BY APPOINTMENT TO
HM QUEEN ELIZABETH II
WEATHERPROOFERS
BURBERRY LIMITED LONDON

BY APPOINTMENT TO
HRH THE PRINCE OF WALES
OUTFITTERS
BURBERRY LIMITED LONDON

BURBERRY

LONDON ENGLAND

ANNUAL REPORT 2020/21

“

INHERENT
IN EVERY
BURBERRY
GARMENT IS
FREEDOM

”

Thomas Burberry

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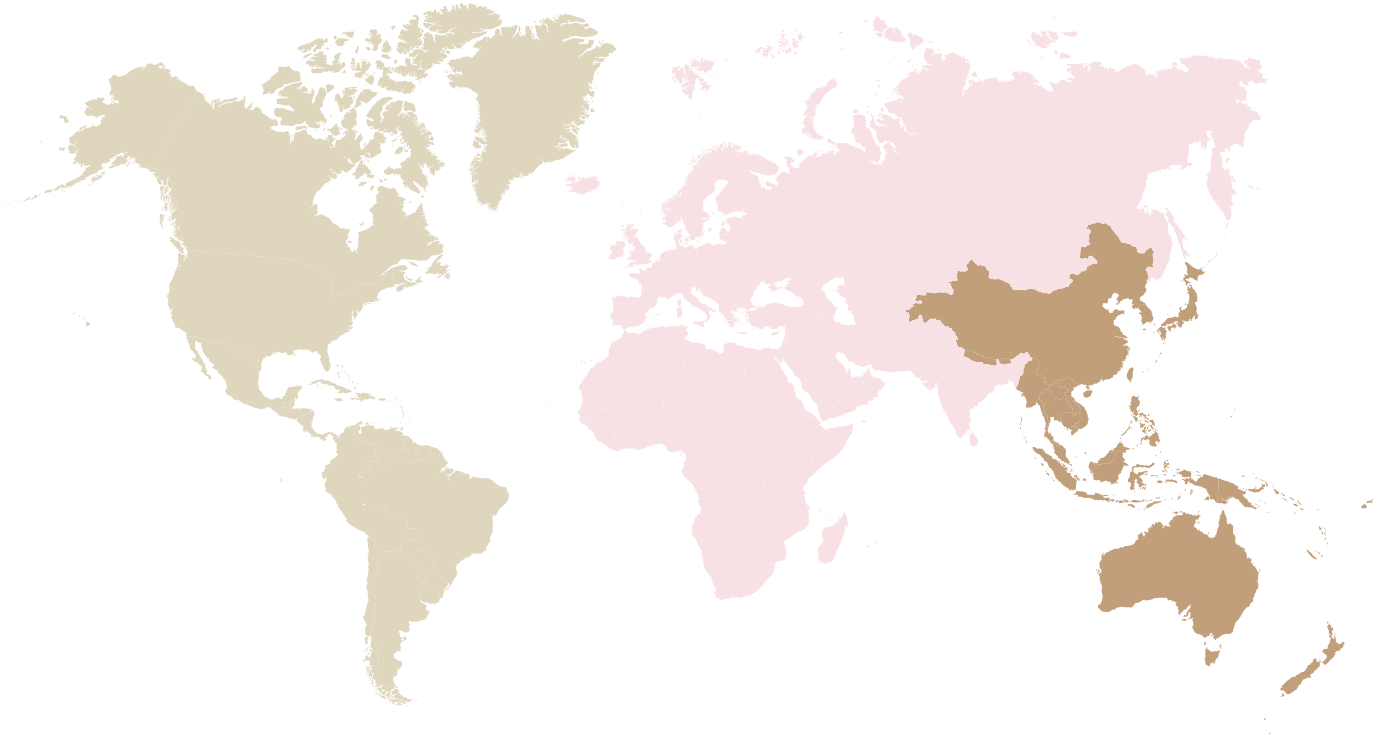
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FINANCIAL AND OPERATIONAL HIGHLIGHTS

Revenue by region[1,2,3]



- Americas
  £475m, -15% at CER
  Number of stores: **86**
- Europe, Middle East, India and Africa (EMEIA)
  £628m, -35% at CER
  Number of stores: **120**
- Asia Pacific
  £1,203m, +16% at CER
  Number of stores: **209**

Total revenue by channel

Retail/wholesale revenue by destination

Period ending £m	27 March 2021	28 March 2020
Retail	1,910	2,110
Wholesale	396	476
Licensing	38	47

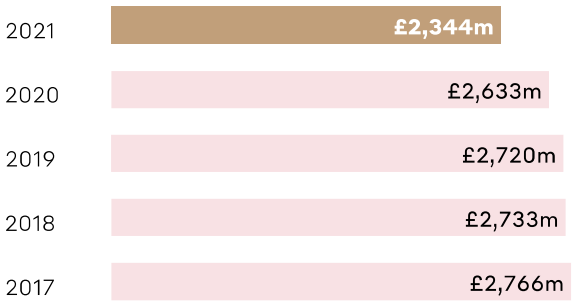
Revenue by product[2]

Retail/wholesale revenue by product division

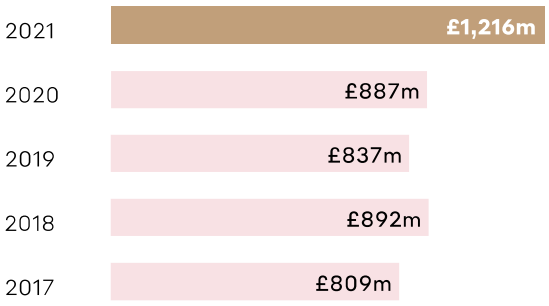
Period ending £m	27 March 2021	28 March 2020
Accessories	841	948
Women's	653	796
Men's	668	715
Children's, Beauty and other	144	127

1. All references to revenue growth on page 2 are presented at Constant Exchange Rates (CER). See page 49 for reconciliation to total revenue.
2. Retail/wholesale revenue.
3. For more detail on performance see Group Financial Highlights on pages 48 to 54.

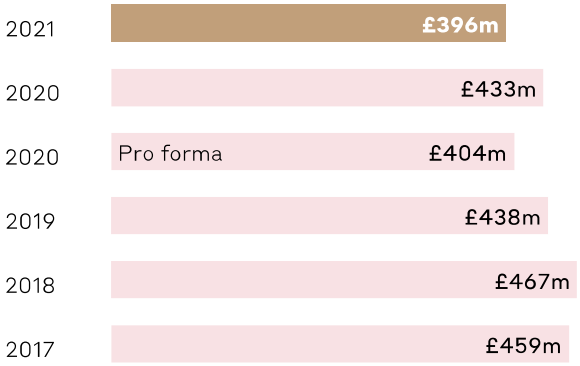
Revenue



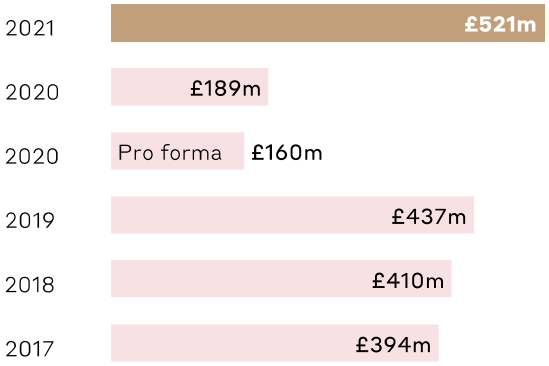
Cash (net of overdrafts)*



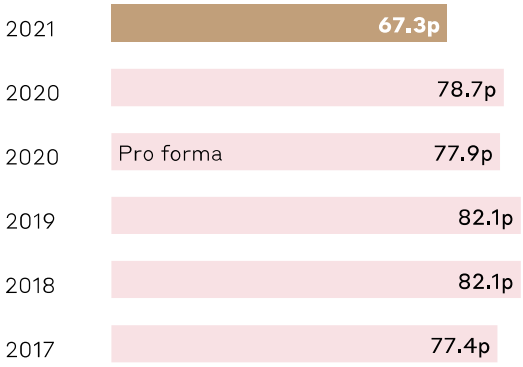
Adjusted operating profit



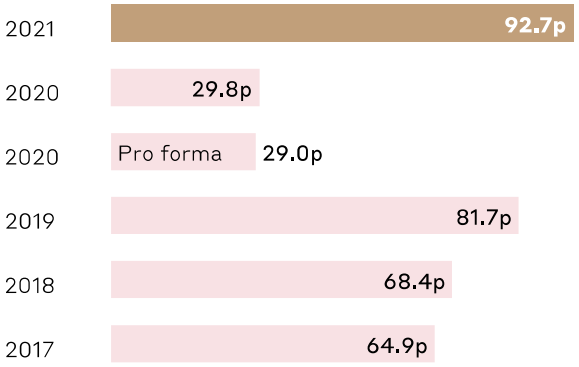
Operating profit



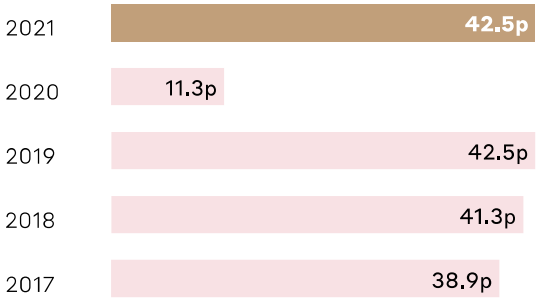
Adjusted diluted EPS



Diluted EPS



Dividend per share



Alternative performance measures, including adjusting measures, are defined on page 53. Pro forma FY 2019/20 results are included to better indicate the impact of adoption of IFRS 16 Leases in FY 2019/20. These pro forma results are estimations of the results for FY 2019/20 if the previous accounting standard for leases, IAS 17 Leases, had been applied.

* The Group also had borrowings at March 2021 of £297m (March 2020: £300m).

Environmental, Social and Governance (ESG) highlights

As a purposeful, values-driven brand, we are committed to being a force for good in the world. We champion diversity, equity and inclusion and prioritise the wellbeing of our people. We support our communities, in particular young people, providing them with the skills, confidence and opportunities to succeed. We are building a more sustainable future for luxury by reducing our environmental impacts and helping transform our industry. Below are some of our achievements in these areas over the past year. Read more about this on pages 60 to 91.

PEOPLE

- Rolled out a new global Diversity and Inclusion strategy and policy
- Launched an industry-leading global Parental Leave policy
- Maintained a leading position in the FTSE 100 for women in leadership for the third straight year, according to the 2020 Hampton-Alexander Review report
- Included in the 2021 Bloomberg Gender-Equality Index for the first time, scoring 10 percentage points more than the company average
- The first luxury company to partner with organisations including the Business Disability Forum, Investing in Ethnicity and the Stonewall Diversity Champions Programme, and one of the first of our peers to join The Valuable 500

COMMUNITIES

- Manufactured and donated Personal Protective Equipment (PPE) to medical and care professionals
- Contributed to COVID-19 vaccine development and distribution through early donations to the University of Oxford's emergency vaccine research and UNICEF's COVID-19 Vaccines Appeal
- Supported charities, including FareShare, The Trussell Trust and The Felix Project, helping tackle food poverty across the UK
- Partnered with Marcus Rashford MBE and charities supporting youth in the UK, USA and Asia
- Expanded creative arts scholarships, supporting underrepresented students

ENVIRONMENT

- Reduced our market-based emissions by 92% since 2016
- Currently source 93%^ of our electricity from renewable sources
- Reduced our scope 1 and 2 emissions by 84% compared to FY 2016/17 and reduced our scope 3 emissions from purchased goods and services by nearly 8,700 tonnes
- Launched ReBurberry Edit, a selection of key pieces from the Spring/Summer 2020 collection, crafted from the latest sustainable materials
- Launched dedicated in-store aftercare spaces and piloted Trench Refresh and Leather Restore services
- Launched ReBurberry Fabric programme with the British Fashion Council, donating more than 7,000 metres of leftover fabrics to fashion students across 33 schools

^ See page 65


BURBERRY

CHAIRMAN'S LETTER



"WE WILL CONTINUE TO BE GUIDED BY THE SAME COMMITMENT TO DOING WELL BY DOING RIGHT BY ALL OUR STAKEHOLDERS."

Dear Shareholder,

More than a year has passed since the beginning of the COVID-19 pandemic. Like the rest of the world, everyone at Burberry has experienced great upheaval as we have had to adapt to living and doing business differently. As the crisis continues to evolve, ensuring the safety of our colleagues and our customers while meeting the challenges presented by the global health emergency remains our top priority.

Over the past year, under the stewardship of Marco Gobbetti, we relied on our purpose, Creativity Opens Spaces, to guide us in completing the first phase of our brand transformation, whilst at the same time acting responsibly in everything we do.

Responding to COVID-19

To respond to the upheaval caused by the pandemic, we looked hard at our cost base, reducing investment in non-urgent areas whilst protecting our people and our business.

This allowed us to take the following actions:

- We maintained base pay for all employees who were unable to fulfil their roles because of store or site closures
- We did not rely on government employment support in the UK, home to more than a third of our global workforce
- Our senior leaders took a 20% pay cut from April through June 2020
- The Board of Directors also took a voluntary 20% reduction in their base salary and fees from April through June 2020, with the equivalent cash amount donated to The Burberry Foundation COVID-19 Community Fund. This fund was established in 2020 to allow our employees to support communities challenged by the pandemic through procuring and distributing PPE, helping food banks and healthcare charities around the world. Burberry also made direct donations to fund vaccine research and charities alleviating food poverty
- We repaid, early and with interest, the £300 million we secured in 2020 under the UK government sponsored COVID Corporate Financing Facility (CCFF) and committed to pay our UK business rates in full. We believed this was the right thing to do in the context of our improving trading and overall financial stability
- That stability was bolstered by our issuance in September 2020 of the luxury industry's first Sustainability Bond, which will help fund our drive towards more energy-efficient buildings and more sustainable raw materials and packaging over the next five years

Our values in action

In the past year, we helped address some immediate challenges faced by our communities. As well as donating food and PPE, Burberry also made a financial contribution to UNICEF's COVID-19 Vaccines Appeal.

In parallel, we continued to make progress on our Responsibility agenda, further reducing our environmental impacts and supporting our communities, in particular young people, as they explore their creative dreams.

Harnessing creativity, passion and a commitment to excellence, our colleagues adapted to new ways of working over the past year. This ensured that Burberry could continue to delight and inspire our customers with exciting new products and innovative experiences, despite the disrupted global context.

"HARNESSING CREATIVITY, PASSION AND A COMMITMENT TO EXCELLENCE, OUR COLLEAGUES ADAPTED TO NEW WAYS OF WORKING OVER THE PAST YEAR."

Channelling our heritage of exploration and discovery, with digital storytelling and innovative online customer service, we offered moments of escapism when our customers couldn't travel. We stayed connected by employing technology and used our online platforms to strengthen existing relationships and build new ones.

Dividend

With a view to protecting liquidity and sustaining investment in the long-term value of the Burberry brand, the Directors elected not to declare a final dividend for the year to 28 March 2020. However, in light of recovery in demand in key markets in Asia and North America, strong operating performance globally and exemplary cost control, the Directors are pleased to recommend a final dividend of 42.5p per ordinary share for FY 2020/21.

Challenges ahead

Looking ahead, beyond the uncertainty surrounding the continuing effects of the pandemic, challenges remain. As well as the potential impact of geopolitical tensions on trade, there are a number of operational issues to address resulting from the UK's withdrawal from the European Union and its Single Market. We are also concerned about the longer-term impact of the UK government's decision to end the Value Added Tax Retail Export Scheme (VAT RES), particularly once tourists return. Cancellation of the scheme, which allowed non-EU residents to reclaim VAT on items purchased in the UK, is likely to encourage international consumers to divert their spending to other key European shopping destinations, all of which continue to offer VAT refunds.

Board changes

On behalf of the Board, I would like to thank Jeremy Darroch, who retired from the Board in July 2020, for his service and wise counsel and wish him well in his future endeavours. It is my pleasure to welcome Antoine de Saint-Affrique, who joined the Board as an independent Non-Executive Director in January 2021. Antoine brings to our Board global experience in driving business expansion, innovation and sustainability, which will be invaluable to Burberry as we continue to progress our strategy.

I would especially like to thank Marco, the entire Burberry management team and our exceptional people everywhere for their energy, creativity and resilience during this extraordinary time. I am also very grateful to my fellow Board members for their unfaltering support and flexibility over the past year. Their wisdom and dedication continue to be an invaluable asset to our Company. Finally, on behalf of everyone at Burberry, I would like to thank our shareholders for their steadfast and continuing support.

As you will read in the following sections, our leadership, our people, our business and our brand are all in great shape to realise the full potential of Burberry in the coming years. We will continue to be guided by the same commitment to doing well by doing right by all our stakeholders that we have witnessed in the last year, and of which the Board and I are very proud.

Gerry Murphy
Chairman


BURBERRY

CHIEF EXECUTIVE OFFICER'S LETTER



"WE HAVE TRANSFORMED OUR BUSINESS AND BUILT A NEW BURBERRY, ANCHORED FIRMLY IN LUXURY."

Dear Shareholder,

Since last year's report, the COVID-19 pandemic has continued to impact livelihoods and industries globally, often to devastating effect. Yet, with each passing day, hope grows that brighter days are ahead thanks to the brilliance and dedication of members of the scientific and medical communities. I would like to extend my gratitude to them for their heroic efforts.

Having donated to University of Oxford's emergency vaccine research and UNICEF's COVID-19 Vaccines Appeal, the development and distribution of vaccines have special resonance for everyone at Burberry. We have witnessed first-hand the incredible feats that can be achieved when individuals and communities come together, united by a common goal.

In the last 12 months, our teams have faced the challenges posed by the global health crisis with similar energy and resolve, guided by our purpose. From manufacturing and donating PPE to healthcare professionals, to leveraging technology to inspire and excite our customers, time and again our people have shown the creativity to open spaces that defines Burberry.

Lockdowns and measures to curb the spread of the virus led to a significant decline in luxury spending in FY 2020/21. Despite reductions in operating hours and an average 18% of our global store network being closed in the year, we adapted swiftly to the circumstances and delivered a strong set of results, ending the financial year with good full-price sales growth.

FY 2020/21 performance

As a consequence, we delivered FY 2020/21 results that demonstrated our resilience and adaptability in responding to the COVID-19 pandemic:

- Revenue was £2.3 billion, down 11% at reported rates and 10% at constant exchange rates (CER) due to the impact of store closures and reduced tourism. After a very challenging first quarter, revenue performance showed a strong recovery in the second half of the year
- Adjusted operating profit was £396 million, down 8% at CER, due to the impact of the reduction in revenue, but partially offset by strong cost management
- Reported operating profit was £521 million, up 176% including income from adjusting items of £125 million, compared to charges of £244 million in the previous year. The adjusting items credits mainly related to partial reversals of the charges from the previous year and the benefit of short term rent rebates negotiated as a result of store closures
- Adjusted diluted earnings per share (EPS) was 67.3p, down 14% at CER
- Reported diluted EPS was 92.7p, up 211%

A new Burberry

Over the past three years, our goal has been to re-energise our brand, renew our product and elevate the customer experience, while maintaining broadly stable sales and adjusted operating margin. Even with the challenges presented by the pandemic, in this first phase we achieved our objectives. We have transformed our business and built a new Burberry, anchored firmly in luxury.

We have completely refreshed our brand image with strong, coherent codes. We have renewed all touchpoints, focusing on social-first and video-led content and creating unexpected, authentic and culturally relevant experiences. We have elevated our position in every market, amplifying our visibility through influencers and key opinion leaders, and increasing our share of editorial coverage in impactful titles.

With Riccardo Tisci, our Chief Creative Officer, we have elevated our ready-to-wear offer across runway and mainline and diversified our outerwear, transitioning to a higher share of technical and eco-fabrics. Importantly, we have built a genuine luxury fashion leather goods business, with a range of shapes that cater to different customers' preferences, and raised the bar in terms of quality.

"IN THIS NEXT CHAPTER, WE WILL LEVERAGE OUR UNIQUE BRAND EQUITY TO DELIVER SUSTAINABLE, HIGH-QUALITY GROWTH, WHILE CONTINUING TO BE A FORCE FOR GOOD IN THE WORLD."

We have also aligned our distribution to our new positioning. We have upgraded our stores' look and feel and introduced a new store concept. We have transformed the in-store experience and launched industry-leading digital innovations that embody our values of creativity and forward thinking.

As a result, we have attracted a new luxury customer with strength across key regions for luxury market growth.

Managing through COVID-19

The progress we made enabled us to adapt to COVID-19. In FY 2020/21, supported by the strong foundations we have built, we drove performance through new product and engaging communications, and shifting our focus to rebounding economies and digital channels.

We continued to inspire and excite customers with emotive campaigns and brand activations rooted in our heritage and history of adventure and exploration, and adopting a highly-localised approach in each market. We reimagined how we showcase our collections digitally and in doing so made the experience truly inclusive.

We delivered strong growth in our core categories, leather goods and outerwear. We also leveraged our digital capabilities to bridge online and offline, created a new paradigm with our Social Retail store in Shenzhen, and enabled our customers to book video appointments with our Sales Associates and browse products as if they were in store.

We built flexibility into budgets and resources so that as regions started to recover we were ready to capture opportunities where and when they arose. Consequently, our performance was strong in all rebounding luxury markets, including Mainland China and the USA. All our efforts were underpinned by financial discipline.

At the same time, inspired by Thomas Burberry, we focused on making a positive difference.

Throughout the year, we prioritised the health and wellbeing of our people. We implemented rigorous safety measures across all our sites, while providing resources to support our teams and flexibility, acknowledging many have additional caregiving responsibilities. We harnessed technology to stay connected and maintain a sense of community.

We made significant progress on our commitment to build a more diverse, equitable and inclusive organisation, rolling out our global Diversity and Inclusion strategy to attract and retain diverse talent, foster an open and inclusive culture and drive education and awareness. We became the first luxury company to partner with the Business Disability Forum, Investing in Ethnicity and the Stonewall Diversity Champions Programme, and we joined the Valuable 500. We continued our support for London Youth and The Prince's Trust Women Supporting Women initiative, providing resources and development opportunities for young women. Our commitment to gender equality was recognised by our inclusion in the 2021 Bloomberg Gender-Equality Index and a leading position in the final report from the Hampton-Alexander Review for women in leadership in the FTSE 100, for the third consecutive year.

In addition to PPE, through separate donations from The Burberry Foundation COVID-19 Community Fund and Burberry, we provided hundreds of thousands of meals and essential healthcare and social services to those in need. I am especially proud of our partnership with Marcus Rashford MBE and charities supporting young people from disadvantaged backgrounds in the UK, USA and Asia.

We also maintained our focus on driving positive change and building a more sustainable future through our Responsibility agenda. In particular, we made significant progress towards decarbonising our own operations, while continuing to work with suppliers to reduce our indirect carbon emissions. All our stores in Mainland China are now carbon neutral and we are on track in FY 2021/22 to use 100% renewable electricity and have a carbon neutral footprint across all our operations globally. As the Chairman mentioned, we issued our first-in-luxury Sustainability Bond to support our ambitions in the this space.

The next chapter

The luxury industry is still facing significant challenges due to the pandemic but there is growing confidence that it will return to 3-4% annual growth in the medium to long term as international travel flows start to recover from 2022 onwards.

Having successfully executed Burberry's transformation and established a strong foundation, we are well positioned to embark on growth and acceleration. In this next chapter, we will leverage our unique brand equity to deliver sustainable, high-quality growth, while continuing to be a force for good in the world.

Burberry is a unique, powerful brand, with deep roots that set us apart from our peers, grounded in our rich heritage and the principles of our founder Thomas Burberry. We want to be recognised by consumers for being a purposeful, values-driven brand, committed to doing the right thing; an authentic luxury outerwear pioneer, bringing a uniquely British perspective; a true luxury fashion house, with a relentless focus on quality and craft; and a beacon of creativity, imagination and innovation.

To achieve our objectives, we will build brand advocacy and community through distinctive and meaningful storytelling, formats and experiences that inspire and excite highly influential luxury consumers. We will focus on our core luxury categories, drawing on the strong offer we have built while maintaining our focus on our anchors of outerwear and leather goods. We will continue to enhance the way we connect with our customers to create a truly omnichannel luxury experience, while focusing on local consumers in our key markets. We will supercharge digital, maintaining our leadership and we will continue to focus on full price.

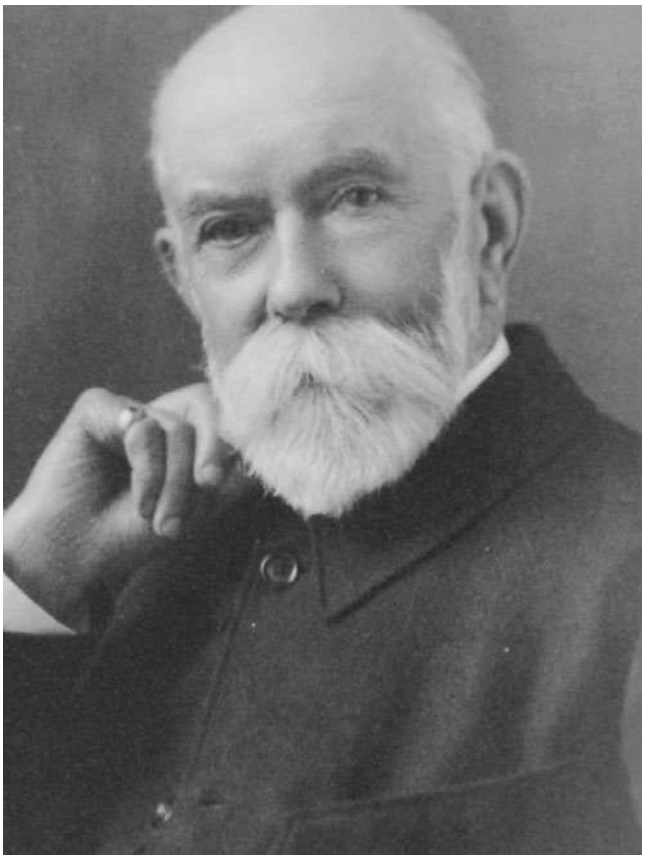
All the while, we will exert operational leverage, while also reinvesting in critical areas for future growth. We will enable the delivery of our strategy, including through an agile supply chain that delivers exceptional quality and service, consumer technology that allows us to enhance the customer experience, attracting and retaining diverse, world-class talent and maintaining operational efficiency.

Throughout, we will retain our focus on social and environmental responsibility. This is the purest expression of our purpose and values and we are committed to continuing to build not only a financially stronger Burberry but also a better company. We will create the conditions for creativity to thrive by championing diversity, equity and inclusion and supporting the wellbeing of our people. We will support our communities, in particular young people, providing more of them with the skills, confidence and opportunities to succeed. Lastly, we will create a more sustainable future for luxury by further reducing our environmental impacts and helping transform our industry.

I would like to thank our teams worldwide for their passion, energy and commitment. Being creatively driven, forward thinking, open and caring, and proud of our heritage are hallmarks of our organisation at its best and this year my colleagues demonstrated these values consistently. Having witnessed their resourcefulness and creativity first hand, I have every confidence that through their imagination, inventiveness and ingenuity, we will continue to push boundaries, open new opportunities and realise our vision for Burberry.

Marco Gobbetti
Chief Executive Officer

CREATIVITY OPENS SPACES



Thomas Burberry
Founder

At Burberry, we believe creativity opens spaces. Our purpose is to unlock the power of imagination to push boundaries and open new possibilities for our people, our customers and our communities.

This is the core belief that has guided Burberry since it was founded in 1856 and is central to how we operate as a company today. From outfitting polar explorers to enhancing the shopping experience through Augmented Reality (AR), our purpose underpins the choices we make at Burberry and informs our long-term goals.

Creativity Opens Spaces is a reference to Thomas Burberry's Open Spaces manifesto. Published posthumously around 1930, it set out our founder's vision for the brand. 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. It also recalled 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 traversed.

We have reinterpreted this phrase to speak to our desire to open new spaces and opportunities.

Our values

Our purpose is supported by four values, which are intrinsic to Burberry and express who we are when we are at our best. These values encapsulate what we expect from ourselves and each other.

CREATIVELY DRIVEN
- Finding beauty in every detail
- Putting passion and creativity in everything we do
- Committed to excellence
- Challenging the ordinary to pursue the extraordinary

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

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

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

BUSINESS MODEL

Burberry is a global luxury brand, headquartered in London. We make luxury clothing, leather goods, accessories, fragrance and beauty products that marry the finest craftsmanship and design with cutting-edge technology. Creativity has fuelled Burberry throughout our brand's 165-year history and our shared conviction in its power is central to how we operate as a company.

RESOURCES

People
Our people are the heartbeat of our organisation. Representing 115 nationalities across 33 countries, they enrich our brand with their diverse range of skills and experiences. We offer them space to express their creativity as well as opportunities to develop personally and professionally. We provide them with a range of tools and resources to help them thrive.

Customers
Our customers are critical to our success and we invest in our relationship with them to understand their needs and desires. We aim to inspire and excite our customers with luxury products that are beautifully designed and made to last. We strive to provide outstanding customer service and we place the highest importance on our customers' safety, welfare and respect, from their enjoyment of our products to their engagement with our brand.

Brand
Our brand is unique, grounded in our heritage and the principles of our founder Thomas Burberry. We want to be recognised for being purposeful and values-driven; committed to doing the right thing; an outerwear pioneer with a uniquely British perspective; a true luxury fashion house, with a relentless focus on quality and craft, and a beacon of creativity, imagination and innovation. We are protective of our brand and we safeguard Burberry's intellectual property (IP) across the world.

Financial
Burberry is listed on the London Stock Exchange and is a member of the FTSE 100 index. We invest appropriately in our business to generate growth, deliver shareholder value and ensure the long-term future of our brand.

Manufacturing
We manufacture our products at Burberry-owned sites as well as via a network of global suppliers. We weave gabardine at our mill in Keighley and make our iconic Heritage Trench Coats at our factory in Castleford, both in Yorkshire, UK. We own a centre of excellence for leather goods in Scandicci, Italy, covering all activities from prototyping to the coordination of production.

Stores
We serve our customers through a network of directly operated and franchised stores as well as online. We strive to provide a seamless omnichannel experience, aligned with our brand vision, and outstanding service that is tailored to meet our customers' needs and desires.

WHAT WE DO

Design
We design luxury goods that are beautifully made and built to stand the test of time. Our design, strategy, marketing and responsibility functions work together from the earliest stages of product development. Working collaboratively ensures our products remain relevant to our customers and true to Burberry's purpose. It also ensures sustainability remains front of mind.

Source
We source the finest materials to craft our luxury products. We work closely with our network of global suppliers to ensure our high standards are met, both in terms of quality and sustainability. We innovate to bring our brand vision to life to inspire and excite our customers, while reducing our impact on the environment.

Make
Our highly skilled craftspeople make our products at Burberry-owned manufacturing sites in the UK and Italy, as well as via a network of global suppliers, a large proportion of which are in Europe. We invest in quality, driving improvements throughout our supply chain, while focusing on reducing, reusing and recycling the waste we create. We continually look for innovative solutions to help us move towards a circular business model.

Sell
We sell our products through a network of directly operated and franchised stores, as well as via wholesale partners and online. For certain product categories, such as beauty and eyewear, we use the product and distribution expertise of licensing partners. Our creative, marketing and communications teams aim to inspire and excite our customers with distinctive and meaningful content and outstanding luxury experiences.

VALUE ADDED

Customers
We inspire and excite our customers with beautiful luxury products of the highest quality. We create opportunities for them to engage with the Burberry community through meaningful experiences, online and offline.

People
We provide opportunities for our people to develop personally and professionally so they can enjoy rewarding careers with us. We foster a culture where everyone feels they belong, has a voice and can reach their full potential.

Communities
Helping others, giving back and driving positive change are central to our culture. We contribute to local economies where we operate and support the communities around us through direct partnerships and with organisations making a positive impact.

Shareholders
Our framework for long-term value creation centres around three major pillars: revenue growth, operating margin accretion and capital efficiency. As the business fulfils its potential, our shareholders benefit from return on investment and long-term shareholder value.

The Environment
We are committed to driving positive change and achieving sustainable growth by being a force for good. We actively work to reduce our environmental footprint and at the same time seek to transform our industry by pushing boundaries, setting leading standards and pioneering innovative solutions to create real system change.

INVESTMENT CASE

Our vision is to be the leading British luxury brand, delivering sustainable, high-quality growth and value for our stakeholders and communities.

STRATEGY[1]

1. COMMUNICATIONS
We will inspire customers and strengthen the emotional connection with purposeful, authentic luxury storytelling, while leveraging our strong network of communities and influencers to amplify our brand.

2. PRODUCT
We will leverage the strong luxury offer we have built, maintaining focus and innovation around our anchors of outerwear and leather goods. We will further elevate our ready-to-wear collections by developing a strong position in everyday luxury pieces.

3. DIRECT TO CONSUMER
We will continue to transform our direct-to-consumer channels to create a luxury, truly omnichannel experience that will both attract customers to the brand and ensure their ongoing engagement with us.

ENABLERS

- Agile supply chain
- Secure, integrated and consumer-led technology
- World-class talent
- Operational efficiency

ESG

We are committed to continuing to build not only a financially stronger Burberry but also a better company. We will fuel the creativity of our people by championing diversity, equality and inclusion, and supporting their wellbeing. We will empower young people in our communities, providing more of them with the skills, confidence and opportunities to succeed. We will create a more sustainable future for luxury by further reducing our environmental impacts and helping transform our industry.

Read about ESG on pages 60 to 91, our Sustainability Bond on 92 to 93 and visit Burberryplc.com for more information.

1. Read more about our strategy on pages 24 to 43.

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

REVENUE GROWTH

Burberry operates in the luxury goods sector, where industry growth tends to deliver ahead of overall annual global Gross Domestic Product (GDP) growth. Our ambition, in the medium term, is to drive towards high single-digit top-line growth (from FY 2019/20 base at constant currency), driven by over performance of full-price sales. Revenue growth will be enabled by our strategy, leveraging the strong product offer we have established over the past few years, maintaining our focus on outerwear and leather goods and accelerating and strengthening our position in all key markets.

ADJUSTED OPERATING PROFIT MARGIN ACCRETION

Burberry generated an adjusted operating profit margin of 16.9%, an increase of 50bps from FY 2019/20. In the medium term, our ambition is to deliver meaningful adjusted operating profit margin improvements (at constant currency). There are two significant factors underpinning our ambition:

Operating leverage

Leverage the fixed and semi-fixed cost components of our operating expenses.

Cost-efficiency programmes

Our current cost-saving programmes have delivered £185 million annualised cost savings in FY 2020/21. This was achieved by driving simplification and efficiency throughout 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 the use of cash, while maintaining an appropriate capital structure for the business. This is set out in further detail on page 55. Our uses of cash are summarised below.

Reinvest

Reinvest for organic growth.

Dividend

Pay a progressive dividend.

Strategic investment

Invest in strategic initiatives.

Capital returned

Return excess cash to shareholders.

Underpinned by retaining a solid investment grade credit rating.

LUXURY MARKET ENVIRONMENT

FY 2020/21 was an unusual year as the COVID-19 pandemic continued to have a significant impact on the market for personal luxury goods.

The luxury sector

In 2020, the personal luxury market decreased for the first time in more than 10 years (-23% year on year compared to +4% in 2019, with a total market size of €217 billion).[1] The crisis had a significant impact on profits, with an estimated 60% year-on-year decline in Earnings Before Interest and Taxes (EBIT)[1] for the personal luxury market as a whole.

In this environment, performance polarised further between strong luxury brands, which have been recovering more quickly, and premium brands. Regional performances have varied significantly with staggered recoveries across markets influenced by national lockdowns, economic recovery policies and consumer confidence. This has amplified the need for brands to adapt and pivot quickly, so they can shift resources across regions and encourage innovation to engage local consumers shopping domestically.

Luxury geographies

Asia

Despite initial decline in the early months of 2020, the industry in Mainland China rebounded with +45% year-on-year growth (compared to +26% in 2019).[1] It was the only market that registered growth in 2020. The recovery was supported by a robust local economy and strong consumption across channels, categories, price points and generations. Global travel restrictions meant that Mainland China saw a repatriation of spend, which accelerated domestic growth throughout the year. However, overall sales to Chinese luxury customers globally declined in 2020, as the increase in domestic purchases did not fully offset the decline in tourist spend abroad. Hong Kong S.A.R. and Macau S.A.R. were the worst performing geographies globally.

In the rest of Asia, sales declined by double digits in 2020. South Korea showed good resilience and strong appetite for luxury consumption, while consumers in Japan withheld spending as a result of the crisis, focusing on timeless, long-term investment pieces when purchasing luxury goods.

Americas

In the Americas, the personal luxury market contracted in 2020 in line with global trends at -27% year on year.[1] Despite local lockdowns and political uncertainty, there were positive signs of a restart in the second half of 2020 following government stimulus packages, with consumption moving from city centres and megacities to second-tier cities and suburban areas. Reduced footfall due to COVID-19 has taken its toll on department stores in the USA, with several players announcing bankruptcies.

Europe and the Middle East

In 2020, Europe was the region most severely impacted by the COVID-19 crisis in terms of luxury goods sales, registering a decline of 36% year on year, compared to 1% growth in 2019.[1] Even if local consumption in the region was resilient, driven by affluent areas and a significant shift towards online purchases, lack of tourism had a significant impact on overall regional performance. Looking ahead, recovery in this region is expected to be prolonged and uneven. Luxury goods sales in the Middle East was less impacted by the COVID-19 pandemic, due to a shorter lockdown and repatriation of spend.

1. Source: Bain Altagamma 2020

Products

Apparel

The apparel category decreased by 30% year on year in 2020 across the industry (compared to 1% growth in 2019)[1], with menswear and womenswear experiencing the same levels of decline. Apparel was the category hardest hit by the impact of the COVID-19 pandemic. Mirroring consumers' at-home lockdown lifestyles, formal apparel registered the biggest decline, while the leisurewear and streetwear categories were more resilient.

Leather goods

Despite its negative sales performance (-18% year on year for the industry, compared to 7% growth in 2019)[1], the leather goods category drove the luxury rebound with entry-level items, such as wallets and smaller bags, as well as iconic pieces. The rebound was supported by customers shopping online and high-spending customers, particularly in Asia, investing in iconic pieces.

Shoes and jewellery

The footwear market also contracted in 2020 at -12% year on year (compared to +9% in 2019)[1]. Customers shied away from formal and classic styles, while casual shoes and sneakers performed slightly better. Lifestyle changes saw sneakers driving the market uptick in the second half of 2020.

The jewellery sector also experienced a relatively small contraction compared to the overall market, with a 15% decline year on year (compared to 9% growth in 2019)[1]. This was largely due to sustained growth in Asia, mainly in China, and an acceleration in online purchases. High-end jewellery and iconic pieces at entry prices have been driving the recovery for this category.

Channels

Retail

Retail channels were severely affected in 2020, driven by emporary store closures, and, as a result, contracted by 23% year on year.[1] Mono-brand stores contracted by 22%, in line with the overall market, as online sales and omnichannel purchase journeys grew in share and value. Among other retail channels, travel retail was hit hardest (-70% year on year). Meanwhile, outlets contracted by 15% year on year, while marginally increasing their channel share.

Wholesale

With digital being more prominent in FY 2020/21 and in-store footfall declining as a result of store closures, direct-to-consumer channels are becoming increasingly relevant. As a result, wholesale channels saw the hardest contraction in 2020 at -40% year on year and experienced strong polarisation.

Digital

Online channels grew by 50% in 2020 (compared to 22% growth in 2019),[1] reaching a channel share of 23%, which was double that of 2019. Sales growth was particularly significant on brands' own websites, increasing by 80% in 2020. The online sales spike was particularly prominent in China, where growth was one-and-a-half times greater than the average global online market increase, followed by Europe and the USA. In terms of product categories, accessories, shoes and beauty represented the lion's share of growth, driven by the convenience of purchasing these products online. In this environment, as online influence and digitally enabled purchases grow in share and value, bridging online and offline is key, making omnichannel a key priority for luxury players.

Key themes

While the COVID-19 pandemic severely disrupted and hampered luxury market growth, it also accelerated four key trends, which are reshaping the industry and likely to remain influential beyond the pandemic.

1. China

Local Chinese consumer sentiment remained strong due to the country's swift rebound following the virus outbreak. China remains on path towards becoming the biggest luxury market by 2025, with an estimated 26-28% global share (versus 20% in 2020). It is expected that Chinese luxury consumers will account for just below 50% of the total market by 2025. While international tourist flows are not expected to recover to pre-COVID-19 levels before 2022, further expansion of domestic store networks is expected in Tier 1 and Tier 2 cities, as well as in domestic travel destinations and duty-free locations.

2. Digital and omnichannel journeys

The global health emergency changed customer habits, accelerating the growth of online sales. As a result, the share of digital sales within the luxury market is expected to reach up to 30% by 2025 (compared to 12% in 2019).[1] Even as stores reopen, online will remain a key channel for convenience and efficiency, with consumers pushing brands to innovate and leverage growth opportunities in this channel. As online touchpoints influenced more than 85% of consumer purchase journeys in 2020 (compared to 75% in 2019), and omnichannel journeys are growing in share and value, seamless integration between online and offline channels is a key priority for brands.

Despite the acceleration of digital, offline retail will remain integral to the luxury journey. Customers will expect stores to be experience driven, to incorporate a sense of community, and to offer opportunities to strengthen consumers' emotional connections with brands.

3. Consumer

Prior to the pandemic, millennials and Gen Z, the youngest customers, were already expected to lead growth for luxury. In light of COVID-19, these demographics have become even more influential as they have led the recovery to date. Millennials and Gen Z show a higher level of resilience, continuing to make luxury purchases despite economic uncertainty. Customers from older generations are more cautious and considered with their spending. As their spending power increases in the coming years, and with their ability to influence older generations, young customers are now expected to drive 180% of growth between 2019 and 2025, and to reach a 65-70% share of the luxury market by 2025. These consumers will continue to shape the themes for luxury as they value brands with a clear viewpoint, which are able to communicate with them in an authentic and meaningful way. It is paramount for luxury brands to articulate their brand message and establish a dialogue to attract, excite and retain this demographic.

In 2020, leather goods proved to be the most resilient luxury category, driven by both entry-price items and more expensive iconic pieces. While high-spending customers continued to shop during the pandemic, they focused on investing in classic items from brands famous for that particular style or product.

Changes in lifestyle during the pandemic accelerated the trend toward casualisation, with customers over-indexing on loungewear and sneakers. These categories are expected to drive growth in FY 2021/22.

There is a heightened importance for brands to secure their supply chain and improve agility, to establish deeper partnerships and optimise product flows to track inventory, adapt supply and optimise assortment.

1. Source: Bain Altagamma 2020
2. Source: McKinsey, March 2021

4. ESG

Sustainability will remain an important factor in customers' purchasing decisions after the pandemic, with transparency, fair labour practices and use of natural and organic materials as key focus points. The Black Lives Matter movement gaining greater awareness following protests in June 2020, combined with the pandemic, have intensified the significance of social issues in influencing consumers' brand choices when buying luxury goods. This is particularly relevant for younger consumers, who expect brands to have a clear social agenda that includes both external activities and internal diversity and inclusion best practices, and to embed these in their brand marketing.

Market outlook

Although a return to pre-COVID-19 levels is not expected in 2021, the industry anticipates double-digit year-on-year growth in 2021 (+23%), albeit from a low base. Recoveries will be partial and varied by region, with China, digital retail and young customers key engines for market recovery and future growth. Travel flows are also expected to partially recover in 2021, to circa 40% of pre-COVID-19 levels, with a more significant recovery expected from 2022.[2]

While the pandemic is still ongoing and will continue to affect the luxury market in the short term, in the longer term the luxury market is expected to return to healthy levels of growth (3-4% Compound Annual Growth Rate (CAGR), 2019-2025). Chinese, digital and young customers will be the key drivers of this growth, with millennials and Gen Z continuing to set the agenda for luxury.

STRATEGY

In the last three years, we have transformed our business and built a new Burberry, anchored firmly in luxury. We have revitalised our brand image, renewed our product offer and elevated our customer experience, while making further progress on our ambitious social and environmental agenda. In spite of COVID-19, we completed our objectives for the period and delivered a strong set of results in FY 2020/21.

Strategic progress in FY 2020/21

FY 2020/21 was the third year of our journey to transform Burberry and firmly establish our position in luxury. Over the first two years, we set the foundation for our transformation by re-energising the brand and evolving our communication, renewing our product offer, and aligning our distribution to our strategic positioning, while maintaining sales and adjusted operating margin broadly stable throughout the transition period. While FY 2020/21 has been an unusual year due to COVID-19, the foundations we built in the first two years enabled us to continue making progress and to deliver strong results, as demonstrated by our growth and momentum in full-price sales, and traction with core product categories. The pandemic has had a significant impact on the global economy and our network, resulting in an average of 18% of our stores being closed in the year. Despite these challenges, we continued to drive the business through new product launches and inspiring communications, and shifted our focus to rebounding economies and digital channels. Our actions were underpinned by the resilience and engagement of our teams, who adapted swiftly during the year.

Read more about some of the achievements in the year:

Social Retail in Shenzhen, China	See pages 28 to 31
A digital experience	See pages 32 to 35
The Trench Coat	See page 38
Bolstering leather goods	See page 40
Helping to shape the future	See page 43

Our journey

These actions prepared our business to capitalise on opportunities as they arose across different geographies. We had a strong set of initiatives in place to continue to excite and inspire our customers and maintain brand heat, which has remained strong.



FY 2017/18 – FY 2019/20
Building the foundation

- Reposition to luxury
- Establish new product offer
- Reset distribution
- Maintain stable revenue and profit



FY 2019/20 – FY 2020/21
Strengthen foundation

- Further progress and resilient performance despite COVID-19 pandemic
- Improved full-price sales
- Average Unit Retail (AUR) increase
- Growth in leather goods and outerwear



FY 2021/22 AND BEYOND
Growth acceleration

- Accelerate revenue growth
- Expand margins
- Deliver positive change

Product

We have made good strategic progress in developing and enhancing our product strategy while managing our product flows. Despite the COVID-19 pandemic, we continued to record excellent traction with our new collections during FY 2020/21.

Our new collections have resonated strongly with consumers, supporting double-digit growth in full-price sales to both new and repeat customers. Within full price, our strategic pillars, leather goods and outerwear, have returned to growth and delivered mid and high single-digit growth for FY 2020/21, respectively. Strong performance in leather goods has been supported by our new established shapes, including the Pocket Bag, which was the focus of our first bag campaign and programme of leather goods activations and pop-ups earlier in the year, and the Olympia, our newest distinctive shape. Across outerwear, we have focused on elevating and diversifying our offer, transitioning to a higher share of technical and eco-fabrics. By successfully driving the performance of our strategic pillars, we have also shifted our AUR, delivering high single-digit growth compared to FY 2019/20, further demonstrating the strength of our brand.

Despite some disruptions in our supply chain due to COVID-19, which resulted in higher operational complexity, we succeeded in managing our inventory, delivering our product, transporting inventory between markets and effectively managing order fulfilment.

Brand

We continued to invest in brand heat and visibility, adapting our plans to respond to the challenges imposed by local lockdowns. We identified innovative ways to create content and deliver our campaigns, in many cases digitally. For the Thomas Burberry Summer Monogram capsule, we leveraged our digital expertise to create our first computer-generated campaign. This also featured self-portraits captured at home by Kendall Jenner, ensuring no travel needed to take place. In July 2020, we introduced our Spring/Summer 2021 pre-collection lookbook, a celebration of our Burberry community. Instead of professional models, London-based Burberry employees were shot in looks from the collection outside their homes. In December 2020, we unveiled our mural dedicated to Burberry Ambassador Marcus Rashford MBE in Manchester.

Throughout the year, we maintained an engaging calendar and drumbeat of brand activations across the globe. We continued to see strong brand traction, with positive engagement rate results across our social media platforms, particularly in China, and attracted a sizeable share of new and younger customers to our brand.

Localised plans

Over FY 2020/21, markets rebounded at different paces. As a result, we focused on a localised customer-centric approach for each region, capturing recovery opportunities as they arose and shifting resources, such as product and budget, as required. In terms of brand activity, we continued to root our communications in strong coherent codes, signalling our luxury positioning through emotive campaigns and brand activations, and adopting a highly localised approach in every market.

In China, where luxury demand rebounded quickly, we focused on dedicated content, engaging customers through physical and digital activations. This included the launch of our Social Retail store in Shenzhen and a pop-up series focused on key product categories. We also launched our first bespoke campaign film for the Lunar New Year in January 2021, which had an exceptional response from local consumers and increased the number of new fans to our WeChat page in a single month by circa 15 times compared to our 2020 monthly average. In Korea, we tapped into regional consumer passion points by collaborating with local taste makers and drove engagement with consumers offline through pop-ups and elevated in-store installations.

In the Americas we focused on generating brand heat and visibility through the delivery of locally relevant content, including styling key cultural influencers, such as Beyoncé and Billie Eilish. This localised approach enabled us to drive recovery effectively and resulted in double-digit growth in full-price sales in recovering economies such as Mainland China, Korea and the USA.

Digital

We relied upon digital innovation to mitigate the impact of reduced traffic in our store networks during localised lockdowns. This approach drove a strong double-digit increase in full-price digital sales, and doubled turnover on Burberry.com. Our teams acted quickly to ensure we continued to deliver luxury experiences for our customers. In a matter of weeks, Burberry.com was upgraded to include an in-store appointments booking feature, as well as online shopping assistance. A new functionality allowing our UK- and USA-based customers to book video appointments with our Sales Associates and browse products as if they were in store was also added. Amplifying our appointment strategy has already proven to be a commercial success.

We have continued to add layers of digital discovery for our customers. Read more about this on pages 32 to 35.

Distribution

We continued to elevate the brand experience across our full-price channels and strategically leveraged digital to support both offline and online sales. Within Mainline, despite significant store closures during the year, our physical network remains a critical channel. As such, in FY 2020/21, we continued to invest in stores and counted 17 new openings. We also completed 21 refurbishments, bringing the cumulative number of refurbished stores to 85.

Enablers

Our performance has been underpinned by strong cost and cash discipline, and we have taken swift mitigating actions to contain costs and protect our financial position. In terms of liquidity, we diversified our borrowings into longer-term financing, with the issuance of our first Sustainability Bond in September 2020. The liquidity provided by the bond has been supported by cost savings of Opex reductions this year, ahead of our original guidance. Read more about our capital allocation framework on page 55 and Financial Review on pages 48 to 54. Finally, we continue to place a strong focus on our People and Responsibility agendas, making good progress on our commitments. Read more about ESG on pages 60 to 91.

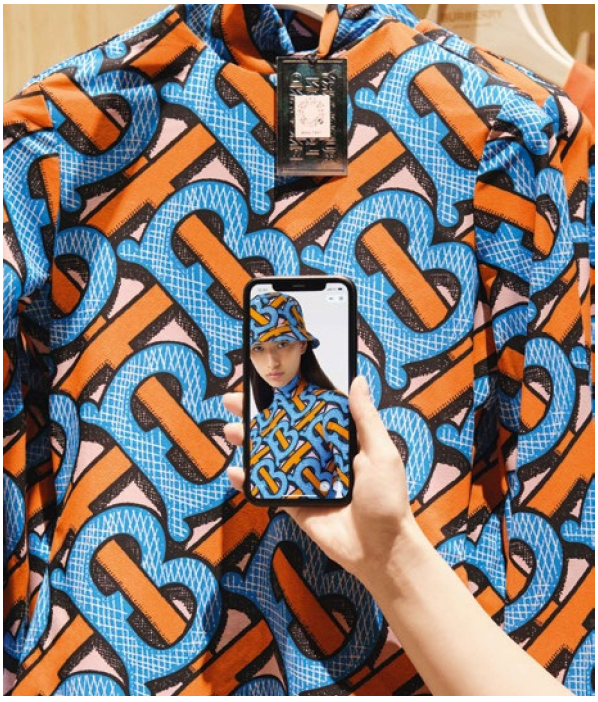
Our strong foundations and the efforts of the last year have enabled us to make further progress in our strategy and deliver a resilient performance in FY 2020/21, despite the COVID-19 pandemic. As a result we are now successfully through the transformation with:

- A strong product offer, with leather and outerwear categories back to growth, supported by year-on-year growth in AUR across mainline and digital
- A new young fashion-forward luxury customer, which is a result of increased brand traction evident particularly on social media

OPENING NEW SPACES: SOCIAL RETAIL IN SHENZHEN, CHINA

A new luxury shopping experience that blends the social and physical worlds.

In July 2020, we set a new paradigm for luxury shopping with the opening of our first Social Retail store in Shenzhen, China. Created in collaboration with Chinese technology giant Tencent, the space takes moments from social media and embeds them into the in-store journey to create a new, digitally-immersive retail experience. At once celebrating our heritage of exploration and our forward-thinking approach, the store is a place of discovery, designed to inspire and entertain our customers, where they can interact with our brand and product in new and exciting ways.



The 5,800-square-foot store is made up of a series of spaces for customers to explore. Each has its own concept and personality and offers and unique, interactive experience. Through a dedicated WeChat mini-programme, customers can unlock exclusive content and personalised experiences and share them with their communities.

Thomas Burberry was an inventor and a dreamer. The social retail store reflects Burberry's pioneering history of firsts, and our ambition to continue to push boundaries through innovation and creativity. It is a unique space to test and learn, and to trial innovation that we are expanding to the rest of the Burberry network.

WeChat mini-programme

The dedicated WeChat mini-programme acts as a bespoke digital companion, encouraging visitors to interact with the space and share their experiences online. The more a customer engages with the physical space through the mini-programme, the richer their experience becomes. For example, customers can unlock exclusive content and access features such as store tours and a scanner to read Quick Response (QR) codes on product swing tags. Scanning a QR code unlocks additional content and storytelling. Spaces dedicated to particular product categories also have their own QR codes. By scanning these codes, content is streamed to digital screens, further enhancing the in-store experience.

The WeChat mini-programme also provides a platform for client services, including appointment bookings, events and table reservations at Thomas's Cafe, our in-store restaurant and community space.








Social currency

Within the mini-programme, customers can earn rewards through the Burberry social currency feature, unlocking exclusive content and personalised experiences. Each customer is given a playful animal character that evolves as they engage in store and online, with new characters and outfits to discover. Some examples of these characters can be seen above. Rewards range from exclusive café menu items at Thomas's Cafe to mini-programme content.

Immersive experience

The store, which is fronted by an interactive digital window, comprises 10 rooms decorated in hues of beige, pistachio, pink and blue. Within these, there are areas that celebrate the Burberry house codes, including the Trench Coat, the Thomas Burberry Monogram, Nature and the Burberry Animal Kingdom. The Trench Experience is an exclusive space, which customers can unlock as they build their social currency. An homage to Thomas Burberry's vision, the room is a digitally immersive journey through nature, bringing Burberry's heritage of exploration to life and creating unique and personal content for the customer to share on social media.

Thomas's Cafe

Named after Thomas Burberry, Thomas's Cafe is a dedicated space for the Burberry community. The interior of the café takes inspiration from the creative codes introduced by Riccardo Tisci, including high-gloss tones of beige, layered curtains and chamfered mirroring. Animals are also referenced throughout and can be seen in prints on the wall, as well as in the bespoke tableware. The café menu celebrates English and Chinese tea culture with playful and modern fusion elements. The menu also evolves as customers engage with the WeChat mini-programme and their social currency advances, unlocking new items. Designed as a dynamic space, it can be repurposed into a community space for activities, including talks, workshops, exhibitions and live performances.



A digital experience

Digital innovation is a cornerstone of our strategy and our ambition is to remain the digital pioneer in luxury, building on our robust foundations and credentials in this area. It was our strong digital infrastructure that enabled us to continue to generate excitement around our new collections despite the challenges imposed by the COVID-19 pandemic. In order to safeguard our people and our communities, we transformed our shows and presentations into digital events and enhanced the online Burberry retail experience. In doing so, we brought our brand to audiences all over the world.

Shopping online

Digital continued to be a driver of growth during the year, with lockdowns and COVID-19 restrictions accelerating the shift online. As well as increasingly being the first step in our customers' inspiration journey, Burberry.com offered a virtual shopping experience for customers unable to visit stores shut temporarily due to the pandemic.

We provided the same exemplary service that is a hallmark of shopping in our stores through virtual conversations with our Sales Associates, who were on hand to assist with styling and sizing advice. We also enhanced Burberry.com with engagement-building tools, including virtual events and exclusive digital content, and we increased personalisation.

To create a bespoke experience, we invited customers to connect with a local Burberry Sales Associate via a chat function. By doing so, the Sales Associate could share photographs of a specific product or pair pieces to demonstrate styling options. Shoppers could also schedule video calls with Sales Associates, who could take them through collections in a way that was tailored to their needs.

In some regions, we also employed AR tools to enable customers to picture Burberry products in their own environment. Not only was this a practical solution when visiting a store was not a possibility, but it also offered an additional dimension to the inspiration element of the customer journey.

The Burberry World area on Burberry.com provides visitors with background information on our products, our purpose and our approach to the environment and social responsibility. Content highlights this year included A New Awakening, a short film directed by Derek Tsang, to mark Chinese New Year, and images of the mural series created as part of the Burberry Supports Youth initiative, which showcases next-generation artists in Manchester, England, and Chengdu, China.

Virtual events

To bring the physical shopping experience to our customers wherever was convenient to them, in FY 2020/21, we focused on virtual event formats. These included invitations to customers to participate in virtual product launches and styling sessions. In the third quarter of FY 2020/21, our digital pop-ups and local activations on Burberry.com helped drive high double-digit full-price growth in the channel and we saw triple-digit full-price growth in Mainland China in the period.





Digital runway shows

Our ambition is to inspire and excite highly influential luxury consumers, fostering a strong Burberry community. When the COVID-19 pandemic made it impossible to host runway shows in person, we harnessed our creativity to reinvent this key inspiration moment. We pushed boundaries to create online experiences that gave front row seats to the Burberry community around the world.

Spring/Summer 2021 womenswear show

For our Spring Summer 2021 collection, In Bloom, we teamed up with influential livestreaming platforms to broadcast the show online and reach a wide audience.

We invited internationally acclaimed artist Anne Imhof to collaborate on the show experience, creating a unique event set in a forest that played with rules and rebellion. The collection's inspiration was a modern mythology, a contemporary fairy tale in the deep ocean, a love story blooming between a mermaid and a shark, darkly romantic and unexpected. Like waves crashing uncontrolled against the shore, the performance featured bodies, ebbing and flowing, models and performers as one. Artist and musician Eliza Douglas provided a unique real-time soundtrack, further exploring the boundaries between art, fashion and live performance.

In China, the show was featured on Tmall as part of Alibaba's Super Brand Day. In advance of the event, our branded activity on Tmall included a livestream with a brand ambassador and broadcasting video collaborations with dancers from the hit show "Street Dance of China". In the three days before the show, our on-site activity gained over 20 million comments, likes and shares. On the day, the show was watched live by 28 million viewers on the platform, while Burberry's Tmall store saw a record high in daily transaction volume.

In the rest of the world, we became the first luxury brand to partner with the livestreaming platform Twitch. Erykah Badu, Rosalía, Steve Lacy and Bella Hadid started the event with a pre-show conversation. During the show, we used Twitch's Squad Stream function to enable our virtual guests to view the collection from multiple perspectives and share their impressions via the chat function in real time.

Autumn/Winter 2021 menswear presentation

For our Autumn/Winter 2021 collection, Escapes, we streamed the presentation from our Regent Street store.

Riccardo Tisci's first Burberry collection focused on menswear, the presentation celebrated the relationship between humanity and nature, and referenced Burberry's heritage of exploration.

The store was reconfigured as a meandering terrain. Models followed different paths, reflecting the myriad of directions creativity and exploration can take.

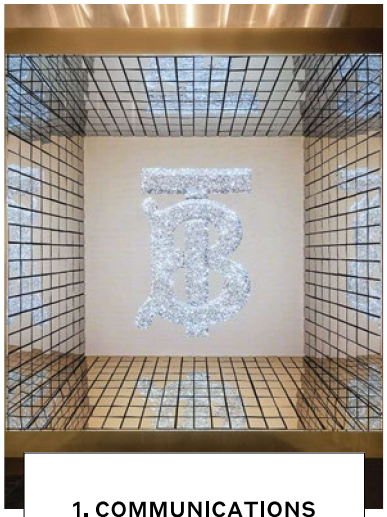
Video camera operators offered alternative perspectives on each of the looks, from detailed closeups to wide-angle views. We shared the presentation online and afterwards posted images of the collection on Burberry.com. In doing so, we replicated the sense of intimacy that a presentation creates for a wide audience and built a sense of community among viewers who could share their reactions to looks via chat functions.

STRATEGY OUTLOOK

Having successfully executed Burberry's transformation and established a strong foundation, in this next chapter, we will leverage our unique brand to deliver sustainable, high-quality growth, while continuing to be a force for good in the world.

To achieve our objectives, we will build brand advocacy and community through distinctive and meaningful storytelling, formats and experiences that inspire and excite highly influential luxury consumers. We will focus on our core categories, drawing on the strong offer we have built while maintaining our focus on our anchors of outerwear and leather goods. We will continue to enhance the way we connect with our customers to create a truly omnichannel luxury experience, while focusing on local consumers in our key markets. We will supercharge digital, maintaining our leadership and we will continue to focus on full price.

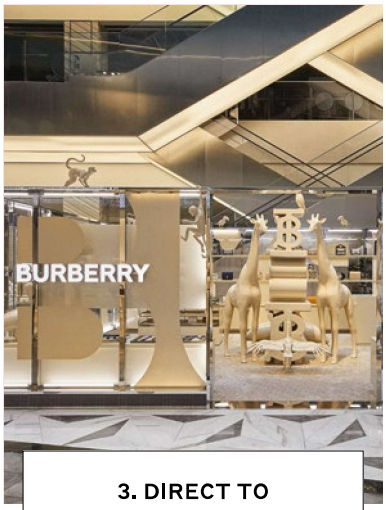
Plans in place to drive performance



1. COMMUNICATIONS



2. PRODUCT



3. DIRECT TO CONSUMER

ENABLERS

- Agile supply chain
- Secure, integrated and consumer-led technology
- World-class talent
- Operational efficiency

1. Communications

Now more than ever, consumers, particularly younger ones, are seeking emotional connections with brands. Our ambition is to excite and inspire the Fashion Vanguard, fostering a strong Burberry community. We will strengthen the emotional connection with purposeful, authentic luxury storytelling, while leveraging our strong network of communities and influencers to amplify our brand. Above all, we will maintain a firm focus on our purpose in order to differentiate Burberry from its peers.

2. Product

Our vision is to leverage the strong luxury offer we have built over the past few years, maintaining focus and innovation around our anchors of outerwear and leather goods. Within leather goods, having transformed our women's architecture, we will continue to deliver newness and relevance while establishing key shapes within the men's offer. In outerwear, we will build desire through fabric innovation as well as elevation of product. We will further elevate our ready-to-wear collections by developing a strong position in everyday luxury pieces. Additionally, we will increase our focus on shoes, which is a strong category for customer recruitment.

3. Direct to consumer

In the last three years we have elevated our store network so that it is aligned to our luxury positioning. In this phase we will continue to transform our direct-to-consumer channels to create a luxury truly omnichannel experience that will both attract customers to the brand and ensure their ongoing engagement with us. In the next phase we will focus on five key actions:

1. Rolling out our new store concept
2. Focusing on local customers
3. Accelerating store performance
4. Taking a lead in omnichannel, building on our pioneering Social Retail concept
5. Supercharge digital sales

Enablers

Successful delivery of these plans will be underpinned by strong operational and people enablers:

- An agile supply chain that delivers exceptional quality and service
- Investments in consumer-led technology to enhance the customer experience
- Attracting and retaining a diverse world-class team, fostering a strong culture of inclusion and belonging
- Driving operational efficiency

Driving positive change

Throughout our plans, our focus on ESG topics will remain core. Drawing on our heritage of exploration and discovery, we will push boundaries, set leading standards and pioneer innovative solutions to create real system change. This is the purest expression of our purpose and values and we are committed to building not only a financially stronger Burberry but also a better company. Today our customers, people, communities and investors rightly expect more. Building on the progress we have made so far, we will be accelerating our investment in ESG-related initiatives and raising our ambitions by:

- Creating the conditions for creativity to thrive by championing diversity and inclusion and ensuring the wellbeing of our people
- Supporting our communities, particularly young people, by providing them with the skills, confidence and opportunities to succeed
- Creating a more sustainable future for luxury by reducing our environmental impacts and helping transform our industry

We believe that by fostering the creativity that has driven our brand since its inception, we will deliver sustainable high-quality growth and value for our stakeholders and communities. Our plan will deliver significant value creation in three ways:

- Revenue acceleration, with high single-digit growth in the medium term, from a FY 2019/20 base, driven by out-performance of full-price sales
- Meaningful margin expansion, while investing in growth and significant free cash generation
- Positive change for our people, our communities and the environment

The Burberry Trench Coat

With over 100 years of history, the Burberry Trench Coat is a global fashion icon. Its fabric speaks to our heritage of technical innovation and its design to timelessness, while its seasonal adaptations reflect the spirit of the moment and Burberry's enduring relevance. It remains at the core of the brand and we continue to reinterpret it with fresh iterations.

Quintessentially British, the Burberry Trench Coat epitomises the seamless fusion of form and function. Lightweight gabardine, which was invented by Thomas Burberry in 1879, is pliant and comfortable to wear, while providing protection from the elements. Aspects of the Trench Coat's design reflect its history. During the First World War, for instance, its epaulettes were used to display an officer's rank, and its belt's metal D-rings served as a place to attach equipment. These features are still part of our Heritage Trench Coat.

Every Trench Coat produced by Burberry in Castleford, Yorkshire, is rich with stories, with its design telling tales of our heritage of exploration and technical innovation. The knowledge and skill of our craftspeople are woven into every finished piece, too. It takes one year for our specialist tailors to master the stitching of the Trench Coat's collar. The most intricate part of the coat's construction, more than 180 stitches are sewn by hand to create a fluid curve to ensure the collar sits perfectly on the neck.

The lining of our heritage Trench Coat features the Burberry Check trade mark. It was first used to line our raincoats in the 1920s, but it was the 1960s that saw it become the unmistakable Burberry signature we know today. The Burberry Check remains our iconic house code with a new vision for the future, elevated, reworked and reconstructed throughout our collections. No matter the incarnation, it will always be emblematic of our history, our craftsmanship and enduring British style.

Burberry Trench Coats go on to live their own lives once in the hands of our customers and participate in myriad adventures. We offer Trench Coat reproofing and repair services to reflect our customers' attachment to their unique pieces of living fashion history and our commitment to sustainability.

While instantly recognisable, every Burberry Trench Coat has a personality all of its own, too. Our customers incorporate their flair into how they style their pieces, while our Trench Bespoke service takes personalisation to the next level. Available at our London flagship store, using innovative customisation tools, our customers can adapt our iconic silhouettes with a choice of motifs and details, including monograms and vintage Burberry Check linings.

At once timeless and of its time, the Burberry Trench Coat is part of the fabric of our customers' lives. Through their exploits, it will continue to be woven through histories yet to be recounted.


BURBERRY
LONDON ENGLAND
BY APPOINTMENT TO
HM QUEEN ELIZABETH II
WEATHERPROOFERS
BURBERRY LIMITED LONDON

Bolstering leather goods

Building our leather goods business has been a key element of our strategy. In the past three years, we have completely transformed the category with a range of distinctive shapes, including the TB, Lola, Pocket and Title, that cater to different customer preferences. We have also raised the bar in terms of quality thanks to the integration of our leather goods centre of excellence, Burberry Manifattura, in Italy.

The introduction of the Olympia bag in spring 2021 added a new storyline to our signature bag selection. Combining a sleek practical design with a distinctive look, the slim structured shoulder bag is manufactured in Italy in three proportions and multiple finishes.

During the year, our collections resonated well with new and younger clientele, as well as repeat customers, while our communications around leather goods have continued to build excitement around the category. FY 2020/21 was punctuated by three stand-out leather goods moments:

Building brand heat

Our ambition is to excite and inspire the Fashion Vanguard, who are highly influential luxury consumers. Among activations fuelling brand heat among this customer group was the launch of a limited-edition version of our Pocket Bag, which we created exclusively for followers of Chinese influencer Mr. Bags in June 2020. A fashion blogger with over nine million followers, many young luxury customers consult Mr. Bags before planning a luxury bag purchase. We crafted 100 beige-and-red colourway Pocket Bags, which, when made available on Mr. Bags' WeChat, sold out within one minute.

Sharing our brand story

Burberry's heritage is rich with stories of adventurers and exploration, and our leather goods speak to creative freedom and the timeless appeal of quality products made to last.

To share these aspects of our brand story with our customers, we launched a series of immersive travelling pop-up shops in June 2020. The pop-ups started their journeys in China before making their way to the Americas and EMEIA. Featuring large-scale models of brightly coloured animals, the whimsical and interactive custom-built installations travelled from location to location showcasing our leather goods. The installations' structures could be reused and reconfigured, meaning they could be scaled up or down depending on location, so reducing waste. Each pop-up was digitally augmented, incorporating creatures, which could be brought to life by customers on their phones through an immersive AR experience.

Bringing leather goods to life

When our customers could not visit Burberry retail spaces in person, we gave our leather goods an additional dimension with AR. Using our smartphone app, customers could place our Spring/Summer 2021 Pocket Bag collection (pictured on the right) in their surroundings. This meant they could explore the bags in more detail, see them at scale against other real-life objects and get a realistic idea of dimensions before purchasing.

As a nod to our Spring/Summer 2021 collection, we created a playful experience, which enabled customers to design their own 3D shell sculptures incorporating their chosen Pocket Bag.


BURBERRY
LONDON ENGLAND



Helping to shape the future

Thomas Burberry was passionate about social reform and supporting local communities. We continue his legacy today by helping those in need, in particular young people, and working with organisations that provide them with the skills, confidence and opportunities to succeed.

In 2020, Burberry joined forces with English international footballer Marcus Rashford MBE and charities supporting young people across the world.

Like Thomas Burberry, Marcus Rashford is a pioneer, an innovator, a free-thinking trailblazer who harnesses his own achievements as a way to give back and nurture the next generation. During the COVID-19 pandemic, he focused on ensuring children who would usually rely on school meals would not go hungry. As well as successfully campaigning for the extension of holiday food provision to support vulnerable children in the UK, he raised £20 million in financial and food donations for FareShare, a food distribution charity.

In support of his efforts to end child food poverty, in November, we expanded our support for FareShare, with whom we have a longstanding relationship, helping fund an additional 200,000 meals across 11,000 charities and community groups across the UK.

We also pledged to support UK youth organisations in Manchester, London and charities with a global reach. Programmes range from education to supporting young creatives and artists, and helping entrepreneurs to tackle some of the world's significant challenges. These initiatives will positively affect the lives of tens of thousands of young people across the world.

UK

In London, Burberry is working with London Youth, which supports a network of over 600 community youth organisations and creates thousands of engaging opportunities for young people each year. Fifteen youth centres jointly selected by Burberry and London Youth will receive grants to ensure their programmes can continue to make a positive impact in some of London's most deprived communities.

In Manchester, Burberry is supporting Norbrook Youth Club and Woodhouse Park Lifestyle Centre, which are both youth centres that played a pivotal role in Marcus Rashford's childhood. Youth volunteers from the two clubs will be coming together as part of the partnership to help charities in the Wythenshawe area where the clubs are based and Marcus Rashford grew up.

USA

Alongside these, Burberry is contributing to Wide Rainbow, a non-profit based in New York City providing access to the arts and arts education in neighbourhoods across the United States with little to no resources. The donation will provide art supplies, food deliveries and music education to young people in these communities as well as fund the creation of art murals to invigorate schools and shelters in New York and Los Angeles.

Around the world

Burberry is also partnering with the International Youth Foundation to contribute to the Global Youth Resiliency Fund. This will enable young entrepreneurs and community leaders, especially in Asia, to develop solutions to challenges including closing nutrition gaps and unlocking access to livelihoods.

To further support the voices of tomorrow, we featured Marcus Rashford in our 2020 festive campaign. He featured in still imagery sporting signature house codes, including the iconic Trench Coat and Burberry Check puffer jacket.


BURBERRY LONDON ENGLAND
BURBERRY LONDON ENGLAND

KEY PERFORMANCE INDICATORS

Key Performance Indicators (KPIs) help management measure progress against our strategy.

Non-financial measures

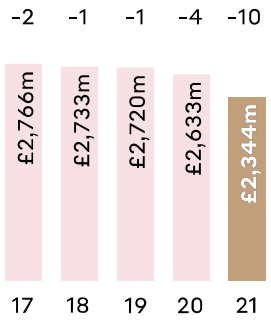
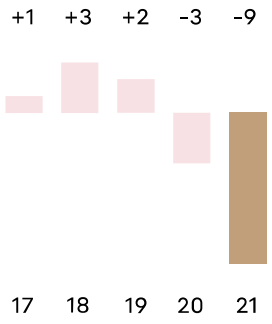
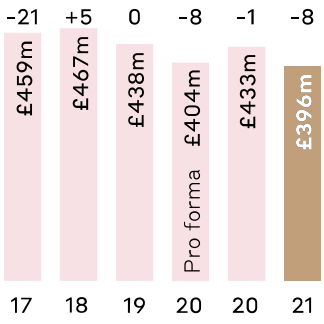
We have developed non-financial measures to assess our performance against our ongoing employee objectives and 2022 responsibility targets, with progress regularly monitored by our Board. For further details on ESG activities and progress against 2022 targets, see pages 62 to 65. The Group has considered the new non-financial reporting requirements under sections 414CA and 414CB of the Companies Act 2006 and has included 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 Glint	FY 2020/21 performance: average employee engagement score of 75%[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 the total number of Director and above roles	FY 2020/21 performance: women account for 52% 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 2020/21 performance: 82%^ of products with more than one positive attribute and 94%^ of products with at least one positive attribute[3]
Company		
Become carbon neutral in our own operational energy use by 2022 and meet our approved Science Based Targets: • Reduce absolute scope 1 and 2 Greenhouse Gas (GHG) emissions 95% by 2022 from a FY 2016/17 base year • Reduce absolute scope 3 GHG emissions by 30% by 2030 from a FY 2016/17 base year	Absolute market-based CO_2 emissions	Carbon neutral in our own operational energy use: 92% reduction compared to FY 2016/17 To date, in line with our Science Based Targets, we have reduced our total scope 1 and 2 emissions by 84% compared to FY 2016/17 and reduced our scope 3 emissions from purchased goods and services by nearly 8,700 tonnes
Communities		
Positively impact 1 million people[3] by supporting programmes led by The Burberry Foundation. The three pillars of our Communities strategy focus on projects that tackle educational inequality and build cultural capital; foster community cohesion and employability skills; and support social and economic development	Number of individuals positively impacted	FY 2020/21 performance: 680,170^ people positively impacted since the launch of partnerships in FY 2016/17

1. Employee engagement score as measured by Glint 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 support The Burberry Foundation and its partners in addressing key community needs within our industry's footprint (see pages 64 to 65). This is giving rise to different impacts, depending on geographies and community needs. Impacts are assessed and reported at regular intervals over the course of five years.

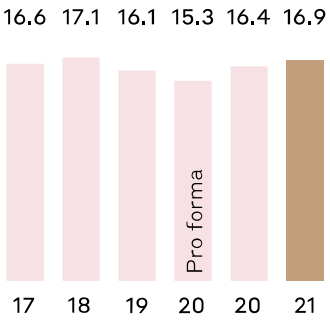
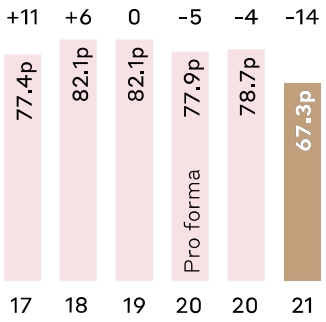
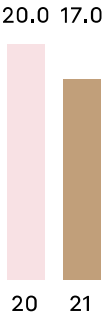
Financial measures

We believe it is vital to ensure alignment between our strategic focus and the long-term interests of shareholders. As a result, the short-term element of executive remuneration is linked to adjusted operating profit performance and long-term awards are subject to revenue and adjusted group Return on Invested Capital (ROIC) underpins. More information is set out in our Directors' Remuneration Report on pages 180 to 203.

	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 % 	CER growth % 	CER growth % 
Performance	FY 2020/21 revenue declined by 10% at CER, as a result of the impact of COVID-19 on trading, especially during H1, when many of the Group's stores were closed. Revenue growth improved in H2, returning to year-on-year growth in Q4.	FY 2020/21 comparable sales declined 9% in the year as a result of the impact of COVID-19 on trading.	Adjusted operating profit in FY 2020/21 was down 8% at CER. This was as a result of the impact of COVID-19 on revenue, partially offset by an improvement in gross margin and a reduction in adjusted operating costs as a result of strong cost management and delivery of restructuring programmes.

* At CER

Details of alternative performance measures are shown on page 53. Pro forma is an estimation of the FY 2019/20 results when applying the previous accounting standard, IAS 17: Leases, consistent with FY 2018/19. The calculation of Adjusted Group ROIC is set out on page 289.

Adjusted operating profit margin	**Adjusted diluted EPS growth**	**Adjusted Group ROIC**
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.*	Growth in adjusted diluted 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 Group ROIC measures the efficient use of capital on investments. It is calculated as the post-tax adjusted Group operating profit divided by average adjusted operating assets over the period. Financial ambition over time: ROIC significantly ahead of Weighted Average Cost of Capital (WACC).
%	Reported growth %	%
		
Adjusted operating profit margin improved by 50bps with the impact of reduction in revenue more than offset by improved gross margin and savings in operating costs.	Adjusted diluted EPS was down 14% year on year. In addition to decline in operating profits, finance charge increased due to interest on borrowings and reduced interest rates on investments. The effective tax rate on adjusted profit increased from 22.3% to 25.4%, mainly due to geographical shift in profits to higher tax jurisdictions.	Adjusted Group ROIC decreased from 20% to 17% in FY 2020/21, mainly due to the decrease in adjusted operating profit and the increase in effective tax rate. Average operating assets increased by 3%.

Adjusted profit before tax has been removed as a KPI, as adjusted operating profit is management's profit KPI performance measure. Adjusted profit before tax is no longer used as a performance measure for remuneration arrangements for Executive Directors on any new awards. Following the adoption of IFRS 16 in FY 2019/20, the KPI for ROIC has been modified to reflect the impact of IFRS 16 and to use Group operating profit. This is better aligned with other KPIs. Remuneration targets for incentive arrangements also use measures based on operating profit. This KPI will be added to each year from FY 2019/20 until a five-year history is recorded.

GROUP FINANCIAL HIGHLIGHTS

Revenue

- Revenue £2,344m -10% CER, -11% reported
- Retail comparable store sales -9% (H1: -25%; H2: +5%), returning to growth in H2 FY21

Adjusted profit

- Adjusted operating profit £396m, -8% CER, -9% reported
- Gross margin before adjusting items up 270bps at CER and 260bps at reported rates, benefitting from full-price and other mix effects and reduced inventory provisioning charges
- Operating expenses before adjusting items -7% at both CER and reported rates, benefitting from cost management and delivery of restructuring programmes
- Adjusted diluted EPS 67.3p, -14% at both CER and reported

Reported profit measures

- Operating profit £521m, up 176% after adjusting items of £125m credit (FY20: £244m charge)
- Diluted EPS 92.7p, up 211% reported

Cash measures

- Full year dividend declared at FY19 levels of 42.5p (FY20: 11.3p) with the progressive policy reinstated
- Free cash flow of £349m (FY20: £66m) due to strong cash management
- Cash net of overdrafts and borrowing of £919m at 27 March 2021 (28 March 2020: £587m). Cash net of overdrafts amounted to £1.2bn with borrowings of £297m. The £300m Revolving Credit Facility (RCF) is currently undrawn, and the UK Government sponsored COVID Corporate Financing Facility (CCFF) was repaid in February 2021

Summary income statement

Period ended £ million	**27 March 2021**	28 March 2020	*% change Reported FX*	*% change CER*
Revenue	**2,344**	**2,633**	***(11)***	***(10)***
Cost of sales*	(704)	(859)	*(18)*	
Gross profit*	**1,640**	**1,774**	***(8)***	
Gross margin*	**70.0%**	**67.4%**	***+260bps***	***+270bps***
Operating expenses*	(1,244)	(1,341)	*(7)*	*(7)*
Opex as a % of sales*	53.1%	51.0%		
Adjusted operating profit*	**396**	**433**	***(9)***	***(8)***
Adjusted operating margin*	**16.9%**	**16.4%**	***+50bps***	***+50bps***
Adjusting operating items	125	(244)		
Operating profit	**521**	**189**	***176***	
Operating margin	**22.2%**	**7.2%**		
Net finance (charge)**	(31)	(20)		
Profit before taxation	**490**	**169**	***190***	
Taxation	(114)	(47)		
Attributable profit	**376**	**122**		
Adjusted profit before taxation*	**366**	**414**	***(12)***	***(11)***
Adjusted diluted EPS (pence)*	**67.3**	**78.7**	***(14)***	***(14)***
Diluted EPS (pence)	**92.7**	**29.8**	***211***	
Weighted average number of diluted ordinary shares (millions)	405.1	409.0		

* Excludes adjusting items. All items below adjusting operating items on a reported basis For detail, see Note 6.
** Includes adjusting finance charge of £1m (FY20: £1m).

Revenue analysis

Revenue by channel

Period ended £ million	27 March 2021	28 March 2020	% change Reported FX	% change CER
Retail	1,910	2,110	*(9)*	*(9)*
Retail comparable store sales growth	*(9%)*	*(3%)*		
Wholesale	396	476	*(17)*	*(17)*
Licensing	38	47	*(19)*	*(20)*
Revenue	**2,344**	**2,633**	***(11)***	***(10)***

* Q4 FY21 comparable store sales growth compared with Q4 FY19.

Retail

- Retail sales fell 9% at constant and reported exchange rates
- Comparable store sales declined 9% (H1: -25%; H2: +5%). Underlying performance was strong with full price sales growth of 7% offset by store closures and a significant reduction in tourist traffic due to COVID-19, together with the planned reduction in markdown activity in the second half of the year. Overall, markdowns had a low single digit percentage adverse impact on FY21 sales growth
- Comparable store sales grew 32% in the fourth quarter (-5% against Q4 FY19) as we began to anniversary the impact from the pandemic and with a sequential acceleration in sales in Asia Pacific and Americas whilst EMEIA remained impacted by lockdowns
- Nil impact from space on FY21 revenue

Comparable store sales by region:

Asia Pacific grew by 18% year on year

- Asia Pacific saw the best regional performance in the year, led by Mainland China and Korea
- Mainland China saw strong double digit growth with comparable store sales accelerating in the fourth quarter to 53% against FY19 driven by a successful Lunar New Year campaign
- Korea also delivered strong double digit percentage growth with a significant improvement in comparable store sales in the last quarter of the year
- South Asia Pacific (SAP) declined by a double digit percentage, affected by limited tourist traffic and airport store closures
- Japan also fell, impacted by a lack of international travel

EMEIA fell by 44% year on year

- EMEIA has been especially impacted by travel trends and store closures
- Continental Europe saw a decline broadly in line with the regional average; however, local spend returned to growth from the second quarter
- The UK remained challenged with London performance weak given high tourist exposure
- Middle East returned to growth in the second half of the year driven by strong local demand and improved tourist flows

Americas declined by 9% year on year

- Americas saw a robust performance in full-price sales from Q2 FY21, increasing 17% in the year
- Within this, the US was particularly strong driven by attracting new younger customers to the brand

Digital performed well in the year with double digit percentage growth driven by the Americas and Mainland China.

By product

- Full-price sales grew across all product categories in FY21 and in the fourth quarter against Q4 FY19
- Product performance was impacted by the pandemic with a shift towards casualisation and evergreen items
- Outerwear was driven by strong performance in Coats and Jackets, Quilts and Downs with exceptional performance in Mainland China and Korea
- Within Ready-to-wear, Tops and Bottoms continued to outperform with a strong performance in Shirts and Jersey within Men's and Knitwear within Women's
- Leather goods remained a key focus in FY21 with the new bag pillars performing well. The new shapes continue to account for more than 60% of our women's leather bag sales
- Digital full-price sales saw high double digit percentage growth across all categories with a particularly strong performance in Accessories driven by leather goods and shoes

Store footprint

The transformation of our distribution continued as we addressed high priority programmes:

- In FY21 we opened 17 stores and closed 23 stores
- Key openings included 13 in Mainland China including our first Social Retail store in Shenzhen Bay
- Cumulative 34 stores closed to date of the 38 planned closures from the non-strategic store rationalisation programme
- A cumulative 85 stores are now new or refurbished and aligned to our new creative vision, an increase of 21 in the year
- In support of our goal to be net-zero by 2040, we finance or refinance buildings that have achieved one of the following certifications:
  - Leadership in Energy and Environmental Design (LEED): Platinum or Gold level
  - Building Research Establishment Environmental Assessment Method (BREEAM): Excellent or Outstanding level

Wholesale

Wholesale revenue declined 17% at CER and reported exchange rates with a return to growth in the second half of the year with sales up 8% at reported exchange rates.

Licensing

Licensing revenue fell 19% at reported exchange rates due to lower sales from the COVID-19 fallout.

Operating profit analysis

Adjusted operating profit

Period ended £ million	**27 March 2021**	28 March 2020	% change *Reported FX*	% change *CER*
Revenue	2,344	2,633	*(11)*	*(10)*
Cost of sales*	(704)	(859)	*(18)*	
Gross profit*	**1,640**	**1,774**	***(8)***	
Gross margin %*	**70.0%**	**67.4%**	+260bps	+270bps
Operating expenses*	(1,244)	(1,341)	*(7)*	*(7)*
Opex as a % of sales*	53.1%	51.0%		
Adjusted operating profit*	**396**	**433**	***(9)***	***(8)***
Adjusted operating margin %*	**16.9%**	**16.4%**	***+50bps***	***+50bps***

* excludes adjusting items

Adjusted operating profit declined 9% and margin increased by 50bps at reported exchange rates.

- Gross margin increased 270bps at CER (260bps reported). Business performance accounted for around two thirds of the gross margin improvement benefitting from full price, channel and regional (predominantly Mainland China) mix. The gross margin benefited from COVID provisions taken in the PY by around 80 bps
- Adjusted operating expenses fell by 7% against last year, benefitting from strong cost management and delivery of the restructuring programmes. The 2017 cost savings programme has delivered savings of £150m since inception including an incremental £25m in FY21
- In July 2020 we announced a cost reduction programme to deliver the planned £55m savings with £45m of associated costs. This programme remains on track and we achieved the targeted £35m of savings in FY21 with an associated cost of £22m that was presented as an adjusting item. We expect the remaining £20m benefit from the cost reduction programme will be achieved in FY22, with further costs of £23m to be incurred

Adjusted operating profit amounted to £396m including a £3m FX headwind in FY21.

Adjusting items*

Adjusting items were a credit of £124m (FY20: £245m charge).

Adjusting items* Period ended £ million	**27 March 2021**	28 March 2020
The impact of COVID-19		
Inventory provisions	**22**	(68)
Rent concessions	**54**	–
Store impairments	**47**	(157)
Government grants	**9**	–
Receivable impairments	**5**	(11)
Assets under the course of construction impairment	**–**	(10)
Related other sundry items	**–**	5
COVID-19 adjusting items**	**137**	(241)
Restructuring costs	**(30)**	(10)
Profit on sale of property	**18**	–
BME deferred consideration income	**–**	2
Disposal of beauty business	**–**	5
Adjusting operating items	**125**	(244)
Adjusting financing items	**(1)**	(1)
Adjusting items	**124**	(245)

* For more details see note 6 of the Financial Statements.
** COVID-19 adjusting item includes a £22m credit (FY20: £68m charge) that has been recognised through COGS relating to inventory provisions.

The major adjusting items are as follows:

- Impact of the COVID-19 pandemic: the majority of adjusting items relate to rent concessions across our retail network and impairment reversals to the carrying value of stores and inventory due to positive trading in FY21. In addition, COVID-19 related government grants were also treated as an adjusting item
- Restructuring costs: £22m related to the organisational changes announced in July 2020 and the final charge of £8m relating to the cost-efficiency programme announced in 2017
- Profit on sale of property: relates to the sale of a property in France

Adjusted profit before tax*

After an adjusted net finance charge of £30m (FY20 £19m), adjusted profit before tax was £366m (FY20 £414m).

* For detail on adjusting items see note 6 of the Financial Statements.

Taxation*

The effective tax rate on adjusted profit increased to 25.4% (FY20: 22.3%). This was higher than normal due to COVID-19 impacting the geographical shift in profits towards higher tax jurisdictions. The reported tax rate on FY21 profit before taxation was 23.3% (FY20: 27.9%).

* 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 2021, the total taxes borne and collected by the Group amounted to £335 million. In the UK, where the Group is headquartered and has significant operations, Burberry paid business taxes of £58 million and collected a further £14 million of taxes on behalf of the UK Exchequer. For further information see burberryplc.com.

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	**27 March 2021**	28 March 2020
Adjusted operating profit	**396**	433
Depreciation and amortisation	**277**	331
Working capital	**(25)**	(66)
Other	**29**	(73)
Cash inflow from operations	**677**	625
Payment of lease principal and related cash flows	**(155)**	(244)
Capital expenditure	**(115)**	(149)
Proceeds from disposal of non-current assets	**27**	3
Interest	**(27)**	(19)
Tax	**(58)**	(150)
Free cash flow	**349**	66

Free cash flow was £349m (FY20 of £66m) and cash conversion was 111% (2020: 52%) reflecting strong cash discipline. We had the following key flows:

- Working capital saw a £25m outflow. Within this, inventories reduced 16% in gross terms due to disciplined inventory control, generating an inflow of £21m in the year (FY20 inflow of £27m), with significantly lower payables outflow more than offsetting higher receivables outflow compared to prior year
- Lease related payments fell £89m including benefit of £54m of COVID-19 related rent concessions
- Capital expenditure reduced to £115m (2020: £149m) as projects were impacted by the pandemic
- Tax paid reduced to £58m against the prior year in which payments were elevated mostly due to the accelerated collection by HMRC in the UK

Cash net of overdrafts at 27 March 2021 was £1.2bn (28 March 2020: £0.9bn). We repaid the RCF in June 2020 and in September issued a £0.3bn Sustainability Bond after obtaining a public investment grade credit rating. For short term security, we borrowed £0.3bn under the Government backed CCFF during the year, repaying this early in February 2021.

Our net debt* including reported lease liabilities was £101m (28 March 2020: £538m). Net Debt / adjusted EBITDA was 0.1x on a rolling 12 months period (28 March 2020 0.7x), significantly below our target range of 0.5x to 1.0x.

Progressive dividend policy reinstated with the full year dividend declared at FY19 levels of 42.5p.

* For a definition of net debt see page 54.

Outlook

In our next chapter we will focus on delivering growth whilst continuing to enhance the quality of our business. Taking FY20 as the base year, we expect revenue to grow at a high single digit percentage compound annual growth rate at FY21 CER in the medium term. This will be underpinned by the continued outperformance of full-price sales. We will continue to strengthen brand equity by exiting markdowns in mainline stores in FY22. This is a headwind against our comparable store sales growth amounting to a mid-single digit percentage in the full year.

In FY22 adjusted operating margin progression will be impacted by operating expense normalisation and increased investment to accelerate growth, with more meaningful margin accretion thereafter.

We are focused on and continue to invest in our sustainability and social goals by becoming carbon neutral by 2022, championing diversity and inclusion and positively impacting one million people in the communities in which we operate.

Store portfolio*	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
At 28 March 2020	218	149	54	421	*44*
Additions	11	1	5	17	–
Closures	(15)	(5)	(3)	(23)	–
At 27 March 2021	**214**	**145**	**56**	**415**	***44***

Store portfolio by region* At 27 March 2021	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
Asia Pacific	97	90	22	209	*7*
EMEIA	56	46	18	120	*37*
Americas	61	9	16	86	–
Total	**214**	**145**	**56**	**415**	***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
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*
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. **Full price sales:** Net sales of Group's directly operated mainline comparable stores excluding Markdown sales.	*Retail Revenue:* Period ended YoY% / **27 March 2021** / 28 March 2020 Comparable sales* / **(9%)*** / (3%) Change in space / **–** / (1%) FX / **–** / 1% Retail revenue / **(9%)** / (3%) * Includes full-price comp +7%.

Q4 FY21 vs Q4 FY19 comparable sales

The change in sales over two years measured at constant foreign exchange rates. It also includes online sales. The measurement of comparable sales has not excluded stores temporarily closed as a result of the COVID-19 outbreak. This measure reflects the two year aggregation of the growth rates.

Retail Revenue:

%change	Q4 FY21 vs Q4 FY19
Reported growth	(2%)
Comparable sales	(5%)
Change in space	5
CER retail	0
FX	(2%)

Adjusted Profit

Adjusted profit measures are presented to provide additional consideration of the underlying performance of the Group's ongoing business. These measures remove the impact of those items which should be excluded to provide a consistent and comparable view of performance.

Reported Profit:

A reconciliation of reported profit before tax to adjusted profit before tax is included in the income statement on page 224. 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.

Net cash generated from operating activities:

Period ended £m	**27 March 2021**	28 March 2020
Net cash generated from operating activities	592	456
Capex	(115)	(149)
Lease principal and related cash flows	(155)	(244)
Proceeds from disposal of non-current assets	27	3
Free cash flow	349	66

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.

Net cash generated from operating activities:

Period ended £m	**27 March 2021**	28 March 2020
Free cash flow	349	66
Tax paid	58	150
Free cash flow before tax	407	216
Adjusted profit before tax	366	414
Cash conversion	111%	52%

Net Debt

Net debt is defined as the lease liability recognised on the balance sheet plus borrowings less cash net of overdrafts.

Cash net of overdrafts:

Period ended £m	**27 March 2021**	28 March 2020
Cash net of overdrafts	1,216	887
Lease liability	(1,020)	(1,125)
Borrowings	(297)	(300)
Net debt	(101)	(538)

Adjusted EBITDA

Adjusted EBITDA is defined as operating profit, excluding adjusting operating items, depreciation of property, plant and equipment, depreciation of right of use assets and amortisation of intangible assets. Any depreciation or amortisation included in adjusting operating items are not double-counted. Adjusted EBITDA is shown for the calculation of Net Debt/EBITDA for our gearing ratios.

Reconciliation from operating profit to adjusted EBITDA:

Period ended £m	**27 March 2021**	28 March 2020
Operating profit	521	189
Adjusted operating items	(125)	244
Amortisation of intangible assets	33	26
Depreciation of property, plant and equipment	72	84
Depreciation of right-of-use assets	172	221
Adjusted EBITDA	673	764

CAPITAL ALLOCATION FRAMEWORK

Burberry's capital allocation framework is used to prioritise the use of cash generated by the Group. The framework addresses the investment needs of the business, regular dividend payments and additional returns to shareholders. The framework also seeks to maintain an appropriate capital structure for the business and a strong balance sheet with a solid investment-grade credit rating.

Net Debt/Adjusted Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) was 0.1x in FY 2020/21 (FY 2019/20: 0.7x) on a rolling 12 months period, significantly below our target range of 0.5x to 1.0x. In September 2020, we went through a formal process to attain a credit rating and Moody's rated us as Baa2 (stable). The diagram below summarises the key priorities.

REINVEST FOR ORGANIC GROWTH 1	**PROGRESSIVE DIVIDEND POLICY 2**	**STRATEGIC INVESTMENTS 3**	**RETURN EXCESS CASH TO SHAREHOLDERS 4**
Capital spend across store portfolio, including new space, refreshes and refurbishments; IT infrastructure, including digital; and the supply chain. Spend includes investment in ESG initiatives, for example, spend incurred in meeting our Sustainability Bond use of proceeds commitments set out on pages 92 to 93.	Maintain or grow the dividend in pence terms year on year. Deliver regular cash returns to shareholders.	Investment in inorganic structural changes to our business activities that typically tend to be infrequent.	Review future cash generation to reflect Burberry's growth, productivity and investment plans, while taking into consideration the external environment.

Maintain a strong balance sheet with a solid investment-grade credit rating.

- Review the principal risks of the Group and relevant financial parameters, both historical and projected, including liquidity, net debt and measures covering balance sheet strength
- These risks and financial parameters are considered by the Board when assessing the viability of the Group, as set out on pages 140 to 142

Capital structure metrics	**FY 2020/21**	FY 2019/20
Cash	**£1,216m**	£887m
Lease liability	**(£1,020m)**	(£1,125m)
Borrowings	**(£297m)**	(£300m)
Net debt	**(£101m)**	(£538m)

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 2019/20. During the year we reinvested £115 million into the business as capital expenditure.

SUPPORTING OUR STAKEHOLDERS DURING COVID-19

Ensuring the safety and wellbeing of our colleagues and customers is fundamental to how we do business at Burberry. In response to the pandemic, we implemented rigorous safety measures across our sites and provided additional resources to support our teams. We also contributed to the relief efforts through donations and volunteering, as well as expanding our support for young people.

People

The safety and wellbeing of our people remained our highest priority in 2020/21.

We closed sites where we were required to under lockdowns, most notably across the EMEIA region. Where our sites could stay open, we were scrupulous about putting in place robust measures and ensuring they were adhered to so work could be conducted in a safe and secure environment. In line with government and health authority guidelines, these included staggered start and break times to manage social distancing, as well as temperature checks and installing additional sanitising stations.

Alongside regular virtual check-ins, during FY 2020/21 we came together in less formal ways to share advice on working remotely and maintaining wellbeing. This helped our teams to remain connected during this period of uncertainty.

Flexibility has been key to meeting the challenges posed by the pandemic. Outside our normal sick pay schemes, we provided paid leave for colleagues absent due to being ill with COVID-19 or self-isolating and unable to perform their work from home. Burberry teams around the world also volunteered their time generously, mobilising to help local communities and charities by preparing care packages, delivering meals, stocking food banks and supporting vulnerable neighbours.

Customers

As the COVID-19 crisis unfolded across the world, it was clear that mutual support and innovative thinking would be the cornerstones of our response, both as a business and a member of the broader global community. We leveraged our digital capabilities to stay connected with our customers by bringing innovative shopping experiences to them virtually (read more on page 32). Our event formats evolved over the financial year to include customer participation in virtual product launches and styling sessions. We redesigned Burberry.com so customers can now explore individual products as well as styled looks. We introduced a new chat function so that our online retail teams can help with styling, sizing and recommendations. This helped our teams to stay connected with their clients and continue to provide the very best customer service.

Where our stores were able to remain open we quickly implemented safety measures, including social distancing, sanitising stations and appointment bookings, in line with local government and health authority guidelines.

Communities

Inspired by Thomas Burberry, we contributed to the relief efforts. Early in the year, we retooled our factory in Castleford, Yorkshire to manufacture non-surgical gowns and we sourced surgical masks through our global supply chain. This amounted to more than 160,000 pieces of PPE that we donated to the UK government and healthcare charities. We are grateful to the many colleagues who volunteered to support this initiative during the national lockdowns in the UK.

In addition, we manufactured a further four million masks and 50,000 gowns at cost for the UK National Health Service.

We contributed to the COVID-19 vaccine development and distribution through early donations to the University of Oxford's emergency vaccine research and UNICEF's COVID-19 Vaccines Appeal.

We continued our support of 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 food banks 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.

To support creatives, artists and photographers facing greater uncertainty during the COVID-19 pandemic, we commissioned works interpreting our iconic product to showcase on our Instagram news feed. We launched this initiative as a way to celebrate and support members of the creative community. In a twist on our heritage of discovery and exploration, we also asked artists to respond to the theme of "Inside Nature" and offer their take on an outdoor world from within.

The Burberry Foundation

The Burberry Foundation (UK registered charity number 1154448) launched an emergency relief appeal in April 2020 to help those working on the front line of the COVID-19 pandemic and support communities in need around the world. We launched branded face masks in August 2020, donating the proceeds directly to the Burberry Foundation COVID-19 Community Fund. All monies raised by the fund were directed to support relief efforts globally, from procuring and distributing surgical masks, gowns and other protective equipment to providing funding to food banks and healthcare charities. The Burberry Foundation COVID-19 Community Fund released funds to support many organisations, including:

- UNICEF's COVID-19 Vaccines Appeal, to help ensure millions of people from vulnerable communities around the world have equal access to vaccines
- Soong Ching Ling Foundation, to provide poverty relief plans and services for both the mental and physical health of those impacted by the pandemic in Beijing and Wuhan in Mainland China
- The Careggi University Hospital, for the procurement and distribution of surgical-grade masks following an urgent appeal for PPE by the hospital, which is located in Florence, Italy
- Oxfam Hong Kong, for the procurement and distribution of non-surgical masks to go to vulnerable communities struggling to afford the rising costs of these items, including the underprivileged and the elderly
- City Harvest and the California Association of Food Banks, to support communities struggling economically as a result of the pandemic in New York City and California, respectively
- International Federation of Red Cross and Red Crescent Charities (IFCR), to support relief efforts in Brazil through the provision of PPE, essential healthcare and social services for local communities impacted by the pandemic
- Médecins Sans Frontières, to aid the procurement of PPE for hospitals in both South Sudan and Somalia

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

Chairman's letter	See page 6
CEO's letter	See page 10
Strategy	See page 24
ESG	See page 60
Stakeholder Engagement	See page 96
Risk and Viability Report	See page 106
Corporate Governance Report	See page 146
Directors' Remuneration Report	See page 180

“

IN THIS REVOLUTIONARY AGE, FEW PEOPLE CAN AFFORD TO BE CARELESS ABOUT THEIR CLOTHES

”

Thomas Burberry

(1835-1926)



ENVIRONMENTAL, SOCIAL AND GOVERNANCE

At Burberry, our purpose underpins the choices we make as an organisation. Enshrined in the statement Creativity Opens Spaces, our purpose is the shared belief that through creativity, we can push boundaries and explore new possibilities for our people, our customers and our communities. Being creatively driven, forward thinking, open and caring, and proud of our heritage are hallmarks of our organisation at its best. These values have remained at the core of our brand since Thomas Burberry founded the Company in 1856.

Our commitment to ESG-related matters is the purest expression of our purpose and values. We are committed to building not only a financially stronger Burberry but also a better company that is a force for good in the world.

Disclosure plays a key role in driving meaningful change. By learning from others and sharing our progress, we can help drive accountability, for ourselves and for our industry.

In FY 2020/21, we focused on three areas:

- Creating the conditions for creativity to thrive by championing diversity and inclusion and ensuring the wellbeing of our people
- Supporting our communities, and particularly young people, by providing them with the skills, confidence and opportunities to succeed
- Creating a more sustainable future for luxury by reducing our environmental impacts and helping transform our industry

As we near the end of our latest five-year Responsibility agenda, we continue to focus our efforts on driving positive change and building a more sustainable future. An overview of our Responsibility agenda and targets is on pages 64 to 65, and more information on these can be found from pages 74 to 91.

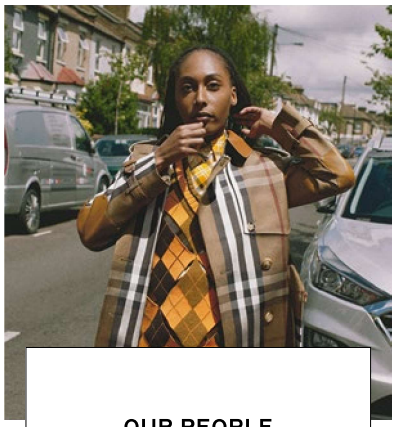
In September 2020, we launched luxury's first Sustainability Bond to support our goals (see pages 92 to 93). We are committed to continuing to invest in ESG-related initiatives and raising our ambitions to build a more sustainable and inclusive future. Pages 60 to 91 in this report provide information on our areas of focus in FY 2020/21. Further information can be found in the Corporate Governance Report on pages 146 to 207 and on Burberryplc.com, which is continually updated with the latest ESG information and disclosures.

Recognition

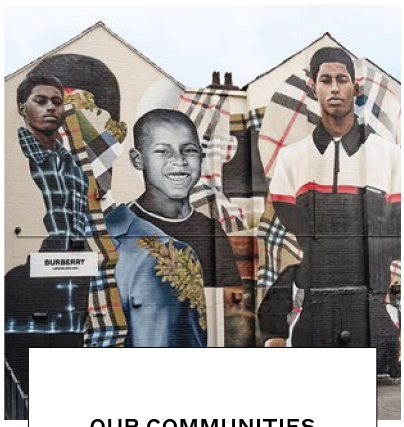
In FY 2020/21, we were recognised for our efforts around ESG, with highlights including:

- Dow Jones Sustainability Index: inclusion in the World and Europe Indices for the sixth consecutive year
- FTSE4Good Index: constituent
- Responsibility100 Index: ranked fifth in the FTSE 100
- Sustainalytics: negligible risk rating, ranked first in our industry (textiles and apparel) and sub-industry (luxury apparel)
- CDP: A List and achieved the Supplier Engagement Leader Award
- Included in the Bloomberg Gender-Equality Index 2021
- Maintained leading position in FTSE 100 for women in leadership, as recognised by the final report from the Hampton-Alexander Review for FTSE 100 companies

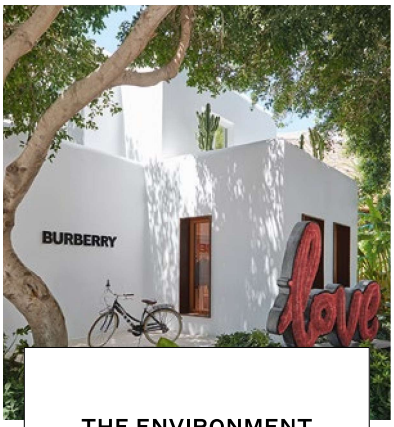
In FY 2020/21 we focused on three areas:



OUR PEOPLE
Fostering creativity



OUR COMMUNITIES
Empowering youth



THE ENVIRONMENT
Building a sustainable future

STAKEHOLDERS

GOVERNANCE:

BOARD

CEO

Nomination Committee

Remuneration Committee

Audit Committee

Sustainability Steering Committee
Chair – CEO
Attended by Chief Operations & Financial Officer (CO&FO)

Risk Committee
Chair – CO&FO

Ethics Committee

Task Force on Climate-related Financial Disclosures (TCFD) Working Group

Contributing to the Sustainable Development Goals (SDGs)

Burberry's commitment to sustainability is longstanding, grounded in the belief that for our future growth we need to actively address the challenges facing the fashion and luxury industry and the world in which we operate. We are dedicated to reducing our environmental footprint and enabling social progress. Recognising the power of working collaboratively to drive real change, we often work with our peers, sector experts and non-governmental organisations (NGOs) to achieve our ambitions.

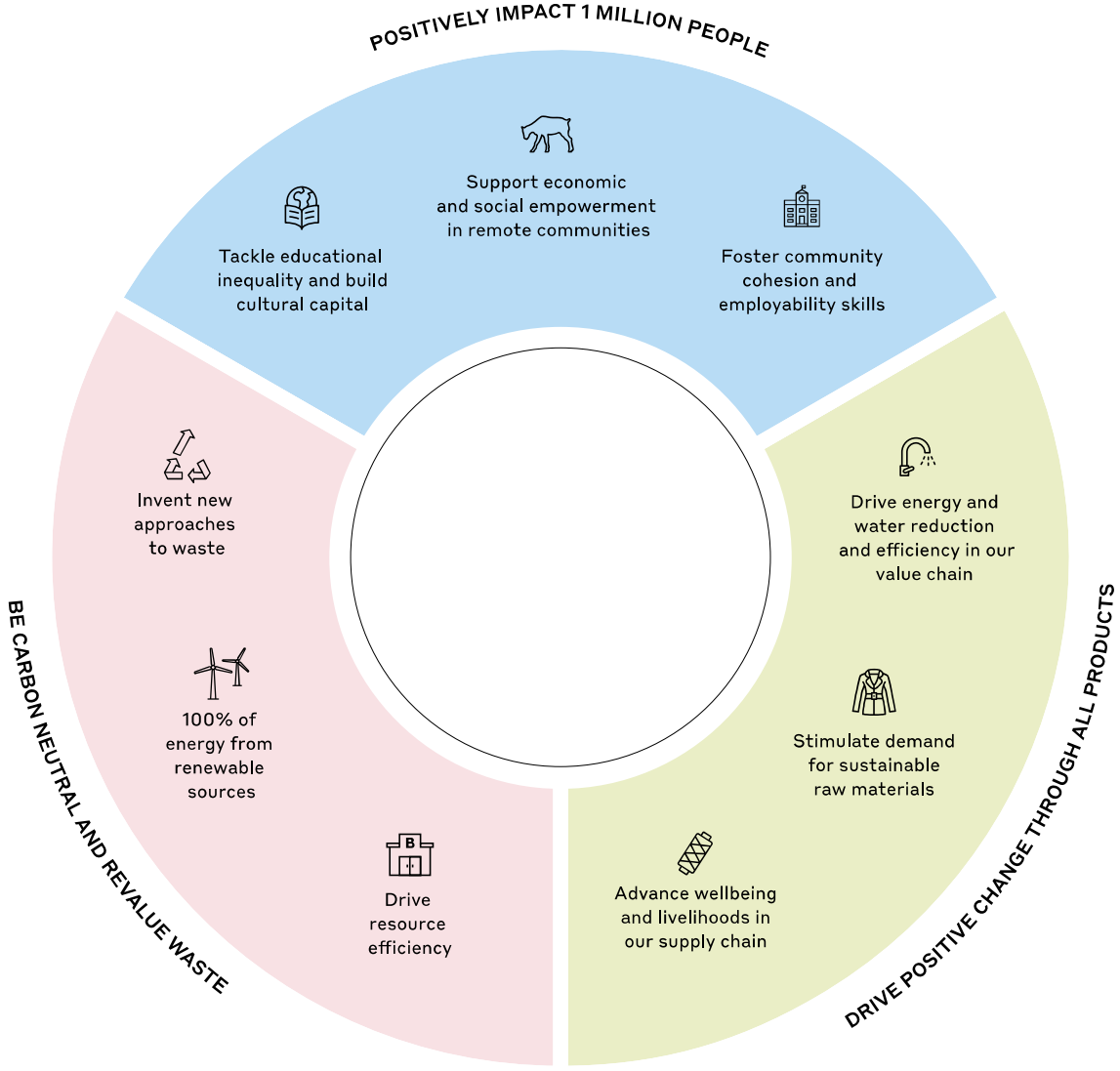
Our ESG activity is aligned to the Paris Climate Agreement and informed by the United Nations SDGs. Below are some of the ways we contribute towards these goals:

Sustainable Development Goal	Burberry's ongoing contribution	FY 2020/21 highlights
 **SDG 1. No poverty**	Principal Partner of the Living Wage Foundation and steering group member of the Global Living Wage Initiative	• The Burberry Foundation COVID-19 Community Fund • The Burberry Foundation programme in Afghanistan focused on improving the livelihoods of cashmere goat herding communities
 **SDG 2. No hunger**	Donations to food charities as part of our COVID-19 response	• Donations to FareShare, The Felix Project and The Trussell Trust
 **SDG 3. Good health and wellbeing**	Holistic Global Wellbeing programme, including Mental Health training and Employee Assistance Programme (EAP)	• Global Parental Leave Policy with equalised leave for all new parents, Time to Change Pledge, funding for University of Oxford and AstraZeneca COVID-19 vaccine research
 **SDG 4. Quality education**	Burberry Inspire UK and New York	• Donated ReBurberry Fabrics to fashion students with the British Fashion Council • Supported new youth engagement programmes, including partnerships with London Youth, the International Youth Foundation's Global Youth Resiliency Fund and Wide Rainbow
 **SDG 5. Gender equality**	A skilled and balanced Board, met targets set by the Hampton-Alexander Review report for FTSE 100 companies and recognised in the Bloomberg Gender-Equality Index, endorse the UN Women's Empowerment Principles	• Launched global Diversity and Inclusion Policy and strategy • Global Parental Leave Policy is equal for colleagues around the world
 **SDG 6. Clean water and sanitation**	Supply chain water conservation and reduction programme	• Launched water resilience assessments across the supply chain
 **SDG 7. Affordable and clean energy**	Member of RE100, committed to using 100% renewable electricity by 2022 and encouraging our suppliers to do the same. Our target is to be Net Zero by 2040 and carbon neutral in our own operational energy use by 2022	• Renewables currently power 93% of our electricity needs worldwide • Apparel Impact Institute (Aii) energy efficiency programme in Italy
 **SDG 8. Decent work and economic growth**	UK Living Wage Accreditation and steering group member of the Global Living Wage Initiative, The Burberry Foundation programme in Afghanistan, partnership with Year Up in New York	• Maintained pay for all our people impacted by COVID-19 and provided full pay during COVID-19-linked absences • Did not avail of the UK government's furlough scheme

Sustainable Development Goal	Burberry's ongoing contribution	FY 2020/21 highlights
 **SDG 9. Industry, innovation and infrastructure**	Core partner of the Ellen MacArthur Foundation's Make Fashion Circular initiative	• Design innovation, such as 3D model sampling for products • Artificial Intelligence utilised for product ordering
 **SDG 10. Reduced inequalities**	Burberry and The Burberry Foundation partnerships, including with Oxfam and PUR Projet in Afghanistan, Oxfam Italy, Teach First, The Careers & Enterprise Company and MyKindaFuture, Burberry Inspire, The Royal College of Art, London Youth, Year Up, initiatives to support global disability efforts and LGBTQ+ community as part of the Diversity and Inclusion strategy, Cultural Advisory Committee and Global Living Wage Initiative	• Launched global Diversity and Inclusion Policy • Included in Bloomberg's Gender-Equality Index 2021 and joined The Valuable 500, Business Disability Forum • Signatory of the UN Women's Empowerment Principles
 **SDG 11. Sustainable cities and communities**	LEED and BREEAM compliance in construction, underpinning the sustainability and efficiency of our buildings	• Launched luxury's first Sustainability Bond, which includes green buildings criteria
 **SDG 12. Responsible consumption and production**	Ellen MacArthur Foundation's New Plastics Economy Global Commitment, Sustainable Fibre Alliance (SFA), The ZDHC Foundation board member, Canopy, Leather Working Group, Elvis & Kresse and Progetto Quid	• Signature oak paper is made from a minimum of 40% upcycled coffee cups that would have otherwise gone to landfill • Launched new traceability and sustainable raw materials targets
 **SDG 13. Climate action**	Goal to be Net Zero by 2040, RE100 member, and 100% renewable electricity goal by 2022, Science Based Targets	• Carbon-neutral runway shows and events since 2019 • Progress against 100% renewable electricity commitment (93% achieved in FY 2020/21) • Advancing our climate change risk reporting as a signatory of the TCFD
 **SDG 14. Life below water**	Signatory to the Ellen MacArthur Foundation's New Plastics Economy Global Commitment and CEO is a steering committee member of The Fashion Pact	• Member of the corporate engagement programme of the Science Based Targets for Nature initiative
 **SDG 15. Life on land**	Stretching sustainable materials targets, The Burberry Regeneration Fund and our work on sustainable cashmere with the Sustainable Fibre Alliance (SFA)	• Partnered with PUR Projet to launch a programme aimed at supporting regenerative agricultural practices • Member of the corporate engagement programme of the Science Based Targets for Nature initiative
 **SDG 16. Peace, justice and strong institutions**	Code of Conduct, Responsible Business Principles, Human Rights Policy and being a signatory to the UN Global Compact	• Celebrated Pride and continue longstanding support for LGBTQ+ communities
 **SDG 17. Partnerships for the goals**	Stakeholder engagement	• Supported COVID-19 relief efforts • Signatories of the WWF open letter to leaders • Supported the International Labour Organization's Call to Action and the UN Global Compact's "Recover Better" initiative

RESPONSIBILITY AGENDA 2017 – 2022

Our goals



The headings within the Communities pillar have been updated compared to prior year reporting to reflect additional community programmes (launched after 2017) that fall within the scope of this pillar. The three pillars highlight the overall impact objectives of the 1 million people goal. Within the product pillar, we have updated the wording to reflect key areas within our product positive attributes programme.

In 2017, we launched our current Responsibility agenda, comprising a series of ambitious targets to 2022 across our Product, Company and Communities. The strategy, developed in collaboration with global innovators and key stakeholders, aims to address the most material social and environmental impacts along our value chain.

Our progress

Product

- **Goal:** To have 100% of product with more than one positive attribute by 2022, where positive attributes relate to social and/or environmental improvements, achieved at either raw material sourcing or product manufacturing stage
- **Progress:** 82% of products with more than one positive attribute and 94% with at least one^
- **Goal:** To procure 100% of our cotton more sustainably by 2022 by using a portfolio approach. This includes working with partners and exploring new sources, including organic and regenerative cotton
- **Progress:** 78%
- **Goal:** To source 100% of leather from tanneries with environmental, traceability and social compliance certifications by 2022
- **Progress:** 80%



Company

- **Goal:** To achieve carbon neutrality in our own operational energy use by reducing absolute emissions, improving energy efficiency and switching to renewable electricity sources, before offsetting any remaining emissions
- **Progress:** 92% reduction in market-based emissions since base year FY 2016/17
- **Goal:** To achieve 100% renewable electricity by 2022, driving this through close collaboration with our procurement and retail teams and engagement with landlords
- **Progress:** 93%^
- **Goal:** To reduce and revalue waste and achieve zero operational waste to landfill across key sites. We already reuse, repair, repurpose, donate or recycle unsaleable products and we will continue to expand these efforts
- **Progress:** Zero operational waste sent to landfill from key sites^



Communities[1]

- **Goal:** To positively impact 1 million people by 2022
- **Progress:** 680,170^ positively impacted since the start of the launch of the partnerships in FY 2016/17
- **Goal:** Tackling educational inequality and building cultural capital
- **Progress:** 130,360 in FY 2020/21
- **Goal:** Fostering community cohesion and employability skills
- **Progress:** 42,810 in FY 2020/21
- **Goal:** Supporting economic and social empowerment
- **Progress:** 73,189 in FY 2020/21



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 2020/21. Information forming part of the assurance scope is denoted with a ^ on pages 4, 45 and 64 to 93. The assurance statement and Burberry's basis of reporting are available on Burberryplc.com.

1. The wording of the three sub-goals underneath the overarching goal "to positively impact 1 million people by 2022" has been updated to reflect additional community programmes (launched after 2017) that fall within scope of the pillar. The three sub-goals highlight the overall impact objectives of the 1 million people goal.



OUR PEOPLE

At Burberry, we are committed to being an open, inclusive and caring employer. We are united by our shared belief that through imagination, we can push boundaries and open new opportunities for our people, our customers and our communities. We embed our values across everything we do.

Our people are the heartbeat of our organisation. Representing 115 nationalities across 33 countries, we take a holistic approach to helping them thrive, providing them with a range of tools and resources backed up by inclusive policies and support for their overall wellbeing.

We offer all our people space to express their creativity as well as opportunities to develop personally and professionally. We continue to foster a culture where everyone feels they belong, has a voice and can reach their full potential.

We know that inclusion and empowerment at all levels lay a strong foundation for our colleagues to feel more engaged and committed and be more creative and effective in driving results for the business. We have codified key behaviours aligned to our values so they are embedded across the organisation.

FY 2020/21 was an unsettling time for many of our people due to the COVID-19 pandemic. Throughout the year, we prioritised their safety and wellbeing, listening to their concerns, seeking guidance from experts and ensuring we continued to act with their welfare in mind.

As part of measures to ensure the health, safety and wellbeing of everyone at Burberry, we introduced more flexible work arrangements, recognising that many of our teams have additional caring responsibilities, particularly those with children. Where our people were in need of further support, we provided additional paid leave.

Engagement

Surveyed in May 2020 when the world was grappling with the onset of the COVID-19 pandemic, 86% of respondents to our Employee Engagement Survey said they felt Burberry was doing a good job of helping our people feel connected to one another while working remotely.

To ensure feedback remained up-to-date, we replaced our annual questionnaire with shorter, more frequent surveys designed to empower leaders with data relevant to their area of focus throughout the year. Leaders now have access to personalised portals complete with suggested action points. We have seen a positive response to this new format across the business. Over FY 2020/21, engagement levels have remained high, with scores matching pre-pandemic levels.

The COVID-19 pandemic highlighted how real-time responses to feedback could have an immediate impact on wellbeing. When we surveyed our people in May about their experiences of moving to remote working, a number of our colleagues identified areas where they could be better supported, such as access to additional screens or suitable desk chairs. Based on this information, within a week of receiving this feedback, our IT teams were able to order equipment and improve working conditions for our teams.

Alongside this support, our teams managed to maintain a sense of community using a variety of communication tools, including the Burberry World community intranet. From Friday night DJ sessions, to calligraphy classes, baking lessons, guided meditation and workout sessions, a variety of initiatives, many led by enthusiastic colleagues, helped to maintain a sense of cohesion and continuity during a time of upheaval.

Onboarding new team members

At Burberry, we want all our people to feel welcomed into our community from their first day. Our digital onboarding experience immerses new starters in the brand, introduces our purpose and values and provides an opportunity to connect with Burberry wherever they are in the world. New starters are onboarded online through virtual sessions and a dedicated platform. The site immediately immerses those joining Burberry in the past, present and future ambitions of the Company. There are also new starter groups on Microsoft Yammer, helping people create communities and build networks as they join. On our Burberry World intranet, new starters are directed to a dedicated wellbeing space.

Colleague recognition

In 2021, we transformed our annual Icon Awards into a fully virtual celebration to connect, reinforce our values, celebrate collective achievements and recognise our top talent. For the first time, nominations were anonymous to remove bias and make the awards more inclusive.

Wellbeing

Wellbeing helps our people create open spaces in their lives to care for themselves and each other. In line with our values, we believe in creating an environment where people can bring their best selves to work, share how they feel and speak openly about their own health and wellbeing.

In 2020, we continued to open conversations around mental health. We did this by offering opportunities and resources to talk about what wellbeing means to Burberry as a company and sharing tools to help our colleagues, particularly in stressful periods. This included an online Mental Health Awareness course to raise awareness around common mental health challenges. In 2020, Burberry also became a signatory of the Time to Change pledge, reaffirming our commitment to creating a more open and understanding culture within the workplace. We also have a longstanding partnership with the Samaritans.

Learning and development

We base our learning strategy around providing "just-in-time" resources to allow people to develop at their moment of need, ensuring our people can quickly and easily find content that will help. We provide tools and resources through our B-Learning site and encourage our people to think creatively about how to solve problems and make things happen.

This ranges from launching Burberry's "4Cs of Remote Leadership", which are defined as clarity, communication, collaboration and connections, to publishing an interactive magazine, creating opportunities to share best practice with peers from across the business. In addition, we offered Energy Model workshops to all line managers to help them initiate conversations with their teams about managing energy levels.

The COVID-19 pandemic has accelerated changes in consumer behaviour and historical data is not as reliable as it was for mapping present or near-future retail patterns. Upskilling our people so that they are equipped with cutting-edge data skills is crucial to help future-proof our business. To this end, Burberry was the first British retailer to complete a two-year data upskilling programme alongside Decoded, a firm specialising in data skills training. Our people could enrol in our in-house Data Academy, and take courses in improving their data skills and techniques.

Career development

Regular feedback and meaningful performance and career conversations with managers guide meaningful development. These conversations take place quarterly as part of our annual performance management cycle. In addition, the My Career site on Burberry World provides our people with career-related tools, resources and information to help build a successful career at Burberry.

We have two specific programmes dedicated to leadership development. The New Manager Development Programme (NMDP) focuses on the principles of good leadership for people managers. Consisting of four in-depth workshops, it equips managers with information on refining a management style, driving success within teams, fostering a high-performance culture and managing through change. This also includes equipping leaders to be inclusive managers with the capability required to foster an open and inclusive environment for their team and our people.

In 2021, we refreshed and relaunched our Executive Development Programme (EDP), to align closely with our purpose and values. Each module of the programme focuses on one of our values. Some of the modules build on our existing allyship training to strengthen understanding and reaffirm our commitment to fostering an inclusive culture, while ensuring we all take accountability for diversifying our workplace. This is accompanied by three months of executive coaching and access to insights that give the cohort as detailed a picture of their abilities in different areas as possible.

Later in 2021, we will roll out a refreshed approach to mentorship with a view to supporting our people to develop and succeed in their careers at Burberry, as well as piloting a reverse mentoring programme.

Diversity and Inclusion

We believe diversity, equity and inclusion are essential to fulfilling our purpose and are core to our values.

Our global Diversity and Inclusion strategy is focused on valuing and embracing differences and creating an environment where everyone feels they belong, has a voice, and can reach their full potential. When we do, our people are more engaged, committed and effective in driving results, we are more successful as an organisation, and we make a more meaningful contribution to the world around us.

We define diversity as the unique perspectives and differences we bring to Burberry and share across the world. We define inclusion as creating a culture that champions these differences and nurtures a sense of belonging.

The Board is responsible for ensuring that, as an organisation, we live by our purpose and values. We see diversity as a strength and uphold a legacy of inclusivity and respect. Supported by the Executive Committee, our CEO ensures that we create a diverse and inclusive culture. To help achieve our diversity and inclusion goals, our dedicated global Diversity and Inclusion team works with our people across all parts of the business with a focus on the four strategic pillars of our Diversity and Inclusion strategy.

1. Attracting and retaining diverse top talent
2. Fostering an open and inclusive culture
3. Educating and raising awareness
4. Implementing a global approach

The global Diversity and Inclusion Policy sets out our commitment to being a world-class employer, where all of our people can develop their full potential in an inclusive environment that encourages and fosters diverse capabilities, skill sets and mindful allies.

Diversity and Inclusion strategy pillars

1. Attracting and retaining diverse talent

During FY 2020/21 we began piloting anonymous screening, which involves removing identifying details, such as names and universities, from applications. The trial aims to test if such an initiative can lead to greater diversity on our candidate shortlists. We are also taking steps to ensure every stage of our broader recruitment process is more inclusive. We have introduced a "gender decoder", which analyses the language used in job advertisements to ensure they are gender neutral. We are including diversity data monitoring forms in candidate applications. Disclosure is on a voluntary basis and data is treated as confidential.

As of January 2021, all members of our Talent Acquisition team had completed unconscious bias in recruitment training. We have committed to rolling out additional training for all hiring managers in 2021. We use standardised interview questions to ensure all candidates have an equitable experience.

To support these actions, we have created a global diversity dashboard, which displays data holistically and simplifies the process of assessing and measuring the progress we are making in terms of colleague diversity. Our people are able to upload their personal diversity data within certain parameters, including gender, disability and religion, through our Connect system. This collated information then populates the diversity dashboard, providing key insights to be shared with our Board bi-annually and our Executive Committee quarterly.

Increased representation is at the centre of our talent initiatives and we aim to diversify the talent pipeline in the industry. In 2020, Burberry expanded its creative arts scholarships programme globally to support the next generation of creative leaders from underrepresented communities. The scholarships will provide more equitable access to creative arts programmes at some of the world's most esteemed creative institutions, including The New School's Parsons School of Design in New York City, Institut Français de la Mode in Paris and Central Saint Martins in London. The expansion of the creative arts scholarships, together with Burberry and The Burberry Foundation's existing commitment to its scholarship programme at the Royal College of Art in London, will enable over 50 students to benefit from education programmes in the arts over the next five years and beyond.

2. Fostering an inclusive culture

Creating an environment where everyone feels a sense of belonging and receives support for their overall wellbeing is vital to achieving our goals. During FY 2020/21, the Diversity and Inclusion team hosted Open Forums globally, starting in the Americas region and then continuing around the world within each market and function, creating an open space where our people could share their experiences and offer their perspectives on making Burberry and the wider fashion industry more inclusive.

We introduced a Diversity and Inclusion mailbox on our Company intranet, Burberry World, alongside the rollout of our Diversity and Inclusion strategy, with the aim of ensuring the Diversity and Inclusion team can listen to and learn from our people.

We continued to celebrate cultural moments, including International Women's Day, Pride Month, Black History Month and LGBT History Month, both locally and globally. Through partnering with local associations, such as The Prince's Trust and Stonewall, we have created a global platform to speak about diversity and inclusion through these cultural moments, while also continuing to celebrate annual events such as Christmas, Diwali and Eid.

As well as reinforcing our existing commitments, we have communicated our efforts around areas where we are still early on in our progress, such as disability inclusion. We marked International Day of Persons with Disabilities as an important moment to recognise how diversity of thought, experience and voice opens spaces for new ideas to thrive. Burberry was among the first of its peers to join the Valuable 500 and the Business Disability Forum.

3. Education and awareness

As we continue to progress our Diversity and Inclusion strategy, providing resources and continuing to raise awareness is important for our people and communities, and impacts all areas of the organisation. In 2019, all our managers and above, including all store managers globally, completed inclusive leadership training, and we continue to build on our programmes. Our unconscious bias training has been translated into nine languages and is mandatory for all employees, with a specialised version also provided for all Talent Acquisition partners. In FY 2021/22, we are rolling out allyship training across Burberry. All our Directors and above have completed the programme and we aim for all managers to have completed this training by the end of the financial year.

Set up in FY 2019/20, Burberry's Internal Diversity and Inclusion Council was involved in reviewing our global Diversity and Inclusion strategy. The Council met remotely 12 times over FY 2020/21. Our external Cultural Advisory Council, which comprises six external experts and thought leaders from a variety of disciplines, convened for the first time in FY 2019/20 and met remotely four times over FY 2020/21. In response to the Black Lives Matter movement, and the introduction of Burberry's first Diversity and Inclusion strategy, the Council held livestream talks on topics including education, the history of racism, mentoring, role models, the importance of leadership and what organisations can do to encourage change. The Council also participated in a joint meeting with the Internal Diversity and Inclusion Council in November 2020.

We collaborate with our partners to share resources as well. Working with the Stonewall charity, for instance, in December 2020 we introduced an update to our grooming guidelines for retail colleagues, which focused on gender identity and uniform allocations.

The Diversity and Inclusion team works hand in hand with our marketing teams to respond to queries. We also created a leadership guide about how to hold meaningful conversations around diversity and inclusion, which was rolled out in July 2020.

4. Implementing a global approach

While our ambition is to foster an inclusive culture globally, we recognise that one size does not fit all. In order to drive meaningful, targeted change, we ensure our actions are locally relevant and aligned to our global framework and programmes. This approach will drive local accountability and impact, providing a balance between our global strategy and local action plans to help drive success.

In 2020, all key markets and functions started to develop detailed action plans based on the global strategy pillars. Incorporating input from our people, these plans cover local needs and opportunities for change, applying a local understanding of the diversity and inclusion landscape while supporting our overarching global priorities. Each plan is sponsored by one of our senior leaders, has input from our Internal Diversity and Inclusion Council and is regularly monitored to track progress.

Gender equality at Burberry

We are firmly committed to achieving gender equality across our organisation globally. We have reviewed and implemented policies, programmes and practices to support this ambition. Burberry maintained a leading position in the FTSE 100 for women in leadership for a third consecutive year, as recognised in the Hampton-Alexander Review report, and was included in the Bloomberg 2021 Gender-Equality Index for the first time, scoring 10 percentage points more than the company average.

We believe designing more inclusive and equitable policies is key to driving change. Many of our people at Burberry balance professional responsibilities with being caregivers, parents and family members. We aim to support all our people in developing flexible working arrangements, so they feel equipped to create the balance that is most beneficial to them. In April 2020, we launched a Global Parental Leave Policy offering all our people 18 weeks of parental leave at full pay and the opportunity to work 80% of their normal hours at full pay for a further four weeks on their return.

Equitable pay is a fundamental commitment at Burberry and central to our drive to attract and retain the best talent. Our reward philosophy is to provide competitive remuneration packages to all our people in line with their level and expertise. This is closely aligned to our performance management processes, focusing on recognising and rewarding our people for excellent performance.

Gender equality at Burberry

As of 31 March 2021, the representation of women and men at Burberry is:

Board	Total	Number of women	Percentage of women	Number of men	Percentage of men
Executive Committee	11	3	27%	8	73%
Leadership (Director and above)	287	152	53%	135	47%
All workforce	9,373	6,282	67%	3,091	33%

Disability inclusion

As an inclusive employer, ensuring all our people can thrive and work in an open and supportive environment is important to us. Our inclusive hiring practices include giving full and fair consideration to applications from people with disabilities. We ensure support is in place for people with disabilities throughout their career with Burberry, including for those who have become disabled during their time with us. As reinforced by our global Diversity and Inclusion Policy, we have no tolerance for discrimination at Burberry. Our training programmes are designed to be more accessible for those with visible and invisible disabilities, including considerations such as "alt text", which is written text accompanying imagery, varying levels of interactivity and adjustments to font size and contrast. Details of our inclusive hiring approach, Diversity and Inclusion strategy and development programmes can be found on pages 69 to 72.

Burberry works with two partner organisations to help make our sites, policies and processes more inclusive of people with both visible and invisible disabilities. We are the first luxury company to partner with the Business Disability Forum, a non-profit member organisation bringing businesses, people with disabilities and policymakers together to help make a difference.

In addition, we are among the first luxury companies to join the Valuable 500, the largest network of global CEOs committed to disability inclusion in business, encompassing 55 different sectors and over 12 million colleagues. In partnership with the network, our initial steps include building out our internal global disability audit framework to identify where we can take the most impactful action on accessibility for our retail stores.

Supporting LGBTQ+ inclusion

During Pride in June 2020, we reaffirmed our long-standing support for the global LGBTQ+ community, forging new partnerships and continuing support for organisations dedicated to driving meaningful change. Burberry was one of the earliest adopters of the UN Standards of Conduct for Business, becoming a signatory ahead of its launch in Europe in 2017.

These standards were designed to eliminate LGBTI discrimination in the workplace and beyond. To further our commitment to this work in our own business and our wider communities, Burberry supported charitable organisations operating across the LGBTQ+ community: UK Black Pride, Stonewall, Global Butterflies and longstanding charity partner, the Albert Kennedy Trust.

Being creative allies

By recognising and acknowledging the unique experiences and challenges faced by individuals, we can create more supportive workplaces. To supplement our own allyship training, we were one of the first companies to sign up to the BBC's Creative Allies initiative, which unites organisations across creative industries to promote the concept of allyship.

Supporting our communities

We believe it is important to champion our communities and help build a society where everyone is respected and valued. In the financial year, we united in solidarity with those standing up against hate and discrimination and we accelerated our efforts to drive meaningful and lasting change. We held open forums to encourage dialogue, shared educational resources for continued learning and provided additional counselling and support for our people. We also introduced training to reinforce the importance of meaningful allyship.

Burberry also works with The Prince's Trust Women Supporting Women initiative, a longstanding charity partner, enabling hundreds of women to access virtual speed interviews with employers, online courses to develop employability skills and education support through the Change a Girl's Life campaign. We partner with Investing in Ethnicity on increasing representation in business, and engage with the wider industry on furthering diversity and inclusion in the British luxury and fashion sector as one of the founding members of the British Fashion Council's Diversity and Inclusion steering group.



OUR COMMUNITIES

Burberry's history of supporting others is rooted in the altruism of our founder, Thomas Burberry. Throughout his life, he used his success as a way to contribute to society. We continue his legacy today, championing our communities, in particular young people, and working with organisations making a positive impact around the world.

Since 2017, as part of our current Communities strategy, we have collaborated with external expert organisations to identify ways to support local communities across our value chain and deliver our key ambition to positively impact 1 million people by 2022.

In addition to fulfilling our strategic goals, we regularly review the effectiveness of our programmes, ensuring the initiatives we develop are impactful and provide the best resources and support. From the outset of the COVID-19 pandemic, we have worked closely with our partners to adapt our programmes to ensure support is directed to where it can most benefit our communities.

Although in-person activities were limited this year due to social distancing restrictions, our people made a positive impact in their local communities through virtual volunteering and online fundraising projects. The shift to virtual volunteering allowed our people to harness their professional skills to aid our charity partners from home. The type of virtual activities delivered include content creation and live events for youth engagement programmes, digital mentoring, team fundraising events, career coaching and skills-based support sessions for charity partners.

During the year, we launched a partnership with London Youth, which supports a network of over 600 community youth organisations and creates thousands of engaging opportunities for young people each year. Fifteen youth centres jointly selected by Burberry and London Youth received donations to ensure their programmes could continue to make a positive impact in some of London's most deprived communities across key areas, including food provision, access to digital resources and activities to help young people stay connected with others in order to improve their mental wellbeing. The donations helped frontline youth organisations playing a vital role in young people's lives to continue their services and keep their doors open.

Inspired by our work with Marcus Rashford MBE during our festive campaign, the Burberry Foundation deepened the impact of the initial donation by supporting London Youth to respond to the challenges created by the COVID-19 pandemic, focusing on food, education and mental health support.

Positively impacting 1 million people by 2022

Burberry donates a percentage of adjusted Group profit before tax to charitable initiatives each year. Independent of Burberry Group plc, the majority of our philanthropic work is carried out through The Burberry Foundation (UK registered charity number 1154468).

The Burberry Foundation's mission is to use the power of creativity to drive positive change in global communities and build a more sustainable future through innovation. Working with leading organisations to support communities sustaining the luxury industry makes a significant contribution towards our goal of positively impacting 1 million people by 2022. Since the launch of this target 680,170^ people have been positively impacted.

The three pillars of our Communities strategy focus on projects that tackle educational inequality and build cultural capital; foster community cohesion and employability skills, and support social and economic development.

Our people can also contribute to our commitments in this arena by spending up to three working days a year supporting their local communities through corporate and The Burberry Foundation volunteering opportunities. In FY 2020/21, over 1,500 Burberry employees participated in volunteering and fundraising activities and collectively contributed over 6,000 hours to charitable causes.


BURBERRY
LONDON ENGLAND

We regularly monitor programme impacts as part of quarterly and annual assessments, and beneficiary numbers are externally assured. The programmes under each community pillar are monitored and evaluated by independent organisations to assess outcomes and impacts and are adapted where required.

Monitoring partners include the Office of Research, Evaluation and Program Support (REPS) of the City University of New York, The Policy Institute at King's College London, ARCO (Action-Research for Co-development) at the University of Florence, and Amin Consulting Group.

Impact framework – Positively impact 1 million people

Tackling educational inequality and building cultural capital
Benefiting 130,360 people in FY 2020/2021
Contributing to SDGs:
4 and 10

Highlights
- 70% of the students interviewed about their experience of in-person activities linked their participation in the programme to an increased sense of self-confidence
- 88% of the students interviewed noted increased creativity of one form or another after taking part in the programme
- 98% of teachers* felt that their careers guidance and advice improved as a result of their engagement in the programme

Fostering community cohesion and employability skills
Benefiting 42,810 people in FY 2020/2021
Contributing to SDGs:
4, 8, 10 and 12

Highlights
- 96% of beneficiaries* stated they have better knowledge of the services in the community
- 100% of apprentices developed new technical skills for employment
- 91% of apprentices entered into employment in manufacturing, creative industries or the "Makers Movement"

Supporting social and economic empowerment
Benefiting 73,189 people in FY 2020/2021
Contributing to SDGs:
1, 5 and 8

Highlights
- 95% of herders* demonstrated gender awareness after training, compared to 79% in the baseline study
- 28% of herders engaged in the community-owned cashmere groups are women
- 136% increase in the volume of cashmere collected by herders*

Note: Percentages presented above relate to a sample selection of people surveyed from these programmes.

* Denotes the results of a sample of direct beneficiaries surveyed.

Tackling educational inequality and building cultural capital

At Burberry, we believe diversity of thought, experience and voice opens spaces for new ideas to thrive, fuelling creativity and enabling us to fulfil our purpose. Part of the work of The Burberry Foundation is to open career pathways within the creative industries and unlock opportunities for young people who may not otherwise have had access to or felt equipped to pursue a career in this arena. Over the past four years, The Burberry Foundation has partnered with leading education charities Teach First, The Careers & Enterprise Company and MyKindaFuture, with the goal of opening up opportunities to young people from disadvantaged communities in Yorkshire, where our iconic Burberry Trench Coat is manufactured, and London, where we have our head office.

With these programmes, we aim to inspire young people by expanding their career horizons and developing core employability skills.

During FY 2020/21, 130,360 students and teachers engaged in a variety of activities, including teacher training, careers talks, podcasts and inspiration sessions, online creative challenges and learning modules. Many of the activities were virtual.

Burberry Inspire

Burberry Inspire, which first launched in Yorkshire in 2018 and expanded to New York City in 2020, measures the impact that enhancing cultural capital has on young people's lives by connecting eminent arts organisations with schools. Both programmes are independently evaluated by our research partners, REPS of the City University of New York and the Policy Institute at King's College London, to study the impact of the immersive arts and creative education programme on students' development for the purpose of supporting longer-term adaptation within schools.

The global pandemic resulted in school activities turning to online platforms, which offered a unique opportunity for our Burberry Inspire programme partners in the UK and the USA to widen their reach by collaborating together and allowing students to interact with partner schools abroad. An example of this was the first collaboration between American Ballet Theatre and Northern Ballet on student choreography direction, resulting in the creation of four dance films performed by the companies' dancers. The organisations worked with students online, enhancing their communication, leadership, creative-thinking and problem-solving skills. In total 15 schools participated in the programme and 7,485 students benefited during FY 2020/21.

- 70% of the students interviewed about their experience of in-person activities linked their participation in the programme to an increased sense of self-confidence
- 88% of the students interviewed noted increased creativity of one form or another after taking part in the programme
- 98% of teachers* felt that their careers guidance and advice improved as a result of their engagement in the programme

Fostering community cohesion and employability skills

The Florentine area of Italy, which has a long tradition of creativity and craftsmanship, is renowned for its production of garments and luxury leather goods. It is a key manufacturing location for Burberry and is where Burberry Manifattura, our leather goods centre of excellence, is located. In recent years, the region has faced challenges from youth unemployment and economic migration. The global COVID-19 pandemic has further exacerbated the situation. In the penultimate year of The Burberry Foundation and Oxfam's five-year collaboration, the programme helped foster community cohesion and social inclusion among communities. The programme helps to improve community members' understanding of and ability to access services in the local area, while also facilitating integration into the community.

During FY 2020/21, the programme ran school mentoring schemes both online and in person in seven Tuscan schools. It provided training for teachers on introducing a new style of inclusive teaching to their classes. The Burberry Foundation also partnered with four local community centres to help them to expand their day-to-day services. During FY 2020/21, the community centres were able to continue running after-school clubs by switching to a digital format. This engagement helped to provide students with educational support during the pandemic. In the summer months, the community centres took to the outdoors to ensure young people could continue to interact and socialise after months of social isolation.

The network of community facilitators as part of the programme enabled Oxfam to reach the most vulnerable community members within the year. Twelve facilitators provided vital support over the phone, online and in person where possible. A new community help desk was set up during the year, specifically focusing on young people, providing careers advice and employability services. Overall, 37,035 community members benefited from these activities in FY 2020/21.

Oxfam Italy

- 96% of beneficiaries* stated they have better knowledge of the services in the community
- 96% of beneficiaries* stated they feel able to access services in the community
- 100% of community centre operators state the community centre was able to attract a wider and more varied audience

* Denotes the results of a sample of direct beneficiaries surveyed.

The Burberry Foundation also has two programmes focusing on employability through engagement with the circular economy. Their aim is to support the communities that sustain the luxury industry while also tackling the industry's systemic waste issue. Our programme partners are two innovative social enterprises, Elvis & Kresse and Progetto Quid. Elvis & Kresse is a B Corporation dedicated to giving raw materials a new life and is committed to transforming perceptions of waste and inspiring people to protect the environment. Progetto Quid addresses the challenge of excess fabric in the fashion industry while also providing disadvantaged people with training opportunities, apprenticeship programmes and direct employment. The programmes provide opportunities for vulnerable and/or under-skilled people to learn a new craft and develop workplace skills, which will help secure long-term employment either within the creative industries or within other sectors.

In addition, Progetto Quid goes beyond employability skills by addressing the welfare needs of highly vulnerable people. It provides the security of a stable environment and support in procuring official documentation, both fundamental to ensuring vulnerable individuals have an identity and a place within society.

During FY 2020/21, 48 people benefited from employability programmes through engaging with the circular economy.

Elvis & Kresse

- 100% of beneficiaries* had an improved knowledge of leather manufacturing and the circular economy
- 91% of apprentices entered employment in manufacturing, creative industries or the "Makers Movement"

Progetto Quid

- 100% of beneficiaries improved employability related skills, including communication and problem solving
- 100% of beneficiaries improved their proficiency in the Italian language
- 17% of beneficiaries obtained documentation to prolong their permits as legal residents and workers in Italy

Supporting social and economic empowerment

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, the 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. Key measures of success for the programme include cashmere and other livestock production per herder, as well as the price-adjusted income per goat. In addition, other metrics are monitored in relation to improved levels of gender awareness and awareness of improved animal husbandry and cashmere harvesting practices.

One aspect of this initiative is a training programme developed to help raise herders' awareness of cashmere harvesting best practice and herding techniques to enhance their income. Training on sustainable pasture management and responsible farming techniques aims to prevent overgrazing and desertification. This helps to build the awareness communities need to cope with the future impacts of climate change. Through the medium of a radio drama and public service announcements, information is shared to help herding communities improve their livestock management practices and, for goat herders, 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 more than 210 superior quality cashmere goats and resulted in the breeding of more than 500 new goats. Thirty-nine elite bucks, which produce higher-quality cashmere, have been distributed to herders in villages 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 producer groups for collective gathering and selling of cashmere, enabling herders to bargain for better prices for their cashmere. Since the start of the programme, the midline impact assessment has shown that production of cashmere and of meat has increased for the herders involved in the programme.

* Denotes the results of a sample of direct beneficiaries surveyed.

Through its holistic approach and complementary activities, the programme contributes to five of the UN's SDGs: SDG 1 – No poverty, SDG 8 – Decent work and economic growth, SDG 9 – Industry innovation and infrastructure, SDG 17 – Partnership for the goals, and SDG 5 – Gender equality. Women are empowered to participate in cashmere harvesting and to have a leadership position within the community-owned producer groups. Currently 28% of the herders engaged in the community-owned groups are women. Since the start of the programme, levels of gender awareness have increased among the direct beneficiary community, from 79% at the start of the programme in 2017 to over 95% in 2020.

Vets, who travel round on motorcycles, have received additional training through the programme. Supporting the herding communities, they have treated and vaccinated over 233,741 cashmere goats and 264,203 other livestock. The support provided to local vets and provision of medicine for livestock has been a successful aspect of the programme. Beneficiaries in Herat and Balkh credited this element of the programme with making goat herding more profitable.

Collaborating across the supply chain, the programme has started to establish stronger links within the global apparel industry. Communicating the work of the programme with other brands, cashmere sellers and spinners is not only helping to align the industry to a common goal, but also providing valuable insight for Afghan producers into the specific quality requirements of potential business partners. With this knowledge, herders can produce more desirable and better-quality cashmere, which can be sold at better and fairer prices.

Oxfam and PUR Projet in Afghanistan

- 28% of herders engaged in the community-owned cashmere groups are women
- 136% increase in the volume of cashmere collected reported by herders*
- 95% of herders* demonstrated gender awareness after training, compared to 79% in the baseline study

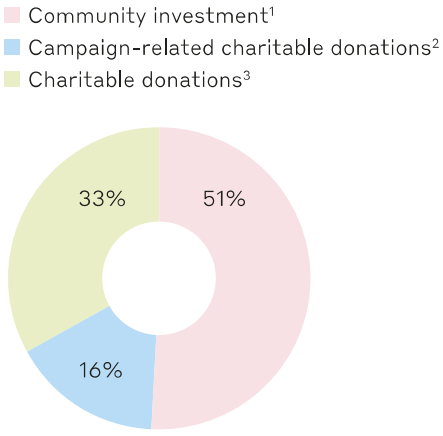
Community investment allocation

Since 2010, Burberry has had a policy to donate 1% of Group adjusted profits before tax (PBT) to charitable causes. In FY 2020/21, this, together with exceptional donations made to the COVID-19 relief efforts, amounted to 1.13% of adjusted PBT to charitable causes.

Our people worldwide are offered three working days a year to volunteer in their local communities. During FY 2020/21, employees dedicated approximately 6,000 hours. Employees can also apply for match-funding for team fundraising activities.

Our in-kind donations range from one-off gifts of non-trade mark fabric and materials to assist young people on creative courses, such as our ReBurberry fabric, to donations of smart business clothing to support vulnerable people enrolled in employability programmes. In FY 2020/21, we donated over 14,000 items of business clothing to selected charities to enhance their employability programmes and help provide their clients with an extra boost of confidence as they prepare to enter or re-enter the job market.

Charitable spend



1. Long-term community investments, including our annual donation to The Burberry Foundation
2. Sponsorship of events and other campaign-related charitable donations
3. One-off donations, including exceptional COVID-19 relief donations

* Denotes the results of a sample of direct beneficiaries surveyed.

Human rights statement

We respect and uphold human rights wherever we operate and 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 on 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 and develop mitigation plans as required. We have completed four impact assessments since 2014 and our latest assessment took place within FY 2020/21.

The Human Rights Impact Assessment 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 each assessment, key findings and mitigation plans were reviewed by external experts.

In FY 2020/21, our Human Rights Impact Assessment highlighted increased risk in relation to the COVID-19 pandemic, particularly in relation to workers' health and wellbeing.

During ethical trade audits and as part of our broader Responsibility programme, we conduct interviews with workers 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. We also provide grievance mechanisms for our global employees, as well as confidential hotlines run by NGOs for workers in our supply chain. Currently, more than 16,000 workers across 34 factories in our third-party supply chain 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 2020/21, Burberry-sponsored hotlines received 529 calls and their resolutions have been monitored closely by our Responsibility team. 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 on Burberryplc.com.




BURBERRY
love

THE ENVIRONMENT

Creativity is the thread that connects Burberry's past with its future. Guided by our purpose, we are creating the next generation of sustainable luxury for our customers and helping transform our industry.

We recognise that the long-term success of our business depends on investing in the environmental sustainability of our operations, the resilience of our supply chains and our management of climate change impacts. Our future depends on it.

We are actively working to reduce our environmental footprint and meaningfully support our global communities, while seeking to transform our industry. Drawing on our heritage of exploration and guided by our purpose, we are pushing boundaries, setting leading standards and pioneering innovative solutions to create real system change.

Our Responsibility team of more than 30 in-house sustainability experts has been working on our environmental and social programmes for more than 15 years. The ambitious targets that underpin our mission are set out in our latest five-year Responsibility agenda through 2022.

We are on track to achieve 100% renewable electricity, a carbon neutral footprint across our own operational energy use, and for every luxury product we offer our customers to have more than one positive environmental or social attribute.

Expanding on our existing goals, we are transitioning towards a **Net-Zero future** and ensuring that we **consciously craft our collections**.

A NET-ZERO FUTURE	**Industry-leading climate change initiatives** • Net-Zero by 2040 • Carbon neutral across our own operational use by 2022 • Use 100% renewable electricity by 2022 • Science Based Targets across scope 1, 2 and 3 emissions • Balance emissions through The Burberry Regeneration Fund
CONSCIOUSLY CRAFTED COLLECTIONS	**100% of products with more than one positive attribute by 2022** • Measuring the positive impact our collections have on the environment and people **Sustainable materials** • Ensuring all key materials are 100% traceable by 2025 • Ambitious targets to source more sustainable cotton, leather and wool, as well as recycled polyester and nylon • Sustainable packaging **Caring for our supply chain** • Respecting and safeguarding the rights of everyone in our supply chain **Restore and repair** • Specialist aftercare services to extend the life of products

Collaborating to achieve a more sustainable future

We recognised the power of working collaboratively to drive real change. We work with our peers, NGOs and governments to unlock sustainable solutions that can help activate and scale change in our industry.

Our Responsibility agenda contributes to a range of the United Nations SDGs. Our contribution towards these goals is outlined on pages 62 to 65.

In September 2020, we were the first among our luxury peers to issue a Sustainability Bond, enlisting the support of investors to finance ambitious sustainability projects. More detail on this can be found on pages 92 to 93.

Responsibility governance

Our Responsibility agenda is front of mind for senior leaders across our teams, ensuring that we are making decisions with consideration for their departments' environmental and social impacts. Progress is reviewed by the Sustainability Steering Committee at least three times per year, chaired by our CEO.

Progress is shared regularly with the Ethics Committee, Risk Committee and the Board, and reviewed by our external advisory forums, comprising independent external experts.

The implementation of our strategy is overseen by our Responsibility team of more than 30 in-house sustainability experts.

Our people play an important role in delivering our Responsibility strategy, from driving energy efficiency and reductions across our operations to working closely with our supply chain partners to minimise our impact when we source raw materials and create our products.

We are a member of several leading forums, where we share our experiences and collaborate with others to adopt more sustainable ways of working, as well as learn from innovators within and outside our industry. These include:

- A4S Accounting for Sustainability
- Canopy
- Leather Working Group
- Race to Zero
- RE100
- Science Based Target Network
- Sustainable Fibre Alliance
- Textile Exchange
- The Ellen MacArthur Foundation's Make Fashion Circular initiative
- The Fashion Pact
- The Living Wage Foundation and The Global Living Wage Initiative
- The ZDHC Foundation
- UN Fashion Industry Charter for Climate Action

A Net-Zero future

We are proud of our climate change initiatives, which are continually evolving as we find new ways to address the challenges posed by the climate emergency.

We aim to be Net-Zero by 2040 and achieve carbon neutrality in our own operational energy use by 2022. We are on track to achieve this by reducing absolute emissions, improving energy efficiency and switching to renewable electricity sources, before offsetting any remaining emissions. All our events, including shows and presentations, have been certified carbon neutral since 2019. We have reduced our market-based emissions by 92% since 2016.

Underpinning our ambition to achieve a Net-Zero future, we have Science Based Targets across our scope 1 and 2 emissions (in our own operations and indirect emissions from our energy use), aligned to the Paris Agreement 1.5°C pathway and scope 3 emissions (across our extended supply chain). We aim to:

- **Reduce our absolute scope 1 and 2 GHG emissions by 95% by 2022**
  This target focuses on emissions from our direct operations, including electricity and gas consumption in our stores, offices, internal manufacturing and distribution sites. This target is consistent with reductions required to keep global warming to 1.5°C, the most ambitious goal of the Paris Agreement.

- **Reduce our absolute scope 3 GHG emissions by 30% by 2030**
  This target relates to indirect emissions in our extended supply chain, which includes impacts from the sourcing of raw materials and the manufacturing of finished goods.

Both targets are set against a 2016 base year.

To date, in line with our Science Based Targets, we have reduced our scope 1 and 2 emissions by 84% compared to FY 2016/17 and reduced our scope 3 emissions from purchased goods and services by nearly 8,700 tonnes.

Balancing emissions

Rather than only purchasing offsets to cancel out our impact, we also invest in insetting projects, reducing our emissions and storing carbon at source in our own supply chain.

Through The Burberry Regeneration Fund, we support a portfolio of carbon insetting and verified carbon offsetting projects, which enable us to store carbon, promote biodiversity, facilitate the restoration of ecosystems and support the livelihoods of local producers.

For our inaugural pilot project, we have partnered with PUR Projet to design and implement regenerative agricultural practices with wool producers in our supply chain in Australia. The project will work at farm level to improve carbon capture in soils, improve watershed and soil health, and promote biodiverse habitats.

Promoting renewables

We are passionate advocates of renewable energy use and currently source 93%^ of our electricity from renewable sources. We are on track to achieve our target of using 100% renewable electricity in our own operations by 2022.

We are an active member of RE100 and have been recognised in the 2020 CDP A List and Supplier Engagement Leaderboard for our success in stimulating demand for renewable energy throughout our global supply chain. We continued to promote the use of renewables in our supply chain by creating a bespoke renewable energy guide for our Italian suppliers.

Influencing suppliers

Ensuring our supply chain partners share our ambition for a Net-Zero future is crucial to achieving meaningful change at scale. In January 2021, we launched a programme in partnership with the Apparel Impact Institute (Aii) to establish a platform for Italian manufacturers to coordinate, fund and scale environmental programmes with measurable impact. Working alongside two fellow luxury brand partners, the initiative demonstrates a shared ambition to pursue a collective mission to make fashion's supply chains more sustainable.

We support UN Climate Change's efforts in the fashion industry. On the Manufacturing and Energy Working Group, we contributed to the development of online climate action training for the fashion industry's supply chain.

Global GHG emissions

	Current reporting year 20/21		Reporting year 19/20		Reporting year 18/19	
	Global	UK and offshore only	Global	UK and offshore only	Global	UK and offshore only
Total energy including: purchase of electricity, the operation of any facility, combustion of fuel for facilities and vehicles / kWh	63,293,411^	20,826,276	70,316,810	23,432,093	77,307,069	21,293,761
Combustion of fuel and operation of facilities (Scope 1) / tCO_2e	2,089^	1,478	2,061	1,581	2,155	1,487
Combustion of fuel use from owned or leased transport (Scope 1) / tCO_2e	66	0	78	5	85	2
Electricity purchased and used for operations (Scope 2) / tCO_2e	20,582^	2,934	22,661	3,400	25,298	3,793
Total emissions location based (scope 1 & 2) / tCO_2e	22,737^	4,412	24,800	4,986	27,539	5,281
Electricity purchased and used for operations (Scope 2, market-based) / tCO_2e	1,879^	0	3,122	0	12,086	60
Total emissions (Scope 1 & 2, market-based) / tCO_2e	4,034^	1,478	5,261	1,586	14,327	1,549
Total emissions offset by Verified Emissions Reduction Certificates / tCO_2e	2,089^	1,478	1,072	815	377	0
Location-based tCO_2e per £1,000,000 sales revenue	9.7^	n/a	9.4	n/a	10.1	n/a
% of energy from renewable sources	76%^	61%	82%	81%	58%	78%

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 98% of our net selling space square footage. 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. Market-based emissions for the UK relating to electricity purchased and used for operations (Scope 2) is stated as 0 due to 100% of UK electricity being procured from renewable sources. Combustion of fuel use from owned or leased transport is reported from FY 2018/19 onwards. Burberry has updated GHG data for FY 2019/20 and FY 2018/19 to account for updated emission factors and improvements in data availability and estimation methods. GHG emissions data reported is based on the period 1 April 2020 to 31 March 2021. For the avoidance of doubt, the company's financial accounting period is from 31 March 2020 to 27 March 2021. However, references to FY 2020/21 for the selected KPIs included in the Responsibility section of Burberry's Annual Report 2020/21 refer to the period 1 April 2020 to 31 March 2021.

Principle measures taken for increasing operational energy efficiency

At Burberry, to achieve our climate-related goals we focus on energy efficiency first and foremost. To manage our operational energy efficiency we set annual energy reductions targets to drive behaviour change. 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, before finally offsetting any remaining emissions.

Further information about Burberry's basis of reporting is available on Burberryplc.com.

^ Please see page 65 for details on external assurance.

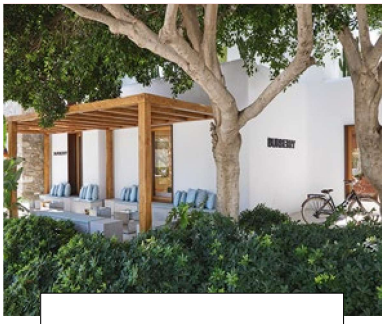

BURBERRY
LONDON ENGLAND

Consciously crafted collections

Measuring positive change

To reach our goal of ensuring 100% of our products have a positive social or environmental impact, we focus on driving improvements at the raw material sourcing and product manufacturing stages. These positive attributes can range from the amount of organic content or recycled fibres used in materials or the delivery against carbon emission reductions at production facilities, to workers being paid the living wage or being supported through wellbeing programmes. In FY 2020/21, 94% of Burberry products had at least one positive attribute and 82% had more than one^.

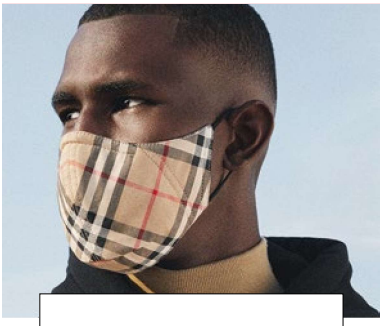
Some of the steps we take along our supply chain to ensure we are driving positive change include:



1. THOUGHTFUL DESIGN



2. SUSTAINABLE MATERIALS



3. CARING FOR OUR SUPPLY CHAIN



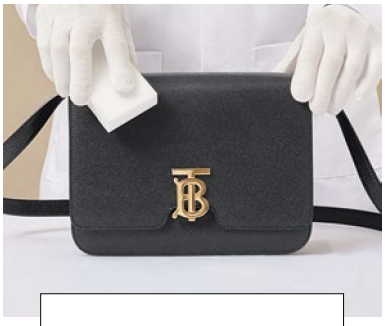
4. CHANGING INDUSTRY USE OF WATER AND CHEMICALS



5. MINIMISING WASTE



6. SUSTAINABLE PACKAGING



7. RESTORE AND REPAIR

1. Thoughtful design

By designing with our sustainability ambitions in mind, we can ensure that our products are consciously crafted, minimising our environmental impact and creating opportunities for our global communities.

We are engaging our creative community through training on circular design and have hosted a range of product disassembly workshops to help teams better understand how the lives of our products can be extended.

As a core partner of the Ellen MacArthur Foundation's Make Fashion Circular initiative, we helped shape the vision for circular fashion and have contributed to its Circular Design Guide for Fashion, a valuable resource for the fashion and textiles industry.

2. Sustainable materials

Our collections feature high-quality and sustainably sourced materials. Through our use of these materials and engagement with suppliers, we also stimulate wider demand across our industry for materials that are less impactful on the environment.

We have a series of ambitious targets to achieve this aim:

- **Ensure all key materials are 100% traceable by 2025,** supported by our use of certified materials where the country of origin is verified and disclosed. We will achieve traceability to a minimum of country level for key raw materials
- **Source 100% certified recycled nylon* and recycled polyester* by 2025,** where nylon or polyester is the product's main material
- **Source 100% certified wool* by 2025,** supporting certifications that uphold the highest animal welfare standards
- **Source 100% certified organic cotton by 2025,** which holds environmental and social benefits and is traced through our supply chain via a chain of custody. This builds on our target to source 100% of our cotton more sustainably by 2022
- **Source 100% of our leather* from certified tanneries by 2022,** with environmental, traceability and social compliance certificates

Spotlight on sustainable materials

- **Cotton:** We source 78% of our cotton* more sustainably by using a portfolio approach and are exploring new sources, including organic and regenerative cotton. This year, we formalised our ambition around organic cotton, with a target to source 100% certified organic cotton by 2025. Certified organic cotton is traced through the supply chain and has many environmental and social benefits, promoting soil health, supporting biodiversity and safeguarding farmers
- **Cashmere:** As part of our longstanding partnership with the SFA, in FY 2020/21 we participated in a pilot project with our cashmere scarf supplier, Johnstons of Elgin, which will result in fully traceable and SFA-certified cashmere fibre being used in our products
- **Leather:** We source 80% of our leather* from tanneries with environmental, traceability and social compliance certifications, with a target to extend this across 100% of our leather by 2022. In line with our support for the TCFD, we have assessed our leather supply chain and modelled the impact that climate change risks could have on our operations and supply chain across various temperature increase scenarios. For more information, please see our TCFD disclosures on pages 133 to 137
- **Viscose:** We collaborate with Canopy, an NGO working to protect the world's forests, species and climate by collaborating with business leaders, scientists and decision-makers. We use Canopy's Hot Button Report, a fibre sourcing analysis tool, and are working directly with suppliers and producers to ensure we only source viscose from responsible sources

* Denotes where the material referenced is referring to the product's main material.

3. Caring for our supply chain

We are open, caring and committed to respecting and safeguarding the rights of everyone in our supply chain. In order to ensure we are having a positive impact on the people touched by our global business, we work closely with our supply chain partners to promote ways of working that reflect our values.

We continually assess human rights risks and labour conditions across our supply chain as part of our ethical trading programme, which has been in place since 2004. We require all our suppliers to meet international labour standards and local laws and agree to our Responsible Business Principles. Measures including announced and unannounced audits, training and improvement programmes, and interviews with people working in our supply chain, to help us to ensure our third-party suppliers are aligned to our expectations.

We believe that everyone should have access to fair and responsible employment. To support this, we are an accredited UK Living Wage employer, a Principal Partner of the Living Wage Foundation and are on the steering group of the Global Living Wage Initiative, which aims to provide a global living wage standard.

We make clear to all our suppliers that any form of modern slavery, including forced, bonded or involuntary prison labour, is not permitted. We provide training on identifying risks of modern slavery to our employees and partners to support this. More information can be found in our Modern Slavery Statement on Burberryplc.com.

During the financial year, we supported our supply chain partners through the challenges presented by the COVID-19 pandemic. We implemented an Infection Control Management Policy to support our partners in providing safe working environments. We also conducted training with the support of external providers on how to operate a COVID-19-safe environment.

4. Changing our industry's use of water and chemicals

We are mindful of how we use water throughout our supply chain. We track and promote management practices and technologies that facilitate water recycling and use water-efficient materials. CDP rated Burberry A- for water security in 2020.

We prohibit the use and release of unwanted chemicals. As a Board member of The ZDHC Foundation, we guide luxury peers, third party suppliers and external chemical experts to devise innovative solutions to ensure effective chemical management across the fashion and textiles industry.

As a Board member of The ZDHC Foundation, we steer luxury peers, third-party suppliers and external chemical experts to devise innovative solutions to address this issue.

5. Minimising waste

We seek to minimise waste at all stages of our value chain. We follow clearly defined waste hierarchy principles. Where we have unsaleable goods, we reuse, repurpose, donate or recycle them.

In FY 2020/21, we launched reusable, customisable accessories pop-ups. Modular installations with interchangeable parts, the pop-ups build on Burberry's legacy of innovation and creativity. In each location, the reusable building blocks were assembled in a unique way to create a beautiful set-up that adapted to fit each space. The travelling pop-ups made their way across 39 different locations.

We launched ReBurberry Fabric, a pilot programme in partnership with The British Fashion Council, to donate leftover fabrics to fashion students. During the year, we donated 7,125 metres of fabric, benefiting 33 schools.

We also partner with Alta Scuola di Pelletteria Italiana, a leather school, and San Patrignano, an organisation supporting marginalised young people. In 2020, the school trained San Patrignano residents in leather goods disassembly and repurposing using excess Burberry materials.

We continue to donate products and raw materials to various charities, design schools and colleges globally, including the Royal College of Art, the Manchester Fashion Institute and the British Fashion Council. We have also funded a two-year research project with The Hong Kong Research Institute of Textiles and Apparel (HKRITA) to design a post-consumer leather goods recycling system.

6. Sustainable packaging

All Burberry retail bags and boxes are reusable and recyclable, and certified by the FSC.

Our signature oak paper is made from a minimum of 40% upcycled coffee cups that would have otherwise gone to landfill. Since February 2019, 66 million cups have been upcycled into Burberry packaging. Our products are transported on recyclable hangers and in garment bags made from 100% recycled polyester.

Eliminating unnecessary single-use plastic packaging is a priority for us. As a signatory of the 2025 New Plastics Economy Global Commitment, we have pledged to eliminate unnecessary and problematic plastic; use 100% reusable and recyclable plastic; and use at least 20% recycled content across all own-branded plastic packaging by 2025.

7. Restore and repair

We know that the enduring quality of Burberry pieces means their appeal and value is long-lasting. This, along with our mission to build a more sustainable future, led us to launch a luxury aftercare service to extend the life of our products.

For the first time, we have also launched dedicated aftercare spaces in stores in London and Paris. Building on our existing repair service, we piloted a new Trench Refresh programme in London, inviting clients to a Trench diagnostic session with one of our in-house experts. As part of this offering, we introduced a new reproofing solution for our gabardine Trench Coats that is kinder to the environment, and expanded our repair and replacement capabilities. We also launched a pilot of our Leather Restore service globally, offering complimentary leather conditioning to extend the life of Burberry bags.

SUSTAINABILITY BOND USE OF PROCEEDS REPORT

Burberry is committed to using its position and influence to drive social and environmental improvements and foster sustainable innovation in the value chain, from the sourcing of raw materials to the manufacturing of finished products and distribution through our stores and wholesalers. We are also committed to enlisting the support of investors in delivering these ambitions by linking Burberry's sustainability strategy to its funding requirements.

Burberry issued a debut five-year, sterling Sustainability Bond on 21 September 2020 for £300 million at 1.125% (the "Sustainability Bond"). As part of the Sustainability Bond Framework[1] (the "Framework"), a commitment was made to publish a use of proceeds report within one year of the issuance of the bond and annually thereafter.

This report constitutes Burberry's first use of proceeds report to investors and covers the allocation of proceeds from the Sustainability Bond by category per the Eligibility Criteria as defined in the Framework.

Eligibility criteria and oversight

The categories of our Eligibility Criteria are as follows:

- Green buildings
- Environmentally sustainable management of living natural resources and land use
- Pollution prevention and control (including waste prevention, waste reduction and waste recycling)

Burberry's 2022 Responsibility targets are owned by senior leadership across all regions and key functions and progress is reviewed by the Sustainability Steering Committee.

The Sustainability Steering Committee was established in 2019 to review and oversee the Group's strategy on environmental and social issues related to our supply chain. The Sustainability Steering Committee convenes at least three times a year and is chaired by the CEO, who is accountable for ensuring oversight of climate-related risks and opportunities of the Group. The CO&FO, the Chief Supply Chain Officer and the Vice President of Corporate Responsibility are permanent members of the Sustainability Steering Committee.

In addition to the Sustainability Steering Committee, sustainability matters are regularly discussed at the Ethics and Risk committees and updates are shared with the Board.

Burberry's Sustainability Bond Committee (the "Committee") includes representatives from Corporate Responsibility, Group Treasury, and other parties nominated as subject matter experts. The Committee has considered the Eligibility Criteria in the Framework and reviewed the spend on projects eligible for financing under the Sustainability Bond and has allocated the proceeds accordingly.

Allocation of proceeds

The proceeds of the Sustainability Bond have been allocated across the three categories outlined in the Framework. In accordance with the Framework, these eligible projects and spend have been completed within the three-year period preceding the issuance of the Sustainability Bond in September 2020.

The allocation across categories is summarised below:

Categories of spend	Sep 2017 – Mar 2020 £m	Apr 2020 – Mar 2021 £m	Cumulative total £m	UN SDG
Green buildings	4.6	4.1	8.7	
Environmentally sustainable management of living natural resources and land use	42.4	17.8	60.2	
Pollution prevention and control	23.1	11.1	34.2	
Total	70.1	33.0	103.1^	

1. The Sustainability Bond documentation and Framework can be found at: www.burberryplc.com/en/investors/debt.html

Unallocated proceeds

The unallocated proceeds under the bond are £193.6 million. The cash is kept on deposit in line with Burberry's Treasury Policy.

Project examples

Green buildings

Projects include the financing or refinancing of properties which have achieved one of the following certifications:

- Leadership in Energy and Environmental Design (LEED): Platinum or Gold level
- Building Research Establishment Environmental Assessment Method (BREEAM): Excellent or Outstanding level

For existing buildings, certification has been received within the last three years.

Environmentally sustainable management of living natural resources and land use

As part of Burberry's Responsibility strategy, where cotton is the product's main material, Burberry has set a goal to procure 100% of its cotton more sustainably by 2022 by using a portfolio approach.

Burberry continues to promote more sustainable farming practices among its suppliers and also remains committed to driving demand for organic cotton.

In addition, we support Cotton 2040, a cross-industry partnership convened by Forum for the Future to address long-term resilience in cotton supply chains.

Pollution prevention and control

Burberry is passionate about driving positive change and building a more sustainable future. Our sustainable packaging materials commitment aims to minimise the amount of packaging used and, where packaging is unavoidable, to maximise use of recycled, reusable and recyclable materials in line with circular economy principles. This commitment applies to all Burberry customer-facing and transit packaging.

As signatories of the 2025 Global Plastics Commitment, we will minimise and phase out the use of unnecessary single-use plastics by redesigning packaging, using recyclable alternative materials and/or enabling reuse schemes. Where plastic packaging is used, it must be made from recyclable plastic with a minimum of 20% recycled content.

We have allocated proceeds against packaging procurement where recycled content is more than 20%.

External assurance of corporate responsibility disclosures

Burberry has appointed PricewaterhouseCoopers LLP (PwC) to provide limited assurance over the allocation of use of proceeds. Information forming part of the assurance scope is denoted with a ^. The assurance statement is available on 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	• Chemical Management Standards • Global Environmental Policy • Make Fashion Circular Initiative • New Plastics Economy Global Commitment • UN Climate Change Fashion Industry Charter for Climate Action • Responsible Sourcing Policy • Science Based Targets • Task Force on Climate-related Financial Disclosures (TCFD) reporting	• ESG section, pages 60 to 91 • ESG and Responsibility section on Burberryplc.com • Task Force on Climate-related Financial Disclosures (TCFD) section, pages 133 to 137
People	• Global Health and Safety Policy • Global Diversity and Inclusion Policy • Our Culture and Values • Responsible Business Principles	• Directors' Report, page 204 • Company, Responsibly and People sections of Burberryplc.com • ESG section, pages 60 to 91 • Gender Pay Gap Report and Global Parental Leave Policy on Burberryplc.com • Purpose, pages 14 to 15 • Stakeholder Engagement, pages 96 to 103
Respect for human rights	• Data Privacy Policy • Ethical Trading Code of Conduct • Human Rights Policy • Infection Control Management Policy • Information and Cybersecurity Policy • Model Wellbeing Policy • Transparency in the Supply Chains and Modern Slavery Statement	• ESG section, pages 60 to 91 • Responsibility section on Burberryplc.com • Human Rights Statement page 80
Social matters	• Responsible Business Principles • Ethical Trading Code of Conduct • Local Stakeholder Engagement Policy • Volunteering and Match Funding	• ESG section, pages 60 to 91 • 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 and our people, pages 96 to 98 • Responsibility section of Burberryplc.com
Additional disclosure		• Business Model, pages 16 to 17 • Key Performance Indicators, pages 45 to 47 • Principal Risks, pages 106 to 107 • Purpose, pages 14 to 15


BURBERRY LONDON ENGLA

STAKEHOLDER ENGAGEMENT

The Board is aware of its obligations both collectively and individually to promote the success of the Company for the benefit for its stakeholders as a whole. Having an overall understanding of our stakeholders' perspectives and values, and considering them in our decision-making and planning, is crucial to Burberry's continued success and we value their broad range of perspectives.

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 of Burberry's 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.

We take care to work with and communicate with all major stakeholders:

- People
- Customers
- Shareholders
- Communities
- Partners
- Governments

More information on how we have supported some of our stakeholders during the COVID-19 pandemic can be found on pages 56 to 57.

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.

Reflecting 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 2020/21 Annual Report and the table on page 104 identifies where they are discussed.

PEOPLE

We believe in fostering a sense of belonging among our people and ensuring they are active participants in our drive to fulfil our purpose. Our people are Burberry's greatest asset, and it is vital that we continue to attract and retain the best talent. With our people adapting to the COVID-19 pandemic by working remotely, it is particularly important to ensure their perspectives are heard and that they continue to feel part of the broader organisation.

What matters

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

We have increased our Employee Engagement Surveys from once annually to three per year. Despite the impact of the pandemic, 89% of our people felt they had clear areas of focus and 86% agreed Burberry was doing a good job of keeping them connected to one another. We use insights from these surveys to action changes and improvements across the Group.

We communicate daily with our teams across the business to keep them informed and engaged. Written communications, videos and podcasts are made available via Burberry World, our global intranet. For example, we communicated extensively with our Sales Associates during the year, providing regular operational updates and training around our creative transition and new products. Major events, such as embedding Burberry's purpose and moving our internal Icon Awards ceremony online, allowed for more inclusive, global engagement, with those events garnering over 6,000 views.

We are committed to ensuring our people are growing and developing personally and professionally. To foster a culture of forward-thinking, we want to equip all of our people to be set up for success. We encourage creative thinking around problem solving and making things happen, and provide tools and resources through our B-Learning site.

More information on Burberry's progress towards a more diverse and inclusive workplace can be found on pages 69 to 72.

Board engagement

Global Workforce Advisory Forum: the Board has established a Global Workforce Advisory Forum. The purpose of the forum is to ensure meaningful two-way communication between the Board and the workforce in order to develop a greater understanding of their views 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 2020/21 it met twice to discuss a wide range of topics. These included colleague views on the Group's response to the pandemic, changes to reward programmes made in 2020, and culture and how to speak up. Gerry Murphy, our Chairman, and Orna NíChionna, Non-Executive Director and Chair of the Remuneration Committee, represented the Board at both meetings and shared insights from the Forum meetings with the Board. These insights were particularly helpful to the Board in formulating the 2020 Directors' Remuneration Policy and in their consideration of the Group's response to the pandemic.

Employee Engagement Survey: the Board reviewed the results of the Employee Engagement Survey, and an overview of key trends for 2020. The Board gave particular focus to both the dimensions and demographics within the findings and discussed proposed actions and areas of opportunity.

Direct interaction: Burberry's various colleague platforms allow the Board to interact with our people on a global scale. During the year, Non-Executive Directors Fabiola Arredondo, Ron Frasch and Orna NíChionna collaborated to produce a short film reflecting on the Company's history and entrenched values. In March 2021, as part of our International Women's Day celebrations, Fabiola and Orna, alongside fellow Non-Executive Directors Debra Lee and Dame Carolyn McCall participated in a webcast reflecting on the experiences that have helped shape their careers and the importance of representation, allyship and mentoring.

CUSTOMERS

As the ultimate user of our products, our customers continue to look for quality products that reflect their personal style. They increasingly look to feel part of a community and seek out brands with a strong purpose.

What matters

- Product innovation and newness
- Customer service and brand experience
- Addressing evolving customer habits and changes in buying patterns
- Environmental impact

We aim to offer our customers a holistic, omnichannel experience, where they can engage with our brand, our product, our communications and our people. We continue to harness insights to develop our understanding of luxury goods customers and enhance our customer proposition, ensuring we offer inspiration and opportunities to engage with Burberry across our platforms.

In the midst of the pandemic, we used digital innovation to mitigate the impact of reduced traffic in our store network. Our teams acted quickly to ensure we continued to deliver a luxury experience for our customers. In a matter of weeks, Burberry.com was set up to allow customers to book in-store appointments and gain online shopping assistance. For the UK and the USA we introduced video appointments with our Sales Associates who could browse products on behalf of their clients as if they were in store (see page 27). More information about Burberry's response to the COVID-19 pandemic and its impact on our customers can be found on pages 56 to 57.

In July 2020, we opened our first Social Retail store in Shenzhen, China, aiming to blend seamlessly the physical and social worlds by offering a digitally immersive retail experience (see pages 28 to 32). Later in 2020, we brought our Spring/Summer 2021 show outdoors, partnering with several livestreaming platforms around the world to broadcast the event.

Providing exceptional customer service and assistance is vital for any luxury brand. We look at ways to improve the assistance we offer to customers on an ongoing basis, including ensuring they are able to contact us at their convenience through their preferred medium, including phone, email, social media and Burberry.com chat. At present, we offer customer service assistance in 14 languages.

Burberry's commitment to sustainability is longstanding, 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. Our customers are increasingly interested in sustainably sourced materials. For instance, in April 2020, we launched the "ReBurberry Edit", comprising 26 styles from the Spring/Summer 2020 collection, all made from the latest innovations in sustainable material science. This was communicated across brand channels and through media engagement.

Board engagement

Customer experience: as customers themselves, the Board regularly engages with the business across all of our channels. Insights 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 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. During the year, the Board gave particular time and focus to ensure that the Company continued to engage with its customers safely.

SHAREHOLDERS

As well as ongoing interest in our financial performance and growth, our shareholders are increasingly attentive to ESG topics. For that reason, we included an ESG section in this report and built a dedicated space on Burberryplc.com to share information about Burberry's actions in this area.

What matters

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

We value our shareholders and investors and want to ensure they understand our business, our strategy, the luxury market environment and our governance arrangements. We foster an open and transparent relationship with each individual investing in Burberry to enable them to make effective investment decisions.

The Board also 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, as well as other areas of the business. Investors are invited to virtually attend our trading and results announcements, which include a dedicated question-and-answer session. All investor announcements are made available on our website including webcasts, slides and transcripts.

During FY 2020/21, our Investor Relations team participated in over 200 investor meetings and events. This engagement included presentations to institutional shareholders and analysts following the release of the Group's half- and full-year results as well as meetings with the Group's 20 largest investors.

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, totalling over 70 meetings.

In 2020, consultation with shareholders in advance of proposing the 2020 Directors' Remuneration Policy resulted in 94.91% of votes in favour of the resolution at the Annual General Meeting (AGM).

The Board and management regularly receive and respond to queries from shareholders on a wide range of ESG topics, including sustainability, climate change, recycling and waste, and human capital management.

In May 2020 the Board took the decision not to pay a final dividend in respect of FY 2019/20 given the uncertainty in outlook due to the impact of COVID-19 on the business and the global economy. This was a hard decision for the Board and involved balancing the interests of our shareholders, our people, our customers and our suppliers with the longer-term interests of the Company. The Board concluded that it was prudent to conserve capital in order to protect the business. The Board is pleased that the strong performance during FY 2020/21 has enabled the Group to resume paying a dividend.

The Board also undertook a comprehensive review of funding and in September 2020 approved the issuance of a £300 million Sustainability Bond, which introduced long-term financing into the Company's capital structure. The proceeds of the Bond will be used to finance and/or refinance eligible sustainable projects reinforcing Burberry's longstanding commitment to sustainability.

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 the Notice of Annual General Meeting (AGM). In light of COVID-19, during FY 2020/21 the Board approved issuing additional market announcements to inform shareholders of the Company's response to the pandemic and the impact on performance.

AGM: the AGM is an important opportunity for the Board to share directly with shareholders the performance and strategic direction of the Company. As a result of the COVID-19 pandemic, it was not possible to hold an open AGM in 2020. Shareholders were able to ask questions in advance of the meeting, which were grouped into themes and answered during a webcast following the meeting. Shareholders were strongly encouraged to submit their proxy votes and circa 80% of total voting rights were voted and all resolutions passed.

Due to the continued uncertainty surrounding COVID-19 restrictions that may be in place at the time of the AGM, we are proposing to hold the AGM with the minimal quorum present while providing shareholders with a virtual meeting platform where they will be able to watch the proceedings of the meeting and have the opportunity to submit questions to the Board.

COMMUNITIES

At Burberry, we have a longstanding commitment to supporting our communities, through various programmes and initiatives designed to drive positive change.

What matters

- Positively impacting the communities living and working around us
- Employment within our communities
- Increased focus on ESG

As the COVID-19 pandemic continued to affect our communities, we worked closely with teams, partners and the Board to determine how we could best provide support. The Group's response is being managed through five key workstreams chaired by the CEO and supported by the Board. As COVID-19 continues to impact us all, we maintain our commitment to supporting our communities through our broader relief efforts and via The Burberry Foundation COVID-19 Community Fund.

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. Each year, we donate a percentage of Group adjusted profits before tax to charitable causes, which include long-term community programmes led by The Burberry Foundation and emergency efforts as they arise, such as disaster relief. Alongside contributions, employees are encouraged and supported in volunteering for charities and donating up to three working days a year to supporting their communities. Burberry supports match-funding towards team-based fundraising activities. Read more about this on pages 74 to 79.

In addition, we have continued to support our programmes, including Burberry Inspire and our creative arts scholarships, to ensure that future generations of talent, particularly from underrepresented communities, have the support they need to enter the creative industries.

Board engagement

Strategy updates: the Board receives regular updates on the implementation of The Burberry Foundation's five-year strategy, which aims to positively impact 1 million people by 2022 by supporting community programmes, making financial contributions and encouraging employee volunteering.

Sustainability Steering Committee: Burberry's Sustainability Steering Committee, which was established in 2019, meets at least three times a year to oversee the Group's strategy on environmental and social issues. The Sustainability Steering Committee 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 initiative.

Supporting communities: the Board understands the importance of sustainability in the fashion industry and receives updates on the sustainability initiatives and projects undertaken by the Group. More information on ESG can be found on pages 60 to 91. Further information on Burberry's progress in meeting the recommendations of the TCFD can be found on pages 133 to 137.

The Burberry Foundation: the work of The Burberry Foundation is key to Burberry's Responsibility agenda. In FY 2020/21, the Board agreed to donate £3.5 million of Group adjusted profits before tax to social and community causes worldwide, which include disaster relief, scholarships and long-term community programmes led by The Burberry Foundation. The Board also approved incremental charitable donations in response to the COVID-19 pandemic including donating PPE to the UK National Health Service and healthcare charities; supporting vaccine research and the equitable distribution of the COVID-19 vaccine to some of the world's most vulnerable people; and charities tackling food poverty.

The Burberry Foundation COVID-19 Community Fund: all members of the Board took a voluntary salary/fee cut of 20% for the first quarter and the Company paid an equivalent of that amount to The Burberry Foundation COVID-19 Community Fund, with our top management team also taking a 20% reduction in their salaries. The Burberry Foundation COVID-19 Community Fund was established for our employees to support communities in need globally. More details on the fund can be found on page 57.



PARTNERS

We work with companies, NGOs, civil society groups, our suppliers 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.

What matters

- Aligning with new customer behaviour, especially around e-commerce
- Increased focus on ESG
- COVID-19 relief support
- Driving collaboration and contributing to the United Nations SDGs

Our ESG work contributes to a range of the United Nations SDGs. We feel Burberry is uniquely placed to make a positive difference. We recognise the power of working in collaboration to drive real change in the industry. We are focused on working together with industry peers, business partners and other key stakeholder groups to find long-term solutions and promote wider industry change. We pursue our ESG goals through strategic partnerships with NGOs, industry peers, initiatives and other businesses. For example, this financial year we continued our support of registered charities, including FareShare, The Trussell Trust and The Felix Project, which are dedicated to tackling food poverty across the UK. Read more about our COVID-19 efforts on pages 56 to 57 and our collaboration with Marcus Rashford MBE on page 43.

We nurture close relationships with members of our supply chain, including wholesalers, licensees and supply chain partners, on an ongoing basis to drive social and environmental improvements, focusing on every step in our sourcing and manufacturing processes.

To ensure a seamless customer experience across all consumer touchpoints, we collaborate with other companies to create the best experiences for our customers. For example, in FY 2020/21, the digital experience became more prominent where stores were unable to remain open and we collaborated with technology companies to enhance our customers' online experience (read more on pages 32 to 35). We also continued to nurture close relationships with our wholesale and licensing partners through monthly and weekly updates to understand their product needs and ongoing preferences.

Board engagement

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

The TCFD Working Group, which 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, reports to the Risk Committee, which is chaired by Julie Brown, our CO&FO. The Audit Committee discussed the work of the TCFD Working Group, including progress against the four pillars of governance, strategy, risk management and metrics and targets.

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 80 and our Modern Slavery Act Statement can be found on Burberryplc.com.

GOVERNMENTS

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.

What matters

- Industry/product policies such as taxes, restrictions, trade and regulations
- Employment
- Increased focus on ESG

As part of the global response to the outbreak of COVID-19, Burberry dedicated resources to supporting those impacted by the disease and preventing further infection. We addressed immediate medical needs by leveraging our global supply chain, retooling our Castleford manufacturing site to make PPE. The British government called on Burberry to extend our support, which we offered to do at cost. We also supported communities by funding food supplies for vulnerable individuals through partnerships with food distribution charities. We also worked towards a longer-term solution to the global pandemic by helping to fund University of Oxford's COVID-19 research. The research resulted in a vaccine developed with AstraZeneca which is now being used as part of vaccination programmes in several countries.

As part of our ongoing efforts to protect our brand, we connect with governments around the world as they influence long-term retail environments, environmental priorities, trade, IP, 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.

Board engagement

Preparing for and post UK withdrawal from the EU: the Board receives regular updates and individual Board members have liaised directly with the UK government on key issues in relation to the UK's withdrawal from the EU. Such topics include the VAT Retail Export Scheme, access to skills and talent and general challenges relating to cross-border movement.

The Board agreed to repay early and with interest the £300m funding secured in 2020 under the UK Government sponsored COVID Corporate Financing Facility (CCFF) and committed to pay our UK business rates in full. More information on the Group's response to COVID-19 is set out on pages 56 and 57.

BOARD ENGAGEMENT

The table below sets out where further information can be found on how the Board has exercised its duties in accordance with Section 172 of the Act.

SECTION 172 RESPONSIBILITIES

a. Long-term results – the likely consequences of any decision in the long term	**Strategic Report:** Business Model (pages 16 to 17) Chairman's Letter (pages 6 to 8) CEO's Letter (pages 10 to 13) Capital Allocation Framework (page 55) Investment Case (pages 18 to 19) Key Performance Indicators (pages 45 to 47) Risk and Viability Report (pages 106 to 142)	**Corporate Governance Report:** Report of the Audit Committee (pages 173 to 179)
b. Our workforce – the interests of the Group's employees	**Strategic Report:** Business Model (pages 16 to 17) Purpose (pages 14 to 15) Operational Risks (pages 119 to 125) ESG (pages 60 to 91) Stakeholder Engagement (pages 96 to 103)	**Corporate Governance Report:** Chairman's Letter (pages 146 to 147) Division of Responsibilities (page 162) Directors' Remuneration Report (pages 180 to 203) 2020 Directors' Remuneration Policy (pages 161 to 171 in the Annual Report 2019/20) Report of the Audit Committee (pages 173 to 179) Remuneration (pages 180 to 203) **Burberryplc.com:** Gender Pay Gap Report, ESG, People and Responsibility
c. Our business relationships – the importance of developing the Group's business relationships with suppliers, customers and others	**Strategic Report:** Business Model (pages 16 to 17) ESG (pages 60 to 91) Stakeholder Engagement (pages 96 to 103)	
d. The communities and our environment – the impact of the Group's operations on the community and the environment	**Strategic Report:** ESG (pages 60 to 91) Climate Change Risks (pages 129 to 131) Task Force on Climate-related Financial Disclosures (TCFD) (pages 133 to 137)	**Burberryplc.com:** ESG and Responsibility
e. Our reputation/our desire to maintain our reputation for high standards of business conduct	**Strategic Report:** ESG (pages 60 to 91) The Environment (pages 83 to 91) Human Rights Statement (page 80) Compliance Risks (pages 126 to 131) Non-Financial Information Statement (page 94)	**Corporate Governance Report:** Board roles (page 162) Other Governance Disclosures and Tax Governance Framework (page 160) **Burberryplc.com:** Modern Slavery Statement
f. Fairness between our shareholders – our aim is to act fairly between members of the Company	**Strategic Report:** Stakeholder Engagement (pages 96 to 106)	**Corporate Governance Report:** Engagement with Shareholders (page 185) Directors' Remuneration Report (pages 180 to 203) Board Roles (page 162)


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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. The Ethics Committee reports to the Risk Committee, which oversees the Group's risk. Reports from both of these committees are presented to the Audit Committee.

An integral part of our business, our risk management process is coordinated by our Group Risk and Assurance team, reporting to our CO&FO. 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 described on page 109.

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 accept a certain level of risk to ignite brand heat commensurate with our position in luxury fashion. We approve capital investment in strategic projects and accept a moderate to high risk in pursuit of innovation and profitable growth, balancing a reasonable return on capital with a reasonable level of commercial risk within the approved capital allocation framework.

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 our people. 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

The Board considers the principal risks to be the most significant risks faced by the Group, including 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, 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 (WHO). Unprecedented restrictive measures were put in place worldwide to help prevent the spread of the disease to ensure safety and wellbeing, protect health services and attempt to stabilise economies. A new Group principal risk was added last year to consider the risk of prolonged COVID-19 disruption beyond the range of assumptions that have been used to develop the reasonably expected outcomes. The global pandemic has continued to create uncertainty in FY 2020/21, however, as vaccination rollouts progress, the outlook is more optimistic. The impact on each of the other principal risks from the pandemic is also explained in the detail for each risk.

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 emerging risks. 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 for us and we therefore 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, therefore 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.

MACRO	**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 and governance regulations (for example, the UK government's consultation paper on restoring trust in audit and corporate governance) may introduce new requirements and increase the risk of non-compliance
CONSUMER	**Changing consumer preferences** – expectations around product and Company sustainability continue to increase
	Significance of influential groups/third parties on consumer spending patterns – increased reliance on third parties to produce content to influence consumer spending (for example, social media influencers), which also increases risk of damage to brand image
INDUSTRY	**Industry concentration** – increase in concentration on key consumer groups resulting in greater competition for growth targets
	New technology – leading to changes in consumer spending habits and expectations around product availability (for example, virtual stores and buying product directly from runway shows)
	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
- Monitor 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

Risk Committee (chaired by CO&FO)

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

Group Risk and Assurance team

- Establishes risk management framework
- Identifies emerging risks, working with the Strategy team
- Facilitates risk assessments and updates to risk mitigation
- 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

Ethics Committee

- 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

Functions and business risk owners

- Carry out day-to-day risk management activities
- Identify and assess risk and implement mitigating actions
- Assign owners to update risk registers

Internal Audit and compliance functions

- 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, and Corporate Responsibility)

EXTERNAL RISKS

COVID-19 impact

The timing of a return to sustained growth following the COVID-19 pandemic remains uncertain. There is a risk that the recovery from the spread of the COVID-19 pandemic slows due to a resurgence of cases. In response to COVID-19, we have continued to update planning scenarios based on a range of assumptions and potential outcomes. This 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 planning scenarios. In addition, there could be impacts on impairment of retail assets, inventory and carrying value of other assets.

Risk movement and outlook

COVID-19 was a new principal risk in FY 2019/20. 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 previously. Although there remains uncertainty about the recovery from the pandemic, the ongoing successful rollout of vaccination programmes is a positive indicator the risk of further impact from COVID-19 is reducing. We remain confident in our ability to execute our strategic plans to accelerate growth as a British luxury brand.

Link to strategy

The time frame 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 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 people's lives globally.

Actions taken by management

- The Group Incident Management Team (GIMT) was set up to coordinate Burberry's response to the COVID-19 outbreak. The Group's response is being managed through five key work streams led by the Executive Committee and chaired by our CEO
- The health and safety of our people remains our priority and our response has concentrated on our people, customers and communities. We have prioritised their wellbeing and communicated regularly with all our stakeholders
- We have executed a plan of strategic initiatives to navigate through this period of decreased luxury industry demand and capture opportunities as consumer confidence and markets rebound
- Burberry has significant financial headroom in the form of £0.9 billion cash balances, excluding £0.3 billion of proceeds from the Sustainability Bond and a further £0.3 billion undrawn from the RCF. 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 pages 140 to 142

COVID-19 impact continued

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
- 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 impact the supply chain and the speed with which 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 closed sites across Asia, EMEIA and the Americas ahead of or in line with local government restrictions in order to prevent the spread of COVID-19 and ensure our people's, 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
- We continue to manage cash and costs to protect the Group's liquidity. A comprehensive cost mitigation programme has been delivered, which includes delaying discretionary capital expenditure to focus on essential spending 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

Macroeconomic and political instability

The Group operates in a wide range of markets and is exposed to changing economic, regulatory, social and political developments that may impact consumer demand, disrupt operations and impact profitability. Adverse 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 remained flat since it elevated significantly last year. The outlook remains uncertain as we continue to navigate through a number of significant macroeconomic and political events, such as governmental responses to the economic damage caused by the pandemic and continuing geo-political tensions. 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
- Increased customs and duty charges could result from government trade and tax disputes

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 for 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

Further impact from the UK's withdrawal from the EU

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

Risk movement and outlook

The UK's withdrawal from the EU on 31 December 2020 has crystallised with some supply chain disruption realised. There is expected to be continued disruption as actions are implemented throughout the next year to mitigate the negative impacts of duty costs and border friction. However, the risk has reduced since last year.

Link to strategy

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

Risk tolerance

We have a low tolerance for risk arising from uncertainty regarding the trading relationship between the UK and 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 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 roadmaps
- 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 EU, and oversees our approach
- While the business has experienced some short-term disruption, ongoing mitigation reduced the risk to all business activities, including supply chain, trade compliance, IP 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 long-term shareholder value. Success depends on our ability to cement our luxury positioning, increasing the value and relevance of our brand to luxury consumers globally.

Inability to successfully execute the projects that underpin these strategies 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, which has been significantly impacted by the COVID-19 crisis, resulting in a high degree of uncertainty, and intensifying competition among luxury players. Additionally, today's luxury consumers are increasingly more demanding of luxury brands, seeking inspiration, an authentic and meaningful relationship with brands, quality and a clear standpoint on environmental and social issues.

Our ability to make the right strategic investment decisions and to rapidly pivot our plans in response to changes in the market environment and consumer preferences 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 fundamentals and trajectory of our strategy have not changed, we have adapted our execution and time frame to effectively respond to the challenges posed by the COVID-19 crisis.

Link to strategy

All strategic pillars.

Risk tolerance

We are pursuing growth and accept a certain level of risk to fuel the brand heat that comes with our position in luxury fashion. We approve capital investment in strategic projects and accept a moderate to high risk in pursuit of innovation and profitable growth, balancing a reasonable return on capital with a reasonable level of commercial risk within the approved capital allocation framework.

Actions taken by management

- FY 2020/21 marked the end of the first phase of our strategy, which focused on building the foundations, re-energising the brand, aligning our distribution to our new luxury positioning and establishing a new product offering. In consideration of the challenges posed by the COVID-19 pandemic and impact to luxury, we prioritised building resilience 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 as economies rebounded
- We continued to focus on our strategic priorities, and effectively adapted our plans to capitalise on opportunities as they arose across geographies
- We continued to strengthen consumers' perception of our brand, investing in brand heat and visibility, signalling luxury through our campaigns and disruptive media experiences
- We built on positive momentum with our collections, delivering newness and exceptional product, strengthening our position in leather goods, and managing product flows despite supply chain challenges

Execution of strategic plan continued

Examples of risks

- A pause to delivery of the strategy due to major external factors hampering brand heat and consumer engagement with our brand
- Failure to deliver and invest in strategy plans and capture market opportunities in countries where economies are rebounding
- Inability to capture demand as the luxury market polarises further and consumers become more discerning in their purchases
- Failure to create sufficient brand heat and engagement globally through our content and marketing activations across communication channels
- Failure to provide newness and high-quality products that excite global luxury consumers, and to bring these to the market at speed without sacrificing luxury quality
- Inability to achieve the required organisational alignment and enhance our capabilities and culture to compete and grow effectively at the pace required to deliver the targets
- Failure to sufficiently transform operational processes undermining 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

Actions taken by management continued

- We planned and implemented localised and bespoke plans for each region, and increased our focus on the local consumers, shifting resources as required to focus on growth opportunities in rebounding markets while optimising revenues in markets most affected by the pandemic
- In digital, we innovated and identified new ways to connect with our customers, especially those who could not visit our stores during the pandemic, strengthening our digital luxury experiences and e-commerce capabilities
- Our Inspired People initiatives include replacing our annual questionnaire with shorter, more frequent surveys. This has shown a marked increase in the understanding of our strategic goals and transformation plan within the Group
- Coordinated by the Strategy team, business owners for each pillar have ownership of the plan and responsibility to deliver its objectives. They monitor the risk associated with each of the major programmes and track progress and benefits based on a set of lead indicators in order to assess progress in product, communications, stores and digital channel performance
- Looking ahead, we devised a plan to strengthen our foundations, adapt to the COVID-19 environment, and sustain the momentum we have built for our brand and product. Details of the strategic initiatives forming our plan can be found on pages 24 to 43

Image and reputation

The Group carefully safeguards its image and reputation. 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 and negatively impact the value of the brand.
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 as well as loss of customers. Burberry's increasing reliance on influencers in its marketing 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 and a heightened risk of an escalation in geopolitical tensions. The external environment of collaborators and influencers creates risk. Therefore constant monitoring is required to ensure that Burberry's image and reputation are 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
- An organisation, association, 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
- Alleged infringement or appropriation of third-party rights in connection with the production of content and design of product could negatively impact the reputation of the brand
- Failure of our people 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
- Review process in place for any engagements with collaborators, influencers or celebrities
- 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 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
- Uphold our approval processes and editorial controls to ensure all product and content is reviewed and signed off prior to external release
- Development of a global Diversity and Inclusion strategy and 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 they adhere to the policy
- Undertaking of marketing risk analysis/risk register and implementation of mitigation
- Development of due diligence policy in connection with retention of talent and partners

Global Chinese consumer spending

Global Chinese consumer spending patterns may significantly change having an immediate adverse impact on Group sales. Any significant change to Chinese consumer spending habits globally due to changes in the economic, regulatory, social or political environment 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 fully compensated by the repatriation of spend in China.

Risk movement and outlook

The risk has increased since the prior year. Due to the continued reliance on Chinese consumers, the Group is exposed to changes in their spending patterns which may result from shifts in the economic, social or geopolitical environment. While our business in Mainland China has rebounded from COVID-19, the Group's trading performance could be impacted if there are further waves of the pandemic in Mainland China, or an escalation in geopolitical tensions.

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 ignite brand heat commensurate with our position in luxury fashion.

Examples of risks

- We suffer a major reputational shock in Mainland China causing brand fallout
- Burberry's growth from Asia does not meet the expectations either in magnitude or timing, especially in Mainland China
- Slower recovery in Asia from the global pandemic because of reinfections
- 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

- Development and execution of Mainland China strategy, including specific product designed for Lunar New Year and additional marketing spend to support growth targets
- 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, strategic locations and making customer experiences, storytelling and products more locally relevant. This strategy will continue assuming China continues to rebound from COVID-19
- 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 continue to impact foreign exchange rates, which in turn could cause significant change in our Group reported results.

Risk movement and outlook

The risk has not changed since the prior year. In light of the macroeconomic environment, geopolitical risks remain heightened and foreign exchange rates remain volatile.

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 and the COVID-19 pandemic, 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 intra-group 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 are 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 not changed since last year.

Link to strategy

Having a cyber risk-aware workforce and resilient technology landscape is integral to delivering our 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
- Improved security for remote working
- 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 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 in respect to the appropriate collection, security, storage, retention and deletion of personal data
- In line with other organisations, Burberry encounters information security incidents from time to time and has policies, processes and technologies in place to detect and respond to these as appropriate
- Burberry is independently audited against appropriate information security standards with results being submitted to the Risk and Audit Committee

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

There is no change to risk for this year. We continue to navigate uncertainty caused by the pandemic and changes as a result of the UK's withdrawal from the EU. Global trading disruption continues to impact our people's ability to meet planned business goals. However, we have experienced reduced levels of attrition, likely due in part to external factors, and we anticipate that risk levels will diminish in the next fiscal year, assuming the impact of the pandemic reduces.

Link to strategy

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

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

Risk tolerance

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

Actions taken by management

Leadership and culture

- All line leaders have a leadership objective and Diversity and Inclusion objectives included in their goals. Executive Committee members have overall accountability for attracting and retaining diverse talent and fostering an inclusive culture
- Values integrated across the colleague life cycle with a focus on moments that matter (for example, onboarding, leadership development programmes, recognition, policies and talent processes)
- Over the course of this year, we have enhanced our ability to source in-the-moment feedback from our colleagues, with three surveys completed with our new provider, Glint. Results shared with the Board in October 2020 demonstrated that employees remained very engaged, had a strong connection with the brand and were ambassadors for the future of Burberry. Leaders are held accountable for delivering against agreed action plans following the Employee Engagement Survey, with actions led at a central level for pulse surveys
- Leaders are equipped with regular strategy updates, including talking points on key topics and regular leaders calls for the director-plus population, to engage their teams on our strategic priorities. The annual engagement survey illustrated a positive shift in confidence in leaders from 69% in 2018 to 71% in 2019 and 75% in 2020
- Leadership Development Programmes were reimagined for the COVID-19 environment. Four cohorts (with 25 colleagues per cohort) participated in the New Manager Development Programme, which was designed to engage and equip people managers across the organisation. The programme is underpinned by Insights Discovery, a self-awareness tool, which enables line leaders to develop their management brand, decision-making preferences and strengths. Our Executive Development Programme has been overhauled and will be re-launched in the first quarter of FY 2021/22

People continued

Examples of risks

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

Actions taken by management continued

Talent and careers

- Scaled learning opportunities for all our people through enhanced self-directed digital content
- Introduced global digital onboarding programme to elevate colleague experience and embed our purpose and values
- Designed and deployed new Talent Management approach to identify and engage high-potential talent and support succession planning
- Enhanced the performance management process through refined processes and systems, elevation of support material, and increased communications and leader touchpoints
- Introduced standardised interview questions to ensure an equitable experience, piloting anonymous screening of CVs, and including diversity data monitoring forms in candidate applications for voluntary and confidential disclosure

Reward and recognition

- Implemented the 2020 Directors' Remuneration Policy, which received strong shareholder support
- Simplified our retail commission and incentive schemes to drive consistency and efficiencies, and ultimately business results
- Introduced a new simplified long-term incentive plan, the Burberry Share Plan (BSP), to drive performance through retention and motivation of key talent
- Took positive decisions in response to COVID-19, including maintaining base salaries for retail colleagues affected by store closures, adjusting commission and incentive targets and a discretionary payment under the annual bonus plan to approximately 3,500 colleagues below the Board to recognise individual performance and contribution to the business
- Deployed a reimagined year-end global recognition experience, which brought together all our people to reinforce our values, celebrate our collective achievements and recognise top performers

Diversity and Inclusion and employee relations

- The launch 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

People continued

Actions taken by management continued

- The celebration of global events such as World Mental Health Day, International Women's Day and Black History Month (in the USA and the UK) saw great participation across our global employee population
- Deployed Diversity and Inclusion strategy and created regional and functional Diversity and Inclusion action plans
- Deployed global training to embed Diversity and Inclusion agenda. This includes allyship training, which we expect all our people to complete by the end of 2021; mandatory unconscious bias training for all our people; training for all line managers as part of our annual reward review to ensure all reward decisions made by managers are fair and balanced, and specialised training for our Talent Acquisition team to mitigate bias in recruitment
- Deployed a global Diversity and Inclusion Policy providing clear accountability and behaviours for all employees including contractors and third-party partners
- Creation of a Diversity and Inclusion calendar to ensure all diversity events globally are captured and celebrated, feeding into our Diversity and Inclusion strategy for building a truly open and inclusive workplace
- Deployed a diversity monitoring dashboard to monitor our Diversity and Inclusion targets
- Onboarded a diversity recruiter focused on senior level roles globally
- All new starters now experience our global Diversity and Inclusion strategy as part of their onboarding process

Wellbeing

- Launched a new dedicated wellbeing home page on Burberry World to provide information, tools and resources to help our people make small positive changes in their everyday lives and bring their best selves to work
- Launch of new Mental Health digital learning to develop awareness, identify signals and support the destigmatisation and normalisation of talking about mental health
- Launched four interactive energy sessions to help our people take responsibility for their own mental and physical health and speak openly about health and wellbeing
- Provided a selection of health and wellbeing webinars to support employees in their daily lives: "Balancing Work and Life", "Connecting Mind and Body", "Female Health" and "Menopause Health"

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 remained the same. Progress has been maintained on key system upgrades increasing both resiliency and security, however, the likelihood has increased due to the organisational pressures of COVID-19 across IT functions and key technology partners. Continued focus on key risks and essential investment will be maintained to further mitigate this risk.

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

- IT Portfolio Forum in place 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
- Further evolution of the IT operating model with a newly created Business Systems Platform function to elevate the performance and security of core systems, supported by a business-wide steering community
- Core "re-platforming" objectives for critical IT systems have been delivered both for Digital and Enterprise Resource Planning, addressing key operational and security risks
- Elevated focus on "key risks" to support decision-making on operating budgets and investment in line with the financial needs of the organisation relating to the COVID-19 pandemic
- Adjustment of external technology partner network and refocused delivery in line with current risk appetite and strategic priorities

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 geopolitical tensions, 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 level of business disruption has remained the same as last year. There are proven procedures in place to manage COVID-19 impacts, new ways of working to manage the UK's withdrawal from the EU, and measures to increase flexibility in the distribution network, for example, enabling digital shipping from our stores in the USA. However, there is an increased risk of disruption to the supply chain as a result of geopolitical tensions. We expect this risk to maintain a similar level into FY 2021/22. Even though vaccination programmes for COVID-19 are being rolled out in various countries, the long-term impact of a more uncertain global economic environment, the potential for key suppliers to face financial difficulties, and ongoing political and regulatory changes are still uncertain.

Link to strategy

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

Risk tolerance

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

Examples of risks

- Burberry operates three owned factories and a global network of storage and distribution hubs. These face typical property risks, such as 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

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 over 20 incidents in the year. The two longest running events were related to the COVID-19 pandemic and the civil rights marches in the USA. 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, flood or weather related issues or interruptions in the regular running of stores, offices and systems
- Our GIMT and Regional Incident Management Teams all take part in training and incident management exercises involving large parts of the Group, our customers and media relations function. Our plans were tested through actual live events, like the COVID-19 pandemic and union strikes, and 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 eight 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

Business interruption continued

Examples of risks continued

- A serious product quality issue could result in a product recall
- Socio-political tension, like the Black Lives Matter movement in the USA and UK, can significantly impair local footfall and trade
- A global health emergency impacts a key market, which reduces consumption or significantly impacts the supply chain
- Geopolitical tensions lead to trade disruption between key countries resulting in an inability to move product between countries

Actions taken by management continued

- 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, trade marks, bribery and corruption, competition, data, corporate governance, employment, tax, trade compliance 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 proactive and 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 underpin all our strategic pillars.

Risk tolerance

In complying with laws and regulations, including customer and employee safety, environmental and ethical legislation relevant to our operations and supply chain, as well as 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, Responsible Business Principles and our Responsibility agenda with regard to model wellbeing, for example
- 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

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
- Annual independent and internal assurance processes are in place to monitor compliance in a number of key risks, with results reported to our Ethics Committee, 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 on Burberryplc.com) are owned by senior leadership and are issued to supply chain partners and form part of our contractual agreements with supply chain partners. Implementation of these policies is monitored on a regular basis
- In FY 2020/21 we updated and consolidated our Code of Conduct for our people and third parties into one comprehensive document
- 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

Regulatory risk and ethical/environmental standards continued

Examples of risks continued

- Tax is a complex area where laws and their interpretations change 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 continued

- We have a wide range of programmes to support the communities we operate in, as well as those of our supply chain and the wider luxury industry. Community programmes focus on tackling educational inequality and building cultural capital, supporting social and economic development in remote communities and fostering community cohesion and employability skills
- Launch of annual mandatory training to employees and to targeted functions to ensure awareness and compliance with our policies governing anti-bribery and anti-corruption, 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 FY 2020/21
- During FY 2020/21, our Responsibility team provided training on the Modern Slavery Act to 158 members of our internal supply chain, sourcing, internal manufacturing and product teams. We have also focused on raising awareness among our key finished goods vendors
- In accordance with our Anti-Bribery and Corruption Policy, annual training is required to be performed. This year the annual e-learning module was rolled out to all 2,859 corporate, manufacturing and retail colleagues of manager level and above. The training reached a 99% 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 IP rights or allegations of infringement by Burberry pose risk to the brand. Counterfeiting, copyright, trade mark and design infringement in the marketplace could reduce the demand for genuine Burberry merchandise and impact the luxury positioning of the brand.
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 remains the same since the last report in light of continued brand heat under our 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.

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 underpin 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, copyright, trade mark and design infringement in the marketplace can reduce the demand for genuine Burberry merchandise and impact revenues
- Unauthorised use of trade marks 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
- Increased cancellation actions by third parties in response to claims of infringement as well as increase in bad faith filings in China
- 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 and parallel trade 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
- Trade marks, copyrights and designs are registered globally across all appropriate categories
- The Brand Protection team partners closely with the design 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 team explores new and emerging threats and ways to combat threats
- The team partners regionally with enforcement agencies and digital platforms to minimise the visibility of counterfeit and infringing 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

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 any potential climate change impacts 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 potential impacts of climate change on our business in reputational, operational and financial terms. Failure to implement appropriate cross-functional action plans and strategies, incorporating the recommendations of the TCFD and Science Based Target initiative (SBTi), could hinder efforts to mitigate long-term risks and future-proof our business.

Risk movement and outlook

The risk of climate change continues to be an increasing area of scrutiny globally and will continue to increase incrementally year on year without significant science-based global mitigation efforts, from government, business and their value chains and collaboration from wider industry and civil society. The Group's ability to mitigate this risk has remained flat.

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.

Our commitment to be Net-Zero by 2040 and our science-based targets across scopes 1, 2 and 3 emissions form part of our response to climate change and our strategy to future-proof our business.

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

Actions taken by management

Physical risks

- Building on our work in FY 2018/19 and FY 2019/20, during FY 2020/21 we developed a quantitative scenario-based analysis of climate-related risks that could impact the value chains of Burberry's key commodities. For more information see pages 133 to 137
- To understand the key climate-related risks to Burberry, the cross-functional TCFD working group undertook a risk assessment across Burberry's business to identify the key risks and vulnerabilities for our key commodities, both in terms of physical and transitional risks. Multi-hazard risk maps were used to evaluate which hazards (such as drought, heat stress and flooding) and vulnerabilities (including property damage and decreased productivity) had the most material impacts
- In the short term, we are conducting specific analysis of the acute risk of our locations and operations
- We developed a quantitative scenario-based analysis of material climate-related risks for the supply chains of Burberry's key commodities. The scenario analysis was based on 2°C and 4°C scenarios, which reflect a "best" and "extreme worst" case, and for which there is sufficient quantity and quality of data available
- 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 our Net-Zero target and science-based targets to focus our efforts in order to address our GHG emissions along our entire value chain (see page 86)

Climate change continued

Examples of risks continued

Physical risks continued

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 business and supply chain operations

Transitional risks

Policy and legal

- Increased regulation and more stringent environmental standards could impact our business by affecting operational and 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 low impact technologies

Reputation

- Failure to meet consumer demand for sustainable products and services could threaten our relationship with customers, employees, regulators and interest groups, which could impact Group revenues

Actions taken by management continued

- We support a number of industry initiatives that address climate change impacts, including the British Retail Consortium's Net Zero commitment, RE100, Ellen MacArthur Foundation's Make Fashion Circular Initiative, New Plastics Economy Global Commitment, UN Fashion Industry Charter for Climate Change, The Fashion Pact, Accounting for Sustainability and SFA
- We invest in programmes that help to sustain our industry and supplier communities, specifically initiatives that support social economic development in remote communities and promote more sustainable herding practices in the cashmere industry, working with SFA, PUR Projet and Oxfam. In addition, we also support programmes that build employability skills in the circular economy, with partners including Elvis & Kresse and Progetto Quid
- We have a Regeneration Fund to support nature-based compensation and insetting projects in the supply chain that will reduce the carbon impact of key raw materials our industry depends on, and improve biodiversity and local producer livelihoods
- We continuously engage and educate employees around the topic of climate change through focused events, strategic communications, volunteering opportunities and through our network of Responsibility Champions

Transitional risks

- As part of the quantitative scenario-based analysis of climate-related risks conducted in FY 2020/21, we modelled the impact of transitional risks such as the introduction of mandatory, globally applied carbon taxes
- Through our memberships with various industry bodies, associations and external assurance partners, we contribute to consultations and keep informed of upcoming environmental legislative changes
- Environmental sustainability matters are reported to the Sustainability Steering Committee, the Ethics Committee, the Risk Committee and the Board
- Our longstanding responsibility programmes, coupled with our 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. For example, in FY 2020/21 we worked in partnership with HKRITA to develop a system to recycle post-consumer leather goods

Climate change continued

Actions taken by management continued

- 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. During FY 2020/21 we established new raw material sourcing and traceability targets. Full details can be found in the ESG section on pages 60 to 91
- In FY 2020/21 we expanded our product sustainability messaging to make customers aware of improved sustainability credentials, through the ReBurberry Edit and BConscious label. This includes dedicated sustainability labelling across all key product categories. The labels provide customers with an insight into the industry-leading environment and social credentials of the Burberry programme. The pistachio-coloured sustainability labels indicate how a product meets a range of externally assured stringent criteria. Defined as "positive attributes", these include the amount of organic content or recycled natural fibres used in materials
- As part of the scenario analysis, 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 a 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 destroy unsaleable finished products
- Our climate goals are approved by the SBTi. We also advanced our climate change commitments during the year by committing to be Net-Zero by 2040
- In line with the increased expectations of our stakeholders, we are providing greater transparency in our corporate reporting, as well as participating in a number of ESG investor indices, including the 2020 Dow Jones Sustainability Index and the CDP A List, and achieved Gold Class Distinction in S&P Global's Sustainability Yearbook in 2021


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TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The climate crisis is accelerating, and Burberry's objective is to help reduce global warming levels to those defined by the Paris Agreement of 2°C or less, by mid-century.

We believe this means achieving a Net-Zero emissions world by 2040, a decade ahead of the Paris Agreement. To achieve the goals of the Paris Agreement, we recognise the importance of disclosing climate-related risks and opportunities in line with the recommendations of the TCFD.

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.

Our longstanding commitment to sustainability is evidenced by our issuance of a Sustainability Bond, the proceeds of which will be used to finance eligible sustainable projects, as well as our inclusion in the CDP 2020 A List, a group of companies leading the way to a more sustainable future.

In implementing the recommendations set by the TCFD, we have provided a summary of the actions we have taken to review the key risks and opportunities arising from climate change, and the potential impacts on our business.

Governance

The Board takes overall accountability for the management of all risks and opportunities, including climate change. Our CEO is responsible for oversight of our climate change agenda. The Board receives updates on sustainability-related matters at least once a year, including those related to climate change.

The Group's strategy on environmental and climate-related impacts is governed by the Sustainability Steering Committee, which convenes three times per year to review progress, and is chaired by the CEO, who is also on the steering committee of the Fashion Pact. The Sustainability Steering Committee is attended by the CO&FO, who is also the Co-Chair of the Prince's Trust CFO Leadership Network for the Accounting for Sustainability initiative, the Chief Supply Chain Officer, the Chief People Officer, the Head of Ready to Wear, Senior Vice President Strategy, Vice President Corporate Responsibility and Vice President Corporate Relations.

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. The TCFD working group reports to the Risk Committee, which is chaired by the CO&FO. In addition, our Enterprise Risk Management process 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 is assessed by the Risk Committee, and is subject to independent and objective review by Internal Audit as part of the annual audit plan. The Audit Committee reviewed the work performed by the TCFD working group, including progress against the four TCFD pillars and proposed disclosure.

The remuneration of the Executive Directors is partly linked to our progress in building a more sustainable future. More details of this are set out in the Directors' Remuneration Report on pages 180 to 203.

Strategy and risk management

Climate change has been identified as a principal risk to Burberry, which has the potential to impact our business in the short, medium and long term. The physical risks and opportunities that we face from climate change include water scarcity and raw material availability. The transitional risks and opportunities include changing consumer preferences and future policy and regulation.

The process for assessing and identifying climate-related risks is the same for all principal risks and is described on pages 106 to 107.

For each principal risk we have a risk management framework detailing the controls we have in place and those responsible for managing both the overall risk and the relevant mitigating controls. We monitor risks throughout the year to identify changes in the risk profile. Management of climate-related risks is distributed throughout the organisation depending on where the risk resides. For example, climate risks in relation to raw materials in the supply chain are managed by our procurement team responsible for buying commodities.

In September 2020, Burberry issued a £300 million, five-year Sustainability Bond. This was the first sustainability labelled bond issued by a luxury company and diversifies Burberry's sources of funding, introducing long-term financing into the Company's capital structure. The proceeds will be used to finance and/or refinance eligible sustainable projects as described by Burberry's Sustainability Bond Framework, inextricably linking Burberry's medium-term financing to sustainable projects and driving our climate change agenda.

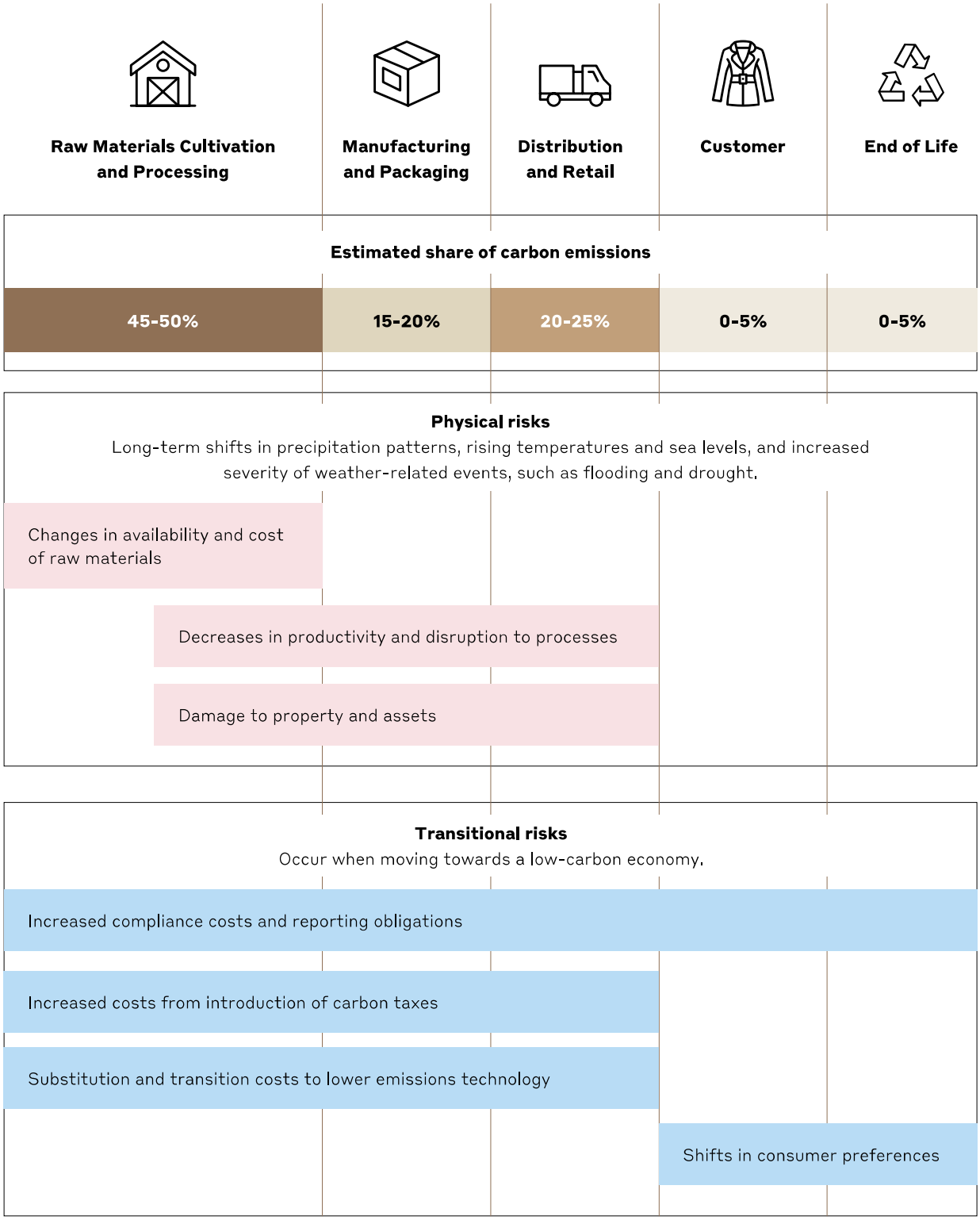
We have implemented a number of initiatives to help inform our longer-term strategy. These are discussed further in the ESG section (pages 60 to 91). We have also initiated conversations with key raw material commodity partners to gain deeper insights into the most material climate change risks for each commodity in order to understand how we can mitigate these risks and build innovative solutions.

During FY 2020/21, we developed a quantitative scenario-based analysis of climate-related risks that could impact the value chains of Burberry's key commodities: leather, cotton and cashmere.

The cross-functional TCFD working group used our climate change scenario analysis performed in FY 2019/20 and FY 2018/19 to model the risks of climate change focused on our key commodities. This included aligning our qualitative climate scenarios with industry reference scenarios using Representative Concentration Pathways (RCPs), which are used by climate scenario scientists to model the potential physical changes in the climate between now and 2100. Complementing the RCPs, we also used Shared Socioeconomic Pathways (SSPs) data, which is employed to model the potential socioeconomic changes needed to tackle climate change between now and 2100.

To understand the key climate-related risks to Burberry, the cross-functional TCFD working group undertook a risk assessment across Burberry's business to identify the key risks and vulnerabilities for our key commodities, both in terms of physical and transitional risks. Multi-hazard risk maps were used to evaluate which hazards (such as drought, heat stress and flooding) and vulnerabilities (including property damage and decreased productivity) had the most material impacts.

Risks and impacts aligned with TCFD recommendations



Risks and impacts aligned with TCFD recommendations

Based on our scenario analysis, we developed a quantitative analysis of the impact from climate-related risks on Burberry's supply chain for the key commodities. The analysis included an assessment of the impact of the most material physical and transitional risks in two distinct scenarios: 2°C and 4°C pathways to the year 2050.

The 2°C and 4°C scenarios are constructed on the basis that average global temperatures will have increased by 2°C and 4°C by the year 2100. As informed by our Net-Zero targets, Burberry believes the world should seek to limit global temperatures to 1.5°C above pre-industrial levels.

However, we have modelled scenarios based on 2°C and 4°C scenarios, which reflect a "best" and "extreme worst" case, for which there is sufficient quantity and quality of data available. We have chosen to model our scenarios to 2050 as this represents a medium-term period, in which we are broadly able to influence current or upcoming decisions around strategies, capital allocations, costs, and revenues.

Our analysis on the key commodities illustrates that, without action, both scenarios present financial risks to Burberry. These financial risks predominantly result from increased cost of raw materials, decreased productivity, and the potential impact of carbon taxes in the 2°C scenario. However, we have also identified that the financial impact of physical hazards causing damage to property and assets is limited over this time period.

With respect to transitional risks, our climate targets are one of the ways we mitigate the risk of future policy and regulation, including carbon taxes. In FY 2020/21, 93%^ of our electricity consumption was powered by renewable sources. We are on track to meet our 2022 target to have 100% of renewable electricity sourced in our direct operations.

We will update our scenario modelling as more climate data becomes available. In addition, we will assess the risks and opportunities presented by potential shifts in consumer preferences.

The results of our scenario analysis will be used to ensure the necessary mitigating controls are in place, support Burberry's risk management activities and inform future business strategies.

Our approach and commitment to sustainability has been recognised by inclusion in the Dow Jones Sustainability Index for the sixth consecutive year, achieving our highest ever score in 2020. In addition, Burberry received Gold Class Distinction in the S&P Global Sustainability Yearbook in 2021.

Metrics and targets

We have been measuring and reporting our energy consumption and carbon emissions since FY 2012/13 and water consumption since FY 2016/17, which are assured by PwC.

We align our reporting against climate-related metrics to recognised standards, including the 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 (covering social and environmental metrics).

Further information on our non-financial KPIs can be found on page 45. Performance is measured against the aforementioned targets and metrics, and, where appropriate, senior leadership team members have direct accountability against meeting Company targets.

Two of our GHG reduction targets are recognised as science-based: 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 FY 2016/17 base year.

- Scope 1 and 2 target focuses on GHG 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 GHG emissions in our extended supply chain (such as from the sourcing of raw materials and manufacturing of finished goods)

This year we also increased our commitments to sustainable raw materials and have set 2025 targets to source 100% organic cotton, 100% certified leather and 100% recycled nylon and polyester.

Our Sustainability Bond (see pages 92 to 93) requires annual reporting on how proceeds have been allocated to eligible sustainable projects, any unallocated proceeds, and an impact review.

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_2e versus base year (FY 2016/17)
% of energy procured from renewable sources	% reduction in market-based tCO_2e versus base year (FY 2016/17)
% of low-carbon products	tCO_2e reductions in scope 3 emissions

To date, in line with our Science Based Targets, we have reduced our scope 1 and 2 emissions by 84% compared to FY 2016/17 and reduced our scope 3 emissions from purchased goods and services by nearly 8,700 tonnes.

We have revised our ambitions beyond 2022 to meet a Net-Zero 2040 goal, which will include a transition road map for reducing GHG emissions. We recognise that meeting our climate-related targets is dependent on collective action and focus. Foremost are countries implementing their Paris commitments and increasing them to more ambitious levels. Improving the market conditions for clean energy supply, such as the rate of installation of renewable electricity in many countries, reducing costs and the availability of purchase power agreements will help shift the rate of decarbonisation at scale. We believe we have a role in helping to shape the policy and regulation required and are working collaboratively with partners, suppliers and other organisations to achieve our ambition, including the United Nations Global Compact, the Fashion Pact, The UN Fashion Charter, RE100 and the Prince's Trust Accounting for Sustainability project.

In line with the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, our GHG emissions are set out on page 86. Each year PwC provides limited assurance over environmental metrics, including carbon emissions data.

RISK MANAGEMENT ACTIVITIES IN FY 2020/21

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.

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 2021.

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 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 2021. 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 continued 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 Risk and Audit Committees 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 the senior digital leadership team
- **Image and reputation:** a deep dive analysing the threats to the Group's image and reputation
- **Risk appetite:** the Board performed its annual review and discussion of the Group Risk Appetite statement in March 2021
- **IT/Cyber:** report to each Audit Committee on IT and cybersecurity

Identification of risks	Management actions and deep dives
	• **Compliance and legal:** regular reports on compliance matters and risks to the Ethics and Risk Committees, including updates on IP, legal matters, health and safety, data privacy and compliance with GDPR • **Talent management:** annual discussion on succession planning at the Nomination Committee meeting • **Operational:** presentations to the Board on inventory and the supply chain, regular reports on quality risks • **Financial:** presentation to the Audit Committee on the Group's Tax Policy • **Change programmes:** presentation to the Board on the Group's major transformation programmes across IT and HR • **The UK's withdrawal from the EU:** the Group has engaged proactively with key external stakeholders and established a cross-functional internal steering committee to implement operational actions as a result of the UK's withdrawal from the EU in December 2020

OUR VIABILITY STATEMENT

Corporate planning process

Burberry's annual corporate planning process consists of preparing a long-term strategic plan, forecasting the current year business performance and preparing a detailed budget for the following year. These plans form the basis for assessing the longer-term prospects of the Group. Our strategic planning process includes detailed reviews of the budget, forecasts and long-term plan by our CEO and CO&FO 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 monthly reporting on actual performance, the annual budget process and subsequent forecast updates (see pages 36 to 37).

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 early 2020, the COVID-19 outbreak severely impacted communities worldwide, which affected the luxury market and our business. We remain confident in our ability to consolidate our position in luxury fashion and remain committed to the strategic vision for Burberry. Our strategic initiatives have been shaped to the current pandemic situation with focused execution to ensure a continuing successful recovery.

The Group's strategy is set out on pages 24 to 43. Key strategic focus areas to respond to the current industry backdrop are:

- **Brand:** a strong luxury positioning is 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 market performance is likely to polarise further between luxury and mass and accessible fashion. Diminished demand in certain markets is also likely to increase competition and reinforce the importance of investing in brand and inspiration
- **Localisation:** the COVID-19 outbreak has resulted in reduced travel and disparate economic growth by region. This continues to make a localised approach more important. In line with this, we will continue to adopt tailored and bespoke localised plans to ensure we optimise revenue opportunities in all markets
- **Direct to consumer and digital:** the COVID-19 crisis had a continuous impact on luxury distribution throughout 2020 and is likely to continue to impact 2021. With wholesale facing 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 2020/21, we generated over 80% of our sales through the retail channel and we continue to demonstrate leadership 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. We have been improving 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 required very tight control of cost and cash management. We have prepared and delivered cost and cash mitigation plans during the year and will continue to closely monitor costs and cash as we navigate out of the pandemic. 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 secure the financial headroom required to fuel growth as market opportunities arise. The business is expected to remain strongly cash generative creating further optionality for investment or increased returns to shareholders

We remain confident in our strategic direction. Our priorities as we navigate through this period of uncertainty 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.

Viability assessment approach

In light of the continued uncertainty 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 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 pages 106 to 131, and the principal risks and uncertainties as set out on page 106 to 107. 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 to March 2024. This is considered appropriate for use by the Directors because:

- It aligns with the Group's approach to long-range planning
- It is sufficient to almost cover all currently approved capital expenditure projects
- As the Group has little contracted income, and as most current business development projects will be completed in the three-year period, projections beyond this period will contain long-term growth assumptions

Scenarios

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

- The Group central planning scenario reflects a balanced projection with a continued focus on growing markets, maintaining momentum built in FY 2020/21 as part of the customer strategy, with growth in FY 2022/23 and FY 2023/24
- As a sensitivity, this central planning scenario has been flexed to reflect a 26%, 15% and 9% downgrade to revenues in FY 2021/22, FY 2022/23 and FY 2023/24 respectively, as well as 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, as described below
- For the purposes of the reverse stress test, we have considered the plausibility of a scenario that erodes the remaining cash headroom by reference to the lowest cash level in the annual business cycle. This test identified that even under the severe but plausible downside, at the point of the lowest cash level and prior to any other mitigating actions, the Group can withstand an additional one-off revenue impact of circa £500 million before the Group runs out of cash

The severe but plausible downside modelled the following risks occurring simultaneously:

- A significant impact on revenue in FY 2020/21 compared to the central planning scenario caused by the impact of a reputational incident such as negative sentiment propagated through social media
- A longer-term decrease in revenue during the three-year period caused by a resurgence of the pandemic and store reclosures
- The impact of prolonged recovery of travel to 2019 levels

In modelling the reverse stress test we have also considered wider sensitivities as a result of one, or a combination of, the other Group principal risks occurring:

- Foreign exchange volatility impacted by changes to macroeconomic 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 or a cyberattack resulting in significant loss of data

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), 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 21 September 2020, the Group issued a five-year £300 million 1.125% unsecured sterling Sustainability Bond. The Group also has access to a £300 million RCF, currently undrawn and not relied upon in the viability assessment.

Conclusion

Based on this assessment, our Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities over the period to March 2024. In making this statement, the Directors have assumed there is no material long-term impairment to the Burberry brand.

The Strategic Report up to and including page 142 was approved for issue by the Board on 12 May 2021 and signed on its behalf by:

Marco Gobbetti
Chief Executive Officer


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THE WORLD OF TYE TB SUMMER MONOGRAM COLLECTION
SCAN TO PLAY

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CHAIRMAN'S INTRODUCTION



"COVID-19 IMPACTED THE WAY THE BOARD AND BOARD COMMITTEES WORKED THROUGHOUT FY 2020/21. WE ADAPTED OUR PROCESSES TO ENSURE THAT WE COULD CONTINUE TO OPERATE EFFECTIVELY"

Gerry Murphy
Chairman

Dear Shareholder,

On behalf of the Board I am pleased to present the Corporate Governance Report for the year ended 27 March 2021. This report describes Burberry's Corporate Governance structures and procedures, and summarises the work of the Board and its Committees to illustrate how we have discharged our responsibilities this year.

As Chair, I am responsible for leading and ensuring an effective Board. COVID-19 impacted the way the Board and Board Committees worked throughout FY 2020/21. We adapted our processes to ensure that we could continue to operate effectively. All of our meetings were held virtually and we made changes to the timing and length of meetings to accommodate the various time zones of our Board members globally. In addition to our formal Board and Committee meetings, the Board was updated regularly by management on the Group's dynamic and agile response to the pandemic. I would like to pay tribute to my Board colleagues for their flexibility and outstanding support throughout the year and I am particularly grateful to those who, due to their location, attended meetings at very unsociable hours.

Stakeholder engagement

The Board recognises its duties and responsibilities to our shareholders and other stakeholders and, during FY 2020/21, continued to partner closely with management to safeguard our colleagues, customers, communities and our business. More detail regarding the actions the Board has taken to support our stakeholders and consider their interests in its strategic planning and decision-making processes is set out on pages 96 to 104.

The Global Workforce Advisory Forum met twice during FY 2020/21. I attended both meetings together with Orna NíChionna, Chair of our Remuneration Committee. At the first meeting we sought feedback and advice on Burberry's response to the pandemic in terms of executing our strategy, helping customers and supporting colleagues and communities. The second meeting focused mainly on remuneration topics which are discussed in more detail on page 184 of the Directors' Remuneration Report. The Board very much appreciates the honest conversations, constructive feedback and valuable insights received from colleagues across the world through the Forum.

Purpose, values and culture

At Burberry, we believe that creativity opens spaces. Our purpose is to unlock the power of imagination to push boundaries and open new possibilities for our people, our customers and our communities. We aspire to be creatively driven, open and caring, proud of our heritage and forward thinking. Our purpose and values inform our strategy, decision-making and our relationships with stakeholders, and help shape our culture.

During the year, we acted decisively to embed our purpose and values in decision-making and both internal and external communications. As part of this drive, we have evolved critical stages of our people's experience at Burberry, for example, by creating a new onboarding programme, which introduces our purpose and values. We have also integrated these values into our performance assessment process.

Board changes during FY 2020/21

Board succession planning has continued to be an important area of focus during FY 2020/21. In July 2020, Jeremy Darroch retired from the Board at the conclusion of our 2020 AGM following six years' service. During his tenure, Jeremy was Senior Independent Director and Chair of the Audit Committee and his contributions and insights were valued greatly. Dame Carolyn McCall was appointed as Senior Independent Director with effect from 15 July 2020.

Following a recruitment process led by the Nomination Committee, we appointed Antoine de Saint-Affrique to the Board on 1 January 2021. Antoine's international business experience, strong understanding of consumers and focus on sustainability will be hugely valuable to the Board. Information on his induction process can be found within the Nomination Committee Report on page 165.

Board effectiveness

The Board undertook an externally facilitated review of its effectiveness during the year led by Independent Audit. The process undertaken and the findings of the review can be found on pages 166 and 167 together with an update on our progress in addressing the actions identified following the FY 2019/20 review.

Compliance with the UK Corporate Governance Code

Burberry complied with the requirements of the UK Corporate Governance Code during FY 2020/21 with the exception of Provision 38 which refers to Executive Directors' pensions compared to wider workforce. As explained in the Directors' Remuneration Report, this will be addressed by aligning the pension contribution levels for our current Executive Directors with the maximum rate available to the majority of our UK workforce by 1 January 2023.

As a Board, we have adapted to reflect the changing times we have all experienced. We would like to thank our people, shareholders and customers for their continued support during this unprecedented year. As we look forward to the future, I believe that your Board has the right balance of skills and expertise to continue to support and challenge management as we strive to deliver the next chapter of Burberry's strategic goals and vision to be the leading British luxury brand.

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.

Committee Key

- Chair
- R Remuneration Committee
- N Nomination Committee
- A Audit Committee



Dr Gerry Murphy (65)
Chairman
Appointed:
17 May 2018
Nationality: Irish

Committees: N

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

Experience
Gerry has been Chairman of Tate & Lyle plc since 2017 and was Chairman of The Blackstone Group International from 2009 to 2019 and a partner in the firm's private equity investment unit from 2008 to 2017. From 2003 to 2008, Gerry was CEO of Kingfisher plc. He previously served as 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.



Marco Gobbetti (62)
Chief Executive Officer
Appointed:
5 July 2017
Nationality: Italian

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. While working at Celine, he revamped the entire product offering and significantly increased profits. In the last three years, he has led the transformation of every aspect of our business and built a new Burberry. His extensive experience and understanding of luxury continue to be highly relevant to Burberry as we drive forward our strategy to accelerate growth and deliver significant high-quality value creation.

Experience
Marco joined Burberry from the French luxury leather group Celine, where he was Chairman and CEO from 2008 to 2016. Marco 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 Valextra as managing director.



Julie Brown (59)
Chief Operating and Financial Officer
Appointed:
18 January 2017
Nationality: British

Key Skills
Julie has spent more than eight years in Chief Financial Officer positions in the FTSE 100 and has a strong track record of leading change and delivering sustainable, long-term value for shareholders. Her extensive experience in financial, commercial and strategic roles and leading major transformational programmes continues to be highly relevant to Burberry in the next phase of our strategy. Julie is committed to implementing initiatives that support our sustainability goals and is a passionate champion of diversity and women in business.

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. During her 25 years with the firm, she held a number of positions across three continents, covering Group and Business Finance, Strategy and Commercial positions, including time as a Regional and Country President. She gained extensive mergers and acquisition and transformational experience through the merger of Astra and Zeneca and in her role at Smith & Nephew. Julie is also a Non-Executive Director and Audit Chair of Roche Holding Limited. She is Ambassador for the Prince's Trust Women Supporting Women initiative and co-Chair of The Prince's Accounting for Sustainability Project's CFO Leadership Network. Julie is also a member of the Mayor of London's Business Advisory Board and Patron of Oxford University Women in Business. She is a Fellow of the Institute of Chartered Accountancy and the Institute of Tax, after qualifying with KPMG.



Dame Carolyn McCall (59)
Senior Independent Director
Appointed:
1 September 2014
Nationality: British

Committees: A N

Key Skills
Carolyn has an impressive track record in media and is known for her experience in 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.

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.



Fabiola Arredondo (54)
Independent Non-Executive Director
Appointed:
10 March 2015
Nationality: American

Committees: R N

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 make Fabiola an important member of the Board.

Experience
Fabiola is currently the Managing Partner of Siempre Holdings, a private investment firm based in the USA. She is also a Non-Executive Director at Campbell Soup Company and Fair Isaac Corporation, which are both listed on the New York Stock Exchange. 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 Ibex 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 USA. Fabiola also held senior operating roles at Yahoo! Inc., the BBC and Bertelsmann AG.



Ron Frasch (72)
Independent Non-Executive Director
Appointed: 1 September 2017
Nationality: American

Committees: (A) N R

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. While 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.

Experience
Ron is currently CEO of Ron Frasch Associates LLC. He is also a Non-Executive Director of Crocs Inc, Aztech Mountain and MacKenzie Childs. Between 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.



Matthew Key (58)
Independent Non-Executive Director
Appointed: 1 September 2013
Nationality: British

Committees: (A) N R

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.

Experience
Matthew is Chair of Dallaglio Rugbyworks. Matthew is also currently a Non-Executive Director of BT Group plc, a member of BT's Nomination and Remuneration Committees and is Chair of its Audit and Risk Committee. Matthew served as a member of the advisory Board of Samsung Europe between 2015 and 2017. From 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. Matthew is a qualified chartered accountant having qualified with Arthur Young (now EY). In his early career, he held various financial positions at Grand Metropolitan plc (now part of Diageo plc), Kingfisher plc, Coca-Cola and Schweppes.



Orna NíChionna (65)
Independent Non-Executive Director
Appointed: 3 January 2018
Nationality: Irish

Committees: (R) N

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 is an asset to Burberry as we continue to drive positive change and build a more sustainable future through our ongoing Responsibility agenda.

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 its European Retail Practice, and has been an advisor to Apax Partners LLP.



Debra Lee (66)
Independent Non-Executive Director
Appointed: 1 October 2019
Nationality: American

Committees: A N

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.

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. Debra is also a Non-Executive Director of The Proctor & Gamble Company and a member of both its Governance and Public Responsibility, and Compensation and Leadership Development Committees.
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.



Sam Fischer (53)
Independent Non-Executive Director
Appointed: 1 November 2019
Nationality: Australian

Committees: N R

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

Experience
Sam is currently President, Asia Pacific and Global Travel, 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 to 2006, culminating in a role as Managing Director of Central Europe.



Antoine de Saint-Affrique (56)
Independent Non-Executive Director
Appointed: 1 January 2021
Nationality: French

Committees: A N

Key Skills
Antoine has a wealth of experience in driving business expansion, innovation, leadership and sustainability. As CEO of Barry Callebaut, Antoine has brought the company's sustainability agenda to the heart of its strategy, setting ambitious targets that address the largest sustainability challenges in the chocolate supply chain. He also gained extensive experience of managing leading consumer brands at Unilever. This strong understanding of the consumer market and focus on sustainability make him an invaluable asset to Burberry.

Experience
Antoine is CEO of Barry Callebaut, a Swiss listed company, which is the world's largest supplier of chocolate and cocoa products. Prior to joining Barry Callebaut in 2015, Antoine held a number of senior executive positions at Unilever plc, including President of Unilever Foods and member of Unilever's Group Executive Committee, Executive Vice President for Unilever Skin Category and Executive Vice President for Unilever's Central and Eastern Europe region. From 2009 to 2020, he served as a Non-Executive Director of Essilor International, which prior to its merger with Luxottica Group Spa, was listed on Euronext Paris and included in the CAC40 index.



Gemma Parsons
Company Secretary
Appointed: 1 October 2018

Experience
Gemma is a fellow of the Chartered Governance Institute and has more than twenty five years' company secretarial experience. Her previous roles include Company Secretary of The Berkeley Group Holdings plc, Deputy Company Secretary at TSB Banking Group plc and Deputy Company Secretary of Smith & Nephew plc. She is a member of the Chartered Governance Institute's Company Secretaries' Forum and of the Association of General Counsel and Company Secretaries of FTSE 100 companies.

Directors serving for part of FY 2020/21
Jeremy Darroch stepped down from the Board on 15 July 2020.

EXECUTIVE COMMITTEE



Marco Gobbetti
Chief Executive Officer



Julie Brown
Chief Operating and Financial Officer



Adrian Ward-Rees
Head of Ready to Wear



Edward Rash
General Counsel



Erica Bourne
Chief People Officer



Gavin Haig
Chief Commercial Officer



Gianluca Flore
President of Americas and Global Retail Excellence



Jérôme Le Bleis
Chief Supply Chain Officer



Leonie Brantberg
Senior Vice President Strategy



Mark McClennon
Chief Information Officer



Rod Manley
Chief Marketing Officer

Adrian Ward-Rees and Leonie Brantberg joined the Executive Committee on 27 August 2020.

Judy Collinson, Chief Merchandising Officer, was a member of the Executive Committee until 1 October 2020.

Marco Gentile, President of Europe, Middle East, India and Africa, was a member of the Executive Committee until 31 July 2020.

CORPORATE GOVERNANCE REPORT

UK Corporate Governance Code compliance

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 180 to 203, this report sets out the Board's approach to governance and the work undertaken during FY 2020/21. We have complied with the provisions of the Code during FY 2020/21 with the exception of Provision 38 to align Executive Directors' pension payments with the wider workforce. This will be addressed by aligning the pension arrangements for our current Executive Directors with the maximum rate available to the majority of the UK workforce by 1 January 2023, as set out on page 186 of the Directors' Remuneration Report. Any new Executive Directors would immediately align with the majority of the UK workforce. Further information on how the Company has applied the principles of the Code is set out in this Corporate Governance Statement. Key highlights of the Company's compliance with the Code along with cross references to other sections of the Annual Report are detailed below.

Governance structure and division of responsibilities

The Board (supported by its Committees) 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 leadership to put them into effect; supervising and constructively challenging 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.

More information on the Company's governance structure can be found on page 163.

Stakeholder engagement

The Code introduced an increased emphasis on stakeholder engagement. In addition to the Global Workforce Advisory Forum, the Board recognises the importance of regular, open and constructive dialogue with shareholders throughout the year.

Our Investor Relations team participated in over 200 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 Burberryplc.com), as well as meetings with the Group's 20 largest investors. Topics discussed in investor meetings included, but were not limited to governance topics including the 2020 Directors Remuneration Policy, luxury sector growth dynamics, the Group's strategic plans, progress against our strategy, the impact of COVID-19 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.

Diversity

At Burberry, we believe diversity, equity and inclusion are essential to fulfilling our purpose and are core to our values. Attracting and retaining diverse talent and fostering an inclusive culture enables us to be more creative in everything we do and to open spaces for our people, customers and communities. Further information on diversity and inclusion is set out on pages 69 to 72.

Information regarding how the Board engages with all our stakeholders is set out on pages 96 to 104.



PRINCIPAL AREAS OF FOCUS FOR THE BOARD DURING FY 2020/21

The table below gives details of Directors' attendance at Board and Committee meetings during the year ended 27 March 2021. This is expressed as the number of meetings attended out of the number that each Director was eligible to attend.

	Board	Audit	Nomination	Remuneration
Gerry Murphy	6/6	–	3/3	–
Marco Gobbetti	6/6	–	–	–
Julie Brown	6/6	–	–	–
Dame Carolyn McCall	6/6	4/4	3/3	–
Debra Lee	6/6	4/4	3/3	–
Fabiola Arredondo	6/6	–	3/3	6/6
Sam Fischer	6/6	–	3/3	6/6
Matthew Key	6/6	4/4	3/3	6/6
Orna NíChionna	6/6	–	3/3	6/6
Ron Frasch[1]	5/6	3/4	2/3	5/6
Antoine de Saint-Affrique[2]	2/2	2/2	3/3	–
Jeremy Darroch[3]	2/2	1/1	–	–

1. Ron Frasch was unable to attend the March Board and Committee meetings due to jury service.
2. Antoine de Saint-Affrique joined the Board on 1 January 2021.
3. Jeremy Darroch stepped down from the Board on 15 July 2020.

The Board met formally six times during the financial year, 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 and the actions being taken to minimise the impact on the Group's people and business. All meetings were held virtually given the travel restrictions in place as a result of the COVID-19 pandemic. Throughout the year, Directors also devoted time to meet with investors, interview candidates for both executive and non-executive roles and attended shows, town halls, brand events and meetings of the Global Workforce Advisory Forum virtually.

The Board and Committee agendas were shaped to ensure that discussion was focused on our key strategies and responsibilities, 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.

Principal areas of focus for the Board during FY 2020/21

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 in light of COVID-19 and implications on the strategic pillars and enablers • Reviewing the supply chain priorities and plan for delivering product strategy • Reviewing the Distribution strategy	• Providing feedback, questions and challenge throughout the process • Support for the programmes undertaken	**Relevant stakeholders:** Customers Shareholders People Partners Communities **s.172 duties:** Long-term results; workforce; environment; reputation; and business relationships
Major projects			
Withdrawal from the EU	• Considering the short-term disruption and structural implications for the Company following the implementation of the EU-UK Trade and Cooperation Agreement, including the mitigating actions being taken	• Providing feedback and support for management's approach	**Relevant stakeholders:** Shareholders Communities Customers Partners Governments **s.172 duties:** Long-term results; workforce; reputation; and business relationships
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 and 57 for further detail	**Relevant stakeholders:** People Shareholders Communities Customers Partners Governments **s.172 duties:** Long-term results; workforce; environment; reputation; and business relationships

Topic	Activity	Outcome	Relevant stakeholders and s.172 duties considered
Finance			
Budget and capital allocation	• Approving the FY 2020/21 baseline business plan • Considering capital structure, distributions and liquidity in the context of COVID-19 • Scrutinising financial performance • Reviewing the quarterly financial results • Reviewing FY 2021/22 budget scenarios and three-year forward plan • Reviewing and approving capital expenditure projects	• Approval of Sustainability Bond • Decision not to pay dividend for FY 2019/20 • Support in principle for the FY 2021/22 budget • Prior year (March and May 2020) baseline business plan delivered	**Relevant stakeholders:** Shareholders Customers People **s.172 duties:** Long-term results; workforce; and fairness between our shareholders
Governance			
Purpose	• Considering the approach to embedding our purpose and values	• Endorsing management's approach	**Relevant stakeholders:** People Shareholders Customers Communities **s.172 duties:** Long-term results; workforce; and reputation
Board evaluation	• Progress update against FY 2019/20 areas of focus • Discussing the results of the FY 2020/21 Board evaluation and reflecting on the effectiveness of the Board and its Committees	• Refer to pages 166 and 167 covering the Board evaluation for further detail	**Relevant stakeholders:** People Shareholders Customers **s.172 duties:** Long-term results; workforce; and reputation

Topic	Activity	Outcome	Relevant stakeholders and s.172 duties considered
Risk			
Risk appetite	• Considering the Board's appetite for risk • Considering emerging and principal risks including changes to the risk profile • Reviewing strategic execution risks resulting from COVID-19 and the UK's withdrawal from the EU	• Approval of the Group's risk appetite • Refer to the Risk and Viability Report on pages 106 to 142 for further detail	**Relevant stakeholders:** People Shareholders Communities Customers **s.172 duties:** Long-term results; and reputation
Risk deep dives	• Reviewing China market context • Risk reviews of cybersecurity and fraud risk and the impact of climate-related risks and opportunities by the Audit Committee	• Support for the programme to be undertaken	**Relevant stakeholders:** People Shareholders **s.172 duties:** Long-term results; and reputation
People, culture and values			
Culture and engagement	• Discussing the results of the Employee Engagement Survey, including trends, and receiving feedback following Global Workforce Advisory Forum meetings • Reviewing ways of enhancing the Board's monitoring of Company culture	• Support for management's action planning activity • Agreeing a dashboard to support the Board's monitoring of Company culture for use in FY 2021/22	**Relevant stakeholders:** People Shareholders Communities Customers Partners Governments **s.172 duties:** Long-term results; workforce; environment; reputation; and business relationships

Topic	Activity	Outcome	Relevant stakeholders and s.172 duties considered
People, culture and values			
Diversity and Inclusion	• Discussing the Group's Diversity and Inclusion strategy and receiving progress updates on the agreed commitments • Reviewing the Code of Conduct to ensure alignment with the Company's purpose, values and culture	• Providing feedback and support for management's approach • Support for updated Code of Conduct (subsequently approved in May 2021)	**Relevant stakeholders:** People Shareholders Communities Customers Partners Governments **s.172 duties:** Long-term results; workforce; environment; reputation; and business relationships
Responsibility	• Discussing the Community Investment strategy for FY 2020/21 • Considering the strategies implemented to minimise the impact of COVID-19 on our people and communities • Reviewing and approving the Company's Modern Slavery Statement	• Approval in July 2020 to donate £3.5 million of FY 2019/20 adjusted profit before tax to social and community causes worldwide during FY 2020/21 • Endorsing the Group's response to the COVID-19 pandemic	**Relevant stakeholders:** People Shareholders Communities Customers Partners Governments **s.172 duties:** Long-term results; workforce; environment; reputation; and business relationships
Shareholder engagement			
Shareholder feedback, including activist themes	• Reviewing updates from the Investor Relations team on share price performance, register activity and analyst sentiment • Discussing specific issues raised by shareholders	• Inclusion of shareholder themes within the Board's strategic and/or other considerations	**Relevant stakeholders:** Shareholders **s.172 duties:** Long-term results; workforce; environment; reputation; and business relationships

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.

Productivity

The Company continues to demonstrate and develop improving levels of productivity, owing to strong human capital, training and development programmes, and focus on elevating the customer experience throughout our distribution and retail networks. Further information about these aspects of the business is provided on pages 26, 27, 32 and 68.

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 on Burberryplc.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 204.


BURBERRY
ESTABLISHED 1856
HORSEFERRY HOUSE
LONDON, SW1

GOVERNANCE STRUCTURE AND DIVISION OF RESPONSIBILITIES

The Board is responsible for supporting management in its strategic aims, which 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 163 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 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 148 to 151.

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 AGM. In accordance with the Code, at the 2021 AGM the Chairman and all Directors will retire and offer themselves for re-election. Antoine de Saint-Affrique, having joined the Board on 1 January 2021, will offer himself for election.

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

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.

The Board has established Committees to assist with exercising its authority.

Audit Committee

Chaired by
Matthew Key

Responsible for monitoring the integrity of Financial Statements and reviewing the Group's internal financial controls and risk management systems, the Internal Audit function, and the Group's relationship with the external auditor. The Audit Committee is supported by the Ethics Committee and the Risk Committee.

The Audit Committee Report can be read on pages 173 to 179.

Remuneration Committee

Chaired by
Orna NíChionna

Determines the policy for Executive Director remuneration and sets the remuneration for the Chairman, Executive Directors and senior management.

Oversight of wider employee reward policies.

The Directors' Remuneration Report can be read on pages 180 to 203.

Nomination Committee

Chaired by
Gerry Murphy

Reviews the composition of the Board, ensuring plans are in place for orderly succession for both Board and senior leadership positions, keeping in mind the importance of diversity in all its forms and balancing skills and experience when making appointments.

The Nomination Committee Report can be read on pages 168 to 171.

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. The CEO is also responsible for management and development of the strategic direction of the Group for consideration and approval by the Board. The Executive Committee assists the CEO to implement the strategy as approved by the Board.

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
- Responsible for oversight of climate change agenda
- 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 the oversight of the following key functions: Investor Relations, Internal Audit and Risk Management, Business Continuity, Burberry Business Services, 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

External directorships

Our Board's Executive Directors are permitted to hold one external non-executive directorship. Details of the Directors' other directorships can be found in their biographies on pages 148 to 151.

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 full description 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 2020/21.

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.

In addition, Executive Committee members and other senior managers are invited, as appropriate, to Board and strategy meetings to make presentations on their areas of responsibility. Regular attendees at Committee meetings included the CEO, the Chief People Officer and the Company Secretary.

Induction, training and business engagement

The Company Secretary assists the Chairman in designing and facilitating a formal 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. Following the initial induction for Non-Executive Directors, an understanding of the business is developed through ongoing meetings and engagements as appropriate.

Details of the induction programme implemented for Antoine de Saint-Affrique are set out below. Due to the current travel restrictions all meetings were held virtually.

- One-to-one meetings with senior executives to understand their roles at Burberry
- Meetings with external advisors, for example, our external auditor Ernst & Young LLP (EY)
- Assignment of a Board “buddy” to provide additional support while the Director gets to know Burberry and understand our ways of working

Visits to key stores and sites will be arranged once restrictions are lifted providing the opportunity for Antoine to meet colleagues in person and familiarise himself with our product and our brand.

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.

BOARD EVALUATION

Evaluating our performance in FY 2020/21

The Board undertakes a formal review of its performance and that of its Committees each financial year and the evaluation is externally facilitated every three years.

This year's self-assessment of the Board's and Committees' effectiveness was conducted in conjunction with Independent Audit Limited, which has no other connection with the Company. The process included a briefing with the Chairman, Audit and Remuneration Committee Chairs and the Company Secretary. Following these briefing sessions, online questionnaires were adapted for Burberry using Thinking Board, Independent Audit's online questionnaire tool. Views were sought on a number of topics including Board composition, purpose and values, strategy, risk management, financial reporting and controls and environmental, social and governance considerations. The questionnaires were completed confidentially by Directors and members of the senior management team who regularly attend Committee meetings. Independent Audit collated and analysed the responses which were reported without attribution.

Detailed reports were received by the Chairman and Chairs of the Audit, Nomination and Remuneration Committees and were discussed by the full Board in March 2021. In discussion, the Board concluded that the Board and its Committees continue to operate effectively within a transparent and trusting environment. The Board considered itself to have a good breadth of skills and experience to enable it to effectively support and challenge the business. The Board also felt it had adapted well to the challenges brought about by the COVID-19 pandemic.

The following areas for development and action have been agreed by the Board and progress will be monitored during the year:

Purpose, ambition and branding	• Continued focus on clearly articulating Burberry's purpose, ambition and brand vision in a coherent and consistent manner across all corporate communications, both internal and external
Talent and succession planning	• Continued focus on management development and developing further bench strength as part of the executive succession planning programme, particularly at Executive Committee and level below
Strategy	• Re-energising the Board's focus on emerging technology, including understanding the risks and opportunities new technology brings • Considering ways to deepen the Board's understanding of the competitive environment, including independent expert views of the performance of Burberry and key competitors in navigating industry and consumer megatrends
Environmental, Social and Governance	• Increasing the Board's oversight of environmental and social matters to reflect the increasing importance of these topics to the Group and society as a whole, with particular focus on diversity and inclusion and sustainability

Directors' performance

Separate 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 FY 2020/21. 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 evaluation, the Senior Independent Director met with each Director to discuss the Chairman's performance. The results were analysed by the Senior Independent Director and subsequently discussed with the Chairman. The Directors expressed unanimous support that the Chairman continued to perform effectively. His understanding of the business and leadership of the Board during the pandemic were particularly commended.

Progress update on focus areas identified following the FY 2019/20 Board evaluation

Action	Progress
Purpose, culture, values and behaviours	
• Continued focus on embedding Burberry's culture, values and behaviours	The Board received updates in May and October 2020 in relation to the launch of Burberry's purpose and values and the internal and external proof points, which reinforce the messaging
• Considering ways to enhance the Board's monitoring of corporate culture	A dashboard has been created to bring together a number of relevant metrics to enhance and support the Board's monitoring of the Company's culture which will be implemented in FY 2021/22
People	
• Continued focus on executive succession planning, including in relation to key person risks	The Chief People Officer has continued to lead work to evolve the approach to identifying and developing high-potential talent. This involved the launch of a new assessment framework with the Executive Committee and the evolution of the leadership development programmes and experiences to incorporate purpose and values
• Increasing the Board's interaction with executives and high performers	The COVID-19 environment meant face-to-face interaction was difficult during FY 2020/21. However, opportunities were taken where possible to involve executives and high performers in Board and Committee presentations
Strategy	
• Increased Board focus on operating performance and the risk implications of strategic decisions	The Board received updates on key risk factors and trends and the risks associated with the strategic plans. In addition, the Board discussed the strategic implications of the UK's withdrawal from the EU and the actions being taken to mitigate the risks
• Improving the Board's understanding of key competitors and markets	The Board received updates on key competitors and markets as part of the strategy meetings
Board processes	
• Review Board agendas and materials in order to maximise the time available for discussion and debate at meetings	New guidelines have been implemented to enable more time for discussion and debate at meetings

REPORT OF THE NOMINATION COMMITTEE



"SUCCESSION PLANNING FOR THE BOARD AND SENIOR LEADERSHIP POSITIONS IS A KEY FOCUS FOR THE COMMITTEE."

Gerry Murphy
Chair, Nomination Committee

Nomination Committee membership

All Non-Executive Directors serve as members of the Committee under the leadership of Gerry Murphy as Chair. With the exception of Jeremy Darroch, who stepped down from the Board on 15 July 2020, and Antoine de Saint-Affrique, who was appointed to the Board on 1 January 2021, all Non-Executive Directors served as members of the Committee throughout the year ended 27 March 2021.

Meetings and attendance

The Committee met virtually three times during the year and, with the exception of one meeting, all members attended all meetings. If Directors are unable to attend a meeting, they are given the opportunity to discuss the agenda items with the Committee Chair in advance of the meeting. In addition to Committee members, meetings are regularly attended by the Company Secretary, Chief Executive Officer and Chief People Officer.

Role of the Committee

The Committee's role includes reviewing the composition of the Board and ensuring there is a formal, rigorous and transparent procedure for the appointment of new Directors. It also assists with succession planning for senior leadership positions.

Full details of the Committee's role and responsibilities are set out in its terms of reference, which are available on the Company's website, Burberryplc.com.

Areas of focus in FY 2020/21

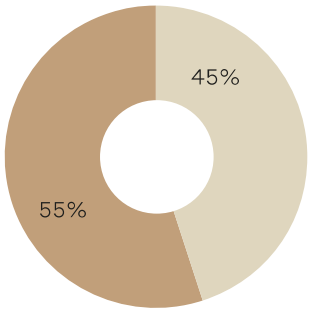
The following matters were considered during the year:

- Reviewing the composition, size, skills and diversity of the Board and its Committees
- Agreeing the recruitment process for Non-Executive Directors and recommending the appointment of Antoine de Saint-Affrique to the Board
- Considering the independence and time commitments of Non-Executive Directors
- Reviewing talent and succession planning for senior management
- Updating the Board composition and diversity principles
- Recommending that the Board support the election or re-election of all Directors at the 2021 AGM
- Reviewing the Committee's terms of reference and overall effectiveness

A highly skilled and balanced Board

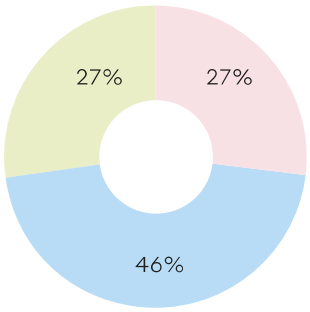
Gender

Men Women



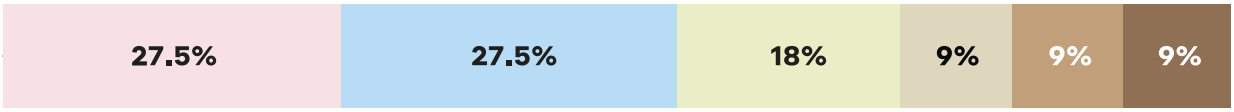
Tenure

0-3 years 3-6 years 6+ years



Nationality

British American Irish French Australian Italian



Board skills

Key skills



Retail, sales and marketing	Luxury goods	Operational excellence	Digital and media	Sustainability
90% 10 Directors	45% 5 Directors	90% 10 Directors	45% 5 Directors	45% 5 Directors

Board succession planning

We believe that diverse Boards with appropriate competencies and values are better Boards. Board succession planning is focused on ensuring the Board has the right mix of skills, experience, diversity and tenure. In line with the Board's composition and diversity principles, all new Board appointments will be made on merit and will:

- Have experience and insights relevant to the Group's strategic priorities
- Be compatible with Burberry's culture and values and embrace its purpose
- Promote diversity, including in terms of gender, social and ethnic backgrounds, cognitive and personal strengths

Diversity

We 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 everyone at Burberry and ensure that our people of all backgrounds are treated equally.

As for Board-level diversity, we are proud that Burberry exceeded the targets set by the Hampton-Alexander Review. At the end of the review period 45.5% of Board members were women and 50.4% of the combined Executive Committee and Direct Reports were women as detailed in the final report of the Hampton-Alexander Review. A table setting out the representation of women in the workplace is on page 72. We are supportive 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.

The Committee considers the importance of diversity when suggesting new appointments to the Board, particularly with regard to gender, ethnicity and social backgrounds. In accordance with the Board's composition and diversity principles, we are committed to ensuring women make up at least one-third of our Board and at least one Board member is from an ethnic minority background while continuing to ensure candidates are selected based on their merit and wide-ranging experience, backgrounds, knowledge, insights and skills.

More information on diversity and inclusion can be found on pages 69 to 72.

Board and Committee changes

During the year, the Committee continued to focus on the evolution of the Board, identifying a need for an additional Non-Executive Director who would deepen the Board's collective experience in managing global consumer companies and enhance the Board's understanding of sustainability matters. The Committee developed a candidate profile, which was in line with the Board's composition and diversity principles and would complement the needs of the business and the Board as a whole. The specialist search firm MWM Consulting was engaged to assist and advise the Committee with its search. MWM Consulting was not engaged by the Company for any other purpose during FY 2020/21.

Having considered the shortlist of candidates and interviewed the preferred candidates, the Committee recommended the appointment of Antoine de Saint-Affrique to the Board for approval. The Committee further recommended that, on appointment to the Board, Antoine be appointed as a member of the Audit and Nomination Committees.

Further information on Antoine de Saint-Affrique's induction programme can be found on page 165 and his biographical details are on page 151.

Annual re-election of Directors

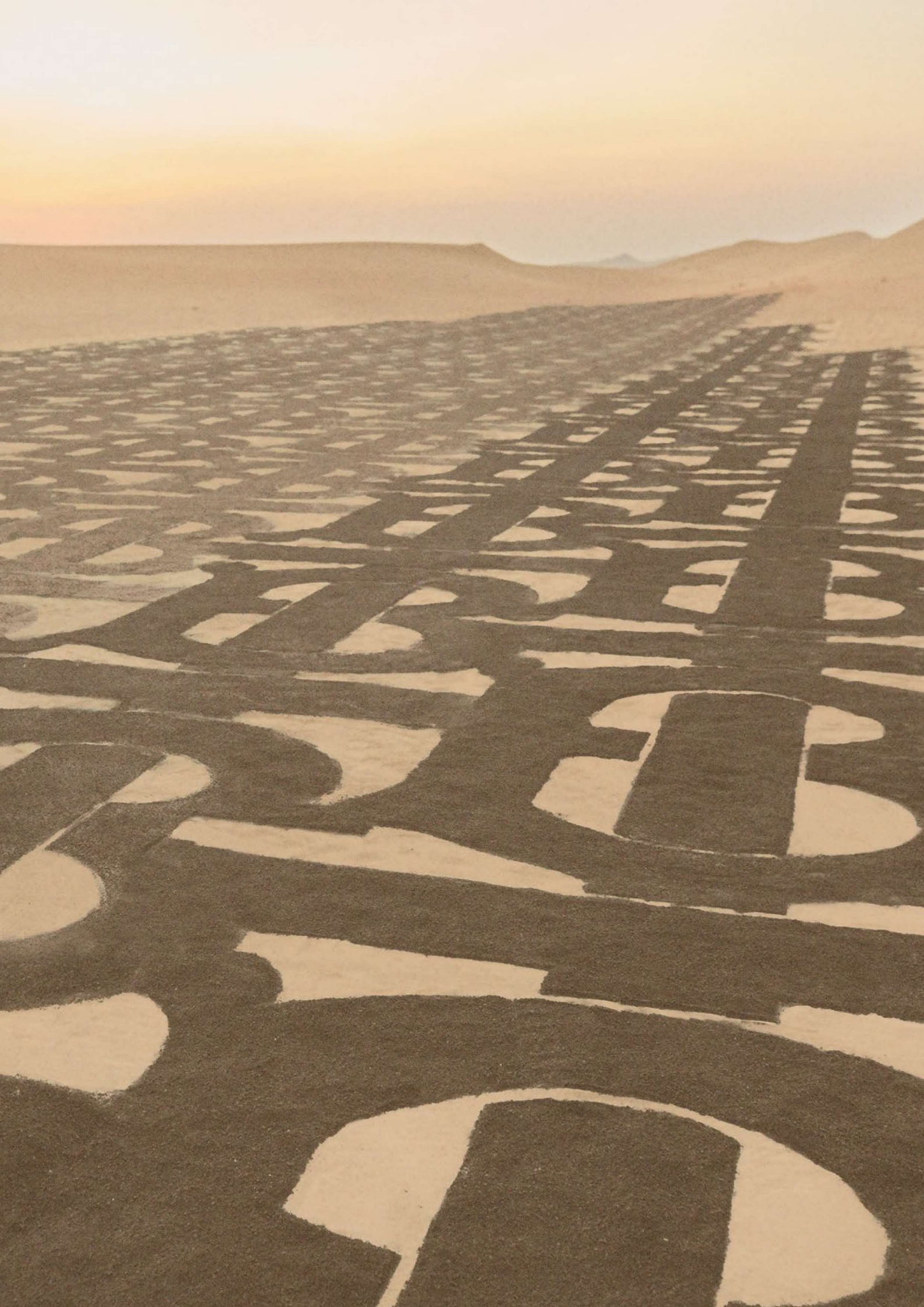
As required by the Code, Directors offer themselves for annual re-election. The Committee considered the annual re-election of Directors at the AGM based on Director performance, independence, time commitments and tenure. As part of this process, the Committee also assessed the external commitments of 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.

Senior management talent and succession planning

Talent and succession planning has continued to be a key area of focus for the Committee. During the year, the Committee received updates from the CEO, supported by the Chief People Officer, on a new talent management framework and the evolution of our leadership development programmes to better reflect Burberry's purpose and values. The Committee also reviewed the talent pipelines for the Executive Committee and other key roles.

Board and Committee effectiveness

As part of the annual Board evaluation, all members of the Nomination Committee participated in an evaluation of the Committee's performance. The evaluation concluded that the Committee operates well and continues to provide effective support to the Board. Further details of the evaluation can be found on pages 166 to 167.



REPORT OF THE AUDIT COMMITTEE



"DURING FY 2020/21, MONITORING AND ASSESSING THE IMPACT OF COVID-19 CONTINUED TO BE A KEY AREA OF FOCUS FOR THE COMMITTEE."

Matthew Key
Chair, Audit Committee

Dear Shareholder,
I am pleased to present the FY 2020/21 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 processes 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.

During FY 2020/21, monitoring and assessing the impact of COVID-19 continued to be a key area of focus for the Committee. Further information is provided in the significant matters set out in the table on pages 175 to 176. The Committee received papers from management detailing its approach and recommendations with respect to relevant estimates and financial judgements. The Committee reviewed and challenged management's approach, analysis and recommendations, seeking assistance from the Group Internal Audit team to provide assurance 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.

In addition we continued to focus on the Group's risk management with in-depth reviews of the finance and HR transformation programmes, fraud risk and the store investment appraisal methodology.

We have also monitored the transition of the Group external audit to Ernst & Young LLP (EY) who have commenced their first year as the Company's external auditor. Details of how the Audit Committee has monitored EY's first year of audit are available on page 177.

During the year, the Group received a letter from the Conduct Committee of the FRC, relating to their review of the Group's 2019/20 Annual Report. The letter did not raise any questions or queries but did note some

suggestions for improvement to disclosures, for future reporting. The Directors and the Committee have considered the suggestions made in the letter and have made enhancements to disclosures in this year's Annual Report in all the areas suggested. The review of the FY 2019/20 Annual Report by the FRC does not provide any additional assurance regarding its accuracy and the FRC does not accept any liability in relation to their review.

The Committee confirms that, during FY 2020/21, 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 its 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, Debra Lee, Ron Frasch and Dame Carolyn McCall served as members of the Committee throughout the year ended 27 March 2021. Antoine de Saint-Affrique was appointed as a member of the Committee on 1 January 2021.

The Committee met formally four times during the year and, with the exception of one meeting, all members attended all scheduled meetings (see table on page 155). 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, Internal Audit and Risk on a regular basis, including prior to each meeting. In addition, he met with members of the Group 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, Internal Audit and Risk; Senior Vice President, Group Finance; Vice President, Group Financial Controller; General Counsel, and representatives of the external auditor. At the end of each meeting the Committee held closed meetings with the external auditor and with the Senior Vice President, Internal Audit and Risk without management being present.

The Board is satisfied that Matthew Key has 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. The biographies set out on pages 148 to 151 provide details of each member's background and experience.

Role of 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, Burberryplc.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 processes. 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 140 to 142.
- Internal Audit: review of the annual Internal Audit programme and the consideration of findings of any internal investigations and management's response. Approving the appointment of the Senior Vice President, Internal Audit and Risk
- External auditor: recommending the appointment of the external auditor, approving their remuneration and overseeing their work. Reviewing reports received from the external auditor. Review of effectiveness of the external auditor
- Ethics update: the Committee received and considered reports from management on the Group's whistleblowing arrangements and health and safety
- TCFD: reviewing the requirements of the Task Force for Climate-related Financial Disclosures and the scenario analysis undertaken to assess the impact of climate-related risks to Burberry's key commodities: leather, cotton and cashmere

Significant matters for the year ended 27 March 2021	How the Audit Committee addressed these matters
Impairment assessment of goodwill	The Committee considered management's assessment of the recoverability of the carrying value of goodwill. Given the current uncertainty over future performance, which will depend on the path of recovery from COVID-19, 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 also reviewed management's proposed disclosures regarding impairment assessments of goodwill. The Committee approved management's view that, as the estimated recoverable amount of goodwill exceeded the carrying value, no impairment was measured. The results of the impairment assessment of goodwill are set out in note 12 of the Financial Statements.
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 update assessments of previously impaired cash generating units and their review for potential indicators of impairment for other retail cash generating units. Given the current uncertainty over future store performance, which will depend on the path of recovery from COVID-19, the Committee reviewed management's proposed disclosures relating to sensitivities of estimates 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 27 March 2021	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. In particular, the Committee considered management's assumptions regarding the usage of inventory relating to the recent seasons, which have been most impacted by COVID-19. The review included analysis of actual inventory usage compared to assumptions made at March and September 2020 and the resulting revision to assumptions regarding expected exit routes for the remaining surplus inventory held at the balance sheet date. Movements in inventory provisioning and the related sensitivities are set out in note 17 of the Financial Statements.
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 and the disclosure of any significant estimates applied to tax balances. 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 33.
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 the requirements of the UK Corporate Governance Code. The Committee paid particular attention to the approach taken by management to separate presentation of any items relating to the impact of COVID-19 including impairments of assets or reversal of previous impairments which were separately presented and the recognition of income directly relating to COVID-19, together with the disclosure of the basis of the treatment applied. 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, significant judgements relating to lease term and impairment of receivables.

External auditor

Following a competitive tender carried out in 2018 and their appointment at the Annual General Meeting on 15 July 2020, EY commenced their first year of audit in FY 2020/21. The Audit Committee oversees the work undertaken by EY and in FY 2020/21 the Committee monitored activities including reviewing:

- The audit plan, including scope and materiality
- The approach to risk assessment
- The approach to auditing controls
- Reports at interim and full year

During the year, the Committee met with the external auditor without members of management being present.

Appointment and fees

One of the Committee's primary responsibilities 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 satisfy itself that it received the highest quality audit possible. To support its assessment, a survey was sent to the Audit Committee Chair, 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 survey results concluded that the external audit process was considered to be effective. A further review of the external audit process will be conducted later in the year following completion of EY's first audit. The Committee also reviewed the proposed audit fee and terms of engagement for FY 2020/21. Details of the fees paid to the external auditor during the financial year can be found in note 7 to the Financial Statements.

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 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 2020/21 the non-audit services provided by Burberry's external auditor did not exceed this cap.

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, Internal Audit and Risk. 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 £0.1 million on non-audit services provided by EY (6% of the average of Group audit fees incurred over the last three years). The rationale for using the external auditor to perform these services was to reduce complexity. Further details can be found in note 7 to the Financial Statements.

Evaluation of internal controls

Our Board is ultimately responsible for the Group's internal controls and risk management procedures. 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)
- Challenging management's implementation of effective processes of risk identification, assessment and mitigation

Our Audit Committee is responsible for reviewing the effectiveness of the Group's internal controls and risk management procedures. Details of the Group's risk management processes 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 106 to 142.

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 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 processes. No significant control weaknesses were identified. The internal controls are 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 regularly reviewing the system of internal controls and risk management processes 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, wholesale and digital channels. 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, as well as 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 do 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, Group Finance Compliance, Health and Safety, Data Protection, Asset and Profit Protection, and Business Continuity
- Third line of defence: Group 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 Group Internal Audit function is managed under the leadership of our Senior Vice President, Internal Audit and Risk, 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, in FY 2020/21, there was an emphasis on assurance over the significant financial estimates made in response to COVID-19 and the re-positioning on 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 operated from Burberry Business Services. 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 Group Internal Audit is assessed every five years with the latest review having been reported last year.

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 colleagues 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 colleagues from the regions, Burberry Business Services and London headquarters

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

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

We have assessed financial reporting controls impacted by remote working arrangements due to COVID-19 to identify potential vulnerabilities in processes and to 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 210. The Independent Auditors' Report on pages 211 to 223 includes a statement concerning the auditor's reporting responsibilities.

DIRECTORS' REMUNERATION REPORT



Chair's statement	See page 180
At a glance: remuneration approach for FY 2020/21 and FY 2021/22	See page 186
Annual Report on Remuneration	See page 188

Orna NíChionna
Chair, Remuneration Committee

Dear Shareholder,

I am pleased to present to you the Directors' Remuneration Report for the year ended 27 March 2021, which has been approved by both the Remuneration Committee (the Committee) and the Board.

Rising to the challenges

Our latest financial year has seen a lot of change, both within the business and within society. It started a week after the UK had entered its first lockdown and most of our stores had closed. Our first priority as a Board was to ensure that all of our people felt safe and supported, and our leadership team worked intensively to achieve that, quickly setting up systems and providing equipment to enable working from home and to allow our people to stay connected and maintain a sense of community. Our teams were very agile in reorganising our supply chains as stores opened and closed in different regions of the world and to meet the increased demand we saw online in most of our markets.

As the year progressed, and it became clear that disruption could continue for some time to come, our leadership teams devised new approaches to help our people manage their wellbeing while continuing to work from home. We also set up rigorous health and safety protocols across all our sites in line with government guidelines, so that those who needed to work there to execute critical business processes, including many members of our creative teams, could do so without being distracted from our purpose, Creativity Opens Spaces.

Throughout all this, our leadership team ensured that the execution of our strategy stayed on course. This required us to continue to strengthen our culture and reshape our head office organisation, to invest in our digital capabilities, and to nurture our creativity to deliver excitement in our ranges and in our marketing. Once our stores in China reopened, marketing resources were diverted from other markets to capture the sales potential there, with new approaches to digital marketing and customer engagement proving successful. We accelerated our shift in mix to full price and away from markdown channels. By the end of the year, these actions, guided by our purpose, meant that the expectations we had for our sales and profits at the start of the year were exceeded by a considerable margin and, in spite of COVID-19, we delivered a strong set of results.

Supporting the response to COVID-19

Our colleagues were also anxious to play a part in the fight against COVID-19 and by May last year, when I wrote to you, I was proud to list the various initiatives that were underway, including the manufacture of PPE at our Castleford factory; the sourcing and distribution of PPE using our supply chain; Company donations to vaccine research at the University of Oxford; and the setting up of a COVID-19 relief fund spearheaded by The Burberry Foundation. All members of the Board took a voluntary salary/fee cut of 20% for the first quarter and the Company paid an equivalent of that amount to The Burberry Foundation COVID-19 Community Fund, with our top management team also taking a 20% reduction in their salaries.

In total, during the financial year Burberry donated more than 160,000 pieces of PPE and provided over four million masks and 50,000 gowns at cost. The Burberry Foundation COVID-19 Community Fund provided support to relief efforts ranging from procuring and distributing masks, gowns and other PPE to providing funding to food banks and healthcare charities. At the end of the year, in March 2021, the Community Fund alongside Burberry Group plc released further funds to support the distribution of vaccines in developing countries.

In summary, our leadership team has faced into a range of competing challenges with skill and dedication, enabling us to be agile in our response to COVID-19 while at the same time delivering our strategy. Morale has remained strong and our people have retained the deep focus on creativity that is at the heart of our purpose, and so essential to our future growth. The organisation is stronger and more purposeful than it has ever been and our brand has been strengthened. At the time of writing, the UK is emerging from lockdown, but the outlook around the world remains uncertain in the short term, as political events add to the challenges of steering the Company through the pandemic. I have great confidence that our leadership team will surmount the challenges that arise in this financial year, as they have done so well to date.

Directors' Remuneration Policy

Last year the Committee developed a new Remuneration Policy designed to support our strategy to establish Burberry as a global luxury brand that can deliver long-term sustainable value for shareholders. We consulted widely and refined it in response to comments from shareholders and proxy bodies. The Committee was very pleased with the strong level of support that the final Remuneration Policy received from shareholders at the 2020 AGM.

Burberry Share Plan 2020 (BSP)

The key change under the new Remuneration Policy was the introduction of a restricted share plan, the BSP. Under the BSP Executive Directors receive awards with a lower face value than under our previous performance share plan. The awards are subject to performance underpins, which play a different role to performance conditions in a "traditional" long-term incentive plan. If the Company were to fail to meet one or more of the performance underpins over the relevant vesting period then the Committee would consider whether it would be appropriate to scale back the level of pay-out under the award to reflect this. The Committee would retain discretion to determine the appropriate level of scale-back.

Other changes to the Remuneration Policy

In addition to the introduction of the BSP, the Committee made some changes to reflect evolving market practice and shareholder expectations. This included a reduction in pension arrangements for our current Executive Directors so that they will be aligned with the maximum rate available to the majority of the UK workforce by 1 January 2023, and the introduction of post-employment shareholding guidelines in line with current views of best practice.

"PERFORMANCE HAS BEEN STRONG DURING FY 2020/21 IN SPITE OF COVID-19 AND THE COMMITTEE JUDGED IT WAS APPROPRIATE TO PAY A BONUS TO REFLECT THESE ACHIEVEMENTS."

Orna NíChionna
Chair, Remuneration Committee

Approach to remuneration for FY 2020/21

Salary and Board fees

As previously noted, as part of Burberry's response to COVID-19, for three months from 1 April 2020 the Executive Directors voluntarily reduced their base salary by 20%, with the equivalent cash amount being donated by the Company to The Burberry Foundation COVID-19 Community Fund. The Chairman and the Non-Executive Directors did likewise with their fees over the same three-month period.

Annual bonus approach for FY 2020/21

The maximum annual bonus for Executive Directors is normally 200% of base salary. However, at the start of the year, taking into account the uncertainty caused by the outbreak of COVID-19 and the challenges expected to follow, the Committee modified the operation of the annual bonus for FY 2020/21, limiting the maximum annual bonus to 25% of the maximum, i.e. 50% of base salary. In addition to reducing the maximum, the Committee also modified the approach to determining outcomes. Following the end of the financial year, the Committee determined the annual bonuses for FY 2020/21 taking into account performance against strategic objectives set around the Company's response to, and recovery from, COVID-19; our strategy to build a more sustainable future; overall business performance; and the shareholder experience. The Company's performance has been strong during FY 2020/21, in spite of COVID-19, and this is due in large part to the programmes our leadership team designed and executed under considerable pressure from the pandemic. The Committee judged it was appropriate to pay a bonus of 50% of base salary (the maximum potential for FY 2020/21) to reflect these achievements. Further details on the annual bonus outcomes are set out on page 183 and on pages 189 to 191.

BSP awards

The first awards under the BSP were made in August 2020. As set out in my letter last year, the Committee is mindful of shareholder guidance that, where a company's share price has fallen, this should be taken into account when determining award levels. After careful consideration, the Committee determined that it would be appropriate to reduce the level of BSP awards in 2020. Accordingly the CEO and CO&FO were granted BSP awards of 150% and 140% of base salary, respectively. The normal maximum levels are 162.5% and 150% of base salary, respectively.

The 2020 BSP awards are subject to performance underpins of Revenue, ROIC and brand and sustainability, which provide a "safeguard" to ensure that awards do not pay out if the Company has under-performed and vesting is not justified. Further detail on the underpins is provided on page 193.

Remuneration outcomes for FY 2020/21

Annual bonus for FY 2020/21

The operation of the annual bonus for FY 2020/21 was modified given the uncertainty and challenges presented by COVID-19. Following the end of the financial year, the Committee reviewed the performance of the Company and the Executive Directors. The key annual performance highlights taken into account by the Committee include:

- Adjusted operating profit of £396 million which was significantly ahead of expectations at the start of the year in spite of COVID-19
- Full-year revenue of £2,344 million
- Rigorous cash management throughout the year resulting in free cash flow (pre-tax) of £407 million and a closing cash level of £919 million net of borrowings
- Absolute share price growth of c.43% for the financial year, representing a strong recovery relative to the FTSE 100
- Strong progress against our sustainability goals, including the successful launch of a Sustainability Bond

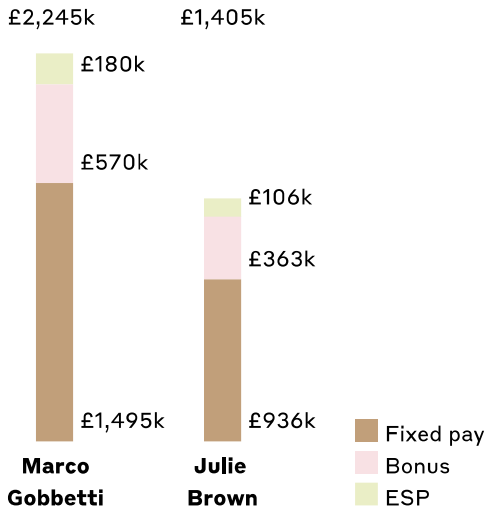
Significant strategic progress during the year has supported Burberry's recovery from the COVID-19 pandemic and provided a strong platform to deliver shareholder returns in the future. Taking into account the excellent progress made during a particularly challenging year, the Committee determined that the Executive Directors would receive bonuses of 50% of base salary (equivalent to 25% of the normal maximum opportunity of 200% of base salary). Further details of the Committee's assessment and the factors taken into account are set out on pages 189 to 191.

2018 Executive Share Plan (ESP) awards

The 2018 ESP award was based on three performance metrics, measured over the three-year period to 27 March 2021. Given the impact of the COVID-19 pandemic on performance during the year, growth in Revenue and Adjusted PBT (CER) were both below threshold and therefore there was no vesting on these metrics. However, the three-year average Adjusted Retail/Wholesale ROIC exceeded the threshold vesting target. This performance will result in overall vesting of the 2018 ESP award for the Executive Directors of 5.5% of maximum. The ESP shares to be received by the Executive Directors on vesting will be subject to a post-vesting holding period. The Committee believes that the ESP outcome appropriately reflects the broader performance context and, as a result, no discretion was exercised by the Committee in respect of the outcome of the ESP awards.

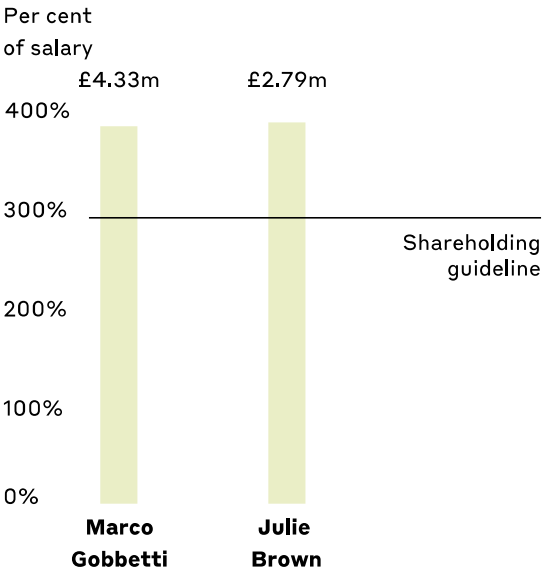
Single figure for FY 2020/21

The chart below shows the breakdown of the single figure total remuneration for the Executive Directors in respect of FY 2020/21 (see page 188 for more detail).



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 195 for more detail).



Approach to remuneration for FY 2021/22

Salary and Board fees

The Executive Directors will not receive a salary increase for FY 2021/22. Their salaries will therefore continue to be £1,140,000 for the CEO and £725,500 for the CO&FO. There will also be no increase in fees for the Chairman or the Non-Executive Directors.

Annual bonus

Following the modified approach for FY 2020/21 the Committee is reverting to the normal annual bonus approach for FY 2021/22 as set out in the Remuneration Policy approved by shareholders at the 2020 AGM. The Executive Directors will therefore be eligible for a maximum bonus of 200% of salary. The annual bonus will be based 75% on adjusted operating profit and 25% on performance against strategic objectives linked to progress against our strategy and our brand, sustainability targets and diversity, inclusion and leadership goals (further details are provided on page 191).

BSP awards

The Committee intends to grant BSP awards for 2021 in line with the approach approved by shareholders last year. 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. As set out on page 182, the Committee scaled back the BSP awards for 2020 taking into account the Company's share price at the time of grant. As the share price has increased since the 2020 grants, the Committee intends to grant BSP awards for 2021 at the normal levels of 162.5% and 150% of base salary for the CEO and CO&FO, respectively.

After careful consideration, the Committee has determined that the performance underpins that applied to the 2020 BSP awards continue to reflect a good overall balance of safeguarding the financial stability of the business, delivery of the strategy and elevation of the brand. Therefore, the 2021 BSP awards will be subject to the same performance underpins. The Committee has decided that it would be appropriate to increase the level of the Revenue underpin to £2,400 million and the level of the ROIC underpin to at least 1% above the Group's WACC (currently c.9%) in the year of vesting. The approach to the brand and sustainability underpin will be unchanged. Further details are provided on page 194.

Broader employee reward

Our people are our biggest asset and they have been instrumental in making Burberry the luxury fashion brand it is today. We strive to be an open, caring and inclusive employer.

We regularly run Employee Engagement Surveys to gain insight into what keeps our people motivated and inspired. In 2019 we established the Global Workforce Advisory Forum, comprising a group drawn from a range of roles and locations around the world, in order for the Board to have a direct channel to hear and discuss the views of the workforce as part of its decision-making processes. During FY 2020/21, the Chairman and I have attended each Forum meeting.

At our February 2021 meeting, I presented the Forum members with a summary of the changes made to the Remuneration Policy and approved by shareholders at the 2020 AGM and I invited questions and comments. We included details of how the revised approach applied to Executive Directors and how it has been cascaded throughout the organisation, including how BSP awards are structured below Board level. Members of the Forum shared their views and discussed the thought process of the Committee in detail. Members confirmed that the new BSP had been well received by participants across the Company. We also reflected on changes which had been made to the retail commission structure globally. This too had been warmly received, although we noted some anomalies that had arisen due to the pandemic and which will be addressed. There was considerable praise for the new Global Parental Leave Policy. The Chairman and I have found it very valuable to take part in the Forum and to hear the views of the wider employee base. We take these views into account when we consider changes to policy and incentive out-turns for Executive Directors.

Our reward framework

Burberry's remuneration framework has been designed to support our culture, values and purpose. The framework, which consists of fixed pay, short-term incentives and long-term share awards, is cascaded across the Group.

We are committed to fair and responsible employment and are proud to be a principal partner of The Living Wage Foundation and an accredited UK Living Wage employer. We are keen to encourage employee share ownership and we operate two all-employee share plans, which are due for renewal at the AGM in July. Annual grants of free shares (or equivalent cash-based awards where necessary) and the ability to purchase shares under our Sharesave Scheme enable our people to become shareholders in Burberry and share in the long-term success of our strategy.

Engagement with shareholders

We have sought to have an open and transparent dialogue with shareholders about executive remuneration arrangements at Burberry. Our engagement with shareholders at the start of the year helped inform the new Remuneration Policy put to shareholders at the 2020 AGM and I am most grateful to shareholders for their support on the Remuneration Policy last year. I look forward to continuing the discussion and hope that you will be willing to support the Directors' Remuneration Report at the AGM in July.

Orna NíChionna
Chair, Remuneration Committee

Burberry's reward framework

Burberry's reward framework, consisting of fixed pay, short-term incentives and long-term share awards, is cascaded across the Group.

FIXED PAY
Fixed pay consists of salary, benefits and pension

SHORT-TERM INCENTIVES
All our people are eligible for performance-related pay based on short-term performance

LONG-TERM SHARE AWARDS
All our people are eligible to participate in Burberry share plans

AT A GLANCE: REMUNERATION APPROACH FOR FY 2020/21 AND FY 2021/22

The Remuneration Policy was approved by shareholders at the AGM on 15 July 2020 and is set out in full in the Directors' Remuneration Report FY 2019/20, which can be found in the Annual Report FY 2019/20 at Burberryplc.com.

Element	Approach for FY 2020/21	Approach for FY 2021/22
Salary	Salaries from 1 July 2020: • CEO – £1,140,000 • CO&FO – £725,500 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.	No increase in salaries from 1 July 2021. Salaries from 1 July 2021 will remain: • CEO – £1,140,000 • CO&FO – £725,500
Pension	CEO and CO&FO – pension reduced from 30% of base salary to 20% of base salary from 1 July 2020. Any new appointment – in line with the maximum employer pension contribution available to the majority of the UK workforce (currently 6% of salary).	CEO and CO&FO – 20% of base salary, 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 – no change for FY 2021/22.
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.	No change for FY 2021/22.
Annual bonus	In light of the uncertainty and challenges following the outbreak of COVID-19, the operation of the annual bonus was modified for FY 2020/21. The annual bonus was limited to 25% of the normal maximum, i.e. 50% of salary. The Committee determined the annual bonus taking into account performance against strategic objectives (response to and recovery from COVID-19, and sustainability), overall business performance and the shareholder experience. Executives are required to invest 50% of any net bonus into shares until shareholding guidelines are met. Malus and clawback provisions apply.	The annual bonus will revert to its normal operation. Maximum 200% of salary. Performance measures: • 75% adjusted operating profit • 25% strategic objectives Executives are required to invest 50% of any net bonus into shares until shareholding guidelines are met. Malus and clawback provisions apply.

Element	Approach for FY 2020/21	Approach for FY 2021/22
BSP	The 2020 awards were scaled back in recognition of the Company's share price at grant: • CEO – 150% of salary • CO&FO – 140% 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.	Given the share price recovery, BSP awards will revert to normal levels for the 2021 awards. 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.
	The performance underpins for the 2020 awards are as follows: • Revenue – the level of Total Revenue at CER for the financial year which precedes the year of vesting being at least £2,000 million • ROIC – the level of Group ROIC at reported exchange rates for the financial year which precedes the year of vesting being ahead of the Group's WACC, currently c.9% • Brand and sustainability – reasonable progress having been achieved in respect of our strategy to elevate our brand and build a more sustainable future	The performance underpins for the 2021 awards are as follows: • Revenue – the level of Total Revenue at CER for the financial year which precedes the year of vesting being at least £2,400 million • ROIC – the level of Group ROIC at reported exchange rates for the financial year which precedes the year of vesting being at least 1% above the Group's WACC (currently c.9%) in the year of vesting • Brand and sustainability – reasonable progress having been achieved in respect of our strategy to elevate our brand and build a more sustainable future
Shareholding guidelines	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.	No change for FY 2021/22.

Details of the principles the Committee took into account when developing the Remuneration Policy, including Provision 40 of the UK Corporate Governance Code, are set out on page 161 of the FY 2019/20 Annual Report.

The Committee considers that the Remuneration Policy operated as intended during FY 2020/21.

ANNUAL REPORT ON REMUNERATION

FY 2020/21 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 2020/21 (and the prior financial year). The subsequent sections detail additional information for each element of remuneration.

	Salary[1] £'000	Allowances and benefits[2] £'000	Pension £'000	Bonus £'000	ESP[3] £'000	All-employee share plans[4] £'000	Total £'000	Total fixed remuneration £'000	Total variable remuneration £'000
Marco Gobbetti									
Year to 27 March 2021	1,083	155	257	570	180	–	2,245	1,495	750
Year to 28 March 2020	1,136	141	341	–	–	–	1,618	1,618	–
Julie Brown									
Year to 27 March 2021	689	78	163	363	106	6	1,405	936	469
Year to 28 March 2020	723	79	217	–	–	–	1,019	1,019	–

1. 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.
2. The cost of private medical insurance for the Executive Directors was overstated in FY 2019/20 due to an administrative error and has been corrected in the allowances and benefits column for the year to 28 March 2020.
3. The values shown in the ESP column in respect of FY 2020/21 represent the vesting of the 2018 ESP award. The values have been calculated by multiplying the number of shares which will vest based on the performance outcome set out on page 192 (9,489 for Marco Gobbetti and 5,574 for Julie Brown) by the three-month average share price to the end of the financial year (£18.44), plus the value of dividends on these shares (using a cumulative dividend per share of 53.8 pence). This average share price has been used as the award does not vest until after the year end. The share price used to calculate the number of shares at grant (31 July 2018) was £21.135. Therefore none of the 2018 ESP value disclosed in the single figure table is attributable to share price growth. The Remuneration Committee did not exercise discretion in respect of the change in share price.
4. The value shown in the all-employee share plans column in respect of FY 2020/21 represents the gain realised by Julie Brown on the exercise of a Sharesave option granted in 2017 and the vesting of the 2017 award of free shares granted under the Share Incentive Plan (SIP).

Salary (audited)

The table below details annual salaries as at 27 March 2021 and those that will apply from 1 July 2021. Salaries will not be increased from 1 July 2021. 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 27 March 2021	As at 1 July 2021	% change
Marco Gobbetti	£1,140,000	£1,140,000	0%
Julie Brown	£725,500	£725,500	0%

Pension (audited)

Each Executive Director received an annual pension contribution or pension cash allowance of 30% of base salary up to 30 June 2020 and 20% of base salary from 1 July 2020. No Director has a prospective entitlement to receive a defined benefit pension.

In line with the approved Remuneration Policy, the pension allowance of each Executive Director will 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.

Allowances and benefits (audited)

The table below details the cash allowances and non-cash benefits received by the Executive Directors during FY 2020/21 in accordance with the Remuneration Policy and as disclosed in the single figure table.

FY 2020/21 (£'000)	Cash allowance	Private medical insurance	Life assurance	Long-term disability insurance	Tax advice
Marco Gobbetti	80	14	38	7	16
Julie Brown	30	30	7	9	2

There were no changes to benefits policies during the year.

Annual bonus outcomes for FY 2020/21 (audited)

As disclosed last year, in light of the uncertainty and challenges following the outbreak of COVID-19, the operation of the annual bonus for FY 2020/21 was modified. The maximum annual bonus was limited to 25% of the maximum, i.e. 50% of base salary. The Committee has determined the annual bonuses for FY 2020/21 taking into account performance against strategic objectives set around the Company's response to, and recovery from, COVID-19, our strategy to build a more sustainable future, overall business performance and the shareholder experience.

The table below sets out the factors that the Committee took into account and performance against them:

Factor	Performance in FY 2020/21
Overall business performance	• Adjusted operating profit of £396 million delivered with an adjusted operating margin of 16.9% • Full year revenue was £2,344 million • Free cash flow pre-tax of £407 million • Group ROIC of 17%
Strategic performance	• Successfully optimised the strategy against short-term, regional and channel shifts in demand • Rigorous cash management throughout the year leading to increased cash balances • Successful launch of the innovative Sustainability Bond
Sustainability performance	• 92% reduction in market-based emissions since base year FY 2016/17 • 82% of products with more than one positive attribute • 680,170 people in the community positively impacted since 2017 by programmes led by The Burberry Foundation
Shareholder experience	• Share price increased by 43% since the start of the financial year, compared to an increase in the FTSE 100 of 26% over the same period • Payment of final dividend for FY 2020/21
Response to COVID-19 in the year	• Successfully enabled remote working for our people and implemented initiatives to maintain cohesion including regular check-ins and encouraging flexible working • Robust measures put in place to ensure work sites were safe and secure environments • Provided more than four million masks and 50,000 gowns at cost as part of the Government contract • Made a donation in March 2020 to fund research into the vaccine developed by the University of Oxford and AstraZeneca

After careful consideration of the factors set out on the previous page the Committee determined that the Executive Directors would receive annual bonuses for FY 2020/21 of 50% of salary. The Committee considered that the financial performance for the year had been strong in the context of the current economic environment and significantly exceeded both internal and external expectations as at the start of the year. The Executive Directors also managed to deliver the cost and liquidity management objectives, ending the year in a strong position from both a financing and working capital perspective, while maintaining focus and making excellent progress against our sustainability strategy. This performance was delivered at the same time as supporting our people and communities throughout the COVID-19 crisis and the Committee considered that the CEO and the CO&FO had demonstrated exceptional leadership during a challenging year while consistently acting in a way which supports the Company's purpose and values. The annual bonuses are set out in the following table:

	FY 2020/21 Annual bonus payment (% of maximum)	FY 2020/21 Annual bonus payment (£'000)
Marco Gobbetti	25%	£570
Julie Brown	25%	£363

Under the Remuneration Policy, the Executive Directors are required to invest 50% of any net bonus earned into Burberry shares until their shareholding guideline of 300% of salary is met. Both Executive Directors already meet their shareholding guideline and therefore this requirement will not apply.

Annual bonus for FY 2021/22

Following the modified approach for FY 2020/21, the Committee is reverting to the normal annual bonus approach for FY 2021/22 as set out in the Remuneration Policy approved by shareholders at the 2020 AGM. Executive Directors will therefore be eligible for a maximum bonus of 200% of base salary. The annual bonus for FY 2021/22 will be based 75% on adjusted operating profit performance and 25% on strategic objectives. The strategic objectives will include the following measures:

- Strategy and brand (10%) – our long-term strategy is to elevate the value of our brand and diversify our channels to market. When assessing performance in this area the Committee will consider key measures linked to our brand and strategy progress, including digital revenue growth, full-price sales and leather and outerwear sales
- Sustainability (10%) – given the increasing importance of sustainability within our business as well as society, the Committee has linked a portion of bonus to our progress against our long-term carbon reduction goals, specifically our objectives to reduce scope 3 emissions by 30% by 2030 and to become Net-Zero by 2040
- Diversity, inclusion and leadership (5%) – underpinning our strategy is a robust approach to diversity, inclusion and leadership. The Committee therefore considered that it was appropriate to base part of the bonus on measures related to succession planning and diversity and inclusion goals as well as behaviours and values

For each strategic area the Committee will determine the pay-out in the round taking into account our progress in the year against our long-term objectives in these areas. Details of the progress achieved and the Committee determination of bonus outcomes will be provided in the FY 2021/22 Directors' Remuneration Report.

Long-term incentive plan awards

The following sets out details of:

- 2018 ESP awards vesting based on performance to FY 2020/21
- 2020 BSP awards granted during FY 2020/21
- 2021 BSP awards to be granted in FY 2021/22

2018 ESP awards vesting based on performance to FY 2020/21 (audited)

Marco Gobbetti and Julie Brown hold 2018 ESP awards, which will vest 50% on 31 July 2021 and 50% on 31 July 2022 based on performance over the period from 1 April 2018 to 27 March 2021. The table below sets out the targets and actual performance achieved.

Outcome of 2018 ESP award	Weighting	Threshold (15% of max)	Maximum	Actual performance	Vesting (% of max)
Annual growth in Adjusted PBT[1,2]	50%	0.0%	7.5%	-6.2%	0%
Annual growth in Revenue[1,2]	25%	1.0%	5.5%	-5.0%	0%
Average Adjusted Retail/Wholesale ROIC[2]	25%	13.5%	17.0%	13.8%	22%
Final vesting outcome					5.5%

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. The adoption of IFRS 15 and retail calendar reporting has impacted the measurement of Revenue. As a result performance for FY 2020/21 was measured on a pro forma basis reflecting results excluding the impact of these changes.

Given the impact of COVID-19 on performance during the year, growth in Revenue and Adjusted PBT (CER) were both below threshold and therefore there was no vesting on these metrics. However, the three-year average Adjusted Retail/Wholesale ROIC exceeded the threshold vesting target. This performance will result in overall vesting of the 2018 ESP award for the Executive Directors of 5.5%.

The Committee did not exercise any discretion in relation to the 2018 ESP outcome for Executive Directors.

In line with the Remuneration Policy, vested shares may not be sold until five years from grant (31 July 2023), other than to meet tax liabilities.

2020 BSP awards granted during FY 2020/21 (audited)

After careful consideration, the Committee determined that it would be appropriate to reduce the level of BSP awards in 2020 reflecting the share price at the time of award. Accordingly the CEO and CO&FO were granted BSP awards of 150% and 140% of base salary respectively, compared with normal maximum levels of 162.5% and 150% of base salary respectively. The table below summarises the BSP share awards granted to the Executive Directors during FY 2020/21.

	Type of award	Basis of award	Shares awarded	Face value at grant (£'000)	Performance underpin period
Marco Gobbetti	BSP share award	150% of salary	120,077	£1,710	3, 4 and 5 financial
Julie Brown	BSP share award	140% of salary	71,323	£1,016	years starting from FY 2020/21

The BSP award was granted on 20 August 2020 and will vest one-third after three years, one-third after four years and one-third after five years from the grant date, subject to the performance underpins outlined below. Each tranche is 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. Awards are granted in the form of conditional share awards.

The face value of each award is calculated using the three-day average price prior to the date of grant (£14.2408), which was the price used to determine the number of shares awarded.

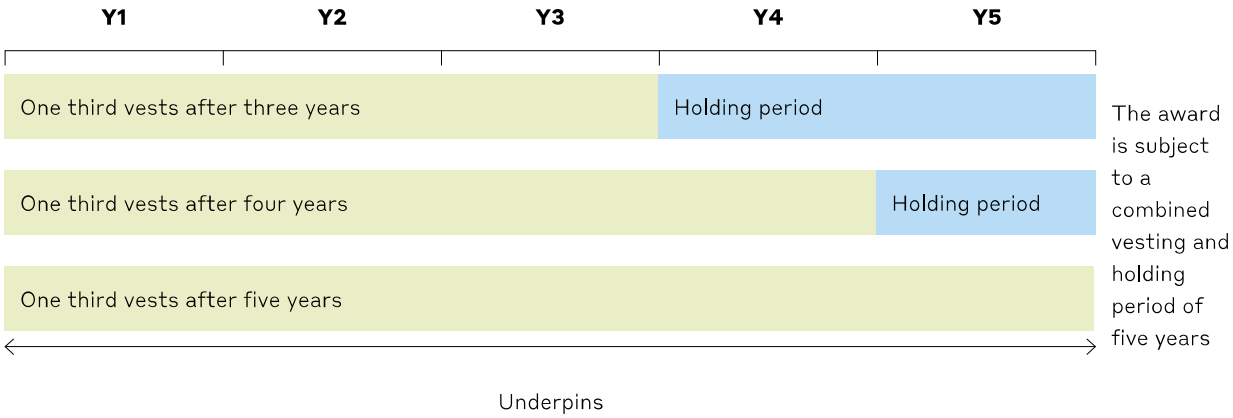
BSP awards granted in 2020 are subject to the following underpins:

- Revenue – the level of Total Revenue at CER for the financial year which precedes the year of vesting being at least £2,000 million
- ROIC – the level of Group ROIC at reported exchange rates for the financial year which precedes the year of vesting being ahead of the Group's WACC, currently c.9%
- Brand and sustainability strategies – reasonable progress having been achieved over the vesting period in respect of our strategy to elevate our brand and to build a more sustainable future:
  - Brand – when assessing the brand underpin the Committee will consider performance against a range of relevant brand KPIs. It is intended that this will include full-price sales, outerwear and leather goods sales and progress on brand elevation but it may also include other relevant metrics. These metrics are all considered to be strongly aligned with our strategy of elevating the brand to generate long-term value for shareholders
  - Sustainability – when assessing the sustainability underpin the Committee will consider whether reasonable progress has been delivered against our carbon reduction goals to reduce scope 3 emissions by 30% by 2030 and to become Net-Zero by 2040

The Revenue and ROIC underpins were set at a time of considerable business and economic uncertainty. As described on page 194 the Revenue and ROIC underpins have been increased for the 2021 BSP awards.

If the Company does not meet one or more of the performance underpins outlined above 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 intention of the performance underpins is to provide a "safeguard" to ensure that the BSP awards do not pay out if the Company has under-performed and vesting is not justified and the Committee will take this intention into account when assessing the underpins.

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.



2021 BSP awards to be granted in FY 2021/22

Following the reduction made to the BSP award levels in 2020, and taking into account the recovery in the share price since the 2020 grant date, the Committee intends to grant 2021 BSP awards to the Executive Directors at the normal award levels as set out in the 2020 Remuneration Policy (162.5% of salary for Marco Gobbetti and 150% of salary for Julie Brown). The awards will vest in equal tranches after three, four and five years following the date of grant, subject to the performance underpins. 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.

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 the appropriate level of scale-back. Having considered the forecasts that are applicable and relevant to our sector, the Committee has determined to use the following performance underpins for the 2021 awards:

- Revenue – the level of Total Revenue at CER for the financial year which precedes the year of vesting being at least £2,400 million
- ROIC – the level of Group ROIC at reported exchange rates for the financial year which precedes the year of vesting being at least 1% above the Group's WACC (currently c.9%) in the year of vesting
- Brand and sustainability strategies – reasonable progress having been achieved over the vesting period in respect of our strategy to elevate our brand and to build a more sustainable future:
  - Brand – when assessing the brand underpin the Committee will consider performance against a range of relevant brand KPIs. It is intended that this will include full-price sales, outerwear and leather goods sales and progress on brand elevation but it may also include other relevant metrics. These metrics are all considered to be strongly aligned with our strategy of elevating the brand to generate long-term value for shareholders
  - Sustainability – when assessing the sustainability underpin the Committee will consider whether reasonable progress has been delivered against our carbon reduction goals to reduce scope 3 emissions by 30% by 2030 and to become Net-Zero by 2040

If the Company does not meet one or more of the performance underpins outlined above 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 intention of the performance underpins is to provide a "safeguard" to ensure that the BSP awards do not pay out if the Company has under-performed and vesting is not justified and the Committee will take this intention into account when assessing the underpins.

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. In line with the Investment Association best practice guidance, our shareholding guideline permits any incentive shares that have vested but are unexercised or that have not yet vested but are not subject to any further performance conditions to count towards the shareholding requirement at 50% of their face value. Members of the Executive Committee are also subject to a shareholding guideline.

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 27 March 2021, 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 27 March 2021 (our standard approach to assessing the guideline), Marco Gobbetti and Julie Brown had both met the guideline.

	Beneficially held shares				Share/option awards			
Director	Number of shares beneficially owned as at 27 March 2021[1]	As % of salary[2]	Shareholding guideline (% of salary)	Guideline met as at 27 March 2021	Vested but unexercised awards[4]	Unvested – subject to performance measures (ESP)	Unvested – subject to performance underpins (BSP)	Unvested – subject to continued employment[5]
Marco Gobbetti	190,530	380%	300%	Yes	88,525	334,381	120,077	1,992
Julie Brown[3]	151,169	384%	300%	Yes	0	196,426	71,323	72

1. There have been no changes in the period up to and including 12 May 2021.
2. Based on the three-month average share price as at 27 March 2021 of £18.44.
3. Marco Gobbetti did not exercise any options during the year. On 11 June 2020, Julie Brown exercised nil-cost options over 73,000 shares and 3,952 shares, both 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 £15.56. On 1 February 2021, Julie exercised a nil-cost option over 3,953 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 £17.25. In addition, on 14 December 2020, Julie exercised a Sharesave option over 1,294 shares granted to her on 15 June 2017. The market value of Burberry shares on the date of exercise was £18.27.
4. In line with the shareholding guideline, only 50% of the face value of these shares count towards the Executive Director's shareholding guideline calculation.
5. This includes Sharesave options and shares held under the all-employee SIP. In line with the shareholding guideline, shares held under the SIP count towards the Executive Director's shareholding guideline calculation.

The following table provides further underlying detail on the unvested awards at 27 March 2021 included in the table on page 195.

Director	Type of award	Date of grant	Maximum number of shares/ options	Performance period	Vesting date(s)[4]
Marco Gobbetti	2018 ESP[1]	31 July 2018	172,532	3 years to 27 March 2021	50% on 31 July 2021/50% on 31 July 2022
	2019 ESP[2]	31 July 2019	161,849	3 years to 2 April 2022	50% on 31 July 2022/50% on 31 July 2023
	2020 BSP[3]	20 August 2020	120,077	3 years to 1 April 2023/4 years to 30 March 2024/5 years to 29 March 2025	⅓ on 20 August 2023/ ⅓ on 20 August 2024/ ⅓ on 20 August 2025
	SAYE	15 June 2018	1,920	N/A	1 September 2023
	SIP	31 July 2018	23	N/A	31 July 2021
	SIP	31 July 2019	22	N/A	31 July 2022
	SIP	11 December 2020	27	N/A	11 December 2023
Julie Brown	2018 ESP[1]	31 July 2018	101,348	3 years to 27 March 2021	50% on 31 July 2021/50% on 31 July 2022
	2019 ESP[2]	31 July 2019	95,078	3 years to 2 April 2022	50% on 31 July 2022/50% on 31 July 2023
	2020 BSP[3]	20 August 2020	71,323	3 years to 1 April 2023/4 years to 30 March 2024/5 years to 29 March 2025	⅓ on 20 August 2023/ ⅓ on 20 August 2024/ ⅓ on 20 August 2025
	SIP	31 July 2018	23	N/A	31 July 2021
	SIP	31 July 2019	22	N/A	31 July 2022
	SIP	11 December 2020	27	N/A	11 December 2023

1. The performance conditions and final vesting outcome for the 2018 ESP award are set out on page 192.
2. The performance conditions for the 2019 ESP award are set out in the Directors' Remuneration Report FY 2019/20.
3. The performance underpins for the 2020 BSP award are set out on page 193.
4. ESP awards are structured as nil-cost options and vested awards may be exercised in the period until 10 years from grant. Vested ESP and BSP awards may not be sold until five years from the date of grant, other than to meet tax liabilities.

Payments to past Directors

The second tranche of the 2016 ESP award granted to Carol Fairweather (who stepped down as CFO in 2017) vested in respect of 3,140 shares on 30 January 2021. The value of those shares on that date was £53,976. (The first tranche of her ESP award vested in respect of 3,140 shares on 30 January 2020.) Details of the 2016 ESP awards are set out on page 134 of the FY 2018/19 Directors' Remuneration Report. There were no other payments to past Directors during the year.

Payments for loss of office

There were no payments for loss of office during the year.

Director remuneration relative to employees

The table below summarises the change in each Director's base salary/fee, benefits and bonus received for FY 2020/21 compared to the prior year. The regulations require disclosure of the same data for employees of the parent company. However, Burberry Group plc does not have any employees and therefore the table below includes data in respect of the UK employee population for reference.

Year-on-year change (%)	Salary /fee	Allowances and benefits	Bonus
Executive Directors			
Marco Gobbetti	-4.6%	9.9%	N/A
Julie Brown	-4.6%	-3.1%	N/A
Non-Executive Directors			
Gerry Murphy	-5.0%	-93.3%	–
Fabiola Arredondo	-5.0%	-100%	–
Sam Fischer	-5.0%	-100%	–
Ron Frasch	-5.0%	-100%	–
Matthew Key	-3.5%	-100%	–
Debra Lee	-5.0%	-100%	–
Dame Carolyn McCall	12.8%	-100%	–
Orna NíChionna	-3.5%	-66.3%	–
Antoine de Saint-Affrique	N/A	N/A	N/A
Former Non-Executive Directors			
Jeremy Darroch	-75.0%	N/A	–
UK Employees	0%	0%	-7.7%

1. The comparator group includes all UK employees. As noted above Burberry Group plc does not have any employees and therefore this group has been chosen to align with the location of the Executive Directors 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 2020 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 change in the value of benefits shown for the Executive Directors reflects the market cost of the same benefits.
2. In order to provide a meaningful comparison the figures in the table above have been calculated on a full-year equivalent basis for Directors appointed during FY 2019/20.
3. The change in fee for Dame Carolyn McCall reflects the time served in the role of the Senior Independent Director during FY 2020/21.
4. The Executive Directors did not receive an annual bonus for FY 2019/20 and therefore it is not possible to calculate a percentage change on bonus.
5. Antoine de Saint-Affrique was appointed during FY 2020/21 and therefore it is not possible to calculate a percentage change for him.

The ratios set out in the table below compare the total remuneration of the CEO (as included in the single figure table on page 188) 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 2020/21	Option A	92:1	71:1	44:1
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 188. 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 2020/21 for the employees identified at P25, P50 and P75 is £24k, £32k and £51k respectively. The base salary in respect of FY 2020/21 for the employees identified at P25, P50 and P75 is £21k, £27k 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 incentives, 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 ESP and 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 pay ratios for FY 2019/20 were lower than for FY 2018/19 reflecting the zero outcome on the CEO's bonus for FY 2019/20 and the lapse of the ESP 2017 award. The pay ratios for FY 2020/21 increased compared to FY 2019/20 primarily reflecting that the CEO received an annual bonus in respect of performance for FY 2020/21 and the partial vesting of the ESP 2018 award. The Committee considers that the median pay ratio for FY 2020/21 and the recent trends in the pay ratios are consistent with Burberry's remuneration framework and reflect the variable nature of the CEO's total remuneration. The Committee believes the pay ratio is consistent with our pay policies in the UK.

Relative importance of spend on pay for FY 2020/21

The table below sets out the total payroll costs for all employees over FY 2020/21 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 2020/21	FY 2019/20
Dividends paid during the year (total)	£m	–	175.2
	% change	-100%	
Amounts paid to buy back shares during the year	£m	–	150.7
	% change	-100%	
Payroll costs for all employees	£m	512.8	477.7
	% change	7.3%	
Average number of full-time equivalent employees		9,234	9,892
	% change	-6.7%	

Service agreements

The table below sets out information on service agreements for the current Executive Directors. Executive Directors are subject to annual re-election by shareholders at each AGM of the Company.

	Date of current service agreement	Date employment commenced	Notice period to and from the Company
Marco Gobbetti	11 July 2016	27 January 2017	12 months
Julie Brown	11 July 2016	18 January 2017	12 months

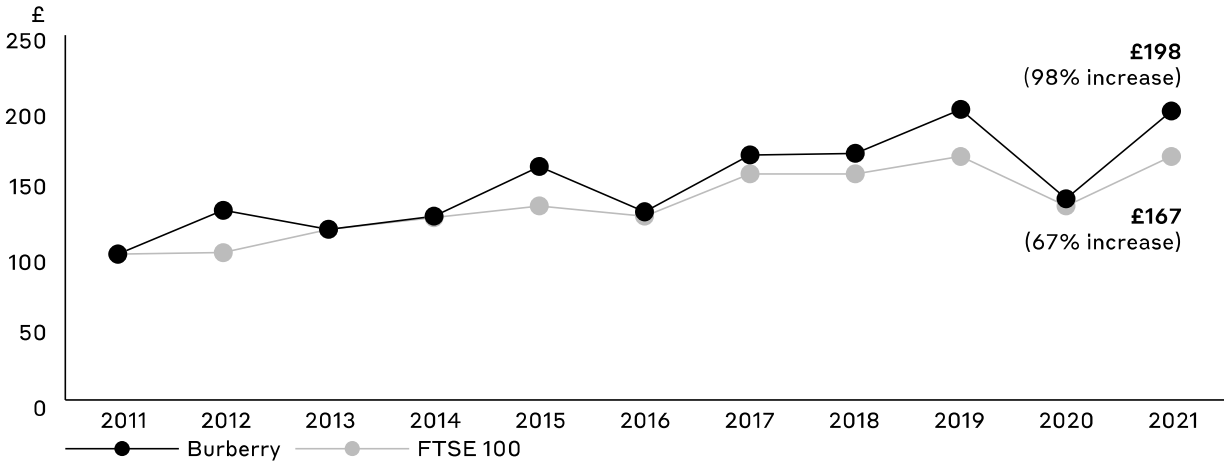
The Non-Executive Directors serve under Letters of Appointment with the Company. Non-Executive Directors may continue to serve subject to annual re-election by shareholders at each AGM of the Company, subject to six months' notice by either party.

External appointments

Executive Directors may take up non-executive roles at other companies with the prior agreement of the Board in order to support their development and broaden their business experience. 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 29 March 2020 to 27 March 2021, Julie's fees for this appointment were CHF 360,000 gross.

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 2011. The FTSE 100 index has been selected as the comparator because Burberry is a constituent of the index. 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 2020/21 on page 188.



FY[1]	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)[4]	2020/21 (MG)
Total remuneration (£'000)	9,574	10,901	8,007	157	7,508	1,894	3,508	1,091	6,330	4,078	1,618	2,245
Bonus (% of maximum)	100%	75%	70%	–	81%	0%	0%	51%	51%	60%	0%	25%
ESP (% of maximum)	–	–	–	–	–	–	–	5%	–	25%	0%	5.5%
Legacy incentive plans (no longer in operation):												
CIP[2] (% of maximum)	–	100%	100%	–	75%	0%	0%	–	–	–	–	–
RSP (% of maximum)	100%	–	–	–	–	0%	19.3%	–	–	–	–	–
Exceptional award[3] (% of maximum)	–	–	–	–	–	–	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 Exceptional award for Christopher Bailey relates to vesting of his 2014 exceptional share award as previously disclosed.
4. The cost of private medical insurance for the CEO was overstated in FY 2019/20 due to an administrative error and has been corrected in the allowances and benefits column of the single figure table on page 188 for the year to 28 March 2020 and in the total remuneration figure for FY 2019/20 above.

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 2020/21 (and the prior financial year).

		Fees[1] £'000	Benefits & Allowances[2] £'000	Total £'000
Non-Executive Directors				
Gerry Murphy	Year to 27 March 2021	403	1	404
	Year to 28 March 2020	425	6	431
Fabiola Arredondo	Year to 27 March 2021	76	–	76
	Year to 28 March 2020	80	67	147
Sam Fischer	Year to 27 March 2021	76	–	76
	Year to 28 March 2020[3]	33	11	44
Ron Frasch	Year to 27 March 2021	76	–	76
	Year to 28 March 2020	80	42	122
Matthew Key	Year to 27 March 2021	111	–	111
	Year to 28 March 2020	115	3	118
Debra Lee	Year to 27 March 2021	76	–	76
	Year to 28 March 2020[4]	40	19	59
Dame Carolyn McCall	Year to 27 March 2021	90	–	90
	Year to 28 March 2020	80	7	87
Orna NíChionna	Year to 27 March 2021	111	1	112
	Year to 28 March 2020	115	2	117
Antoine de Saint-Affrique	Year to 27 March 2021[5]	20	–	20
Former Non-Executive Directors[6]				
Jeremy Darroch	Year to 27 March 2021[6]	25	–	25
	Year to 28 March 2020	100	–	100

Notes

1. Fees include the base fee and additional Committee fees in line with the 2020 Remuneration Policy. For FY 2020/21 the additional fees for the role of the Senior Independent Director were split between Jeremy Darroch and Dame Carolyn McCall to reflect time served in role. From 1 April 2020, the Chairman and Non-Executive Directors voluntarily agreed to waive 20% of their base fee for a three-month period with the equivalent cash amount being donated by the Company to The Burberry Foundation COVID-19 Community Fund.
2. Allowances include the reimbursement of certain expenses incurred by the Non-Executive Directors in the performance of their duties, which are deemed by HM Revenue & Customs (HMRC) to be subject to UK income tax. 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. Attendance allowances were not paid during FY 2020/21 as Non-Executive Directors did not travel outside their country of residence in order to attend Board and Committee meetings.
3. Fees for Sam Fischer in FY 2019/20 relate to the period from 1 November 2019 when he joined the Board.
4. Fees for Debra Lee in FY 2019/20 relate to the period from 1 October 2019 when she joined the Board.
5. Fees for Antoine de Saint-Affrique relate to the period from 1 January 2021 when he joined the Board.
6. Fees for Jeremy Darroch in FY 2020/21 relate to the period to 15 July 2020 when he stepped down from the Board.

Summary of Chairman and Non-Executive Director fees for FY 2021/22

The fee structure for the Chairman and Non-Executive Directors for FY 2021/22 is set out in the table below. There are no changes from the prior year.

	Fee level £'000
Chairman	425
Non-Executive Director	80
Senior Independent Director	20
Audit Committee Chair	35
Remuneration Committee Chair	35
Attendance allowance	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 27 March 2021 (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 27 March 2021 (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.

	Total number of shares owned
Non-Executive Directors	
Gerry Murphy	5,000
Fabiola Arredondo	30,000
Sam Fischer	3,000
Ron Frasch	1,738
Matthew Key	5,900
Debra Lee	970
Dame Carolyn McCall	2,704
Orna NíChionna	3,067
Antoine de Saint-Affrique	1,100
Former Non-Executive Directors	
Jeremy Darroch	3,000

There have been no changes in the period up to and including 12 May 2021.

Remuneration Committee in FY 2020/21

Committee membership

Orna NíChionna, Fabiola Arredondo, Sam Fischer, Ron Frasch and Matthew Key served as members of the Committee throughout the year ended 27 March 2021.

Committee remit

The Committee's Terms of Reference 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 2020/21, the Committee met six times at scheduled meetings and held other ad hoc discussions as required. Details of attendance at Committee meetings are set out on page 155. If any Committee members are unable to attend a meeting, they are given the opportunity to discuss any of the agenda items with the Committee Chair. The agenda items discussed at these six meetings are summarised below.

May 2020	• Update on shareholder consultation • Update on external environment from independent advisors • FY 2019/20 incentive outcomes • FY 2020/21 performance targets and incentive awards • BSP 2020 awards, including underpins for Executive Directors • FY 2020/21 senior executive remuneration • Chairman fees for FY 2020/21 • Approval of Remuneration Policy and Directors' Remuneration Report FY 2019/20 • New shareholding guideline policy • Update on share plan dilution
July 2020	• FY 2019/20 incentive outcomes below the Board • FY 2020/21 incentive awards, including 2020 BSP awards for Executive Directors
August 2020	• 2020 BSP awards for Executive Directors
November 2020	• Update on external environment from independent advisors • Feedback on investor and proxy body feedback • FY 2020/21 incentives performance update • November 2020 BSP awards below Board • Output of Committee effectiveness review
February 2021	• Update on external environment from independent advisors • Incentives performance update • FY 2020/21 annual bonus plan framework (below the Board) • Overview of broader employee reward and proposed engagement with the Global Workforce Advisory Forum • Remuneration Committee annual planner
March 2021	• Update on external environment from independent advisors • Incentives performance update • FY 2020/21 annual bonus plan and BSP approach including brand and sustainability underpins • Approach to Directors' Remuneration Report FY 2020/21 • Update on the policies and practices which exist for the broader workforce • Gender Pay Gap Report FY 2019/20 • Feedback from the February 2021 meeting of the Global Workforce Advisory Forum • Review 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 CEO, the CO&FO, 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 £124,600 (plus VAT) during FY 2020/21. 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 the Directors' Remuneration Report, the Directors' Remuneration Policy and the Burberry Share Plan 2020 (at the 2020 AGM).

We have continued to engage with and listen to our shareholders during FY 2020/21 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 28 March 2020 – 2020 AGM	324,755,420 (99.26%)	2,429,784 (0.74%)	2,049,990
To approve the Directors' Remuneration Policy – 2020 AGM	305,504,279 (94.91%)	16,370,393 (5.09%)	7,360,521
To approve the Burberry Share Plan 2020 – 2020 AGM	314,211,094 (95.49%)	14,838,619 (4.51%)	185,480

Approval

This report has been approved by the Board and signed on its behalf by:

Orna NíChionna
Chair, Remuneration Committee

12 May 2021

DIRECTORS' REPORT

The Directors present their Annual Report and the audited consolidated Financial Statements of the Company for the year ended 27 March 2021. 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 2 to 142
- Corporate Governance Statement, which includes the Board, the Corporate Governance Report and the Directors' Remuneration Report, on pages 146 to 203
- Global GHG emissions disclosure on pages 85 to 86

The Directors consider that the Annual Report and Accounts, taken as a whole, provide a fair, balanced and understandable assessment of the Group's business necessary for shareholders and wider stakeholders to assess:

- development and performance during the year
- its position at the end of the financial 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.

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. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

As at 27 March 2021, the Company had 404,864,359 ordinary shares in issue. The Company does not hold any shares in treasury. At the AGM in 2020, shareholders approved resolutions to allot shares up to an aggregate nominal value of £67,450, 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.

Substantial Shareholdings
As at 27 March 2021, 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 12 May 2021, 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.

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 buyback
The Company has not undertaken a share buyback in FY 2020/21.

Transfer of shares
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.

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 may give directions to the trustees to vote on their behalf by way of a Form of Direction.

Dividend
Our capital allocation framework is used to prioritise the use of cash generated by the Group. The framework addresses the needs of the business, regular dividend payments and additional returns to shareholders. Given the uncertainty caused by COVID-19, we believed it was

prudent to protect the Company's liquidity position, hence an interim dividend was not declared for FY 2020/21 (FY 2019/20:11.3p).

The Directors recommend that a final dividend of 42.5p per ordinary share (FY 2019/20:0) in respect of the year ended 27 March 2021 be paid on 6 August 2021 to those persons on the Register of Members as at 2 July 2021.

The Burberry Group plc ESOP Trust has waived all dividends payable by the Company in respect of the ordinary shares it holds.

Revenue and profit
Revenue from continuing business during the year amounted to £2,343.9 million (2020: £2,633.1 million). The adjusted operating profit for the year was £395.9 million (2020: £433.1 million).

The profit for the year attributable to equity holders of the Company was £375.7 million (2020: £121.7 million) up 209% with the year on year increase predominantly related to partial reversal of impairment of assets recorded in the prior year.

On 12 March 2021, the Group issued a profit forecast (available on the Group's website at https://www.burberryplc.com/en/investors/results-reports.html). The profit forecast stated that the Group expected revenue and adjusted operating profit to be ahead of consensus expectations. As at 12 March 2021, those consensus expectations were that group revenue would be £2,291m and adjusted operating profit would be £328m at reported rates of exchange.

Our estimated group revenue range used to guide the market on 12 March 2021 was £2,343m to £2,369m being -11% and -10% compared to group revenue of £2,633m in FY 2019/20. Our estimated adjusted operating profit range used to guide the market on 12 March 2021 was £363m to £391m based on a range of adjusted operating profit margins of 15.5% to 16.5% as applied to the range of group revenues.

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.

Going concern and viability
The going concern statements for the Group and the Company are set out on pages 229 and 293 of the Financial Statements and are incorporated by reference and shall be deemed to be part of this report. The Directors' assessment of the prospects and viability of the Group over the next three years is set out in the Strategic Report on pages 140 to 142. The Risk and Viability Report can be found on pages 106 to 142.

Post-balance sheet events
In April 2021, the Group entered into agreements to sell two freehold properties which are currently owned by the Group. One of the properties is held as an investment property at 27 March 2021. The disposal of this property is expected to complete in the first half of the next financial year. The other property is held in property, plant and equipment. Its disposal is expected to complete more than 12 months after the balance sheet date. These disposals are expected to result in net cash proceeds of approximately £17 million and profits on disposal of approximately £5 million in aggregate.

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 RCF, dated 25 November 2014, could become repayable.

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.

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 Directors' Remuneration Policy, which was approved by shareholders at the AGM on 15 July 2020. This is set out in full in the Directors' Remuneration Report FY 2019/20, which can be found in the Annual Report 2019/20 on Burberryplc.com.

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

- 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 Ernst & Young LLP (EY) and note 7 of the Financial Statements states their fees both for audit and non-audit work. EY was appointed as the external auditor of the Company at the 2020 AGM following an independent audit tender. A resolution to re-appoint EY as external auditor to the Company for FY 2021/22 will be proposed at the forthcoming AGM. The Independent Auditor's Report starting on page 211 sets out the information contained in the Annual Report, which has been audited by the external auditor.

Employee share schemes and 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 page 185. Under its two all-employee share plans, during FY 2021/22 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. Details of employee share schemes are set out in note 29 to the Financial Statements.

Employee engagement
Burberry is an open and caring employer, which aims to offer our people, representing 115 nationalities across 33 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.

Further details about our people and Diversity and Inclusion strategy can be found on pages 69 to 72.

Stakeholder engagement
An explanation of the steps taken by Directors to foster business relationships with partners, customers and other stakeholders is set out on pages 96 to 104.

Global GHG 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 on pages 133 to 137.

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 and we have further strongly reinforced this approach as we navigated through the global pandemic. 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, which reports to the regional president. 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.

Political donations
The Company did not make any political donations during the year in line with its policy (FY 2019/20: £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 Meeting (Notice).

Directors
The names and biographical details of the Directors as at the date of this report are set out on pages 148 to 151 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 2021 AGM, all Directors will stand for election or re-election as appropriate. The Notice sets out the contributions and reasons for the 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 on request. Brief details of these are also included on page 198 of the Directors' Remuneration Report. For information on the Directors' professional development see page 165.

Directors' share Interests
The interests of the Directors holding office as at 27 March 2021 in the shares of the Company are shown within the Directors' Remuneration Report on pages 195 to 201. There were no changes to the beneficial interests of the Directors between the period 27 March 2021 and 12 May 2021.

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 27 March 2021 and through to the date of this report.

Branches
In accordance with the Companies Act 2006, the Group discloses below the subsidiary companies that have branches outside the UK:

- Burberry Limited: Hong Kong and Republic of Korea
- Burberry Brasil Comércio de Artigos de Vestuário e Acessórios Ltda: Brazil
- Burberry Saudi Company Limited: Kingdom of Saudi Arabia
- Burberry Qatar W.L.L: Qatar
- Sandringham Bahrain SPC W.L.L: Bahrain
- Burberry (Spain) Retail S.L: Portugal
- Burberry (Shanghai) Trading Co., Ltd: China

Annual General Meeting
The AGM of the Company will be held on Wednesday, 14 July 2021 at Horseferry House 2, 1a Page Street, London SW1P 2PQ. Due to the uncertainty surrounding COVID-19 and the restrictions on public gatherings that may continue to be in place at the time of the AGM, the Board believes it is in the best interest of the Company and its shareholders to hold the AGM with the minimal quorum present. As such, shareholders are strongly discouraged from physically attending the AGM.

Amendments to Articles of Association
The Company will be seeking shareholder approval to adopt new Articles of Association, by the passing of a special resolution at the upcoming AGM. The new Articles of Association reflect changes in both market practice and legal and regulatory requirements. In particular, the proposed amendments will enable and more clearly set out the process under which the Company may hold general meetings as hybrid meetings by enabling shareholders to participate via electronic means or in person. The amendments to facilitate such meetings are in line with best practice and are consistent with recent changes that have been proposed by other listed companies. A summary of the principal changes to the Articles of Association are detailed in the Notice.

Disclosures pursuant to Listing Rule 9.8.4
The following table contains information required by Listing Rule 9.8.4 where applicable. The remaining sections of listing rule 9.8.4 are not applicable.

Listing Rule	Description of Listing Rule	Reference
9.8.4 (2)	Any unaudited financial information in a class 1 circular or a prospectus, or any profit forecast or profit estimate	See 'Revenue and Profit' paragraphs on page 205 and Trading Update dated 12 March 2021 on the Group's website www.burberryplc.com/en/investors/results-reports.html
9.8.4 (5)	Details of any arrangements under which a director of the company has waived or agreed to waive any emoluments from the company or subsidiary undertaking	See pages 181, 182, 186, 188 and 200 of the Annual Report
9.8.4 (12)	Waivers of dividends	See 'Dividends' paragraph on page 205

The Strategic Report from pages 2 to 142 and Directors' Report from pages 204 to 207 have been approved by the Board on 12 May 2021 in accordance with the Companies Act 2006.

By order of the Board
Gemma Parsons
Company Secretary

12 May 2021

Burberry Group plc
Registered Office:
Horseferry House
Horseferry Road
London
SW1P 2AW

Registered in England and Wales
Registered number: 03458224

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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 consolidated financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in 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 148 to 151 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in 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 12 May 2021 and signed on its behalf by:

Marco Gobbetti
Chief Executive Officer

Julie Brown
Chief Operating and Financial Officer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BURBERRY GROUP PLC

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 27 March 2021 and of the Group's profit for the 52-week period then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Burberry Group plc (the 'Company') and its subsidiaries (the 'Group') for the 52 weeks ended 27 March 2021 which comprise:

Group	Company
Balance sheet as at 27 March 2021	Balance sheet as at 27 March 2021
Income statement for the 52-week period then ended	Statement of changes in equity for the 52-week period then ended
Statement of comprehensive income for the 52-week period then ended	Related notes A to M to the financial statements including a summary of significant accounting policies
Statement of changes in equity for the 52-week period then ended	
Statement of cash flows for the 52-week period then ended	
Related notes 1 to 34 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:

- We assessed the risk around going concern at the interim half year review and again at the planning and year-end phases of the audit.
- In conjunction with our walkthrough of the Group's financial close process, we confirmed our understanding of management's going concern assessment process and also engaged with management early to assess the key factors considered in their assessment.
- We checked the logic and arithmetical integrity of management's going concern model which includes the cash forecast for the going concern assessment period which covers the period to 1 October 2022.
- We considered the appropriateness of the methods used to calculate the cash forecasts and determined through inspection and testing of the methodology and calculations that the methods utilised were appropriately sophisticated to be able to make an assessment for the Group.
- We considered the mitigating factors included in the cash forecasts that are within control of the Group. This includes review of the Group's non-operating cash outflows and evaluating the Group's ability to control these outflows as mitigating actions if required.
- We verified the repayment date and availability of the sustainability bond by examination of executed documentation. We also verified the revolving credit facility available to the Group by examination of executed documentation and considered the level of EBITDA required to maintain the availability of this facility through the going concern period based upon the required financial covenants included therein.
- We assessed the reasonableness of the cashflow forecast by analysing management's historical forecasting accuracy and understanding how the anticipated impact of COVID-19 has been modelled. We evaluated the key assumptions underpinning the Group's assessment by challenging the measurement and completeness of downside scenarios modelled by management and how these compare with principal risks and uncertainties of the Group. We searched for contrary evidence to challenge these assumptions, including sector forecasts, long-term growth rates provided by our specialists, analyst expectations and competitor announcements.
- We considered whether the Group's forecasts in the going concern assessment were consistent with other forecasts used by the Group in its accounting estimates, including goodwill impairment, retail store impairment and deferred tax asset recognition.
- We have performed reverse stress testing in order to identify what decline in revenue would lead to the Group utilising all liquidity or breaching the financial covenant during the going concern period and we have considered the plausibility of such factors.
- We reviewed the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

We observe that in management's base case and severe but plausible downside scenarios, there is significant headroom without taking the benefit of any identified mitigations.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Company's ability to continue as a going concern for the period to 1 October 2022.

In relation to the Group and Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group or Company's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of eight components. • The scope of work performed, together with additional procedures performed at the Group level in relation to the consolidation, taxation and impairment, accounted for 84% of adjusted profit before tax (on an absolute basis), 82% of revenue and 83% of total assets.
Key audit matters	• Inventory valuation • Carrying value of retail store right-of-use assets and property, plant and equipment • Uncertain tax positions • Alternative performance measures
Materiality	• Overall Group materiality of £17.5m which represents 4.8% of Adjusted profit before tax.
First year audit transition	The 52-week period ended 27 March 2021 is our first as auditor of the Group. We commenced transition at the start of the audit professional engagement period on 29 March 2020 and shadowed the previous auditor over the 28 March 2020 year end audit in April and May 2020. This included attendance at certain year end meetings and the Audit Committee meetings. Subsequently, audit transition activities focused on the following areas: Mobilisation of the global audit team: • We held an onboarding and transition programme virtually, attended by the Group audit team, and all full scope component audit teams. Over two days EY team members attended sessions on Group audit strategy, audit risks, deployment of technologies, division of responsibilities between teams and our approach to ensuring a consistent high audit quality. We also met with key client audit stakeholders to better inform our transition plan and audit strategy. Establishing our audit base prior to reaching our interim review conclusion for the 26-week period ended 26 September 2020: • We evaluated all key accounting judgement papers and the Group's accounting policies. • We undertook reviews of the predecessor auditor files for key locations, where permitted by local regulations, to consider working papers in relation to significant audit risk matters, to identify and assess the judgements exercised over these risks and to assess the nature, timing and extent of audit procedures performed in forming the prior year auditor opinion. Where we were unable to review predecessor auditor files, we have performed audit procedures over the opening balances. • Prior to signing the interim review opinion, we had understood and walked through the key processes at Group and at the full scope locations.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent Internal Audit results when assessing the level of work to be performed at each component.

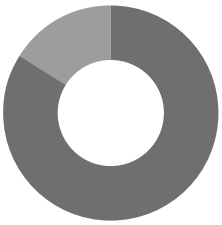
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected eight components covering entities within the United Kingdom, China, Hong Kong S.A.R., Japan, Korea and the United States, which represent the principal business units within the Group.

For all eight components selected ("full scope components"), which were primarily selected based on their size or risk characteristics, or to ensure that, at an overall group level, we reduced and appropriately covered the residual risk of error. We performed an audit of the complete financial information for full scope components. These reporting components where we performed audit procedures accounted for 84% of the Group's adjusted profit before tax (on an absolute basis), 82% of the Group's revenue and 83% of the Group's total assets.

Of the remaining components that together represent 16% of the Group's adjusted profit before tax (on an absolute basis), none are individually greater than 5% of the Group's adjusted profit before tax (on an absolute basis). For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

Adjusted profit before tax (on an absolute basis)



Full scope components – 84%

Other procedures – 16%

Revenue



Full scope components – 82%

Other procedures – 18%

Total assets



Full scope components – 83%

Other procedures – 17%

Changes from the prior year
The approach to audit scope is similar to the prior year external audit with an increase in the scope for the Japan component from a specific scope component to a full scope component.

Involvement with component teams
In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the eight full scope components, audit procedures were performed on four of these directly by the primary audit team.

During the current year audit cycle, visits to the component teams were not possible due to travel restrictions arising from the COVID-19 pandemic. We performed alternative procedures, including virtual visits and live reviews of our component audit teams' working papers.

The Group audit team followed a programme that had been designed to ensure that the Group audit partner virtually visited all full scope audit locations at least once in the year, meeting with both EY component teams and local management. During the current year's audit cycle, virtual visits were undertaken by the Group audit team to the component teams in China, Hong Kong S.A.R., Japan, and Korea. These visits involved video calls with local management, including members of finance and members of operations or store personnel depending on the component. We held discussions on the audit approach with the component team and any issues arising from their work. As the primary team, we perform the audit for the components in the United Kingdom and the United States. We also virtually met with local management for these components.

The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our 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) that we identified. These matters included 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 were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Inventory valuation As described in the Audit Committee Report (page 173); Accounting policies (page 238); and note 17 of the Consolidated Financial Statements (page 262) management raises a provision to reflect where the expected net realisable value is lower than the carrying value of finished goods inventory at the balance sheet date. The Group has £116.6m of inventory provisions, representing 22.5% of the gross value of total inventories of £518.7m as at 27 March 2021. An incremental inventory provision was recorded in the prior year in relation to the impact of COVID-19. As described in note 17, as at 28 March 2020 £68.3 million of the provision was included in cost of sales as a result of the estimated reduction in net realisable value of inventory due to COVID-19 and was presented as an adjusting item. In the current year, £3.9 million of that provision was utilised, where inventory previously provided for had been sold below cost in the current year and is recognised in cost of sales. An additional £22.3 million was released upon re-assessment of the provision, where inventory previously provided for has been sold, or is now expected to be sold, for a higher net realisable value than had been estimated last year. The Group determines the inventory provision considering the aging of inventory by season, identifying problem stock inventory and considering historical loss rates and future sales forecasts and the expected channel by which the inventory will be disposed of. The provision is inherently judgemental as it considers management's assessment of future sales based on current forecasts, as well as the expected sales channels or exit routes for excess or problem stock. There is therefore the potential for management bias in relation to its allocation of inventory to sales channels. Additionally, we have determined there is also a risk that any utilisation or reversal of the COVID-19 related provision is inappropriately recorded through underlying trading rather than as adjusting items.	The primary audit team and full scope components performed the audit procedures over the Group's inventory provisions. Our procedures included, among others, obtaining an understanding of the inventory provisioning process and evaluating the design of internal controls over these provisions. We also evaluated the appropriateness of the Group's inventory provisioning policy. We tested the integrity of the inventory provisioning models by agreeing to underlying data inputs, such as sales data and identification of problem inventory. We assessed the exit route assumptions applied by management to determine whether these were consistent with prior periods and with the overall sales profile of the Group and are consistent with management experience with liquidating through these channels. We understood the different loss rates applied across the provision and agreed these through to underlying sales data. We challenged the assumptions in the underlying models by developing our own range of the provision. We performed sensitivity analysis to both the allocation to exit routes and the loss rate applied. We considered other evidence such as forecast sales and revenue trends to consider whether any contradictory information existed that would suggest the provision was not consistent with the wider performance of the Group. We assessed the Group's forecasts, including assumptions made regarding the continued impact of COVID-19. We recalculated the actual losses incurred in relation to the COVID-19 provision to validate the split of the provision between underlying trading and adjusting items. We assessed the disclosures to the financial statements and the requirement to disclose further sensitivities where a reasonably possible change in a key assumption would cause a material increase or decrease in the provision amount.	We are satisfied the finished goods inventory provisions are reasonable and the Group's disclosures are appropriate. We are also satisfied with the classification of the inventory provision charges and reversals.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Carrying value of retail store right-of-use assets and property, plant and equipment As described in the Audit Committee Report (page 173); Accounting policies (page 238); and note 13 of the Consolidated Financial Statements (page 257) management assess the retail store right-of-use assets and property, plant and equipment for impairment charges and reversals of previous impairment charges. As described in notes 13 and 14, the Group recognised an impairment charge of £156.5 million for impairment of retail store right-of-use assets and property, plant and equipment due to the impact of COVID-19 during the 52 weeks to 28 March 2020. Additionally, a net impairment charge of £11.2 million unrelated to COVID-19 was recorded within net operating expenses as a result of the annual review of impairment of retail store assets. During the 52 weeks to 27 March 2021, a net impairment reversal of £46.6 million has been recorded which relates to the reversal of impairments related to COVID-19. There is judgement and estimation uncertainty involved in determining the store forecast cash flows to measure impairment charges and reversals, in particular, revenue growth, profit margin and discount rate assumptions. There is also uncertainty regarding the continued impact of COVID-19, which increases the estimation uncertainty in the Group's forecasting of the future trading performance of stores.	Our procedures on the carrying value of retail store right-of-use assets and property, plant and equipment were performed centrally by the primary team. We obtained an understanding of and evaluated the design of controls over the Group's retail store impairment process. We considered the appropriateness of the Group's policy for recognising impairment charges and reversals. Management considered whether indicators of impairment reversals or impairment charges were present for the Group's retail store portfolio based on the Group's latest forecast. We assessed the completeness of factors considered and assessed the accuracy of the forecast information in conjunction with our testing of the Group's forecasts further outlined below. For the stores identified with indicators of impairment charges or reversals, the Group prepared value-in-use impairment models. Our procedures for testing these value-in-use impairment models included, among others: i) assessing the methodology; ii) testing the integrity of the model and data inputs used back to source data, for example agreeing the underlying store right-of-use assets and property, plant and equipment values back to the accounting records; iii) involving our valuations specialists to conclude on the appropriateness of the discount rate used; iv) challenging assumptions used in cash flow forecasts and long-term growth assumptions against historical results and third party luxury sector forecasts; and v) performing sensitivity analyses on key assumptions. We assessed the disclosures to the financial statements and the requirement to disclose further sensitivities where a reasonably possible change in a key assumption would cause a material change in the impairment charge or reversal measured. We tested management's sensitivity analysis over the revenue assumptions on the impairment charges and reversals recorded.	We are satisfied that the consideration of indicators of impairment, value-in-use impairment model methodology, significant underlying assumptions and judgements applied are reasonable and support management's conclusion to recognise a net impairment reversal totalling £46.6 million against the retail store right-of-use assets and property, plant and equipment. We are also satisfied with the disclosure and classification of the impairment charges and reversals.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Uncertain tax positions As described in the Audit Committee Report (page 173); Accounting policies (page 238); and note 9 of the Consolidated Financial Statements (page 253) the Group is subject to tax regulation in multiple jurisdictions and the centralised operating structure of the Group requires management to exercise judgement in making determinations as to the amount of tax that is payable. The Group is subject to tax authority audits and has a number of open tax enquiries in multiple jurisdictions at any point in time. As a result, the Group has recognised a number of provisions against uncertain tax positions, the valuation of which requires significant assumptions and judgement. We focused on this area due to the complexity, subjectivity, quantification of the provision and the judgement around the trigger for recognition or release impacting the provision and the effective tax rate.	The primary team obtained an understanding and evaluated the design of controls over the Group's tax provisioning process. We assessed the appropriateness of the Group's transfer pricing and uncertain tax provision policies. Our procedures on the uncertain tax position provisions were performed centrally by the primary team supported by overseas teams including professionals with specialised skills. Procedures included: i) enquiring with management to understand the Group's cross-border transactions, the status of all significant matters, and any changes to management's judgements in the year; ii) reading correspondence with tax authorities and external advisors to inform our assessment of recorded estimates and evaluating the completeness of the provisions recorded, including meeting with external advisors where appropriate; iii) independently assessing management's significant assumptions and judgements to record or release provisions following tax audits, settlements and the expiry of timeframes; iv) testing the accuracy of the calculation of the provisions by inspecting underlying documentation with reference to applicable tax laws; and v) evaluating the adequacy of tax disclosures.	We are satisfied that management's judgements in relation to the extent of provisions for uncertain tax positions are appropriate. We are also satisfied that the tax disclosures are appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Alternative performance measures As described in the Audit Committee Report (page 173); Accounting policies (page 243); and note 6 of the Consolidated Financial Statements (page 248) the Group discloses certain items within the Group income statement as adjusting items when such items, due to their size and nature, need to be separately identified to give a more meaningful comparison of underlying performance. There is a significant degree of management judgement involved in the classification of adjusting items. Given the importance of adjusted operating profit as a key performance indicator there is a risk that incorrect classification of adjusting items could present a misleading view to users of the financial statements. Additionally, there is increased judgement over which COVID-19 related items meet the definition of adjusting items per the Group's accounting policy and FRC guidance.	The procedures performed by the primary team included, among others, review of the classification of all adjusting items to assess if the classification is in accordance with the Group's accounting policy and FRC guidance for such items and that the application of the policy is consistent across the Group and across reporting periods. We also considered the description of the items within the financial statements to assess if they have been clearly presented and follow prevailing disclosure requirements. Our procedures focused on the classification of the utilisation or release of the COVID-19 related inventory provisions and the impairment charges or reversals related to COVID-19 of retail store right-of-use assets and property, plant and equipment. We tested management's process to monitor and track these COVID-19 related provisions. We also focused on the classification of restructuring costs ensuring they met the policy for recognition, being one-off in nature and material. We assessed the timing and communication of restructuring projects to test that they are recorded in the correct period and obtained underlying support for significant costs incurred. We reviewed the accounting policy for rent concessions for compliance with the amendments to IFRS 16. We challenged management that these rental concessions should be presented as an adjusting item, consistent with the treatment of other COVID-19 related charges.	We are satisfied management's recognition of adjusting items, the related presentation and accompanying disclosures are appropriate.

The key audit matters set out above are consistent with those reported by Burberry Group plc's previous external auditor with the exception of the removal of key audit matters in relation to the implementation of IFRS 16 'Leases' and the impact of COVID-19. In the current year, the ongoing accounting for IFRS 16 'Leases' no longer has a significant effect on the overall audit strategy, the allocation of resources and directing the efforts of the engagement team. The prior year key audit matters in relation to the impact of COVID-19 have been incorporated into the key audit matters above and conclusions relating to going concern.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £17.5 million which is 4.8% of adjusted profit before tax. We believe that adjusted profit before tax provides us with the best assessment of the requirements of the users of the financial statements.

We determined materiality for the Company to be £20.5 million, which is 1% of total assets. The materiality of the parent company is greater than the Group because the parent company is a holding company with significant net assets. For any parent company balances that are consolidated into the Group financial statements, an allocation of Group performance materiality was used.

Starting Basis	**Profit before tax**	**£490.2m**
Adjustments	Reversal of retail store cash generating units impairment	(£46.6m)
	Reversal of inventory provisions	(£22.3m)
	Reversal of receivables impairment	(£5.2m)
	COVID-19 related rent concessions	(£54.1m)
	Furlough grant income	(£8.5m)
	Gain on disposal of property	(£18.7m)
	Restructuring costs	£29.8m
	Revaluation of deferred consideration liability	£0.4m
	Finance charge on deferred consideration liability	£0.7m
	Profit before tax and adjustments	£365.7m
Materiality	4.8% of adjusted profit before tax	£17.5m

During the course of our audit, we reassessed initial materiality with the primary change in the final materiality from our original assessment at planning being to reflect the actual reported performance during the year.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £8.75m. We have set performance materiality at this percentage on the basis that this is our first year as auditors for the Group and considering the heightened uncertainty around COVID-19.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £1.5m to £7.7m.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.875m which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 287 to 289, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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
- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 205;

- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 140;
- Directors' statement on fair, balanced and understandable set out on page 210;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 141;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 177 to page 178; and
- The section describing the work of the Audit Committee set out on page 175 to page 176.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 210, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 and 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.

Auditor's 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, FRS 101, the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax laws and regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to health and safety and employee matters.
- We understood how the Group is complying with those frameworks by making enquiries of management, Internal Audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of Board minutes and papers provided to the Audit Committee and observation in Audit Committee meetings, as well as consideration of the results of our audit procedures across the Group.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur and met with finance and operational management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We engaged our forensics specialists in assisting our assessment of the susceptibility of the Group's financial statements to fraud. We have determined there is a risk of fraud associated to inventory provisions and a risk of management override in manual revenue journals that do not follow the expected process. We considered the programmes and controls that the Group has established to address the risks identified, including the design of controls over each significant revenue stream and inventory provisions. We also considered the controls that the Group has that otherwise prevent, deter and detect fraud, and how senior management monitors those programmes and controls. We performed audit procedures to address each identified fraud risk. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with laws and regulations, including specific instructions to full scope component teams. Our procedures involved journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of legal counsel, Group management, Internal Audit, divisional management at all full scope components; and focused testing, including in respect of management override through manual revenue journals and specific searches derived from forensic investigations experience. We also leveraged our data analytics platform in performing our work on the purchase to pay process to assist in identifying higher risk transactions for testing.
- In addition, we completed procedures to conclude on the compliance of the disclosures in the annual report and accounts with all applicable requirements. Any instances of non-compliance with laws and regulations were communicated by/to components and considered in our audit approach, if applicable.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee we were appointed by the shareholders at the AGM on 15 July 2020 to audit the financial statements for the 52 weeks ending 27 March 2021 and subsequent financial periods. We signed an engagement letter on 22 September 2020.
- The period of total uninterrupted engagement including previous renewals and reappointments is one year, as this is the first audit year.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Rudberg (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

13 May 2021

GROUP INCOME STATEMENT

	Note	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Revenue	3	**2,343.9**	2,633.1
Cost of sales		**(681.4)**	(927.6)
Gross profit		**1,662.5**	1,705.5
Net operating expenses	4	**(1,141.4)**	(1,516.8)
Operating profit		**521.1**	188.7
Financing			
Finance income		**3.1**	7.6
Finance expense		**(33.3)**	(26.6)
Other financing charge		**(0.7)**	(1.2)
Net finance expense	8	**(30.9)**	(20.2)
Profit before taxation	5	**490.2**	168.5
Taxation	9	**(114.3)**	(46.9)
Profit for the year		**375.9**	121.6
Attributable to:			
Owners of the Company		**375.7**	121.7
Non-controlling interest		**0.2**	(0.1)
Profit for the year		**375.9**	121.6
Earnings per share			
Basic	10	**93.0p**	29.8p
Diluted	10	**92.7p**	29.8p
		£m	£m
Reconciliation of adjusted profit before taxation:			
Profit before taxation		**490.2**	168.5
Adjusting operating items:			
Cost of sales	5	**(22.3)**	68.3
Net operating expenses	5	**(102.9)**	176.1
Adjusting financing items	5	**0.7**	1.2
Adjusted profit before taxation – non-GAAP measure		**365.7**	414.1
Adjusted earnings per share – non-GAAP measure			
Basic	10	**67.5p**	78.9p
Diluted	10	**67.3p**	78.7p
Dividends per share			
Interim	11	**–**	11.3p
Proposed final (not recognised as a liability at 27 March/28 March)	11	**42.5p**	–

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Profit for the year		**375.9**	121.6
Other comprehensive income[1]:			
Cash flow hedges	25	**–**	2.7
Net investment hedges	25	**–**	(1.2)
Foreign currency translation differences		**(51.4)**	18.5
Actuarial gains on post-employment benefit plans		**1.0**	–
Tax on other comprehensive income:			
Cash flow hedges	9	**–**	(0.5)
Net investment hedges	9	**–**	0.2
Foreign currency translation differences	9	**2.4**	(0.9)
Actuarial gains on post-employment benefit plans		**(0.2)**	–
Other comprehensive (loss)/income for the year, net of tax		**(48.2)**	18.8
Total comprehensive income for the year		**327.7**	140.4
Total comprehensive income attributable to:			
Owners of the Company		**327.7**	140.4
Non-controlling interest		**–**	–
		327.7	140.4

1. All items included in other comprehensive income, with the exception of Actuarial gains on post-employment benefit plans, may subsequently be reclassified to profit and loss in a future period.

GROUP BALANCE SHEET

	Note	As at 27 March 2021 £m	As at 28 March 2020 £m
ASSETS			
Non-current assets			
Intangible assets	12	**237.0**	247.0
Property, plant and equipment	13	**280.4**	294.9
Right-of-use assets	14	**818.1**	834.0
Investment properties		**2.4**	2.5
Deferred tax assets	15	**137.1**	171.5
Trade and other receivables	16	**45.0**	53.7
		1,520.0	1,603.6
Current assets			
Inventories	17	**402.1**	450.5
Trade and other receivables	16	**276.9**	252.1
Derivative financial assets	18	**2.2**	6.7
Income tax receivables		**39.7**	50.4
Cash and cash equivalents	19	**1,261.3**	928.9
		1,982.2	1,688.6
Total assets		**3,502.2**	3,292.2
LIABILITIES			
Non-current liabilities			
Trade and other payables	20	**(99.4)**	(102.3)
Lease liabilities	21	**(809.6)**	(910.0)
Borrowings	24	**(297.1)**	(300.0)
Deferred tax liabilities	15	**(0.8)**	(0.1)
Retirement benefit obligations		**(1.0)**	(1.9)
Provisions for other liabilities and charges	22	**(31.8)**	(28.6)
		(1,239.7)	(1,342.9)
Current liabilities			
Trade and other payables	20	**(392.9)**	(447.5)
Bank overdrafts	23	**(45.4)**	(41.6)
Lease liabilities	21	**(210.0)**	(215.5)
Derivative financial liabilities	18	**(2.6)**	(4.8)
Income tax liabilities		**(27.9)**	(7.9)
Provisions for other liabilities and charges	22	**(24.0)**	(13.2)
		(702.8)	(730.5)
Total liabilities		**(1,942.5)**	(2,073.4)
Net assets		**1,559.7**	1,218.8
EQUITY			
Capital and reserves attributable to owners of the Company			
Ordinary share capital	25	**0.2**	0.2
Share premium account		**223.0**	220.8
Capital reserve	25	**41.1**	41.1
Hedging reserve	25	**4.7**	4.7
Foreign currency translation reserve	25	**196.4**	245.2
Retained earnings		**1,091.2**	702.2
Equity attributable to owners of the Company		**1,556.6**	1,214.2
Non-controlling interest in equity		**3.1**	4.6
Total equity		**1,559.7**	1,218.8

The consolidated financial statements of Burberry Group plc (registered number 03458224) on pages 224 to 286 were approved and authorised for issue by the Board on 12 May 2021 and signed on its behalf by:

Marco Gobbetti
Chief Executive Officer

Julie Brown
Chief Operating and Financial Officer

GROUP STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company: Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
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		–	–	–	(57.1)	(57.1)	(0.4)	(57.5)
Adjustment on initial application of IFRIC 23		–	–	–	(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**
Profit for the year		–	–	–	375.7	375.7	0.2	375.9
Other comprehensive income:								
Foreign currency translation differences	25	–	–	(51.2)	–	(51.2)	(0.2)	(51.4)
Actuarial gains on post-employment benefit plans		–	–	–	1.0	1.0	–	1.0
Tax on other comprehensive income	25	–	–	2.4	(0.2)	2.2	–	2.2
Total comprehensive income for the year		–	–	(48.8)	376.5	327.7	–	327.7
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	12.1	12.1	–	12.1
Tax on share options granted		–	–	–	0.7	0.7	–	0.7
Exercise of share options		–	2.2	–	–	2.2	–	2.2
Acquisition of additional interest in subsidiary	32	–	–	–	(0.2)	(0.2)	(1.5)	(1.7)
Purchase of own shares								
Held by ESOP trusts		–	–	–	(0.1)	(0.1)	–	(0.1)
Balance as at 27 March 2021		**0.2**	**223.0**	**242.2**	**1,091.2**	**1,556.6**	**3.1**	**1,559.7**

GROUP STATEMENT OF CASH FLOWS

	Note	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Cash flows from operating activities			
Operating profit		**521.1**	188.7
Amortisation of intangible assets	12	**32.9**	26.4
Depreciation of property, plant and equipment	13	**71.4**	83.3
Depreciation of right-of-use assets	14	**172.4**	221.1
COVID-19-related rent concessions	1	**(54.1)**	–
Impairment charge of intangible assets	12	**8.8**	11.6
Net impairment (reversal)/charge of property, plant and equipment	13	**(7.5)**	26.4
Net impairment (reversal)/charge of right-of-use assets	14	**(33.7)**	140.3
(Gain)/loss on disposal of property, plant and equipment and intangible assets		**(22.7)**	0.7
Gain on disposal of right-of-use assets		**(1.1)**	(2.1)
Gain on disposal of Beauty operations		**–**	(5.0)
Loss/(gain) on derivative instruments		**3.8**	(3.1)
Charge in respect of employee share incentive schemes		**12.1**	2.8
(Payment)/receipt from settlement of equity swap contracts		**(1.5)**	0.2
Decrease in inventories		**20.9**	27.4
Increase in receivables		**(39.0)**	(9.8)
Decrease in payables and provisions		**(7.2)**	(84.0)
Cash generated from operating activities		**676.6**	624.9
Interest received		**2.9**	7.2
Interest paid		**(30.1)**	(26.0)
Taxation paid		**(58.0)**	(150.3)
Net cash generated from operating activities		**591.4**	455.8
Cash flows from investing activities			
Purchase of property, plant and equipment		**(72.9)**	(85.3)
Purchase of intangible assets		**(41.9)**	(63.5)
Proceeds from sale of property, plant and equipment		**27.2**	3.0
Initial direct costs of right-of-use assets		**(2.9)**	(5.6)
Net cash outflow from investing activities		**(90.5)**	(151.4)
Cash flows from financing activities			
Dividends paid in the year	11	**–**	(175.2)
Payment of deferred consideration for acquisition of non-controlling interest	20	**(2.6)**	(2.7)
Proceeds from borrowings	24	**595.1**	300.0
Repayment of borrowings	24	**(599.8)**	–
Payment of lease principal		**(152.2)**	(228.4)
Payment on termination of lease		**–**	(9.7)
Payment to acquire additional interest in subsidiary from non-controlling interest	32	**(1.7)**	–
Issue of ordinary share capital		**2.2**	3.8
Purchase of own shares through share buy-back	25	**–**	(150.7)
Purchase of own shares by ESOP trusts		**(0.1)**	–
Net cash outflow from financing activities		**(159.1)**	(262.9)
Net increase in cash and cash equivalents		**341.8**	41.5
Effect of exchange rate changes		**(13.2)**	8.5
Cash and cash equivalents at beginning of year		**887.3**	837.3
Cash and cash equivalents at end of year		**1,215.9**	887.3

	Note	As at 27 March 2021 £m	As at 28 March 2020 £m
Cash and cash equivalents as per the Balance Sheet	19	**1,261.3**	928.9
Bank overdrafts	23	**(45.4)**	(41.6)
Cash net of overdrafts		**1,215.9**	887.3

NOTES TO THE FINANCIAL STATEMENTS

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 international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union, 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.

Going concern

The impact of the COVID-19 pandemic on the global economy and the operating activities of many businesses, including the luxury market, has resulted in a volatile climate and continued uncertainty. The further impact of this pandemic on the Group is uncertain at the date of signing these financial statements. In considering the appropriateness of adopting the going concern basis in preparing the financial statements, the directors have assessed the potential cash generation of the Group and considered a range of downside scenarios. This assessment covers from the date of signing the financial statements up to 1 October 2022 for any indicators that the going concern basis of preparation is not appropriate.

The directors have assessed the potential cash generation of the Group against a range of projected scenarios (including a severe but plausible downside). These scenarios were informed by a comprehensive review of the macroeconomic scenarios using third party projections of scientific, epidemiological and macroeconomic data for the luxury fashion industry:

- The Group central planning scenario reflects a balanced projection with a continued focus on growing markets, maintaining momentum built in FY2020/21 as part of the customer strategy.
- As a sensitivity, this central planning scenario has been flexed to reflect a 26% downgrade to revenues in FY 2021/22, as well as the associated consequences for EBITDA and cash. Management consider this represents a severe but plausible downside scenario appropriate for assessing going concern. 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.

The severe but plausible downside modelled the following risks occurring simultaneously:

- A significant impact on revenue in FY 2021/22 compared to the central planning scenario caused by the impact of a reputational incident such as negative sentiment propagated through social media.
- A longer-term decrease in revenue caused by a resurgence of the pandemic and store re-closures.
- The impact of prolonged recovery of travel to 2019 levels.

In addition, the potential impact of other principal risks, including the impact of foreign exchange volatility, were considered. The directors have also considered mitigating actions, which may be taken to reduce discretionary and other operating cash outflows. The directors have also considered the Group's current liquidity and available facilities. Details of cash, overdrafts, borrowings and facilities are set out in notes 19, 23 and 24 respectively of these financial statements, which includes access to a £300.0 million revolving credit facility, currently undrawn and not relied upon in this going concern assessment.

In all the scenarios assessed, taking into account current liquidity and available facilities, the Group was able to maintain sufficient liquidity to continue trading. On the basis of the assessment performed, the directors consider it is appropriate to continue to adopt the going concern basis in preparing the consolidated financial statements for the 52 weeks ended 27 March 2021.

1. Basis of preparation continued

New standards, amendments and interpretations adopted in the period

There have been no new standards or interpretations issued and made effective for the financial period commencing 29 March 2020 that have had a material impact on the financial statements of the Group. The following amendment to IFRS 16 was adopted for the first time in the financial statements for the 52 weeks to 27 March 2021:

IFRS 16 Leases – COVID-19-Related Rent Concessions

The COVID-19-Related Rent Concessions amendment to IFRS 16 Leases was adopted by the IASB on 28 May 2020 and endorsed by the European Union on 12 October 2020. The amendment applies to accounting periods from 1 June 2020 but early application is permitted and the Group has elected to apply the amendment in the current year. The amendment allows for a simplified approach to accounting for rent concessions occurring as a direct result of COVID-19 and for which the following criteria are met:

- The revised consideration is substantially the same, or less than, the consideration prior to the change;
- The concessions affect only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

Lessees are not required to assess whether eligible rent concessions are lease modifications, allowing the lessee to account for eligible rent concessions as if they were not lease modifications. During the period, the Group has agreed rent concessions both in the form of rent forgiveness in which the landlord has agreed to forgive all or a portion of rents due with no obligation to be repaid in the future, and rent deferrals in which the landlord has agreed to forego rents in one period with a proportional increase in rents due in a future period.

The Group has chosen to account for eligible rent forgiveness as negative variable lease payments. The rent concession has been recognised once a legally binding agreement is made between both parties by derecognising the portion of the lease liability that has been forgiven and recognising the benefit in the Income Statement. As a result, the Group has recognised £54.1 million in COVID-19-related rent concessions in the Income Statement within "net operating expenses" in the current period. This has been presented as an adjusting item (refer to note 6). In the Statement of Cash Flows, the forgiveness results in lower payments of lease principal. The negative variable lease payments in the Income Statement is a non-cash item which is added back to calculate cash generated from operating activities.

Rent deferrals do not change the total consideration due over the life of the lease. Deferred rent payments are recognised as a payable until the period the original rent payment is due. As a result, the Group has recognised £4.3 million within other payables. Payments relating to rent deferrals are recognised as payments of lease principal when the payment is made.

Standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 52 weeks to 27 March 2021 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.

1. Basis of preparation continued

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.

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 throughout the current year. While the adverse impact on the Group's operations and financial position has significantly diminished during the course of the financial year, at the date of signing these financial statements, there remains significant uncertainty regarding the timing of any global recovery from COVID-19, and the return to previous levels of footfall in city centres, travel and tourism in some locations. As a result, the impact of COVID-19 on the Group's assets remains a significant source of estimation uncertainty.

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, or reversals of 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.

1. Basis of preparation continued

Key sources of estimation uncertainty continued

Impairment, or reversals of impairment, of property, plant and equipment and right-of-use assets continued

Last year end, management recorded impairments of retail property, plant and equipment and right-of-use assets, based on the estimated impact of COVID-19 on the Group. At that time, the impact of COVID-19 was at its highest and many of the Group's retail stores worldwide were closed. Since last year end, the rate of recovery has exceeded management estimates, indicating a potential impairment reversal. Therefore, management has updated their assumptions as at 27 March 2021, reflecting their latest plans over the next three years to March 2024, followed by longer-term growth rates of mid-single digits. This has resulted in net reversals of impairments.

Management has also reviewed the remaining retail property, plant and equipment and right-of-use assets, not covered by the above reassessment, for any indications of impairment. No new impairments of property, plant and equipment and right-of-use assets outside the scope of the reassessment of last year's assumptions were identified.

Refer to notes 13 and 14 for further details of retail property, plant and equipment, right-of-use assets and impairment reviews carried out in the period and for sensitivities relating to this key source of estimation uncertainty.

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.

Last year end, management recorded provisions against inventory, based on the estimated impact of COVID-19 on the Group. As noted above, performance during the current year has exceeded the estimates made at last year end and hence management has updated their assumptions regarding future performance. This has resulted in a release of inventory provisions, both relating to inventory sold during the current year, where this was for a higher net realisable value than had been assumed, and relating to assumptions regarding the net realisable value of inventory held at 27 March 2021.

Management has also reviewed the remaining inventory, not covered by the above reassessment, and provisions have been recorded where appropriate based on future trading expectations.

Refer to note 17 for further details of the carrying value of inventory and inventory provisions and for sensitivities relating to this key source of estimation uncertainty.

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, the Group could, in future periods, experience adjustments to these tax liabilities that have a material positive or negative effect on the Group's results for a particular period.

During the next year it is possible that some or all of the current disputes are resolved. Management estimates that the outcome across all matters under dispute or in negotiation between governments could be in the range of a decrease of £11 million to an increase of £15 million relative to the current tax liabilities recognised at 27 March 2021. This would have an impact of approximately 3% to 4% on the Group's effective tax rate.

1. Basis of preparation continued

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 27 March 2021 and the 52 weeks to 28 March 2020 are as follows:

Where the Group is a lessee, judgement is required in determining the lease term at initial recognition 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. During the 52 weeks to 27 March 2021, significant judgements regarding breaks and options in relation to individually material leases resulted in approximately £91.7 million in undiscounted future cash flows not being included in the initial right-of-use assets and lease liabilities.

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. Retail purchases are paid at time of purchase while wholesale and licensing purchases are paid on short-term credit terms. 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. Retail customers typically have the right to return product within a limited time frame while wholesale customers typically have the right to return damaged products. 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.

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, including share awards and options. Appropriate option pricing models, including Black-Scholes, are used to determine the fair value of the option 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 share awards or options expected to vest. The estimate of the number of share awards or options expected to vest is revised at each balance sheet date.

2. Accounting policies continued

d) Share schemes continued

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 share awards, or options, with a corresponding increase in equity.

When share awards or 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.

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 exercising 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, including lease payments based on a percentage of turnover, 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.

2. Accounting policies continued

e) Leases continued

Lessee accounting continued

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 Statement of Cash Flows 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.

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.

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.

2. Accounting policies continued

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.

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.

2. Accounting policies continued

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 under construction are also tested annually. 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 being individual stores (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) 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.

m) 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.

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.

2. Accounting policies continued

n) 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.

o) 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.

p) 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.

At initial recognition, all financial liabilities are stated at fair value. 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. Financial assets are classified as either amortised cost or fair value through profit and loss depending on their cash flow characteristics. Assets with cash flows that represent solely payments of principal and interest are measured at amortised cost. 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

p) 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 receivables	16	Fair value through profit and loss	Fair value through profit and loss	2
Trade and other payables	20	Other financial liabilities	Amortised cost	N/A
Borrowings	24	Other financial liabilities	Amortised cost	N/A
Leases	21	Lease 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 IAS 39 hedge accounting has been applied.

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 those cash and cash equivalents measured at fair value through profit and loss, principally money market funds, is derived from their net asset value which is based on the value of the portfolio investment holdings at the balance sheet date. This is considered to be a Level 2 measurement.

The fair value of forward foreign exchange contracts, equity swap contracts and trade and other receivables, principally cash settled equity swaps, 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.

2. Accounting policies continued

p) Financial instruments continued

The Group's primary categories of financial instruments are listed below:

Cash and cash equivalents

Cash and short-term deposits on the Balance Sheet comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. 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.

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. Most 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 credit losses 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.

Cash settled equity swaps are classified as fair value through profit and loss.

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.

2. Accounting policies continued

p) Financial instruments continued

Derivative instruments continued

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.

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.

q) Government grants

Government grants related to assets are recognised as deferred income when there is reasonable certainty that any conditions attached to the grant will be met and the grant will be received. They are amortised to operating income over the useful life of the asset. Government grants related to income are presented as operating income when it is reasonably certain that any conditions attached will be met and that the grant will be received.

2. Accounting policies continued

r) Foreign currency translation

Functional 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 27 March 2021	52 weeks to 28 March 2020	**As at 27 March 2021**	As at 28 March 2020
Euro	**1.12**	1.14	**1.17**	1.12
US Dollar	**1.30**	1.27	**1.38**	1.24
Chinese Yuan Renminbi	**8.85**	8.88	**9.02**	8.75
Hong Kong Dollar	**10.08**	9.89	**10.72**	9.64
Korean Won	**1,514**	1,504	**1,558**	1,512

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.

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 27 March 2021 £m	52 weeks to 28 March 2020 £m	**52 weeks to 27 March 2021 £m**	52 weeks to 28 March 2020 £m	**52 weeks to 27 March 2021 £m**	52 weeks to 28 March 2020 £m
Retail	**1,909.9**	2,110.2	**–**	–	**1,909.9**	2,110.2
Wholesale	**396.0**	475.8	**–**	–	**396.0**	475.8
Licensing	**–**	–	**39.1**	48.5	**39.1**	48.5
Total segment revenue	**2,305.9**	2,586.0	**39.1**	48.5	**2,345.0**	2,634.5
Inter-segment revenue[1]	**–**	–	**(1.1)**	(1.4)	**(1.1)**	(1.4)
Revenue from external customers	**2,305.9**	2,586.0	**38.0**	47.1	**2,343.9**	2,633.1
Depreciation and amortisation	**276.7**	330.8	**–**	–	**276.7**	330.8
Impairment of intangible assets[2]	**8.8**	1.6	**–**	–	**8.8**	1.6
Net impairment of property, plant and equipment[3]	**0.8**	(2.0)	**–**	–	**0.8**	(2.0)
Net impairment of right-of-use assets[4]	**–**	12.8	**–**	–	**–**	12.8
Other non-cash items:						
Share-based payments	**12.1**	2.8	**–**	–	**12.1**	2.8
Adjusted operating profit	**361.4**	389.8	**34.5**	43.3	**395.9**	433.1
Adjusting items[5]					**124.5**	(245.6)
Finance income					**3.1**	7.6
Finance expense					**(33.3)**	(26.6)
Profit before taxation					**490.2**	168.5

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 was presented excluding £10.0 million relating to charges as a result of the impact of COVID-19, which was presented as an adjusting item (refer to note 6).
3. Net impairment charge relating to property, plant and equipment for the 52 weeks to 27 March 2021 is presented excluding a net reversal of £8.8 million (last year: charge of £28.4 million) relating to reversals and charges as a result of the impact of COVID-19 and a charge of £0.5 million (last year: £nil) relating to restructuring costs. These have been presented as adjusting items (refer to note 6).
4. Net impairment of right-of-use assets for the 52 weeks to 27 March 2021 is presented excluding a net reversal of £37.8 million (last year: charge of £128.1 million) relating to reversals and charges as a result of the impact of COVID-19 and a charge of £4.1 million (last year: credit of £0.6 million) relating to restructuring costs, which have been presented as adjusting items (refer to note 6).
5. Adjusting items relate to the Retail and Wholesale segment. Refer to note 6 for details of adjusting items.

3. Segmental analysis continued

	Retail/Wholesale		Licensing		Total	
	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m	**52 weeks to 27 March 2021 £m**	52 weeks to 28 March 2020 £m	**52 weeks to 27 March 2021 £m**	52 weeks to 28 March 2020 £m
Additions to non-current assets	**233.6**	447.5	**–**	–	**233.6**	447.5
Total segment assets	**1,952.2**	2,020.9	**6.7**	11.2	**1,958.9**	2,032.1
Goodwill					**105.2**	109.3
Cash and cash equivalents					**1,261.3**	928.9
Taxation					**176.8**	221.9
Total assets per Balance Sheet					**3,502.2**	3,292.2

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.

Revenue by product division	**52 weeks to 27 March 2021 £m**	52 weeks to 28 March 2020 £m
Accessories	**840.9**	947.5
Women's	**652.6**	796.5
Men's	**667.6**	714.8
Children's/Other	**144.8**	127.2
Retail/Wholesale	**2,305.9**	2,586.0
Licensing	**38.0**	47.1
Total	**2,343.9**	2,633.1

Revenue by destination	**52 weeks to 27 March 2021 £m**	52 weeks to 28 March 2020 £m
Asia Pacific	**1,203.2**	1,040.5
EMEIA[1]	**628.0**	960.6
Americas	**474.7**	584.9
Retail/Wholesale	**2,305.9**	2,586.0
Licensing	**38.0**	47.1
Total	**2,343.9**	2,633.1

1. EMEIA comprises Europe, Middle East, India and Africa.

Entity-wide disclosures

Revenue derived from external customers in the UK totalled £145.2 million for the 52 weeks to 27 March 2021 (last year: £319.6 million).

Revenue derived from external customers in foreign countries totalled £2,198.7 million for the 52 weeks to 27 March 2021 (last year: £2,313.5 million). This amount includes £407.9 million of external revenues derived from customers in the US (last year: £491.9 million) and £751.9 million of external revenues derived from customers in China (last year: £461.5 million).

The total of non-current assets, other than financial instruments, and deferred tax assets located in the UK is £477.2 million (last year: £490.8 million). The remaining £864.8 million of non-current assets are located in other countries (last year: £894.4 million), with £223.4 million located in the US (last year: £232.5 million), £115.4 million located in China (last year: £113.6 million), and £112.0 million located in Japan (last year: £115.4 million).

4. Net operating expenses

	Note	52 weeks to 27 March 2021 £m	Restated 52 weeks to 28 March 2020 £m
Operating income		**(15.6)**	(18.8)
Selling and distribution costs		**942.6**	1,075.9
Administrative expenses		**317.3**	283.6
		1,244.3	1,340.7
Adjusting operating income	5	**(81.3)**	(7.1)
Adjusting operating expenses	5	**(21.6)**	183.2
		(102.9)	176.1
Net operating expenses		**1,141.4**	1,516.8

As a result of more granular financial information, a prior year reclassification of £217.3 million from Administrative expenses to Selling and distribution costs has been recognised. This reclassification related largely to people costs and other indirect operating costs relating to marketing and supply chain activities which were historically considered to be administrative in nature and are now disclosed as Selling and distribution costs based on the underlying nature of the work being performed. This change has no impact elsewhere in these financial statements.

Operating income has also been separately disclosed in the current year. Historically, operating costs were presented net of operating income. The comparative period has been re-presented for consistency. For the 52 weeks to 28 March 2020, £17.0 million in Operating income was reclassified from Selling and distribution costs and £1.8 million from Administrative expenses.

5. Profit before taxation

	Note	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Adjusted profit before taxation is stated after charging/(crediting):			
Depreciation of property, plant and equipment			
Within cost of sales		**2.1**	1.2
Within selling and distribution costs		**56.0**	68.4
Within administrative expenses		**13.3**	13.7
Depreciation of right-of-use assets			
Within cost of sales		**0.4**	0.4
Within selling and distribution costs		**154.6**	200.6
Within administrative expenses		**17.4**	20.1
Amortisation of intangible assets			
Within selling and distribution costs		**1.7**	1.0
Within administrative expenses		**31.2**	25.4
Loss on disposal of property, plant and equipment and intangible assets[1]		**0.3**	0.7
Gain on disposal of right-of-use assets		**(1.1)**	(2.1)
Net impairment charge/(reversal) relating to property, plant and equipment[2]	13	**0.8**	(2.0)
Net impairment charge relating to right-of-use assets[3]	14	**–**	12.8
Impairment of intangible assets[4]	12	**8.8**	1.6
Employee costs[5]	29	**487.5**	478.5
Other lease expense			
Property lease variable lease expense	21	**118.1**	96.2
Property lease in holdover expense	21	**15.4**	11.2
Non-property short-term lease expense	21	**4.8**	9.9
Operating lease income			
Income from lease of freehold property		**–**	(0.7)
Net exchange (gain)/loss on revaluation of monetary assets and liabilities		**(5.4)**	8.7
Net loss on derivatives – fair value through profit and loss		**7.4**	3.4
Receivables net impairment (reversal)/charge[6]		**(0.9)**	3.2

1. Loss on disposal of property, plant and equipment and intangible assets for the 52 weeks to 27 March 2021 is presented excluding £23.0 million (last year: £nil) relating to the gain on sale of property in France. This has been presented as an adjusting item (refer to note 6).
2. Net impairment charge relating to property, plant and equipment for the 52 weeks to 27 March 2021 is presented excluding a net reversal of £8.8 million (last year: charge of £28.4 million) relating to charges as a result of the impact of COVID-19 and a charge of £0.5 million (last year: £nil) relating to restructuring costs. These have been presented as adjusting items (refer to note 6).
3. Net impairment charge of right-of-use assets for the 52 weeks to 27 March 2021 is presented excluding a net reversal of £37.8 million (last year: charge of £128.1 million) relating to charges as a result of the impact of COVID-19 and a charge of £4.1 million (last year: credit of £0.6 million) relating to restructuring costs, which have been presented as adjusting items (refer to note 6).
4. Impairment of intangible assets for the 52 weeks to 28 March 2020 was presented excluding £10.0 million relating to charges as a result of the impact of COVID-19, which was presented as an adjusting item (refer to note 6).
5. Employee costs for the 52 weeks to 27 March 2021 are presented excluding a charge of £21.0 million (last year: £5.4 million) arising as a result of the Group's restructuring programmes and a charge of £4.3 million relating to employee profit sharing agreements on the sale of property in France, which have been presented as adjusting items. During the 52 weeks to 28 March 2020 a credit of £6.2 million was recognised as an adjusting item related to the reversal of accrued costs for share-based payments no longer expected to vest as a result of COVID-19. Refer to note 6 for further details.
6. Receivables net impairment charge for the 52 weeks to 27 March 2021 is presented excluding a reversal of £5.2 million (last year: charge of £11.1 million) 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 27 March 2021 £m	52 weeks to 28 March 2020 £m
Adjusting items			
Adjusting operating items			
Impact of COVID-19:			
Impairment (reversal)/charge relating to retail cash generating units	6	**(46.6)**	156.5
Impairment (reversal)/charge relating to inventory	6	**(22.3)**	68.3
Impairment charge relating to intangible assets	6	**–**	10.0
Impairment (reversal)/charge relating to receivables	6	**(5.2)**	11.1
Other impacts of COVID-19	6	**–**	(5.0)
COVID-19-related rent concessions	6	**(54.1)**	–
Furlough grant income	6	**(8.5)**	–
Other adjusting items:			
Gain on disposal of property	6	**(18.7)**	–
Gain on disposal of Beauty operations	6	**–**	(5.0)
Restructuring costs	6	**29.8**	10.6
Revaluation of deferred consideration liability	6	**0.4**	(2.1)
Total adjusting operating items		**(125.2)**	244.4
Adjusting financing items			
Finance charge on deferred consideration liability	6	**0.7**	1.2
Total adjusting financing items		**0.7**	1.2

	Note	As at 27 March 2021 £m	As at 28 March 2020 £m
Analysis of adjusting operating items:			
Included in Operating expenses	4	**(102.9)**	176.1
Included in Cost of sales (Impairment (reversal)/charge relating to inventory)		**(22.3)**	68.3
Total		**(125.2)**	244.4

6. Adjusting items

	As at 27 March 2021 £m	As at 28 March 2020 £m
Total adjusting items (pre-tax)	**(124.5)**	245.6
Tax on adjusting items	**21.5**	(45.4)
Total adjusting items (post-tax)	**103.0**	(200.2)

Impact of COVID-19

COVID-19 has impacted both business operations and financial markets worldwide. COVID-19 has also had a significant impact on the financial results of the Group during the current and previous year. In the financial statements for the year ended 28 March 2020, the Group recorded adjusting items 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. This resulted in charges of £245.9 million relating to impairments of retail cash generating units, intangible assets and receivables and to inventory provisions. These charges were presented as adjusting items as they were considered to be material and one-off in nature.

At 27 March 2021, these impairments and provisions have been reviewed and the assumptions updated where appropriate, to reflect management's latest expectations. The impact of changes in assumptions has been presented as an update to the adjusting item charge. Further details regarding the approach applied to measure these updates are set out below for each of the specific adjusting items.

6. Adjusting items continued

Impact of COVID-19 continued

Other items, where they are considered one-off in nature and directly related to the impact of COVID-19, have been presented as adjusting items. Income recorded in the year following application of the temporary COVID-19 Related Rent Concession amendment to IFRS 16 has been presented as an adjusting item. This is considered appropriate given that the amendment to IFRS 16 is only applicable for a limited period of time and it is explicitly related to COVID-19. Grant income recorded in the year, relating to government furlough arrangements worldwide, has also been presented as an adjusting item, as it is also explicitly related to COVID-19, and the arrangements are expected to last for a limited period of time. In aggregate these items give rise to a material amount of income in the year. Further details of these adjusting items are set out below.

All other financial impacts of COVID-19 are included in adjusted operating profit. As a result, additional costs recorded in the year, including masks, other personal protection equipment, hand sanitisers, production inefficiencies due to social distancing, operating costs of retail stores during closure and the cost of voluntary payment of UK rates, have not been separately presented as adjusting items. These additional costs are not considered to be one-off in nature, and in some cases the discrete impact of COVID-19 on these costs cannot be reliably measured. Hence it is considered more appropriate to include these additional costs in adjusted operating profit.

Impairment of retail cash generating units

During the 52 weeks to 28 March 2020, an impairment charge of £156.5 million, recorded within selling and distribution costs in net operating expenses for impairment of retail store assets due to the impact of COVID-19, was presented as an adjusting item. It comprised a charge of £28.4 million, recorded against property, plant and equipment, and a charge of £128.1 million, recorded against right-of-use assets. A related tax credit of £28.7 million was also recognised in the year.

During the 52 weeks to 27 March 2021, the impairment provisions remaining have been reassessed, using management's latest expectations, and a net reversal of £46.6 million has been recorded and presented as an adjusting item. This comprised a charge of £1.6 million and a reversal of £10.4 million against property, plant and equipment and a charge of £11.0 million and a reversal of £48.8 million against right-of-use assets. A related tax charge of £5.2 million has also been recognised in the year.

Any charges or reversals which did not arise from the reassessment of the original impairment adjusting item, had they arisen, would have not have been included in this adjusting item. However, there were no other impairment charges or reversals relating to retail cash generating units in the year. Refer to note 13 for details of impairment of retail cash generating units.

Impairment of inventory

During the 52 weeks to 28 March 2020, inventory provisions of £68.3 million were recorded in cost of sales, due to the impact of COVID-19. These charges related to current and recent seasons that under normal circumstances would be expected to sell through with limited loss and were presented as an adjusting item. A related tax credit of £12.5 million was also recognised in the year.

During the 52 weeks to 27 March 2021, reversals of inventory provisions, relating to inventory which had been provided for as an adjusting item at the previous year end and has either been sold, or is now expected to be sold, at a higher net realisable value than had been assumed when the provision had been initially estimated, of £22.3 million have been recorded and presented as an adjusting item. A related tax charge of £4.8 million has also been recognised in the year. All other charges and reversals relating to inventory provisions have been recorded in adjusted operating profit. Refer to note 17 for details of inventory provisions.

6. Adjusting items continued

Impact of COVID-19 continued

Impairment of receivables

During the 52 weeks to 28 March 2020, due to the global financial uncertainty arising from COVID-19, management reassessed and increased the expected credit loss rates for trade and other receivables, resulting in a charge of £11.1 million reported within selling and distributions costs in net operating expenses for impairment of receivables in the year. This charge relating to the increase in expected credit loss rates was presented as an adjusting item. A related tax credit of £2.1 million was also recognised in the year.

During the 52 weeks to 27 March 2021, the expected credit loss rates have been reassessed, taking into account the experience of losses incurred during the year and changes in market conditions at 27 March 2021 compared to the previous year end. As a result of this reassessment, management has reduced some of the expected credit loss rates. The reversal of £5.2 million, resulting from the reduction in credit loss rate assumption, has also been recorded as an adjusting item. A related tax charge of £1.1 million has also been recognised in the year. All other charges and reversals relating to impairment of receivables, arising from changes in the value and aging of the receivables portfolio, have been included in adjusted operating profit. Refer to note 28 for details of impairment of receivables.

COVID-19-related rent concessions

The Group has elected to apply the COVID-19-Related Rent Concessions amendment to IFRS 16 in the current year as described in note 1. Eligible rent forgiveness amounts have been treated as negative variable lease payments, resulting in a credit of £54.1 million for the 52 weeks to 27 March 2021 being recorded in net operating expenses. This income has been presented as an adjusting item, as set out above. A related tax charge of £9.6 million has also been recognised in the current year.

COVID-19-related furlough grant income

The Group has recorded grant income of £8.5 million within selling and distribution costs in net operating expenses for the 52 weeks to 27 March 2021, relating to government support for retention of employees on furlough, as a result of COVID-19. These grants related to income received from a number of government arrangements worldwide. None of the income related to UK based employees. This income has been presented as an adjusting item, as set out above. A related tax charge of £2.2 million has also been recognised in the current year.

Other adjusting items

Gain on disposal of property

On 22 December 2020, the Group completed the sale of an owned property in France for cash proceeds of £27.2 million resulting in a net gain on disposal of £23.0 million, recorded within administrative expenses in net operating expenses. A profit of £18.7 million has been presented as an adjusting item, after deducting incremental costs of £4.3 million relating to employee profit sharing agreements. This charge was recognised as an adjusting item, in accordance with the Group's accounting policy, as this profit from asset disposal is considered to be material and one-off in nature. A related tax charge of £4.6 million was also recognised in the year.

Restructuring costs

Restructuring costs of £8.2 million (last year: £10.6 million) were incurred in the current year, arising as a result of the Group's cost-efficiency programme announced in May 2016. These costs were recorded largely within administrative expenses in net operating expenses and are presented as an adjusting item as they are considered material and discrete 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 £1.6 million (last year: £2.2 million) has also been recognised in the current year.

6. Adjusting items continued

Other adjusting items continued

Restructuring costs continued

In July 2020, the Group announced organisational changes which include the creation of three new business units, allowing the Group to pool expertise within each unit to enhance product focus, increase agility and elevate quality. As part of these organisational changes, which include office space rationalisation, the Group will further streamline office-based functions to help improve efficiency. Restructuring costs of £21.6 million were incurred in the current year in relation to these organisational changes and it is anticipated that total restructuring costs of £45.0 million will be incurred by the end of the programme. Overall, the programme remains on track to materially complete in FY2022. The costs principally relate to redundancies and vacant property. These costs are recorded largely within administrative expenses in net operating expenses. They are presented as an adjusting item, in accordance with the Group's accounting policy, as the costs of the restructuring are considered material and discrete in nature. A related tax credit of £4.4 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 charge of £0.4 million in relation to the revaluation of this balance has been recognised within administrative expenses in net operating expenses for the 52 weeks to 27 March 2021 (last year: credit of £2.1 million). A financing charge of £0.6 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 27 March 2021 (last year: £1.0 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 £0.1 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 27 March 2021 (last year: £0.2 million). 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.

Adjusting items relating to prior year

Impact of COVID-19

Impairment of intangible assets

During the 52 weeks to 28 March 2020, following changes to management's investment plans, due to the potential impact of COVID-19 on available resources, an impairment charge of £10.0 million was recorded in relation to computer software assets under construction. Due to resulting delay in the development of this software, management no longer expected to fully utilise the expenditure incurred to date. A related tax credit of £1.9 million was also recognised in the year.

Other impacts of COVID-19

During the 52 weeks to 28 March 2020, 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, was presented as an adjusting item. A related tax charge of £1.0 million was also recognised in the year.

Other adjusting items

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 was recorded relating to reassessments of provisions for contract termination and consideration for assets transferred to Coty on completion and was presented as an adjusting item. A related tax charge of £1.0 million was also recognised in the 52 weeks to 28 March 2020.

7. Auditor remuneration

Fees incurred during the year in relation to audit and non-audit services are analysed below:

	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £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	**2.3**	2.4
Audit-related assurance services	**0.1**	0.1
Other non-audit-related services	**0.1**	0.2
Total	**2.9**	3.1

8. Financing

	Note	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Bank interest income – amortised cost		**0.6**	2.1
Other finance income – amortised cost		**0.5**	0.6
Finance income – amortised cost		**1.1**	2.7
Bank interest income – fair value through profit and loss		**2.0**	4.9
Finance income		**3.1**	7.6
Interest expense on lease liabilities	21	**(24.9)**	(24.9)
Interest expense on overdrafts		**(0.2)**	(0.5)
Interest expense on borrowings		**(4.7)**	(0.1)
Bank charges		**(1.7)**	(0.8)
Other finance expense		**(1.8)**	(0.3)
Finance expense		**(33.3)**	(26.6)
Finance charge on deferred consideration liability	6	**(0.7)**	(1.2)
Net finance expense		**(30.9)**	(20.2)

9. Taxation

Analysis of charge for the year recognised in the Group Income Statement:

	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Current tax		
UK corporation tax		
Current tax on income for the 52 weeks to 27 March 2021 at 19% (last year: 19%)	**48.3**	58.7
Double taxation relief	**(6.7)**	(3.3)
Adjustments in respect of prior years[1]	**(23.2)**	0.2
	18.4	55.6
Foreign tax		
Current tax on income for the year	**50.8**	27.4
Adjustments in respect of prior years[1]	**19.0**	(1.3)
Total current tax	**88.2**	81.7
Deferred tax		
UK deferred tax		
Origination and reversal of temporary differences	**22.5**	(6.4)
Impact of changes to tax rates	**–**	(1.4)
Adjustments in respect of prior years[1]	**9.4**	(0.6)
	31.9	(8.4)
Foreign deferred tax		
Origination and reversal of temporary differences	**(6.7)**	(30.0)
Impact of changes to tax rates	**(0.3)**	–
Adjustments in respect of prior years[1]	**1.2**	3.6
Total deferred tax	**26.1**	(34.8)
Total tax charge on profit	**114.3**	46.9

1. Adjustments in respect of prior years relate mainly to a net increase in provisions for tax contingencies and tax accruals to tax return adjustments.

Analysis of charge for the year recognised in other comprehensive income and directly in equity:

	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Current tax		
Recognised in other comprehensive income		
Current tax (credit)/charge on exchange differences on loans (foreign currency translation reserve)	**(2.4)**	0.9
Current tax (credit)/charge on cash flow hedges deferred in equity (hedging reserve)	**(0.2)**	0.3
Current tax charge on cash flow hedges transferred to income (hedging reserve)	**0.2**	0.2
Current tax credit on net investment hedges deferred in equity (hedging reserve)	**–**	(0.2)
Total current tax recognised in other comprehensive income	**(2.4)**	1.2
Recognised in equity		
Current tax credit on share options (retained earnings)	**(0.1)**	(0.9)
Total current tax recognised directly in equity	**(0.1)**	(0.9)
Deferred tax		
Recognised in other comprehensive income		
Deferred tax charge on actuarial gains on post-employment benefit plans	**0.2**	–
Total deferred tax recognised in other comprehensive income	**0.2**	–
Recognised in equity		
Deferred tax (credit)/charge on share options (retained earnings)	**(0.6)**	1.5
Total deferred tax recognised directly in equity	**(0.6)**	1.5

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 27 March 2021 £m	52 weeks to 28 March 2020 £m
Profit before taxation	**490.2**	168.5
Tax at 19% (last year: 19%) on profit before taxation	**93.1**	32.0
Rate adjustments relating to overseas profits	**17.5**	(2.2)
Permanent differences	**(1.0)**	17.4
Tax on dividends not creditable	**0.9**	1.2
Current year tax losses not recognised	**0.3**	2.2
Prior year temporary differences and tax losses recognised	**(2.6)**	(4.2)
Adjustments in respect of prior years	**6.4**	1.9
Adjustments to deferred tax relating to changes in tax rates	**(0.3)**	(1.4)
Total taxation charge	**114.3**	46.9

Total taxation recognised in the Group Income Statement arises on the following items:

	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Tax on adjusted profit before taxation	**92.8**	92.3
Tax on adjusting items	**21.5**	(45.4)
Total taxation charge	**114.3**	46.9

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 27 March 2021 £m	52 weeks to 28 March 2020 £m
Attributable profit for the year before adjusting items[1]	**272.7**	321.9
Effect of adjusting items[1] (after taxation)	**103.0**	(200.2)
Attributable profit for the year	**375.7**	121.7

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 27 March 2021 Millions	52 weeks to 28 March 2020 Millions
Weighted average number of ordinary shares in issue during the year	**404.1**	408.0
Dilutive effect of the employee share incentive schemes	**1.0**	1.0
Diluted weighted average number of ordinary shares in issue during the year	**405.1**	409.0

11. Dividends paid to owners of the Company

	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Prior year final dividend paid £nil per share (prior year: 31.5p)	–	129.2
Interim dividend paid £nil per share (prior year: 11.3p)	–	46.0
Total	–	175.2

A final dividend in respect of the 52 weeks to 27 March 2021 of 42.5p (last year: £nil) per share, amounting to £171.9 million, has been proposed for approval by the shareholders at the Annual General Meeting subsequent to the balance sheet date. The final dividend to Burberry Group plc shareholders has not been recognised as a liability at the year end and will be paid on 6 August 2021 to the shareholders on the register at the close of business on 2 July 2021. The ex-dividend date is 1 July 2021 and the final day for dividend reinvestment plan ('DRIP') elections is 16 July 2021.

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 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
Effect of foreign exchange rate changes	(4.8)	–	(2.3)	–	(7.1)
Additions	–	0.7	24.5	10.8	36.0
Disposals	–	–	(14.7)	–	(14.7)
Reclassifications from assets in the course of construction	–	–	30.5	(30.5)	–
As at 27 March 2021	**111.3**	**13.9**	**236.8**	**44.5**	**406.5**
Accumulated amortisation and impairment					
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
Effect of foreign exchange rate changes	(0.7)	–	(2.1)	–	(2.8)
Charge for the year	–	0.9	32.0	–	32.9
Disposals	–	–	(14.7)	–	(14.7)
Impairment charge on assets	–	–	1.2	7.6	8.8
As at 27 March 2021	**6.1**	**7.0**	**137.2**	**19.2**	**169.5**
Net book value					
As at 27 March 2021	**105.2**	**6.9**	**99.6**	**25.3**	**237.0**
As at 28 March 2020	109.3	7.1	78.0	52.6	247.0

During the 52 weeks to 27 March 2021 an impairment charge of £7.6 million (last year: £11.6 million) was recognised in relation to computer software assets under construction and £1.2 million (last year: £nil) was recognised in relation to computer software assets following a review of supply chain strategy and future software requirements. During the 52 weeks to 28 March 2020, £10.0 million of the charge related to rescheduling of the development of a software project following changes to management's investment plans due to the impact of COVID-19 and was presented as an adjusting item (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 27 March 2021 £m	As at 28 March 2020 £m
China	**46.8**	48.2
Korea	**26.5**	27.3
Retail and Wholesale segment[1]	**18.8**	19.7
Other	**13.1**	14.1
Total	**105.2**	109.3

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 when 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 and the discount rates applied.

The value-in-use calculations have been prepared using management's cost and revenue projections for the next three years to 30 March 2024 and a longer-term growth rate of 4% to 28 March 2026. A terminal value has been included in the value-in-use calculation based on the cash flows for the year ending 28 March 2026 incorporating the assumption that growth beyond 28 March 2026 is equivalent to nominal inflation rates, assumed to be 2%, which are not significant to the assessment.

The value-in-use estimates indicated that the recoverable amount of the cash generating unit 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 profit from management's base cash flow projections, considering the potential outcome from a more severe long-term impact of COVID-19. Under this 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 14.1%, 12.3% and 10.1% respectively (last year: China 15.0%, Korea 13.4%, and the Retail and Wholesale segment 11.1%).

The other goodwill balance of £13.1 million (last year: £14.1 million) consists of amounts relating to seven cash generating units none of which have goodwill balances individually exceeding £6.0 million as at 27 March 2021 (last year: £7.0 million).

13. Property, plant and equipment

Cost	Freehold land and buildings £m	Leasehold improvements £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
As at 30 March 2019	144.8	450.6	349.1	27.0	971.5
Adjustment on initial application of IFRS 16	–	–	(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
Effect of foreign exchange rate changes	(12.0)	(30.0)	(21.7)	(0.5)	(64.2)
Additions	–	44.0	11.3	15.0	70.3
Disposals	(5.6)	(26.6)	(45.4)	(0.3)	(77.9)
Reclassifications from assets in the course of construction	–	8.5	12.2	(20.7)	–
As at 27 March 2021	**129.3**	**492.7**	**329.2**	**17.0**	**968.2**
Accumulated depreciation and impairment					
As at 30 March 2019	53.6	313.6	297.4	–	664.6
Adjustment on initial application of IFRS 16	–	–	(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
Effect of foreign exchange rate changes	(5.5)	(22.4)	(19.9)	–	(47.8)
Charge for the year	3.9	45.9	21.6	–	71.4
Disposals	(1.5)	(26.6)	(45.3)	–	(73.4)
Impairment charge on assets	0.8	1.5	0.6	–	2.9
Impairment reversal on assets	–	(8.6)	(1.8)	–	(10.4)
As at 27 March 2021	**56.6**	**352.4**	**278.3**	**0.5**	**687.8**
Net book value					
As at 27 March 2021	**72.7**	**140.3**	**50.9**	**16.5**	**280.4**
As at 28 March 2020	88.0	134.2	49.7	23.0	294.9

During the 52 weeks to 27 March 2021, management carried out a review of retail cash generating units for any indication of impairment or reversal of impairments previously recorded. Where indications of impairment charges or reversals were identified, the impairment review compared the value-in-use of the cash generating units to their net book values at 27 March 2021. The pre-tax cash flow projections used for this review were based on financial plans of expected revenues and costs of each retail cash generating unit, approved by management, reflecting their latest plans over the next three years to 30 March 2024, followed by longer-term growth rates of mid-single digits and inflation rates appropriate to each store's location. The pre-tax discount rates used in these calculations were between 9.6% and 14.1% (last year: between 9.2% and 21.1%) based on the Group's weighted average cost of capital adjusted for country-specific borrowing costs, tax rates and risks for those countries in which a charge or reversal was incurred. Where indicators of impairment have been identified and 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. Where the value-in-use was greater than the net book value, and the cash generating unit had been previously impaired, the impairment was reversed, to the extent that could be supported by the value-in use and allowing for any depreciation that would have been incurred during the period the impairment was recorded. The fair value less cost to sell of the cash generating units was also considered, taking into account potential alternative uses for property, such as subletting of leasehold or sale of freehold. A review for any other indicators of impairment charges or reversals across the retail portfolio was also carried out.

13. Property, plant and equipment continued

In the financial statements for the year ended 28 March 2020 a charge of £156.5 million was recorded, as an adjusting item within net operating expenses, relating to the impairment of retail cash generating units as a result of the impact of COVID-19. During the 52 weeks to 27 March 2021, where these impairments, previously charged as an adjusting item, were reassessed and updated, any reversal or additional charge was also recorded as an adjusting item. This resulted in a net impairment reversal of £46.6 million reflecting improved trading expectations compared to those assumed at 28 March 2020 which has also been presented as an adjusting item in the current year. A charge of £1.6 million and a reversal of £10.4 million was recorded against property, plant and equipment (last year: net impairment charge of £28.4 million) and a charge of £11.0 million and a reversal of £48.8 million was recorded against right-of-use assets (last year: net impairment charge of £128.1 million). Refer to note 14 for further details of right-of-use assets. Refer to note 6 for details of adjusting items.

A net charge of £nil (last year: £11.2 million) was recorded within net operating expenses as a result of the annual review of impairment for all other retail store assets, excluding those impaired as a result of the impact of COVID-19. A charge of £nil (last year: credit of £2.0 million) was recorded against property, plant and equipment and a charge of £nil (last year: £13.2 million) was recorded against 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 has 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 or reversal. It is estimated that a 15% decrease/increase in revenue assumptions for the 53 weeks to 02 April 2022, with no change to subsequent forecast revenue growth rate assumptions, would result in a £54.2 million increase / £26.4 million decrease in the impairment charge of retail store assets in the 52 weeks to 27 March 2021.

The net impairment reversal recorded in property, plant and equipment related to 25 retail cash generating units (last year: net impairment charge related to 140 retail cash generating units) for which the total recoverable amount at the balance sheet date is £32.6 million (last year: £59.9 million).

In addition, an impairment charge of £1.3 million (last year: £nil) was recognised in relation to non-retail property, plant and equipment, of which £0.5 million was recognised as part of restructuring costs in adjusting items. Refer to note 6 for details of adjusting items. As a result the total net impairment reversal for property, plant and equipment was £7.5 million (last year: net impairment charge of £26.4 million).

14. Right-of-use assets

Net book value	Property right-of-use assets £m	Non-property right-of-use assets £m	Total £m
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
Effect of foreign exchange rate changes	(38.7)	–	(38.7)
Additions	127.3	–	127.3
Remeasurements[1]	34.2	–	34.2
Depreciation for the year	(172.1)	(0.3)	(172.4)
Impairment charge on assets	(15.1)	–	(15.1)
Impairment reversal on assets	48.8	–	48.8
As at 27 March 2021	**818.0**	**0.1**	**818.1**

1. Remeasurements of lease liabilities include COVID-19-related rent forgiveness of £54.1 million (last year: £nil) which have been recognised as a credit in the Income Statement at 27 March 2021 (refer to note 21).

As a result of the assessment of retail cash generating units for impairment, an impairment charge of £11.0 million and a reversal of £48.8 million, resulting in a net reversal of £37.8 million (last year: net impairment charge of £141.3 million) was recorded for impairment of right-of-use assets. Refer to note 13 for further details of impairment assessment of retail cash generating units. This net impairment reversal of £37.8 million relates to the impact of COVID-19 on the value-in-use of retail cash generating units (last year: £128.1 million charge). No impairment charge or reversal relating to other trading impacts was recognised during the year (last year: £13.2 million charge). The charge relating to COVID-19 has been presented as an adjusting item (refer to note 6).

The net impairment reversal recorded in right-of-use assets relates to 27 retail cash generating units (last year: net impairment charge related to 140 retail cash generating units) for which the total recoverable amount at the balance sheet date is £199.6 million (last year: £344.7 million).

In addition, an impairment charge of £4.1 million (last year: impairment reversal of £1.0 million) was recognised in relation to vacant office premises. This charge was recognised as part of restructuring costs in adjusting items (last year: reversal of £0.6 million). Refer to note 6 for details of adjusting items.

As a result, the net impairment reversal for right-of-use assets was, in total, £33.7 million (last year: net impairment charge of £140.3 million).

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 £0.3 million as at 27 March 2021 (last year: £2.5 million), are shown in the table below:

	As at 27 March 2021 £m	As at 28 March 2020 £m
Deferred tax assets	**137.1**	171.5
Deferred tax liabilities	**(0.8)**	(0.1)
Net amount	**136.3**	171.4

The movement in the deferred tax account is as follows:	**52 weeks to 27 March 2021 £m**	52 weeks to 28 March 2020 £m
At start of year	**171.4**	119.7
Adjustment on initial application of IFRS 16	**–**	16.4
Adjusted balance at start of year	**171.4**	136.1
Effect of foreign exchange rate changes	**(9.4)**	2.0
(Charged)/credited to the Income Statement	**(26.1)**	34.8
Credited/(charged) to equity	**0.6**	(1.5)
Charged to other comprehensive income	**(0.2)**	–
At end of year	**136.3**	171.4

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 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
Effect of foreign exchange rate changes	–	0.1	–	(0.1)	–
Charged/(credited) to the Income Statement	0.7	(0.8)	–	(1.4)	(1.5)
As at 27 March 2021	**1.5**	**(3.2)**	**0.9**	**1.9**	**1.1**

15. Deferred taxation continued

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 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
Effect of foreign exchange rate changes	(2.2)	(5.3)	–	0.2	(0.3)	(1.8)	(9.4)
(Charged)/credited to the Income Statement	(0.5)	(5.1)	1.0	(3.5)	(17.9)	(1.6)	(27.6)
Credited to equity	–	–	0.6	–	–	–	0.6
Charged to other comprehensive income	–	–	–	–	–	(0.2)	(0.2)
As at 27 March 2021	**18.2**	**58.4**	**3.9**	**1.1**	**35.0**	**20.8**	**137.4**

1. Deferred tax balances within the 'Other' category in the analysis above include temporary differences arising on other provisions and accruals of £20.8 million (last year: £19.4 million) and property provisions of £nil (last year: £5.0 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 £51.4 million (last year: £61.9 million) in respect of losses and temporary differences amounting to £197.0 million (last year: £231.7 million) that can be set off against future taxable income. There is a time limit for the recovery of £7.0 million of these potential assets (last year: £6.8 million) which ranges from two to eight years (last year: one to nine years).

Included within other temporary differences above is a deferred tax liability of £0.7 million (last year: £nil) 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 £288.0 million (last year: £243.0 million).

16. Trade and other receivables

	As at 27 March 2021 £m	As at 28 March 2020 £m
Non-current		
Other financial receivables[1]	**40.9**	46.9
Other non-financial receivables[2]	**1.4**	4.1
Prepayments	**2.7**	2.7
Total non-current trade and other receivables	**45.0**	53.7
Current		
Trade receivables	**154.8**	123.5
Provision for expected credit losses	**(7.9)**	(16.5)
Net trade receivables	**146.9**	107.0
Other financial receivables[1]	**33.1**	31.9
Other non-financial receivables[2]	**48.5**	67.4
Prepayments	**39.6**	35.0
Accrued income	**8.8**	10.8
Total current trade and other receivables	**276.9**	252.1
Total trade and other receivables	**321.9**	305.8

1. Other financial receivables include rental deposits, cash settled equity swaps and other sundry debtors.
2. Other non-financial receivables relates to indirect taxes, other taxes and duties and statutory employee furlough receivables.

Included in total trade and other receivables are non-financial assets of £92.2 million (last year: £109.2 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 27 March 2021 £m	As at 28 March 2020 £m
Raw materials	**12.2**	13.3
Work in progress	**0.8**	1.5
Finished goods	**389.1**	435.7
Total inventories	**402.1**	450.5

	As at 27 March 2021 £m	As at 28 March 2020 £m
Total inventories, gross	**518.7**	620.0
Provisions	**(116.6)**	(169.5)
Total inventories, net	**402.1**	450.5

Inventory provisions of £116.6 million (last year: £169.5 million) are recorded, representing 22.5% (last year: 27.3%) 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 £651.7 million (last year: £893.1 million).

17. Inventories continued

As at 28 March 2020, £68.3 million of the provision was included in cost of sales as a result of the estimated reduction in net realisable value of inventory due to COVID-19 and was presented as an adjusting item. This provision related to the current season and recent seasons that, under more normal circumstances, would be expected to sell through with limited loss. In the current year, £3.9 million of the provision has been utilised, where inventory previously provided for had been sold below cost in the current year and is recognised in cost of sales. An additional £22.3 million has been released upon re-assessment of the provision, where inventory previously provided for has been sold, or is now expected to be sold, for a higher net realisable value than has been estimated last year as performance during the current year has exceeded, and is expected to continue to exceed, the assumptions made at last year end. This reversal is presented as an adjusting item. Refer to note 6 for details of adjusting items. All other charges and reversals relating to inventory provisions have been included in adjusted operating profit.

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 including trading assumptions being higher or lower than expected, management considers that a reasonable potential range of outcomes could result in an increase or decrease in inventory provisions of £24.0 million in the next 12 months. This would result in a potential range of inventory provisions of 17.9% to 27.1% as a percentage of the gross value of inventory as at 27 March 2021.

The net movement in inventory provisions included in cost of sales for the 52 weeks to 27 March 2021 was a release of £10.5 million (last year: charge of £88.9 million). The total release of inventory provisions during the current year, which is included in the net movement, was £67.1 million (last year: reversal of £16.2 million). Both these amounts include the reversal of £22.3 million, referred to above, which has been presented as an adjusting item.

18. Derivative financial instruments

Master netting arrangements

The Group's forward foreign exchange 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. There were no derivatives subject to net settlement agreements and offset on the Balance Sheet at 27 March 2021 (last year: nil). The Group's Balance Sheet would not be materially different if it had offset its forward foreign exchange contracts and cash settled equity swap contracts subject to the standard ISDA agreements.

Derivative financial assets

	As at 27 March 2021 £m	As at 28 March 2020 £m
Forward foreign exchange contracts – fair value hedging instrument: cash flow hedges	**–**	2.4
Forward foreign exchange contracts – fair value through profit and loss[1]	**2.2**	4.3
Total position	**2.2**	6.7
Comprising:		
Total current position	**2.2**	6.7

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 27 March 2021, all such contracts had maturities of no greater than two months from the balance sheet date (last year: three months from the balance sheet date).

18. Derivative financial instruments continued

Derivative financial liabilities

	As at 27 March 2021 £m	As at 28 March 2020 £m
Forward foreign exchange contracts – fair value hedging instrument: cash flow hedges	**(0.2)**	(1.5)
Forward foreign exchange contracts – fair value through profit and loss[1]	**(2.4)**	(1.1)
Equity swap contracts – fair value through profit and loss[2]	**–**	(2.2)
Total position	**(2.6)**	(4.8)
Comprising:		
Total current position	**(2.6)**	(4.8)

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 27 March 2021, all such contracts had maturities of no greater than one month from the balance sheet date (last year: three months from the balance sheet date).
2. In September 2020 the Group entered into cash settled equity swaps, these instruments are reported as trade and other receivables.

Net derivative financial instruments

The notional principal amounts of the outstanding forward foreign exchange and equity swap contracts at year end are:

	As at 27 March 2021 £m	As at 28 March 2020 £m
Forward foreign exchange contracts – fair value hedging instrument: cash flow hedges	**24.2**	123.8
Forward foreign exchange contracts – fair value through profit and loss	**393.8**	154.4
Equity swap contracts – fair value through profit and loss	**–**	6.7

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 27 March 2021	As at 28 March 2020
Foreign currency forwards		
Carrying amount (assets)	**–**	£2.4m
Notional amount	**–**	£49.7m
Maturity date		April 2020 –
	N/A	Jan 2021
Hedge ratio	**N/A**	1:1
Change in spot value of outstanding hedging instruments since start of year	**(£2.7m)**	£1.6m
Change in value of hedged item used to determine hedge effectiveness	**£2.7m**	(£1.6m)
Weighted average hedged rate of outstanding contracts (including forward points) – EUR	**–**	1.1677
Carrying amount (liabilities)	**(£0.2m)**	(£1.5m)
Notional amount	**£24.2m**	£74.1m
Maturity date	**Oct 2021 –**	April 2020 –
	Nov 2021	Oct 2020
Hedge ratio	**1:1**	1:1
Change in spot value of outstanding hedging instruments since start of year	**£0.7m**	£1.5m
Change in value of hedged item used to determine hedge effectiveness	**(£0.7m)**	(£1.5m)
Weighted average hedged rate of outstanding contracts (including forward points) – EUR	**1.1565**	1.0930

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.

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 27 March 2021 £m	As at 28 March 2020 £m
Cash and cash equivalents held at amortised cost		
Cash at bank and in hand	**189.8**	138.7
Short-term deposits	**159.4**	126.3
	349.2	265.0
Cash and cash equivalents held at fair value through profit and loss		
Short-term deposits	**912.1**	663.9
Total	**1,261.3**	928.9

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. The cash is available immediately and, since the funds are managed to achieve low volatility, no significant change in value is anticipated. The funds are monitored to ensure there are no significant changes in value.

As at 27 March 2021 and 28 March 2020, no impairment losses were identified on cash and cash equivalents held at amortised cost.

20. Trade and other payables

	As at 27 March 2021 £m	As at 28 March 2020 £m
Non-current		
Other payables[1]	**7.9**	7.1
Deferred income and non-financial accruals	**14.2**	4.1
Contract liabilities	**70.4**	77.0
Deferred consideration[2]	**6.9**	14.1
Total non-current trade and other payables	**99.4**	102.3
Current		
Trade payables	**129.3**	197.3
Other taxes and social security costs	**52.2**	48.1
Other payables[1]	**12.6**	3.9
Accruals	**169.1**	175.2
Deferred income and non-financial accruals	**6.6**	6.0
Contract liabilities	**13.4**	12.7
Deferred consideration[2]	**9.7**	4.3
Total current trade and other payables	**392.9**	447.5
Total trade and other payables	**492.3**	549.8

1. Other payables are comprised of COVID-19 rent deferrals, interest and employee related liabilities.
2. Deferred consideration relates to the acquisition of Burberry Manifattura S.R.L. on 19 September 2018 and of the economic right to the non-controlling interest in Burberry Middle East LLC on 22 April 2016. The change in the deferred consideration liability in the period arises as a result of a financing cash outflow and non-cash movements. Payments of £2.6 million were made in the 52 weeks to 27 March 2021 (last year: £2.7 million).

Included in total trade and other payables are non-financial liabilities of £156.8 million (last year: £147.9 million).

20. Trade and other payables continued

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 27 March 2021 £m	As at 28 March 2020 £m
Retail contract liabilities	**6.8**	6.1
Licensing contract liabilities	**77.0**	83.6
Total contract liabilities	**83.8**	89.7

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 27 March 2021 £m	52 weeks to 28 March 2020 £m
Retail revenue relating to contract liabilities	**2.4**	2.4
Deferred revenue from Beauty licence	**6.6**	6.6
Revenue recognised that was included in contract liabilities at the start of the year	**9.0**	9.0

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
Effect of foreign exchange rate changes	(52.8)	–	(52.8)
Created during the year	124.4	–	124.4
Amounts paid[1]	(176.8)	(0.3)	(177.1)
Discount unwind	24.9	–	24.9
Remeasurements[2]	(21.0)	–	(21.0)
Transfers[3]	(4.3)	–	(4.3)
Balance as at 27 March 2021	**1,019.5**	**0.1**	**1,019.6**

	As at 27 March 2021 £m	As at 28 March 2020 £m
Analysis of total lease liabilities:		
Non-current	**809.6**	910.0
Current	**210.0**	215.5
Total	**1,019.6**	1,125.5

1. The amounts paid of £177.1 million (last year: £253.3 million) includes £152.2 million (last year: £228.4 million) arising as a result of a financing cash outflow and £24.9 million (last year: £24.9 million) arising as a result of an operating cash outflow.
2. Remeasurements include COVID-19-related rent forgiveness of £54.1 million (last year: £nil) which have been recognised as a credit in the Income Statement at 27 March 2021. This credit is included as an adjusting item. Refer to note 6.
3. Transfers of £4.3 million relate to COVID-19-related rent deferrals which have been transferred to Other payables.

21. Lease liabilities continued

The Group enters into property leases for retail properties, including stores, concessions, warehouse and storage locations and office property. The remaining lease terms for these properties range from a few months to 17 years (last year: few months to 18 years). Many of the leases include break options and/or extension options to provide operational flexibility. Some of the leases for concessions have rolling lease terms or rolling break options. Management assesses 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.

Potential future undiscounted lease payments related to periods following the exercise date of an extension or break option not included in the lease term, and therefore not included in lease liabilities, are approximately £425 million in relation to the next available extension option which are assessed as not reasonably certain to be exercised and £125 million in relation to break options which are expected to be exercised.

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.

Future increases and decreases in rent linked to an inflation index or rate review are not included in the lease liability until the change in cash flows takes effect. Approximately 20% (last year: 20%) of the Group's lease liabilities are subject to inflation linked reviews and 37% (last year: 33%) are subject to rent reviews. Rental changes linked to inflation or rent reviews typically occur on an annual basis.

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, including the impact of regional mix.

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 from 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 27 March 2021 are £312.2 million (last year: £383.4 million). This relates to payments of £152.2 million on lease principal (last year: £228.4 million), £24.9 million on lease interest (last year: £24.9 million), £114.9 million on variable lease payments (last year: £99.3 million), and £20.2 million other lease payments principally relating to short-term leases and leases in holdover (last year: £30.8 million).

22. Provisions for other liabilities and charges

	Property obligations £m	Other costs £m	Total £m
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
Effect of foreign exchange rate changes	(2.3)	(0.4)	(2.7)
Created during the year	9.1	10.7	19.8
Discount unwind	0.7	–	0.7
Utilised during the year	(0.7)	(0.8)	(1.5)
Released during the year	(0.7)	(1.6)	(2.3)
Balance as at 27 March 2021	**41.6**	**14.2**	**55.8**

The net charge in the year for property obligations is £8.4 million (last year: £6.0 million), relating to additional property reinstatements costs. The net charge in the year for other costs of £9.1 million (last year: £2.4 million) relates to expected future outflows for property disputes, employee matters and tax compliance.

	As at 27 March 2021 £m	As at 28 March 2020 £m
Analysis of total provisions:		
Non-current	**31.8**	28.6
Current	**24.0**	13.2
Total	**55.8**	41.8

The non-current provisions relate to property reinstatement costs which are expected to be utilised within 17 years (last year: 18 years).

23. Bank overdrafts

Included within bank overdrafts is £45.4 million (last year: £40.9 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 27 March 2021, the Group held bank overdrafts of £nil (last year: £0.7 million) 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

	As at 28 March 2020 £m	Proceeds from borrowings £m	Repayment of borrowings £m	Non-cash movements £m	**As at 27 March 2021 £m**
Non-current					
Revolving credit facility	300.0	–	(300.0)	–	**–**
1.125% £300m medium term notes 2025	–	296.7	–	0.4	**297.1**
Current					
Commercial paper issued under CCFF program	–	298.4	(299.8)	1.4	**–**
Total borrowings	**300.0**	**595.1**	**(599.8)**	**1.8**	**297.1**

On 25 November 2014, the Group entered into a £300.0 million multi-currency revolving credit facility with a syndicate of banks. In March 2020, the Group drew down on this facility in full. On 9 June 2020 the Group repaid this facility in full. On 18 June 2020 the Group extended the facility for 12 months, and it now matures in November 2022. A waiver for the existing leverage covenant for the periods ending up to and including 25 September 2021 and a restriction on shareholder distributions during the period of the waiver, which the Group can opt out of prior to 25 September 2021, was agreed. As a result of the intention to declare a final dividend, the Group will need to opt out of the waiver prior to the Annual General Meeting in July 2021.

The Group is in compliance with the financial leverage and other covenants within this facility, taking into account the waiver referred to above, and has been in compliance throughout the financial year. The Group expects to be in compliance with the covenants, as required, when the waiver is opted out of before the Annual General Meeting.

On 14 May 2020, Burberry Limited issued commercial paper with a face value of £300.0 million, issued at a discount with zero coupon, and a maturity of 17 March 2021. The commercial paper was issued under a £300.0 million facility the Group agreed under the UK Government sponsored COVID Corporate Finance Facility ('CCFF'). An increase to the Group's CCFF of £300.0 million to £600.0 million was made available from 29 May 2020 however no further commercial paper was issued. The CCFF was repaid in full on 10 February 2021 and the facility expired on 23 March 2021.

On 21 September 2020, Burberry Group plc issued medium term notes with a face value of £300.0 million maturing on 21 September 2025 (the sustainability bond). Proceeds from the sustainability bond will allow the Group to finance projects which support the Group's sustainability agenda. There are no financial penalties for not using the proceeds as anticipated. Interest on the sustainability bond is payable semi-annually.

During the year ending 27 March 2021 the non-cash changes to bank borrowing amounted to £1.8 million (last year: £nil).

25. Share capital and reserves

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (as at 28 March 2020: 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
Allotted on exercise of options during the year	158,473	–
As at 27 March 2021	**404,864,359**	**0.2**

25. Share capital and reserves continued

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 27 March 2021, the Company did not enter into any share buy-back agreements (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 27 March 2021, no treasury shares were cancelled (last year: 7.2 million treasury shares with a nominal value of £3,600).

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 27 March 2021, the amount of own shares held by ESOP trusts and offset against retained earnings is £12.9 million (last year: £19.5 million). As at 27 March 2021, the ESOP trusts held 0.8 million shares (last year: 1.2 million) in the Company, with a market value of £15.0 million (last year: £15.7 million). In the 52 weeks to 27 March 2021 the ESOP trusts and the Company have waived their entitlement to dividends of £nil (last year: £1.0 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			
	Capital reserve £m	Cash flow hedges £m	Net investment hedge £m	Foreign currency translation reserve £m	Total £m
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
Other comprehensive income:					
Cash flow hedges – losses deferred in equity	–	(0.9)	–	–	(0.9)
Cash flow hedges – losses transferred to cost of sales	–	0.9	–	–	0.9
Foreign currency translation differences	–	–	–	(51.2)	(51.2)
Tax on other comprehensive income	–	–	–	2.4	2.4
Total comprehensive loss for the year	–	–	–	(48.8)	(48.8)
Balance as at 27 March 2021	**41.1**	**0.3**	**4.4**	**196.4**	**242.2**

As at 27 March 2021 the amount held in the hedging reserve relating to matured net investment hedges is £4.4 million net of tax (last year: £4.4 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 27 March 2021 £m	As at 28 March 2020 £m
Amounts falling due:		
Within 1 year	**5.8**	6.5
Between 2 and 5 years	**59.2**	34.2
After 5 years	**49.1**	44.3
Total	**114.1**	85.0

27. Capital commitments

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.

	As at 27 March 2021 £m	As at 28 March 2020 £m
Capital commitments contracted but not provided for:		
Property, plant and equipment	**25.0**	29.5
Intangible assets	**2.7**	5.2
Total	**27.7**	34.7

28. Financial risk management

The Group's principal financial instruments comprise derivative instruments, cash and cash equivalents, borrowings (including overdrafts), deferred consideration, 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 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.

28. Financial risk management continued

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.

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 27 March 2021 (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 27 March 2021 (last year: no outstanding net investment hedges).

At 27 March 2021, 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 £2.9 million (last year: increase/decrease £3.1 million). The effect on translating forward foreign exchange contracts designated as cash flow hedges would have been to decrease/increase equity by £1.4 million (last year: decrease/increase £12.6 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 27 March 2021			As at 28 March 2020		
	Monetary assets £m	**Monetary liabilities £m**	**Net £m**	Monetary assets £m	Monetary liabilities £m	Net £m
Sterling	**0.7**	**(1.2)**	**(0.5)**	0.7	(2.4)	(1.7)
US Dollar	**1.8**	**(8.5)**	**(6.7)**	1.6	(17.7)	(16.1)
Euro	**23.6**	**(53.9)**	**(30.3)**	27.0	(77.5)	(50.5)
Chinese Yuan Renminbi	**3.9**	**(0.4)**	**3.5**	4.5	(0.4)	4.1
Other currencies	**7.0**	**(10.8)**	**(3.8)**	5.2	(14.2)	(9.0)
Total	**37.0**	**(74.8)**	**(37.8)**	39.0	(112.2)	(73.2)

28. Financial risk management continued

Market risk continued

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 27 March 2021 are £45.4 million (last year: £341.6 million). This includes borrowings of £nil (last year: £300.0 million), cash pool overdraft balances of £45.4 million (last year: £40.9 million) and remaining overdrafts £nil (last year: £0.7 million). The fixed rate financial liabilities at 27 March 2021 are borrowings of £297.1 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 £0.5 million (last year: £0.1 million) lower/higher, as a result of higher/lower interest expense.

The floating rate financial assets as at 27 March 2021 comprise short-term deposits of £1,071.5 million (last year: £790.2 million), interest bearing current accounts of £42.0 million (last year: £47.3 million) and cash pool asset balances of £47.5 million (last year: £40.9 million). At 27 March 2021, 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 £7.4 million (last year: £5.1 million) higher/lower, as a result of higher/lower interest income.

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: 4%). 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 assessed the expected credit losses for trade receivables. Due to the global financial uncertainty arising from COVID-19, management increased the expected credit 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) were identified as having a significantly elevated credit risk and were provided for on a specific basis. This resulted in a charge of £12.3 million for impairment provisions recognised in profit and loss in the year, of which £9.1 million was considered to be related to the impact of COVID-19, arising from the increase in expected credit loss rates, and was presented as an adjusting item.

During the 52 weeks to 27 March 2021, the expected credit loss rates have been reassessed, taking into account the experience of losses incurred during the year and changes in market conditions at 27 March 2021 compared to the previous year end. As a result of this reassessment, management has reduced some of the expected credit loss rates. A reversal to the impairment provision of £3.2 million, resulting from the reduction in credit loss rate assumption, has also been recorded as an adjusting item. The remaining reversal of £0.9 million, arising from changes in the value and quality of the receivables portfolio, has been included in adjusted operating profit.

28. Financial risk management continued

Credit risk continued

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.

At 28 March 2020, management assessed that there was an increased credit risk relating to store rent deposits, as a result of the potential impact of COVID-19 on the financial position of counterparties, and hence recorded a provision of £2.0 million. The charge for this provision was presented as an adjusting item.

During the 52 weeks to 27 March 2021, management has reassessed the credit risk for these particular counterparties and have concluded that the credit risk is now insignificant. As a result the provision of £2.0 million has been reversed in full and the credit has also been recorded as an adjusting item.

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 27 March 2021, the discounted fair value of the loan is £14.7 million (last year: £15.5 million). The book value of the loan, recorded at amortised cost, is £13.5 million (last year: £13.4 million). Other than this arrangement, the Group does not hold any other collateral as security. Management considers that the security provided by the mortgage is sufficient risk mitigation and hence the credit loss relating to this receivable is not significant.

The expected credit loss allowance for receivables was determined as follows:

As at 27 March 2021	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
Trade receivables						
Expected loss rate %	**3%**	**6%**	**15%**	**19%**	**62%**	
Gross carrying amount trade receivables	**131.5**	**13.9**	**3.4**	**2.0**	**4.0**	**154.8**
Loss allowance	**(3.6)**	**(0.9)**	**(0.5)**	**(0.4)**	**(2.5)**	**(7.9)**
Lease deposits						
Expected loss rate %	**0%**					
Gross carrying amount lease deposits	**40.0**	**–**	**–**	**–**	**–**	**40.0**
Loss allowance	**–**	**–**	**–**	**–**	**–**	**–**

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)

28. Financial risk management continued

Credit risk continued

Receivables excluding trade receivables continued

The closing loss allowances for receivables reconcile as follows:

	Receivables £m
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
Effect of foreign exchange rate changes	(0.7)
Impairment provision recognised in profit or loss during the year	3.4
Receivables written off during the year as uncollectable	(3.8)
Unused amount reversed	(9.5)
As at 27 March 2021	**7.9**

In aggregate, as at 27 March 2021, the movement in the impairment provision on trade and other receivables and recorded in the Income Statement was a reversal of £6.1 million, of which £4.1 million relates to contracts with customers and £2.0 million relates to other receivables (last year: charge of £14.3 million of which £12.3 million related to contracts with customers and £2.0 million related to other receivables). £5.2 million of this reversal is presented as an adjusting item, being a partial reversal of the adjusting item charge of £11.1 million last year, relating to the one-off impact of COVID-19 on expected credit losses. Refer to note 6.

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 27 March 2021 of £7.9 million is 5% of the amounts receivable (last year: 13%). Due to the remaining uncertainty regarding the outcome of COVID-19 and its impact on the global economy, management considers that this expected loss allowance, while representing management's 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.

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 £7.3 million (last year: £7.4 million) was held with institutions with a rating below 'A' at 27 March 2021. 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, 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 £224.6 million (last year: £236.9 million).

28. Financial risk management continued

Liquidity risk continued

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 27 March 2021			As at 28 March 2020		
	Lease liabilities £m	Other £m	Total £m	Lease liabilities £m	Other £m	Total £m
In more than 1 year, but not more than 2 years	**165.2**	**6.2**	**171.4**	200.4	309.6	510.0
In more than 2 years, but not more than 3 years	**125.5**	**8.9**	**134.4**	145.0	4.3	149.3
In more than 3 years, but not more than 4 years	**116.2**	**–**	**116.2**	112.9	–	112.9
In more than 4 years, but not more than 5 years	**99.4**	**300.0**	**399.4**	100.7	–	100.7
In more than 5 years	**389.8**	**1.8**	**391.6**	436.0	8.8	444.8
Total financial liabilities	**896.1**	**316.9**	**1,213.0**	995.0	322.7	1,317.7

As at 27 March 2021, other non-current financial liabilities relate to borrowings of £297.1 million (refer to note 24) and other payables (last year: borrowings of £300.0 million and other payables).

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 a solid investment grade credit rating. 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 taken action in the short-term to preserve its capital, reducing operating and capital expenditure and suspending capital returns during the current year. The Board has also reviewed the Group's access to other sources of funding during the year and, following this review, issued new debt during the year. As a result of these actions, together with strong cash generation of the Group, particularly in the second half of the year, the Board has decided to recommend recommencing capital returns.

At 27 March 2021, the Group had net cash of £1,215.9 million (last year: £887.3 million), borrowings of £297.1 million (last year: £300.0 million) and total equity excluding non-controlling interests of £1,556.6 million (last year: £1,214.2 million). The borrowings at 27 March 2021 relate to medium term notes with a face value of £300.0 million. The borrowings at 28 March 2020, related to a revolving credit facility of £300.0 million which was fully drawn last year and is undrawn at 27 March 2021. For further details refer to note 24. Potential additional sources of funding available to the Group include additional bank facilities, 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.

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 180 to 203 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 27 March 2021 £m	52 weeks to 28 March 2020 £m
Wages and salaries	**419.3**	403.8
Termination benefits	**14.2**	4.6
Social security costs	**50.2**	49.2
Share-based compensation (all awards and options settled in shares)	**12.1**	2.8
Other pension costs	**17.0**	17.3
Total	**512.8**	477.7

Employee costs include a charge of £21.0 million (last year: charge of £5.4 million) arising as a result of the Group's restructuring programmes and a charge of £4.3 million relating to employee profit sharing agreements on the sale of property in France, which have been presented as adjusting items. During the 52 weeks to 28 March 2020 a credit of £6.2 million was recognised as an adjusting item related to the reversal of accrued costs for share-based payments no longer expected to vest as a result of COVID-19. 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 27 March 2021	52 weeks to 28 March 2020
EMEIA[1]	**4,819**	5,199
Americas	**1,410**	1,730
Asia Pacific	**3,005**	2,963
Total	**9,234**	9,892

1. EMEIA comprises Europe, Middle East, India and Africa.

Shares and 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 share awards have been valued using the closing price of an ordinary share at the date of grant.

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, cash settled 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.

29. Employee costs continued

Shares and share options granted to directors and employees continued

The Burberry Share Plan 2020 ('the BSP')

The BSP was approved by shareholders and adopted by the Company in the year ended 27 March 2021 to replace the Burberry Group plc Executive Share Plan ('ESP') as the Group's main long-term incentive plan.

Under the BSP, participants were awarded either conditional share awards or phantom awards, up to a maximum value of three times base salary per annum. Awards may be subject to performance underpins. If the Company does not meet one or more of the performance underpins over the relevant vesting period, the Remuneration Committee would consider whether it is appropriate to scale back the level of pay-out under the BSP award. For the 2020 BSP awards made to the executive directors, 1/3 of the award will vest on the third anniversary of the grant date, 1/3 of the award will vest on the fourth anniversary of the grant date and the remaining balance of the award will vest on the fifth anniversary of the grant date.

Awards made to senior employees will not be subject to performance conditions or underpins and will vest in full on the third anniversary of the grant date, subject to continued employment.

During the year, the following grants were made under the BSP:

					Targets	
Date of grant	Options granted	Fair value	Participant group	Performance conditions/underpins	Threshold	Maximum
20 August 2020	1,026,228	£14.06	Management	Continued service	N/A	N/A
20 August 2020	191,400	£14.06	Executive Directors	Underpins: Total revenue	£2,000m	N/A
				ROIC	WACC	N/A
				Brand and sustainability	Reasonable progress	N/A
19 November 2020	7,197	£16.03	Management	Continued service	N/A	N/A
23 November 2020	268,831	£16.24	Senior Management	Continued service	N/A	N/A

The annual BSP grant usually occurs in July, aligned with the timing of the Group's performance review process. The grant date for the 2020 BSP award was delayed until 20 August 2020.

The fair values for the above grants is equivalent to the closing price of an ordinary share on the grant date as follows:

	20 August 2020	19 November 2020	23 November 2020
Share price at contract commencement date	£14.06	£16.03	£16.24

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 BSP share awards outstanding are as follows:

	52 weeks to 27 March 2021
Outstanding at start of year	–
Granted during the year	**1,493,656**
Lapsed and forfeited during the year	**(69,566)**
Outstanding at end of year	**1,424,090**
Exercisable at end of year	**–**

29. Employee costs continued

Shares and share options granted to directors and employees continued

The Burberry Share Plan 2020 ('the BSP') continued

Share awards outstanding at the end of the year have the following terms:

Term of the award	Number of awards as at 27 March 2021
20 August 2020 – 20 August 2025	**191,400**
20 August 2020 – 23 July 2023	**956,662**
19 November 2020 – 19 November 2023	**7,197**
23 November 2020 – 23 November 2022	**268,831**
Total	**1,424,090**

The Burberry Group plc Executive Share Plan ('the ESP')

The ESP was approved by the shareholders and adopted by the Company in the year ended 31 March 2015 with the final grant made on 27 February 2020.

Under the ESP, participants were awarded shares, structured as either nil-cost options, conditional share awards or phantom awards, up to a maximum value of normally 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 prior year will vest 15% if the threshold target is met. Dependent on the outcome of the performance 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 Group adjusted PBT growth; 25% based on annual Group revenue growth; and 25% based on adjusted retail/wholesale ROIC.

The non-market performance conditions for 2018 ESP awards which have not vested are as follows: awards made to senior management are subject to two non-market performance conditions and will be measured 50% based on annual adjusted Group PBT growth and 50% based on annual Group revenue growth. The non-market performance conditions for 2019 ESP awards which have not vested are as follows: awards made to senior management are subject to three non-market performance conditions and will be measured 50% based on annual adjusted Group PBT growth and 25% based on annual Group revenue growth and 25% based on adjusted retail/wholesale ROIC.

Awards made to management will not be subject to performance conditions apart from continued service during the vesting period.

29. Employee costs continued

Shares and share options granted to directors and employees continued

The Burberry Group plc Executive Share Plan ('the ESP') continued

The threshold and maximum targets for the ESP awards that are still within the initial vesting period as at 27 March 2021 are:

				Targets	
Year of grant	Participant group	Performance conditions	Number of awards outstanding as at 27 March 2021	Threshold	Maximum
FY17/18	Management	Continued service	63,101	N/A	N/A
FY18/19	Management	Continued service	131,354	N/A	N/A
FY18/19	Senior	3-year growth in Group adjusted PBT		–	7.5%
	Management	3-year growth in Group revenue	523,728	1.0%	5.5%
FY18/19	Senior Leadership	3-year growth in Group adjusted PBT		–	7.5%
	Team	3-year growth in Group revenue		1.0%	5.5%
		3-year average retail/wholesale adjusted ROIC	468,300	13.5%	17.0%
FY19/20	Management	Continued service	164,555	N/A	N/A
FY19/20	Senior	3-year growth in Group adjusted PBT		–	7.5%
	Management	3-year growth in Group revenue	680	1.0%	5.5%
FY19/20	Senior	3-year growth in Group adjusted PBT		4.0%	12.0%
	Management	3-year growth in Group revenue		3.0%	8.0%
		3-year average retail/wholesale adjusted ROIC	723,842	13.5%	17.0%
FY19/20	Senior Leadership	3-year growth in Group adjusted PBT		4.0%	12.0%
	Team	3-year growth in Group revenue		3.0%	8.0%
		3-year average retail/wholesale adjusted ROIC	451,836	13.5%	17.0%

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 27 March 2021	52 weeks to 28 March 2020
Outstanding at start of year	**4,441,274**	4,997,807
Granted during the year	**–**	1,619,767
Lapsed and forfeited during the year	**(1,586,130)**	(1,980,421)
Exercised during the year	**(163,731)**	(195,879)
Outstanding at end of year	**2,691,413**	4,441,274
Exercisable at end of year	**164,017**	103,415

Share awards outstanding at the end of the year have the following terms:

Term of the award	**Number of awards as at 27 March 2021**	Number of awards as at 28 March 2020
22 July 2015 – 22 July 2025	**23,720**	28,508
18 November 2015 – 18 November 2025	**395**	988
30 January 2017 – 30 January 2027	**101,627**	184,761
31 July 2017 – 31 July 2027	**101,376**	1,451,362
27 November 2017 – 27 November 2027	**–**	25,598
31 July 2018 – 31 July 2028	**1,104,278**	1,190,527
19 November 2018 – 19 November 2028	**19,104**	22,104
31 July 2018 – 31 July 2028	**680**	680
31 July 2019 – 31 July 2029	**1,309,733**	1,490,709
20 November 2019 – 20 November 2029	**7,859**	23,396
27 February 2020 – 27 February 2030	**22,641**	22,641
Total	**2,691,413**	4,441,274

29. Employee costs continued

Shares and share options granted to directors and employees continued

One-off awards

The Company grants options in respect of ordinary shares with a £nil exercise price or conditional share awards as one-off awards. Some of these awards vest in tranches, 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 for certain awards.

During the year, conditional share awards over 26,184 ordinary shares were granted as two one-off awards.

On 19 November 2020, conditional share awards over 19,967 ordinary shares were granted which will vest in the following manner: 43% vested immediately, 33% will vest on 17 May 2021 and the balance will vest on 21 November 2022. The second conditional share award granted on 19 November 2020 over 6,217 ordinary shares will vest in the following manner: 57% will vest on 23 November 2021 and the balance will vest on 21 November 2022.

The fair values for the above grants have been determined by applying the closing price of an ordinary share on the grant date. The key factors used in determining the fair value were as follows:

	19 November 2020
Share price at contract commencement date	£16.03

Movements in the number of one-off share awards outstanding are as follows:

	52 weeks to 27 March 2021	52 weeks to 28 March 2020
Outstanding at start of year	**865,473**	909,998
Granted during the year	**26,184**	–
Lapsed and forfeited during the year	**–**	(3,303)
Exercised during the year	**(106,286)**	(41,222)
Outstanding at end of year	**785,371**	865,473
Exercisable at end of year	**83,611**	157,903

Share awards outstanding at the end of the year have the following terms:

Term of the award	**Number of awards as at 27 March 2021**	Number of awards as at 28 March 2020
18 November 2015 – 18 November 2025	**17,974**	26,318
30 January 2017 – 22 December 2026	**22,539**	22,539
30 January 2017 – 30 January 2027	**–**	73,000
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	**24,937**	41,294
19 February 2020 – 21 November 2022	**17,599**	–
Total	**785,371**	865,473

Other schemes

The Group also grants to employees options under Savings-Related Share Option Schemes ('Sharesave') and free shares under an All Employee Share Plan. In the 52 weeks to 27 March 2021 and 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 27 March 2021 £m	52 weeks to 28 March 2020 £m
Salaries, short-term benefits and social security costs	**7.8**	7.9
Termination benefits	**0.5**	–
Share-based compensation (all awards and options settled in shares)	**1.5**	(0.8)
Total	**9.8**	7.1

There were no other material related party transactions in the year.

31. Subsidiary undertakings and investments

In accordance with Section 409 of the Companies Act 2006 a full list of related undertakings as at 27 March 2021, 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 27 March 2021.

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 W.L.L.[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	Ordinary shares	100	11
Burberry Asia Limited	Hong Kong	Ordinary shares	100	11
Burberry China Holdings Limited	Hong Kong	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 Ordinary B shares	100 100	14
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 Ordinary (variable) shares	100 100	22
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	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	100	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

31. Subsidiary undertakings and investments continued

Company name	Country of incorporation	Interest	Holding (%)	Registered Office
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
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 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 Treasury Limited	United Kingdom	Ordinary shares	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
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
Burberry (Wholesale) Limited	United States	Class X common stock	100	38
		Class Y common stock	100	
Burberry Limited	United States	Class X common stock	100	38
		Class Y common stock	100	
Burberry North America, Inc.	United States	Common stock	100	39
Burberry Warehousing Corporation	United States	Common stock	100	39
Castleford Industries, Ltd.	United States	Series A common stock	100	39
Castleford Tailors, Ltd.	United States	Common stock	100	39

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.

31. Subsidiary undertakings and investments continued

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, 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 Olímpia, CEP 04552-000, Brazil
6	100 King Street West, 1 First Canadian Place, Suite 1600, Toronto ON M5X 1G5, Canada
7	60th Floor (Actual Floor No.53), Wheelock Square, 1717 Nanjing West Road, 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
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 Manzoni n.20, 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	Edgar Allan Poe 85-B, Col. Polanco, Delg. Miguel Hidalgo, Mexico City, 11560, Mexico
23	Pieter Cornelisz. Hooftstraat 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 Mahallessi 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, Office number 312 + 313, PO Box 83916, Dubai, United Arab Emirates
37	Horseferry House, Horseferry Road, London, SW1P 2AW, United Kingdom
38	CT Corporation System, 28 Liberty St., New York, New York, 10005, United States
39	The Corporation Trust Company, Corporation Trust Center 1209 Orange St, Wilmington, New Castle, DE 19801, United States

32. Transactions with non-controlling interests

On 11 January 2021 the Group acquired the remaining 25% economic interest in Burberry Saudi Limited Co. which was held by Fawaz Abdulaziz Alhokair & Co, a non-Group company, for consideration of SAR 9 million (£1.7 million), bringing the Group's shareholding from 75% to 100%. The impact of this transactions has been presented in the financial statements of the Group as a charge taken through the Statement of Changes in Equity of £0.2 million and a cash outflow recognised in the Statement of Cash Flows of £1.7 million. Non-controlling interests with a book value of £1.5 million were transferred to retained earnings.

33. 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 position.

34. Events after the balance sheet date

In April 2021, the Group entered into agreements to sell two freehold properties, which are currently owned by the Group. One of the properties is held as an investment property at 27 March 2021. The disposal of this property is expected to complete in the first half of the next financial year. It has not been presented as held for sale as its net book value, being £2.4 million, is not considered significant. The other property is held in property, plant and equipment. Its disposal is expected to complete more than 12 months after the balance sheet date and hence it has not been classified as held for sale on the balance sheet.

These disposals are expected to result in net cash proceeds of approximately £17.0 million and profits on disposal of approximately £5.0 million in aggregate.

FIVE-YEAR SUMMARY (UNAUDITED)

To end of year Revenue by channel	2017 £m	2018 £m	2019 £m	Pro forma[5] 2020 £m	2020 £m	**2021 £m**
Retail	2,127.2	2,176.3	2,185.8	2,110.2	2,110.2	**1,909.9**
Wholesale	613.9	526.4	487.9	475.8	475.8	**396.0**
Retail/Wholesale	2,741.1	2,702.7	2,673.7	2,586.0	2,586.0	**2,305.9**
Licensing	24.9	30.1	46.5	47.1	47.1	**38.0**
Total revenue	2,766.0	2,732.8	2,720.2	2,633.1	2,633.1	**2,343.9**
Profit by channel	£m	£m	£m	£m	£m	**£m**
Retail/Wholesale[1]	437.0	440.7	395.7	360.8	389.8	**361.4**
Licensing	21.7	25.9	42.4	43.3	43.3	**34.5**
Adjusted operating profit[1]	458.7	466.6	438.1	404.1	433.1	**395.9**
Segmental analysis of adjusted profit[1]	%	%	%	%	%	**%**
Retail/Wholesale gross margin	69.6	69.1	67.9	66.8	66.8	**69.5**
Retail/Wholesale operating expenses as a percentage of sales	53.7	52.8	53.1	52.8	51.7	**53.8**
Retail/Wholesale operating margin	15.9	16.3	14.8	14.0	15.1	**15.7**
Licensing operating margin	87.1	86.0	91.2	91.9	91.9	**90.8**
Total operating margin	16.6	17.1	16.1	15.3	16.4	**16.9**
Summary profit analysis	£m	£m	£m	£m	£m	**£m**
Adjusted operating profit[1]	458.7	466.6	438.1	404.1	433.1	**395.9**
Net finance income/(expense)[1]	3.7	4.3	5.1	5.9	(19.0)	**(30.2)**
Adjusted profit before taxation[1]	462.4	470.9	443.2	410.0	414.1	**365.7**
Adjusting items	(67.6)	(58.3)	(2.6)	(245.6)	(245.6)	**124.5**
Profit before taxation	394.8	412.6	440.6	164.4	168.5	**490.2**
Taxation	(107.1)	(119.0)	(101.5)	(46.0)	(46.9)	**(114.3)**
Non-controlling interest	(0.9)	(0.1)	0.2	0.1	0.1	**(0.2)**
Attributable profit	286.8	293.5	339.3	118.5	121.7	**375.7**
Retail/Wholesale revenue by product division	£m	£m	£m	£m	£m	**£m**
Accessories	1,033.2	1,046.5	1,012.7	947.5	947.5	**840.9**
Women's	791.9	808.4	836.8	796.5	796.5	**652.6**
Men's	623.5	647.3	698.2	714.8	714.8	**667.6**
Children's/Other[2]	292.5	200.5	126.0	127.2	127.2	**144.8**
Retail/Wholesale revenue by destination	£m	£m	£m	£m	£m	**£m**
Asia Pacific	1,069.0	1,089.0	1,104.3	1,040.5	1,040.5	**1,203.2**
EMEIA[3]	991.2	975.2	957.4	960.6	960.6	**628.0**
Americas	680.9	638.5	612.0	584.9	584.9	**474.7**
Financial KPIs	%	%	%	%	%	**%**
Total revenue growth[4]	-2	-1	-1	-4	-4	**-10**
Adjusted operating profit growth[1, 4]	-21	+5	+0	-8	-1	**-8**
Adjusted Group return on invested capital (ROIC)[1, 6]	15.4	16.3	15.5	13.5	20.0	**17.0**
Comparable store sales growth	+1	+3	+2	-3	-3	**-9**
Adjusted operating profit margin[1]	16.6	17.1	16.1	15.3	16.4	**16.9**
Adjusted diluted EPS growth[1]	+11	+6	+0	-5	-4	**-14**

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.
6. Prior to 2020, reported ROIC was measured on a retail/wholesale basis. From 2020 onwards, reported ROIC is measured on a Group basis and reflects the impact of the adoption of IFRS 16 on the measure.

To end of year Earnings and dividends	2017 pence per share	2018 pence per share	2019 pence per share	Pro forma 2020 pence per share	2020 pence per share	**2021 pence per share**
Adjusted earnings per share – diluted[1]	77.4	82.1	82.1	77.9	78.7	**67.3**
Earnings per share – diluted	64.9	68.4	81.7	29.0	29.8	**92.7**
Diluted weighted average number of ordinary shares (millions)	442.2	429.4	415.1	409.0	409.0	**405.1**
Dividend per share (on a paid basis)	37.3	39.4	41.3	42.8	42.8	**–**

To end of year Net cash flow	2017 £m	2018 £m	2019 £m	2020 £m	**2021 £m**
Adjusted operating profit	458.7	466.6	438.1	433.1	**395.9**
Adjusting items	(64.4)	(56.3)	(0.9)	(244.4)	**125.2**
Operating profit	394.3	410.3	437.2	188.7	**521.1**
Depreciation and amortisation	151.5	130.5	115.8	330.8	**276.7**
Employee share scheme costs	13.1	17.1	15.7	2.8	**12.1**
Decrease/(increase) in inventories	8.4	37.2	(59.3)	27.4	**20.9**
Decrease/(increase) in receivables	19.7	68.1	(54.6)	(9.8)	**(39.0)**
Increase/(decrease) in payables and provisions	43.6	27.6	54.9	(84.0)	**(7.2)**
Other cash items	–	0.5	2.5	0.2	**(1.5)**
Other non-cash items	58.0	11.2	3.7	168.8	**(106.5)**
Cash flow from operations	688.6	702.5	515.9	624.9	**676.6**
Net interest	3.7	5.6	6.3	(18.8)	**(27.2)**
Tax paid	(131.6)	(118.4)	(110.8)	(150.3)	**(58.0)**
Net cash flow from operations[2]	560.7	589.7	411.4	455.8	**591.4**
Capital expenditure	(104.1)	(106.0)	(110.6)	(148.8)	**(114.8)**
Proceeds from disposal of non-current assets	8.5	–	–	3.0	**27.2**
Initial direct costs of right-of-use assets	–	–	–	(5.6)	**(2.9)**
Payment of lease principal and other lease outflows	–	–	–	(238.1)	**(152.2)**
Free cash flow	465.1	483.7	300.8	66.3	**348.7**
Proceeds on disposal of Beauty operations and related licence	–	149.8	0.6	–	**–**
Acquisitions	(68.8)	(3.0)	(25.6)	(2.7)	**(4.3)**
Dividends	(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	**595.1**
Repayment of borrowings	–	–	–	–	**(599.8)**
Other	(11.7)	(8.7)	(10.5)	3.8	**2.1**
Exchange difference	26.0	(14.5)	1.7	8.5	**(13.2)**
Total movement in net cash	148.9	82.9	(54.8)	50.0	**328.6**
Net cash	809.2	892.1	837.3	887.3	**1,215.9**

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 Balance Sheet	2017 £m	2018 £m	2019 £m	2020 £m	**2021 £m**
Intangible assets	170.1	180.1	221.0	247.0	**237.0**
Property, plant and equipment	399.6	313.6	306.9	294.9	**280.4**
Right-of-use assets	–	–	–	834.0	**818.1**
Inventories	505.3	411.8	465.1	450.5	**402.1**
Trade and other receivables	352.0	275.5	321.2	305.8	**321.9**
Trade and other payables	(561.0)	(629.0)	(702.2)	(549.8)	**(492.3)**
Lease liabilities	–	–	–	(1,125.5)	**(1,019.6)**
Taxation (including deferred taxation)	83.7	85.1	97.5	213.9	**148.1**
Net cash	809.2	892.1	837.3	887.3	**1,215.9**
Borrowings	–	–	–	(300.0)	**(297.1)**
Other net assets	(61.1)	(103.8)	(86.8)	(39.3)	**(54.8)**
Net assets	1,697.8	1,425.4	1,460.0	1,218.8	**1,559.7**

Reconciliation of Adjusted Group ROIC as reported under IFRS 16	2019 £m	2020 £m	**2021 £m**
Adjusted operating profit[1]		433.1	**395.9**
Adjusted profit effective tax rate[1]		22.3%	**25.4%**
Adjusted net operating profit after tax[1]		336.5	**295.3**
Net assets	1,460.0	1,218.8	**1,559.7**
Adjustments to net assets on adoption of IFRS 16 and IFRIC 23	(61.9)	–	**–**
Deduct cash net of overdrafts	(837.3)	(887.3)	**(1,215.9)**
Add back borrowings	–	300.0	**297.1**
Add back lease debt	1,045.0	1,125.5	**1,019.6**
Deduct tax assets	(97.5)	(213.9)	**(148.1)**
Operating assets	1,508.3	1,543.1	**1,512.4**
Add back net liabilities related to adjusting items:			
Deferred consideration	21.6	18.4	**16.6**
Restructuring liabilities/other	26.7	253.7	**128.3**
Adjusted operating assets	1,556.6	1,815.2	**1,657.3**
Average adjusted operating assets	–	1,685.9	**1,736.3**
Adjusted Group ROIC	–	20.0%	**17.0%**

1. Excludes the impact of adjusting items. Refer to note 2s for the Group's policy on adjusting items.

COMPANY BALANCE SHEET

	Note	As at 27 March 2021 £m	As at 28 March 2020 £m
Fixed assets			
Investments in subsidiaries	D	**1,651.3**	1,379.8
		1,651.3	1,379.8
Current assets			
Trade and other receivables – amounts falling due after more than one year	E	**300.5**	0.1
Trade and other receivables – amounts falling due within one year	E	**95.0**	445.7
Cash at bank and in hand		**0.4**	0.7
		395.9	446.5
Creditors – amounts falling due within one year	F	**(174.8)**	(277.9)
Derivative liabilities maturing within one year		**–**	(2.2)
Net current assets		**221.1**	166.4
Total assets less current liabilities		**1,872.4**	1,546.2
Provisions for liabilities		**(1.0)**	(1.0)
Borrowings	G	**(297.1)**	–
Net assets		**1,574.3**	1,545.2
Equity			
Called up share capital	I	**0.2**	0.2
Share premium account		**223.0**	220.8
Capital reserve		**0.9**	0.9
Hedging reserve		**4.6**	4.6
Profit and loss account		**1,345.6**	1,318.7
Total equity		**1,574.3**	1,545.2

Profit for the year was £14.9 million (last year: £199.2 million). The directors consider that, at 27 March 2021, £685.8 million (last year: £650.6 million) of the profit and loss account is non-distributable.

The financial statements on pages 290 to 299 were approved and authorised for issue by the Board on 12 May 2021 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 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	J	–	–	–	–	(175.2)	(175.2)
Balance as at 28 March 2020		0.2	220.8	0.9	4.6	1,318.7	1,545.2
Profit for the year		–	–	–	–	14.9	14.9
Total comprehensive income for the year		–	–	–	–	14.9	14.9
Employee share incentive schemes							
Value of share options granted		–	–	–	–	12.1	12.1
Exercise of share options		–	2.2	–	–	–	2.2
Purchase of own shares							
Held by ESOP trusts		–	–	–	–	(0.1)	(0.1)
Balance as at 27 March 2021		**0.2**	**223.0**	**0.9**	**4.6**	**1,345.6**	**1,574.3**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

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

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 Company financial statements are prepared on a going concern basis as set out in note 1 of the Group consolidated financial statements of Burberry Group plc.

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. Instruments used include awards and options. 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 option 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 share awards or 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 share awards or 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 fair value less costs to sell 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). Investments for which an impairment has been previously recognised are reviewed for possible reversal of impairment at each reporting date.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

B. Accounting policies continued

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.

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 expires.

At initial recognition, all financial liabilities are stated at fair value. 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. Financial assets are classified as either amortised cost or fair value through profit and loss depending on their cash flow characteristics. Assets with cash flows that represent solely payments of principal and interest are measured at amortised cost. 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.

The Company classifies its instruments in the following categories:

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 receivables	E	Fair value through profit and loss	Fair value through profit and loss
Trade and other payables	F	Other financial liabilities	Amortised cost
Borrowings	G	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. Cash at bank and in hand held at amortised cost is subject to impairment testing each period end.

B. Accounting policies continued

Financial instruments continued

Trade and other receivables

Trade and other receivables are included in current assets. Trade and other receivables with maturities greater than 12 months after the balance sheet date are classified in trade and other receivables amounts falling due after more than one year. The assessment of maturities of loan receivables takes into consideration any intention to renew the loan, where the loan is provided under a facility which has a maturity of more than 12 months from the balance sheet date. Most 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. The amount of the movement in the provision is recognised in the Income Statement.

Cash settled equity swaps are classified as fair value through profit and loss.

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

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.

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 (closing rate). Exchange differences on monetary items are recognised in the Income Statement in the period in which they arise.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

B. Accounting policies continued

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 and judgements

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 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. There were no key sources of estimation uncertainty for the 52 weeks to 27 March 2021.

Key judgements in applying the Company's accounting policies

Judgements are those decisions made when applying accounting policies which have a significant impact on the amounts recognised in the Company's financial statements. Further details of the Company's accounting policies are provided in note B. There were no key judgements arising in the current year or prior year that have a significant impact on the amounts recognised in the Company's financial statements for the 52 weeks to 27 March 2021 and the 52 weeks to 28 March 2020.

D. Investments in subsidiaries

	£m
As at 28 March 2020	1,379.8
Additions	334.9
Impairment charges	(63.4)
As at 27 March 2021	**1,651.3**

During the year, the Company's investments in Thomas Burberry Limited and Hampstead (UK) Limited were impaired by £44.1 million and £19.3 million respectively. The recoverable amount of these investments at 27 March 2021 was £nil. The Company also increased its investments in Burberry Haymarket Limited by £291.7 million, Burberry Italy SRL by £31.6 million and Burberry Limited by £11.6 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 value in use has been estimated using management's best estimates of future cash generation of its investments.

The Company has not impaired the carrying value of its investments, other than as noted above, 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 27 March 2021 £m	As at 28 March 2020 £m
Amounts owed by Group companies	**300.0**	–
Prepayments	**0.5**	0.1
Trade and other receivables – amounts falling due after more than one year	**300.5**	0.1
Amounts owed by Group companies	**90.7**	445.5
Other financial receivables	**3.3**	–
Other non-financial receivables	**0.2**	–
Prepayments	**0.8**	0.2
Trade and other receivables – amounts falling due within one year	**95.0**	445.7
Total trade and other receivables	**395.5**	445.8

All amounts owed by Group companies are interest bearing and unsecured.

Amounts owed by Group companies falling due after more than one year are receivable on 21 September 2025. The interest rate is 1.125%. Amounts owed by Group companies falling due within one year are receivable on 25 May 2021 (last year: 17 June 2020), with a facility maturity date of 25 May 2021.

The Company's impairment policies and the calculation of the loss allowances under IFRS 9 are detailed in note H.

F. Creditors

	As at 27 March 2021 £m	As at 28 March 2020 £m
Amounts owed to Group companies	**174.5**	277.5
Other payables	**0.3**	0.2
Accruals	**–**	0.2
Creditors – amounts falling due within one year	**174.8**	277.9
Total creditors	**174.8**	277.9

Included within amounts owed to Group companies falling due within one year are interest bearing loans of £122.4 million (last year: £213.6 million). The interest rate earned is based on LIBOR plus 0.9% (last year: 0.5% to 0.9%). These loans are unsecured and repayable on 17 June 2021 (last year: 17 June 2020). The remaining amounts are unsecured, interest free and repayable on demand.

G. Borrowings

On 21 September 2020, Burberry Group plc issued medium term notes with a face value of £300.0 million maturing on 21 September 2025 (the sustainability bond). Proceeds from the sustainability bond will allow the Group to finance projects which support the Group's sustainability agenda. There are no financial penalties for not using the proceeds as anticipated. Interest on the sustainability bond is payable semi-annually.

During the year ending 27 March 2021 the non-cash changes to borrowings amounted to £0.4 million.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

H. Credit risk

The Company's principal financial instruments comprise cash, borrowings, 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 27 March 2021 comprise £390.7 million owed by Burberry Limited (last year: £445.5 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 sole debtor, Burberry Limited, is the holder of the Burberry brand and the main operating company of the Group. 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 as at 27 March 2021.

Other financial assets

With respect to credit risk arising from other financial assets, which comprise cash and certain other receivables, 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.

I. 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 28 March 2020	404,705,886	0.2
Allotted on exercise of options during the year	158,473	–
As at 27 March 2021	**404,864,359**	**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 27 March 2021, the Company did not enter into any share buy-back agreements (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 27 March 2021, no treasury shares were cancelled (last year: 7.2 million treasury shares with a nominal value of £3,600).

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 27 March 2021, the amount of own shares held by ESOP trusts and offset against the profit and loss account is £12.9 million (last year: £19.5 million). As at 27 March 2021, the ESOP trusts held 0.8 million shares (last year: 1.2 million) in the Company, with a market value of £15.0 million (last year: £15.7 million). In the 52 weeks to 27 March 2021 the ESOP trusts and the Company have waived their entitlement to dividends of £nil (last year: £1.0 million).

The capital reserve consists of the capital redemption reserve arising on the purchase of own shares.

J. Dividends

	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Prior year final dividend paid £nil per share (prior year: 31.5p)	–	129.2
Interim dividend paid £nil per share (prior year: 11.3p)	–	46.0
Total	–	175.2

A final dividend in respect of the 52 weeks to 27 March 2021 of 42.5p (last year: £nil) per share, amounting to £171.9 million, has been proposed for approval by the shareholders at the Annual General Meeting subsequent to the balance sheet date. The final dividend has not been recognised as a liability at the year end and will be paid on 6 August 2021 to the shareholders on the register at the close of business on 2 July 2021. The ex-dividend date is 1 July 2021 and the final day for dividend reinvestment plan ('DRIP') elections is 16 July 2021.

K. Financial guarantees

On 25 November 2014, the Group entered into a £300.0 million multi-currency revolving credit facility with a syndicate of banks. In March 2020, the Group drew down on this facility in full. On 9 June 2020 the Group repaid this facility in full. On 18 June 2020 the Group extended the facility for 12 months, and it now matures in November 2022. A waiver for the existing leverage covenant for the periods ending up to and including 25 September 2021 and a restriction on shareholder distributions during the period of the waiver, which the Group can opt out of prior to 25 September 2021, was agreed. As a result of the intention to declare a final dividend, the Group will need to opt out of the waiver prior to the Annual General Meeting in July 2021.

The Group is in compliance with the financial leverage and other covenants within this facility, taking into account the waiver referred to above, and has been in compliance throughout the financial year. The Group expects to be in compliance with the covenants, as required, when the waiver is opted out of before the Annual General Meeting.

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 these financial guarantees, as at 27 March 2021, 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 these loan facilities. Each guarantor, including Burberry Group plc, would be liable to cover the amounts outstanding, including principal and interest elements.

L. 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).

M. Employee costs

The Company has no employees and therefore no employee costs are included in these financial statements for the 52 weeks to 27 March 2021 (last year: £nil).

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 7047 if calling from outside the UK or see help.shareview.co.uk for additional information.

American Depositary Receipts

We have a sponsored Level 1 American Depositary Receipt (ADR) programme to enable USA 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 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
- vote by proxy online in advance of 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
- 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 AGM will be held at Horseferry House 2, 1a Page Street, London, SW1P 2PQ, on Wednesday, 14 July 2021. The Notice of Meeting, which includes details of the business to be conducted at the meeting, is available on our Company website at Burberryplc.com.

Due to the uncertainty surrounding COVID-19 and the restrictions on public gatherings that are in place at the date of approval of the Annual Report and may continue to be in place on 14 July 2021, we are proposing to hold the AGM with the minimal quorum present and provide shareholders with a virtual meeting platform where they will be able to watch the proceedings of the meeting and have the opportunity to submit questions to the Board (for further details see Notice). As such, we strongly discourage shareholders from physically attending the meeting and to submit their Form of Proxy electronically or by post appointing the Chairman of the meeting to vote on their behalf.

The voting results for the 2021 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

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, the Board believed it prudent to protect the Company's liquidity position and an interim dividend was not declared for FY 2020/21.

A final dividend of 42.5p per share has been proposed and, subject to approval at the AGM on 14 July 2021, will be paid according to the following timetable:

Ex-dividend date:	1 July 2021
Final dividend record date:	2 July 2021
Deadline for return of DRIP mandate forms:	16 July 2021
Final dividend payment date:	6 August 2021

The ADR local payment date will be approximately five business days after the proposed dividend payment date for ordinary shareholders.

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 £2,000 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.

Financial calendar

AGM:	14 July 2021
First quarter trading update:	16 July 2021
Interim results announcement:	November 2021
Third quarter trading update:	January 2022
Preliminary results announcement:	May 2022

Registered office

Burberry Group plc
Horseferry House
Horseferry Road
London SW1P 2AW
Registered in England and Wales
Registered Number 03458224 Burberryplc.com

Share buy-back

The Company has not undertaken a share buy-back in FY 2020/21.

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 USA 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.

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