as well as external expectations of performance. Annual bonus targets are set to ensure that maximum remuneration can only be earned for delivering exceptional performance while not encouraging excessive risk-taking. The performance underpins for the BSP are in place to ensure that failure is not rewarded.
- **Mitigating risk:** our remuneration framework should mitigate risk where appropriate. The 2020 Remuneration Policy includes provisions which enable the Committee to exercise discretion to ensure that incentive awards and outcomes are appropriate; it also includes provisions which allow for the application of clawback and/or malus in specific negative circumstances.
- **Competitive in the global talent market:** total remuneration should be sufficient to attract, motivate and retain exceptional talent. The Committee takes into account Burberry's main global luxury competitors for talent and comparable UK companies when considering the total remuneration for Executive Directors. The Committee recognises that, for each Executive Director, the relative importance of these reference groups may be different depending on the skills and experience required to undertake the specific role.

POLICY TABLE – EXECUTIVE DIRECTORS

BASE SALARY

To recognise the responsibilities, experience and ability of our Executive Directors in a competitive global environment, keeping our people focused on and passionate about the brand.

Operation	Maximum opportunity	Performance measures
The Committee sets base salary taking into account: - the individual's skills, experience, performance and overall contribution to the business - salary levels at other companies of a similar size and complexity in both the UK and the broader luxury sector - pay and conditions elsewhere in the Group - the impact of any base salary increase on the total remuneration package Any salary increases are normally effective from 1 July.	While there is no maximum salary, increases will normally be in line with the typical increases awarded to other employees in the Group. However, increases may be above this level in certain circumstances, such as: - where an Executive Director has been appointed to the Board at a lower than typical market salary to allow for growth in the role, larger increases may be awarded to move salary positioning closer to typical market level as the Executive Director gains experience and performance warrants this - where an Executive Director has been promoted or has had a change in responsibilities - where there has been a significant change in market practice	n/a

PENSION

To offer market-competitive benefits.

Operation	Maximum opportunity	Performance measures
Executive Directors participate in defined contribution arrangements. Participants may elect to receive some or all of their entitlement as a cash allowance.	The maximum company contribution or allowance for the current Executive Directors from 1 July 2020 is 20% of base salary per annum (prior to 1 July 2020 the maximum contribution or allowance was 30% of base salary per annum). From 1 January 2023 it is intended that the maximum company contribution or allowance will be reduced to align with the maximum company pension contribution available to the majority of the UK workforce (currently 6% of salary). For any new Executive Director appointments, the maximum pension contribution will align with the maximum company pension contribution available to the majority of the UK workforce (currently 6% of salary).	n/a

ANNUAL BONUS

To reward Executive Directors for achieving annual targets linked to the strategic plan agreed by the Board.

Operation	Maximum opportunity	Performance measures
Annual bonuses are normally paid in cash. Executive Directors are required to invest 50% of any net bonus earned into Burberry shares until shareholding guidelines are met. Bonuses are not pensionable. Discretion: the Committee may determine that it is appropriate to adjust the bonus outcome if, for example, outcomes are not considered to be reflective of underlying financial or non-financial performance of the business or the performance of the individual, where targets are no longer considered appropriate or where the outcome is not considered appropriate in the context of the experience of shareholders or other stakeholders. Any adjustment would be within the limits of the policy. Clawback provision: during the period of three years from date of payment, the Company may seek to recover any bonus from individual Executive Directors in whole or in part in the event of a material misstatement in the Company's audited financial statements, if the bonus outcome has been incorrectly calculated or where the participant has engaged in serious misconduct (including breach of a Company policy) which results in serious reputational damage for the Company and/or which justifies, or could justify, summary dismissal of the participant.	Maximum annual bonus opportunity of 200% of base salary. Normally, 50% of the bonus shall pay out for target levels of performance with 25% of the bonus paying out for threshold levels of performance. The Committee has the discretion to adjust the portion of the award that pays out for threshold and/or target performance if appropriate.	The Committee shall determine performance measures for the bonus each year. These may include financial measures (for example profitability) and other metrics linked to the delivery of the business strategy or individual performance. In normal circumstances no less than 70% of the annual bonus will be based on financial measures. The Committee has the discretion in exceptional circumstances to adjust existing performance targets and/or set different measures if events occur outside of management's control or where the target no longer satisfies its original purpose of ensuring that pay is aligned with performance. Targets are normally set with reference to budget, the strategic plan, long-term financial goals and market expectations. Targets are considered to be commercially sensitive and will be disclosed retrospectively following completion of the relevant financial year provided they are no longer commercially sensitive.

BURBERRY SHARE PLAN (BSP)

To simplify the approach to long-term reward.

To focus Executive Directors on, and reward them for, sustainable long-term shareholder value creation and successful execution of the Company's long-term strategy.

To align Executive Directors' interests with those of shareholders.

Operation	Maximum opportunity	Performance measures
Awards are structured as conditional rights or nil-cost options to receive free shares on vesting. Awards will vest one third at the end of year three, one third at the end of year four and one third at the end of year five subject to performance underpins. A post-vesting holding period applies to awards granted under the BSP normally on a net-of-tax basis. Shares that vest will be subject to a sale restriction until the fifth anniversary of the date of award, aside from in very limited circumstances. If the Company does not meet one or more performance underpins at the date of vesting then the Committee would consider whether it was appropriate to scale back the number of shares that vest under the award. Dividend equivalents in respect of the value of dividends which would have been received during the vesting period and any holding period may be paid in shares or in cash in respect of shares that vest. Discretion: the Committee may determine that it is appropriate to adjust the vesting outcome if, for example, outcomes are not considered to be reflective of underlying financial or non-financial performance of the business or the performance of the individual, where underpins are no longer considered appropriate or where the outcome is not considered appropriate in the context of the experience of shareholders or other stakeholders. Any adjustment would be within the limits of the policy, although it would be exceptional. Malus and clawback provision: unvested shares or awards may be forfeited or vested shares may be clawed back during the period of six years from date of grant in whole or in part in the event of a material misstatement in the Company's audited financial statements, if the vesting outcome has been incorrectly calculated or where the participant has engaged in serious misconduct (including breach of a Company policy) which results in serious reputational damage for the Company and/or which justifies, or could justify, summary dismissal of the participant.	Maximum awards are 162.5% of base salary	Performance underpins may be based around key financial and/or strategic measures and/or share price metrics. Performance underpins for awards granted in 2020 will relate to key financial stability metrics and strategic objectives. The Committee may use different performance underpins for future awards if deemed appropriate. Performance underpins will be set taking into account the business strategy and to ensure failure is not rewarded. Performance underpins will normally be disclosed ahead of each annual grant. Details of the performance achieved against the targets will normally be disclosed.

OTHER BENEFITS AND ALLOWANCES

To promote the wellbeing of employees, enabling them to focus on the business.

Operation	Maximum opportunity	Performance measures
Executive Directors receive a cash allowance to cover a range of benefits typically provided in the luxury market, such as clothing and car. Cash allowances are currently £80,000 per annum for the CEO and £30,000 per annum for the CO&FO. Other benefits for Executive Directors may include, but are not limited to: • private medical insurance • life assurance • long-term disability insurance • employee discount • participation in all-employee share plans on the same terms and up to the same maximum amounts as other employees in the UK Reasonably incurred expenses will be reimbursed. The Company may meet any tax liabilities that may arise on expenses. The Committee may introduce other benefits to the Executive Directors if this is considered appropriate taking into account the individual's circumstances, the nature of the role and practice for the wider workforce. Where an Executive Director is required to relocate to perform their role, appropriate one-off or ongoing benefits may be provided (such as housing, schooling etc).	The cost of the provision of allowances and benefits varies from year to year depending on the cost to the Company and there is no prescribed maximum limit. However, the Committee monitors annually the overall cost of the benefits provided, to ensure that it remains appropriate.	n/a

SHAREHOLDING GUIDELINES

To align the interests of Executive Directors and shareholders and encourage long-term shareholding and commitment to the Company both in and post-employment.

Operation	Maximum opportunity	Performance measures
Executive Directors are expected to build and maintain a holding of Company shares equal to at least 300% of base salary. Executive Directors will normally be expected to maintain a minimum shareholding of 300% of salary (or actual shareholding if lower) for two years after stepping down as an Executive Director. This post-employment guideline will apply to shares from incentive awards vesting from the date of adoption of the policy. The Committee retains discretion to waive this guideline if it is not considered appropriate in the specific circumstances.	n/a	n/a

Notes on share awards

1. Adjustment of share awards: the number of shares subject to an award (and the option price, where relevant) can be adjusted on a rights issue, special dividend, demerger or variation of capital or similar transaction. Subject to the plan rules, share awards can be satisfied by a cash payment equal to the value of shares the participant would otherwise have received. For Executive Directors, this provision will only be used in exceptional circumstances, such as where, for regulatory reasons, it is not possible to settle awards in shares.
2. In respect of our share plans, this table presents a summary of the key and relevant information for the plan rules. These plans will operate in accordance with the relevant plan rules as approved by shareholders (where applicable) and, in the case of the BSP, the description set out in the Notice of Meeting for the July 2020 AGM.

SUMMARY OF DECISION-MAKING PROCESS AND CHANGES TO POLICY

During the year, the Committee undertook a detailed review of the Directors' Remuneration Policy and determined that it was appropriate to replace the Burberry Group plc Executive Share Plan 2014 (ESP) with a new restricted share plan, the Burberry Share Plan 2020 (BSP), as the Group's current main long-term incentive plan, under which awards with a lower value will be granted subject to performance underpins. The Committee believes that the BSP will better support the execution of our strategy to elevate the Burberry brand and generate long-term shareholder value as well as providing a simpler and more transparent approach to reward. Further details of the rationale for the introduction of the BSP are provided in the Chair's statement on pages 151 to 158. Changes have also been made to the policy and our approach to implementation to reflect the Code, as well as recent developments in best practice. In determining the new 2020 Remuneration Policy, the Committee followed a robust process, which included discussions on the content of the policy at Committee meetings during the year. The Committee considered the input from management and our independent advisors, as well as considering best practice and guidance from major shareholders. The Committee considers the potential for conflicts of interest and manages them as necessary. No Director was present when their own remuneration was discussed.

A summary of the key differences between the 2020 Remuneration Policy and the 2017 policy is set out below.

- Introduction of a restricted share plan: as noted above the existing ESP has been replaced with a restricted share plan (BSP) under which awards with a lower value will be granted subject to performance underpins.
- Performance measures: the approach to performance measures under the annual bonus has been broadened to allow more flexibility to change performance measures for future years to ensure that they continue to be aligned with the strategy. The Committee's intention would be to consult with shareholders in advance if any material changes in performance measures are proposed.
- Pension: the maximum pension contribution for new Executive Director appointments has been reduced to align with the maximum employer pension contribution for the majority of the UK workforce (currently 6% of salary). Pension contributions for current Executive Directors have been reduced to 20% from 1 July 2020 and will be further reduced to align with the maximum employer pension contribution for the majority of the UK workforce from 1 January 2023.
- Post-employment shareholding guideline: a post-employment shareholding guideline has been introduced.
- Other changes have been made to the wording of the policy to increase flexibility, to aid operation, to increase transparency and to reflect typical market practice.

SELECTION OF PERFORMANCE MEASURES

- In light of the uncertainty and challenges for the forthcoming year following the outbreak of COVID-19, the operation of the annual bonus will be modified for FY 2020/21. The maximum annual bonus has been reduced and the Committee will determine the pay-out at year end, taking into account performance against strategic objectives set around the Company's response to and recovery from COVID-19 and our strategy to build a more sustainable future, overall business performance and shareholder experience.
- BSP awards are subject to performance underpins. For 2020, awards will be linked to financial measures, brand value and sustainability. These underpins have been selected as they are considered to be good yardsticks of the overall financial stability and sustainability of the organisation and are therefore aligned with shareholder value creation.

POLICY TABLE – NON-EXECUTIVE DIRECTORS

PURPOSE	OPERATION	MAXIMUM ANNUAL OPPORTUNITY
Chairman – fees To attract and retain a high-calibre Chairman by offering a market-competitive fee.	The Chairman is paid a single fee for all responsibilities. The fee level is reviewed at appropriate intervals by the Committee, taking into account time commitment, the experience and calibre of the individual and personal contribution and fee levels at other companies of a similar size and complexity. The fee is paid in cash.	There is no maximum fee level or maximum fee increase.
Non-Executive Directors – fees To attract and retain high-calibre Non-Executive Directors by offering market-competitive fees.	The Non-Executive Directors are paid a basic fee. The Chairs of the Audit and Remuneration Committees and the Senior Independent Director are paid an additional fee to reflect their extra responsibilities and the required time commitment. Fee levels are reviewed at appropriate intervals by the Board, taking into account time commitment and fee levels at other companies of a similar size and complexity. The Company may pay an additional fee to a Non-Executive Director should the Company require significant additional time commitment in exceptional circumstances. Fees are paid in cash.	There is no maximum fee level or maximum fee increase.
Chairman and Non-Executive Directors – other benefits To enable the Chairman and Non-Executive Directors to undertake their roles.	The Non-Executive Directors (other than the Chairman) receive a Board attendance allowance per meeting for attendance at Board meetings outside of their country of residence. Attendance allowances are paid in cash. As brand ambassadors, the Chairman and Non-Executive Directors receive discounts on Burberry products. Reasonably incurred expenses will be reimbursed. The Company may meet any tax liabilities that may arise on expenses. Additional benefits may be introduced if considered appropriate. The Chairman is eligible to receive healthcare cover and to have access to a car and driver.	Benefit levels are reviewed on an annual basis and the value can vary year on year. Any additional benefits will be set at a level appropriate to the role and the individual. The Company may meet any tax liabilities that may arise on expenses or benefits.

APPROVED PAYMENTS

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the 2020 Remuneration Policy set out in the document where the terms of the payment were agreed (i) before the policy came into effect, provided that the terms of the payment were consistent with any applicable shareholder-approved Directors' Remuneration Policy in force at the time they were agreed or were otherwise approved by shareholders; or (ii) at a time when the relevant individual was not a Director of the Company (or other persons to whom the Policy set out above applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company or such other person. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" no later than the time the award is granted. This Policy applies equally to any individual who is required to be treated as a Director under the applicable regulations.

POLICY ON RECRUITMENT AND PROMOTION ARRANGEMENTS

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

- The package should be market-competitive to facilitate the recruitment of individuals of sufficient calibre to lead the business. At the same time, the Committee would intend to pay no more than it believes is necessary to secure the required talent.
- New Executive Directors will normally receive a base salary, benefits and pension contributions in line with the policy described on pages 162 to 165 and would also be eligible to join the bonus and share incentive plans up to the limits set out in the policy.
- In addition, the Committee has discretion to include any other remuneration component or award, including a performance-based award, which it feels is appropriate taking into account the specific circumstances of the recruitment, subject to the limit on variable remuneration set out below. The key terms and rationale for any such component would be disclosed as appropriate in the Remuneration Report for the relevant year.
- Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate, taking into account all relevant factors including the form of awards, expected value and vesting timeframe of forfeited opportunities. When determining any such buy-out, the guiding principle would be that awards would generally be on a like-for-like basis unless this is considered by the Committee not to be practical or appropriate.
- Excluding any buy-out awards (referred to above), the maximum level of variable remuneration which may be awarded in respect of recruitment where a BSP award is made is 362.5% of salary (which is in line with the maximum limit under the annual bonus and BSP in this policy).
- Where an Executive Director is required to relocate from their home location to take up their role, the Committee may provide assistance with relocation (either via one-off or ongoing payments or benefits).
- If necessary, the Committee may enter into a service contract with a longer initial notice period to secure the appointment of an Executive Director from an environment where longer notice periods are market practice. The notice period would be reduced to 12 months or less on a rolling basis after the initial longer notice period of up to 24 months has finished.
- In the event that an internal candidate is promoted to the Board, legacy terms and conditions would normally be honoured, including any accrued pension entitlements and any outstanding incentive awards.

To facilitate any buy-out awards outlined above, in the event of recruitment the Committee may grant awards to a new Executive Director relying on the exemption in the Listing Rules, which allows for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director, without seeking prior shareholder approval or under any other appropriate Company incentive plan.

SUPPLEMENTARY INFORMATION

Remuneration policy in the rest of the Company

The remuneration arrangements for Executive Directors outlined earlier in this report are consistent with those for other senior executives, although quantum and award opportunities vary by executive level.

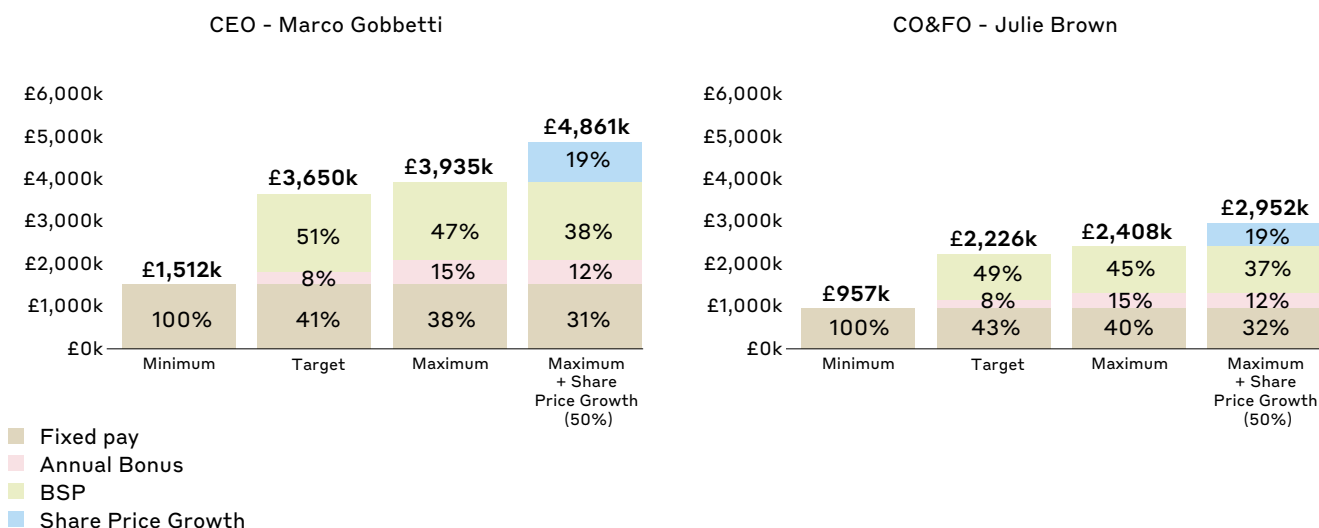
In making its decisions on executive remuneration, the Committee considers the reward framework for all employees worldwide, ensuring that the principles applied are consistent with the Directors' Remuneration Policy. Merit increases awarded to Executive Directors are determined within the broader context of employee remuneration. All our employees are eligible for a variable incentive based on performance and the principle of shareholder alignment is reflected throughout the organisation through our all-employee share plans, which are (where legally possible) extended to all eligible Burberry employees globally.

Burberry is a partner of the Living Wage Foundation and accredited as a UK Living Wage employer.

Indicative total remuneration levels

A substantial portion of Executive Director remuneration is dependent on Company performance. The charts below illustrate indicative levels of total remuneration which would be received by each Executive Director under the remuneration policy set out above for the first financial year in which the policy will apply (from 29 March 2020) at each of the following performance scenarios: (1) minimum, (2) target, (3) maximum, and (4) maximum + 50% share price growth.

Executive Director total remuneration at different levels of performance



Notes:

- "Minimum" remuneration includes fixed pay only (salary from 1 July 2020 (£1,140k for Marco Gobbetti and £725.5k for Julie Brown)), pension from 1 July 2020 of 20% of salary, cash allowances (£80,000 for Marco Gobbetti and £30,000 for Julie Brown) plus the value of other non-cash benefits as disclosed in the single figure for FY 2019/20 (£64k for Marco Gobbetti and £56k for Julie Brown).
- "Target" remuneration includes fixed pay plus target annual bonus (50% of maximum) and 100% vesting of the BSP award.
- "Maximum" remuneration includes fixed pay plus maximum annual bonus (100% of opportunity) and 100% vesting of the BSP award.
- "Maximum + 50% share price growth" is as outlined for the maximum scenario above with a 50% increase in share price applied to the BSP award.
- The maximum annual bonus for FY 2020/21 is 50% of salary for both Executive Directors and the maximum BSP awards are 162.5% of salary for Marco Gobbetti and 150% of salary for Julie Brown.
- No share price growth or dividend payments have been applied to share awards included in these indicative total remuneration figures other than where noted.

POLICY ON SERVICE AGREEMENTS AND TERMINATION PROVISIONS

Executive Directors

The Company's general policy on Executive Directors' service agreements is that they operate on a rolling basis with no specific end date and include a 12-month or less notice period both to and from the Company. The table below sets out information on service agreements for the current Executive Directors.

	Date of current service agreement	Date employment commenced	Notice period to and from the Company
Marco Gobetti	11 July 2016	27 January 2017	12 months
Julie Brown	11 July 2016	18 January 2017	12 months

Standard terms on termination

Salary, benefits and allowances: Executive Directors continue to receive salary, benefits and allowances during their notice period. Pursuant to the terms of Business Protection Agreements (which set out restrictive covenants and terms relating to the non-solicitation of employees) in place with the Executive Directors, payments equal to monthly salary for the duration (which will not normally exceed 12 months) of certain restrictive covenants may be made if the employer chooses to enforce them to protect Burberry's continuing business. Any such payments will cease if the former Executive Director takes up alternative remunerative employment.

Annual bonus paid in cash: an executive considered to be a "good leaver" may remain eligible for an annual bonus payable at the normal time for the financial year in which they cease employment subject to achievement of bonus targets. Any bonus would normally be pro-rated taking into account the period of time the Executive Director was in active employment during the financial year. An Executive Director who has left employment for other reasons during the performance period or before the payment is due will normally not be eligible to receive an annual bonus. The Committee retains discretion to vary the approach and the payment of annual bonus to leavers, as outlined below.

BSP awards: for an Executive Director considered to be a "good leaver" before the third anniversary of the date of award, outstanding awards will normally be pro-rated for time over the first three years of the award and vest on the original vesting dates subject to the performance underpins. For an Executive Director considered to be a "good leaver" after the third anniversary of the date of award, outstanding awards will normally continue to vest in full on the original vesting dates subject to the performance underpins. Good leavers' awards will normally be required to remain subject to post-vesting holding periods and leaving employment will not normally impact shares already subject to a holding period. For an Executive Director who leaves for any other reason, any unvested BSP awards will normally lapse in full. The Committee retains discretion to vary the approach and the extent to which awards vest for leavers, as outlined below.

ESP awards: for an Executive Director considered to be a "good leaver" outstanding awards will normally be pro-rated for time and vest subject to performance on the original vesting date. For an Executive Director who leaves for any other reason during the performance period, ESP awards will normally lapse in full. Where an Executive Director leaves employment (other than in the event of gross misconduct) during any holding period they will continue to remain eligible to receive their shares at the end of the holding period. The Committee, however, retains discretion to allow shares to be released on cessation of employment. If an individual leaves for gross misconduct they will forfeit any awards which remain subject to a holding period. The Committee retains discretion to vary the approach and the extent to which awards vest for leavers, as outlined below.

Good leavers include leaving the Company on retirement, redundancy, ill health, as a result of death in service or in other circumstances determined by the Committee.

Other: reasonable disbursements (for example, legal or professional fees, relocation/repatriation costs) may be paid. Any other employee share plan entitlements (such as under all-employee share incentives) will be dealt with in accordance with the rules of the relevant plan and the Committee may exercise the discretions provided under those plans.

Discretion: the Committee retains discretion to approve payments to individuals based on individual circumstances and performance while in office or employment. In applying any such discretion, the Committee will make any decisions by considering the specific circumstances and performance of the individual and the best interests of shareholders and those of the remaining employees, including Executive Directors. Where awards are subject to performance conditions/underpins, these would normally be tested at the end of the relevant period(s) and any award which is allowed to vest would normally be pro-rated for time in office or employment.

Corporate events

Upon a change in control of the Company before the third anniversary of award, outstanding BSP awards will, unless the Committee determines otherwise, be pro-rated for time over the first three years of the award and vest, at the point of change in control, subject to the performance underpins. Upon a change in control of the Company after the third anniversary of award, outstanding BSP awards will, unless the Committee determines otherwise, vest in full, at the point of change in control, subject to the performance underpins. Outstanding ESP awards will, unless the Committee determines otherwise, be pro-rated for time and vest subject to performance at the point of change in control. Alternatively, BSP or ESP awards can be exchanged for equivalent awards over shares in the acquiring company. The Committee can also allow full or partial vesting on a demerger, special dividend, distribution in specie or if the participant is relocated in circumstances which would give rise to unfavourable tax treatment. Malus, clawback and holding period requirements will cease to apply following a change of control.

Any other employee share plan entitlements (such as under all-employee share incentives) will be dealt with in accordance with the rules of the relevant plan and the Committee may exercise the discretions provided under those plans.

Non-Executive Directors

The Non-Executive Directors serve under Letters of Appointment with the Company. Non-Executive Directors may continue to serve subject to annual re-election by shareholders at each AGM of the Company, subject to six months' notice by either party. There are no provisions for compensation for loss of office in the Letters of Appointment.

DEVELOPMENT OF 2020 REMUNERATION POLICY

In developing and reviewing the 2020 Remuneration Policy, the Committee is mindful of the views of shareholders and is sensitive to the relativities of arrangements for Executive Directors to those for employees more generally.

The Committee proactively seeks feedback from shareholders when considering any significant changes to remuneration for Executive Directors. The Committee also listens to and takes into consideration investor views more generally throughout the year. In developing this policy the Committee undertook a detailed consultation with shareholders to understand their feedback in relation to the changes proposed and modified the proposals in response to the feedback received.

Employees are free to communicate their views internally on any topic including the Directors' Remuneration Policy by using the Burberry internal social media platform or using the confidential employee helpline. In addition, many Burberry employees are shareholders, through the Sharesave and Free Share plans, and they, like other shareholders, are able to express their views on Directors' remuneration at each general meeting. Burberry regularly undertakes an Employee Engagement Survey. Views of our employees generally and on their remuneration will be taken into account when building future plans. The two-way dialogue we have developed with our Global Workforce Advisory Forum gives the Committee important insight into employees' views on the overall remuneration framework and how this aligns to the Directors' Remuneration Policy. However, given the scale, geographic spread and the diversity of roles of Burberry's employees, the Committee does not proactively consult with employees specifically on the remuneration policy for Directors.

ANNUAL REPORT ON REMUNERATION

FY 2019/20 TOTAL SINGLE FIGURE REMUNERATION FOR EXECUTIVE DIRECTORS (AUDITED)

The table below sets out the single figure of total remuneration received or receivable by the Executive Directors in respect of FY 2019/20 (and the prior financial year). The subsequent sections detail additional information for each element of remuneration.

	Salary £'000	Allowances and benefits £'000	Pension £'000	Bonus £'000	ESP ¹ £'000	Total £'000
Marco Gobbetti						
Year to 28 March 2020	1,136	144	341	–	–	1,621
Year to 30 March 2019	1,117	135	335	1,340	1,151	4,078
Julie Brown						
Year to 28 March 2020	723	86	217	–	–	1,026
Year to 30 March 2019	711	72	213	853	169	2,018

Notes

- The values shown in the ESP column in respect of FY 2018/19 represent the vesting of the 2016 ESP award. The values have been updated to reflect the share price on the date of vesting (30 January 2020) of £20.15. The figure disclosed in last year's single figure was £1,038k for Marco Gobbetti and £152k for Julie Brown. The amount now includes the value of dividends on these shares using a cumulative dividend per share of 124 pence. The share price used to calculate the number of shares at grant (30 January 2017) was £16.60. The share price of £20.15 used to value the ESP for single figure purpose represents an increase of £3.55 per share. The proportion of the 2016 ESP value disclosed in the single figure attributable to share price growth was therefore 18%. The Remuneration Committee did not exercise discretion in respect of the share price appreciation.

SALARY (AUDITED)

The table below details annual salaries as at 28 March 2020 and those that will apply from 1 July 2020. Salaries will not be increased from 1 July 2020. From 1 April 2020, the Executive Directors voluntarily agreed to waive 20% of their salary for a three-month period between April and June 2020 with the equivalent cash amount being donated by the Company to The Burberry Foundation COVID-19 Community Fund.

	As at 28 March 2020	As at 1 July 2020	% change
Marco Gobbetti	£1,140,000	£1,140,000	0%
Julie Brown	£725,500	£725,500	0%

PENSION (AUDITED)

In line with the approved Remuneration Policy and their respective service agreements, each Executive Director received an annual pension contribution or pension cash allowance of 30% of base salary. No Director has a prospective entitlement to receive a defined benefit pension.

The Committee is very much aware of shareholder views around aligning pension for Executive Directors with the rate available for the wider workforce. The Committee is also mindful that the pension allowance for Executive Directors was agreed as part of their contractual arrangements for fixed pay at the time of their appointments in 2017. In light of shareholder expectations and evolving market practice, the Committee has agreed with the Executive Directors that their pension allowance will be reduced from the current rate of 30% of base salary to 20% of salary from 1 July 2020. It will then be further reduced to align with the maximum employer pension contribution available to the majority of the UK workforce (currently 6% of salary) from 1 January 2023 in line with best practice.

The maximum pension allowance for new Executive Director appointments to the Board is also being further reduced to align with the maximum employer pension contribution rate available to the majority of the UK workforce (currently 6% of salary).

ALLOWANCES AND BENEFITS (AUDITED)

The table below details the cash allowances and non-cash benefits received by the Executive Directors during FY 2019/20 in accordance with the Policy and disclosed in the single figure table.

FY 2019/20 (£'000)	Cash allowance	Private medical insurance	Life assurance	Long-term disability insurance	Tax advice
Executive Directors					
Marco Gobbetti	80	17	33	6	8
Julie Brown	30	35	6	9	6

Our approach to benefits is unchanged during the year. The drafting of our 2020 Remuneration Policy has been simplified to clarify our approach.

ANNUAL BONUS OUTCOMES FOR FY 2019/20 (AUDITED)

The annual bonus for FY 2019/20 for the Executive Directors was based on adjusted PBT at Constant Exchange Rates (CER) in line with the Remuneration Policy.

The table below sets out the targets, the achieved performance and the level of pay-out for FY 2019/20.

Annual bonus for FY 2019/20	Maximum bonus opportunity (% of salary)	FY 2019/20 Adjusted PBT target (£m)	FY 2019/20 Adjusted PBT achieved (CER)* (£m)	FY 2019/20 bonus payment (% of maximum)	FY 2019/20 bonus payment (£'000)
Marco Gobbetti	200%	Threshold: 443.2			0
Julie Brown	200%	Target: 458.0 Maximum: 481.0	410	0%	0

* Adjusted PBT for bonus purposes is calculated using the average exchange rates of FY 2018/19 and on a pro forma basis reflecting results excluding the impact of adopting IFRS 16 Leases. Details of pro forma results for FY 2019/20 are set out on page 260. The level of adjusted PBT achieved for bonus purposes is therefore lower than the reported FY 2019/20 adjusted PBT (£414m).

Until the outbreak of COVID-19 in January 2020 Burberry had been performing strongly: the new ranges were very well received and the strategy on which we had embarked was being executed well with increasing momentum. For much of the year we were therefore tracking to pay an annual bonus at around target level. As a result of the outbreak of COVID-19, however, we saw a material negative impact on luxury demand. In late January, this was limited to disruption in Asia but the impact intensified throughout February and March resulting in stores being shut across Europe and the US. Profit performance was significantly impacted as a result of these store closures and as such overall adjusted PBT at CER for FY 2019/20 was below the threshold target and therefore no bonus was paid. The Committee did not exercise any discretion in relation to the bonus outcome for Executive Directors.

ANNUAL BONUS FOR FY 2020/21

In light of the uncertainty and challenges for the forthcoming year following the outbreak of COVID-19, the operation of the annual bonus has been modified for FY 2020/21. The maximum annual bonus that can be earned for FY 2020/21 will be limited to 25% of the maximum, i.e. 50% of base salary. The Committee will determine the annual bonus at the year end taking into account performance against strategic objectives set around the Company's response to and recovery from COVID-19 (for example, the cost mitigation programme, working capital management and supply chain management) and our strategy to build a more sustainable future (primarily focusing on product sustainability and carbon reduction), overall business performance and shareholder experience.

Our intention is to return to the normal bonus structure for FY 2021/22 onwards. The maximum annual bonus is normally 200% of base salary. Our intention is that bonus will normally be based 75% on Adjusted Operating Profit targets and 25% on performance against strategic objectives.

LONG-TERM INCENTIVE PLAN AWARDS

The following sets out details of:

- 2017 ESP awards vesting based on performance to FY 2019/20
- 2019 ESP awards granted during FY 2019/20
- 2020 BSP awards to be granted in FY 2020/21

2017 ESP AWARDS VESTING BASED ON PERFORMANCE TO FY 2019/20 (AUDITED)

Marco Gobetti and Julie Brown hold 2017 ESP awards which are capable of vesting 50% on 31 July 2020 and 50% on 31 July 2021 based on performance over the period from 1 April 2017 to 28 March 2020. The table below sets out the targets and actual performance achieved.

Outcome of 2017 ESP award	Weighting	Threshold (15% of max)	Maximum	Actual performance	Vesting (% of max)
Annual growth in Adjusted PBT ¹	50%	2.0%	10.0%	-0.9%	0%
Annual growth in Revenue ^{1,2}	25%	1.0%	5.5%	0%	0%
Average Adjusted Retail/Wholesale ROIC	25%	16.2%	18.2%	14.9%	0%
Final vesting outcome					0%

1. The ESP outcome is calculated using the average exchange rates of the year on which the targets were based, as set out in the performance conditions to awards.
2. Performance was measured on a like-for-like basis against the targets, taking into account three changes in accounting over the period (the adoption of IFRS 15 and IFRS 16 and the move to retail calendar reporting). The adoption of IFRS 16 Leases has impacted the reported measurement of ROIC and adjusted PBT. As a result performance for FY 2019/20 was measured on a pro forma basis reflecting results excluding the impact of adopting IFRS 16 Leases. Details of pro forma results for FY 2019/20 are set out on page 260. None of the changes impacted the vesting outcome.

Burberry has made strong progress over the last three years in executing our transformation strategy and improving the financial performance of the business. Reflecting this progress, 2017 ESP awards were tracking to vest at just above threshold levels for much of the financial year. The outbreak of COVID-19, however, had a significant impact on our revenue and profit performance for the final two months of FY 2019/20. Adjusted PBT, Revenue and ROIC performance was therefore below the threshold target and no portion of this award will vest.

The Committee did not exercise any discretion in relation to the 2017 ESP outcome for Executive Directors.

2019 ESP AWARDS GRANTED DURING FY 2019/20 (AUDITED)

The table below summarises the ESP share awards granted to Executive Directors during FY 2019/20.

	Type of award	Basis of award	Shares awarded	Face value at grant (£'000)	Performance period
Marco Gobetti	ESP share award	325% of salary	161,849	£3,705	3 years to
Julie Brown		300% of salary	95,078	£2,176	2 April 2022

- The ESP award was granted on 31 July 2019 and will vest 50% after three years and 50% after four years from grant date, subject to the performance conditions outlined below. Awards are granted in the form of nil-cost options.
- The face value of each award is calculated using the three-day average price prior to the date of grant (£22.8917), which was the price used to determine the number of shares awarded.

The performance targets for this award are as follows:

Performance targets for 2019 ESP award	Weighting	Threshold (15% of max)	Maximum
Annual growth in Adjusted PBT ^{1,3}	50%	4.0%	12.0%
Annual growth in Revenue ¹	25%	3.0%	8.0%
Average Adjusted Retail/Wholesale ROIC ^{2,3}	25%	13.5%	17.0%

1. The vesting outcomes are calculated using revenue and adjusted PBT as disclosed in the annual accounts, subject to any adjustments (down or up) made by the Committee to reflect CER and any other items deemed to be outside management's control.
2. Adjusted retail/wholesale ROIC measures the effective use of capital to ensure that returns on future investment are attractive. Adjusted retail/wholesale ROIC, for the purpose of the ESP performance measure, is measured over the three-year period on a reported currency basis. Following the adoption of IFRS 16 Leases, adjusted retail/wholesale ROIC for FY 2019/20 has been calculated based on pro forma results as though the previous leasing standard IAS 17 were being applied. A calculation of the adjusted retail/wholesale ROIC is included in the five-year summary on page 259.
3. Burberry has adopted IFRS 16 for lease accounting. To ensure fair and consistent performance measurement and in accordance with the ESP rules, the Committee will assess final performance for this award taking into account existing lease accounting methodology, which is consistent with the basis of the targets. Further disclosure will be provided at the time of vesting in the relevant report.

2020 BSP AWARDS TO BE GRANTED IN FY 2020/21

As already noted and subject to shareholder approval (separate from the shareholder approval for the 2020 Remuneration Policy), going forward Executive Directors will be granted awards under the BSP of a lower value with performance underpins rather than performance-based awards under the ESP. The Committee believes that the BSP is a simpler and more transparent reward structure which will enable management to focus on executing the transformation strategy to position Burberry firmly as a luxury brand, provide the flexibility to make the right investments at the right time and to discourage the use of levers to increase revenue and profit in the short term at the expense of the long-term shareholder experience. The maximum BSP award for the CEO will be 162.5% of salary with the maximum award for the CO&FO being 150% of salary. This is a 50% reduction compared to the current ESP award reflecting best practice and shareholders' expectations. Awards will normally vest in equal tranches after three, four and five years following the date of award. Tranches will be subject to a holding period so that the total time horizon before any sale of shares (except to cover any tax liabilities arising from the award) is five years for the entire award.

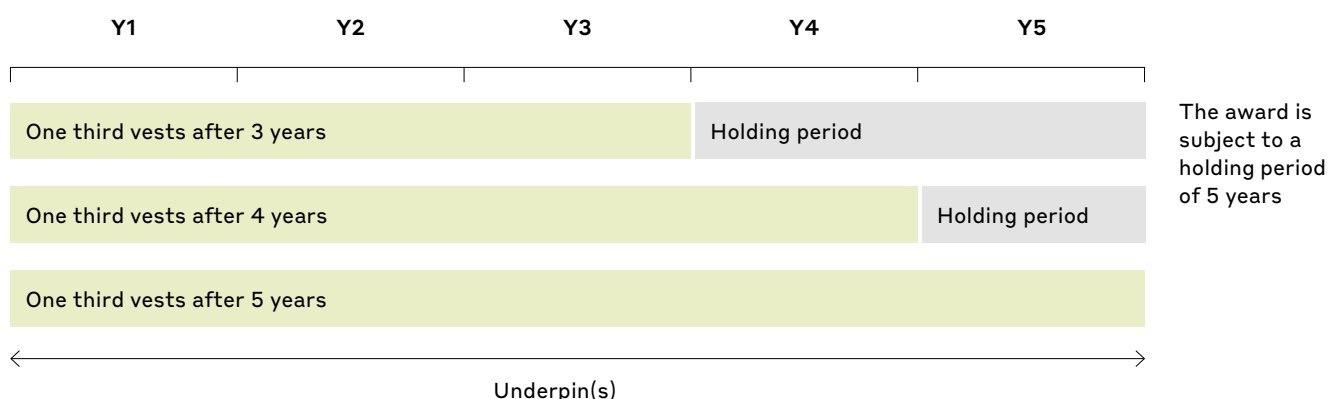
The Committee is mindful of shareholder guidance that, where the share price has fallen significantly compared to prior years, the Committee should take this into account when determining award levels. We are not due to grant awards until after the AGM this year and the Committee will very carefully consider the level of award for 2020 to ensure that it is appropriate.

If the Company does not meet one or more of the performance underpins outlined below for the year of vesting then the Committee would consider whether it was appropriate to scale back the level of pay-out under the BSP award. The Committee would retain discretion to determine what level of scale-back was appropriate. It has proven challenging to select appropriate underpins at present with 50% of our stores closed and uncertainty in the global economic context which is giving rise to a wide range of external market forecasts, all of which are projecting a significant fall in the luxury market. Having considered the forecasts that are applicable and relevant to our sector, the Committee has determined to use the following performance underpins for the 2020 awards:

- Revenue – the level of Total Revenue at Constant Exchange Rates for the financial year which precedes the year of vesting being at least £2,000m
- ROIC – the level of Group Return on Invested Capital at reported exchange rates for the financial year which precedes the year of vesting being ahead of the Weighted Average Cost of Capital (WACC) currently c.9%
- Brand value and sustainability – appropriate progress having been achieved in respect of our brand value and our strategy to build a more sustainable future:
 - Brand value having shown appropriate progress over the vesting period, including relative to peers. The intention is that progress would be assessed taking into account a range of measures including the use of a third party assessment of brand value. The peer group will contain a range of peers, equivalent to our current level in the luxury market.
 - Appropriate progress with regards to our longer-term sustainability goals set as part of our strategy to build a more sustainable future.

The intention of the performance underpins is to provide a 'safeguard' to ensure that the BSP awards do not pay out if the Company has underperformed and vesting is not justified. The Committee believes that the selected underpins reflect a good overall balance of safeguarding the financial stability of the business, delivery of the strategy and elevation of the brand. The use of ROIC ensures a continued focus on the delivery of adjusted operating profit and secures a return on investment for shareholders. The Committee is conscious that, given the intention of the underpins and the significant reduction in the face value of the restricted share awards compared to the previous ESP, it is important that the underpins are set at a level which provides a safeguard against poor performance rather than being a stretching target. The Committee believes that the underpins represent an appropriate level of performance for the restricted shares to vest taking into account the uncertainty and market challenges over the next few years as the world seeks to recover from COVID-19. The Committee will review the underpins ahead of the 2021 award and may select different underpins at that time.

In addition to the underpins described above the Committee also retains the discretion to adjust the vesting outcome if it is not considered to be reflective of underlying financial or non-financial performance of the business or the performance of the individual, where underpins are no longer considered appropriate or where the vesting outcome is not considered appropriate in the context of the experience of shareholders or other stakeholders.



SHARE INTERESTS AND SHAREHOLDING GUIDELINE (AUDITED)

Executive Directors are subject to a shareholding guideline of 300% of base salary. There is no specific timeline in which shareholding guidelines must be achieved. However, there is an expectation that Executive Directors make annual progress towards their guideline, regardless of any annual bonus paid or shares vesting. The shareholding policy has been updated in line with the Investment Association best practice guidance such that, in addition to shares owned outright by the Executive Director, any incentive shares that have vested but are unexercised or are unvested but not subject to any further performance conditions will count towards the shareholding requirement at 50% of the face value.

The following table sets out the total beneficial interests of the Executive Directors (and their connected persons) in ordinary shares of Burberry Group plc as at 28 March 2020, as well as their progress against the shareholding guidelines. The table also summarises conditional interests in share or option awards, with further detail of the underlying awards in the subsequent table.

Based on the three-month average share price to 28 March 2020 (our standard approach to assessing the guideline), Marco Gobbetti and Julie Brown had both met the guideline.

Director	Beneficially held shares			Share/option awards			
	Number of shares beneficially owned as at 28 March 2020 ¹	As % of salary ²	Shareholding guideline (% of salary)	Guideline met as at 28 March 2020	Vested but unexercised awards ⁴	Unvested – subject to performance	Unvested – subject to continued employment ⁵
Marco Gobbetti	190,530	382%	300%	Yes	52,806	542,068	37,684
Julie Brown	107,833	379%	300%	Yes	76,952	318,424	5,322

1. There have been no changes in the period up to and including 22 May 2020.

2. Based on the three-month average share price as at 28 March 2020 of £18.57.

3. Marco Gobbetti did not exercise any options during the year. On 20 May 2019, Julie Brown exercised a nil-cost option over 8,250 shares granted to her on 30 January 2017 and retained these shares (post tax liabilities). The market value of Burberry shares on the date of exercise was £18.02.

4. In line with the updated shareholding guideline, only 50% of the face value of these shares count towards the Executive Director's shareholding guideline calculation.

5. This includes options granted in respect of buy-out awards, SAYE options and shares held under the all-employee SIP. In line with the updated shareholding guideline, 50% of the face value of these shares (excluding the SAYE options) count towards the Executive Director's shareholding guideline calculation.

DIRECTORS' REMUNERATION REPORT CONTINUED

The following table provides further underlying detail on the unvested awards at 28 March 2020 included in the table above.

Director	Type of award	Date of grant	Maximum number of shares/options	Performance period	Vesting date(s) ⁶
Marco Gobbetti	2016 ESP ¹	30 Jan 2017	26,915	3 years to 30 March 2019	30 January 21
	2017 ESP ²	31 Jul 2017	207,687	3 years to 28 March 2020	50% on 31 July 20/50% on 31 July 21
	2018 ESP ³	31 Jul 2018	172,532	3 years to 27 March 2021	50% on 31 July 21/50% on 31 July 22
	2019 ESP ⁴	31 Jul 2019	161,849	3 years to 2 April 2022	50% on 31 July 22/50% on 31 July 23
	Buy-out ⁵	8 Feb 2018	8,804	N/A	30 October 20
	SAYE	15 June 2018	1,920	N/A	1 September 2023
	SIP	31 July 2018 and 2019	45	N/A	23 on 31 July 2021/22 on 31 July 2022
Julie Brown	2016 ESP ¹	30 Jan 2017	3,953	3 years to 30 March 2019	30 January 21
	2017 ESP ²	31 Jul 2017	121,998	3 years to 28 March 2020	50% on 31 July 20/50% on 31 July 21
	2018 ESP ³	31 Jul 2018	101,348	3 years to 27 March 2021	50% on 31 July 21/50% on 31 July 22
	2019 ESP ⁴	31 July 2019	95,078	3 years to 2 April 2022	50% on 31 July 22/50% on 31 July 23
	SAYE	15 June 2017	1,294	N/A	1 September 2020
	SIP	31 Jul 2017, 2018 and 2019	75	N/A	30 on 31 July 2020/23 on 31 July 2021/22 on 31 July 2022

1. The performance conditions and final vesting outcome for the 2016 ESP award are set out on page 134 of the Directors' Remuneration Report FY 2018/19. 50% of the award vested on 30 January 2020 and the remaining 50% is eligible to vest on 30 January 2021.
2. The performance conditions and final vesting outcome for the 2017 ESP award are set out on page 174. This award has now lapsed as the performance conditions have not been met.
3. The performance conditions for the 2018 ESP award are set out in the Directors' Remuneration Report FY 2018/19.
4. The performance conditions for the 2019 ESP award are set out on page 175.
5. This award of nil-cost options was granted to Marco Gobbetti in February 2018 to buy out awards forfeited on leaving his previous employer in order to join Burberry. Full details of these awards were provided in the Directors' Remuneration Reports FY 2016/17 and FY 2017/18. The award shown in the table above represents the final tranche of this award.
6. ESP awards are structured as nil-cost options and vested awards may be exercised in the period until 10 years from grant. Vested ESP awards may not be sold until five years from date of grant, other than to meet tax liabilities.

CEO REMUNERATION RELATIVE TO EMPLOYEES

The table below summarises the change in Marco Gobbetti's base salary, benefits and bonus received as CEO for FY 2019/20 compared to the prior year. The same data is also shown for the UK employee population.

Year-on-year change (%)	Salary	Allowances and benefits	Bonus
CEO	1.6%	6.67%	-100%
UK Employees*	1.6%	0%	-46%

* The comparator group includes all UK employees. This group has been chosen to align with the location of the CEO and with the pay ratio reporting. For the comparator group of employees, the year-on-year salary changes include the annual salary review from July 2019 but exclude any additional changes made in the year, for example on promotion. For benefits, there were no changes to benefit policies or levels during the year. The increase in the value of benefits shown for the CEO reflects an increase in the market cost of the same benefits.

The ratios, set out in the table below, compare the total remuneration of the CEO (as included in the single figure table on page 172) to the remuneration of the median UK employee as well as the UK employees at the lower and upper quartiles. The disclosure will build up over time to cover a rolling 10-year period.

Year	Method	25th percentile pay ratio (P25)	Median pay ratio (P50)	75th percentile pay ratio (P75)
FY 2019/20	Option A	68:1	48:1	31:1
FY 2018/19	Option A	170:1	127:1	82:1

Notes regarding calculation

The ratios are calculated using option A in the disclosure regulations. The employees at the lower quartile, median and upper quartile (P25, P50, and P75, respectively) were determined based on total remuneration using a valuation methodology consistent with that used for the CEO in the single figure table on page 172. The employees were identified based on all UK employees as at year end. This option was selected on the basis that it provided the most accurate means of identifying the median, lower and upper quartile employees. The calculation is undertaken on a full-time equivalent basis.

The total remuneration in respect of FY 2019/20 for the employees identified at P25, P50 and P75 is £24k, £34k and £52k respectively. The base salary in respect of FY 2019/20 for the employees identified at P25, P50 and P75 is £21k, £26k and £45k respectively.

The Committee considers pay ratios as one of many reference points when considering remuneration. Throughout the Group, pay is positioned to be fair and market competitive in the context of the talent market for the relevant role, fairly reflecting local market data and other relevant benchmarks (such as the UK Living Wage). The Committee notes the limited comparability of pay ratios across companies and sectors, given the diverse range of business models and employee population profiles which exist across the market.

A significant proportion of the CEO's total remuneration is delivered in variable remuneration, and particularly via long-term share awards, historically under the ESP and with effect from FY 2020/21 under the BSP. In order to drive alignment with investors, the value ultimately received from BSP awards is linked to long-term share price movement. As a result, the pay ratio is likely to be driven largely by the CEO's incentive outcomes and may therefore fluctuate significantly on a year-to-year basis.

The reduction in the pay ratios for FY 2019/20 compared with FY 2018/19 reflects the zero outcomes on the CEO's bonus for FY 2019/20 and ESP 2017 vesting, as reflected in the CEO's single figure on page 172.

DIRECTORS' REMUNERATION REPORT CONTINUED

RELATIVE IMPORTANCE OF SPEND ON PAY FOR FY 2019/20

The table below sets out the total payroll costs for all employees over FY 2019/20 compared to total dividends payable for the year and amounts paid to buy back shares during the year. The average number of full-time equivalent employees is also shown for context.

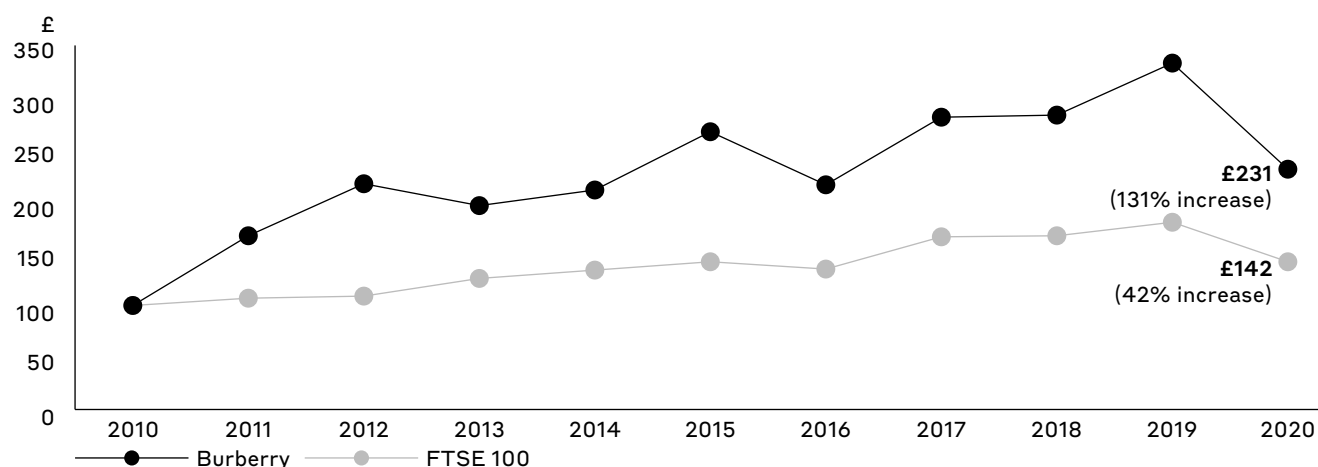
Relative importance of spend on pay		FY 2019/20	FY 2018/19
Dividends paid during the year (total)	£m	175.2	171.1
	% change	+2.4%	
Amounts paid to buy back shares during the year	£m	150.7	150.7
	% change	0.0%	
Payroll costs for all employees	£m	477.7	519.8
	% change	-8.1%	
Average number of full-time equivalent employees		9,892	9,862
	% change	+0.3%	

EXTERNAL APPOINTMENTS

To support their development and broaden their business experience Executive Directors may take up non-executive roles at other companies with the prior agreement of the Board. Julie Brown serves as a Non-Executive Director of Roche Holding Limited and it was agreed that fees earned in connection with this appointment can be retained by her. For the period 31 March 2019 to 28 March 2020, Julie's fees for this appointment were CHF360,000 gross (c.£285,967).

TEN-YEAR PERFORMANCE GRAPH AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

The following graph shows the Total Shareholder Return (TSR) for Burberry Group plc compared to the FTSE 100 index assuming £100 was invested on 31 March 2010. Data is presented on a spot basis and sourced from Datastream. The table below shows the total remuneration earned by the incumbent Chief Executive Officer over the same 10-year period, along with the percentage of maximum opportunity earned in relation to each type of incentive. The total amounts are based on the same methodology as used for the single figure of total remuneration for FY 2019/20 on page 172.



FY ¹	2010/11 (AA)	2011/12 (AA)	2012/13 (AA)	2013/14 (AA)	2014/15 (AA)	2014/15 (CB)	2015/16 (CB)	2016/17 (CB)	2017/18 (CB)	2017/18 (MG)	2018/19 (MG)	2019/20 (MG)
Total remuneration (£'000)	16,003	9,574	10,901	8,007	157	7,508	1,894	3,508	1,091	6,330	4,078	1,621
Bonus (% of maximum)	100%	100%	75%	70%	–	81%	0%	0%	51%	51%	60%	0%
ESP (% of maximum)	–	–	–	–	–	–	–	–	5%	–	25%	0%
Legacy incentive plans (no longer in operation):												
CIP ² (% of maximum)	100%	–	100%	100%	–	75%	0%	0%	–	–	–	–
RSP (% of maximum)	–	100%	–	–	–	–	0%	19.3%	–	–	–	–
EPP ³ (% of maximum)	50%	–	–	–	–	–	–	–	–	–	–	–
Exceptional award ⁴ (% of maximum)	50%	–	–	–	–	–	–	61.7%	59.9%	–	–	–

1. Angela Ahrendts (AA, CEO to 30 April 2014), Christopher Bailey (CB, Chief Creative Officer and CEO from 1 May 2014 to 4 July 2017), Marco Gobbetti (MG, CEO from 5 July 2017).

2. The CIP was the Burberry Co-Investment Plan, a long-term incentive plan under which the final performance-based awards were granted in 2014. Details of this plan can be found in the relevant Directors' Remuneration Reports.

3. The EPP was the Burberry Exceptional Performance Share Plan, a one-off long-term incentive plan under which performance-based awards were granted in 2007 only. Details of this plan can be found in the relevant Directors' Remuneration Reports.

4. The Exceptional award for Christopher Bailey relates to vesting of his 2014 exceptional share award as previously disclosed.

DIRECTORS' REMUNERATION REPORT CONTINUED

NON-EXECUTIVE DIRECTORS' REMUNERATION (AUDITED)

The table below sets out the single figure of total remuneration received or receivable by the Non-Executive Directors in respect of FY 2019/20 (and the prior financial year).

		Fees ¹ £'000	Benefits & Allowances ² £'000	Total £'000
Non-Executive Directors				
Gerry Murphy	Year to 28 March 2020	425	6	431
	Year to 30 March 2019 ³	371	1	372
Fabiola Arredondo	Year to 28 March 2020	80	67	147
	Year to 30 March 2019	80	108	188
Jeremy Darroch	Year to 28 March 2020	100	–	100
	Year to 30 March 2019	130	–	130
Sam Fischer	Year to 28 March 2020 ⁴	33	11	44
Ron Frasch	Year to 28 March 2020	80	42	122
	Year to 30 March 2019	80	76	156
Matthew Key	Year to 28 March 2020	115	3	118
	Year to 30 March 2019	85	5	90
Debra Lee	Year to 28 March 2020 ⁵	40	19	59
Dame Carolyn McCall	Year to 28 March 2020	80	7	87
	Year to 30 March 2019	80	3	83
Orna NiChionna	Year to 28 March 2020	115	2	117
	Year to 30 March 2019	115	2	117
Former Non-Executive Directors⁶				
Ian Carter	Year to 28 March 2020	24	36	60
	Year to 30 March 2019	80	102	182
Stephanie George	Year to 28 March 2020	24	27	51
	Year to 30 March 2019	80	76	156

Notes

1. Fees include the base fee and additional Committee fees in line with the 2017 policy. For FY 2018/19 the additional fees for the role of Audit Committee Chair were split between Jeremy Darroch and Matthew Key to reflect time served in role.
2. Allowances include an attendance allowance of £2,000 for each meeting attended outside a Non-Executive Director's country of residence and the reimbursement of certain expenses incurred by Non-Executive Directors in the performance of their duties, which are deemed by HM Revenue & Customs (HMRC) to be subject to UK income tax. This includes costs in respect of air travel and other incidental costs incurred in attending regular Board and Committee meetings. Any tax liabilities arising on the reimbursement of these costs will be settled by the Company. Amounts disclosed have been estimated and have been grossed up at the appropriate tax rate, where necessary. Note that expenses for Fabiola Arredondo, Ian Carter, Ron Frasch, Stephanie George and Debra Lee include travel expenses from the US and for Sam Fischer include travel expenses from Singapore.
3. Fees for Gerry Murphy relate to the period from 17 May 2018 when he joined the Board.
4. Fees for Sam Fischer relate to the period from 1 November 2019 when he joined the Board.
5. Fees for Debra Lee relate to the period from 1 October 2019 when she joined the Board.
6. Fees for Ian Carter and Stephanie George in FY 2019/20 relate to the period to 17 July 2019 when they stepped down from the Board.

SUMMARY OF CHAIRMAN AND NON-EXECUTIVE DIRECTOR FEES FOR FY 2020/21

The fee structure for the Chairman and Non-Executive Directors for FY 2020/21 is set out in the table below. There are no changes from the prior year. However, the Chairman and Non-Executive Directors have agreed to waive 20% of their respective base fees between April and June 2020 and Burberry will donate the equivalent monies saved through this temporary fee reduction to The Burberry Foundation COVID-19 Community Fund.

Summary of Chairman and Non-Executive Director fees for FY 2020/21	Fee level £'000
Chairman ¹	425
Non-Executive Director	80
Senior Independent Director	20
Audit Committee Chair	35
Remuneration Committee Chair	35
Attendance allowance ²	2

1. The Chairman is not eligible for Committee chairmanship fees or attendance allowances.
2. Non-Executive Directors receive an attendance allowance for each meeting attended outside their country of residence.
3. Expenses incurred in the normal course of business are reimbursed and, as these are considered by HMRC to be taxable benefits, the tax due on these will also be met by the Company.

CHAIRMAN AND NON-EXECUTIVE DIRECTOR SHAREHOLDINGS (AUDITED)

The table below summarises the total interests of the Chairman and Non-Executive Directors (and their connected persons) in ordinary shares of Burberry Group plc as at 28 March 2020 (or at the date of stepping down, if earlier).

The shareholding guideline for the Chairman and Non-Executive Directors is to hold shares with a market value of £6,000 for each year of their appointment. As at 28 March 2020 (or at the date of stepping down, if earlier), all of the Non-Executive Directors who have served more than one year since their appointment had fulfilled this guideline.

Non-Executive Directors	Total number of shares owned
Gerry Murphy	5,000
Fabiola Arredondo	7,500
Jeremy Darroch	3,000
Sam Fischer	0
Ron Frasc	1,738
Matthew Key	3,570
Debra Lee	450
Dame Carolyn McCall	2,704
Orna NíChionna	3,067
Former Non-Executive Directors	
Ian Carter	37,701
Stephanie George	41,600

There have been no changes in the period up to and including 22 May 2020.

REMUNERATION COMMITTEE IN FY 2019/20

Committee membership

The following independent Directors served as members of the Committee during FY 2019/20:

- Orna NíChionna (Chair)
- Fabiola Arredondo
- Ian Carter (to 17 July 2019)
- Sam Fischer (from 1 November 2019)
- Ron Frasch
- Stephanie George (to 17 July 2019)
- Matthew Key

Committee remit

The Committee's Terms of Reference (ToR) are published on Burberryplc.com.

In addition to setting the remuneration of the Executive Directors, the Committee continues to directly oversee the remuneration arrangements for the Executive Committee, the Company Secretary and other members of senior management within its remit as determined from time to time.

SUMMARY OF MEETINGS

The Committee typically meets four times a year. During FY 2019/20, the Committee met four times at scheduled meetings and held other ad hoc discussions as required. The agenda items discussed at these four meetings are summarised below.

May 2019	• FY 2018/19 incentive outcomes • FY 2019/20 performance targets and incentive awards • FY 2019/20 senior executive remuneration • Chairman fees for FY 2019/20 • Approval of Directors' Remuneration Report FY 2018/19 • Update on the policies and practices which exist for the broader workforce • Update on share plan dilution
November 2019	• Review Directors' Remuneration Policy • Update on external environment from independent advisors • Incentives performance update • Approval of changes to pension policy for new Executive Director hires
February 2020	• Consider changes to Directors' Remuneration Policy • Feedback on investor engagement • Update on external environment from independent advisors • Incentives performance update • Review regulatory changes impacting the Directors' Remuneration Report FY 2019/20
March 2020	• Update on external environment from independent advisors • Incentives performance update • Consider changes to Directors' Remuneration Policy • Update on the policies and practices which exist for the broader workforce • Gender pay gap reporting • All-employee share plan awards for FY 2019/20 • Review shareholding guideline policy • Review Remuneration Committee terms of reference

ADVISORS TO THE COMMITTEE

At the invitation of the Committee, except where their own remuneration is being discussed, the following roles may attend meetings and provide advice to the Committee: the Chairman, the Chief Executive Officer, the Chief Operating and Financial Officer, the Chief People Officer, the VP Head of Reward, the General Counsel, and the Company Secretary.

Deloitte was appointed as an independent advisor to the Committee in 2017 following a tender process and continued in that role during the year. Deloitte is a founding member of the Remuneration Consultants' Group (RCG), which is responsible for the development and maintenance of the voluntary Code of Conduct that clearly sets out the role of executive remuneration consultants and the professional standards by which they advise their clients. Fees are charged on a time and expenses basis and totalled £224,700 (plus VAT) during FY 2019/20. During the year Deloitte also provided other consulting services (including programme management, operating model design, technology implementation and analytics), tax compliance and advisory and transfer pricing services. The Committee is satisfied that advice received from Deloitte during the year was objective and independent and that all individuals who provided remuneration advice to the Committee have no connections with Burberry or its Directors that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

Linklaters LLP also provided advice to the Committee in relation to the operation of the Company's share plans, employment law considerations and compliance with legislation.

REMUNERATION VOTING RESULTS

The table below shows the results of the latest remuneration-related shareholder votes on both the Directors' Remuneration Report (at the 2019 AGM) and the Directors' Remuneration Policy (at the 2017 AGM).

We have continued to engage with and listen to our shareholders during FY 2019/20 as part of our commitment to build on the constructive dialogue we have established. The Committee and I would like to thank all of you who have invested time with us, as it has helped to inform our thoughts on executive remuneration at Burberry going forward.

AGM voting results	Votes for	Votes against	Votes withheld
To approve the Directors' Remuneration Report for the year ended 30 March 2019 - 2019 AGM	312,865,923 (97.5%)	7,995,075 (2.5%)	33,711
To approve the Directors' Remuneration Policy - 2017 AGM	315,538,767 (93.4%)	22,283,872 (6.6%)	1,291,775

Approval

This report has been approved by the Board and signed on its behalf by:

ORNA NÍCHIONNA

Chair, Remuneration Committee

22 May 2020

DIRECTORS' REPORT

The Directors present their Annual Report and the audited consolidated Financial Statements of the Company for the year ended to 28 March 2020.

SCOPE OF THIS REPORT

For the purposes of the Companies Act 2006, the following are incorporated by reference and shall be deemed to form part of this Directors' Report:

- Strategic Report on pages 4 to 118
- Corporate Governance Statement, which includes the Board, the Corporate Governance Report and the Directors' Remuneration Report, on pages 122 to 191
- Global Greenhouse Gas Emissions disclosure on pages 66 to 67

The Directors consider that the Annual Report and Accounts, taken as a whole, provides fair, balanced and understandable assessment of the Group's business necessary for the shareholders and wider stakeholders to assess:

- development and performance during the year
- its position at the end of the year
- strategy
- likely developments
- any principal risks and uncertainties

For the purposes of compliance with the Disclosure Guidance and Transparency Rules 4.1.5R(2) and 4.1.8R, the required content of the management report can be found in the Strategic Report together with sections of the Annual Report incorporated by reference.

ADDITIONAL GOVERNANCE DISCLOSURES

Revenue and profit

Revenue from continuing business during the year amounted to £2633.1 million (2019: £2720.2 million). The profit for the year attributable to equity holders of the Company was £121.7 million (2019: £339.3 million) down 64% predominantly related to asset impairments resulting from the expected impact of the pandemic on our future trading.

Going concern and viability

The impact of the COVID-19 pandemic on the global economy and the operating activities of many businesses has resulted in a climate of considerable uncertainty. The ultimate impact of this pandemic on the Group is uncertain at the date of signing these financial statements. The Directors have assessed the potential cash generation of the Group against a range of projected scenarios (including a severe but plausible outcome), the liquidity of the Group, existing funding available to the Group and mitigating actions, which may be taken to reduce discretionary and other operating cash outflows. On the basis of these assessments the Directors consider it appropriate to continue to adopt the going concern basis in preparing the Financial Statements for the 52 weeks to 28 March 2020. The Directors' assessment of the prospects and viability of the Group over the next three years are set out in the Strategic Report on pages 117 to 118 of the Annual Report.

The Risk and Viability Report can be found on pages 92 to 118.

Independent Auditor

In accordance with section 418(2) of the Companies Act 2006, each of the Company's Directors in office at the date of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's external auditor is unaware; and
- he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information, and to establish that the Company's external auditor is aware of that information.

The Group's current external auditor is PwC and note 7 of the Financial Statements states their fees both for audit and non-audit work. During FY 2018/19 the Audit Committee undertook an external audit tender and EY was identified as the preferred candidate and its appointment was recommended to the Board. Details of the audit tender process are disclosed in the FY 2018/19 Annual Report on page 119. A resolution to appoint EY as external auditor to the Company from FY 2020/21 will be proposed at the forthcoming AGM.

The Independent Auditors' Report starting on page 195 sets out the information contained in the Annual Report, which has been audited by the external auditor.

Political donations

The Company made no political donations during the year in line with its policy (FY 2018/19: £nil). In keeping with the Group's approach in prior years, shareholder approval is being sought at the forthcoming AGM, as a precautionary measure, for the Company and its subsidiaries to make donations and/or incur expenditure, which may be construed as political by the wide definition of that term included in the relevant legislation. Further details are provided in the Notice of this year's AGM.

Financial instruments and risks

The Group's financial risk management objectives and policies are set out within note 28 of the Financial Statements. Note 28 also details the Group's exposure to foreign exchange, share price, interest, credit, capital and liquidity risks. This note is incorporated by reference and deemed to form part of this report.

Post-balance sheet events

On 14 May 2020, Burberry Limited issued commercial paper with a face value of £300.0 million and a maturity of 17 March 2021. The commercial paper was issued under the UK Government sponsored COVID Corporate Finance Facility (CCFF). Proceeds of £298.4 million were received by Burberry Limited on 14 May 2020. Other than as set out above and contingent liabilities disclosed in note 33 to the consolidated Financial Statements, there are no post-balance sheet arrangements that have, or are reasonably likely to have, a current future material effect on Burberry's financial condition, revenue or expenses, results of operations, liquidity or capital expenditure and resources.

Annual General Meeting

The AGM of the Company will be held on Wednesday, 15 July 2020 at Horseferry House, Horseferry Road, London SW1P 2AW.

As at 22 May 2020, the UK Government has prohibited public gatherings of more than two people and non-essential travel, save in certain limited circumstances. In these unprecedented times, and in light of these measures, the Board believes it is in the best interests of the Company and its shareholders to hold the 2020 AGM as a closed meeting and shareholders will not be able to attend in person.

The Notice of this year's AGM is available to view on the Company's website in the Shareholder Centre section at Burberryplc.com.

Directors

The names and biographical details of the Directors as at the date of this report are set out on pages 124 to 127 and are incorporated by reference into this report.

With regard to the appointment, and resignation of Directors, the Company follows the Code, and is governed by its Articles of Association, the Companies Act 2006 and related legislation.

At the 2020 AGM, with the exception of Jeremy Darroch, all Directors will stand for election or re-election as appropriate. The Notice of this year's AGM sets out contribution and reasons for election or re-election of each Director. The service agreements of the Executive Directors and the letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office. Brief details of these are also included on pages 151 to 185 of the Directors' Remuneration Report. For information on the Directors professional development see page 139.

Global Greenhouse Gas Emissions

The Directors realise they have a responsibility to consider the impact on the environment and the likely consequences of any business decisions in the long term. Disclosure in line with the recommendations of the Financial Stability Board's TCFD is set out in the Risk Section of on pages 112 and 115.

Directors' powers and responsibilities

Subject to the Company's Articles of Association, the Companies Act 2006 and any directions given by special resolution, the business of the Group will be managed by the Board who may exercise all the powers of the Group, including powers relating to the issue and/or buying back of shares by the Group (subject to any statutory restrictions or restrictions imposed by shareholders at the AGM).

Directors' insurance and indemnities

The Company maintains Directors' and officers' liability insurance, which gives cover for legal actions brought against its Directors and officers. In accordance with section 236 of the Companies Act 2006, qualifying third-party indemnity provisions are in place for the Directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. Both the insurance and indemnities applied throughout the financial year ended 28 March 2020 and through to the date of this report.

Directors' share interests

The interests of the Directors holding office as at 28 March 2020 in the shares of the Company are shown within the Directors' Remuneration Report on pages 151 to 185. There were no changes to the beneficial interests of the Directors between the period 28 March 2020 and 22 May 2020.

Amendment to Articles of Association

The Company's Articles of Association were adopted at the 2015 AGM. No changes to the Articles of Association are being proposed at this year's AGM.

Substantial shareholdings

As at 28 March 2020, the Company had been notified under Rule 5 of the Disclosure Guidance and Transparency Rules of the following major interests in its issued ordinary share capital:

	Number of ordinary shares	% of total voting rights ¹
BlackRock Inc.	27,729,908	6.62
Lindsell Train Limited	21,928,267	5.00
Massachusetts Financial Services Company	20,668,065	5.10

1. As at the date in the notification to the Company.

As at 22 May 2020, the Company had not received any further notifications under Rule 5 of the Disclosure Guidance and Transparency Rules of major interests in its issued ordinary share capital.

Disclosures pursuant to Listing Rule 9.8.4

The information required by Listing Rule 9.8.4, where applicable, can be found on the following pages of the Annual Report:

Listing Rule	Description of Listing Rule	Page reference
9.8.4 (12)	Waivers of dividends	see 'Dividends' paragraph on page 189

Interests in own shares

Details of the Group's interests in its own shares are set out in note 25 to the Financial Statements.

Share capital

Details of the issued share capital, together with details of movement in the issued share capital of the Company during the year, are shown in note 25 to the Financial Statements. This is incorporated by reference and deemed to be part of this report.

The Company has one class of ordinary share, which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The ordinary shares are listed on the Official List and traded on the London Stock Exchange. As at 28 March 2020, the Company had 404,705,886 ordinary shares in issue. The Company does not hold any shares in treasury.

At the AGM in 2019, shareholders approved resolutions to allot shares up to an aggregate nominal value of £67,890, and to allot shares for cash other than pro rata to existing shareholders. In order to retain maximum flexibility, resolutions will be proposed at this year's AGM to renew these authorities.

Share buyback

In line with our capital allocation priorities and the authority granted by the shareholders at the AGM in 2019, we launched a £150 million share buyback, beginning in September 2019 and completed the programme in January 2020, repurchasing the total of 7,184,905. Further details of the share buyback can be found in note 25 to the Financial Statements.

The company has not planned to undertake a further share buyback in FY 2020/21.

Transfer of shares

No person has any special rights of control over the Company's share capital and all issued shares are fully paid. There are no specific restrictions on the size of holding or on the transfer of shares. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights. The Directors have no current plans to issue shares other than in connection with employee share schemes.

Employee share schemes

Details of employee share schemes are set out in note 29 to the Financial Statements.

Voting

Each ordinary share of the Company carries one vote at general meetings of the Company. Any ordinary shares held in treasury have no voting rights. A shareholder entitled to attend, speak and vote at a general meeting may exercise their right to vote in person, by proxy, or in relation to corporate members, by corporate representatives. To be valid, notification of the appointment of a proxy must be received not less than 48 hours before the relevant general meeting at which the person named in the Form of Proxy proposes to vote. The Directors may in their discretion determine that in calculating the 48-hour period, no account be taken of any part of a day, which is not a working day. Employees who participate in the Share Incentive Plan (SIP) whose shares remain in the scheme's trusts give directions to the trustees to vote on their behalf by way of a Form of Direction.

Dividends

Given the current uncertainty, the Directors have not declared a final dividend for FY 2019/20 (FY 2018/19: 31.5p).

An interim dividend of 11.3p per ordinary share was paid to shareholders on 31 January 2020 (FY 2018/19: 11.0p). This will make a total dividend of 11.3p per ordinary share in respect of the financial year to 28 March 2020. The aggregate dividends paid and recommended in respect of the year to 28 March 2020 total £46.0 million (FY 2018/19: £174.3 million).

The Burberry Group plc ESOP Trust has waived all dividends payable by the Company in respect of the ordinary shares it holds. In addition, the Burberry Group plc SIP Trust has waived all dividends payable by the Company in respect of the unappropriated ordinary shares it holds.

Significant contracts – change of control

Pursuant to the Companies Act 2006, the Directors disclose that in the event of a change of control, the Company's borrowings under the Group's £300 million revolving credit facility, dated 25 November 2014, could become repayable.

There are no arrangements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs specifically because of a takeover, merger or amalgamation. There are provisions in the Company's share plans, which could result in options or awards vesting or becoming exercisable on a change of control. For further information on the change of control provisions in the Company's share plans refer to the proposed new Directors' Remuneration Policy on page 171, which will be submitted to shareholders for approval at the 2020 AGM.

On 3 April 2017, Burberry entered into an exclusive licensing agreement with Coty pursuant to which Coty develops, manufactures, markets, distributes and sells Burberry Beauty products. The agreement took effect in October 2017, from which time ongoing royalty payments have been payable to Burberry. Pursuant to the Companies Act 2006, the Directors disclose that a change in control of Burberry will, in limited circumstances, result in Coty having a right of termination of the licence agreement.

A small number of leases contain certain rights that may entitle landlords to terminate or approve continuation of the leases in the event that a Burberry subsidiary is transferred out of the Group or there is a change of control of Burberry Group plc, none of these are considered to be significant in terms of the potential impact on the business as a whole.

Employee share ownership

The Company is committed to employee share ownership. Specifically, there are two all-employee share plans available to employees at all levels of the organisation. Further details of these are set out in the Directors' Remuneration Report on pages 151 to 185.

Under its two all-employee share plans, during FY 2020/21 the Group intends to grant awards of free shares (or equivalent cash-based awards as appropriate) to all eligible employees globally and to invite eligible employees where possible to participate in the Sharesave Scheme. The Group reviews the operation of these plans to ensure that they effectively support the Group's strategy and encourage alignment by employees with the Group's performance.

Further information regarding the Group's approach to employee involvement and communications is provided on pages 74 to 75.

Employment and employee engagement

Burberry is an open and caring employer, which aims to offer our employees, representing nearly 120 nationalities across 34 countries, an optimal working environment where they feel valued and appreciated.

We continue to focus on evolving strategies for recruiting and developing talent within the business that promote our cultural values and ensure diverse representation across the business. During the year we launched an Internal Diversity and Inclusion Council as well as Cultural Advisory Council. More information about employment can be found on page 44 and information regarding the Group's employment policies is available at [Burberryplc.com](https://www.burberryplc.com).

Further information regarding employee engagement can be found on pages 74 to 75.

Stakeholder engagement

An explanation of the steps taken by Directors to foster business relationships with suppliers, customers and other stakeholders is set out on pages 73 and 83.

Health and safety

The Company has a global Health and Safety Policy approved by the CEO on behalf of the Board. A safety-first approach is firmly embedded in all operational activities at Burberry. Governance of our health and safety strategy is maintained through a Global Health and Safety Committee, which is chaired by the General Counsel. Health and safety issues are also considered by the Ethics Committee, Risk Committee and Audit Committee. Each region has a local committee. These committees assist with the implementation of our health and safety strategy and help to ensure all local regulatory and Burberry standards are achieved and maintained.

Strategic direction on health and safety matters is provided by the Director of Health and Safety, who is supported by a global team. In line with industry best practice, our health and safety goals and objectives are set each year to continually analyse our performance and support a process for continuous improvement. Our unannounced global assurance audit programme continues to measure health and safety performance within our managed operations at a set frequency and tracks improvement actions and risk reduction strategies through to closure.

In FY 2019/20, as a result of our many initiatives, we have seen improvements across all health and safety topic areas, with continued focus on supporting the business with health and wellbeing initiatives.

Since the outbreak of COVID-19, our priority has been the safety and wellbeing of our employees, our customers and our communities. Throughout, we have closely followed government and health authority guidelines and put in place measures aligned with these that are designed to help prevent the spread of the virus and ensure everyone's safety and wellbeing.

The Strategic Report from pages 4 to 118 and Directors' Report from pages 186 to 191 have been approved by the Board on 22 May 2020 in accordance with the Companies Act 2006.

By order of the Board

GEMMA PARSONS
Company Secretary

22 May 2020

Burberry Group plc
Registered Office:
Horseferry House
Horseferry Road
London
SW1P 2AW

Registered in England and Wales
Registered number: 03458224

FINANCIAL STATEMENTS

194	Statement of Directors' Responsibilities
195	Independent Auditors' Report to the Members of Burberry Group plc
204	Group Income Statement
205	Group Statement of Comprehensive Income
206	Group Balance Sheet
207	Group Statement of Changes in Equity
208	Group Statement of Cash Flows
209	Notes to the Financial Statements
257	Five Year Summary
260	Pro Forma Income Statement
261	Company Balance Sheet
262	Company Statement of Changes in Equity
263	Notes to the Company Financial Statements
270	Shareholder Information

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report, which includes the Strategic Report; the Directors' Report; the Directors' Remuneration Report; and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework' and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that year. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the Group and parent Company financial statements respectively;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and the Company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 124 to 127 confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.

These statements were approved by the Board on 22 May 2020 and signed on its behalf by:

MARCO GOBBETTI
Chief Executive Officer

JULIE BROWN
Chief Operating and Financial Officer

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- Burberry Group plc's group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 28 March 2020 and of the Group's profit and cash flows for the 52 week period (the "period") then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the Group Balance sheet as at 28 March 2020, the Group Income Statement and Group Statement of Comprehensive Income for the 52 week period then ended, the Group Statement of Changes in Equity for the 52 week period then ended, the Group Statement of Cash Flows for the 52 week period then ended, and the Company Balance Sheet as at 28 March 2020, the Company Statement of Changes in Equity for the 52 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

BASIS FOR OPINION

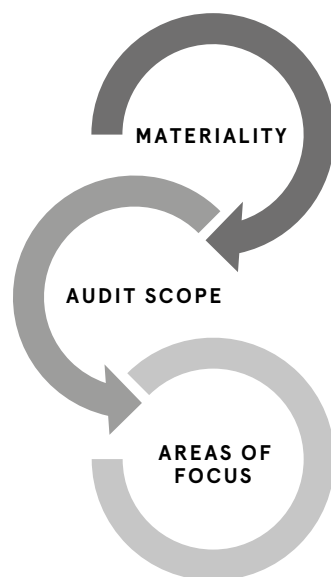
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 31 March 2019 to 28 March 2020.

OUR AUDIT APPROACH**OVERVIEW**

- Overall Group materiality: £18 million (2019: £20 million). We determined that adjusted profit before tax was the appropriate benchmark and using our professional judgement we determined that an amount of £18m was appropriate, which is 4.35% of adjusted profit before tax.
- Overall Company materiality: £15 million (2019: £16 million). We determined that total assets was the appropriate benchmark and using our professional judgement we determined that an amount of £15m was appropriate, which is 0.82% of total assets.
- We conducted audit work over eight reporting units across six territories in which the Group has significant operations.
- The reporting units where we performed an audit of their complete financial information account for 78% of Group revenue and 82% of Group profit before tax.
- We maintained regular contact with our component teams and evaluated the outcome of their audit work.
- Inventory provisioning
- Implementation of IFRS 16 'Leases'
- Impairment of property, plant & equipment and right-of-use assets of retail stores
- Uncertain tax positions
- Presentation of results and non-GAAP measures
- COVID-19

THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

CAPABILITY OF THE AUDIT IN DETECTING IRREGULARITIES, INCLUDING FRAUD

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of employment law and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to increase profit, and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, internal audit and the Group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on the Group's internal whistleblowing helpline (and related processes) and the results of management's investigation of such matters;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to inventory provisioning, retail store impairments and tax provisioning; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Inventory provisioning The Group manufactures and sells luxury goods and is subject to changing consumer demands and fashion trends, increasing the level of judgement involved in estimating inventory provisions (inventory as at 28 March 2020: £450.5m; refer to note 17 to the financial statements). The impact of the COVID-19 pandemic has been to increase gross inventory on hand at 28 March 2020, and to introduce significant uncertainty with respect to the Group's future performance and its ability to sell slow moving and problem inventory. This key audit matter includes the consideration of inventory provisions relating to both finished goods and raw materials. Judgement is required to assess the appropriate level of provisioning for items that may be sold below cost, particularly in light of the current uncertain trading conditions which has increased the amount of inventory considered to be problem or slow-moving. The judgment relates to management's expectations for future sales based on current forecasts, and its intentions with respect to alternative exit routes for inventory which attract different provisioning rates.	For both finished goods and raw materials, we critically assessed the basis for the inventory provisions, the consistency of provisioning in line with the Group's policy and the reasonableness of the overall provisioning in light of the impact of COVID-19. In doing so we tested the provision calculations and determined that they appropriately considered the ageing profile of inventory, the process for identifying specific problem inventory and historical loss rates. We assessed the reasonableness of the Group's Board approved sales forecasts, which incorporate estimates as to how the COVID-19 pandemic will impact future trading, and determined that its inventory provisioning approach incorporated information consistent with these forecasts of demand. We have worked to understand management's latest plans for exiting slow-moving and problem stock and assessed whether the inventory provision appropriately reflected its current planned exit routes. Management's provisions relating to raw materials remain consistent with the Group's policy and reflect management's current best estimate of future usage of the raw materials on hand. They also reflect recent changes in planned demand and estimated sales resulting from the COVID-19 pandemic. As a result, we satisfied ourselves that both finished goods and raw materials inventory provisions have been determined in line with policy and have been calculated appropriately taking into account management's expectations with respect to future sales and inventory exit routes. Given the estimation uncertainty inherent in determine the inventory provisions, particularly given the impact of COVID-19, management has disclosed a sensitivity analysis in the financial statements (refer to note 17 to the financial statements). Having re-performed the sensitivity calculations and considered whether any other sensitivities might be more appropriate, we are satisfied that the financial statements adequately disclose the potential future changes to provisioning levels.
Implementation of IFRS 16 'Leases' The Group has a significant number of leases related to its property portfolio, principally presented by its retail stores. Accordingly, the implementation of IFRS 16 has had a material impact on the Group's accounts. This has been described by management in Note 1 to the financial statements. The scale of the lease portfolio increases the risk that incomplete or inaccurate lease data could result in a misstatement of lease balances. In addition, implementation of IFRS 16 required management to make certain judgements in respect of its leases in respect of: • Determination of the lease term, where its lease contracts include extension or termination options; and • Determination of the incremental borrowing rate ('IBR') which is the discount rate applied to its lease calculations. Finally, there is also risk of incorrect calculation of lease accounting entries through modelling inaccuracies. Lease liabilities of £1,045.0m and right-of-use assets of £878.1m (net of impairment adjustment described in the key audit matter set out below) were recognised as at 31 March 2019. Movements in the period to these balances are described in notes 14 and 21 respectively.	We evaluated the design of management's controls in respect of its implementation and in-period accounting for leases in accordance with IFRS 16. We assessed management's accounting policy for leases to verify that it was compliant with IFRS 16, with particular focus on its approach to the measurement of lease terms. We concluded that its policy was appropriate. We tested the completeness and accuracy of the data used by management in its lease accounting, corroborating key data inputs to the underlying lease documents. We used our modelling specialists to independently recalculate an appropriate sample of lease contracts to verify that the accounting entries had been appropriately determined by management. For the same sample of leases, we assessed the judgements made by management in determining the lease term and found these to be supportable.

Key audit matter**How our audit addressed the key audit matter**

Assisted by our valuation specialists, we independently assessed management's methodology used to determine its lease discount rates and found this to be supportable. For a sample of discount rates, we also benchmarked these rates to our independently derived rates, and found these to be appropriate. We evaluated the disclosures made in the financial statements in respect of the implementation of IFRS 16 and have concluded that these are appropriate.

Impairment of property, plant & equipment and right-of-use assets of retail stores

The Group has a material operational retail asset base which may be vulnerable to impairment in the event of trading performance being below expectations. Following implementation of IFRS 16, there has been a material increase in this asset base, as right-of-use assets in respect of the Group's leases are now capitalised in accordance with that standard. On transition to IFRS 16, the Group re-measured its impairment provisions in respect of its retail store leases. This resulted in an impairment provision of £121.9m being recorded against opening right-of-use assets. The net post-tax impact to opening equity was £57.5m, taking into account the release of existing lease provisions.

In the period, where impairment triggers were identified, management prepared an assessment of the recoverable amount for the stores. As a result of COVID-19, management has performed an impairment review of its entire retail store portfolio at the period end.

The value-in-use models used to determine the amount of any impairment charge are based on assumptions, including revenue forecasts and margins, which are store specific, and discount rates, which are country specific (refer to notes 13 and 14 to the financial statements).

As explained in those notes, there is significant uncertainty as to the ultimate impact of the COVID-19 pandemic on the Group's retail operations and global economy and therefore future trading levels for the Group.

As set in notes 13 and 14 to the financial statements, management's assessment resulted in the recognition of a net impairment charge for the 52 week period ended 28 March 2020 of £167.7m.

We focussed on this area because of the inherent judgement and estimation uncertainty involved in determining key assumptions such as future sales growth, profit margins and discount rates, and the magnitude of the assets under consideration.

Uncertain tax positions

The Group operates in a multi-national tax environment which, together with its centralised operating model, means it is subject to tax risks associated with transfer pricing. The Group adopted IFRIC 23, 'Uncertainty over Income Tax Treatments', for the period commencing 31 March 2019, which impacts the measurement of certain uncertain positions. The adoption of IFRIC 23 has resulted in an adjustment to retained earnings at 31 March 2019 of £4.4 million.

As at 28 March 2020, the Group has current income taxes payable of £7.9 million and current income tax receivable of £50.4m. Where the amount of tax payable is uncertain, the Group establishes provisions based on management's best estimate of the most likely outcome.

There is inherent judgement and estimation uncertainty involved in determining provisions for uncertain tax positions, as described by management in note 1.

In respect of the opening impairment provision recorded on transition to IFRS 16, we assessed management's updated methodology for determining the value-in-use of its CGUs taking into account the impact of IFRS 16. We assessed the appropriateness of the discount rates management applied and assessed the reasonableness of the impairment charge calculated. We satisfied ourselves that it was appropriate. In respect of management's in period impairment assessment, we obtained an understanding of how management had developed its forecast for the future trading conditions of the Group, following the emergence of COVID-19. We satisfied ourselves that management's forecasts were reasonable and had been prepared with appropriate Board involvement. In forming this conclusion, we benchmarked its projections against those of credible third parties.

We tested the value-in-use models, including challenging management forecasts at a store level, as well other assumptions such as discount rates and long-term growth rates, and found that these assumptions were reasonable.

We assessed the mathematical accuracy and integrity of management's impairment modelling and determined that the impairment charge had been appropriately calculated. Given the estimation uncertainty inherent in the impairment calculations, particularly given the impact of COVID-19, management has disclosed a sensitivity analysis in the financial statements (refer to notes 13 and 14 to the financial statements).

Having re-performed the sensitivity calculations and considered whether any other sensitivities might be more appropriate, we are satisfied that the financial statements adequately disclose the potential risk of future impairment or requirement for reversal of impairment if the performance of the stores differs from that forecast.

In conjunction with our tax specialists, we evaluated management's rationale in relation to the level of tax provisions recognised. We considered the status of recent and current tax audits as well as discussions with HMRC and local tax authorities in relation to transfer pricing arrangements. We utilised our specialist tax knowledge and experience of similar situations elsewhere to assess management's judgements.

We reviewed the disclosures within the financial statements to verify that the impact of the estimates taken was clearly explained. In addition, together with our tax specialists, we have assessed management's estimate of the potential variability of outcomes of these provisions, as summarised in note 1, and concluded that this disclosure is reasonable.

Key audit matter	How our audit addressed the key audit matter
	Overall, we found the level of provisioning and the related disclosures to be appropriate.
Presentation of results and non-GAAP measures Management uses a number of adjusted measures to explain business performance of the Group, in particular that of 'adjusted profit'. There is a risk that the use of such measures means that the overall presentation of results is not fair, balanced and understandable. In the 52 week period ended 28 March 2020 the Group has identified a number of adjusting items, in particular those related to significant balance sheet impairments and provisions arising from the negative impact of COVID-19 on management's future trading expectations of the Group. The most individually significant of these adjusting items relate to impairment of retail stores and inventory provisioning. Refer to note 6 to the financial statements for a description of these items.	We considered management's recognition of adjusting items, the related presentation and accompanying disclosures and are satisfied that the adjusting items presented are in line with management's policy which is adequately explained in the financial statements. We have specifically considered those adjusting items which have arisen from the re-measurement of certain accounting estimates based on the negative impact COVID-19 has had on expectations for the Group's future trading performance. Given the nature of the circumstance that has given rise to their impact together with the magnitude of their impact, we are satisfied that these items meet management's disclosed adjusting items policy. We have understood management's approach to the quantification of these items and consider that they are reasonable. Our procedures in respect of the measurement of impairment of retail stores and inventory provisions are explained in those respective key audit matters. We noted no instances of inappropriate or inconsistent presentation of results and non-GAAP measures. Specifically, we are satisfied that non-GAAP measures are adequately explained and reconciled to GAAP measures.
COVID-19 The COVID-19 pandemic has had a significant impact on the recent trading performance of the Group. The Group has further faced significant operational and logistical challenges. The extent of the negative impact of the pandemic on future trading performance is unclear and measurement of the impacts as they relate to the financial statements entails a significant degree of estimation uncertainty. Management has developed a forecast model based on its best estimate of the impact of COVID-19, having had regard to the views of third parties with epidemiological and luxury retail expertise. This model and related assumptions have been used by management in its assessment of the carrying value of a number of balance sheet assets at the reporting date, as well as to underpin management's going concern and viability assessments. The most significant impact to the financial statements has been in respect of retail asset impairment and inventory provisioning. These are described in the respective key audit matters above. Further impairment provisions have been recorded in respect of the Group's accounts receivable and intangible assets-under-construction. Management has also modelled possible downside scenarios to its base case trading forecast. Having taken into account these models, together with a robust assessment of planned and possible mitigating actions, management has concluded that the Group remains a going concern, and that there is no material uncertainty in respect of this conclusion. Management has described its viability assessment on pages 117 to 118 of the annual report.	We evaluated management's forecasts for the future trading performance of the Group against forecasts of credible third parties for the luxury retail industry. Our procedures in respect of store impairments and inventory provisioning are set out in the respective key audit matters above. We evaluated management's assessment of other accounting estimates within the accounts which could be impacted by the challenging economic environment resulting from COVID-19, including trade receivables provisioning. We satisfied ourselves that management's measurement of such estimates was reasonable. We considered the appropriateness of management's disclosures in its financial statements of the impact of the current environment and the increased uncertainty on its accounting estimates and found these to be adequate. With respect to management's going concern analysis, we evaluated management's base case and downside scenario, challenging its key assumptions together with assessing the Group's available facilities and the reasonableness of management's planned mitigating actions. Our conclusions in respect of going concern are set out separately in this report. We considered whether changes to working practices brought about by COVID-19 had had an adverse impact on the effectiveness of management's business process and IT controls. Our planned tests of controls did not identify any evidence of material deterioration in the control environment. We increased the frequency and extent of our oversight over component audit teams, using video conferencing and remote working paper review, to satisfy ourselves as to the appropriateness of audit work performed at significant components.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group operates across three regions and is structured across two segments, being retail/wholesale and licensing.

The financial statements are a consolidation of 98 reporting units, comprising the Group's operating businesses and holding companies across the two segments. We determined the appropriate reporting units to perform work on based on factors such as the size of the balances, the key audit matters as noted above and known accounting matters, and to include unpredictability in our audit procedures.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at reporting units by us, as the Group engagement team, or component auditors from either other PwC network firms or non-PwC firms operating under our instruction.

We identified the UK (which includes the majority of the Group's supply chain), US Retail and China reporting units as significant components (as defined within ISAs (UK)) which, in our review, required an audit of their complete financial information, due to their financial significance to the Group. We obtained full scope reporting from a further three reporting units (FY19: three) representing US Wholesale, Hong Kong and Korea. In addition, we performed an audit of the complete financial information of the parent Company.

As we seek to vary our audit procedures each year to ensure an element of unpredictability, specific audit procedures on certain balances and transactions were performed in respect of the Japan reporting unit.

The scope of work, together with additional procedures performed at the Group level in relation primarily to the consolidation, taxation, litigation, impairment and earnings per share, accounted for 78% (last year: 74%) of Group revenue and 82% (last year: 82%) of Group profit before taxation.

In addition to the audits performed on our components, we gathered other audit evidence across the rest of the Group through testing of the Group's global monitoring controls, Group-level analytical procedures and testing at the Leeds and Hong Kong Shared Service Centres. This gave us the evidence we needed for our opinion on the financial statements as a whole.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinions on the Group financial statements and financial report as a whole.

We issued formal written instructions to all component auditors setting out the audit work to be performed at each of them. Given the travel restrictions brought about by COVID-19, we were unable to complete planned visits to all component teams. In response however, we enhanced our virtual oversight, holding additional video meetings with our teams through the year-end period. Throughout the period, the Group audit team held regular meetings with all component teams at all stages of the audit to direct and supervise the work of these local teams and to ensure that we had a full and comprehensive understanding of the results of their work, particularly insofar as it related to the identified areas of focus. The Group engagement team also reviewed selected audit working papers for certain component teams.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£18 million (2019: £20 million).	£15 million (2019: £16 million).
How we determined it	We determined that adjusted profit before tax was the appropriate benchmark and using our professional judgement we determined that an amount of £18m was appropriate, which is 4.35% of adjusted profit before tax.	We determined that total assets was the appropriate benchmark and using our professional judgement we determined that an amount of £15m was appropriate, which is 0.82% of total assets.
Rationale for benchmark applied	For overall Group materiality, we chose to use an adjusted profit measure as the benchmark because this best reflects the underlying performance of the Group given the quantum of adjusting items impacting the current period results. This represents a change in benchmark from the prior year, for which reported profit before tax was used. We also note that adjusted profit is the metric against which the performance of the Group is most commonly assessed by management and reported to members.	We determined materiality based on total assets, which is more applicable than a performance related measure as the Company is an investment holding company for the Group.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £5 million and £15 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1 million (Group audit) (2019: £1 million) and £1 million (Company audit) (2019: £1 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

GOING CONCERN

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the 52 week period ended 28 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on pages 117 to 118 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on pages 117 to 118 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 194, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 145 to 146 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 194, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

USE OF THIS REPORT

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Based on available records, we were appointed by the members prior to 31 March 1968 to audit the financial statements for at least the year ended 31 March 1968 and subsequent financial periods. The period of total uninterrupted engagement is at least 53 years, covering the years ended 31 March 1968 to 28 March 2020.

PAUL CRAGG (SENIOR STATUTORY AUDITOR)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
22 May 2020

GROUP INCOME STATEMENT

	Note	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Revenue	3	2,633.1	2,720.2
Cost of sales		(927.6)	(859.4)
Gross profit		1,705.5	1,860.8
Net operating expenses	4	(1,516.8)	(1,423.6)
Operating profit		188.7	437.2
Financing			
Finance income		7.6	8.7
Finance expense		(26.6)	(3.6)
Other financing charge		(1.2)	(1.7)
Net finance (expense)/income	8	(20.2)	3.4
Profit before taxation	5	168.5	440.6
Taxation	9	(46.9)	(101.5)
Profit for the year		121.6	339.1
Attributable to:			
Owners of the Company		121.7	339.3
Non-controlling interest		(0.1)	(0.2)
Profit for the year		121.6	339.1
Earnings per share			
Basic	10	29.8p	82.3p
Diluted	10	29.8p	81.7p
Reconciliation of adjusted profit before taxation:		£m	£m
Profit before taxation		168.5	440.6
Adjusting operating items:			
Cost of sales	5	68.3	–
Net operating expenses	5	176.1	0.9
Adjusting financing items	5	1.2	1.7
Adjusted profit before taxation – non-GAAP measure		414.1	443.2
Adjusted earnings per share – non-GAAP measure			
Basic	10	78.9p	82.7p
Diluted	10	78.7p	82.1p
Dividends per share			
Interim	11	11.3p	11.0p
Proposed final (not recognised as a liability at 28 March/30 March)	11	–	31.5p

	Note	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Profit for the year		121.6	339.1
Other comprehensive income ¹ :			
Cash flow hedges	25	2.7	(2.1)
Net investment hedges	25	(1.2)	1.6
Foreign currency translation differences		18.5	14.6
Tax on other comprehensive income:			
Cash flow hedges	9	(0.5)	0.4
Net investment hedges	9	0.2	(0.2)
Foreign currency translation differences	9	(0.9)	(1.3)
Other comprehensive income for the year, net of tax		18.8	13.0
Total comprehensive income for the year		140.4	352.1
Total comprehensive income attributable to:			
Owners of the Company		140.4	352.0
Non-controlling interest		–	0.1
		140.4	352.1

1. All items included in other comprehensive income may subsequently be reclassified to profit and loss in a future period.

GROUP BALANCE SHEET

	Note	As at 28 March 2020 £m	As at 30 March 2019 £m
ASSETS			
Non-current assets			
Intangible assets	12	247.0	221.0
Property, plant and equipment	13	294.9	306.9
Right-of-use assets	14	834.0	–
Investment properties		2.5	2.5
Deferred tax assets	15	171.5	123.1
Trade and other receivables	16	53.7	70.1
		1,603.6	723.6
Current assets			
Inventories	17	450.5	465.1
Trade and other receivables	16	252.1	251.1
Derivative financial assets	18	6.7	3.0
Income tax receivables		50.4	14.9
Cash and cash equivalents	19	928.9	874.5
		1,688.6	1,608.6
Total assets		3,292.2	2,332.2
LIABILITIES			
Non-current liabilities			
Trade and other payables	20	(102.3)	(176.5)
Lease liabilities	21	(910.0)	–
Borrowings	24	(300.0)	–
Deferred tax liabilities	15	(0.1)	(3.4)
Derivative financial liabilities	18	–	(0.1)
Retirement benefit obligations		(1.9)	(1.4)
Provisions for other liabilities and charges	22	(28.6)	(50.7)
		(1,342.9)	(232.1)
Current liabilities			
Bank overdrafts	23	(41.6)	(37.2)
Lease liabilities	21	(215.5)	–
Derivative financial liabilities	18	(4.8)	(5.5)
Trade and other payables	20	(447.5)	(525.7)
Provisions for other liabilities and charges	22	(13.2)	(34.6)
Income tax liabilities		(7.9)	(37.1)
		(730.5)	(640.1)
Total liabilities		(2,073.4)	(872.2)
Net assets		1,218.8	1,460.0
EQUITY			
Capital and reserves attributable to owners of the Company			
Ordinary share capital	25	0.2	0.2
Share premium account		220.8	216.9
Capital reserve	25	41.1	41.1
Hedging reserve	25	4.7	3.5
Foreign currency translation reserve	25	245.2	227.7
Retained earnings		702.2	965.6
Equity attributable to owners of the Company		1,214.2	1,455.0
Non-controlling interest in equity		4.6	5.0
Total equity		1,218.8	1,460.0

The consolidated financial statements of Burberry Group plc (registered number 03458224) on pages 204 to 256 were approved by the Board on 22 May 2020 and signed on its behalf by:

MARCO GOBBETTI **JULIE BROWN**
Chief Executive Officer Chief Operating and Financial Officer

	Note	Attributable to owners of the Company				Total	Non- controlling interest	Total equity
		Ordinary share capital	Share premium account	Other reserves	Retained earnings			
		£m	£m	£m	£m	£m	£m	£m
Balance as at 31 March 2018		0.2	214.6	259.6	946.1	1,420.5	4.9	1,425.4
Adjustment on initial application of IFRS 9		–	–	–	(0.2)	(0.2)	–	(0.2)
Adjusted balance as at 1 April 2018		0.2	214.6	259.6	945.9	1,420.3	4.9	1,425.2
Profit for the year		–	–	–	339.3	339.3	(0.2)	339.1
Other comprehensive income:								
Cash flow hedges	25	–	–	(2.1)	–	(2.1)	–	(2.1)
Net investment hedges	25	–	–	1.6	–	1.6	–	1.6
Foreign currency translation differences	25	–	–	14.3	–	14.3	0.3	14.6
Tax on other comprehensive income	25	–	–	(1.1)	–	(1.1)	–	(1.1)
Total comprehensive income for the year		–	–	12.7	339.3	352.0	0.1	352.1
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	15.7	15.7	–	15.7
Value of share options transferred to liabilities		–	–	–	(2.5)	(2.5)	–	(2.5)
Tax on share options granted		–	–	–	1.8	1.8	–	1.8
Exercise of share options		–	2.3	–	–	2.3	–	2.3
Purchase of own shares								
Share buy-back		–	–	–	(150.7)	(150.7)	–	(150.7)
Held by ESOP trusts		–	–	–	(12.8)	(12.8)	–	(12.8)
Dividends paid in the year		–	–	–	(171.1)	(171.1)	–	(171.1)
Balance as at 30 March 2019		0.2	216.9	272.3	965.6	1,455.0	5.0	1,460.0
Adjustment on initial application of IFRS 16	1	–	–	–	(57.1)	(57.1)	(0.4)	(57.5)
Adjustment on initial application of IFRIC 23	1	–	–	–	(4.4)	(4.4)	–	(4.4)
Adjusted balance as at 31 March 2019		0.2	216.9	272.3	904.1	1,393.5	4.6	1,398.1
Profit for the year		–	–	–	121.7	121.7	(0.1)	121.6
Other comprehensive income:								
Cash flow hedges	25	–	–	2.7	–	2.7	–	2.7
Net investment hedges	25	–	–	(1.2)	–	(1.2)	–	(1.2)
Foreign currency translation differences	25	–	–	18.4	–	18.4	0.1	18.5
Tax on other comprehensive income	25	–	–	(1.2)	–	(1.2)	–	(1.2)
Total comprehensive income for the year		–	–	18.7	121.7	140.4	–	140.4
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	2.8	2.8	–	2.8
Value of share options transferred to liabilities		–	–	–	0.1	0.1	–	0.1
Tax on share options granted		–	–	–	(0.6)	(0.6)	–	(0.6)
Exercise of share options		–	3.9	–	–	3.9	–	3.9
Purchase of own shares								
Share buy-back		–	–	–	(150.7)	(150.7)	–	(150.7)
Dividends paid in the year		–	–	–	(175.2)	(175.2)	–	(175.2)
Balance as at 28 March 2020		0.2	220.8	291.0	702.2	1,214.2	4.6	1,218.8

GROUP STATEMENT OF CASH FLOWS

	Note	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Cash flows from operating activities			
Operating profit		188.7	437.2
Amortisation of intangible assets	12	26.4	28.6
Depreciation of property, plant and equipment	13	83.3	87.2
Depreciation of right-of-use assets	14	221.1	–
Net impairment charge of intangible assets	12	11.6	3.9
Net impairment charge of property, plant and equipment	13	26.4	7.9
Net impairment charge of right-of-use assets	14	140.3	–
Loss on disposal of property, plant and equipment and intangible assets		0.7	1.2
Gain on disposal of right-of-use assets		(2.1)	–
Gain on disposal of Beauty operations		(5.0)	(6.9)
Gain on derivative instruments		(3.1)	(2.4)
Charge in respect of employee share incentive schemes		2.8	15.7
Receipt from settlement of equity swap contracts		0.2	2.5
Decrease/(increase) in inventories		27.4	(59.3)
Increase in receivables		(9.8)	(54.6)
(Decrease)/increase in payables and provisions		(84.0)	54.9
Cash generated from operating activities		624.9	515.9
Interest received		7.2	8.1
Interest paid		(26.0)	(1.8)
Taxation paid		(150.3)	(110.8)
Net cash generated from operating activities		455.8	411.4
Cash flows from investing activities			
Purchase of property, plant and equipment		(85.3)	(62.6)
Purchase of intangible assets		(63.5)	(48.0)
Proceeds from sale of property, plant and equipment		3.0	–
Initial direct costs of right-of-use assets		(5.6)	–
Proceeds from disposal of Beauty operations, net of cash costs paid		–	0.6
Acquisition of subsidiary		–	(14.5)
Net cash outflow from investing activities		(151.4)	(124.5)
Cash flows from financing activities			
Dividends paid in the year	11	(175.2)	(171.1)
Payment to non-controlling interest	20	(2.7)	(11.1)
Proceeds from borrowings	24	300.0	–
Payment of lease principal		(228.4)	–
Payment on termination of lease		(9.7)	–
Issue of ordinary share capital		3.8	2.3
Purchase of own shares through share buy-back	25	(150.7)	(150.7)
Purchase of own shares by ESOP trusts		–	(12.8)
Net cash outflow from financing activities		(262.9)	(343.4)
Net increase/(decrease) in cash and cash equivalents		41.5	(56.5)
Effect of exchange rate changes		8.5	1.7
Cash and cash equivalents at beginning of year		837.3	892.1
Cash and cash equivalents at end of year		887.3	837.3

	Note	As at 28 March 2020 £m	As at 30 March 2019 £m
Cash and cash equivalents as per the Balance Sheet	19	928.9	874.5
Bank overdrafts	23	(41.6)	(37.2)
Net cash		887.3	837.3

1. BASIS OF PREPARATION

Burberry Group plc and its subsidiaries (the Group) is a global luxury goods manufacturer, retailer and wholesaler. The Group also licenses third parties to manufacture and distribute products using the 'Burberry' trademarks. All of the companies which comprise the Group are controlled by Burberry Group plc (the Company) directly or indirectly.

The consolidated financial statements of the Group have been prepared in accordance with the European Union endorsed International Financial Reporting Standards (IFRSs), IFRS Interpretations Committee (IFRS IC) interpretations and parts of the Companies Act 2006 applicable to companies reporting under IFRS. These consolidated financial statements have been prepared under the historical cost convention, except as modified by the revaluation of certain financial assets and financial liabilities at fair value through profit or loss.

The impact of the COVID-19 pandemic on the global economy and the operating activities of many businesses has resulted in a climate of considerable uncertainty. The ultimate impact of this pandemic on the Group is uncertain at the date of signing these financial statements. The Directors have assessed the potential cash generation of the Group against a range of projected scenarios (including a severe but plausible outcome), the liquidity of the Group, existing funding available to the Group and mitigating actions which may be taken to reduce discretionary and other operating cash outflows. On the basis of these assessments the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements for the 52 weeks to 28 March 2020. The Directors' assessment of the prospects and viability of the Group over the next three years are set out in the strategic report on pages 117 to 118 of the Annual Report.

New Standards adopted in the period

The following standards were adopted for the first time in the financial statements for the 52 weeks to 28 March 2020:

IFRS 16 Leases

The Group adopted IFRS 16 Leases, for the period commencing 31 March 2019. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It replaces IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. The Group's new accounting policy for leases, following the adoption of IFRS 16 Leases, together with the policy applied in the comparative period, are set out in note 2e.

The Group has adopted IFRS 16 using a modified retrospective approach. Under this approach, the Group has opted to measure the initial right-of-use assets at an amount equal to the lease liabilities on the date of adoption. The lease liabilities are measured as the present value of future lease payments. The right-of-use assets are adjusted to take account of any prepaid lease payments and incentives relating to the relevant leases that are recorded on the balance sheet at 30 March 2019.

The Group has released any onerous lease provisions which had previously been recognised against off balance sheet onerous lease contracts. An impairment analysis of the related right-of-use asset recognised at 31 March 2019 has been performed and the resulting impairments recognised. The difference between the release of onerous lease provisions previously recognised and impairments recognised against related right-of-use assets has been recognised against opening reserves as at 31 March 2019.

The impact of the adoption of IFRS 16 on the balance sheet as at 31 March 2019 is set out in the table on page 210.

There has been no restatement of comparative information in the financial statements as a result of adopting IFRS 16 under the modified retrospective approach.

For contracts in place at this date of adoption, the Group continued to apply its existing definition of leases under the previous standards, IAS 17 and IFRIC 4, instead of reassessing whether existing contracts were or contained a lease at the date of application of the new standard.

The Group is using the following practical expedients on transition to leases previously classified as operating leases: electing to not apply the retrospective treatment to leases for which the term ends within 12 months of initial application, electing to apply a single discount rate to portfolios of leases with similar characteristics, excluding initial direct costs from the initial measurement of the right-of-use assets, and using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. BASIS OF PREPARATION (CONTINUED)

New Standards adopted in the period (continued)

Adjustments recognised on adoption of IFRS 16

The change in accounting policy affected the following line items in the balance sheet at 31 March 2019:

	As at 31 March 2019 £m	Description of change
Property, plant and equipment	(0.7)	Reclassification of assets held under finance leases from Property, plant and equipment to Right-of-use assets
Right-of-use assets	878.1	Initial right-of-use assets recognised on adoption of IFRS 16, net of impairments recognised on adoption
Deferred tax assets	16.4	Net impact of deferred tax arising on the difference between the initial impairment of right-of-use assets recognised on adoption, compared to the onerous lease provisions previously recognised
Trade and other receivables	(37.5)	Reclassification of prepayments, relating to leases recognised on balance sheet on adoption of IFRS 16, to form part of the initial right-of-use assets
Trade and other payables	83.2	Reclassification of accruals and deferred income, relating to leases recognised on balance sheet on adoption of IFRS 16, to form part of the initial right-of-use assets
Provisions for other liabilities and charges	48.0	Release of onerous lease provisions previously recognised against off balance sheet onerous lease contracts
Lease liabilities	(1,045.0)	Net present value of lease liabilities recognised on adoption of IFRS 16
Reserves	57.5	Post-tax net impact of the difference between the initial impairment of right-of-use assets recognised on adoption, compared to the onerous lease provisions previously recognised, which is recorded in reserves on adoption

The net impact on retained earnings at 31 March 2019 was a decrease of £57.5 million. This arose as a result of an initial impairment of right-of-use assets of £121.9 million, offset by a reversal in the previous onerous lease provisions relating to the same leases of £48.0 million and the recognition of a net increase in deferred tax assets of £16.4 million. This impairment arose principally as a result of measurement differences between provisioning under IAS 36 compared with IAS 37. The weighted average incremental borrowing rate applied to the lease liabilities on 31 March 2019 was 2.3%.

Key judgements made in calculating the initial impact of adoption include determining the lease term where extension or termination options exist. In such instances, all facts and circumstances that may create an economic incentive to exercise an extension option, or not exercise a termination option, have been considered to determine the lease term. Considerations include, but are not limited to, the period assessed by management when approving initial investment, together with costs associated with any termination options or extension options. Extension periods (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Where the lease term has been extended by assuming an extension option will be recognised, this will result in the initial right-of-use assets and lease liabilities on adoption of IFRS 16 Leases being greater than if the option was not assumed to be exercised. Likewise, assuming a break option will be exercised will reduce the initial right-of-use assets and lease liabilities.

Judgement is required in determining the discount rate, which is based on the incremental borrowing rate. As the Group has not held any borrowings since 2013, at the date of adoption, the judgement applied required a consideration of the appropriate factors to take into account when assessing the incremental borrowing rate of the Group and its subsidiaries. An increase in the discount rate would result in a lower value of the initial right-of-use asset and lease liability, lower depreciation expense and higher interest expense over the term of the lease. The impact of recognising lease payments in excess of the minimum lease payments on adoption was £262.6 million.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17 Leases. The impact of discounting on the initial value of the lease liability recognised on adoption was £113.5 million.

1. BASIS OF PREPARATION (CONTINUED)**New Standards adopted in the period (continued)****Adjustments recognised on adoption of IFRS 16 (continued)**

The most significant differences between the Group's operating lease commitments of £940.5 million at 30 March 2019 and lease liabilities upon adoption of IFRS 16 of £1,045.0 million are set out below:

	£m
Operating lease commitments reported at 30 March 2019 under IAS 17	940.5
Exclude/deduct:	
Commitments relating to assets not yet controlled by the Group	(82.4)
Include/add:	
Liabilities in excess of the minimum commitment to the end of the lease term	262.5
Reclassification of finance lease liabilities	0.7
Restatement for commitments excluded at 30 March 2019	37.2
Subtotal	1,158.5
Effect of discounting on payments included in the calculation of the lease liability	(113.5)
Lease liability opening balance as at 31 March 2019 under IFRS 16	1,045.0
Of which are:	
Current lease liabilities	207.8
Non-current lease liabilities	837.2
	1,045.0

The commitments under IAS 17 for all operating leases as at 30 March 2019 were as follows:

	As at 30 March 2019 £m
Amounts falling due:	
Within 1 year	230.2
Between 2 and 5 years	460.2
After 5 years	287.3
Total	977.7

The commitments above are future minimum lease payments for periods up to the date of the Group's first available termination option. The financial commitments for operating lease amounts calculated as a percentage of revenue ('revenue leases') have been based on the minimum payment that is required under the terms of the relevant lease excluding any contingent payments.

The Group's activities as a lessor are not material and there is not a significant impact on the financial statements on adoption of IFRS 16.

IFRIC 23 Uncertainty over Income Tax Treatments

The Group adopted IFRIC 23 Uncertainty over Income Tax Treatments, for the period commencing 31 March 2019. This interpretation clarifies the accounting for uncertainties in income tax positions. IFRIC 23 requires the Group to measure the effect of uncertainty on income tax positions using either the most likely amount or the expected value amount depending on which method is expected to better reflect the resolution of the uncertainty. The adoption of IFRIC 23 has resulted in a reduction to retained earnings at 31 March 2019 of £4.4 million.

Standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 52 weeks to 28 March 2020 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Basis of consolidation

The Group's annual financial statements comprise those of Burberry Group plc (the Company) and its subsidiaries, presented as a single economic entity. The results of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies across the Group.

1. BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the portion of the reporting period during which the Group had control. Intra-Group transactions, balances and unrealised profits on transactions between Group companies are eliminated in preparing the Group financial statements. The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For acquisitions of additional interests in subsidiaries from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of interests in subsidiaries to non-controlling interests are also recorded in equity.

Key sources of estimation uncertainty

Preparation of the consolidated financial statements in conformity with IFRS requires that management make certain estimates and assumptions that affect the measurement of reported revenues, expenses, assets and liabilities and the disclosure of contingent liabilities.

If in the future such estimates and assumptions, which are based on management's best estimates at the date of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be updated as appropriate in the period in which the circumstances change.

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The COVID-19 pandemic (COVID-19) has had a major impact on the global economy and is expected to have a significant impact on the operations and financial performance of the Group for at least the next 12 months. At the date of signing these financial statements many of the Group's retail stores are closed due to government restrictions relating to COVID-19 and the ultimate impact of COVID-19 is uncertain.

As a result, management have assessed the assets held by the Group at 28 March 2020 to identify any indicators of impairment. Where a potential impairment may have arisen as a result of COVID-19, an estimate of the expected recoverable value of the asset has been made and compared to the current carrying value of the asset, to estimate any impairment to be recorded. These estimates, where applicable, have been derived from management's planning assumption of the likely trading performance over the next two years, taking into account their assumption of the impact of COVID-19 and reflecting a protracted impact of lockdown, the resultant store closures, footfall decline across key regions and gradual improvement in the following year. Longer term growth rates of mid-single digits have been applied thereafter. Where material, these significant estimates have been disclosed below and in the relevant notes to the financial statements.

Due to the significant uncertainty regarding the ultimate impact of COVID-19, the assumptions used in these estimates include an increased level of inherent uncertainty. As a result, management have also considered, where applicable, a potential range of outcomes applying revenue estimates of 15% higher or lower than those included in the central planning assumption. A range of sensitivities for the material estimates are also included in the notes, to indicate the potential range of outcomes considered by management in forming these estimates.

The key areas where the estimates and assumptions applied have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below. Further details of the Group's accounting policies in relation to these areas are provided in note 2.

Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared using management's best estimates and assumptions at the time. Refer to notes 13 and 14 for further details of property, plant and equipment, right-of-use assets and impairment reviews carried out in the period.

Inventory provisioning

The Group manufactures and sells luxury goods and is subject to changing consumer demands and fashion trends. The recoverability of the cost of inventories is assessed every reporting period, by considering the expected net realisable value of inventory compared to its carrying value. Where the net realisable value is lower than the carrying value, a provision is recorded. When calculating inventory provisions, management considers the nature and condition of the inventory, as well as applying assumptions in respect of anticipated saleability of finished goods and future usage of raw materials. Refer to note 17 for further details of the carrying value of inventory.

1. BASIS OF PREPARATION (CONTINUED)**Key sources of estimation uncertainty (continued)**Uncertain tax positions

In common with many multinational companies, Burberry faces tax audits in jurisdictions around the world in relation to transfer pricing of goods and services between associated entities within the Group. These tax audits are often subject to inter-government negotiations. The matters under discussion are often complex and can take many years to resolve. Tax liabilities are recorded based on management's estimate of either the most likely amount or the expected value amount depending on which method is expected to better reflect the resolution of the uncertainty. Given the inherent uncertainty in assessing tax outcomes we could, in future periods, experience adjustments to these tax liabilities that have a material positive or negative effect on our results for a particular period.

During the next year it is possible that some or all of the current disputes are resolved. Management estimate that the outcome across all matters under dispute or in negotiation between governments could be in the range of a decrease of £5 million to an increase of £15 million relative to the current tax liabilities recognised at 28 March 2020. This would have an impact of approximately 1% to 4% on the Group's effective tax rate.

Key judgements in applying the Group's accounting policies

Judgements are those decisions made when applying accounting policies which have a significant impact on the amounts recognised in the Group financial statements. Further details of the Group's accounting policies are provided in note 2. Key judgements that have a significant impact on the amounts recognised in the Group financial statements for the 52 weeks to 28 March 2020 are as follows:

Where the Group is a lessee, judgement is required in determining the lease term where extension or termination options exist. In such instances, all facts and circumstances that may create an economic incentive to exercise an extension option, or not exercise a termination option, have been considered to determine the lease term. Considerations include, but are not limited to, the period assessed by management when approving initial investment, together with costs associated with any termination options or extension options. Extension periods (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Where the lease term has been extended by assuming an extension option will be recognised, this will result in the initial right-of-use assets and lease liabilities at inception of the lease being greater than if the option was not assumed to be exercised. Likewise, assuming a break option will be exercised will reduce the initial right-of-use assets and lease liabilities.

There were no key judgements arising in the prior period.

2. ACCOUNTING POLICIES

The principal accounting policies of the Group are:

a) Revenue

The Group obtains revenue from contracts with customers relating to sales of luxury goods to retail and wholesale customers. The Group also obtains revenue through licences issued to third parties to produce and sell goods carrying Burberry trademarks. Revenue is stated excluding Value Added Tax and other sales related taxes.

Retail and wholesale revenue

For retail and wholesale revenue, the primary performance obligation is the transfer of luxury goods to the customer. For retail revenue this is considered to occur when control of the goods passes to the customer. For in store retail revenue control transfers when the customer takes possession of the goods in store and pays for the goods. For digital retail revenue, control is considered to transfer when the goods are delivered to the customer. The timing of transfer of control of the goods in wholesale transactions depends upon the terms of trade in the contract. Principally for wholesale revenue, revenue is recognised either when goods are collected by the customer from the Group's premises, or when the Group has delivered the goods to the location specified in the contract. Provision for returns and other allowances are reflected in revenue when revenue from the customer is first recognised. Returns are initially estimated based on historical levels and adjusted subsequently as returns are incurred.

Some wholesale contracts may require the Group to make payments to the wholesale customer, for services directly relating to the sale of the Group's goods, such as the cost of staff handling the Group's goods at the wholesaler. Payments to the customer directly relating to the sale of goods to the customer are recognised as a reduction in revenue, unless in exchange for a distinct good or service. These charges are recognised in revenue at the later of when the sale of the related goods to the customer is recognised or when the customer is paid, or promised to be paid, for the service. Payments to the customer relating to a service which is distinct from the sale of goods to the customer are recognised in operating costs.

The Group sells gift cards and similar products to customers, which can be redeemed for goods, up to the value of the card, at a future date. Revenue relating to gift cards is recognised when the card is redeemed, up to the value of the redemption. Unredeemed amounts on gift cards are classified as contract liabilities. Typically, the Group does not expect to have significant unredeemed amounts arising on its gift cards.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. ACCOUNTING POLICIES (CONTINUED)

a) Revenue (continued)

Licensing revenue

The Group's licences entitle the licensee to access the Group's trademarks over the term of the licence. Hence revenue from licensing is recognised over the term of access to the licence. Royalties payable under licence agreements are usually based on production or sales volumes and are accrued in revenue as the subsequent production or sale occurs. Any amounts received which have not been recognised in revenue are classified as contract liabilities.

b) Segment reporting

As required by IFRS 8 Operating Segments, the segmental information presented in the financial statements is reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance, has been identified as the Board of Directors.

The Group has centralised activities for designing, making and sourcing, which ensure a global product offering is sold through retail and wholesale channels worldwide. Resource allocation and performance is assessed across the whole of the retail/wholesale channel globally. Hence the retail/wholesale channel has been determined to be an operating segment.

Licensed products are manufactured and sold by third-party licensees. As a result, this channel is assessed discretely by the Chief Operating Decision Maker and has been determined to be an operating segment.

The Group presents an analysis of its revenue by channel, by product division and by geographical destination.

c) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Contingent payments are remeasured at fair value through the Income Statement. All transaction costs are expensed to the Income Statement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Non-controlling interests in subsidiaries are identified separately from the Group's equity, and are initially measured either at fair value or at a value equal to the non-controlling interests' share of the identifiable net assets acquired. The choice of the basis of measurement is an accounting policy choice for each individual business combination. The excess of the cost of acquisition together with the value of any non-controlling interest over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

d) Share schemes

The Group operates a number of equity-settled share-based compensation schemes, under which services are received from employees (including executive directors) as consideration for equity instruments of the Company. The cost of the share-based incentives is measured with reference to the fair value of the equity instruments awarded at the date of grant. Appropriate option pricing models, including Black-Scholes, are used to determine the fair value of the awards made. The fair value takes into account the impact of any market performance conditions, but the impact of non-market performance conditions is not considered in determining the fair value on the date of grant. Vesting conditions which relate to non-market conditions are allowed for in the assumptions used for the number of options expected to vest. The estimate of the number of options expected to vest is revised at each balance sheet date.

In some circumstances, employees may provide services in advance of the grant date. The grant date fair value is estimated for the purposes of recognising the expense during the period between the service commencement period and the grant date.

The cost of the share-based incentives is recognised as an expense over the vesting period of the awards, with a corresponding increase in equity.

When options are exercised, they are settled either via issue of new shares in the Company, or through shares held in an Employee Share Option Plan (ESOP) trust, depending on the terms and conditions of the relevant scheme. The proceeds received from the exercises, net of any directly attributable transaction costs, are credited to share capital and share premium accounts.

e) Leases

The Group is both a lessee and lessor of property, plant and equipment. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An identified asset may be specifically or implicitly specified. Control exists when the lessee has both the right to direct the use of the identified asset and the right to obtain substantially all of the economic benefits from that use.

2. ACCOUNTING POLICIES (CONTINUED)

e) Leases (continued)

Lessee accounting

The Group's principal lease arrangements where the Group acts as the lessee are for property, most notably the lease of retail stores, corporate offices and warehouses. Other leases are for office equipment, vehicles, and supply chain equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Group recognises all lease liabilities and the corresponding right-of-use assets on the balance sheet, with the exception of certain short-term leases (12 months or less) and leases of low value assets, which are expensed as incurred. Leases and the corresponding right-of-use assets are initially recognised when the Group obtains control of the underlying asset. Leases for new assets are presented as additions to lease liabilities and right-of-use assets.

Lease liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any incentives;
- variable lease payments that are based on a future index or rate;
- amounts expected to be payable by the lessee under residual value guarantees; and,
- the cost of exercise of a purchase option if the lessee is reasonably certain to exercise that option.

Where the lease contains an extension option or a termination option which is exercisable by the Group, as lessee, an assessment is made as to whether the Group is reasonably certain to exercise the extension option, or not exercise the termination option, considering all relevant facts and circumstances that create an economic incentive. Considerations may include the contractual terms and conditions for the optional periods compared to market rates, costs associated with the termination of the lease and the importance of the underlying asset to the Group's operations.

Variable lease payments dependent upon a future index or rate are measured using the amounts payable at the commencement date until the index or rate is known. Variable lease payments not dependent on an index or rate are excluded from the calculation of lease liabilities.

Payments are discounted at the incremental borrowing rate of the lessee, unless the interest rate implicit in the lease can be readily determined.

Right-of-use assets are classified as property or non-property. The Group has elected not to apply the short-term exemption to the property class of right-of-use assets. Where the exemption is applied to the non-property class of right-of-use assets, lease payments are expensed as incurred. The low value asset exemption has been applied to both the property and non-property class of assets on a lease-by-lease basis where applicable.

In circumstances where the Group is in possession of a property but there is no executed agreement or other binding obligation in relation to the property, rent is expensed until such time the obligation becomes binding, at which point, a right-of-use asset and lease liability will be recognised prospectively. These lease costs are disclosed as lease in holdover expenses. Refer to notes 5 and 21.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and,
- any initial direct costs incurred in entering into the lease.

The Group recognises depreciation of right-of-use assets and interest on lease liabilities in the income statement over the lease term. Repayments of lease liabilities are classified separately in the cash flow statement where the cash payments for the principal portion of the lease liability are presented within financing activities, and cash payments for the interest portion are presented within operating activities. Payments in relation to short-term leases and leases of low value assets which are not included on the balance sheet are included within operating activities.

Modifications to lease agreements, extensions to existing lease agreements and changes to future lease payments relating to existing terms in the contract, including market rent reassessments and index based changes, are presented as remeasurements of the lease liabilities. The related right-of-use asset is also remeasured. If the modification results in a reduction in scope of the lease, either through shortening the lease term or through disposing of part of the underlying asset, a gain or loss on disposal may arise relating to the difference between the lease liabilities and the right-of-use asset applicable to the reduction in scope.

Right-of-use assets are included in the review for impairment of property, plant and equipment and intangible assets with finite economic lives, if there is an indication that the carrying amount of the cash generating unit may not be recoverable.

2. ACCOUNTING POLICIES (CONTINUED)

e) Leases (continued)

Lessor accounting

The Group also acts as a lessor of properties. Each of these leases are classified as either a finance lease or an operating lease. Leases in which substantially all of the risks and rewards incidental to ownership of an underlying asset are transferred to the lessee by the lessor are classified as finance leases. Leases which are not finance leases are classified as operating leases.

Gross rental income in respect of operating leases is recognised on a straight-line basis over the term of the leases.

Leases accounting policy applied in the comparative period

The Group is both a lessor and lessee of property, plant and equipment. Determining whether an arrangement is or contains a lease is based on the substance of the arrangement. Leases in which substantially all of the risks and rewards incidental to ownership of an asset are transferred to the lessee by the lessor are classified as finance leases. Leases which are not finance leases are classified as operating leases.

Gross rental expenditure/income in respect of operating leases is recognised on a straight-line basis over the term of the leases. Certain rental expenses are determined on the basis of revenue achieved in specific retail locations and are accrued for on that basis.

Amounts paid to/received from the landlord to acquire or transfer the rights to a lease are treated as prepayments/deferred income. Lease incentives, typically rent-free periods and capital contributions, are held on the Balance Sheet in deferred income and non-financial accruals and recognised over the term of the lease.

f) Dividend distributions

Dividend distributions to Burberry Group plc's shareholders are recognised as a liability in the period in which the dividend becomes a committed obligation. Final dividends are recognised when they are approved by the shareholders. Interim dividends are recognised when paid.

g) Pension costs

Eligible employees participate in defined contribution pension schemes, the principal one being in the UK with its assets held in an independently administered fund. The cost of providing these benefits to participating employees is recognised in the Income Statement as they fall due and comprises the amount of contributions to the schemes.

h) Intangible assets

Goodwill

Goodwill is the excess of the cost of acquisition together with the value of any non-controlling interest, over the fair value of identifiable net assets acquired. Goodwill on acquisition is recorded as an intangible asset. Fair values are attributed to the identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition, reflecting their condition at that date. Adjustments are also made to align the accounting policies of acquired businesses with those of the Group.

Goodwill is assigned an indefinite useful life. Impairment reviews are performed annually, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses recognised on goodwill are not reversed in future periods.

Trademarks, licences and other intangible assets

The cost of securing and renewing trademarks and licences, and the cost of acquiring other intangible assets, is capitalised at purchase price and amortised by equal annual instalments over the period in which benefits are expected to accrue, typically ten years for trademarks, or the term of the licence. The useful life of trademarks and other intangible assets is determined on a case-by-case basis, in accordance with the terms of the underlying agreement and the nature of the asset.

Computer software

Computer software costs are capitalised during the development phase at the point at which there is sufficient certainty that it will deliver future economic benefits to the Group. The cost of acquiring computer software (including licences and separately identifiable development costs) is capitalised as an intangible asset at purchase price, plus any directly attributable cost of preparing that asset for its intended use. Software costs are amortised on a straight-line basis over their estimated useful lives, which may be up to seven years.

i) Property, plant and equipment

Property, plant and equipment, with the exception of assets in the course of construction, is stated at cost or deemed cost, based on historical revalued amounts prior to the adoption of IFRS, less accumulated depreciation and provision to reflect any impairment in value. Assets in the course of construction are stated at cost less any provision for impairment and transferred to completed assets when substantially all of the activities necessary for the asset to be ready for use have occurred. Cost includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use.

2. ACCOUNTING POLICIES (CONTINUED)**i) Property, plant and equipment (continued)****Depreciation**

Depreciation of property, plant and equipment is calculated to write off the cost or deemed cost, less residual value, of the assets in equal annual instalments over their estimated useful lives at the following rates:

Type of asset	Category of property, plant and equipment	Useful life
Land	Freehold land and buildings	Not depreciated
Freehold buildings	Freehold land and buildings	Up to 50 years
Long life leasehold improvements	Leasehold improvements	Over the unexpired term of the lease
Short life leasehold improvements	Leasehold improvements	Up to 10 years
Plant and machinery	Fixtures, fittings and equipment	Up to 15 years
Retail fixtures and fittings	Fixtures, fittings and equipment	Up to 5 years
Office fixtures and fittings	Fixtures, fittings and equipment	Up to 5 years
Computer equipment	Fixtures, fittings and equipment	Up to 7 years
Assets in the course of construction	Assets in the course of construction	Not depreciated

Profit/loss on disposal of property, plant and equipment and intangible assets

Profits and losses on the disposal of property, plant and equipment and intangible assets represent the difference between the net proceeds and net book value at the date of sale. Disposals are accounted for when the relevant transaction becomes unconditional.

j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets, other than goodwill, for which an impairment has been previously recognised are reviewed for possible reversal of impairment at each reporting date.

k) Investment properties

Investment properties are freehold properties held to earn rentals and/or for capital appreciation. Investment properties are stated at cost less accumulated depreciation and provision to reflect any impairment in value. Cost includes the original purchase price plus any directly attributable transaction costs. Investment properties are depreciated on a straight-line basis over an estimated useful life of up to 50 years.

l) Discontinued operations and assets classified as held for sale

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale. Discontinued operations are presented on the Income Statement as a separate line and are shown net of tax.

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continued use, and a sale within the next 12 months is considered to be highly probable. Assets classified as held for sale cease to be depreciated and they are stated at the lower of carrying amount and fair value less cost to sell.

m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost consists of all costs of purchase, costs of conversion, design costs and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined using a first-in, first-out (FIFO) method, taking account of the fashion seasons for which the inventory was offered. Where necessary, provision is made to reduce cost to no more than net realisable value having regard to the nature and condition of inventory, as well as its anticipated utilisation and saleability.

n) Taxation

Tax expense represents the sum of the tax currently payable and deferred tax charge.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense which are taxable or deductible in other years and it further excludes items which are never taxable or deductible. The Group's liability for current tax is calculated using tax rates which have been enacted or substantively enacted at the balance sheet date.

2. ACCOUNTING POLICIES (CONTINUED)

n) Taxation (continued)

Deferred tax is recognised, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, no deferred tax will be recognised. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entities or different taxable entities where there is an intention to settle the balances on a net basis.

o) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and where the amount of the obligation can be reliably estimated. When the effect of the time value of money is material, provision amounts are calculated based on the present value of the expenditures expected to be required to settle the obligation. The present value is calculated using forward market interest rates as measured at the balance sheet reporting date, which have been adjusted for risks specific to the future obligation.

Property obligations

A provision for the present value of future property reinstatement costs is recognised where there is an obligation to return the leased property to its original condition at the end of a lease term. The reinstatement cost at the end of a lease usually arises due to leasehold improvements and modifications carried out by the Group in order to customise the property during tenure of the lease. As a result, the cost of the reinstatement provision is recognised as a component of the cost of the leasehold improvements in property, plant and equipment when these are installed.

Onerous leases accounting policy applied in the comparative period

Where a leased property is no longer expected to be fully occupied or where the costs exceed the future expected benefits, an onerous lease provision will be recognised for that portion of the lease in excess to the Group's requirements and not fully recovered through sub-leasing, or through value-in-use.

p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to owners of the Company until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

q) Financial instruments

Financial instruments are initially recognised at fair value plus directly attributable transaction costs on the Balance Sheet when the entity becomes a party to the contractual provisions of the instrument. A financial asset is derecognised when the contractual rights to the cash flow expire or substantially all risks and rewards of the asset are transferred. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Subsequent to initial recognition, all financial liabilities are stated at amortised cost using the effective interest rate method except for derivatives which are held at fair value and which are classified as fair value through profit and loss, except where they qualify for hedge accounting. The fair value of the Group's financial assets and liabilities held at amortised cost mostly approximate their carrying amount due to the short maturity of these instruments. Where the fair value of any financial asset or liability held at amortised cost is materially different to the book value, the fair value is disclosed.

2. ACCOUNTING POLICIES (CONTINUED)**q) Financial instruments (continued)**

The Group classifies its instruments in the following categories:

Financial instrument category	Note	Classification	Measurement	Fair value measurement hierarchy ²
Cash and cash equivalents	19	Amortised cost	Amortised cost	N/A
Cash and cash equivalents	19	Fair value through profit and loss	Fair value through profit and loss	2
Trade and other receivables	16	Amortised cost	Amortised cost	N/A
Trade and other payables	20	Other financial liabilities	Amortised cost	N/A
Borrowings	24	Other financial liabilities	Amortised cost	N/A
Deferred consideration	20	Fair value through profit and loss	Fair value through profit and loss	3
Forward foreign exchange contracts	18	Fair value through profit and loss	Fair value through profit and loss	2
Forward foreign exchange contracts used for hedging ¹	18	Fair value – hedging instrument	Fair value – hedging instrument ³	2
Equity swap contracts	18	Fair value through profit and loss	Fair value through profit and loss	2

1. Cash flow hedge and net investment hedge accounting is applied to the extent it is achievable.

2. The fair value measurement hierarchy is only applicable for financial instruments measured at fair value.

3. Forward foreign exchange contracts used for hedging are classified as Fair value – hedging instruments under IFRS 9, however they are measured under IAS 39 for hedge accounting purposes.

The measurements for financial instruments carried at fair value are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: includes unobservable inputs for the asset or liability.

Observable inputs are those which are developed using market data, such as publicly available information about actual events or transactions. The Group has an established framework with respect to measurement of fair values, including Level 3 fair values. The Group regularly reviews any significant inputs which are not derived from observable market data and considers, where available, relevant third-party information, to support the conclusion that such valuations meet the requirements of IFRS. The classification level in the fair value hierarchy is also considered periodically. Significant valuation issues are reported to the Audit Committee.

The fair value of forward foreign exchange contracts and equity swap contracts is based on a comparison of the contractual and market rates and, in the case of forward foreign exchange contracts, after discounting using the appropriate yield curve as at the balance sheet date. All Level 2 fair value measurements are calculated using inputs which are based on observable market data.

The fair value of the contingent payment component of deferred consideration is considered to be a Level 3 measurement and is derived using a present value calculation, incorporating observable and non-observable inputs. This valuation technique has been adopted as it most closely mirrors the contractual arrangement.

The Group's primary categories of financial instruments are listed below:

Cash and cash equivalents

On the Balance Sheet, cash and cash equivalents comprise cash and short-term deposits with a maturity date of three months or less, held with banks and liquidity funds. In the Statement of Cash Flows, cash and cash equivalents also include bank overdrafts, which are recorded under current liabilities on the Balance Sheet.

While cash at bank and in hand is classified as amortised cost, some short-term deposits are classified as fair value through profit and loss.

Cash and cash equivalents held at amortised cost are subject to impairment testing each period end.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. ACCOUNTING POLICIES (CONTINUED)

q) Financial instruments (continued)

Trade and other receivables

Trade and other receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date. The receivables are held with the objective to collect the contractual cash flows and are therefore recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for the expected loss on trade receivables is established at inception. This is modified when there is a change in the credit risk. The amount of the movement in the provision is recognised in the Income Statement.

Trade and other payables

Trade and other payables are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Borrowings (including overdrafts)

Borrowings are recognised initially at fair value, inclusive of transaction costs incurred. Borrowings are subsequently stated at amortised cost and the difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Deferred consideration

Deferred consideration is initially recognised at the present value of the expected future payments. It is subsequently remeasured at fair value at each reporting period with the change in fair value relating to changes in expected future payments recorded in the Income Statement as an operating expense or income. Changes in fair value relating to unwinding of discounting to present value are recorded as a financing expense.

Derivative instruments

The Group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange rates arising on certain trading transactions. The principal derivative instruments used are forward foreign exchange contracts taken out to hedge highly probable cash flows in relation to future sales, and product purchases. The Group also may designate forward foreign exchange contracts or foreign currency borrowings as a net investment hedge of the assets of overseas subsidiaries.

When hedge accounting is applied, the Group documents at the inception of the transaction the relationship between the spot element of the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivatives are initially recognised at fair value at the trade date and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets and liabilities or a firm commitment (fair value hedge); (2) hedges of highly probable forecast transactions (cash flow hedges); (3) hedges of net investment of the assets of overseas subsidiaries (net investment hedges); or (4) classified as fair value through profit and loss.

The forward elements of the hedging instrument are recognised in operating expenses.

Changes in the fair value relating to the spot element of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

The effective portion of changes in the fair value relating to the spot element of derivatives that are designated and qualify as cash flow hedges is deferred in other comprehensive income. The gain or loss relating to the ineffective portion of the gain or loss is recognised immediately in the Income Statement. Amounts deferred in other comprehensive income are recycled through the Income Statement in the periods when the hedged item affects the Income Statement. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement within 'net exchange gain/(loss) on derivatives – fair value through profit and loss'. If a derivative instrument is not designated as a hedge, the subsequent change to the fair value is recognised in the Income Statement within operating expenses or interest depending upon the nature of the instrument.

2. ACCOUNTING POLICIES (CONTINUED)**q) Financial instruments (continued)**Derivative instruments (continued)

Where the Group hedges net investments in foreign operations through derivative instruments or foreign currency borrowings, the gains or losses on the effective portion of the change in fair value of derivatives that are designated and qualify as a hedge of a net investment, or the gains or losses on the retranslation of the borrowings are recognised in other comprehensive income and are reclassified to the Income Statement when the foreign operation that is hedged is disposed of.

r) Foreign currency translationFunctional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Sterling which is the Company's functional and the Group's presentation currency.

Transactions in foreign currencies

Transactions denominated in foreign currencies within each entity in the Group are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are held at the year end, are translated into the functional currency at the exchange rate ruling at the balance sheet date (closing rate). Exchange differences on monetary items are recognised in the Income Statement in the period in which they arise, except where these exchange differences form part of a net investment in overseas subsidiaries of the Group, in which case such differences are taken directly to the hedging reserve.

Translation of the results of overseas businesses

The results of overseas subsidiaries are translated into the Group's presentation currency of Sterling each month at the weighted average exchange rate for the month according to the phasing of the Group's trading results. The weighted average exchange rate is used, as it is considered to approximate the actual exchange rates on the date of the transactions. The assets and liabilities of such undertakings are translated at the closing rates. Differences arising on the retranslation of the opening net investment in subsidiary companies, and on the translation of their results, are taken directly to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The principal exchange rates used were as follows:

	Average rate		Closing rate	
	52 weeks to 28 March 2020	52 weeks to 30 March 2019	As at 28 March 2020	As at 30 March 2019
Euro	1.14	1.13	1.12	1.16
US Dollar	1.27	1.31	1.24	1.30
Chinese Yuan Renminbi	8.88	8.82	8.75	8.75
Hong Kong Dollar	9.89	10.26	9.64	10.20
Korean Won	1,504	1,460	1,512	1,478

s) Adjusted profit before taxation

In order to provide additional consideration of the underlying performance of the Group's ongoing business, the Group's results include a presentation of Adjusted operating profit and Adjusted profit before taxation ('adjusted PBT'). Adjusted PBT is defined as profit before taxation and before adjusting items. Adjusting items are those items which, in the opinion of the directors, should be excluded in order to provide a consistent and comparable view of the performance of the Group's ongoing business. Generally, this will include those items that are largely one-off and material in nature as well as income or expenses relating to acquisitions or disposals of businesses or other transactions of a similar nature, including the impact of changes in fair value of expected future payments or receipts relating to these transactions. Adjusting items are identified and presented on a consistent basis each year and a reconciliation of adjusted PBT to profit before tax is included in the financial statements. Adjusting items and their related tax impacts, as well as adjusting taxation items, are added back to/deducted from profit attributable to owners of the Company to arrive at adjusted earnings per share. Refer to note 6 for further details of adjusting items.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. SEGMENTAL ANALYSIS

The Chief Operating Decision Maker has been identified as the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports used by the Board. The Board considers the Group's business through its two channels to market, being retail/wholesale and licensing.

Retail/wholesale revenues are generated by the sale of luxury goods through Burberry mainline stores, concessions, outlets and digital commerce as well as Burberry franchisees, prestige department stores globally and multi-brand specialty accounts. The flow of global product between retail and wholesale channels and across our regions is monitored and optimised at a corporate level and implemented via the Group's inventory hubs situated in Europe and the US.

Licensing revenues are generated through the receipt of royalties from global licensees of beauty products, eyewear and from licences relating to the use of non-Burberry trademarks in Japan.

The Board assesses channel performance based on a measure of adjusted operating profit. This measurement basis excludes the effects of adjusting items. The measure of earnings for each operating segment that is reviewed by the Board includes an allocation of corporate and central costs. Interest income and charges are not included in the result for each operating segment that is reviewed by the Board.

	Retail/Wholesale		Licensing		Total	
	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Retail	2,110.2	2,185.8	–	–	2,110.2	2,185.8
Wholesale	475.8	487.9	–	–	475.8	487.9
Licensing	–	–	48.5	48.3	48.5	48.3
Total segment revenue	2,586.0	2,673.7	48.5	48.3	2,634.5	2,722.0
Inter-segment revenue ¹	–	–	(1.4)	(1.8)	(1.4)	(1.8)
Revenue from external customers	2,586.0	2,673.7	47.1	46.5	2,633.1	2,720.2
Depreciation and amortisation	330.8	115.8	–	–	330.8	115.8
Impairment of intangible assets ²	1.6	3.9	–	–	1.6	3.9
Net impairment of property, plant and equipment ³	(2.0)	7.5	–	–	(2.0)	7.5
Net impairment of right-of-use assets ⁴	12.8	–	–	–	12.8	–
Other non-cash items:						
Share-based payments	2.8	15.7	–	–	2.8	15.7
Adjusted operating profit	389.8	395.7	43.3	42.4	433.1	438.1
Adjusting items ⁵					(245.6)	(2.6)
Finance income					7.6	8.7
Finance expense					(26.6)	(3.6)
Profit before taxation					168.5	440.6

1. Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would be available to unrelated third parties.

2. Impairment of intangible assets for the 52 weeks to 28 March 2020 is presented excluding £10.0 million (last year: £nil) relating to charges as a result of the impact of COVID-19, which has been presented as an adjusting item (refer to note 6).

3. Net impairment charge relating to property, plant and equipment for the 52 weeks to 28 March 2020 is presented excluding £28.4 million relating to charges as a result of the impact of COVID-19. For the 52 weeks to 30 March 2019, net impairment charges were presented excluding £0.4 million relating to the closure of stores as part of the Group's restructuring programme. These have been presented as adjusting items (refer to note 6).

4. Net impairment of right-of-use assets for the 52 weeks to 28 March 2020 is presented excluding £128.1 million relating to charges as a result of the impact of COVID-19 and a credit of £0.6 million relating to restructuring costs, which have been presented as adjusting items (refer to note 6).

5. Refer to note 6 for details of adjusting items.

3. SEGMENTAL ANALYSIS (CONTINUED)

	Retail/Wholesale		Licensing		Total	
	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Additions to non-current assets	447.5	149.8	–	–	447.5	149.8
Total segment assets	2,020.9	1,201.6	11.2	9.5	2,032.1	1,211.1
Goodwill					109.3	108.6
Cash and cash equivalents					928.9	874.5
Taxation					221.9	138.0
Total assets per Balance Sheet					3,292.2	2,332.2

Additional revenue analysis

All revenue is derived from contracts with customers. The Group derives Retail and Wholesale revenue from contracts with customers from the transfer of goods and related services at a point in time. Licensing revenue is derived over the period the licence agreement gives the customer access to the Group's trademarks.

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Revenue by product division		
Accessories	947.5	1,012.7
Women's	796.5	836.8
Men's	714.8	698.2
Children's/Other	127.2	126.0
Retail/Wholesale	2,586.0	2,673.7
Licensing	47.1	46.5
Total	2,633.1	2,720.2

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Revenue by destination		
Asia Pacific	1,040.5	1,104.3
EMEIA ¹	960.6	957.4
Americas	584.9	612.0
Retail/Wholesale	2,586.0	2,673.7
Licensing	47.1	46.5
Total	2,633.1	2,720.2

1. EMEIA comprises Europe, Middle East, India and Africa.

Entity-wide disclosures

Revenue derived from external customers in the UK totalled £319.6 million for the 52 weeks to 28 March 2020 (last year: £311.7 million).

Revenue derived from external customers in foreign countries totalled £2,313.5 million for the 52 weeks to 28 March 2020 (last year: £2,408.5 million). This amount includes £491.9 million of external revenues derived from customers in the USA (last year: £513.6 million) and £461.5 million of external revenues derived from customers in China (last year: £450.5 million).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £490.8 million (last year: £178.0 million). The remaining £894.4 million of non-current assets are located in other countries (last year: £381.5 million), with £232.5 million located in the USA (last year: £125.9 million), £113.6 million located in China (last year: £75.6 million), and £57.1 million located in Korea (last year: £59.0 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. NET OPERATING EXPENSES

	Note	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Selling and distribution costs		841.6	863.8
Administrative expenses		499.1	558.9
Adjusting operating items	6	176.1	0.9
Net operating expenses		1,516.8	1,423.6

5. PROFIT BEFORE TAXATION

	Note	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Adjusted profit before taxation is stated after charging/(crediting):			
Depreciation of property, plant and equipment			
Within cost of sales		1.2	1.1
Within selling and distribution costs		68.4	75.8
Within administrative expenses		13.7	10.3
Depreciation of right-of-use assets			
Within cost of sales		0.4	–
Within selling and distribution costs		200.6	–
Within administrative expenses		20.1	–
Amortisation of intangible assets			
Within selling and distribution costs		1.0	1.5
Within administrative expenses		25.4	27.1
Loss on disposal of property, plant and equipment and intangible assets		0.7	1.2
Gain on disposal of right-of-use assets		(2.1)	–
Net impairment (reversal)/charge relating to property, plant and equipment ¹	13	(2.0)	7.5
Net impairment of right-of-use assets ²	14	12.8	–
Impairment of intangible assets ³	12	1.6	3.9
Employee costs ⁴	29	478.5	508.4
Other lease expense			
Property lease variable lease expense	21	96.2	–
Property lease in holdover expense	21	11.2	–
Non-property short-term lease expense	21	9.9	–
Operating lease rentals			
Minimum lease payments ⁵		–	247.4
Contingent rents		–	107.2
Operating lease income			
Income from lease of freehold property		(0.7)	(0.7)
Net exchange loss/(gain) on revaluation of monetary assets and liabilities		8.7	(4.5)
Net loss on derivatives – fair value through profit and loss		3.4	7.7
Receivables net impairment charge/(reversal) ⁶		3.2	(4.1)

1. Net impairment charge relating to property, plant and equipment for the 52 weeks to 28 March 2020 is presented excluding £28.4 million relating to charges as a result of the impact of COVID-19. For the 52 weeks to 30 March 2019, net impairment charges were presented excluding £0.4 million relating to the closure of stores as part of the Group's restructuring programme. These have been presented as adjusting items (refer to note 6).
2. Impairment of right-of-use assets for the 52 weeks to 28 March 2020 is presented excluding £128.1 million relating to charges as a result of the impact of COVID-19 and a credit of £0.6 million relating to restructuring costs, which have been presented as adjusting items (refer to note 6).
3. Impairment of intangible assets for the 52 weeks to 28 March 2020 is presented excluding £10.0 million (last year: £nil) relating to charges as a result of the impact of COVID-19, which has been presented as an adjusting item (refer to note 6).
4. Employee costs for the 52 weeks to 28 March 2020 are presented excluding £5.4 million (last year: £11.4 million) of costs arising as a result of the Group's restructuring programme and a £6.2 million credit (last year: £nil) related to the reversal of accrued costs for share-based payments no longer expected to vest as a result of the impact of COVID-19, which have been presented as an adjusting item (refer to note 6).
5. Minimum lease payments for the 52 weeks to 30 March 2019 included charges for onerous lease provisions of £3.6 million and did not include payments of £5.3 million where existing onerous lease provisions have been utilised. Minimum lease payments for the 52 weeks to 30 March 2019 were presented excluding a credit of £8.9 million for onerous property obligations and a charge of £4.5 million for store closure costs in connection with the Group's restructuring programme, which have been presented as adjusting items (refer to note 6).
6. Receivables net impairment charge for the 52 weeks to 28 March 2020 is presented excluding £11.1 million (last year: £nil) relating to charges as a result of the impact of COVID-19, which has been presented as an adjusting item (refer to note 6).

5. PROFIT BEFORE TAXATION (CONTINUED)

	Note	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Adjusting items			
Adjusting operating items			
Impact of COVID-19:			
Impairment of retail cash generating units	6	156.5	–
Impairment of inventory	6	68.3	–
Impairment of intangible assets	6	10.0	–
Impairment of receivables	6	11.1	–
Other impacts of COVID-19	6	(5.0)	–
Other adjusting items:			
Gain on disposal of Beauty operations	6	(5.0)	(6.9)
Restructuring costs	6	10.6	12.2
Revaluation of deferred consideration liability	6	(2.1)	(4.4)
Total adjusting operating items		244.4	0.9
Adjusting financing items			
Finance charge on deferred consideration liability	6	1.2	1.7
Total adjusting financing items		1.2	1.7

6. ADJUSTING ITEMS

Impact of COVID-19

COVID-19 has impacted both business operations and financial markets worldwide. The ultimate impact of this pandemic is unclear and hence the measurement of its impacts requires a significant degree of estimation. The financial statements for the 52 weeks to 28 March 2020 include costs relating to the impairment of the carrying value of assets as a result of the expected impact of COVID-19 on the Group's activities and future trading as adjusting items.

Impairment of retail cash generating units

COVID-19 is expected to have a significant impact on the Group's retail operations in the next 12 months and beyond, with many of its retail outlets currently closed as a result of government restrictions in a number of countries worldwide. As a result management have carried out a review for potential impairment across the whole retail portfolio. The impairment review compared the value-in-use of the retail cash generating units, based on managements' assumptions regarding the likely future trading performance (taking into account the effect of COVID-19) to the carrying values at 28 March 2020. Following this review, a charge of £156.5 million was recorded within net operating expenses for impairment of retail store assets due to the impact of COVID-19. A charge of £28.4 million was recorded against property, plant and equipment and a charge of £128.1 million was recorded against right-of-use assets. A related tax credit of £28.7 million has also been recognised in the year. This charge has been recognised as an adjusting item arising as a result of COVID-19, in accordance with the Group's accounting policy, as it is considered to be material and one-off in nature. Refer to note 13 for details of impairment of retail cash generating units.

Impairment of inventory

Management assesses the recoverability of the carrying value of inventories at every reporting period and, where the expected recoverable amount is lower than the carrying value, a provision is recorded. Typically, inventory provisions are recorded against aged inventory or specific products which have been identified as having a low expectation of future sale. Due to the impact of COVID-19, the closure of many of the Group's retail stores worldwide and the associated build-up of inventory, management have reassessed their plans for the usage of inventory over the next 12 months, taking into account the expected length of the shutdown, products ordered for future seasons and the Group's projected future sales. As a result of this reassessment, management have identified additional inventory which is no longer expected to realise its carrying value. Provisions of £68.3 million have been recorded against this additional inventory, which relates to current and recent seasons that under more normal circumstances would be expected to sell through with limited loss. This additional charge for inventory provisions has been presented as an adjusting item arising as a result of COVID-19, in accordance with the Group's accounting policy, as it is considered material and one-off in nature. A related tax credit of £12.5 million has also been recognised in the year. Refer to note 17 for details of inventory provisions.

Impairment of intangible assets

Following changes to management investment plans, due to the impact of COVID-19, an impairment charge of £10.0 million has been recorded in relation to computer software assets under construction. Due to resulting delays in the development of this software, management no longer expect to fully utilise the expenditure incurred to date. This impairment charge has been presented as an adjusting item arising as a result of COVID-19, in accordance with the Group's accounting policy, as it is considered one-off in nature. A related tax credit of £1.9 million has also been recognised in the year. Refer to note 12 for details of impairment of intangible assets.

6. ADJUSTING ITEMS (CONTINUED)

Impact of COVID-19 (continued)

Impairment of receivables

Due to the global financial uncertainty arising from COVID-19, management have reassessed and increased the expected loss rates for trade and other receivables at 28 March 2020. This increase reflects the greater likelihood of credit default by the Group's debtors in the next 12 months due to the impact of COVID-19. The increase in expected loss rates has resulted in a charge of £11.1 million for impairment of receivables in the year. The Group has not incurred significant costs for impairment of receivables in previous years. This charge of £11.1 million has been presented as an adjusting item arising as a result of COVID-19, in accordance with the Group's accounting policy, as it is considered to be one-off in nature. A related tax credit of £2.1 million has also been recognised in the year. Refer to note 28 for details of impairment of receivables.

Other impacts of COVID-19

A credit of £5.0 million, principally related to the reversal of accrued costs for share-based payments no longer expected to vest, as a result of the impact of COVID-19 on the expected performance of the Group, has been presented as an adjusting item. A related tax charge of £1.0 million has also been recognised in the year.

Gain on disposal of Beauty operations

During the year ended 31 March 2018, the Group entered into two agreements with Coty Geneva SARL Versoix (Coty) to grant Coty a licence to sell its fragrance and beauty products and to transfer the Group's Beauty operations to Coty.

In the 52 weeks to 28 March 2020 a credit of £5.0 million (last year: credit of £6.9 million) has been recorded relating to reassessments of provisions for contract termination and consideration for assets transferred to Coty on completion. A related tax charge of £1.0 million (last year: £1.3 million) has also been recognised in the year.

The net gain on disposal is presented as an adjusting item in accordance with the Group's accounting policy as it arises from the disposal of a business.

Restructuring costs

Restructuring costs of £10.6 million (last year: £12.2 million) were incurred in the current year, arising as a result of the Group's cost-efficiency programme announced in May 2016. These costs are presented as an adjusting item as they are considered material and one-off in nature, being part of a restructuring programme running from May 2016 to March 2021. The costs in the current year are principally attributable to redundancies and functional restructuring costs. A related tax credit of £2.2 million (last year: £2.2 million) has also been recognised in the current year.

Items relating to the deferred consideration liability

On 22 April 2016, the Group entered into an agreement to transfer the economic right to the non-controlling interest in Burberry Middle East LLC to the Group in consideration of contingent payments to be made to the minority shareholder over the period to 2023.

A credit of £2.1 million in relation to the revaluation of this balance has been recognised in operating expenses for the 52 weeks to 28 March 2020 (last year: credit of £4.4 million). A financing charge of £1.0 million in relation to the unwinding of the discount on the non-current portion of the deferred consideration liability has also been recognised for the 52 weeks to 28 March 2020 (last year: £1.7 million). These movements are unrealised.

On 19 September 2018, the Group acquired Burberry Manifattura S.R.L. Consideration for the acquisition included a future performance related deferred consideration payment to be made in 2021. A financing charge of £0.2 million in relation to the unwinding of the discount on the non-current portion of the deferred consideration liability has been recognised for the 52 weeks to 28 March 2020 (last year: £nil). These movements are unrealised.

No tax has been recognised on either of these items, as the future payments are not considered to be deductible for tax purposes. These items are presented as adjusting items in accordance with the Group's accounting policy, as they arise from changes in the value of the liability for expected future payments relating to the purchase of a non-controlling interest in the Group and acquisition of a subsidiary respectively.

7. AUDITOR REMUNERATION

Fees incurred during the year in relation to audit and non-audit services are analysed below:

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Audit services in respect of the financial statements of the Company and consolidation	0.4	0.4
Audit services in respect of the financial statements of subsidiary companies	2.4	2.0
Audit-related assurance services	0.1	0.1
Other non-audit-related services	0.2	0.2
Total	3.1	2.7

8. FINANCING

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
	Note	
Bank interest income – amortised cost		2.1
Other finance income – amortised cost		0.6
Finance income – amortised cost		2.7
Bank interest income – fair value through profit and loss		4.9
Finance income		7.6
Interest expense on lease liabilities ¹	21	(24.9)
Interest expense on bank loans and overdrafts		(0.6)
Bank charges		(0.8)
Other finance expense		(0.3)
Finance expense		(26.6)
Finance charge on deferred consideration liability	6	(1.2)
Net finance (expense)/income		(20.2)

1. Interest expense on lease liabilities of £24.9 million has been recorded for the current year, as a result of the adoption of IFRS 16 Leases. Refer to note 1 for details of adoption of IFRS 16 Leases.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9. TAXATION

Analysis of charge for the year recognised in the Group Income Statement:

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Current tax		
UK corporation tax		
Current tax on income for the 52 weeks to 28 March 2020 at 19% (last year: 19%)	58.7	62.3
Double taxation relief	(3.3)	(2.8)
Adjustments in respect of prior years	0.2	(7.0)
	55.6	52.5
Foreign tax		
Current tax on income for the year	27.4	54.3
Adjustments in respect of prior years	(1.3)	(0.1)
Total current tax	81.7	106.7
Deferred tax		
UK deferred tax		
Origination and reversal of temporary differences	(6.4)	3.5
Impact of changes to tax rates	(1.4)	–
Adjustments in respect of prior years	(0.6)	(0.1)
	(8.4)	3.4
Foreign deferred tax		
Origination and reversal of temporary differences	(30.0)	(10.7)
Impact of changes to tax rates	–	(0.1)
Adjustments in respect of prior years	3.6	2.2
Total deferred tax	(34.8)	(5.2)
Total tax charge on profit	46.9	101.5

Analysis of charge for the year recognised in other comprehensive income and directly in equity:

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Current tax		
Recognised in other comprehensive income		
Current tax charge on exchange differences on loans (foreign currency translation reserve)	0.9	1.3
Current tax charge/(credit) on cash flow hedges deferred in equity (hedging reserve)	0.3	(0.2)
Current tax charge/(credit) on cash flow hedges transferred to income (hedging reserve)	0.2	(0.2)
Current tax (credit)/charge on net investment hedges deferred in equity (hedging reserve)	(0.2)	0.2
Total current tax recognised in other comprehensive income	1.2	1.1
Recognised in equity		
Current tax credit on share options (retained earnings)	(0.9)	(2.0)
Total current tax recognised directly in equity	(0.9)	(2.0)
Recognised in equity		
Deferred tax charge on share options (retained earnings)	1.5	0.2
Total deferred tax recognised directly in equity	1.5	0.2

On adoption of IFRIC 23 Uncertainty over Income Tax treatments in the current year (refer to note 1) current tax liabilities were increased by £4.4 million, with a corresponding charge to equity. On adoption of IFRS 16 Leases in the current year (refer to note 1) deferred tax assets were increased by £16.4 million, with a corresponding credit to equity. These movements, which were recorded in equity on adoption of IFRIC 23 and IFRS 16, are not included within the current year movements recognised in equity presented in the table above.

9. TAXATION (CONTINUED)

The tax rate applicable on profit varied from the standard rate of corporation tax in the UK due to the following factors:

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Profit before taxation	168.5	440.6
Tax at 19% (last year: 19%) on profit before taxation	32.0	83.7
Rate adjustments relating to overseas profits	(2.2)	11.5
Permanent differences	17.4	12.8
Tax on dividends not creditable	1.2	3.8
Current year tax losses not recognised	2.2	2.5
Prior year temporary differences and tax losses recognised	(4.2)	(7.8)
Adjustments in respect of prior years	1.9	(5.0)
Adjustments to deferred tax relating to changes in tax rates	(1.4)	–
Total taxation charge	46.9	101.5

Total taxation recognised in the Group Income Statement arises on the following items:

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Tax on adjusted profit before taxation	92.3	102.4
Tax on adjusting items	(45.4)	(0.9)
Total taxation charge	46.9	101.5

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit or loss attributable to owners of the Company for the year divided by the weighted average number of ordinary shares in issue during the year. Basic and diluted earnings per share based on adjusted profit before taxation are also disclosed to indicate the underlying profitability of the Group.

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Attributable profit for the year before adjusting items ¹	321.9	341.0
Effect of adjusting items ¹ (after taxation)	(200.2)	(1.7)
Attributable profit for the year	121.7	339.3

1. Refer to note 6 for details of adjusting items.

The weighted average number of ordinary shares represents the weighted average number of Burberry Group plc ordinary shares in issue throughout the year, excluding ordinary shares held in the Group's ESOP trusts and treasury shares held by the Company or its subsidiaries.

Diluted earnings per share is based on the weighted average number of ordinary shares in issue during the year. In addition, account is taken of any options and awards made under the employee share incentive schemes, which will have a dilutive effect when exercised. Refer to note 29 for additional information on the terms and conditions of the employee share incentive schemes.

	52 weeks to 28 March 2020 Millions	52 weeks to 30 March 2019 Millions
Weighted average number of ordinary shares in issue during the year	408.0	412.3
Dilutive effect of the employee share incentive schemes	1.0	2.8
Diluted weighted average number of ordinary shares in issue during the year	409.0	415.1

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11. DIVIDENDS PAID TO OWNERS OF THE COMPANY

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Prior year final dividend paid 31.5p per share (prior year: 30.3p)	129.2	126.0
Interim dividend paid 11.3p per share (prior year: 11.0p)	46.0	45.1
Total	175.2	171.1

The Directors have elected not to declare a final dividend in respect of the 52 weeks to 28 March 2020 (last year: 31.5p).

12. INTANGIBLE ASSETS

Cost	Goodwill £m	Trademarks, licences and other intangible assets £m	Computer software £m	Intangible assets in the course of construction £m	Total £m
As at 31 March 2018	94.9	18.2	130.2	46.5	289.8
Effect of foreign exchange rate changes	0.7	–	0.9	–	1.6
Additions	–	0.4	13.8	39.8	54.0
Business combination	19.5	–	–	–	19.5
Disposals	–	(6.1)	(31.0)	–	(37.1)
Reclassifications from assets in the course of construction	–	–	39.4	(39.4)	–
As at 30 March 2019	115.1	12.5	153.3	46.9	327.8
Effect of foreign exchange rate changes	1.0	0.1	0.1	–	1.2
Additions	–	0.4	27.0	35.9	63.3
Reclassifications from assets in the course of construction	–	0.2	18.4	(18.6)	–
As at 28 March 2020	116.1	13.2	198.8	64.2	392.3
Accumulated amortisation and impairment					
As at 31 March 2018	6.5	10.4	92.8	–	109.7
Effect of foreign exchange rate changes	–	–	0.9	–	0.9
Charge for the year	–	0.9	27.7	–	28.6
Disposals	–	(6.1)	(30.2)	–	(36.3)
Impairment charge on assets	–	–	3.9	–	3.9
As at 30 March 2019	6.5	5.2	95.1	–	106.8
Effect of foreign exchange rate changes	0.3	–	0.2	–	0.5
Charge for the year	–	0.9	25.5	–	26.4
Impairment charge on assets	–	–	–	11.6	11.6
As at 28 March 2020	6.8	6.1	120.8	11.6	145.3
Net book value					
As at 28 March 2020	109.3	7.1	78.0	52.6	247.0
As at 30 March 2019	108.6	7.3	58.2	46.9	221.0

During the 52 weeks to 28 March 2020 an impairment charge of £11.6 million was recognised in relation to computer software assets under construction (last year: £nil). £10.0 million of this charge related to rescheduling of the development of a software project following changes to management investment plans due to the impact of COVID-19. As a result of this delay, management no longer expect to fully utilise the expenditure incurred to date. The recoverable value of the asset at the balance sheet date is £25.8 million. £10.0 million of the impairment charge has been presented as an adjusting item relating to COVID-19 (refer to note 6).

12. INTANGIBLE ASSETS (CONTINUED)**Impairment testing of goodwill**

The carrying value of the goodwill allocated to cash generating units:

	As at 28 March 2020 £m	As at 30 March 2019 £m
China	48.2	48.4
Korea	27.3	27.9
Retail and wholesale segment ¹	19.7	19.0
Other	14.1	13.3
Total	109.3	108.6

1. Goodwill which arose on acquisition of Burberry Manifattura S.R.L. has been allocated to the group of cash generating units which make up the Group's retail and wholesale operating segment cash generating unit. This reflects the level at which the goodwill is being monitored by management.

The Group tests goodwill for impairment annually or where there is an indication that goodwill might be impaired. The recoverable amount of all cash generating units has been determined on a value-in-use basis. Value-in-use calculations for each cash generating unit are based on projected pre-tax discounted cash flows together with a discounted terminal value. The cash flows have been discounted at pre-tax rates reflecting the Group's weighted average cost of capital adjusted for country-specific tax rates and risks. Where the cash generating unit has a non-controlling interest which was recognised at a value equal to its proportionate interest in the net identifiable assets of the acquired subsidiary at the acquisition date, the carrying amount of the goodwill has been grossed up, to include the goodwill attributable to the non-controlling interest, for the purpose of impairment testing the goodwill attributable to the cash generating unit. The key assumptions contained in the value-in-use calculations include the future revenues, the margins achieved, the assumed life of the business and the discount rates applied.

The value-in-use calculations have been prepared using management's cost and revenue projections for the next two years combined with a longer term growth rate for the following three years to 29 March 2025. A terminal value has been included in the value-in-use calculation based on the cash flows for the year ending 29 March 2025 incorporating the assumption that growth beyond 29 March 2025 is equivalent to long term inflation expectations. These projections are based on management's assumptions regarding the likely trading performance over the next two years, taking into account the effect of COVID-19, and growth for the following three years reflecting its expected impact on the global economic environment in the longer term (refer to note 1).

The value-in-use estimates indicated that the recoverable amount of goodwill exceeded the carrying value for each of the cash generating units. As a result, no impairment has been recognised in respect of the carrying value of goodwill in the year.

For the material goodwill balances of China, Korea and the retail and wholesale segment, sensitivity analyses have been performed by management. The sensitivities include applying a 15% reduction in revenue and gross margin from management's base cash flow projections, considering the potential outcome from a more extended duration of COVID-19. Under this more severe but plausible scenario, the estimated recoverable amount of goodwill in China, Korea and the retail and wholesale segment still exceeded the carrying value.

The pre-tax discount rates for China, Korea and the retail and wholesale segment were 15.0%, 13.4% and 11.1% respectively (last year: China 16.0%, Korea 14.0%, and the retail and wholesale segment 11.1%).

The other goodwill balance of £14.1 million (last year: £13.3 million) consists of amounts relating to seven cash generating units none of which have goodwill balances individually exceeding £7.0 million as at 28 March 2020.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Leasehold improvements	Fixtures, fittings and equipment	Assets in the course of construction	Total
Cost	£m	£m	£m	£m	£m
As at 31 March 2018	136.3	462.1	488.7	18.9	1,106.0
Effect of foreign exchange rate changes	8.5	14.0	13.0	1.1	36.6
Additions	0.2	26.2	23.5	25.9	75.8
Business combination	–	–	0.5	–	0.5
Disposals	(0.2)	(56.9)	(190.3)	–	(247.4)
Reclassifications from assets in the course of construction	–	5.2	13.7	(18.9)	–
As at 30 March 2019	144.8	450.6	349.1	27.0	971.5
Adjustment on initial application of IFRS 16 ¹	–	–	(2.9)	–	(2.9)
Adjusted balance as at 31 March 2019	144.8	450.6	346.2	27.0	968.6
Effect of foreign exchange rate changes	5.7	9.1	7.5	(0.2)	22.1
Additions	–	50.9	23.1	21.6	95.6
Disposals	(3.6)	(26.2)	(15.8)	(0.7)	(46.3)
Reclassifications from assets in the course of construction	–	12.4	11.8	(24.2)	–
As at 28 March 2020	146.9	496.8	372.8	23.5	1,040.0
Accumulated depreciation and impairment					
As at 31 March 2018	46.2	316.4	429.8	–	792.4
Effect of foreign exchange rate changes	3.3	9.6	11.2	–	24.1
Charge for the year	4.3	42.7	40.2	–	87.2
Disposals	(0.2)	(56.7)	(190.1)	–	(247.0)
Net impairment charge on assets	–	1.6	6.3	–	7.9
As at 30 March 2019	53.6	313.6	297.4	–	664.6
Adjustment on initial application of IFRS 16 ¹	–	–	(2.2)	–	(2.2)
Adjusted balance as at 31 March 2019	53.6	313.6	295.2	–	662.4
Effect of foreign exchange rate changes	2.3	6.8	6.5	–	15.6
Charge for the year	4.1	47.7	31.5	–	83.3
Disposals	(0.6)	(26.2)	(15.8)	–	(42.6)
Net impairment (reversal)/charge on assets	(0.5)	20.7	5.7	0.5	26.4
As at 28 March 2020	58.9	362.6	323.1	0.5	745.1
Net book value					
As at 28 March 2020	88.0	134.2	49.7	23.0	294.9
As at 30 March 2019	91.2	137.0	51.7	27.0	306.9

1. Finance lease assets, which were presented in fixtures, fittings and equipment as at 30 March 2019, have been reclassified to right-of-use assets on adoption of IFRS 16 Leases. Refer to note 1 for details of adoption of IFRS 16 Leases.

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COVID-19 is expected to have a significant impact on the Group's retail operations in the 52 weeks to 27 March 2021 and beyond, with many of its retail stores currently closed as a result of government restrictions in a number of countries worldwide. As a result management have carried out a review for potential impairment across the whole retail portfolio. The impairment review compared the value-in-use of the retail cash generating units to the carrying values at 28 March 2020 including the value of any right-of-use assets. The pre-tax cash flow projections were based on management's assumptions regarding the expected trading performance over the next two years, taking into account the impact of COVID-19, and growth thereafter reflecting the global economic environment in the longer term, using growth rates and inflation rates appropriate to each store's location.

The pre-tax discount rates used in these calculations were between 9.2% and 21.1% (last year: between 10.4% and 25.3%), based on the Group's weighted average cost of capital adjusted for country-specific tax rates and risks. Where the value-in-use was less than the carrying value of the cash generating unit, an impairment of property, plant and equipment and right-of-use asset was recorded. Potential alternative uses for property, such as subletting of leasehold or sale of freehold, were considered in estimating the value for calculating impairment charges.

During the 52 weeks to 28 March 2020, a charge of £156.5 million was recorded within net operating expenses as a result of the review of impairment of retail store assets for the impact of COVID-19. A charge of £28.4 million was recorded against property, plant and equipment and a charge of £128.1 million was recorded against right-of-use assets. Refer to note 14 for further details of right-of-use assets.

Management has considered the potential impact of changes in assumptions on the impairment recorded against the Group's retail assets. Given the significant uncertainty regarding the impact of COVID-19 on the Group's retail operations and on the global economy, management have considered sensitivities to the impairment charge as a result of changes to the estimate of future revenues achieved by the retail stores. The sensitivities applied are an increase or decrease in revenue of 15% from the estimate used to determine the impairment charge. It is estimated that a 15% decrease/increase in revenue assumptions for the 52 weeks to 27 March 2021, with no change to subsequent forecast revenue growth rate assumptions, would result in a £41.3 million increase / £31.5 million decrease in the impairment charge of retail store assets in the 52 weeks to 28 March 2020.

The charge relating to COVID-19 has been presented as an adjusting item (refer to note 6).

During the 52 weeks to 28 March 2020, a net charge of £11.2 million (last year: £11.2 million) was recorded within net operating expenses as a result of the annual review of impairment of retail store assets. This review was carried out during the year, and did not include any impacts relating to COVID-19. A credit of £2.0 million (last year: charge of £7.5 million) was recorded against property, plant and equipment and a charge of £13.2 million (last year: £nil) was recorded against right-of-use assets. In the prior year, £3.7 million was charged in relation to onerous lease provisions. Refer to note 22 for further details of onerous lease provisions.

In the 52 weeks to 30 March 2019, an impairment charge of £0.4 million was recorded relating to stores being closed as part of the non-strategic store closure programme.

As a result, the total impairment charge recorded in property, plant and equipment was £26.4 million (last year: £7.9 million) relating to 140 retail cash generating units (last year: 26 retail cash generating units) for which the total recoverable amount at the balance sheet date is £59.9 million (last year: £18.1 million).

14. RIGHT-OF-USE ASSETS

	Property right-of-use assets £m	Non-property right-of-use assets £m	Total £m
Net book value			
As at 30 March 2019	–	–	–
Adjustment on initial application of IFRS 16	877.4	0.7	878.1
Adjusted balance as at 31 March 2019	877.4	0.7	878.1
Effect of foreign exchange rate changes	22.9	–	22.9
Additions	277.9	–	277.9
Remeasurements	16.5	–	16.5
Depreciation for the year	(220.8)	(0.3)	(221.1)
Net impairment charge on assets	(140.3)	–	(140.3)
As at 28 March 2020	833.6	0.4	834.0

On adoption of IFRS 16, all impairment and onerous leases across existing leased properties were remeasured to take account of the impact of the change in accounting for leases on the measurement of impairments. No changes in underlying assumptions were made during this remeasurement. As a result of the remeasurement, an impairment of right-of-use assets of £121.9 million was recorded, with a corresponding charge to equity of £57.5 million, net of a reversal of existing onerous lease provisions of £48.0 million and an increase in deferred tax assets of £16.4 million. The impairment charge recorded of £121.9 million related to 63 retail cash generating units and two other properties, for which the total recoverable amount at the date of adoption was £200.1 million.

As a result of the assessment of retail cash generating units for impairment, a charge of £141.3 million was recorded for impairment of right-of-use assets. Refer to note 13 for further details. The impairment charge consists of £128.1 million relating to the impact of COVID-19 on the value-in-use of retail cash generating units and a charge of £13.2 million relating to other trading impacts during the year. The charge relating to COVID-19 has been presented as an adjusting item (refer to note 6).

The impairment charge recorded in right-of-use assets relates to 140 retail cash generating units for which the total recoverable amount at the balance sheet date is £344.7 million.

An impairment reversal of £1.0 million relating to other properties was recorded in the year.

15. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and there is an intention to settle on a net basis, and to the same fiscal authority. The assets and liabilities presented in the balance sheet, including the impact of the offset amounts of £2.5 million as at 28 March 2020 (as at 30 March 2019: £3.1 million) are shown in the table below:

	As at 28 March 2020 £m	As at 30 March 2019 £m
Deferred tax assets	171.5	123.1
Deferred tax liabilities	(0.1)	(3.4)
Net amount	171.4	119.7

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
The movement in the deferred tax account is as follows:		
At start of year	119.7	111.3
Adjustment on initial application of IFRS 16	16.4	–
Adjusted balance at start of year	136.1	111.3
Effect of foreign exchange rate changes	2.0	3.4
Credited to the Income Statement	34.8	5.2
Charged to equity	(1.5)	(0.2)
At end of year	171.4	119.7

15. DEFERRED TAXATION (CONTINUED)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities

	Capital allowances £m	Unrealised inventory profit and other inventory provisions £m	Derivative instruments £m	Other £m	Total £m
As at 31 March 2018	2.0	(1.8)	0.9	5.4	6.5
(Credited)/charged to the Income Statement	(0.3)	(0.1)	–	0.4	–
As at 30 March 2019	1.7	(1.9)	0.9	5.8	6.5
Credited to the Income Statement	(0.9)	(0.6)	–	(2.4)	(3.9)
As at 28 March 2020	0.8	(2.5)	0.9	3.4	2.6

Deferred tax assets

	Capital allowances £m	Unrealised inventory profit and other inventory provisions £m	Share schemes £m	Unused tax losses £m	Leases £m	Other ¹ £m	Total £m
As at 31 March 2018	14.7	37.0	8.1	3.9	–	54.1	117.8
Effect of foreign exchange rate changes	–	1.7	–	–	–	1.7	3.4
(Charged)/credited to the Income Statement	(1.4)	4.0	(2.8)	3.7	–	1.7	5.2
Charged to equity	–	–	(0.2)	–	–	–	(0.2)
As at 30 March 2019	13.3	42.7	5.1	7.6	–	57.5	126.2
Adjustment on initial application of IFRS 16	–	–	–	–	27.2	(10.8)	16.4
Adjusted balance as at 31 March 2019	13.3	42.7	5.1	7.6	27.2	46.7	142.6
Effect of foreign exchange rate changes	(0.4)	0.8	–	0.2	0.6	0.8	2.0
Credited/(charged) to the Income Statement	8.0	25.3	(1.3)	(3.4)	25.4	(23.1)	30.9
Charged to equity	–	–	(1.5)	–	–	–	(1.5)
As at 28 March 2020	20.9	68.8	2.3	4.4	53.2	24.4	174.0

1. Deferred tax balances within the 'Other' category in the analysis above include temporary differences arising on property provisions of £5.0 million (last year: £17.6 million), accrued intercompany expenses of £nil (last year: £22.8 million) and other provisions and accruals of £19.4 million (last year: £17.1 million).

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of £61.9 million (last year: £54.4 million) in respect of losses and temporary differences amounting to £231.7 million (last year: £209.0 million) that can be set off against future taxable income. There is a time limit for the recovery of £6.8 million of these potential assets (last year: £5.4 million) which ranges from one to nine years (last year: one to ten years).

Included within other temporary differences is a deferred tax liability of £nil (last year: £3.3 million) relating to unremitted overseas earnings. No deferred tax liability is provided in respect of any future remittance of earnings of foreign subsidiaries where the Group is able to control the remittance of earnings and it is probable that such earnings will not be remitted in the foreseeable future, or where no liability would arise on the remittance. The aggregate amount of temporary differences in respect of unremitted earnings for which deferred tax liabilities have not been recognised is £243.0 million (last year: £210.0 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. TRADE AND OTHER RECEIVABLES

	As at 28 March 2020 £m	As at 30 March 2019 £m
Non-current		
Deposits and other financial receivables	46.9	41.0
Other non-financial receivables	4.1	3.0
Prepayments ¹	2.7	26.1
Total non-current trade and other receivables	53.7	70.1
Current		
Trade receivables	123.5	124.5
Provision for doubtful debts	(16.5)	(4.8)
Net trade receivables	107.0	119.7
Other financial receivables	31.9	32.6
Other non-financial receivables	67.4	37.9
Prepayments ¹	35.0	50.7
Accrued income	10.8	10.2
Total current trade and other receivables	252.1	251.1
Total trade and other receivables	305.8	321.2

1. Upon adoption of IFRS 16 Leases, prepayments as at 30 March 2019 relating to leases recognised on the balance sheet were reclassified to be included in the measurement of the initial right-of-use asset. Refer to note 1 for further details.

Included in total trade and other receivables are non-financial assets of £109.2 million (last year: £117.7 million).

The Group's impairment policies and the calculation of any allowances for credit losses are detailed in note 28 credit risk.

17. INVENTORIES

	As at 28 March 2020 £m	As at 30 March 2019 £m
Raw materials	13.3	15.4
Work in progress	1.5	0.9
Finished goods	435.7	448.8
Total inventories	450.5	465.1

	As at 28 March 2020 £m	As at 30 March 2019 £m
Total inventories, gross	620.0	557.3
Provisions	(169.5)	(92.2)
Total inventories, net	450.5	465.1

Inventory provisions of £169.5 million (last year: £92.2 million) are recorded, representing 27.3% (last year: 16.5%) of the gross value of inventory. The provisions reflect management's best estimate of the net realisable value of inventory, where this is considered to be lower than the cost of the inventory.

The cost of inventories recognised as an expense and included in cost of sales amounted to £893.1 million (last year: £822.0 million). Of this charge, £68.3 million has arisen as a result of the estimated reduction in net realisable value of inventory due to COVID-19 and has been presented as an adjusting item.

17. INVENTORIES (CONTINUED)

Taking into account the significant uncertainty regarding the outcome of COVID-19 and its impact on retail operations and the global economy, as well as other factors impacting the net realisable value of inventory, management consider that a reasonable potential range of outcomes could result in an increase or decrease in inventory provisions of £20.0 million in the next 12 months. This would result in a potential range of inventory provisions of 24.1% to 30.6% as a percentage of the gross value of inventory as at 28 March 2020.

The net movement in inventory provisions included in cost of sales for the 52 weeks to 28 March 2020 was a cost of £88.9 million (last year: £15.7 million). The reversal of inventory provisions as at 30 March 2019 during the current year was £16.2 million (last year: reversal of £30.0 million).

The cost of finished goods physically destroyed in the year was £0.1 million (last year: £2.2 million).

18. DERIVATIVE FINANCIAL INSTRUMENTS**Master netting arrangements**

The Group's forward foreign exchange contracts and equity swap contracts are entered into under International Swaps and Derivatives Association (ISDA) master netting arrangements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single amount that is payable by one party to the other. In certain circumstances, such as when a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions. The ISDA agreements do not meet the criteria for offsetting in the Balance Sheet as the Group's right to offset is enforceable only on the occurrence of future events such as default. The Group has amended the ISDA agreement with three banks to require it to net settle its forward foreign exchange contracts. The forward foreign exchange contracts which will be subject to net settlement have been offset on the Balance Sheet. The Group's Balance Sheet would not be materially different if it had offset its remaining forward foreign exchange contracts and equity swap contracts subject to the standard ISDA agreements.

Derivative financial assets

	As at 28 March 2020 £m	As at 30 March 2019 £m
Forward foreign exchange contracts – fair value hedging instrument: cash flow hedges	2.4	1.2
Forward foreign exchange contracts – fair value hedging instrument: hedge of net investment	–	0.1
Forward foreign exchange contracts – fair value through profit and loss ¹	4.3	1.2
Equity swap contracts – fair value through profit and loss	–	0.5
Total position	6.7	3.0
Comprising:		
Total current position	6.7	3.0

1. Forward foreign exchange contracts classified as fair value through profit and loss are used for cash management and hedging monetary assets and liabilities. At 28 March 2020, all such contracts had maturities of no greater than three months from the balance sheet date (30 March 2019: six months from the balance sheet date).

Derivative financial liabilities

	As at 28 March 2020 £m	As at 30 March 2019 £m
Forward foreign exchange contracts – fair value hedging instrument: cash flow hedges	(1.5)	(3.1)
Forward foreign exchange contracts – fair value hedging instrument: hedge of net investment	–	(0.7)
Forward foreign exchange contracts – fair value through profit and loss ¹	(1.1)	(1.3)
Equity swap contracts – fair value through profit and loss	(2.2)	(0.5)
Total position	(4.8)	(5.6)
Comprising:		
Total non-current position	–	(0.1)
Total current position	(4.8)	(5.5)

1. Forward foreign exchange contracts classified as fair value through profit and loss are used for cash management and hedging monetary assets and liabilities. At 28 March 2020, all such contracts had maturities of no greater than three months from the balance sheet date (30 March 2019: six months from the balance sheet date).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Current derivative financial assets and liabilities

The table below sets out current derivatives, showing the net position as presented on the Balance Sheet and the gross position had netting not been applied. No non-current derivatives are subject to netting agreements.

	As at 28 March 2020 £m Gross	As at 30 March 2019 £m Gross	As at 28 March 2020 £m Net	As at 30 March 2019 £m Net
Derivative assets	6.7	5.2	6.7	3.0
Derivative liabilities	(4.8)	(7.7)	(4.8)	(5.5)

Net derivative financial instruments

The notional principal amounts of the outstanding forward foreign exchange and equity swap contracts at year end are:

	As at 28 March 2020 £m	As at 30 March 2019 £m
Forward foreign exchange contracts – fair value hedging instrument: cash flow hedges	123.8	257.6
Forward foreign exchange contracts – fair value hedging instrument: hedge of net investment	–	72.4
Forward foreign exchange contracts – fair value through profit and loss ¹	154.4	293.5
Equity swap contracts – fair value through profit and loss	6.7	8.2

1. Forward foreign exchange contracts classified as fair value through profit and loss are used for cash management and hedging monetary assets and liabilities. At 28 March 2020, all such contracts had maturities of no greater than three months from the balance sheet date (30 March 2019: six months from the balance sheet date).

Effect of hedge accounting on the financial position and performance

The effects of the foreign currency cash flow hedging instruments on the Group's financial position and performance are as follows:

	As at 28 March 2020	As at 30 March 2019
Foreign currency forwards		
Carrying amount (assets)	£2.4m	£1.2m
Notional amount	£49.7m	£53.7m
Maturity date	April 2020 – Jan 2021	April 2019 – Dec 2019
Hedge ratio	1:1	1:1
Change in spot value of outstanding hedging instruments since start of year	£1.6m	£1.2m
Change in value of hedged item used to determine hedge effectiveness	(£1.6m)	(£1.2m)
Weighted average hedged rate of outstanding contracts (including forward points) – EUR	1.1677	1.1139
Carrying amount (liabilities)	(£1.5m)	(£3.1m)
Notional amount	£74.1m	£203.9m
Maturity date	April 2020 – Oct 2020	April 2019 – Dec 2019
Hedge ratio	1:1	1:1
Change in spot value of outstanding hedging instruments since start of year	£1.5m	–
Change in value of hedged item used to determine hedge effectiveness	(£1.5m)	–
Weighted average hedged rate of outstanding contracts (including forward points) – EUR	1.0930	1.1116

The foreign currency forwards are denominated in the same currency as the highly probable future inventory purchases (EUR and USD), therefore the hedge ratio is 1:1.

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**Effect of hedge accounting on the financial position and performance (continued)**

The effects of the foreign currency net investment hedging instruments on the Group's financial position and performance are as follows:

	As at 28 March 2020	As at 30 March 2019
Foreign currency forwards		
Carrying amount (assets)	–	£0.1m
Notional amount	–	£7.4m
Maturity date	N/A	May 2019
Hedge ratio	N/A	1:1
Change in discounted spot value of outstanding hedging instruments since start of year	N/A	–
Change in value of hedged item used to determine hedge effectiveness	N/A	–
Weighted average hedged rate of outstanding contracts (including forward points) – EUR	N/A	1.1390
Weighted average hedged rate of outstanding contracts (including forward points) – CNY	N/A	N/A
 Carrying amount (liabilities)	–	(£0.7m)
Notional amount	–	£65.0m
Maturity date	N/A	April 2019 – June 2019
Hedge ratio	N/A	1:1
Change in discounted spot value of outstanding hedging instruments since start of year	N/A	(£0.6m)
Change in value of hedged item used to determine hedge effectiveness	N/A	£0.6m
Weighted average hedged rate of outstanding contracts (including forward points) – CNY	N/A	8.8678

The foreign currency forwards are denominated in the same currency as the hedged investment, therefore the hedge ratio is 1:1.

The contractual maturity profile of non-current financial liabilities is shown in note 28. For further details of cash flow hedging and net investment hedging refer to note 28 market risk.

19. CASH AND CASH EQUIVALENTS

	As at 28 March 2020 £m	As at 30 March 2019 £m
Cash and cash equivalents held at amortised cost		
Cash at bank and in hand	138.7	151.3
Short-term deposits	126.3	75.2
	265.0	226.5
Cash and cash equivalents held at fair value through the profit and loss		
Short-term deposits	663.9	648.0
Total	928.9	874.5

Cash and cash equivalents classified as fair value through profit and loss relate to deposits held in low volatility net asset value money market funds.

As at 28 March 2020 and 30 March 2019, no impairment losses were identified on cash and cash equivalents held at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. TRADE AND OTHER PAYABLES

	As at 28 March 2020 £m	As at 30 March 2019 £m
Non-current		
Other payables	7.1	2.9
Deferred income and non-financial accruals ²	4.1	70.8
Contract liabilities	77.0	83.6
Deferred consideration ¹	14.1	19.2
Total non-current trade and other payables	102.3	176.5
Current		
Trade payables	197.3	221.6
Other taxes and social security costs	48.1	53.4
Other payables	3.9	4.5
Accruals ²	175.2	209.3
Deferred income and non-financial accruals ²	6.0	20.5
Contract liabilities	12.7	13.7
Deferred consideration ¹	4.3	2.7
Total current trade and other payables	447.5	525.7
Total trade and other payables	549.8	702.2

1. The change in the deferred consideration liability arises as a result of a financing cash outflow and non-cash movements.
2. Upon adoption of IFRS 16 Leases, deferred income and accruals at 30 March 2019 relating to leases recognised on the balance sheet have been reclassified to be included in the measurement of the initial right-of-use asset. Refer to note 1 for further details.

Included in total trade and other payables are non-financial liabilities of £147.9 million (last year: £242.0 million).

Contract liabilities

Retail contract liabilities relate to unredeemed balances on issued gift cards and similar products, and advanced payments received for sales which have not yet been delivered to the customer. Licensing contract liabilities relate to deferred revenue arising from the upfront payment for the Beauty licence which is being recognised in revenue over the term of the licence on a straight-line basis reflecting access to the trademark over the licence period to 2032.

	As at 28 March 2020 £m	As at 30 March 2019 £m
Retail contract liabilities	6.1	7.1
Licensing contract liabilities	83.6	90.2
Total contract liabilities	89.7	97.3

The amount of revenue recognised in the year relating to contract liabilities at the start of the year is set out in the following table. All revenue in the year relates to performance obligations satisfied in the year. All contract liabilities at the end of the year relate to unsatisfied performance obligations.

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Retail revenue relating to contract liabilities	2.4	2.2
Deferred revenue from Beauty licence	6.6	6.5
Revenue recognised that was included in contract liabilities at the start of the year	9.0	8.7

20. TRADE AND OTHER PAYABLES (CONTINUED)**Deferred consideration**

Following the purchase of the economic right to the non-controlling interest in Burberry Middle East LLC on 22 April 2016, the Group has recognised a liability in relation to the deferred consideration for this transaction. The deferred consideration consisted of fixed payments to be paid over the period 2016 to 2019, and contingent payments calculated as an agreed percentage of the future revenue of Burberry Middle East LLC and its subsidiaries, over the period 2016 to 2023. Payments of £2.7 million were made in the 52 weeks to 28 March 2020 (last year: £11.1 million).

The fair value of the deferred consideration has been estimated using a present value calculation, incorporating observable and non-observable inputs. The inputs applied in arriving at the value of the deferred consideration are an estimate of the future revenue of Burberry Middle East LLC and its subsidiaries from the current year to 2023 and an appropriate risk-adjusted discount rate for Burberry Middle East LLC.

The carrying value of the deferred consideration is dependent on assumptions applied in determining these inputs, and is subject to change in the event that there is a change in any of these assumptions. The valuation is updated at every reporting period or more often if a significant change to any input is observed.

A 10% increase in the estimate of future revenues of Burberry Middle East LLC and its subsidiaries would result in a £0.9 million increase in the carrying value of the deferred consideration at 28 March 2020 and a corresponding £0.9 million decrease in the profit before taxation for the 52 weeks to 28 March 2020.

Deferred consideration of £6.9 million at 28 March 2020 (last year: £6.5 million) relates to the acquisition of Burberry Manifattura S.R.L. on 19 September 2018 and consists of a future performance related payment to be made in 2021. The amount of the performance related payment is dependent upon the acquired business achieving against several performance criteria and will be assessed over the three year period. Initial deferred consideration was recognised as the maximum amount payable, discounted using an appropriate discount rate linked to the borrowing rate. Based on performance since the acquisition, the deferred consideration continues to be estimated at the maximum amount payable.

21. LEASE LIABILITIES

	Property lease liabilities £m	Non-Property lease liabilities £m	Total £m
Balance as at 30 March 2019	–	–	–
Adjustment on initial application of IFRS 16	1,044.3	0.7	1,045.0
Adjusted balance as at 31 March 2019	1,044.3	0.7	1,045.0
Effect of foreign exchange rate changes	31.9	–	31.9
Created during the year	272.3	–	272.3
Amounts paid ¹	(253.0)	(0.3)	(253.3)
Discount unwind	24.9	–	24.9
Remeasurements	4.7	–	4.7
Balance as at 28 March 2020	1,125.1	0.4	1,125.5

	As at 28 March 2020 £m
Analysis of total lease liabilities:	
Non-current	910.0
Current	215.5
Total	1,125.5

1. The amounts paid of £253.3 million includes £228.4 million arising as a result of a financing cash outflow and £24.9 million arising as a result of an operating cash outflow.

The Group enters into property leases for retail properties, including stores, concessions, warehouse and storage locations and office property. The remaining lease term for these properties range from a few months to 18 years. Many of the leases include break options and/or extension options. Some of the leases for concessions have rolling lease terms or rolling break options. Management assess the lease term at inception based on the facts and circumstances applicable to each property including the period over which the investment appraisal was initially considered.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21. LEASE LIABILITIES (CONTINUED)

Management reviews the retail lease portfolio on an ongoing basis, taking into account retail performance and future trading expectations. Management may exercise extension options, negotiate lease extensions or modifications. In other instances, management may exercise break options, negotiate lease reductions or decide not to negotiate a lease extension at the end of the lease term. The most significant factor impacting future lease payments is changes management choose to make to the store portfolio.

Many of the retail property leases also incur payments based on a percentage of revenue achieved at the location. Changes in future variable lease payments will typically reflect changes in the Group's retail revenues.

The Group also enters into non-property leases for equipment, advertising fixtures and machinery. Generally, these leases do not include break or extension options. The most significant impact to future cash flows relating to leased equipment, which are primarily short-term, would be the Group's usage of leased equipment to a greater or lesser extent.

The Group's accounting policy for leases is set out in note 2. Details of income statement charges and income for leases are set out in note 5. The right-of-use asset categories on which depreciation is incurred are presented in note 14. Interest expense incurred on lease liabilities is presented in note 8. Commitments relating to off-balance sheet leases are presented in note 26. The maturity of undiscounted future lease liabilities are set out in note 28.

Total cash outflows in relation to leases in the 52 weeks ended 28 March 2020 are £383.4 million. This relates to payments of £228.4 million on lease principal, £24.9 million on lease interest, £99.3 million on variable lease payments, and £30.8 million other lease payments principally relating to short-term leases and leases in holdover.

22. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Property obligations £m	Other costs £m	Total £m
Balance as at 31 March 2018	86.7	16.8	103.5
Effect of foreign exchange rate changes	2.6	0.1	2.7
Created during the year	18.4	2.4	20.8
Discount unwind	1.2	–	1.2
Utilised during the year	(8.2)	(7.2)	(15.4)
Released during the year	(21.3)	(6.2)	(27.5)
Balance as at 30 March 2019	79.4	5.9	85.3
Adjustment on initial application of IFRS 16	(48.0)	–	(48.0)
Adjusted balance as at 31 March 2019	31.4	5.9	37.3
Effect of foreign exchange rate changes	1.1	0.1	1.2
Created during the year	7.3	3.9	11.2
Discount unwind	0.1	–	0.1
Utilised during the year	(3.1)	(2.1)	(5.2)
Released during the year	(1.3)	(1.5)	(2.8)
Balance as at 28 March 2020	35.5	6.3	41.8

At 30 March 2019, £48.0 million of onerous leases were included within property obligations. On the adoption of IFRS 16 Leases, those onerous lease obligations related to right-of-use assets have been released and impairments have been recognised against the related right-of-use asset (refer to note 1 adoption of IFRS 16 Leases and note 14).

The net charge in the year for property obligations is £6.0 million, relating to additional property reinstatements costs.

For the 52 weeks to 30 March 2019 the net reversal of £2.9 million for property obligations included a reversal of £8.1 million relating to onerous lease provisions. This included charges of £3.7 million relating to retail stores and a reversal of £11.8 million relating to other properties. The remaining charge of £5.2 million mainly related to additional property reinstatement costs.

22. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (CONTINUED)

Releases in other costs in the prior year included a £6.1 million reduction in provision for contract terminations arising from the Beauty operations disposal.

	As at 28 March 2020 £m	As at 30 March 2019 £m
Analysis of total provisions:		
Non-current	28.6	50.7
Current	13.2	34.6
Total	41.8	85.3

The non-current provisions relate to property reinstatement costs which are expected to be utilised within 18 years (as at 30 March 2019: 19 years).

23. BANK OVERDRAFTS

Included within bank overdrafts is £40.9 million (last year: £37.2 million) representing balances on cash pooling arrangements in the Group.

The Group has a number of committed and uncommitted arrangements agreed with third parties. At 28 March 2020, the Group held bank overdrafts of £0.7 million (last year: £nil) excluding balances on cash pooling arrangements.

The fair value of overdrafts approximate the carrying amount because of the short maturity of these instruments.

24. BORROWINGS

On 25 November 2014, the Group entered into a £300.0 million multi-currency revolving credit facility with a syndicate of banks. The facility matures in November 2021. In March 2020, the Group drew down on this facility in full. The £300.0 million proceeds of this drawdown were received by the Group in cash and shown as a financing cash inflow.

At 28 March 2020, there were £300.0 million outstanding drawings (last year: £nil), maturing between one to two years of the balance sheet date. During the year ending 28 March 2020 the non-cash changes to bank borrowing amounted to £nil (last year: £nil).

The Group is in compliance with the financial and other covenants within this facility and has been in compliance throughout the financial year.

25. SHARE CAPITAL AND RESERVES

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (as at 30 March 2019: 0.05p) each		
As at 31 March 2018	418,275,123	0.2
Allotted on exercise of options during the year	185,349	–
Cancellation of treasury shares	(7,004,471)	–
As at 30 March 2019	411,456,001	0.2
Allotted on exercise of options during the year	434,790	–
Cancellation of treasury shares	(7,184,905)	–
As at 28 March 2020	404,705,886	0.2

The Company has a general authority from shareholders, renewed at each Annual General Meeting, to repurchase a maximum of 10% of its issued share capital. During the 52 weeks to 28 March 2020, the Company entered into agreements to purchase £150.0 million of its own shares back, excluding stamp duty, as part of a share buy-back programme (last year: £150.0 million). Own shares purchased by the Company, as part of a share buy-back programme, are classified as treasury shares and their cost offset against retained earnings. When treasury shares are cancelled, a transfer is made from retained earnings to the capital redemption reserve, equivalent to the nominal value of the shares purchased and subsequently cancelled. In the 52 weeks to 28 March 2020, 7.2 million treasury shares with a nominal value of £3,600 were cancelled (last year: 7.0 million treasury shares with a nominal value of £3,500).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25. SHARE CAPITAL AND RESERVES (CONTINUED)

The cost of shares purchased by ESOP trusts are offset against retained earnings, as the amounts paid reduce the profits available for distribution by the Company. As at 28 March 2020, the amount of own shares held by ESOP trusts and offset against retained earnings is £19.5 million (last year: £26.4 million). As at 28 March 2020, the ESOP trusts held 1.2 million shares (last year: 1.6 million) in the Company, with a market value of £15.7 million (last year: £31.9 million). In the 52 weeks to 28 March 2020 the ESOP trusts and the Company have waived their entitlement to dividends of £1.0 million (last year: £0.9 million).

The capital reserve consists of non-distributable reserves and the capital redemption reserve arising on the purchase of own shares.

Other reserves in the Statement of Changes in Equity consists of the capital reserve, the foreign currency translation reserve, and the hedging reserves. The hedging reserves consist of the cash flow hedge reserve and the net investment hedge reserve.

	Hedging reserves			Foreign currency translation reserve	Total
	Capital reserve £m	Cash flow hedges £m	Net investment hedge £m	£m	£m
Balance as at 31 March 2018	41.1	(0.2)	4.0	214.7	259.6
Other comprehensive income:					
Cash flow hedges – losses deferred in equity	–	(1.0)	–	–	(1.0)
Cash flow hedges – gains transferred to income	–	(1.1)	–	–	(1.1)
Net investment hedges – gains deferred in equity	–	–	1.6	–	1.6
Foreign currency translation differences	–	–	–	14.3	14.3
Tax on other comprehensive income	–	0.4	(0.2)	(1.3)	(1.1)
Total comprehensive income for the year	–	(1.7)	1.4	13.0	12.7
Balance as at 30 March 2019	41.1	(1.9)	5.4	227.7	272.3
Other comprehensive income:					
Cash flow hedges – gains deferred in equity	–	1.8	–	–	1.8
Cash flow hedges – losses transferred to income	–	0.9	–	–	0.9
Net investment hedges – losses deferred in equity	–	–	(1.2)	–	(1.2)
Foreign currency translation differences	–	–	–	18.4	18.4
Tax on other comprehensive income	–	(0.5)	0.2	(0.9)	(1.2)
Total comprehensive income for the year	–	2.2	(1.0)	17.5	18.7
Balance as at 28 March 2020	41.1	0.3	4.4	245.2	291.0

As at 28 March 2020 the amount held in the hedging reserve relating to matured net investment hedges is £4.4 million net of tax (last year: £5.5 million).

26. FINANCIAL COMMITMENTS

The Group leases various retail stores, offices, warehouses and equipment under non-cancellable lease arrangements. The liabilities for these leases are recorded on the Group's balance sheet when the Group obtains control of the underlying asset. The Group has additional commitments relating to leases where the Group has entered into an obligation but does not yet have control of the underlying asset. The future lease payments to which the Group is committed, over the expected lease term, but are not recorded on the Group's balance sheet are as follows:

	As at 28 March 2020 £m
Amounts falling due:	
Within 1 year	6.5
Between 2 and 5 years	34.2
After 5 years	44.3
Total	85.0

26. FINANCIAL COMMITMENTS (CONTINUED)

The total of future minimum payments to be received under non-cancellable leases on investment properties and subleases on land and buildings is as follows:

	Leases		Subleases	
	As at 28 March 2020 £m	As at 30 March 2019 £m	As at 28 March 2020 £m	As at 30 March 2019 £m
Amounts falling due:				
Within 1 year	–	0.8	0.1	0.1
Between 2 and 5 years	0.1	0.1	0.1	0.3
Total	0.1	0.9	0.2	0.4

27. CAPITAL COMMITMENTS

	As at 28 March 2020 £m	As at 30 March 2019 £m
Capital commitments contracted but not provided for:		
Property, plant and equipment	29.5	17.7
Intangible assets	5.2	6.9
Total	34.7	24.6

Contracted capital commitments represent contracts entered into by the year end and future work in respect of major capital expenditure projects where activity has commenced by the year end relating to property, plant and equipment and intangible assets.

28. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise derivatives, cash and short-term deposits, overdrafts, borrowings, trade and other receivables, and trade and other payables arising directly from operations.

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, share price risk and interest rate risk), credit risk, liquidity risk and capital risk.

Risk management is carried out by the Group treasury department (Group Treasury) based on forecast business requirements to reduce financial risk and to ensure sufficient liquidity is available to meet foreseeable needs and to invest in cash and cash equivalents safely and profitably. Group Treasury does not operate as a profit centre and transacts only in relation to the underlying business requirements. The policies of Group Treasury are reviewed and approved by the Board of Directors. The Group uses derivative instruments to hedge certain risk exposures.

Market risk**Foreign exchange risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures.

The Group's Income Statement is affected by transactions denominated in foreign currency. To reduce exposure to currency fluctuations, the Group has a policy of hedging foreign currency denominated transactions by entering into forward foreign exchange contracts (refer to note 18). These transactions are recorded as cash flow hedges. The Group's foreign currency transactions arise principally from purchases and sales of inventory.

The Group's treasury risk management policy is to hedge, prior to market opening, 70-90% of its anticipated foreign currency exposure by currency, by season and where the net currency exposure is greater than £20.0 million. Currently, the Group does not hedge intercompany foreign currency transactions. The Group uses forward exchange contracts to hedge its currency risk, which have a maturity of less than 12 months.

The Group designates the spot component of foreign currency forwards in hedge relationships and applies a ratio of 1:1. The forward elements of the foreign currency forward are excluded from designation of the hedging instrument and are separately accounted for as a cost of hedging and recognised in operating expenses on a discounted basis.

The Group determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the dollar offset method.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)**Market risk (continued)**Foreign exchange risk (continued)

In these hedge relationships ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty. There was no ineffectiveness in the 52 weeks ending 28 March 2020 (last year: no ineffectiveness).

The Group monitors the desirability of hedging the net assets of overseas subsidiaries when translated into Sterling for reporting purposes. The Group uses forward foreign exchange contracts to hedge net assets of overseas subsidiaries, relating to surplus cash whose remittance is foreseeable. There were no outstanding net investment hedges as at 28 March 2020, (last year: the net investment hedge principal values were EUR 8.5 million (£7.3 million) and CNY 576.0 million (£65.8 million)).

At 28 March 2020, the Group has performed a sensitivity analysis to determine the effect of Sterling strengthening/weakening by 20% (last year: 20%) against other currencies with all other variables held constant. The effect on translating foreign currency denominated net cash, trade, intercompany and other financial receivables and payables and financial instruments at fair value through profit or loss would have been to increase/decrease operating profit for the year by £3.1 million (last year: decrease/increase £12.2 million). The effect on translating forward foreign exchange contracts designated as cash flow hedges would have been to decrease/increase equity by £12.6 million (last year: decrease/increase £5.4 million) on a post-tax basis.

The following table shows the extent to which the Group has monetary assets and liabilities at the year end in currencies other than the local currency of operation, after accounting for the effect of any specific forward foreign exchange contracts used to manage currency exposure. Monetary assets and liabilities refer to cash, deposits, overdrafts, borrowings and other amounts to be received or paid in cash. Amounts exclude intercompany balances which eliminate on consolidation. Foreign exchange differences on retranslation of these assets and liabilities are recognised in 'Net operating expenses'.

	As at 28 March 2020			As at 30 March 2019		
	Monetary assets £m	Monetary liabilities £m	Net £m	Monetary assets £m	Monetary liabilities £m	Net £m
Sterling	0.7	(2.4)	(1.7)	0.3	(3.2)	(2.9)
US Dollar	1.6	(17.7)	(16.1)	1.7	(7.6)	(5.9)
Euro	27.0	(77.5)	(50.5)	18.8	(31.3)	(12.5)
Chinese Yuan Renminbi	4.5	(0.4)	4.1	2.0	(1.2)	0.8
Other currencies	5.2	(14.2)	(9.0)	3.9	(1.6)	2.3
Total	39.0	(112.2)	(73.2)	26.7	(44.9)	(18.2)

Share price risk

The Group is exposed to employer's national insurance liability due to the implementation of various employee share incentive schemes.

To reduce exposure to fluctuations in the employer's national insurance liability due to movements in the Group's share price, the Group has a policy of entering into equity swaps at the time of granting share options and awards. The Group does not seek hedge accounting treatment for equity swaps. The Group monitors its exposure to fluctuations in the employer's national insurance liability on an ongoing basis. The net impact of an increase/decrease in the share price of 50.0p (last year: 50.0p) would have resulted in an increase/decrease in profit after tax of £nil (last year: £nil).

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to cash, borrowings, short-term deposits and overdrafts.

The floating rate financial liabilities at 28 March 2020 are £341.6 million (last year: £37.2 million). This includes borrowings of £300.0 million (last year: £nil), cash pool overdraft balances of £40.9 million (last year: £37.2 million) and remaining overdrafts of £0.7 million (last year: £nil). If interest rates on floating rate financial liabilities had been 100 basis points higher/lower (last year: 100 basis points), excluding the impact on cash pool overdraft balances and with all other variables held constant, post-tax profit for the year would have been £0.1 million (last year: £nil) lower/higher, as a result of higher/lower interest expense.

The floating rate financial assets as at 28 March 2020 comprise short-term deposits of £790.2 million (last year: £723.2 million), interest bearing current accounts of £47.3 million (last year: £39.4 million) and cash pool asset balances of £40.9 million (last year: £40.8 million). At 28 March 2020, if interest rates on floating rate financial assets had been 100 basis points higher/lower (last year: 100 basis points), excluding the impact on cash pool asset balances and with all other variables held constant, post-tax profit for the year would have been £5.1 million (last year: £5.5 million) higher/lower, as a result of higher/lower interest income.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)**Credit risk****Trade receivables**

The Group has no significant concentrations of credit risk. The trade receivables balance is spread across a large number of different customers with no single debtor representing more than 4% of the total balance due (last year: 5%). The Group has policies in place to ensure that wholesale sales are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. In some retail locations, where the Group's store is contained within a department store or mall, for example a concession, the sales proceeds may be initially held by the operator of the wider location, giving rise to retail debtors. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant and default rates have historically been very low.

The Group applies the simplified approach when measuring the trade receivable expected credit losses. The approach uses a lifetime expected loss allowance. To measure the expected credit losses trade receivables have been grouped based on segment, geographical region and the days past due. The expected loss rates are reviewed annually, or when there is a significant change in external factors potentially impacting credit risk, and are updated where management's expectations of credit losses change.

At 28 March 2020, management have assessed the expected credit losses for trade receivables. Due to the global financial uncertainty arising from COVID-19, management have increased the expected loss rates for trade receivables based on their judgement as to the impact of COVID-19 on the trade receivables portfolio. In addition, certain individual customers (where there is objective evidence of credit impairment) have been identified as having a significantly elevated credit risk and have been provided for on a specific basis. This has resulted in a charge of £12.3 million for impairment provisions recognised in profit and loss in the year, of which £9.1 million is considered to relate to the impact of COVID-19.

Receivables excluding trade receivables

The counterparty credit risk of other receivables is reviewed on a regular basis and the impairment is assessed as follows:

At inception the receivable is recorded net of expected 12 month credit losses. If a significant change in the credit risk occurs during the life time of the receivable, credit losses are recorded in the profit and loss account and the effective interest is calculated using the gross carrying amount of the asset. If a loss event occurs, the effective interest is calculated using the amortised cost of the asset net of any credit losses.

As at 30 March 2019, the expected 12 month credit losses of receivables, other than trade receivables, were negligible and hence there were no impairments of these receivables. At 28 March 2020, management assessed that there was an increased credit risk relating to store rent deposits, as a result of COVID-19, and hence recorded a provision of £2.0 million.

During the year ended 31 March 2013 the Group entered into a retail leasing arrangement in the Republic of Korea. As part of this arrangement, a KRW 27 billion (£19.3 million) 15-year interest-free loan was provided to the landlord. The Group holds a registered mortgage over the leased property for the equivalent value of the loan which acts as collateral. At 28 March 2020, the discounted fair value of the loan is £15.5 million (last year: £15.2 million). The book value of the loan, recorded at amortised cost, is £13.4 million (last year: £13.3 million). Other than this arrangement, the Group does not hold any other collateral as security. Management consider that the security provided by the mortgage is sufficient risk mitigation and hence the credit loss relating to this receivable is not significant.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

The expected credit loss allowance for receivables was determined as follows:

	Current £m	Less than 1 month overdue £m	Less than 2 months overdue £m	Less than 3 months overdue £m	Over 3 months overdue £m	Total £m
As at 28 March 2020						
Trade receivables						
Expected loss rate %	7%	18%	18%	18%	53%	
Gross carrying amount trade receivables	79.5	22.9	7.1	5.2	8.8	123.5
Loss allowance	(5.5)	(4.1)	(1.2)	(1.0)	(4.7)	(16.5)
Lease deposits						
Expected loss rate %	5%					
Gross carrying amount lease deposits	40.0	–	–	–	–	40.0
Loss allowance	(2.0)	–	–	–	–	(2.0)
As at 30 March 2019						
Trade receivables						
Expected loss rate %	1%	4%	6%	7%	64%	
Gross carrying amount trade receivables	102.2	12.1	4.3	1.4	4.5	124.5
Loss allowance	(1.1)	(0.5)	(0.2)	(0.1)	(2.9)	(4.8)

The closing loss allowances for receivables reconcile as follows:

	Receivables £m
As at 31 March 2018 – under IAS 39	11.6
Adjustment on the initial application of IFRS 9	0.3
Adjusted balance as at 1 April 2018	11.9
Effect of foreign exchange rate changes	0.1
Impairment provision recognised in profit or loss during the year	1.2
Receivables written off during the year as uncollectable	(3.1)
Unused amount reversed	(5.3)
As at 30 March 2019	4.8
Effect of foreign exchange rate changes	–
Impairment provision recognised in profit or loss during the year	14.7
Receivables written off during the year as uncollectable	(0.6)
Unused amount reversed	(0.4)
As at 28 March 2020	18.5

In aggregate, as at 28 March 2020, the movement in the impairment provision on receivables and other financial assets recorded in the income statement was a charge of £14.3 million, of which £12.3 million relates to contracts with customers and £2.0 million relates to other receivables (last year: credit of £4.1 million all of which related to contracts with customers). £11.1 million of this charge is presented as an adjusted item relating to COVID-19.

The maximum exposure to credit risk at the reporting date with respect to trade and other receivables is approximated by the carrying amount on the Balance Sheet.

The expected loss allowance for trade receivables at 28 March 2020 of £16.5 million is 13.4% of the amounts receivable. Due to the significant uncertainty regarding the outcome of COVID-19 and its impact on the global economy, management consider that this expected loss allowance, while representing managements' best estimate of the future outcome, may be required to be updated in future periods depending on actual circumstances. However any updates are not anticipated to result in a material change in the next 12 months.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)**Credit risk (continued)****Other financial assets**

With respect to credit risk arising from other financial assets, which comprise cash and short-term deposits and certain derivative instruments, the Group's exposure to credit risk arises from the default of the counterparty with a maximum exposure equal to the carrying value of these instruments. The Group has policies that limit the amount of credit exposure to any financial institution and only deposits funds with independently rated financial institutions with a minimum rating of 'A' other than where required for operational purposes. A total of £7.4 million (last year: £8.5 million) was held with institutions with a rating below 'A' at 28 March 2020. These amounts are monitored on a weekly basis and regularly reported to the Board.

The Group has deposited CHF 0.3 million (last year: CHF 0.3 million) and AED 0.3 million (last year: AED 0.3 million) which is held as collateral at a number of European banks.

Liquidity risk

The Group's financial risk management policy aims to ensure that sufficient cash is maintained to meet foreseeable needs and close out market positions. Due to the dynamic nature of the underlying business, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. For further details of this, refer to notes 23 and 24.

All short-term trade and other payables, accruals, and bank overdrafts mature within one year or less. The carrying value of all financial liabilities due in less than one year is equal to their contractual undiscounted cash flows, with the exception of lease liabilities. The undiscounted contractual cash flows for lease liabilities due in less than one year is £236.9 million.

The maturity profile of the contractual undiscounted cash flows of the Group's non-current financial liabilities, excluding derivatives used for hedging, is as follows:

	As at 28 March 2020			As at 30 March 2019
	Lease Liabilities £m	Other £m	Total £m	Total £m
In more than 1 year, but not more than 2 years	200.4	309.6	510.0	14.5
In more than 2 years, but not more than 3 years	145.0	4.3	149.3	7.0
In more than 3 years, but not more than 4 years	112.9	–	112.9	6.6
In more than 4 years, but not more than 5 years	100.7	–	100.7	5.8
In more than 5 years	436.0	8.8	444.8	19.2
Total financial liabilities	995.0	322.7	1,317.7	53.1

As at 28 March 2020, other non-current financial liabilities relate to borrowings of £300.0 million (refer to note 24) and other payables (last year: other payables and onerous lease provisions).

Capital risk

The Board reviews the Group's capital allocation policy annually. The Group's capital allocation framework defines its priorities for uses of cash, underpinned by its principle to maintain a strong balance sheet with solid investment grade credit metrics. The framework has four priorities for the use of cash generated from operations:

- re-investment in the business to drive organic growth;
- maintaining a progressive dividend policy;
- continuing to pursue selective strategic investment; and
- to the extent that there is surplus capital to these needs, provide additional returns to shareholders.

While the capital allocation policy will remain in place for the long term, as a result of the impact of COVID-19 the Board has reviewed actions to safeguard the business as a temporary modification to the policy. While funding organic growth remains the Board's first priority, pressure on profit and cash in the short-term requires a reduction in operating and capital expenditure. With a focus on capital retention and sourcing of capital during the current period, the Board has decided to suspend capital returns to shareholders until there is greater visibility on market recovery. The Board has also reviewed the Group's access to funding including sources of debt and equity.

At 28 March 2020, the Group had net cash of £887.3 million (last year: £837.3 million), borrowings of £300.0 million (last year: £nil) and total equity excluding non-controlling interests of £1,214.2 million (last year: £1,455.0 million). The borrowings relate to a revolving credit facility of £300.0 million which was fully drawn at 28 March 2020. For further details refer to note 24. Potential additional sources of funding available to the Group include additional bank facilities, the UK Government's COVID Corporate Financing Facility, longer term debt and equity funding. The Group's current capital resources, together with the potential additional sources of funding are considered sufficient to address the Group's capital risk.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29. EMPLOYEE COSTS

Staff costs, including the cost of directors, incurred during the year are as shown below. Directors' remuneration, which is separately disclosed in the Directors' Remuneration Report on pages 151 to 185 and forms part of these financial statements, includes, for those share options and awards where performance obligations have been met, the notional gains arising on the future exercise but excludes the charge in respect of these share options and awards recognised in the Group Income Statement.

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Wages and salaries	403.8	423.3
Termination benefits	4.6	11.0
Social security costs	49.2	54.3
Share-based compensation (all awards and options settled in shares)	2.8	15.6
Other pension costs	17.3	15.6
Total	477.7	519.8

Employee costs include a charge of £5.4 million (last year: charge of £11.4 million) relating to restructuring costs and a credit of £6.2 million (last year: £nil) related to the reversal of accrued costs for share-based payments no longer expected to vest as a result of COVID-19, which have been presented as adjusting items. Refer to note 6 for further details.

The average number of full-time equivalent employees (including executive directors) during the year was as follows:

	Number of employees	
	52 weeks to 28 March 2020	52 weeks to 30 March 2019
EMEIA ¹	5,199	5,267
Americas	1,730	1,830
Asia Pacific	2,963	2,765
Total	9,892	9,862

1. EMEIA comprises Europe, Middle East, India and Africa.

29. EMPLOYEE COSTS (CONTINUED)**Share options granted to directors and employees**

The Group operates a number of equity-settled share-based compensation schemes for its directors and employees. Details of each of these schemes are set out in this note. The share option schemes have been valued using the Black-Scholes option pricing model.

The key inputs used in the Black-Scholes pricing model to determine the fair value include the share price at the commencement date; the exercise price attached to the option; the vesting period of the award; an appropriate risk-free interest rate; a dividend yield discount for those schemes that do not accrue dividends during the course of the vesting period; and an expected share price volatility, which is determined by calculating the historical annualised standard deviation of the market price of Burberry Group plc shares over a period of time, prior to the grant, equivalent to the vesting period of the option.

Where applicable, equity swaps have been entered into to cover future employer's national insurance liability (or overseas equivalent) that may arise in respect of these schemes.

The Burberry Group plc Executive Share Plan ('the ESP')

The ESP was set up in the year ended 31 March 2015. The ESP aims to reward executives and senior management for sustainable long-term performance and successful execution of the Group's long-term strategy.

Under the ESP, participants are awarded shares, structured as nil-cost options, up to a maximum value of four times base salary per annum. Awards may be subject to a combination of non-market performance conditions, including compound annual Group adjusted PBT growth; compound annual Group revenue growth; and average retail/wholesale adjusted return on invested capital ('ROIC'). Performance conditions will be measured over a three-year period from the last reporting period prior to the grant date. Each performance condition will stipulate a threshold and maximum target. The portion of the scheme relating to each performance target will vest 25% if the threshold target is met, and then on a straight-line basis up to 100% if the maximum target is met. The portion of the scheme relating to each performance target for the Senior Leadership Team for awards made in the current year will vest 15% if the threshold target is met. Dependent on the performance of the vesting conditions, 50% of the award will vest on the third anniversary of the grant date, and the remaining 50% of the award will vest on the fourth anniversary of the grant date.

Awards made to the Senior Leadership Team are subject to all three non-market performance conditions and are measured 50% based on annual adjusted PBT growth; 25% based on annual revenue growth; and 25% based on adjusted retail/wholesale ROIC.

The non-market performance conditions for ESP awards which have not vested are as follows: awards made to senior management during prior years are subject to two non-market performance conditions and will be measured 50% based on annual adjusted PBT growth and 50% based on annual revenue growth.

Awards made to management will not be subject to performance conditions apart from continued service during the vesting period.

During the year, the following grants were made under the ESP:

Date of grant	Options granted	Fair value	Participant group	Performance conditions	Targets	
					Threshold	Maximum
31 July 2019	191,709	£22.59	Management	Continued service	N/A	N/A
31 July 2019	680	£22.59	Senior Management	3-year growth in Group adjusted PBT	–	7.5%
				3-year growth in Group revenue	1.0%	5.5%
31 July 2019	915,154	£22.59	Senior Management	3-year growth in Group adjusted PBT	4.0%	12.0%
				3-year growth in Group revenue	3.0%	8.0%
				3-year average retail/wholesale adjusted ROIC	13.5%	17.0%
31 July 2019	462,437	£22.59	Senior Leadership Team	3-year growth in Group adjusted PBT	4.0%	12.0%
				3-year growth in Group revenue	3.0%	8.0%
				3-year average retail/wholesale adjusted ROIC	13.5%	17.0%
20 November 2019	19,310	£20.50	Management	Continued service	N/A	N/A
20 November 2019	7,836	£20.50	Senior Management	3-year growth in Group adjusted PBT	4.0%	12.0%
				3-year growth in Group revenue	3.0%	8.0%
				3-year average retail/wholesale adjusted ROIC	13.5%	17.0%
27 February 2020	22,641	£16.76	Senior Management	3-year growth in Group adjusted PBT	4.0%	12.0%
				3-year growth in Group revenue	3.0%	8.0%
				3-year average retail/wholesale adjusted ROIC	13.5%	17.0%

The annual ESP grant usually occurs in July, aligned with the timing of the Group's performance review process.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29. EMPLOYEE COSTS (CONTINUED)

Share options granted to directors and employees (continued)

The fair values for the above grants have been determined by applying the Black-Scholes option pricing model. The key factors used in determining the fair value were as follows:

	31 July 2019	20 November 2019	27 February 2020
Share price at contract commencement date	£22.59	£20.50	£16.76
Exercise price	£nil	£nil	£nil
Life of award	Equivalent to vesting period	Equivalent to vesting period	Equivalent to vesting period
Expected volatility	27.82%	28.00%	30.73%
Risk-free interest rate	0.36%	0.36%	0.32%

Obligations under this plan will be met either by market purchase shares via the ESOP trust or by the issue of ordinary shares of the Company.

Movements in the number of ESP share awards outstanding are as follows:

	52 weeks to 28 March 2020	52 weeks to 30 March 2019
Outstanding at start of year	4,997,807	6,137,145
Granted during the year	1,619,767	1,459,795
Lapsed and forfeited during the year	(1,980,421)	(2,483,277)
Exercised during the year	(195,879)	(115,856)
Outstanding at end of year	4,441,274	4,997,807
Exercisable at end of year	103,415	28,772

Share awards outstanding at the end of the year have the following terms:

Term of the award	Number of awards as at 28 March 2020	Number of awards as at 30 March 2019
22 July 2015 – 21 July 2025	28,508	138,365
18 November 2015 – 17 November 2025	988	7,654
30 January 2017 – 30 January 2027	184,761	1,717,023
31 July 2017 – 31 July 2027	1,451,362	1,694,199
27 November 2017 – 27 November 2027	25,598	27,348
31 July 2018 – 31 July 2028	1,190,527	1,389,726
19 November 2018 – 19 November 2028	22,104	23,492
31 July 2018 – 31 July 2028	680	–
31 July 2019 – 31 July 2029	1,490,709	–
29 November 2019 – 20 November 2029	23,396	–
27 February 2020 – 27 February 2030	22,641	–
Total	4,441,274	4,997,807

One-off awards

The Company grants certain options in respect of ordinary shares as one-off awards with a £nil exercise price. Some of these awards vest in stages, which vary by award, and are dependent upon continued employment over the vesting period, as well as key strategic performance objectives linked to long-term growth of the Group for certain awards.

During the 52 weeks to 28 March 2020, no one-off awards were granted.

29. EMPLOYEE COSTS (CONTINUED)**Share options granted to directors and employees (continued)**One-off awards (continued)

Movements in the number of one-off share awards outstanding are as follows:

	52 weeks to 28 March 2020	52 weeks to 30 March 2019
Outstanding at start of year	909,998	1,780,838
Granted during the year	–	731,368
Lapsed and forfeited during the year	(3,303)	(71,183)
Exercised during the year	(41,222)	(1,531,025)
Outstanding at end of year	865,473	909,998
Exercisable at end of year	157,903	90,289

Share awards outstanding at the end of the year have the following terms:

Term of the award	Number of awards as at 28 March 2020	Number of awards as at 30 March 2019
18 November 2015 – 18 November 2025	26,318	40,145
30 January 2017 – 22 December 2026	22,539	22,539
30 January 2017 – 30 January 2027	73,000	81,250
08 February 2018 – 07 February 2028	34,696	34,696
31 July 2018 – 31 July 2028	667,626	667,626
12 February 2019 – 12 February 2029	41,294	63,742
Total	865,473	909,998

Other schemes

The Group also issues options to employees under Savings-Related Share Option Schemes (Sharesave) and free shares to employees under an All Employee Share Plan. In the 52 weeks to 28 March 2020, options were granted under Sharesave with a three-year and five-year vesting period.

Additional awards were granted under an All Employee Share Plan, offering employees awards of ordinary shares in the Company at a £nil exercise price. All awards vest after three years and the vesting of these share awards is dependent on continued employment over the vesting period.

The charge for these schemes is not significant to the Group.

30. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Total compensation in respect of key management, who are defined as the Board of Directors and certain members of senior management, is considered to be a related party transaction.

The total compensation in respect of key management for the year was as follows:

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Salaries, short-term benefits and social security costs	7.9	12.4
Termination benefits	–	2.9
Share-based compensation (all awards and options settled in shares)	(0.8)	3.2
Total	7.1	18.5

There were no other material related party transactions in the year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

31. SUBSIDIARY UNDERTAKINGS AND INVESTMENTS

In accordance with Section 409 of the Companies Act 2006 a full list of related undertakings as at 28 March 2020, including their country of incorporation and percentage share ownership, is disclosed below. Unless otherwise stated, all undertakings are indirectly owned by Burberry Group plc and operate in the country of incorporation. All the subsidiary undertakings have been consolidated as at 28 March 2020.

Company name	Country of incorporation	Interest	Holding (%)	Registered office
Burberry Pacific Pty Ltd	Australia	Ordinary shares	100	1
Burberry (Austria) GmbH	Austria	Ordinary shares	100	2
Sandringham Bahrain SPC owned by Essam Al Tamimi ²	Bahrain	Ordinary shares	100	3
Burberry Antwerp NV	Belgium	Ordinary shares	100	4
Burberry Brasil Comércio de Artigos de Vestuário e Acessórios Ltda	Brazil	Quota	100	5
Burberry Canada Inc	Canada	Common shares	100	6
Burberry (Shanghai) Trading Co., Ltd	China	Equity interest	100	7
Burberry Czech Rep s.r.o.	Czech Republic	Ordinary shares	100	8
Burberry France SASU	France	Ordinary shares	100	9
Burberry (Deutschland) GmbH	Germany	Ordinary shares	100	10
Burberry Asia Holdings Limited	Hong Kong S.A.R.	Ordinary shares	100	11
Burberry Asia Limited	Hong Kong S.A.R.	Ordinary shares	100	11
Burberry China Holdings Limited	Hong Kong S.A.R.	Ordinary shares	100	11
Burberry Hungary Kereskedelmi Korlátolt Felelősségű Társaság	Hungary	Ordinary shares	100	12
Burberry India Private Limited	India	Ordinary shares	51	13
Burberry Ireland Investments Unlimited Company	Ireland	Ordinary A shares	100	14
		Ordinary B shares	100	
Burberry Ireland Limited	Ireland	Ordinary shares	100	15
Burberry Italy (Rome) S.R.L.	Italy	Quota	100	16
Burberry Italy S.R.L. ¹	Italy	Quota	100	16
Burberry Manifattura S.R.L.	Italy	Quota	100	17
Burberry Japan K.K.	Japan	Ordinary shares	100	18
Burberry Kuwait General Trading Textiles and Accessories Company \With Limited Liability ³	Kuwait	Parts	49	19
Burberry Macau Limited	Macau	Quota	100	20
Burberry (Malaysia) Sdn. Bhd.	Malaysia	Ordinary shares	100	21
Horseferry México S.A. de C.V.	Mexico	Ordinary (fixed) shares	100	22
		Ordinary (variable) shares	100	
Horseferry México Servicios Administrativos, S.A. de C.V.	Mexico	Ordinary (fixed) shares	100	22
Burberry Netherlands B.V.	Netherlands	Ordinary shares	100	23
Burberry New Zealand Limited ⁴	New Zealand	Ordinary shares	100	24
Burberry Qatar W.L.L. ³	Qatar	Ordinary shares	49	25
Burberry Korea Limited	Republic of Korea	Common stock	100	26
Burberry Retail LLC	Russian Federation	Participatory share	100	27
Burberry Saudi Company Limited	Kingdom of Saudi Arabia	Ordinary shares	75	28
Burberry (Singapore) Distribution Company PTE Ltd	Singapore	Ordinary shares	100	29
Burberry (Spain) Retail S.L.	Spain	Ordinary shares	100	30
Burberry Latin America Holdings S.L.	Spain	Ordinary shares	100	30
Burberry (Suisse) SA ¹	Switzerland	Ordinary shares	100	31
Burberry (Taiwan) Co., Ltd	Taiwan	Common shares	100	32
Burberry (Thailand) Limited	Thailand	Common shares	100	33
Burberry Turkey Giyim Toptan Ve Perakende Satış Limited Şirketi	Turkey	Ordinary shares	100	34
Burberry FZ-LLC	United Arab Emirates	Ordinary shares	100	35
Burberry Middle East LLC ³	United Arab Emirates	Ordinary shares	49	36
Burberry (Espana) Holdings Limited	United Kingdom	Ordinary shares	100	37
Burberry (No. 7) Unlimited	United Kingdom	Ordinary shares	100	37
Burberry (UK) Limited	United Kingdom	Ordinary shares	100	37
Burberry Beauty Limited ¹	United Kingdom	Ordinary shares	100	37
Burberry Distribution Limited	United Kingdom	Ordinary shares	100	37
Burberry Europe Holdings Limited ¹	United Kingdom	Ordinary shares	100	37

31. SUBSIDIARY UNDERTAKINGS AND INVESTMENTS (CONTINUED)

Company name	Country of incorporation	Interest	Holding (%)	Registered office
Burberry Finance Limited	United Kingdom	Ordinary shares	100	37
Burberry Haymarket Limited ¹	United Kingdom	Ordinary shares	100	37
Burberry Holdings Limited	United Kingdom	Ordinary shares	100	37
Burberry International Holdings Limited ¹	United Kingdom	Ordinary shares	100	37
Burberry Italy Retail Limited ⁵	United Kingdom	Ordinary shares	100	37
Burberry Latin America Limited	United Kingdom	Ordinary shares	100	37
Burberry Limited	United Kingdom	Ordinary shares	100	37
Burberry London Limited	United Kingdom	Ordinary shares	100	37
Burberry New York 2005 Limited ⁶	United Kingdom	Ordinary shares	100	37
Burberry New York Unlimited ⁶	United Kingdom	Ordinary A shares Ordinary B shares	100 100	37
Burberry Treasury Limited	United Kingdom	Ordinary shares	100	37
Burberry Wholesale 2005 Limited ⁶	United Kingdom	Ordinary shares	100	37
Burberry Wholesale Unlimited ⁶	United Kingdom	Ordinary A shares Ordinary B shares	100 100	37
Burberrys Limited ¹	United Kingdom	Ordinary shares	100	37
Hampstead (UK) Limited ¹	United Kingdom	Ordinary shares	100	37
Sweet Street Developments Limited	United Kingdom	Ordinary shares	100	37
Temple Works Limited ⁶	United Kingdom	Ordinary shares	100	37
The Scotch House Limited ¹	United Kingdom	Ordinary shares	100	37
Thomas Burberry Holdings Limited ¹	United Kingdom	Ordinary shares	100	37
Thomas Burberry Limited ¹	United Kingdom	Ordinary shares	100	37
Woodrow-Universal Limited ¹	United Kingdom	Ordinary shares	100	37
Woodrow-Universal Pension Trustee Limited ¹	United Kingdom	Ordinary shares	100	37
Worldwide Debt Collections Limited ⁷	United Kingdom	Ordinary shares	100	38
Burberry (Wholesale) Limited	United States	Class X common stock Class Y common stock	100 100	39
Burberry Limited	United States	Class X common stock Class Y common stock	100 100	39
Burberry North America, Inc.	United States	Common stock	100	40
Burberry Warehousing Corporation	United States	Common stock	100	40
Castleford Industries, Ltd.	United States	Series A common stock	100	40
Castleford Tailors, Ltd.	United States	Common stock	100	40

1. Held directly by Burberry Group plc.

2. The Group has an indirect holding of 100% of the issued share capital through a nominee.

3. The Group has a 100% share of profits of Burberry Middle East LLC as well as a 100% and 88% share of profits in Burberry Middle East LLC's subsidiaries in Kuwait and Qatar respectively. The Group has the power to control these companies under the agreements relating to Burberry Middle East LLC.

4. Incorporated on 24 January 2020.

5. Merged into Burberry Italy S.R.L. and closed on 17 May 2019.

6. Dissolved via voluntary strike-off on 4 February 2020.

7. Dissolved via voluntary strike-off on 25 February 2020.

Ref Registered office address

- 1 Level 5, 343 George Street, Sydney NSW 2000, Australia
- 2 Kohlmarkt 2, 1010 Wien, Austria
- 3 Building 1A, Road 365 (Isa Al Kabeer Avenue), Manama Center 316, Unit 8, Moda Mall, Manama, Bahrain
- 4 Waterloolaan 16, 1000 Brussel, Belgium
- 5 City of São Paulo, State of São Paulo, at Rua do Rocio, 350, 3rd Pavement of Condominium Atrium IX, suites No. 31 and No. 32, 28th subdistrict, Vila Olimpia, CEP 04552-000, Brazil
- 6 100 King Street West, 1 First Canadian Place, Suite 1600, Toronto ON M5X 1G5, Canada
- 7 Suites 3302-3305, 1717 Nanjing West Road, Jing'an District, Shanghai 200040, China
- 8 Praha 1, Pařížská 11/67, PSČ 11000, Czech Republic
- 9 56 rue du Faubourg Saint-Honoré, 75008, Paris, France
- 10 Königsallee 50, 40212, Düsseldorf, Germany
- 11 Suites 2201-02 & 11-14, 22/F Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong S.A.R.

31. SUBSIDIARY UNDERTAKINGS AND INVESTMENTS (CONTINUED)

Ref	Registered office address
12	1124 Budapest, Csörsz utca 49-51, Hungary
13	3 A-1 Taj Apartment, Rao Tula Ram Marg, New Delhi, DL 110022, India
14	Suite 9, Bunkilla Plaza, Bracetown Business Park, Clonee, Co. Meath., D15 XR27, Ireland
15	Suite 9, Bunkilla Plaza, Bracetown Office Park, Clonee, Co. Meath., D15 XR27, Ireland
16	Via Monte Napoleone 12, 20121, Milano, Italy
17	Via delle Fonti n.10, 50018 Scandicci (Fi), Italy
18	5-14 Ginza 2-chome, Chuo-ku, Tokyo, Japan
19	Hawali, Tunis Street, Block 93, Plt B, Office No 12, Floor 7, Kuwait
20	Avenida Dr. Sun Yat Sen, One Central Building, 1st floor, Shops 125-127, Macau
21	Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia
22	Ejercito Nacional Mexicano 843B Col. Granada Del. Miguel Hidalgo, Distrito Federal, 11520, Mexico
23	Pieter Cornelisz. Hoofstraat 48 H, -50, 1071BZ Amsterdam, Netherlands
24	KPMG AUCKLAND, 18 Viaduct Harbour Avenue, Auckland, 1010, New Zealand
25	First Floor, Building No. 660, 54 Al Marikh, Street no. 364, Located near Al Rayyan Municipality South, Doha, Qatar
26	(Cheongdam-dong) 459, Dosan-daero, Gangnam-gu, Seoul, Republic of Korea
27	Ulitsa Petrovka, 16, floor 3, Premise I, rooms 47-53, 127051, Moscow, Russian Federation
28	Riyadh, Al Olaya District, Akaria Plaza, First Floor, Office No (119), 11411, Kingdom of Saudi Arabia
29	391B Orchard Road, #15-02/03, Ngee Ann City, 238874, Singapore
30	Calle Valencia 640, 08026 Barcelona, Spain
31	Route de Chêne 30A, c/o L&S Trust Services SA, 1208 Genève, Switzerland
32	(105) 5F, No. 451, Changchun Rd., Taipei City, Taiwan
33	No. 989 Siam Piwat Tower, 12A Floor, Unit B1, B2, Rama I Road, Pathumwan Sub-district, Pathumwan District, Bangkok, Thailand
34	Reşitpaşa Mahallesi Eski Büyükdere Cad. Windowist Tower Sit. No: 26/1 Sariyer/Istanbul, Turkey
35	Dubai Design District, Premises: 301, 312, 313, 314 & 315, Floor: 03, Building: 08, Dubai, United Arab Emirates
36	Dubai Design District, Building 8, Level 3, PO Box 333266, Dubai, United Arab Emirates
37	Horseferry House, Horseferry Road, London, SW1P 2AW, United Kingdom
38	Adelaide House, London Bridge, London, EC4R 9HA, United Kingdom
39	CT Corporation System, 28 Liberty St., New York, New York, 10005, United States
40	The Corporation Trust Company, Corporation Trust Center 1209 Orange St, Wilmington, New Castle, DE 19801, United States

32. CONTINGENT LIABILITIES

The Group is subject to claims against it and to tax audits in a number of jurisdictions which arise in the ordinary course of business. These typically relate to Value Added Taxes, sales taxes, customs duties, corporate taxes, transfer pricing, payroll taxes, various contractual claims, legal proceedings and other matters. Where appropriate, the estimated cost of known obligations have been provided in these financial statements in accordance with the Group's accounting policies. The Group does not expect the outcome of current similar contingent liabilities to have a material effect on the Group's financial condition.

33. EVENTS AFTER THE BALANCE SHEET DATE

On 14 May 2020, Burberry Limited issued commercial paper with a face value of £300.0 million and a maturity of 17 March 2021. The commercial paper was issued under the UK Government sponsored COVID Corporate Finance Facility (CCFF). Proceeds of £298.4 million were received by Burberry Limited on 14 May 2020.

To end of year	2016	2017	2018	2019	Pro forma ⁵ 2020	2020
Revenue by channel	£m	£m	£m	£m	£m	£m
Retail	1,837.7	2,127.2	2,176.3	2,185.8	2,110.2	2,110.2
Wholesale	634.6	613.9	526.4	487.9	475.8	475.8
Retail/Wholesale	2,472.3	2,741.1	2,702.7	2,673.7	2,586.0	2,586.0
Licensing	42.4	24.9	30.1	46.5	47.1	47.1
Total revenue	2,514.7	2,766.0	2,732.8	2,720.2	2,633.1	2,633.1
Profit by channel	£m	£m	£m	£m	£m	£m
Retail/Wholesale ¹	380.9	437.0	440.7	395.7	360.8	389.8
Licensing	36.9	21.7	25.9	42.4	43.3	43.3
Adjusted operating profit¹	417.8	458.7	466.6	438.1	404.1	433.1
Segmental analysis of adjusted profit	%	%	%	%	%	%
Retail/Wholesale gross margin	69.6	69.6	69.1	67.9	66.8	66.8
Retail/Wholesale operating expenses as a percentage of sales	54.2	53.7	52.8	53.1	52.8	51.7
Retail/Wholesale operating margin	15.4	15.9	16.3	14.8	14.0	15.1
Licensing operating margin	87.0	87.1	86.0	91.2	91.9	91.9
Summary profit analysis	£m	£m	£m	£m	£m	£m
Adjusted operating profit¹	417.8	458.7	466.6	438.1	404.1	433.1
Net finance income/(expense) ¹	2.8	3.7	4.3	5.1	5.9	(19.0)
Adjusted profit before taxation¹	420.6	462.4	470.9	443.2	410.0	414.1
Adjusting items	(5.0)	(67.6)	(58.3)	(2.6)	(245.6)	(245.6)
Profit before taxation	415.6	394.8	412.6	440.6	164.4	168.5
Taxation	(101.0)	(107.1)	(119.0)	(101.5)	(46.0)	(46.9)
Non-controlling interest	(5.1)	(0.9)	(0.1)	0.2	0.1	0.1
Attributable profit	309.5	286.8	293.5	339.3	118.5	121.7
Retail/Wholesale revenue by product division	£m	£m	£m	£m	£m	£m
Accessories	901.7	1,033.2	1,046.5	1,012.7	947.5	947.5
Women's	729.0	791.9	808.4	836.8	796.5	796.5
Men's	548.4	623.5	647.3	698.2	714.8	714.8
Children's/Other ²	293.2	292.5	200.5	126.0	127.2	127.2
Retail/Wholesale revenue by destination	£m	£m	£m	£m	£m	£m
Asia Pacific	932.9	1,069.0	1,089.0	1,104.3	1,040.5	1,040.5
EMEIA ³	878.5	991.2	975.2	957.4	960.6	960.6
Americas	660.9	680.9	638.5	612.0	584.9	584.9
Financial KPIs						
Total revenue growth ⁴	-1%	-2%	-1%	-1%	-4%	-4%
Adjusted operating profit growth ^{1,4}	-11%	-21%	+5%	+0%	-8%	-1%
Adjusted PBT growth ^{1,4}	-10%	-21%	+5%	+0%	-7%	-6%
Adjusted retail/wholesale return on invested capital (ROIC) ^{1,6}	14.7%	15.4%	16.3%	15.5%	13.5%	20.0%
Comparable store sales growth	-1%	+1%	+3%	+2%	-3%	-3%
Adjusted operating profit margin ¹	16.6%	16.6%	17.1%	16.1%	15.3%	16.4%
Adjusted diluted EPS growth ¹	-9%	+11%	+6%	+0%	-5%	-4%

1. Excludes the impact of adjusting items. Refer to note 2s for the Group's policy on adjusting items.

2. Includes Beauty wholesale revenue up to the disposal of Beauty operations during the year ended 31 March 2018.

3. EMEIA comprises Europe, Middle East, India and Africa.

4. Growth rate is year-on-year underlying change, i.e. at constant exchange rates.

5. The pro forma income statement for 2020 is an estimation of the results for 2020 applying the previous accounting standard for leases, IAS 17 Leases. The actual results for 2020 are reported applying IFRS 16 Leases. See page 260 for the pro forma 2020 income statement. A pro forma balance sheet and net cash flow for 2020 are not presented in the five year summary. The comparability of the 2019 and 2020 balance sheet and net cash flow is impacted by the adoption of IFRS 16.

6. From 2020 onwards, reported ROIC is measured on a Group basis.

FIVE YEAR SUMMARY (UNAUDITED) CONTINUED

To end of year	2016	2017	2018	2019	Pro forma 2020	2020
	pence per share	pence per share	pence per share	pence per share	pence per share	pence per share
Earnings and dividends						
Adjusted earnings per share – diluted ¹	69.9	77.4	82.1	82.1	77.9	78.7
Earnings per share – diluted	69.4	64.9	68.4	81.7	29.0	29.8
Diluted weighted average number of ordinary shares (millions)	446.1	442.2	429.4	415.1	409.0	409.0
Dividend per share (on a paid basis)	35.7	37.3	39.4	41.3	42.8	42.8

To end of year	2016	2017	2018	2019	2020
	£m	£m	£m	£m	£m
Net cash flow					
Adjusted operating profit	417.8	458.7	466.6	438.1	433.1
Adjusting items	(14.9)	(64.4)	(56.3)	(0.9)	(244.4)
Operating profit	402.9	394.3	410.3	437.2	188.7
Depreciation and amortisation	147.1	151.5	130.5	115.8	330.8
Employee share scheme costs	(0.3)	13.1	17.1	15.7	2.8
(Increase)/decrease in inventories	(49.3)	8.4	37.2	(59.3)	27.4
(Increase)/decrease in receivables	(31.7)	19.7	68.1	(54.6)	(9.8)
Increase/(decrease) in payables and provisions	5.1	43.6	27.6	54.9	(84.0)
Other cash items	(1.6)	–	0.5	2.5	0.2
Other non-cash items	30.8	58.0	11.2	3.7	168.8
Cash flow from operations	503.0	688.6	702.5	515.9	624.9
Net interest	3.1	3.7	5.6	6.3	(18.8)
Tax paid	(94.8)	(131.6)	(118.4)	(110.8)	(150.3)
Net cash flow from operations²	411.3	560.7	589.7	411.4	455.8
Capital expenditure	(138.0)	(104.1)	(106.0)	(110.6)	(148.8)
Proceeds from disposal of non-current assets	0.5	8.5	–	–	3.0
Initial direct costs of right-of-use assets	–	–	–	–	(5.6)
Payment of lease principal and other lease outflows	–	–	–	–	(238.1)
Free cash flow	273.8	465.1	483.7	300.8	66.3
Proceeds on disposal of Beauty operations and related licence	–	–	149.8	0.6	–
Acquisitions	–	(68.8)	(3.0)	(25.6)	(2.7)
Dividends	(158.4)	(164.5)	(169.4)	(171.1)	(175.2)
Purchase of shares through share buy-back	–	(97.2)	(355.0)	(150.7)	(150.7)
Proceeds from borrowings	–	–	–	–	300.0
Other	(8.7)	(11.7)	(8.7)	(10.5)	3.8
Exchange difference	1.4	26.0	(14.5)	1.7	8.5
Total movement in net cash	108.1	148.9	82.9	(54.8)	50.0
Net cash	660.3	809.2	892.1	837.3	887.3

1. Excludes the impact of adjusting items. Refer to note 2s for the Group's policy on adjusting items.

2. Following the adoption of IFRS 16 in the year ending 28 March 2020, Net cash flow from operations excludes cash outflows for lease principal and other lease payments. Free cash flow is presented including these lease payments and hence free cash flow is on a comparable basis to prior years.

At end of year	2016	2017	2018	2019	2020
Balance Sheet	£m	£m	£m	£m	£m
Intangible assets	189.6	170.1	180.1	221.0	247.0
Property, plant and equipment	426.2	399.6	313.6	306.9	294.9
Right-of-use assets	–	–	–	–	834.0
Inventories	486.7	505.3	411.8	465.1	450.5
Trade and other receivables	351.9	352.0	275.5	321.2	305.8
Trade and other payables	(501.9)	(561.0)	(629.0)	(702.2)	(549.8)
Lease liabilities	–	–	–	–	(1,125.5)
Taxation (including deferred taxation)	56.4	83.7	85.1	97.5	213.9
Net cash	660.3	809.2	892.1	837.3	887.3
Borrowings	–	–	–	–	(300.0)
Other net assets	(48.3)	(61.1)	(103.8)	(86.8)	(39.3)
Net assets	1,620.9	1,697.8	1,425.4	1,460.0	1,218.8

	2016	2017	2018	2019	Pro forma 2020
Reconciliation of Adjusted Retail/Wholesale ROIC	£m	£m	£m	£m	£m
Retail/Wholesale adjusted operating profit ¹	380.9	437.0	440.7	395.7	360.8
Adjusted effective tax rate ¹	24.7%	25.8%	25.1%	23.1%	22.3%
Retail/Wholesale adjusted operating profit after tax ¹	286.7	324.3	330.1	304.3	280.3
Net assets excluding licensing segment assets and liabilities	1,617.4	1,694.2	1,512.6	1,540.7	1,354.5
Net cash	(660.3)	(809.2)	(892.1)	(837.3)	(887.3)
Borrowings	–	–	–	–	300.0
Assumed lease assets ²	1,101.0	1,197.0	1,219.0	1,245.5	1,233.0
Exclude adjusting items:					
Deferred consideration	–	34.7	29.2	21.9	18.4
Restructuring liabilities/other	19.7	11.3	51.8	26.7	125.6
Adjusted operating assets	2,077.8	2,128.0	1,920.5	1,997.5	2,144.2
Average operating assets	1,955.3	2,102.9	2,024.3	1,959.0	2,079.9
Adjusted Retail/Wholesale ROIC	14.7%	15.4%	16.3%	15.5%	13.5%

Adjusted Group ROIC, as reported under IFRS 16 has been presented for 2020 below using the profit for 2020 and opening and closing balance sheets applying IFRS 16. Adjusted Retail/Wholesale ROIC for 2020 using pro forma results, has been included in the five year summary but will be replaced by Adjusted Group ROIC, as reported under IFRS 16, in future reports. See page 260 for details of the pro forma for 2020.

Reconciliation of Adjusted Group ROIC as reported under IFRS 16	2019 £m	2020 £m
Adjusted operating profit ¹		433.1
Adjusted profit effective tax rate ¹		22.3%
Adjusted net operating profit after tax ¹		336.5
Net assets	1,460.0	1,218.8
Adjustments to net assets on adoption of IFRS 16 and IFRIC 23	(61.9)	–
Deduct net cash	(837.3)	(887.3)
Add back borrowings	–	300.0
Add back lease debt	1,045.0	1,125.5
Deduct tax assets	(97.5)	(213.9)
Operating assets	1,508.3	1,543.1
Add back net liabilities related to adjusting items:		
Deferred consideration	21.6	18.4
Restructuring liabilities/other	26.7	253.7
Adjusted operating assets	1,556.6	1,815.2
Average adjusted operating assets	–	1,685.9
Adjusted Group ROIC	–	20.0%

1. Excludes the impact of adjusting items. Refer to note 2s for the Group's policy on adjusting items.

2. Assumed operating lease assets and assumed operating lease debt are calculated as a factor of five times minimum operating lease payments.

PRO FORMA INCOME STATEMENT (UNAUDITED)

The re-presented income statements set out below do not form part of the consolidated financial statements for the 52 weeks to 28 March 2020. They are included to provide an understanding of the underlying performance for the 52 weeks to 28 March 2020, given that IFRS 16 Leases has been adopted for the current period without restatement of the comparative period. The re-presented income statements consist of:

- the reported income statement for the current period;
- a pro forma income statement for the current period; and
- the reported income statement for the prior year.

The pro forma income statement for the current period is an estimation of the results for the period when applying the previous accounting standard for leases, IAS 17 Leases.

	52 weeks to 28 March 2020 Reported £m	52 weeks to 28 March 2020 Pro forma £m	52 weeks to 30 March 2019 Reported £m
Re-presented Group Income Statement			
Revenue	2,633.1	2,633.1	2,720.2
Cost of sales	(927.6)	(927.6)	(859.4)
Gross profit	1,705.5	1,705.5	1,860.8
Net operating expenses	(1,516.8)	(1,545.8)	(1,423.6)
Operating profit	188.7	159.7	437.2
Net finance (expense)/income	(20.2)	4.7	3.4
Profit before taxation	168.5	164.4	440.6
Taxation	(46.9)	(46.0)	(101.5)
Profit for the period	121.6	118.4	339.1
Attributable to:			
Owners of the Company	121.7	118.5	339.3
Non-controlling interest	(0.1)	(0.1)	(0.2)
Profit for the period	121.6	118.4	339.1
	£m	£m	£m
Reconciliation of adjusted profit before taxation:			
Profit before taxation	168.5	164.4	440.6
Adjusting operating items:			
Cost of sales	68.3	68.3	–
Operating expenses	176.1	176.1	0.9
Adjusting financing items	1.2	1.2	1.7
Adjusted profit before taxation – non-GAAP measure	414.1	410.0	443.2
Adjusted earnings per share – diluted	78.7p	77.9p	82.1p
Earnings per share – diluted	29.8p	29.0p	81.7p

The pro forma income statement has been prepared using the reported results for the current period and replacing the accounting entries related to IFRS 16 Leases, on adoption and during the period, with an estimate of the accounting entries that would have arisen when applying IAS 17 Leases. The effective tax rate has been assumed to be unaltered by this change and the impairment charges arising during the period on right-of-use assets have not been remeasured, but have been reclassified as charges for onerous lease provisions.

The pro forma income statement for the current period has been prepared by making adjustments to the reported income statement for the current period to:

- reverse depreciation of £221.1 million on the right-of-use assets and interest of £24.9 million on lease liabilities in the period;
- record fixed rent of £245.9 million on leases in the period measured on an IAS 17 basis, excluding charges for onerous lease provisions;
- adjust for other minor impacts including reversal of the gain on disposal of right-of-use assets in the period of £2.1 million; and
- reduce the tax charge by £0.9 million to reflect the change in profit before tax as a result of the adjustments above.

	Note	As at 28 March 2020 £m	As at 30 March 2019 £m
Fixed assets			
Investments in subsidiaries	D	1,379.8	1,378.0
		1,379.8	1,378.0
Current assets			
Trade and other receivables – amounts falling due after more than one year	E	0.1	0.4
Trade and other receivables – amounts falling due within one year	E	445.7	553.4
Derivative assets maturing within one year		–	0.5
Cash at bank and in hand		0.7	0.4
		446.5	554.7
Creditors – amounts falling due within one year	F	(277.9)	(195.3)
Derivative liabilities maturing within one year		(2.2)	(0.4)
Net current assets		166.4	359.0
Total assets less current liabilities		1,546.2	1,737.0
Creditors – amounts falling due after more than one year	F	–	(70.7)
Provisions for liabilities		(1.0)	(1.0)
Derivative liabilities maturing after more than one year		–	(0.1)
Net assets		1,545.2	1,665.2
Equity			
Called up share capital	H	0.2	0.2
Share premium account		220.8	216.9
Capital reserve		0.9	0.9
Hedging reserve		4.6	4.6
Profit and loss account		1,318.7	1,442.6
Total equity		1,545.2	1,665.2

Profit for the year on ordinary activities was £199.2 million (last year: £426.9 million). The directors consider that, at 28 March 2020, £650.6 million (last year: £617.5 million) of the profit and loss account is non-distributable.

The financial statements on pages 261 to 269 were approved by the Board on 22 May 2020 and signed on its behalf by:

MARCO GOBBETTI
Chief Executive Officer

JULIE BROWN
Chief Operating and Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Called up share capital £m	Share premium account £m	Capital reserve £m	Hedging reserve £m	Profit and loss account £m	Total equity £m
Balance as at 31 March 2018		0.2	214.6	0.9	4.6	1,334.6	1,554.9
Profit for the year		–	–	–	–	426.9	426.9
Total comprehensive income for the year		–	–	–	–	426.9	426.9
Employee share incentive schemes							
Value of share options granted		–	–	–	–	15.7	15.7
Exercise of share options		–	2.3	–	–	–	2.3
Purchase of own shares							
Share buy-back		–	–	–	–	(150.7)	(150.7)
Held by ESOP trusts		–	–	–	–	(12.8)	(12.8)
Dividends paid in the year	I	–	–	–	–	(171.1)	(171.1)
Balance as at 30 March 2019		0.2	216.9	0.9	4.6	1,442.6	1,665.2
Profit for the year		–	–	–	–	199.2	199.2
Total comprehensive income for the year		–	–	–	–	199.2	199.2
Employee share incentive schemes							
Value of share options granted		–	–	–	–	2.8	2.8
Exercise of share options		–	3.9	–	–	–	3.9
Purchase of own shares							
Share buy-back		–	–	–	–	(150.7)	(150.7)
Dividends paid in the year	I	–	–	–	–	(175.2)	(175.2)
Balance as at 28 March 2020		0.2	220.8	0.9	4.6	1,318.7	1,545.2

A. BASIS OF PREPARATION

Burberry Group plc (the Company) is the parent Company of the Burberry Group. Burberry Group plc is a public company which is limited by shares and is listed on the London Stock Exchange. The Company's principal business is investment and it is incorporated and domiciled in the UK. The Company is registered in England and Wales and the address of its registered office is Horseferry House, Horseferry Road, London, SW1P 2AW. The Company is the sponsoring entity of The Burberry Group plc ESOP Trust and The Burberry Group plc SIP Trust (collectively known as the ESOP trusts). These financial statements have been prepared by including the ESOP trusts within the financial statements of the Company. The purpose of the ESOP trusts is to purchase shares of the Company in order to satisfy Group share-based payment arrangements.

Burberry Group plc and its subsidiaries (the Group) is a global luxury goods manufacturer, retailer and wholesaler. The Group also licenses third parties to manufacture and distribute products using the 'Burberry' trademarks. All of the companies which comprise the Group are controlled by the Company directly or indirectly.

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by derivative financial assets and derivative financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006. As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own Income Statement.

The preparation of the financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (refer to note C).

Financial Reporting Standard 101 – reduced disclosure exemptions

The Company has taken advantage of the applicable disclosure exemptions permitted by FRS 101 in the financial statements, which are summarised below:

Standard	Disclosure exemption
IFRS 7, 'Financial Instruments: Disclosures'	• Full exemption
IFRS 13, 'Fair Value Measurement'	• para 91-99 – disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities
IAS 1, 'Presentation of the Financial Statements'	• para 10(d) – statement of cash flows • para 10(f) – a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective statement of items in its financial statements, or when it reclassifies items in its financial statements • para 16 – statement of compliance with all IFRS • para 38 – present comparative information in respect of paragraph 79(a)(iv) of IAS 1 • para 38A – requirement for minimum of two primary statements, including cash flow statements • para 38B-D – additional comparative information • para 111 – cash flow statement information • para 134-136 – capital management disclosures
IAS 7, 'Statement of Cash Flows'	• Full exemption
IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'	• para 30-31 – requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective
IAS 24, 'Related Party Disclosures'	• para 17 – key management compensation • The requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
IAS 36, 'Impairment of Assets'	• para 134(d)-134(f) and 135(c)-135(e)

B. ACCOUNTING POLICIES

Accounting policies

The following principal accounting policies have been applied in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated:

Going concern

The impact of the COVID-19 pandemic on the global economy and the operating activities of many businesses has resulted in a climate of considerable uncertainty. The ultimate impact of this pandemic on the Group is uncertain at the date of signing these financial statements. The Directors have assessed the potential cash generation of the Group against a range of projected scenarios (including a severe but plausible outcome), the liquidity of the Group, existing funding available to the Group and mitigating actions which may be taken to reduce discretionary cash outflows. On the basis of these assessments the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements for the 52 weeks to 28 March 2020. The Directors' assessment of the prospects and viability of the Group over the next three years are set out in the strategic report on pages 117 to 118 of the Annual Report.

Share schemes

The Group operates a number of equity-settled share-based compensation schemes, under which services are received from employees (including Executive Directors) as consideration for equity instruments of the Company. The cost of the share-based incentives is measured with reference to the fair value of the equity instruments awarded at the date of grant. Appropriate option pricing models, including Black-Scholes, are used to determine the fair value of the awards made.

The fair value takes into account the impact of any market performance conditions, but the impact of non-market performance conditions is not considered in determining the fair value on the date of grant. Vesting conditions which relate to non-market conditions are allowed for in the assumptions used for the number of options expected to vest. The estimate of the number of options expected to vest is revised at each balance sheet date.

In some circumstances, employees may provide services in advance of the grant date. The grant date fair value is estimated for the purpose of recognising the expense during the period between the service commencement period and the grant date.

The grant by the Company of options over its equity instruments to employees of subsidiary undertakings in the Group is treated as a capital contribution. In the Company's financial statements, the cost of the share-based incentives is recognised over the vesting period of the awards as an increase in investment in subsidiary undertakings, with a corresponding increase in equity. Where amounts are received from Group companies in relation to equity instruments granted to the employees of the subsidiary undertaking, the amount is derecognised from investments in Group companies, to the extent that it was initially treated as a capital contribution, with any remaining amounts recognised as an increase in equity.

When options and awards are exercised, they are settled either via issue of new shares in the Company, or through shares held in the ESOP trusts, depending on the terms and conditions of the relevant scheme. The proceeds received from the exercises, net of any directly attributable transaction costs, are credited to share capital and share premium. Share-based payments disclosures relevant to the Company are presented within note 29 to the consolidated financial statements.

Dividend distribution

Dividend distributions to Burberry Group plc's shareholders are recognised as a liability in the year in which the dividend becomes a committed obligation. Final dividends are recognised when they are approved by the shareholders. Interim dividends are recognised when paid.

Investments in subsidiaries

Investments in subsidiaries are stated at cost, less any provisions to reflect impairment in value.

Impairment of investments in subsidiaries

Investments in subsidiaries are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's net realisable value and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Taxation

Tax expense represents the sum of the tax currently payable and deferred tax charge.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit because it excludes items of income or expense which are taxable or deductible in other years and it further excludes items which are never taxable or deductible. The current tax liability is calculated using tax rates which have been enacted or substantively enacted by the balance sheet date.

B. ACCOUNTING POLICIES (CONTINUED)**Taxation (continued)**

Deferred income tax is recognised, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, no deferred tax will be recognised.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Financial instruments

A financial instrument is initially recognised at fair value on the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. A financial asset is derecognised when the contractual rights to the cash flow expire or substantially all risks and rewards of the asset are transferred. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Subsequent to initial recognition, all financial liabilities, with the exception of derivative financial instruments, are stated at amortised cost using the effective interest rate method. The fair value of the financial assets and liabilities held at amortised cost approximate their carrying amount due to the use of market interest rates.

Financial instrument category	Note	Classification	Measurement
Cash and cash equivalents		Amortised cost	Amortised cost
Trade and other receivables	E	Amortised cost	Amortised cost
Trade and other payables	F	Other financial liabilities	Amortised cost
Borrowings		Other financial liabilities	Amortised cost
Equity swap contracts		Fair value through profit and loss	Fair value through profit and loss

The Company's primary categories of financial instruments are listed below:

Cash at bank and in hand

On the Balance Sheet, cash at bank and in hand comprises cash held with banks.

Trade and other receivables

Trade and other receivables are included in current assets. The receivables are held with the objective to collect the contractual cash flows and are therefore recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for the expected loss on receivables is established at inception. This is modified when there is a change in the credit risk and hence evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the movement in the provision is recognised in the Income Statement.

Borrowings

Borrowings are recognised initially at fair value, inclusive of transaction costs incurred. Borrowings are subsequently stated at amortised cost and the difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest rate method. Borrowings are classified in creditors amounts falling due within one year unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivative instruments

The Company uses equity swap contracts to economically hedge its exposure to fluctuations in the Company's share price which impacts the social security costs payable by Group companies in relation to share-based compensation schemes.

The equity swap contracts are initially recognised at fair value at the trade date and classified as fair value through profit and loss. All subsequent changes in fair value are recognised in the Income Statement up to the maturity date.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

B. ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Sterling which is the Company's functional and presentation currency.

Transactions in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are held at the year end, are translated into the functional currency at the exchange rate ruling at the balance sheet date. Exchange differences on monetary items are recognised in the Income Statement in the period in which they arise.

Called up share capital

Called up share capital is classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to owners of the Company until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

C. KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements in conformity with FRS 101 requires that management make certain estimates and assumptions that affect the reported revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best estimates at the date of the financial statements, deviate from actual circumstances, the original estimate and assumptions will be updated as appropriate in the period in which the circumstances change.

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Key sources of estimation uncertainty include:

Impairment of investments in subsidiaries

Investments in subsidiaries are not subject to amortisation and are tested annually for impairment. When a review for potential impairment is conducted, the recoverable amount is determined based on the higher of an investment's fair value less costs to sell and value-in-use calculations prepared on the basis of management's assumptions and estimates. Refer to note D for further details of investments.

Impairment of trade and other receivables

The Company is required to make an estimate of the recoverable value of receivables. When assessing the expected loss on receivables, management considers factors including any specific known problems or risks. Refer to note E for further details on the net carrying value of trade and other receivables.

D. INVESTMENTS IN SUBSIDIARIES

	£m
As at 30 March 2019	1,378.0
Additions	1.8
As at 28 March 2020	1,379.8

During the year the Company increased its investment in Burberry Limited by £1.8 million.

The Company has reviewed the recoverable value of its investments to identify if there is any indication of impairment of the carrying value. Where applicable, the recoverable amount has been estimated using management's best estimates of future cash generation of its investments, taking into account the effects of COVID-19.

The Company has not impaired the carrying value of its investments as their cash generation in the long term is considered sufficient to support the carrying value. The subsidiary undertakings and investments of the Burberry Group are listed in note 31 of the Group financial statements.

E. TRADE AND OTHER RECEIVABLES

	As at 28 March 2020 £m	As at 30 March 2019 £m
Prepayments	0.1	0.4
Trade and other receivables – amounts falling due after more than one year	0.1	0.4
Amounts owed by Group companies	445.5	553.2
Prepayments	0.2	0.2
Trade and other receivables – amounts falling due within one year	445.7	553.4
Total trade and other receivables	445.8	553.8

All amounts owed by Group companies are interest bearing.

The interest rate earned is based on relevant national LIBOR equivalents plus 0.9%. These loans are unsecured and repayable on 17 June 2020.

The Company's impairment policies and the calculation of the loss allowances under IFRS 9 are detailed in note G.

F. CREDITORS

	As at 28 March 2020 £m	As at 30 March 2019 £m
Amounts owed to Group companies	–	70.7
Creditors – amounts falling due after more than one year	–	70.7
Amounts owed to Group companies	277.5	194.9
Other payables	0.2	–
Accruals	0.2	0.4
Creditors – amounts falling due within one year	277.9	195.3
Total creditors	277.9	266.0

As at 30 March 2019, amounts owed to Group companies falling due after more than one year were interest bearing.

Included within amounts owed to Group companies falling due within one year are interest bearing loans of £213.6 million (last year: £139.4 million). The interest rate earned is based on LIBOR plus 0.5% to 0.9%. These loans are unsecured and repayable on 17 June 2020. The remaining amounts are unsecured, interest free and repayable on demand.

G. CREDIT RISK

The Company's principal financial instruments comprise equity swap contracts, cash, trade and other receivables and trade and other payables arising directly from operations.

Trade and other receivables

The trade and other receivables balance comprises of intercompany loans with companies within the Group. These Group companies are assessed at each reporting date as to their ability to repay outstanding balances. The amounts owed by Group companies at 28 March 2020 comprise £445.5 million owed by Burberry Limited (last year: £553.2 million).

The counterparty credit risk of trade and other receivables is reviewed on a regular basis and assessed for impairment as follows:

At inception the receivable is recorded net of expected 12 month credit losses. If a significant increase in the credit risk occurs during the life time, credit losses are recorded in the profit and loss account and the effective interest is calculated using the gross carrying amount of the asset. If a loss event occurs, the effective interest is calculated using the amortised cost of the asset net of any credit losses. The Company's most significant debtor, Burberry Limited, is the holder of the Burberry brand and the main operating company of the Group. Burberry Limited has cash and cash equivalents of £762.4 million at 28 March 2020 and borrowings of £300.0 million. Based on its liquidity and expected cash generation, the expected 12 months credit loss for Burberry Limited trade and other receivables is not considered to be significant. As a result, no impairment has been recorded for amounts owed by Group companies.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

G. CREDIT RISK (CONTINUED)

Other financial assets

With respect to credit risk arising from other financial assets, which comprise cash and certain derivative instruments, the Company's exposure to credit risk arises from the default of the counterparty with a maximum exposure equal to the carrying value of these instruments. The Company has policies that limit the amount of credit exposure to any financial institution and only deposits funds with independently rated financial institutions with a minimum rating of 'A' other than where required for operational purposes.

H. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (last year: 0.05p) each		
As at 30 March 2019	411,456,001	0.2
Allotted on exercise of options during the year	434,790	–
Cancellation of treasury shares	(7,184,905)	–
As at 28 March 2020	404,705,886	0.2

The Company has a general authority from shareholders, renewed at each Annual General Meeting, to repurchase a maximum of 10% of its issued share capital. During the 52 weeks to 28 March 2020, the Company entered into agreements to purchase £150.0 million of its own shares back, excluding stamp duty, as part of a share buy-back programme (last year: £150.0 million). Own shares purchased by the Company, as part of a share buy-back programme, are classified as treasury shares and their cost offset against the profit and loss account. When treasury shares are cancelled, a transfer is made from the profit and loss account to the capital redemption reserve, equivalent to the nominal value of the shares purchased and subsequently cancelled. In the 52 weeks to 28 March 2020, 7.2 million treasury shares with a nominal value of £3,600 were cancelled (last year: 7.0 million treasury shares with a nominal value of £3,500). The cost of shares purchased by ESOP trusts are offset against the profit and loss account, as the amounts paid reduce the profits available for distribution by the Company.

As at 28 March 2020 the amount of own shares held by ESOP trusts and offset against the profit and loss account is £19.5 million (last year: £26.4 million). As at 28 March 2020, the ESOP trusts held 1.2 million shares (last year: 1.6 million) in the Company, with a market value of £15.7 million (last year: £31.9 million). In the 52 weeks to 28 March 2020 the ESOP trusts and the Company have waived their entitlement to dividends of £1.0 million (last year: £0.9 million).

The capital reserve consists of the capital redemption reserve arising on the purchase of own shares.

I. DIVIDENDS

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Prior year final dividend paid 31.5p per share (prior year: 30.3p)	129.2	126.0
Interim dividend paid 11.3p per share (prior year: 11.0p)	46.0	45.1
Total	175.2	171.1

The Directors have elected not to declare a final dividend in respect of the 52 weeks to 28 March 2020 (last year: 31.5p).

J. FINANCIAL GUARANTEES

On 25 November 2014, the Group entered into a £300.0 million multi-currency revolving credit facility with a syndicate of third-party banks. At 28 March 2020, there were £300.0 million outstanding drawings made by Burberry Limited, an indirect subsidiary of the Company (last year: £nil). The facility matures in November 2021.

The companies acting as guarantor to the facility consist of Burberry Group plc, Burberry Limited, Burberry Asia Limited, Burberry (Wholesale) Limited (US) and Burberry Limited (US). Based on the liquidity and expected cash generation of Burberry Limited, the expected credit loss in respect of this financial guarantee, as at 28 March 2020, is not considered to be significant. As a result, no liability has been recorded (last year: £nil).

A potential liability may arise in the future if one of the Group members defaults on the loan facility. Each guarantor, including Burberry Group plc, would be liable to cover the amounts outstanding, including principal and interest elements.

K. AUDIT FEES

The Company has incurred audit fees of £0.1 million for the current year which are borne by Burberry Limited (last year: £0.1 million).

L. EMPLOYEE COSTS

The Company has no employees and therefore no employee costs are included in these financial statements for the 52 weeks to 28 March 2020 (last year: £nil).

M. EVENTS AFTER THE BALANCE SHEET DATE

On 14 May 2020, Burberry Limited issued commercial paper with a face value of £300.0 million and a maturity of 17 March 2021. The commercial paper was issued under the UK Government sponsored COVID Corporate Finance Facility (CCFF). The Company has guaranteed all Burberry Limited's obligations to the note holders, including repayment of the debt at maturity.

SHAREHOLDER INFORMATION

GENERAL SHAREHOLDER ENQUIRIES

Enquiries relating to shareholdings, such as the transfer of shares, change of name or address, lost share certificates or dividend cheques, should be referred to the Company's Registrar at:

Equiniti
Aspect House
Spencer Road, Lancing
West Sussex, BN99 6DA

Tel: 0371 384 2839 (Lines are open 8.30am to 5.30pm, Monday to Friday.)

Please dial +44 121 415 0804 if calling from outside the UK or see www.help.shareview.co.uk for additional information.

AMERICAN DEPOSITARY RECEIPTS

We have a sponsored Level 1 American Depositary Receipt (ADR) programme to enable US investors to purchase ADRs in US Dollars. Each ADR represents one Burberry ordinary share.

For queries relating to ADRs in Burberry, please use the following contact details:

BNY Mellon Shareowner Services
P.O. BOX 505000
Louisville, KY 40233-5000

Tel: toll free within the USA: +1 888 269 2377
Tel: international: +1 201 680 6825
Email enquiries: shrrelations@cpushareownerservices.com
Website: www.mybnymdr.com

MANAGING YOUR SHARES ONLINE

Shareholders and employees can manage their Burberry holdings online by registering with Shareview, a secure online platform provided by Equiniti. Registration is a straightforward process and allows shareholders and employees to:

- access information on their shareholdings including share balance and dividend information
- sign up for electronic shareholder communications
- buy and sell shares
- update their records following a change of address
- have dividends paid into their bank account and
- vote by proxy online in advance of the general meetings of the Company

Burberry encourages shareholders to sign up for electronic communication as it allows information to be disseminated quickly and efficiently and also reduces paper usage which makes a valuable contribution to our global footprint.

WEBSITE

The investor section of Burberry Group plc's website, Burberryplc.com contains a wide range of information including:

- regulatory news
- share price information
- dividend history, share analysis and the investment calculator
- financial results announcements and
- frequently asked questions

It is also possible to sign up to receive email alerts for RNS news and press releases relating to Burberry Group plc at www.burberryplc.com/en/alerts.html.

ANNUAL GENERAL MEETING

Our Annual General Meeting will be held at Horseferry House, Horseferry Road London, SW1P 2AW, on Wednesday, 15 July 2020. The Notice of Meeting, together with details of the business to be conducted at the meeting, is available on our Company website at Burberryplc.com.

As at 22 May 2020, the UK Government has prohibited public gatherings of more than two people and non-essential travel, save in certain limited circumstances. In these unprecedented times, and in light of these measures, the Board believes it is in the best interests of the Company and its shareholders to hold the 2020 AGM as a closed meeting and shareholders will not be able to attend in person.

The voting results for the 2020 AGM will also be accessible on Burberryplc.com shortly after the meeting.

OUR PRIVACY POLICY

Please see the privacy policy on www.burberryplc.com/en/investors/shareholder-centre/shareholder-privacy-notice.html for details on how Burberry collects and uses shareholder personal information.

DIVIDENDS

An interim dividend for the financial year ended 28 March 2020 of 11.3p per ordinary share was paid on 31 January 2020.

Given the current uncertainty, the Directors have not declared a final dividend for FY 2019/20.

Dividends can be paid by BACS directly into a UK bank account, with the dividend confirmation being sent to the shareholder's address. This is the easiest way for shareholders to receive dividend payments and avoids the risk of lost or out of date cheques. A dividend mandate form is available from Equiniti or online at www.shareview.co.uk.

If you are a UK taxpayer, please note that you are eligible for a tax-free Dividend Allowance of £2000 in each tax year. Any dividends received above this amount will be subject to taxation. Dividends paid on shares held within pensions and Individual Savings Accounts (ISAs) will continue to be tax free. Further information can be found at www.gov.uk/tax-on-dividends.

DIVIDENDS PAYABLE IN FOREIGN CURRENCIES

Equiniti is able to pay dividends to shareholder bank accounts in over 30 currencies worldwide through the Overseas Payment Service. An administrative fee will be deducted from each dividend payment. Further details can be obtained from Equiniti or online at www.shareview.co.uk.

DIVIDEND REINVESTMENT PLAN

Our Dividend Reinvestment Plan (DRIP) enables shareholders to use their dividends to buy further Burberry shares. Full details of the DRIP can be obtained from Equiniti.

DUPLICATE ACCOUNTS

Shareholders who have more than one account due to inconsistency in account details may avoid duplicate mailings by contacting Equiniti and requesting the amalgamation of their share accounts.

ELECTRONIC COMMUNICATION

Shareholders may at any time choose to receive all shareholder documentation in electronic form via the internet, rather than in paper format. Shareholders who decide to register for this option will receive an email each time a shareholder document is published on the internet. Shareholders who wish to receive documentation in electronic form should register online at www.shareview.co.uk.

Equiniti offers a range of shareholder information and services online at www.shareview.co.uk. A textphone facility for those with hearing difficulties is available by calling: 0371 384 2255. Lines are open 8.30am to 5.30pm, Monday to Friday. Please call +44 121 415 0804 if calling from outside the UK.

FINANCIAL CALENDAR

First quarter trading update:	15 July 2020
Annual General Meeting:	15 July 2020
Interim results announcement:	November 2020
Third quarter trading update:	January 2021
Preliminary results announcement:	May 2021

REGISTERED OFFICE

Burberry Group plc
Horseferry House
Horseferry Road
London
SW1P 2AW

Registered in England and Wales Registered Number
03458224 Burberryplc.com

SHARE BUYBACK

From September 2019 to January 2020, we completed a buyback programme of £150 million.

SHARE DEALING

Burberry Group plc shares can be traded through most banks, building societies or stock brokers. Equiniti offers a telephone and internet dealing service. Terms and conditions and details of the commission charges are available on request.

For telephone dealing, please telephone 0345 603 7037 between 8.00am and 4.30pm, Monday to Friday, and for internet dealing visit www.shareview.co.uk/dealing. Shareholders will need their reference number which can be found on their share certificate.

SHAREGIFT

Shareholders with a small number of shares, the value of which makes them uneconomical to sell, may wish to consider donating their shares to charity through ShareGift, a donation scheme operated by The Orr Mackintosh Foundation. A ShareGift donation form can be obtained from Equiniti. Further information is available at www.sharegift.org or by telephone on 0207 930 3737.

TIPS ON PROTECTING YOUR INFORMATION

- Keep any documentation that contains your shareholder reference number in a safe place and shred any unwanted documentation
- Inform our registrar, Equiniti, promptly when you change address
- Be aware of dividend payment dates and contact the Registrar if you do not receive your dividend cheque or, better still, make arrangements to have the dividend paid directly into your bank account
- Consider holding your shares electronically in a CREST account via a nominee

UNAUTHORISED BROKERS (BOILER ROOM SCAMS)

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, or offers of free company reports. These are typically from overseas-based “brokers” who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as boiler rooms.

If you receive any unsolicited investment advice, get the correct name of the person and organisation, and check that they are properly authorised by the FCA before getting involved. This can be done by visiting www.fca.org.uk/register/.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme if things go wrong.

If you think you have been approached by an unauthorised firm, you should contact the FCA consumer helpline on 0800 111 6768.

More detailed information can be found on the FCA website at www.fca.org.uk/consumers/protect-yourself/unauthorised-firms.



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Disclaimer

The purpose of this Annual Report is to provide information to the members of Burberry Group plc. This document contains certain statements with respect to the operations, performance and financial condition of the Group including among other things, statements about expected revenues, margins, earnings per share or other financial or other measures. Forward-looking statements appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, Directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty and subject to a number of risks since future events and circumstances can cause actual results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and unless otherwise required by applicable law the Company undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. All members, wherever located, should consult any additional disclosures that the Company may make in any regulatory announcements or documents which it publishes. The Company and its Directors accept no liability to third parties in respect of this document save as would arise under law of England and Wales. This document does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares, in the UK, or in the USA, or under the USA Securities Act 1933 or any other jurisdiction.

