Setting a high standard of governance

My role is to ensure the Board operates effectively, is well managed, complies with the requirements of the Code and has the correct balance of diversity, skills and experience to execute the strategy set by the Board.

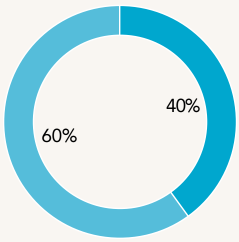
Andrew Higginson
Independent Non-Executive Chairman

Dear Shareholder

The Board is committed to meeting a high standard of corporate governance and to comply with the principles in the UK Corporate Governance Code issued by the UK Financial Reporting Council in 2014 (the 'Code'). This Corporate Governance statement explains the key features of the Group's governance structure and how it complies with the Code.

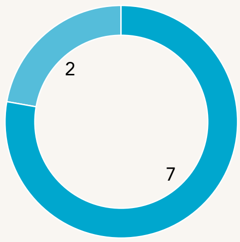
Statement of Compliance with the Code
The Group applied the provisions of the Code and the UK Financial Conduct Authority's Disclosure Guidance and Transparency Rules throughout the year. The following paragraphs explain how the main principles of the Code have been applied. The Directors' Remuneration Report contains further details on pages 72 to 85. In addition, disclosures required by the Disclosure Guidance and Transparency Rules (rule 7.2.6) regarding share capital can be found on page 61.

EMPLOYEE DIVERSITY (%)



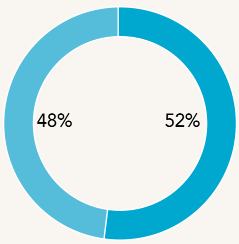
- Male 1,069
- Female 1,573

BOARD COMPOSITION



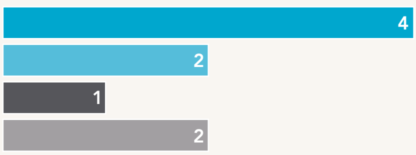
- Non-Executive Directors
- Executive Directors

SENIOR MANAGEMENT (%)



- Male 24
- Female 22

COMMITTEE MEETINGS DURING 2016/17



- Audit committee
- Remuneration committee
- Nomination and Governance committee
- CSR committee

Employee data as at 6 March 2017.

Committees of the Board

Audit Committee

Ron McMillan
(Chair)

Lesley Jones

Richard Moross[1]

Remuneration Committee

Fiona Laird
(Chair)

Ron McMillan

Richard Moross[2]

Nomination and Governance Committee

Fiona Laird
(Chair)

Andrew Higginson

Lesley Jones

Ron McMillan

CSR Committee

Fiona Laird
(Chair)

Angela Spindler
(Chief Executive)

Theresa Casey
(General Counsel, Company Secretary and Group Head of CSR)

Ralph Tucker[3]
(Product Director)

Ian Carr[3]
(Logistics Director)

Tanya McCartney[3]
(Head of Culture, Talent and Policy)

Audit Committee – Activities

During the year the Committee considered, amongst other things, the Group's approach to and methodologies for provisioning bad and doubtful debt and inventory, the Group's exposure to corporate tax and VAT, the capitalisation of software costs, FCA compliance (including regulatory provisioning), internal controls and risk.

Audit Committee – Outlook

The Committee will continue to exercise oversight over published financial information and the effectiveness of audit.

It will also review the implementation of Fit 4 the Future and the introduction of new Financial Services products.

Remuneration Committee – Activities

Key activities for the Committee included support and oversight of progress in relation to gender pay gap reporting and the introduction of the amended LTIP. The Committee also reviewed the remuneration packages of all executive Directors and senior executives and monitored the approval of the remuneration policy at the 2016 AGM.

Remuneration Committee – Outlook

The Committee will build on the work completed so far in relation to gender pay gap reporting. It will continue to monitor the remuneration of Directors and senior executives to ensure they are appropriate.

Nomination and Governance Committee – Activities

Our activities this year have included the appointment of Richard Moross, a Board evaluation exercise and a review of the composition and membership of the Committees in light of the current composition, skills, expertise and experience of the Board.

Nomination and Governance Committee – Outlook

The chairship of the Committee will move to Lesley Jones. In the forthcoming year the Committee will focus on Board development and succession planning in order to strengthen the Board further.

Together with our appointed consultants we will seek to appoint a suitably skilled and experienced Non-Executive Director to replace Fiona.

CSR Committee – Activities

We have agreed a new three year strategy and have a new ethical team in place to support this. Theresa Casey has taken on the role of Group Head of CSR and we have set up a cross divisional working group. Our CSR activities have been further aligned with our corporate activities to ensure we are living our GUSTO values in everything we do.

CSR Committee – Outlook

Our focus for 2018 will be working towards the challenges we have set. We are also continuing to increase transparency in our supply chain, increasing our environmental commitments and preparing a revised Modern Slavery Statement to be released in October.

1 Appointed 6 October 2016.
2 Appointed 3 January 2017.
3 Appointed 13 April 2016.

Angela Spindler

Chief Executive

Appointed to the Board
2013

Relevant skills, qualifications and experience
Angela was appointed Chief Executive Officer in July 2013 and has over 30 years of consumer facing business experience and 20 years of retail experience. This includes roles at Coca Cola, Mars Inc, Asda, Debenhams and the Original Factory Shop. Angela studied at Manchester University.

Key strengths
Change management
Retail
Multi-channel retail
Strategy development
Management
Marketing
Business planning

External appointments
Angela currently serves as a Non-Executive Director of DIA, which is listed on the Madrid stock exchange.

Angela was a Non-Executive Director of Manchester Airport Group until 31 March 2016.

Meetings attended
8/8

Andrew Higginson

Independent Non-Executive Chairman

Appointed to the Board
2012

N

Relevant skills, qualifications and experience
Andrew was appointed a Director in July 2012 and became Chairman in September 2012. Andrew spent over 20 years in executive retail roles, including positions with Laura Ashley Holdings, The Burton Group and Tesco.

Key strengths
Retail
Strategy
Finance
Board governance

External appointments
Andrew is currently the Chairman of WM Morrison Supermarkets PLC and ITC Luxury Travel. He is a Non-Executive Director of Woolworths Holdings Limited (South Africa).

Meetings attended
8/8

Craig Lovelace

Chief Financial Officer

Appointed to the Board
2015

Relevant skills, qualifications and experience
Appointed in May 2015. Formerly Group Chief Financial Officer for General Healthcare Group Ltd since 2011 and prior to this, held a number of senior UK and international finance roles at Regus Plc, Electronic Arts Inc and PwC. Craig is a fellow of the ICAEW.

Key strengths
Financial reporting
Financial strategy
Corporate finance
Restructuring
Tax and treasury
Business planning
Governance and compliance
Investor relations

External appointments
None.

Meetings attended
8/8

Lord Alliance of Manchester CBE

Non-Executive Director

Appointed to the Board
1968

Relevant skills, qualifications and experience
Appointed a Director and Chairman in 1968. Stood down as Chairman on 1 September 2012. Co-founder and former Chairman of Coats Viyella Plc. Lord Alliance holds numerous honorary doctorates including awards from Heriot-Watt University and the University of Manchester.

Key strengths
Detailed knowledge of N Brown
Retail

External appointments
Lord Alliance is also a director of a number of private companies, committees and trustee bodies. He was appointed a life peer in 2004.

Meetings attended
8/8

Ivan Fallon

Non-Executive Director

Appointed to the Board
1994

Relevant skills, qualifications and experience
Appointed a Director in 1994. Ivan was Chief Executive of Independent News & Media (UK) until March 2010 and a leading financial journalist.

Key strengths
Financial journalism
Management

External appointments
None.

Meetings attended
8/8

Ron McMillan

Independent Senior Non-Executive Director

Appointed to the Board
2013

A N R

Relevant skills, qualifications and experience
Appointed a Director on 1 April 2013. Ron is Senior Independent Director and Chairman of the Audit Committee.

Previously, he was the Deputy Chairman of PricewaterhouseCoopers in the Middle East and Northern Regional Chairman of the UK firm.

Key strengths
Finance
Financial reporting
Governance
Risk management

External appointments
Ron is also Chairman of the Audit Committee of B&M Value Retail SA, 888 Holdings Plc and SCS PLC.

Meetings attended
8/8

Fiona Laird

Independent Non-Executive Director

Appointed to the Board
2013

N R C

Relevant skills, qualifications and experience
Appointed a Director on 1 April 2013. Fiona is Chief Human Resources and Communications Officer for Newell Brands based in New Jersey, USA. Fiona previously served at Unilever as Senior Vice President of global Human Resources as well as in numerous other compensation and benefits, labour relations change management, communications and legal roles.

Key strengths
Human resources
Executive remuneration
Leadership development
Change management

External appointments
None

Meetings attended
8/8

Lesley Jones

Independent Non-Executive Director

Appointed to the Board
2014

A N

Relevant skills, qualifications and experience
Retired from executive life in January 2014 after 30 years in relationship and risk management at Citigroup and latterly as Chief Credit Officer for RBS Group Plc from 2008 until January 2014.

Key strengths
Finance
Governance
Risk management

External appointments
Lesley was appointed as Non-Executive Director and Board Risk Committee Chair at Close Brothers in December 2013.

Meetings attended
8/8

Richard Moross

Independent Non-Executive Director

Appointed to the Board
2016

A R

Relevant skills, qualifications and experience
As the CEO and founder of Moo.com Richard brings significant expertise in digital retailing and technology. Before founding MOO, Richard worked for the design company Imagination. Other past companies include sorted.com and the BBC.

Richard was awarded an MBE in 2015 for 'Services to Entrepreneurship'.

Key strengths
Digital retail
Technology
Change management
Entrepreneurship

External appointments
Richard served on the Board of Seedcamp and was a Non-Executive Director of Ladbrokes PLC between 2012 and 2016.

Meetings attended
3/3

Theresa Casey

General Counsel and Company Secretary

Appointed to the Board
2015

C

Relevant skills, qualifications and experience
Joined the Group in January 2015. Admitted as a solicitor in 1997, Theresa has held a number of legal and company secretarial roles in the financial services and retail sectors, including the Co-operative Bank, Shop Direct and Brown Shipley Private Bank.

Key strengths
Retail and financial services compliance
Retail and financial legal knowledge
Company secretarial practice

External appointments
None.

Meetings attended
8/8

Indicates member of the:

- A Audit Committee
- N Nomination and Governance Committee
- R Remuneration Committee
- C CSR Committee
- ■ Committee chair

Activities and results
The Directors have pleasure in presenting their Annual Report and audited financial statements for the year ended 4 March 2017. Some of the information required to be part of the Directors' Report can be found elsewhere in this document as detailed in the following paragraphs and is incorporated into this report by cross-reference.

Management Report
This Directors' Report, together with the Strategic Report set out on pages 1 to 55, form the Management Report for the purposes of DTR 4.1.5R.

Strategic Report
The Strategic Report sets out a review of the business of the Group during the year ended 4 March 2017 and the position of the Group at the end of that period to enable shareholders to assess how the Directors have performed their duty under section 172 of the Companies Act. The review also describes the principal risks and uncertainties facing the Group, provides a fair review of the Group's business at the end of the financial year and an indication of likely future developments in the business.

Risk management
The Board oversees the development of processes to manage risks appropriately. The Executive Directors and operating Board Directors implement and oversee risk management processes and report to the Board on them. The Board also identifies and reviews key business risks. Further detail can be found on pages 30 to 35.

UK Corporate Governance Code
As required by the UK Corporate Governance Code 2014 (the 'Code'), pages 16 to 17 provide an explanation of the basis on which the Group generates value and preserves it over the long term (its business model) and its strategy for delivering its objectives. The Corporate Governance Statement on pages 64 to 66 forms part of this Director's Report.

Results, dividends and reserves
The financial statements set out the Group's results for the year ended 4 March 2017 and are contained in pages 90 to 119.

An interim dividend of 5.67p per share (2016, 5.67p) was paid on the ordinary shares of the Group on 13 January 2017. The net cost of this dividend was £16.0m (2016, £16.0m).

The Directors recommend a final dividend of 8.56p per share (2016, 8.56p) for the year ended 4 March 2017, the net cost of which will be £24.2m (2016, £24.2m). The dividend will be paid on 4 August 2017.

Movements in reserves are shown in the Statement of Changes in Equity on page 93.

Composition of the Group
During the year there were no corporate acquisitions or disposals.

Share capital
Details of the Group's issued share capital are shown in note 24 on page 114.

The Group has one class of ordinary shares which carry no fixed income. Each share carries the right to one vote at general meetings of the Group. The ordinary shares are listed on the Official List and are traded on the London Stock Exchange. There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Company's Articles of Association and prevailing legislation (except as set out below in the section entitled 'Voting Rights and Restrictions on Transfers'). No person has any special rights over the Group's share capital and all issued shares are fully paid.

Details of outstanding employee share options and the operation of the relevant schemes are shown in note 29 on pages 116 to 117. The Directors have no current plans to issue shares other than in connection with employee share options.

2017 annual general meeting
The annual general meeting will be held at 12:30pm on Tuesday, 18 July 2017. The notice convening the annual general meeting will be sent to members by way of separate circular. Explanatory notes on each resolution to be proposed at the meeting will accompany the circular.

Directors
The biographies of the current Directors, are shown on pages 58 and 59. With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Code and the Companies Act.

At the 2017 annual general meeting all of the Directors will retire and will offer themselves for re-election with the exception of Ivan Fallon.

The Directors who served throughout the year in review were as follows:

Andrew Higginson	Non-Executive Chairman
Lord Alliance of Manchester CBE	Non-Executive Director
Angela Spindler	Chief Executive Officer
Craig Lovelace	Chief Financial Officer
Ivan Fallon	Non-Executive Director
Fiona Laird	Non-Executive Director
Simon Patterson	Non-Executive Director (resigned 13 April 2016)
Ron McMillan	Non-Executive Director
Lesley Jones	Non-Executive Director
Richard Moross	Non-Executive Director (appointed 6 October 2016)

Richard Moross joined the Board in October 2016 and shareholders are invited to ratify his appointment at the 2017 AGM.

Details of Directors' interests (beneficial and non-beneficial) in shares of the Group are given in the Remuneration Report on page 84 and are deemed to be incorporated into this report by cross-reference.

The powers of the Directors are described in the Board terms of reference and the Corporate Governance Statement on pages 64 to 66. The terms of reference for the Board and its Committees are available on the Group's website www.nbrown.co.uk

Other than a contract of service, no other Director had any interest in any disclosable contract or arrangements with the Group or any subsidiary Company either during or at the end of the year.

Directors' and officers' liabilities
The Company's Articles of Association provide that, in so far as the law permits, every Director of the Group or associated Company may be indemnified by the Company against liability. In accordance with section 236 of the Companies Act, 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. In addition, the Group maintains insurance for Directors and officers of the Group, indemnifying them against certain liabilities incurred by them whilst acting on behalf of the Group. Both the insurance and indemnities applied throughout the financial year ended 4 March 2017 and through to the date of this report.

Disclosure of information to auditors
The directors who held office at the date of approval of this directors report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he or she ought to have taken as director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Major shareholders
In addition to the Directors' shareholdings shown in the Remuneration Report on page 84 and in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules, the following notifications had been received from holders of notifiable interests in the Group's issued share capital at 13 April 2017:

Shareholder	Holding share capital	% of issues
Nigel Alliance OBE	31,489,256	11.07
Invesco Perpetual Asset Management	28,760,449	10.11
UBS Global Asset Management	16,778,791	5.90

Governance
The Board is committed to maintaining high standards of corporate governance. Further details are contained in the Corporate Governance Statement on pages 64 to 66.

Corporate social responsibility and greenhouse gas emissions
Details on corporate social responsibility and greenhouse gas emissions are set out on pages 46 to 55.

Charitable and political donations
During the year, the Group made charitable donations of £95,902 (2016, £13,315). No political donations have been made (2016, nil). No contributions have been made to non-EU political parties (2016, nil).

Auto-enrolment and Stakeholder pension
With effect from 1 November 2015, Zurich was appointed as provider for all qualifying employees. As at 31 May 2017 85.6% of all employees were members of a qualifying pension scheme with 1,140 employees being auto-enrolled as at the date of this report. At the date of this report the opt out rate is 4.1%.

Financial risk management, objectives and policies
The Group is exposed to certain financial risks, namely interest rate risk, currency risk, liquidity risk and credit risk. Information regarding such financial risks is detailed in note 20 on page 110. The Group's risk management policies and procedures and the table of principal risks and mitigations can be found on pages 32 to 35.

Change of control
There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, property lease arrangements and employee share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Executive Directors' service contracts are terminable by the Group on giving 12 months' notice. There are no agreements between the Group and its Directors or employees that provide for additional compensation for loss of office or employment that occurs because of a takeover bid. No relevant events were reported in the year.

Significant contracts
The Group has a number of contractual arrangements with suppliers (both of goods and services) and occupies leasehold premises for the purpose of conducting its business. Whilst these arrangements are important to the business of the Group, individually none of them are essential to the business of the Group and do not require disclosure under section 417(5) (c) of the Companies Act.

Tax status
The Company is not a close Company within the meaning of the Corporation Tax Act 2010.

Independent auditor
The Group's independent auditors, KPMG LLP ('KPMG'), have indicated their willingness to continue in office and the Audit Committee has recommended that KPMG remain in office. A resolution to re-appoint the independent auditors will be proposed at the AGM.

The auditor's fees for both audit and non-audit work are given in the Audit Committee report on page 69.

Voting rights and restrictions on transfer of shares

None of the ordinary shares in the Group carry any special rights with regard to control of the Group. There are no restrictions on transfers of shares other than:

- certain restrictions which may from time to time be imposed by laws or regulations such as those relating to insider dealing;
- pursuant to the Company's code for securities transactions whereby the Directors and designated employees require approval to deal in the Company's shares; and
- where a person with an interest in the Company's shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

The Directors are not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights. The rights and obligations attaching to the Company's ordinary shares are set out in the Articles of Association.

Amendment of the Company's Articles of Association

The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders. Where class rights are varied, such amendments must be approved by the members of each class of shares separately. The Company currently only has one class of share.

Powers of the Directors

The Directors are responsible for the management of the business of the Company and may exercise all powers of the Company subject to applicable legislation and regulation and the Company's Articles of Association.

At the 2016 annual general meeting, the Directors were given the power to issue new shares up to a nominal amount of £10,442,189. This power will expire on the earlier of the conclusion of the 2017 annual general meeting or 18 July 2017. Accordingly, a resolution will be proposed at the 2017 annual general meeting to renew the Company's authority to issue new shares.

Directors were also given the power to issue new issue shares up to a further nominal amount of £10,442,189 in connection with an offer by way of a rights issue. This authority too will expire on the earlier of the conclusion of the 2017 annual general meeting or 18 July 2017, and a resolution will be proposed at the 2017 annual general meeting to renew it.

Approval was also given at the 2016 annual general meeting for a certain number of shares up to a maximum nominal value of £1,566,328 – to be allotted pursuant to the authority granted to Directors set out above without being covered by statutory pre-emption rights regime. As with the previously mentioned approvals, this authority too will expire on the earlier of the conclusion of the 2017 annual general meeting or 18 July 2017, and a resolution will be proposed at the 2017 annual general meeting to renew this authority.

As in previous years, authorisation for the Directors to buy back the Company's shares will not be sought at the 2017 annual general meeting.

Employee share schemes – rights of control

The trustees of the N Brown Group plc Employee Share Ownership Trust hold shares on trust for the benefit of the Executive Directors and employees of the Group. The shares held by the trust are used in connection with the Group's various share incentive plans. The trustees currently abstain from voting but have the power to vote for or against, or not at all, at their discretion in respect of any shares in the Company held in the trust. The trustees may, upon the recommendation of the Company, accept or reject any offer relating to the shares in any way they see fit, without incurring any liability and without being required to give reasons for their decision. In exercising their trustee powers the trustees may take all of the following matters into account:

- the long-term interests of beneficiaries;
- the interests of beneficiaries other than financial interests;
- the interests of beneficiaries in their capacity as employees or former employees or their dependants;
- the interests of persons (whether or not identified) who may become beneficiaries in the future; and
- considerations of a local, moral, ethical, environmental or social nature.

Going concern

The Directors have adopted the going concern basis in the financial statements and their opinion is explained on pages 98 and 99.

Viability statement

In accordance with provision C.2.2 of the Code, the Directors have assessed the longer term viability of the Group and can confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due for the three year period from approval of this Annual Report.

The Group uses a three year timescale to forecast its strategic plan on a rolling basis, as it is felt that a longer period would not produce a reliable result given the current pace of development both within the Group and the wider retail sector in which it operates. The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the Group's principal risks and how these are managed, as detailed in the Corporate Governance Report.

The strategy and associated principal risks underpin the Group's three year plan and scenario testing, which the Directors review at least annually. The three year plan makes certain assumptions about our core product and financial services growth drivers, margins and operating costs, together with the Group's cash flows, general liquidity and other key financial ratios. Although the strategic plan reflects the Directors' best estimate of the future prospects of the business, they have also tested the potential impact on the Group of a number of scenarios over and above those included in the plan, by quantifying their financial impact and overlaying this on the detailed financial forecasts in the plan. The plan has been subjected to severe but plausible stress tests using four primary downside scenarios which have been derived as part of the Board's review of the Group's principal risks detailed in the Corporate Governance Report. They represent 'severe but plausible' circumstances that the Group could experience. The stress tests apply a range of sensitivities to our headline interest rate, bad debt levels, Group revenue sensitivities and current tax positions; reflecting the principal risks of the business, primarily through a reduction in the credit activities of the Group, a negative potential customer impact arising from increased LIBOR rates, potential trading restrictions dealing with the impact of a cyber attack and negative outcomes from a number of tax positions we are currently defending.

The three year plan review is solidly underpinned by the regular Board briefings provided by the Group's Operating Board and the discussion of any new strategies undertaken by the Board in its normal course of business. These reviews consider both the market opportunity and the associated risks, principally the ability to operationally deliver any new initiatives, to manage its working capital performance and the level of financial resources available to the Group. Implausible scenarios, such as multiple circumstances occurring at the same time are assumed to not occur. The Directors do not consider it plausible that any of the key risks would crystallise together in a way that would create a worst outcome over the three year assessment period. In the unlikely event of multiple risks occurring and having a particularly severe effect on the Group, all potential actions such as constraining capital spending and reducing payments to shareholders would be taken on a timely basis. Thus, the Directors believe it has the early warning mechanisms to identify the need for such actions and the ability to implement them on a timely basis if necessary.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework.

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 parent Company and of their profit or loss for that period.

In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Theresa Casey LL.B (Hons) (Solicitor)
Company Secretary
9 May 2017

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report, taken together, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board

Craig Lovelace
Chief Financial Officer
9 May 2017

Introduction
This corporate governance statement explains the key features of the Group's governance structure and how it complies with the UK Corporate Governance Code (the 'Code'). This statement also includes items required by the Listing Rules and the Disclosure Guidance and Transparency Rules ('DTRs'). Except as specifically highlighted within this statement the Directors consider that the Group has throughout the year complied with the provisions of the Code.

Leadership
The Board comprises nine Directors of whom seven are Non-Executive including the Chairman. Of the seven Non-Executive Directors, Lord Alliance of Manchester and Ivan Fallon are not considered by the Board to be independent.
Full biographical details of all Directors appear on pages 58 and 59.

The members of the Board are named below. The Board met eight times during the year. Directors' attendance at Board meetings was as follows:

	Attendance
Andrew Higginson	8/8
Lord Alliance of Manchester CBE	8/8
Angela Spindler	8/8
Ivan Fallon	8/8
Fiona Laird	8/8
Simon Patterson (resigned April 2016)	1/1
Ron McMillan	8/8
Lesley Jones	8/8
Craig Lovelace	8/8
Richard Moross	3/3

Committees
The Board delegates authority to a number of Committees to deal with specific aspects of management and to maintain supervision over the internal control policies and procedures of the Group. These Committees meet regularly and have formal written terms of reference which are available for inspection on the Company's website. The minutes of the meetings of these Committees are circulated to all Committee members in advance of the next Committee meeting, at which they are ratified. The following Committees of the Board have been established:

- an Audit Committee;
- a Remuneration Committee;
- a Nominations and Governance Committee; and
- a Corporate Social Responsibility Committee.

After each Committee meeting the Chairman of that Committee makes a formal report to the Board of Directors detailing the business carried out by the Committee and setting out its recommendations.

The Board is responsible for all major policy decisions and for determining the operational and strategic risks it is willing to take in achieving its objectives. The Board has, where necessary, delegated operational matters to its Committees and sub-Committees, and to its Executive and Operational Directors and senior officers. The Board is collectively responsible for providing effective leadership and promoting the success of the Group and works to a formal list of matters reserved for the Board (a copy of which is available on the Company's website, www.nbrown.co.uk). Matters reserved for the Board include, amongst other things, decisions on business strategy, the approval of financial statements, the annual capital and operating expenditure plans, investment, treasury and dividend policies, governance issues, major capital projects, overseeing the Group's risk control procedures, Board membership and the composition of its Committees and the Group's ethical, social and environmental policies.

The Board governs through clearly mandated Committees, accompanied by robust monitoring and reporting systems.

Responsibilities
There is a clear division of responsibilities between the Chairman, Andrew Higginson, who is responsible for the effective operation of the Board and the Chief Executive, Angela Spindler, who is responsible for the Group's operational performance. Equally there is a clear distinction between the Chair, the Senior Independent Director and the Non-Executive Directors. The table below summarises the position:

Chair	Leader of the Board. Responsible for Board effectiveness including agendas, Board composition and Board meetings.
CEO	Head of operational matters. Leader of the executive team.
SID	Point of contact for shareholders if required. Co-ordinator of NED only meetings.
NEDs	Provide constructive challenge and alternative views to the Board. Evaluate the performance of the Chair.

Board activities

Some of the key activities that the Board has covered over the past year are:

Strategy
Development of a strategy tracker.
Oversight of the Fit 4 the Future development.
In depth reviews of strategy in key areas of the business such as logistics and retail.

Operational
Reviewing a three year financial plan of the business.
Assessing marketing return on investment.
Focused updates on various areas of the business, such as retail stores and traditional brands.

Regulatory
Oversight of the successful FCA application.
Review of the tax and pensions provisions of the Company.
Assessment of the viability statement, Group contingent liabilities, treasury policy and regulatory provisions.

Stakeholder issues
Examining the results of a colleague engagement survey and talent mapping.
Successfully recruiting Richard Moross as Non-Executive Director.
Approving the Annual Report.

Governance
Re-evaluating the Company's risk management processes and risk appetite to ensure they are still appropriate.
Reviewing the governance structure of the Company.
Assessing the effectiveness of current governance arrangements for outsourcing.

The Chairman was considered independent at the time of his appointment.

The Board understands the need for Non-Executive Directors to be and remain independent of the management in order to be able to exercise proper oversight and effectively challenge the Executive Directors. The Non-Executive Directors who served during the financial year ended 4 March 2017 were:

- Andrew Higginson (Chairman);
- Lord Alliance of Manchester;
- Ivan Fallon;
- Fiona Laird;
- Simon Patterson (resigned April 2016)
- Richard Moross (appointed October 2016)
- Ron McMillan (Senior Independent Director); and
- Lesley Jones

A number of Non-Executive Director only meetings were held this year to allow NEDs to discuss matters without the Executive Directors present.

Day-to-day management of the Group's activities is delegated to the operational board, known as the Operating Board, on which Angela Spindler and Craig Lovelace sit as Chief Executive Officer and Chief Financial Officer respectively.

In November the members of the Board met with the Operating Board over a two day period to review the progress being made against, and the future development of, the Group's long-term rolling strategic plan.

Effectiveness

The Board considers that, throughout the year, at least half of the Board, excluding the Chairman, comprised independent Non-Executive Directors and that the composition of the Board had the necessary balance of executive and Non-Executive Directors to provide the requisite skills, experience, challenge and judgement appropriate for the requirements of the business and full Board effectiveness.

The composition of the Board sub Committees is regularly reviewed and has been refreshed part way through this year. Where appropriate, the Committees will invite others to attend.

The appointment of Richard Moross, our most recent Board appointment, further strengthens the digital skills and knowledge of the Board, thereby reflecting our digital first strategy.

Diversity

The Board recognises the importance of diversity, including gender, at all levels of the Company as well as on the Board. The Company is committed to equal opportunities and increasing diversity across our operations in terms of relevant skills, experience, ethnicity and gender. The Board now comprises six male Directors and three female Directors. The Board continues to consider how diversity can be enhanced through the Board and the senior management teams and across the Group generally, whilst ensuring that it appoints only the most appropriate candidates to the Board.

We currently have 33% female diversity at Board level and 30% on the Operating Board. This means we are already in line with the 33% target for 2020 set by the Davies report, and significantly higher than the current FTSE 250, who have achieved representation at 20.4%. We believe that gender representation makes good business sense, given that women make up over half of the UK population and almost 60% of our total workforce.

Strengthening our executive pipeline remains a priority for us and we continue to open up new opportunities for women in the business, working with head-hunters and agencies that can provide true gender diversification in their candidate bases.

To provide role models in the business and break the glass ceiling we are members of 'Women on Boards'. Our aim is to allow development of Board Directors and to allow Directors to take up Non-Executive roles in other businesses where opportunities arise.

At the date of this report the gender split (male/female, senior management and entire workforce) is as per the table and diagram below:

Board appointments

All appointments to the Board follow a formal, rigorous and transparent process to ensure we are appointing the best possible candidate. Due regard is given to the needs of the Board in respect of skills, experience, independence and diversity. The appointment of Richard Moross was facilitated by external consultants MWM Consulting LLP.

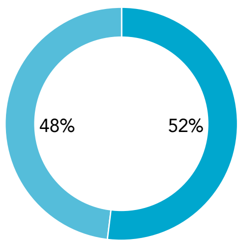
Appointments to the Board are made solely on merit based on the skills and experience offered by the candidate and required by the role. This ensures that all appointees have the best mix of skills and time to devote themselves effectively to the business of the Board and to discharge their duties to the best of their ability.

Prior to appointment to the Board all Directors are informed of the expected time commitment. At the time of writing there are no concerns that any of the current Directors will be unable to commit sufficient time to the role. We have evaluated the commitments of the Chairman and are satisfied he has sufficient time to devote to his role.

External appointments or other significant commitments of the Directors require the prior approval of the Board. Details of such external appointments can be found in the Directors' biographies set out on pages 58 and 59.

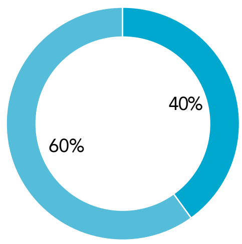
	Male		Female	
	Heads	% Split	Heads	% Split
Senior management	24	52%	22	48%
All employees	1069	40%	1573	60%

SENIOR MANAGEMENT (%)



- Male 24
- Female 22

EMPLOYEE DIVERSITY (%)



- Male 1,069
- Female 1,573

Employee data as at 6 March 2017.

The Articles of Association of the Company give the Directors the power to consider and, if appropriate, authorise conflict situations where a Director's declared interest may conflict or does conflict with the interests of the Company.

Procedures are in place at every meeting for individual Directors to report and record any potential or actual conflicts which arise. The register of reported conflicts is reviewed by the Board at least annually. The Board has complied with these procedures during the year.

Board development
The Company Secretary provides an on-going programme of briefings for Directors covering legal and regulatory changes and developments relevant to the Group's activities and Director's areas of responsibility. The Company Secretary is also responsible for the induction of new Directors. New Directors are provided with a comprehensive pack of information (including terms of reference, information regarding the business and guidance on their roles and duties as Directors) and meetings/site visits with key employee contacts are arranged as appropriate. Inductions to the business for new Directors are designed to expose them to all areas of the Group's operations but with particular emphasis on each Director's area of expertise.

Non-Executive Directors meet with operational teams and the Operating Board and undertake site visits to ensure that they have the most up-to-date knowledge and understanding of the Company and its activities and to enable the broader population of the Group to benefit from the skills and experience of the Non-Executive Directors. All Board members are permitted to obtain independent professional advice in respect of their own fiduciary duties and obligations and have full and direct access to the Company Secretary, who is a qualified solicitor and who attends all Board and Committee meetings as Secretary.

The Chairman regularly reviews and agrees with each Director their training and development needs.

Board administration
Board papers include detailed management reports from the Chief Executive and the Chief Financial Officer, management accounts, broker analyses, compliance and regulatory briefings and bespoke reports. A comprehensive pack of papers is electronically circulated to each Director not less than seven days prior to each Board meeting. Budgetary performance and forecasts are reviewed and revised at each meeting. Outside of the meeting there is a regular flow of information between the Directors including the weekly dissemination of management information statistics.

Board evaluation
The Board, having carried out a performance evaluation, believes the performance of the Chairman and Directors, and their commitment to their respective roles, continues to be fully effective and the Board and its Committees continue to provide appropriate oversight and challenge.

In accordance with Main Principle B.6 of the Code an internal effectiveness review of the Board and its Committees was undertaken during the second half of the year by way of a tailored, high-level questionnaire which was distributed for the Directors to complete.

The responses to the evaluation of the Board and its Committees were reviewed with the Chairman and then considered by the Board. The overall view was that the Board remains effective, positive and cohesive and there has been progress in relation to the areas for improvement identified in the 2016 evaluation exercise. As with all evaluations an action plan has been agreed by the Chairman as a result of the evaluation and, based on this, the Board has agreed a set of objectives for 2017/18.

Beyond the annual evaluation, the performance of the Executive Directors is continuously monitored throughout the year by the Chairman and the senior Non-Executive Director.

Election of Directors
Pursuant to the Code, all Directors are required to retire and submit themselves for re-election annually. Accordingly, each of the Directors will retire at the forthcoming annual general meeting and offer themselves for reappointment at that meeting with the exception of Ivan Fallon who will not be seeking re-election.

All Non-Executive Directors serve on letters of appointment stipulating 3 year terms, apart from Ivan Fallon who remains on a three month rolling arrangement. All appointments are terminable, without compensation, on between three and six months' notice by either party and are subject to other early termination provisions without compensation, for example in the event a Director is not re-elected at the annual general meeting.

Accountability
The Directors have carried out a robust assessment of the principle risks facing the Company including those which would threaten its business model, future performance, solvency or liquidity. The Board monitors the Company's risk management and internal control systems and at least annually carries out a review of the effectiveness and reports on the review in the Annual Report.

The Audit Committee report on page 67 and the risk report on pages 30 to 35 set out the position of the Board on the risk to the Company, internal controls and its' prospects in relation to this.

Remuneration
The Directors' Remuneration Report setting out the remuneration policy and its implementation this financial year is on page 72 to 85.

No Director is involved in the approval of his or her own remuneration.

Details of Directors' contract terms are shown in the Remuneration Report on pages 77 and 79. In accordance with the Code, the Company has made the terms and conditions of appointment of the Non-Executive Directors available for inspection.

Relations with shareholders
The Board recognises the importance of good two way communications between the Company and shareholders. Accordingly, the Board welcomes the opportunity to discuss the contents of this report with shareholders at the N Brown Group AGM, details of which are to follow.

Other matters
The Audit Committee report and Strategic Report include additional information which forms part of the Corporate Governance Statement.

Ron McMillan
Chairman of the Audit Committee

The Audit Committee

Member	No. of meetings
Ron McMillan (Chairman)	4/4
Lesley Jones	4/4
Fiona Laird (resigned 6 October 2016)	1/1
Richard Moross	1/1

The Committee met four times during the year and attendance was as follows:

Responsibilities

Reviewing the integrity of the financial statements, price sensitive financial releases and significant financial judgements and estimates relating thereto;

Monitoring the scope of work, quality, effectiveness and independence of the external auditors and approving their appointment and fees;

Monitoring and reviewing the independence and activities of the internal audit function;

Assisting the Board with the development and execution of a risk management strategy, risk policies and exposures and a risk register;

Keeping under review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems; and

Making recommendations to the Board in relation to the appointment of the external auditor.

Dear Shareholder,

The Audit Committee acknowledges and embraces its role of protecting the interests of shareholders as regards the integrity of published financial information and the effectiveness of audit.

In so doing, the Committee exercises oversight of the Group's financial policies and reporting, monitors the integrity of the financial statements and reviews and considers significant financial and accounting estimates and judgements. The Committee satisfies itself that the disclosures in the financial statements about these estimates and judgements are appropriate and obtains from the external auditor an independent view of the key disclosure issues and risks.

In relation to risks and controls, the Committee ensures that these have been identified and that appropriate responsibilities and accountabilities have been set.

A key responsibility of the Committee is to review the scope of work undertaken by the internal and external auditors and to consider their effectiveness.

During the year, the Committee again oversaw the process used by the Board to assess the viability of the Group, the stress testing of key trading assumptions and the preparation of the viability statement which is set out on pages 62 to 63 in the Directors' Report.

The Committee has also considered the narrative at the front end of the Annual Report and believes that sufficient information has been provided to give shareholders a fair, balanced and understandable account of the Group's business.

Further information on the Committee's responsibilities and the manner in which they have been discharged is set out below.

I shall be available at the annual general meeting in July to answer any questions you may have on this report and would like to thank my colleagues on the Committee for their help and support during the year.

Ron McMillan
Chairman of the Audit Committee

Committee composition
The Committee comprises three members, each of whom is an independent Non-Executive Director. Two members constitute a quorum. The Committee requires the inclusion of one financially qualified member with recent and relevant financial experience. The Committee chair fulfils that requirement. All members are expected to have an understanding of financial reporting, the Group's internal control environment, relevant corporate legislation, the roles and function of internal and external audit and the regulatory framework of the business. As reflected in the biographical details on pages 58 to 59, the Committee members have significant experience of working in or with companies in the retail, financial services and consumer goods sectors.

The members of the Committee during the year were:

- Ron McMillan (Chair)
- Lesley Jones
- Fiona Laird (resigned 6 October 2016)
- Richard Moross (appointed 6 October 2016)

Details of Committee meetings and attendances are set out on page 67 and the timing of Committee meetings is set to accommodate the dates of releases of financial information and the approval of scope of and reviews of outputs from work programmes executed by the internal and external auditors. In addition to scheduled meetings, the chairman of the Committee met with the CFO, the head of internal audit and the external auditors on a number of occasions during the year.

Although not members of the Committee, Angela Spindler as CEO, Craig Lovelace as CFO, the General Counsel and representatives from the internal and external auditors attend all meetings and, in addition, the Chairman of the Board regularly attends meetings.

Committee activities in 2016/17
In discharging its oversight of the matters referred to in the introductory letter to this report and as set out below, the Committee was assisted by management, the General Counsel and the internal and external auditors.

The recurring work of the Committee comprised:

- Consideration of the Annual Report and financial statements of the Group;
- Consideration of the interim results report and non-statutory financial statements of the Group for the half year;
- Consideration of the significant areas of accounting estimation or judgement;
- Consideration of the significant risks included in the Annual Report;
- Approval of the external auditors' terms of reference, audit plan and fees; and
- Approval of the internal audit plan.

The key matters considered by the Committee during the year include the following:

Regulatory environment
The Group is regulated by the FCA under a licence granted on 21 September 2016. Changes in laws and regulations impact the Group's business, sector and market and the Committee continues to review the outputs of work carried out by the Group's compliance function in order to satisfy itself that action is being taken to address the changes that are required to comply with the regulations. Provisions made for customer redress require significant levels of estimation and judgement. The Committee has considered the assumptions applied in recording such provisions, including the complaint volume, complaint uphold rate and average redress rates and consider the provisions recorded to be appropriate. A priority for 2017 was the oversight of more flexible and personalised financial services products. These remain under development and the Committee will carry this priority into 2018.

Capitalisation of software development costs
The Group's Fit 4 the Future programme is ongoing and the Committee will continue to review the treatment of the significant software and project costs in order to satisfy itself that the Group's approach to capitalisation of these costs remains appropriate. In this regard, the Committee has been assisted by both internal and external audit.

Marketing costs
An objective for the Committee in 2017 was the review of marketing investment. This responsibility was assumed by the Board.

Bad and doubtful debts
The Group's methodology to determine provisions for bad and doubtful debts in its credit ledgers is both complex and judgemental. A significant part of the external audit is focused in this area and the Committee seeks assurance from the finance function and the auditors that the approach to provisioning is consistent year on year or, if not, that changes are being made to better reflect changing economic or commercial circumstances.

Tax exposures
The Group continues to have a number of open tax items with the tax authorities and the calculation of the Group's potential liabilities or assets in respect of these continues to involve a degree of estimation and judgement. The Board sets and oversees the Group's tax strategy including tax risk. In undertaking this task the Group uses its tax advisers (Deloitte) and legal counsel. During the year the Group's tax advisers have kept the Committee appraised of existing and emerging risks, and the Committee and the Board have considered the appropriateness of related tax provisions and assets and their disclosure in the Group's financial statements.

Inventory Valuation
Provision is made where the net realisable value of stock is estimated to be lower than the cost. The Committee recognises that there is an element of uncertainty in relation to the estimation of net realisable value but considers that, taking into account historical experience, likely future selling values and the availability of disposal channels, the provision is appropriate.

Internal controls
The Board has overall responsibility for ensuring that the Group maintains a sound system of internal control. There are inherent limitations in any system of internal control and no system can provide absolute assurance against material misstatements, loss or failure. Equally, no system can guarantee elimination of the risk of failure to meet the objectives of the business. Against this background, the Committee has helped the Board develop and maintain an approach to risk management which incorporates risk appetite, the framework within which risk is managed and the responsibilities and procedures pertaining to the application of the policy.

The Group is proactive in ensuring that corporate and operational risk are identified and managed. A corporate risk register is maintained which details:

1. The risks and impact they may have
2. Actions to mitigate
3. Risk scores to highlight the implications of occurrence
4. Ownership
5. Target dates for actions to mitigate

A description of the principal risks is set out on pages 30 to 35. The Board has confirmed that it has carried out a robust assessment of the principal risks facing the Group, including those which threaten its business model, future performance, insolvency or liquidity.

The Board considers that the processes undertaken by the Committee are appropriately robust, effective and in compliance with the guidelines issued by the Financial Reporting Council. During the year, the Board has not been advised by the Committee, nor has it identified itself, any failings, frauds or weaknesses in internal control which it has determined to be material in the context of the financial statements.

The Committee continues to believe that appropriate controls are in place throughout the Group, that the Group has a well-defined organisational structure with clear lines of responsibility and a comprehensive financial reporting system. The Committee also believes that the Company complies with the FRC guidance on risk management, internal control and related financial business reporting.

Going concern

The Committee considered the going concern position of the Group and the viability statement set out on page 62. In so doing, the Committee ensured that the assumptions underpinning forecasts were stress tested and that the factors which impact risks and uncertainties were properly considered.

Other activities

During the year, the Committee also received policy papers on anti-money laundering, anti-bribery and corruption, fraud and whistleblowing.

Reviewing the draft interim and Annual Reports

The Committee considered in particular the following:

- The accounting principals, policies and practices adopted and the adequacy of related disclosures in the reports;
- The significant accounting issues, estimates and judgements of management in relation to financial reporting;
- Whether any significant adjustments were required as a result of the audit;
- Compliance with statutory tax obligations and the Group's tax policy;
- Whether the information set out in the Strategic Report was balanced, comprehensive, clear and concise and covered both positive and negative aspects of performance; and
- Whether the use of 'alternative performance measures' observed IFRS measures.

Internal audit

The head of internal audit has a direct reporting line to the Committee and attends all Committee meetings. During the year, internal audit undertook a programme of work which was discussed with and agreed by both management and the Committee and which was designed to address both risk management and areas of potential financial loss. Internal audit also has established procedures within the business to ensure that new risks are identified, evaluated and managed and that necessary changes are made to the risk register.

During the year, the Committee received reports from internal audit on the following topics:

- Fit 4 the Future
- Outsourcing providers
- Stock audits
- Retail stores
- Employee expenses
- Business continuity plan
- PCI compliance
- FCA compliance
- Group imports
- Warehouse expansion project
- Risk management
- Fraud review

In relation to each of the above, internal audit made recommendations for improvements, the vast majority of which have been or are being implemented by management.

The Committee has evaluated the performance of internal audit and has concluded that it continues to provide helpful and constructive challenge to management and demonstrates a commercial and constructive view of the business.

External auditors

KPMG were appointed as external auditors on 14 July 2015. The partner who has been responsible for the audit since KPMG were appointed is Stuart Burdass, a partner in the Manchester office. The total fees paid to KPMG for the year ended 27 February 2017 were £430,000, of which £110,000 was in respect of non-audit services. Further details are set out in note 6 to the financial statements.

The Board's policy in relation to the auditors undertaking non-audit services is that they are subject to tender processes with the allocation of work being done on the basis of competence, cost effectiveness, regulatory requirements, potential conflicts of interest and knowledge of the Group's business. KPMG LLP has, during the year provided non-audit services in the form of pensions advisory work (a project which commenced before they were appointed as auditors). The Committee is satisfied that, in relation to these services, KPMG LLP has taken actions to ensure that any potential conflicts of interest are properly managed.

The Committee remains mindful of the attitude investors have towards the auditors performing non-audit services and the new legislation which is operative for accounting periods beginning on or after 17 June 2016. This new legislation introduces a permitted non-audit services fee cap of 70% of the average audit fee over a consecutive three year period. This cap will come into affect for the Group in the financial year ending February 2021.

The Committee has reviewed the performance of KPMG, a process which involved Committee members, the Chairman, the CEO, the CFO and senior members of the finance function and the General Counsel.

The overall conclusion of the process was that KPMG's work was thorough and professional and it was, therefore, the Committee's recommendation that the reappointment of KPMG be put to shareholders at the annual general meeting on 18 July 2017. Given that this was only the second year of KPMG's tenure as auditors, the Board has no present plans to consider an audit tender process.

The Committee reviewed the reports prepared by KPMG on key audit findings and the control environment, as well as the recommendations made by KPMG to improve processes and controls together with management's responses to those recommendations.

Fiona Laird
Chair of the Nomination and Governance Committee

The Nomination and Governance Committee

Member	No. of meetings
Fiona Laird (Chair)	1/1
Andrew Higginson	1/1
Lesley Jones	1/1
Ron McMillan	1/1
Simon Patterson (resigned 13 April 2016)	0/0

The Committee met on one occasion during the year and attendance was as above.

Responsibilities

Identifying and nominating candidates to fill Board vacancies having evaluated the balance of skills, knowledge and experience already on the Board and identified the capabilities required for a particular appointment;

Succession planning, taking into account the skills and expertise needed on the Board in the future;

Reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board with regard to any changes; and

Reviewing the leadership needs of the Group to ensure the continued ability of the organisation to compete effectively in the marketplace.

Priorities for 2018

Linking the long term strategy to succession planning.

Utilising the Board evaluation to develop succession planning and training for Board members.

Identifying and nominating a suitable candidate to replace Fiona Laird.

Dear Shareholder,

The objectives of the Committee are to ensure the Board comprises individuals possessing the requisite skills, knowledge and experience and to review and make recommendations to the Board to ensure that the Company's arrangements are consistent with best practice corporate governance standards.

The Nomination and Governance Committee was chaired by me throughout the year since the resignation of Simon Patterson on 13 April 2016. The other members of the Committee are currently Andrew Higginson, Lesley Jones and Ron McMillan.

The formal terms of reference for this Committee require it to make recommendations to the Board for appointments of Directors including, when appropriate, the Chair of the Board and also Directors of the Operating Board and other senior executive staff of the operating company. Where appropriate, the Chief Executive and Company Secretary are invited to attend meetings of the Committee.

During the year the Committee met on one occasion with full attendance by all members. Activities undertaken during the year included a review of the Committee's terms of reference, the company's succession planning, recruitment of a new Non-Executive Director and a Board evaluation.

The Committee evaluates Board candidates on merit, against objective criteria, taking into account the skills and experience required to perform the duties of the post with due regard to diversity and gender. Where appropriate, external search consultants are engaged.

This year we are delighted to have recruited Richard Moross in the position of independent Non-Executive Director. Richard brings with him specialist skills in digital retailing which I believe will be invaluable to the Board.

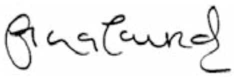
MWM Consulting LLP ('MWM') were appointed by the Committee as external agents to assist in the discharge of its duties and assisted the Committee with a comprehensive external candidate search and selection process to find a suitable replacement independent Director with the appropriate mix of skills and experience. MWM has no other connection with the Company.

As has been mentioned earlier in the Annual Report I will be resigning from the Committee and the Board as soon as a suitable replacement has been found.

Ivan Fallon will also be leaving the Board in July as he will not be seeking re-election at the 2017 AGM.

Consultants have been engaged to commence the process for my replacement. As Ivan Fallon is not considered independent no replacement for him will be sought.

The new Chair of the Nomination and Governance Committee, Lesley Jones, will report on this in more detail in the next Annual Report.



Fiona Laird
Chairman of the Nomination and Governance Committee

Fiona Laird
Chairman of the CSR Committee

The CSR Committee

Member	No. of meetings
Fiona Laird (Chair)	2/2
Angela Spindler (Chief Executive Officer)	2/2
Theresa Casey (Company Secretary and Group head of CSR)	2/2
Andrew York (Ethical Trading Manager – resigned 1 April 2016)	1/1
Ralph Tucker (Product Director)	1/1
Ian Carr (Logistics Director)	1/1
Tanya McCartney (Head of Culture, Talent and Policy)	1/1

The committee met twice during the year and attendance was as above.

Responsibilities

Reviewing and making recommendations to the Board concerning matters of Group policy on all areas of Corporate Social Responsibility ('CSR');

Reviewing and reporting on how we look after our environment, source our products and work with the community and our employees; and

Updating shareholders or a wider audience as necessary on the work of the Committee.

Priorities for 2018

Introducing and overseeing the effectiveness of the new 3 year CSR strategy.

Overseeing the implementation of the Gender Pay Gap reporting.

Monitoring the delivery of ethical trading.

Dear Shareholder,
The Committee has enjoyed another busy and productive year.

We successfully launched the Group's CSR Charter in 2015 to highlight our passion for fair fashion, entitled 'Taking Care of Our World'. The Charter is designed to align with and implement our three CSR pillars of 'All People, One Planet, Every Product'. We are delighted to report that progress is in line with our expectations. Further detail on this is available in the CSR report on page 46.

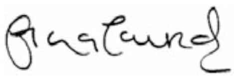
The Committee's oversight of the Group's CSR activities has encouraged further alignment of our ethical policies with our commercial with tangible results and benefits.

As is expected of a CSR Committee we continue to be involved in a wide range of issues touching every area of the business. Over the year the Committee has discussed modern slavery, charity engagement, anti-bribery and corruption, living wage and set new environmental targets amongst many others.

Our Modern Slavery statement was published in October and we intend to build on this year on year to further reduce the risk of slavery in our supply chain. The revised version of the statement will be released in October providing an update on the actions and initiatives we have in place to combat the risk of slavery in our supply chain.

This year we refreshed the membership of the Committee. In April 2016, we welcomed Ian Carr, Ralph Tucker and Tanya McCartney to report on Planet, Product and People respectively. In addition, Theresa Casey has been appointed the Group Head of CSR and oversees operational progress on CSR matters.

There will be further changes in the coming months and I wish the Committee the best of luck with their endeavours.



Fiona Laird
Chairman of the CSR Committee

Fiona Laird
Chair of the Remuneration Committee

The Committee twice during the year and attendance was as follows:

The Remuneration Committee

Member	No. of meetings
Fiona Laird (Chair)	2/2
Ron McMillan	2/2
Richard Moross	1/1

Responsibilities

Setting and reviewing the remuneration policy and determining the total individual remuneration package for all Executive Directors, the Company's Chairman and other designated senior executives;

Recommending and monitoring the level and structure of remuneration for senior management having regard to pay and employment conditions across the Group;

Approving the design of, and determining targets for, any performance-related pay schemes operated by the Company and approving the total annual payments made under such schemes (in accordance with provisions of the Code);

Reviewing the design of all share incentive plans for approval by the Board and shareholders;

Overseeing any major changes in employee benefits structures throughout the Company or Group; and

Ensuring that the Company maintains contact as required with its principal shareholders about remuneration.

Priorities for 2018

The Committee will continue to foster a close relationship with shareholders in developing the remuneration policy;

The Committee will continue to monitor the remuneration of Directors and ensure it is appropriate; and

The Committee will oversee the implementation of new requirements in relation to gender pay gap reporting.

Dear Shareholder,
I am pleased to present the Directors' Remuneration Report for 2016/17 on behalf of the Board and to summarise the Remuneration Committee's main activities during the year.

This report contains the following parts:

- This 'Annual Statement', which identifies the key messages on remuneration for the year under review and explains the business context in which the Committee's major decisions during the period were taken;
- An 'Annual Report on Remuneration', which provides shareholders with details of the remuneration that was actually delivered to the Company's Directors during 2016/17. This final part of the report will be subject to an advisory vote at the forthcoming annual general meeting; and
- The 'Directors' Remuneration Policy' which was approved by shareholders at the 2016 AGM and is included in this reports for ease of reference.

The Group has undergone significant transformation and is keen to ensure that the incentive arrangements remain appropriate. The changes proposed last year were approved by shareholders at the 2016 AGM and have therefore been implemented during this financial year.

The Board believes that maintaining the highest standards of corporate governance is essential to protecting shareholder value; the alignment of remuneration with the forward looking business strategy is an integral part of this process. As such the Board fully debated and approved any payments or awards made to Directors to ensure that the incentive plans in place appropriately reward the delivery of our transformation plan whilst ensuring alignment with shareholders. We also consulted with our top ten shareholders and investor bodies on the change and took on board the feedback.

Remuneration outcomes for 2016/17

Annual bonus is paid 60% in cash and 40% deferred as a conditional award of shares that vest at the end of three years after the grant. The principal performance metric for the normal annual bonus was based on Group profit. The Committee determined that 43% of this element of the annual bonus targets had been met. The remainder of the normal annual bonus was based on meeting corporate and personal objectives and the Committee determined that 63.18% of salary was payable to the CEO and 54.53% of salary was payable to the Chief Financial Officer.

The Committee reviewed the EPS and TSR performance of the Company in respect of the 2014 Long Term Incentive Plan ('LTIP') award. The Company was ranked below median against its peers at the end of the three year performance period and did not meet the threshold EPS targets, as a result of which the award lapsed.

Upon her appointment the CEO was granted two one-off share awards as detailed in the 2013 Annual Report. Vesting of the first, over shares worth £520,000 at the time of grant, was subject to employment conditions over two years which were met in the prior year.

Vesting of the second award over shares worth £1,040,000 at the time of grant, was subject to the achievement of strategic objectives measured over a period of three years as detailed in our 2015 Annual Report, which were met in the year.

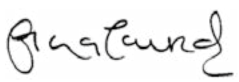
The Committee reviewed the salaries of the Executive Directors in April 2017 and determined that the CEO and the Chief Financial Officer's salaries should be increased by 2%, in line with the average increase received by the general workforce, with effect from 1 June 2017.

LTIP awards with a face value of 150% of salary in respect of Angela Spindler and 125% of salary in respect of Craig Lovelace were granted in July 2016. Vesting of these awards is subject to growth in adjusted EPS in excess of RPI (50% weighting), free cash flow (30%) and revenue (20%). In 2017 Angela Spindler and Craig Lovelace will again receive awards with a face value of 150% and 125% of salary respectively. The award will be granted in July 2017 and will be subject to the performance conditions set out above.

I will be available to answer any questions at the annual general meeting in July and very much hope that you will support the Annual Report on Remuneration at our forthcoming meeting.

I would like to thank all of my colleagues on the Remuneration Committee for all their hard work over the last year.

I am delighted with and proud of the progress the Committee has made during the last four years and I will be handing over the reigns to my successor in due course.



Fiona Laird
Chair of the Remuneration Committee

Directors' Remuneration Policy

This report sets out the information required by Part 4 of the Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended. The report also satisfies the relevant requirements of the Listing Rules of the Financial Conduct Authority, and describes how the Board has applied the principles and complied with the provisions relating to Directors' remuneration in the Code.

It summarises the Committee's remuneration policy for the Executive Directors which was approved by shareholders at the 2016 AGM and is binding for three years. The full Directors' Remuneration Policy, approved for three years from 2016 AGM, is shown on the following pages for ease of reference. Please note that the information shown has been updated to take account of the fact that policy is now approved and enacted rather than proposed.

The Committee's policy is designed to ensure that the main elements of the remuneration package are linked to the Company's annual and long-term strategy, are appropriate in quantum and capable of attracting, motivating and retaining Executive Directors. The policy aims to reward Executive Directors and senior Executives by offering them competitive remuneration packages, which are prudently constructed, sufficiently stretching and linked to long-term profitability and which do not encourage excessive risk taking.

In particular, the Committee strives to ensure that remuneration packages are:

- aligned with the Group's strategic plan;
- aligned with shareholders' interests;
- measured against stretching targets, both in absolute and relative terms;
- competitive and sufficiently flexible to support the recruitment needs of the business;
- paid in a combination of cash and shares; and
- linked to performance measured over annual and three-year performance periods.

Summary of components of Executive Directors' remuneration

The table below summarises the Committee's policy for the main components of remuneration.

ELEMENT	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE ASSESSMENT
Salary	Reflects the performance of the individual, their skills and experience, and the responsibilities of the role. Provides an appropriate level of basic fixed income.	Reviewed annually, taking account of absolute Group profitability and performance against personal and corporate objectives. Set with reference to the levels of base salary for similar positions with comparable status, responsibility and skills in competitor organisations of comparable size and complexity, in particular those in the home shopping and retail market sectors. When reviewing salary increases the Committee takes into account the impact of any increase to base salaries on the total remuneration package. Any changes normally take effect from 1 June.	Salary increases will normally be in line with increases awarded to other employees of the Group. More significant increases may be awarded at the discretion of the Committee, for example: where there is a change in responsibilities or scope of the role; to reflect individual development and performance in the role (e.g. for recent hires); or in exceptional circumstances.	None, although overall individual performance is a factor considered when setting and reviewing salaries.
Annual bonus	Drives and rewards annual delivery of financial, corporate and personal goals. Annual performance targets are aligned to the long-term strategic KPIs of the Company and aimed at increasing shareholder value, whilst being prudent and safeguarding the future of the Company. Deferral provides alignment with shareholders and assists with retention.	Targets are reviewed annually to ensure that they are appropriate to the current market conditions, the long-term strategy of the Company and that they continue to remain stretching and challenging. Bonuses will be paid 60% in cash, with 40% deferred as a conditional award of shares. Vesting of future deferred shares is at the end of three years from the award of the bonus, subject to continued employment (save in 'good leaver' scenarios). The payment of any earned bonus remains ultimately at the discretion of the Committee. Executives may also be entitled to receive dividends equivalents on vested shares.	Chief Executive: up to 150% of base salary p.a. Other Executive Directors: up to 125% of base salary p.a.	A significant majority of the annual bonus will normally be determined by reference to performance against stretching Group profit measures. Additional targets linked to corporate performance and individual targets will be applied. Personal objectives will be measurable and linked to goals that are consistent with the Group's longer-term goals. Performance below threshold results in zero payment. Payment rises from 0% to 100% of the maximum opportunity for levels of performance between threshold and maximum, with 50% of the maximum normally payable for on-target performance. Includes a 'clawback' mechanism in the event of material misstatement of the Group's financial results or individual misconduct.

ELEMENT	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE ASSESSMENT
Long-term incentive plan 'LTIP'.	Provides appropriate incentives to reward sustained success through the achievement of challenging business targets, thereby aligning the interests of shareholders and Executives.	Annual grants of performance shares which vest, subject to the Group's performance, measured over three years. Participation and all awards are subject to the discretions given to the Committee in the plan rules. Executives may also receive dividend equivalents on vested shares. The Committee retains the discretion to subject the LTIP awards to a holding period of up to two years post vesting.	Normal maximum of 150% of salary. Exceptional circumstances maximum of 200% of salary.	The performance conditions for awards granted from 2016/17 onwards will be split between growth in adjusted EPS in excess of RPI (50% of the award), free cash flow (30% of the award) and revenue (20% of the award). The Committee will have the discretion to change the weightings of measures, or use different measures for subsequent awards so that they are directly aligned with the Group's strategic objectives for each performance period. Targets are set by the Remuneration Committee prior to each grant and will be based on a sliding scale. For each measure, performance below threshold results in zero payment. Payment rises from 25% at threshold to 100% of the maximum opportunity at a maximum performance level. Includes a 'clawback' mechanism in the event of a material misstatement of the Group's financial results or individual misconduct.
All-employee share schemes (SAYE and SIP)	All employees, including Executives, are able to acquire shares by participating in the Group's all-employee share plan at the discretion of the Committee.	The Group operates an HM Revenue & Customs approved savings related share option scheme for the benefit of Group employees provided that they have completed at least six months' service. Participation in the SIP may also be offered.	The plans are subject to statutory individual limits as amended from time-to-time or such lower limits as set by the Group.	These are broad based plans and are not subject to performance targets.
Pension	Provides retirement benefits that reward sustained contribution.	The Company operates a defined contribution plan and may also provide cash pension contributions or cash supplements in lieu.	Up to 15% of salary as a Company contribution to a defined contribution pension scheme and/or as a cash allowance.	N/A.
Other benefits	Provides a competitive package of benefits that assists with recruitment and retention.	Main benefits currently include private medical insurance and a car allowance. Executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms. Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.	Car and fuel allowance up to £20,000 per annum. Other benefits will be in line with market. The value of each benefit is based on the cost to the Company and is not predetermined.	N/A.

Notes:
1 A description of how the Company intends to implement the policy set out in this table for 2017/18 is set out in the Annual Report on Remuneration.
2 The remuneration policy for the Executive Directors and other senior Executives is designed with regard to the policy for employees across the Group as a whole. However, there are some differences in the structure of the remuneration policy for senior Executives. In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals. They also reflect the fact that, in the case of the Executive Directors and senior executives, a greater emphasis tends to be placed on performance-related pay in the market.
3 All-employee share plans do not have performance conditions. Executive Directors are eligible to participate in the SAYE and SIP on the same terms as other employees.
4 Copies of the LTIP rules are available on request from the Company Secretary.
5 LTIP awards granted prior to 2014 and LTIP awards prior to 2017 are subject to performance conditions described in the Annual Report on Remuneration.
6 The Company also operates share ownership guidelines requiring Executive Directors to acquire and hold a specified level of shareholding. The current level of holding expected under the guidelines is described in the Annual Report on Remuneration.
7 Awards may be structured as nil cost options, conditional awards of shares and may be delivered through a Joint Share Ownership Plan structure.

How employees' pay is taken into account
The remuneration policy for the Executive Directors is designed with regard to the policy for employees across the Group as a whole. The Company's ability to meet growth expectations and compete effectively is dependent on the skills, experience and performance of all of our employees. As a result, our employment policies, remuneration and benefit packages for employees are regularly reviewed. Whilst there are some differences in the structure of the remuneration policy, these reflect individuals' differing responsibilities, with the principal difference being the increased emphasis on performance related pay for the more senior Executives within the organisation.

Although the Committee does not consult directly with employees on Directors' pay, the Committee does take into consideration the pay and employment conditions of all employees when setting the policy for Directors' remuneration. The Committee is also mindful of any changes to the pay and benefit conditions for employees more generally when considering the policy for Directors' pay.

Committee discretions
The Committee operates the Group's variable incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of these plans and to be consistent with market practice, the Committee will retain certain operational discretions. These include:

- selecting plan participants;
- determining the timing of grants of awards and/or payment;
- determining the quantum of awards and/or payments (within the limits set out in the policy table above);
- determining the extent of vesting based on the assessment of performance;
- making the appropriate adjustments required in certain circumstances (e.g. change of control, rights issues, corporate restructuring events, and special dividends);
- determining 'good leaver' status for incentive plan purposes and applying the appropriate treatment; and
- undertaking the annual review of weighting of performance measures, and setting targets for the annual bonus plan and LTIP from year to year.

If an event occurs which results in the Annual Bonus Plan, Deferred Share Bonus Plan or LTIP performance conditions and/or targets being deemed no longer appropriate (e.g. a material acquisition or divestment), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions or targets are not materially less difficult to satisfy.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Legacy arrangements
In approving the remuneration policy, authority is given to the Company to honour any commitments previously entered into with the current or former Directors in accordance with the relevant plan rules, where applicable. It is also part of this policy that the Company will honour payments or awards crystallising after the effective date of this policy but arising from commitments entered into at a time when the relevant individual was not a Director of the Company. Details of any payments to former Directors will be set out in the Annual Report on Remuneration.

Selection of performance metrics and targets
All incentives are subject to the individual review and scrutiny of the Committee, particularly in the case of share incentives, both at award and vesting to ensure that performance has been correctly adjudicated and to safeguard against excessive overall reward. Variable pay and remuneration is linked to both corporate and individual performance and is benchmarked to attract and retain the highest quality people.

The annual bonus is designed to thoroughly stretch the performance of the Executive and is linked to absolute growth in annual Group profit, the achievement of certain business targets and of personal objectives. These targets are reviewed and agreed by the Committee at the beginning of each financial year to ensure that they are appropriate to the current market conditions and the long-term strategy of the Company, and that they continue to remain stretching and challenging. The targets are linked to KPIs which are drawn from, and relate to, the achievement of 'milestones' contained in the Company's strategic long-term plan. This ensures they are aligned to the strategic objectives of the Company and designed to increase shareholder value, whilst being prudent and safeguarding the long-term future of the Company.

For 2017, the Committee has decided to maintain a condition based on growth in adjusted EPS, free cash flow and revenue measures for the LTIP. Adjusted EPS is considered appropriate as it is easily understood, is a key measure of financial performance and closely aligned to the Company's objective of driving profitable growth. The measure takes account of fair value adjustments to financial instruments (net of tax) as well as other non-recurring exceptional items such as unplanned investments in IT infrastructure, acquisitions and/or disposals. As the targets are set as a rate of growth in excess of RPI it also takes into account inflation. The free cash flow measure is defined as cash flow generated from operations excluding receivables and is seen as a key measure for N Brown to monitor the flows of cash in and out of the business as well as providing an assessment of underlying profitability. Revenue is a critical KPI for the business and management have clear line of sight over this measure and given that earnings measures make up the majority of the plan, there is an appropriate balance to encourage revenue growth whilst maintaining margin. The Committee retains the discretion to change the performance measures to reflect its strategy.

The Committee considers the Group's performance on environmental, social and governance ('ESG') issues when setting the remuneration of any Executive Director and is of the opinion that the incentive arrangements for senior managers do not raise ESG risks by inadvertently motivating irresponsible behaviour or the taking of undue risks with the business.

Shareholding guidelines
It is the Board's policy that Executive Directors build and retain a minimum shareholding in the Company. Under these guidelines the Chief Executive and the Chief Financial Officer are respectively required to hold Company shares equal in value (at the time of acquisition) to 200% and 100% of their base salary, respectively, and to have met this guideline within five years of appointment.

Details of the current shareholdings of the Executive Directors are provided later in this report.

How shareholders' views are taken into account
The Committee considers shareholder feedback received regarding the Directors' Remuneration Report and guidance from shareholder representative bodies more generally. As appropriate, the Committee also seeks feedback from shareholders on specific matters. These views are key inputs when shaping remuneration policy.

In developing the changes proposed to the policy last year, the Committee engaged with its major shareholders and representative bodies and took their opinions into consideration.

Executive Directors' service agreements and termination policy
It is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of 12 months' notice.

The policy is that the Company does not make payments beyond its contractual obligations on termination. In addition, Executive Directors are expected to mitigate their loss or, within existing contractual constraints, accept phased payments. The Committee seeks to ensure that there are no unjustified payments for failure. Neither of the Executive Directors' contracts provides for liquidated damages. There are no special provisions contained in any of the Executive Directors' contracts that provide for longer periods of notice on a change of control of the Company. Furthermore, there are no special provisions providing for additional compensation on an Executive Director's cessation of employment with the Company. Where the Director may be entitled to pursue a legal claim, the Company will be entitled to negotiate settlement terms that the Committee considers to be in the best interests of the Company and to enter into a settlement agreement to effect the terms agreed under the service contract and any additional statutory or other claims. The Committee may pay reasonable outplacement and legal fees where considered appropriate.

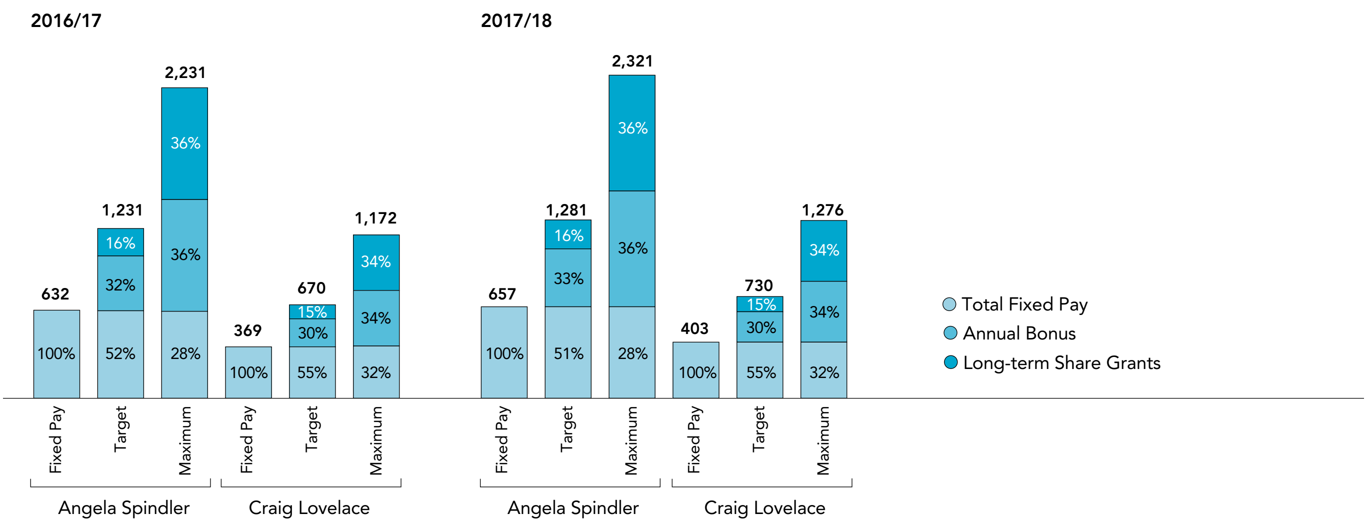
Name	Date of contract	Potential termination payment
Angela Spindler	1 July 2013	12 months' salary and benefits
Craig Lovelace	6 January 2015	12 months' salary and benefits

Assumptions:
1 Fixed pay = salary to be paid in year, benefits and pension provision.
2 On target = fixed pay plus target annual bonus (50% of the maximum) of 75% of salary for the Chief Executive and 62.5% of salary for the Chief Financial Officer plus target LTIP awards of 37.5% of salary for the Chief Executive and 31.25% for the Chief Financial Officer.
3 Maximum = fixed pay plus maximum annual bonus of 150% of salary for the Chief Executive and 125% for the Chief Financial Officer plus maximum LTIP awards of 150% of salary for the Chief Executive and 125% for the Chief Financial Officer.
4 Salary levels (on which other elements of the packages are calculated) are based on those effective from 1 March 2016 (£543,660 for the Chief Executive and £342,720 for the Chief Financial Officer).
5 The value of taxable benefits is based on an estimated cost of £19,000 in respect of the Chief Executive and £18,000 for the Chief Financial Officer and includes a car allowance and health insurance.
6 Pension provision is 15% of salary for the Chief Executive and 10% for the Chief Financial Officer.

Other than in certain 'good leaver' circumstances (including, but not limited to, redundancy, ill-health or retirement or on a change of control), no bonus would be payable unless the individual remains employed and is not under notice at the payment date. Any bonuses paid to a 'good leaver' would be based on an assessment of their individual and the Company's performance over the period, and normally pro-rated for the proportion of the bonus year worked.

Deferred bonus share awards will also normally lapse on cessation of employment, unless the Executive Director is deemed to be a 'good leaver' by the Committee. Awards will vest early on a change of control subject to the plan rules.

POTENTIAL REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS
(£'000)



With regards to long-term incentive awards, the LTIP rules provide that other than in certain 'good leaver' circumstances, awards lapse on cessation of employment. Where an individual is a 'good leaver', the Committee's policy for future LTIP awards will be to permit awards to remain outstanding until the end of the original performance period, when a pro-rata reduction will be made to take account of the proportion of the vesting period that elapsed prior to termination of employment, although the Committee has discretion to partly or completely disapply pro-rating in certain circumstances. On a change of control awards would vest, subject to the extent to which the performance conditions have been achieved and, normally, pro-rating for time. The Committee has discretion to determine 'good leaver' treatment. In doing so, it will take account of the reason for their departure and the performance of the individual.

For awards granted under the LTIP, awards lapse if cessation occurs during the financial year in which an award is granted. Thereafter awards held by good leavers may vest subject to performance without pro-rating. On a change of control existing awards would not be pro-rated.

Apart from service contracts, no Executive Director has any material interest in any contract with the Company or its subsidiaries.

Copies of Executive Directors' service contracts (and also Non-Executive Directors' letters of appointment) are available for inspection at the Company's registered office on application to the Company Secretary.

Recruitment of Executive Directors

Base salary levels will be set in accordance with the Company's remuneration policy, taking account of the Executive's skills, experience and their current remuneration package. Where it is appropriate to offer a lower salary initially, a series of above inflation increases to the desired salary positioning may be given over subsequent years subject to individual and Company performance.

Benefits and pension will generally be provided in accordance with the approved policy, with relocation expenses and/or an expatriate allowance paid for if necessary. For an overseas appointment, the benefit and pension arrangements may be tailored to reflect local market practice (subject to the overall maximum limits set out in the policy table). Assistance with relocation may be provided where appropriate. Tax equalisation may also be considered as may payment of the Executive's legal fees in connection with the appointment.

The variable pay opportunity will be in accordance with the Company's approved policy as detailed above. However, different performance measures and targets may be set for the first year in the case of the annual bonus and long-term incentives taking into account the responsibilities of the individual, and the point in the financial year at which they joined. A new employee may be granted normal annual share awards in the first year of employment in addition to any awards made with respect to prior employment being forfeited. Such awards would normally be made shortly following an appointment (assuming the Company is not in a close period).

If it is necessary to buy-out incentive pay, which would be forfeited by reason of leaving the previous employer, in order to secure the appointment, this would be provided for taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited and such other specific matters as it considers relevant. Existing arrangements may be bought out on terms that are no more favourable than the Committee considers is required to provide reasonable compensation to the incoming Director for the awards they will be losing. Existing plans will be used to the extent possible (subject to the exceptional limits contained in the plan rules), however, the Committee retains discretion to agree bespoke arrangements and, if required, to make use of the flexibility provided by the Listing Rules to make awards without prior shareholder approval when buying out existing entitlements. The service contract for a new appointment would be in accordance with the policy for the current Executive Directors.

In the case of an internal hire, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant.

Fees for a new Chairman or Non-Executive Director will be set in line with the approved policy.

Policy for Non-Executive Directors

ELEMENT	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE ASSESSMENT
Non-Executive Directors' and Chairman's fees	Takes account of recognised practice and set at a level that is sufficient to attract and retain high-calibre Non-Executives.	All Non-Executive Directors have specific terms of engagement and their remuneration is determined by the Board within the limits set by the Articles of Association and based on independent surveys of fees paid to Non-Executive Directors of similar companies. The Chairman is paid a single fee for all his responsibilities. The Non-Executives are paid a basic fee. The Chairs of Committee and Senior Independent Director receive additional fees to reflect their extra responsibilities. Non-Executive Directors may not participate in any of the Company's share incentive schemes or performance-based plans and are not eligible to join the Company's pension scheme. Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit and limited benefits relating to travel, accommodation, secretarial support and hospitality provided in relation to the performance of their duties. When reviewing fee levels, account is taken of market movements in Non-Executive Director fees, Board Committee responsibilities, ongoing time commitments, the general economic environment and the level of increases awarded to the wider workforce. In exceptional circumstances, additional fees may be paid where there is a substantial increase in the time commitment required of Non-Executive Directors. If there is a temporary yet material increase in the time commitment required of Non-Executive Directors, the Board may pay additional fees on a pro-rata basis to recognise the additional workload.	N/A.	N/A.

Non-Executive Directors' letters of appointment

Non-Executive Directors are retained on letters of appointment. Other than the Chairman and Lord Alliance, whose letters of appointment provide for six months notice in the event of early termination, all Non-Executive appointments are on three-year rolling terms terminable upon three months' notice. All appointments are subject to successful re-election upon retirement at the annual general meeting. Termination carries no right to compensation other than that provided by general law.

Brief details of Non-Executive Directors' contracts are summarised below:

Name	Date of contract/ letter of appointment	Date current term commenced	Notice period
Lord Alliance of Manchester CBE	16 May 2007	10 April 2016	6 months
Ivan Fallon	1 October 1994	10 April 2016	3 months
Andrew Higginson	3 July 2012	3 July 2016	6 months
Fiona Laird	1 March 2013	1 April 2016	3 months
Simon Patterson (resigned 13 April 2016)	13 March 2013	N/A	3 months
Ronald McMillan	1 March 2013	1 April 2016	3 months
Lesley Jones	30 September 2014	1 October 2014	3 months
Richard Moross	13 September 2016	6 October 2016	3 months

Annual Report on Remuneration

This part of the report has been prepared in accordance with Part 3 of the revised Schedule 8 set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), and 9.8.6R of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2017 annual general meeting. The information on pages 82 to 84 has been audited.

The Remuneration Committee and its advisers
Members of the Remuneration Committee

Name	From	To
Fiona Laird (Chair)	1 April 2013	To date
Ron McMillan	1 April 2013	To date
Richard Moross	3 January 2017	To date

General Counsel and Company Secretary, Theresa Casey, acts as secretary to the Committee and the Chief Executive, Angela Spindler, the Chair, Andrew Higginson, and a senior member of the People team, may also attend meetings by invitation. However, no Director played any part in discussion about his or her own remuneration.

The Committee members have no personal financial interest (other than as shareholders) in matters to be decided, no potential conflicts of interest arising from cross-Directorships and no day-to-day involvement in running the business and are considered by the Company to be independent. The Committee has formal written terms of reference which are available for shareholders to inspect and on the corporate website. The Committee met twice during the year. See page 72 for details of attendance.

Advisers
The Committee received advice from New Bridge Street (part of Aon plc). New Bridge Street was formally appointed by the Committee.

New Bridge Street is a signatory to the Remuneration Consultants' Group Code of Conduct, which sets out guidelines to ensure that its advice is independent and free from undue influence. The Group received no other services from New Bridge Street or any other part of the Aon group of companies, during the year. The fees paid to New Bridge Street in 2016/17 were £25,964 (2015/16: £40,512). The Committee reviews the performance and independence of its advisers on an annual basis and is satisfied that the advice received is objective and independent.

The advisers' terms of engagement are available on request from the Company Secretary.

Consideration of matters
The Remuneration Committee has considered a number of factors when determining the application of the Remuneration Policy including the average pay increases for the general workforce, market conditions and achievement of objectives.

Payments to past Directors and payments for loss of office
There have been no payments to past Directors or payments for loss of office during the year.

Application of the remuneration policy for 2017/18

Base salary

The Executive Directors' salaries were reviewed in April 2017. The salary increases take effect from 1 June 2017 for the CEO and CFO and are set out below. The salary increases are in line with the average received by the general workforce.

Name	Salary as at 1 October 2016	Salary as at 1 June 2017	Increase
Angela Spindler	£543,660	£554,533	2%
Craig Lovelace	£342,720	£349,574	2%

Fees for the Chairman and Non-Executive Directors

As detailed in the remuneration policy, the Group aims to set remuneration for Non-Executive Directors at a level which is sufficient to attract and retain Non-Executive Directors of the right calibre. Details of the fees are set out below:

	Fees as at 1 March 2016	Fees as at 1 June 2017	Increase
Chair's fees	£250,000	£250,000	0%
Other Non-Executive Directors' base fee	£47,000	£50,000	6.4%[1]
Senior Independent Non-Executive Director	£5,000	£5,000	0%
Chair of a Committee's fees	£5,000 – £8,000	£5,000 – £8,000	0%

1 The Non-Executive Director salary has been reviewed this year and an increase of 6.4% has been made to reflect that no increases were made in the five years prior.

Annual bonus plan performance targets

The annual bonus plan for 2017/18 will be payable 60% in cash and 40% as an award of deferred shares. Deferred bonus shares will vest, subject to continued service, three years after award.

For 2017/18, the performance measures and weightings will be as follows:

	As a percentage of maximum bonus opportunity	
Measure	Angela Spindler	Craig Lovelace
Group profitability	70%	70%
Corporate objectives	20%	20%
Individual objectives	10%	10%

The personal objectives of the Executive Directors for 2017/18 are as follows:

Angela Spindler
- Deliver the Fit 4 the Future project to plan
- Develop and begin to execute accelerated growth plan for international business
- Secure and develop the financial services sector of the business

Craig Lovelace
- Develop further the strong relationships of support and trust with the CEO and Board members
- Ensure integrity of reporting internal and external numbers
- Continue to build upon improved city relationships and transparency
- Enhance reporting to provide more insightful financial information for commercial decision making
- Assess and address future skills capabilities in the finance function
- Continue to progress the Group's tax strategy and issue resolution

Long term incentive targets

Awards granted to the Executive Directors under the LTIP in 2017/18 will be subject to three metrics, namely growth in adjusted EPS, free cash flow and revenue. The performance targets are as follows:

	Percentage of each part of the award that will vest	Annual growth in adjusted EPS in excess of RPI over 3 financial years (50% of award)	Free cash flow (30% of award) is defined as cash flow generated from operations excluding receivables. Targets are cumulative over 3 financial years	Annual growth in total revenue over 3 financial years (20% of award)
Below threshold	0%	Less than RPI + 2.5%	Less than £370m	Less than 5% CAGR
Threshold	25%	At least RPI +2.5%	At least £370m	At least 5% CAGR
Maximum	100%	At least RPI + 9.0%	At least £450m	At least 10% CAGR

For performance that is between the threshold and maximum levels awards vest on a straight-line basis.

Directors' emoluments (Audited)

	Year	Salaries and fees[1] £000's	Taxable benefits[2] £000's	Bonus (cash and deferred shares) £000's	LTIP £000's	Pension £000's	Other[3] £000's	Total £000's
Executives (salaries)								
Angela Spindler	**2016/17**	**544**	**19**	**343**	**–**	**82**	**385**	**1,373**
	2015/16	533	18	152	–	80	–	783
Craig Lovelace	**2016/17**	**342**	**18**	**187**	**–**	**34**	**–**	**581**
	2015/16	258	14	56	–	26	9	363
Non-Executives (fees)								
Lord Alliance of Manchester CBE	**2016/17**	**47**	**–**	**–**	**–**	**–**	**–**	**47**
	2015/16	47	–	–	–	–	–	47
Andrew Higginson	**2016/17**	**250**	**–**	**–**	**–**	**–**	**–**	**250**
	2015/16	250	–	–	–	–	–	250
Ivan Fallon	**2016/17**	**55**	**–**	**–**	**–**	**–**	**–**	**55**
	2015/16	55	–	–	–	–	–	55
Richard Moross – appointed 6 October 2016	**2016/17**	**19**	**–**	**–**	**–**	**–**	**–**	**19**
	2015/16	–	–	–	–	–	–	–
Fiona Laird	**2016/17**	**55**	**–**	**–**	**–**	**–**	**–**	**55**
	2015/16	55	–	–	–	–	–	55
Simon Patterson – resigned 13 April 2016	**2016/17**	**5**	**–**	**–**	**–**	**–**	**–**	**5**
	2015/16	55	–	–	–	–	–	55
Ron McMillan	**2016/17**	**60**	**–**	**–**	**–**	**–**	**–**	**60**
	2015/16	60	–	–	–	–	–	60
Lesley Jones	**2016/17**	**47**	**–**	**–**	**–**	**–**	**–**	**47**
	2015/16	47	–	–	–	–	–	47

Notes:
1 Lord Alliance has waived his Non-Executive Director's fee. Craig Lovelace was appointed on 11 May 2015 and as such the 2015/16 figures reflect remuneration earned for the partial period.
2 Taxable benefits comprise private medical cover and car allowance.
3 Craig Lovelace received £9,434 in respect of relocation expenses. Angela Spindler received £385,000 due to the vesting of share awards as detailed on page 73 of this report.

Total pension entitlements (Audited)

Angela Spindler receives a cash supplement of 15% of salary in lieu of pension contributions.

Craig Lovelace is a member of the contributory defined contribution pension scheme ('scheme'). He receives contributions from the Company up to 10% salary with an amount up to his personal allowance being paid by the Company into the scheme and the balance being paid as cash in lieu of pension contribution. Contributions paid by the Company into the scheme during the year in respect of Craig Lovelace amounted to £25,677 (2016: £16,800).

Details of variable pay earned in the year

Annual bonus (Audited)

The table below gives details of Executive Directors' bonuses for 2016/17:

Director	Measure	Weighting (as a percentage of maximum bonus opportunity)	Performance required Threshold (0% payout)	Maximum (100% payout)	Actual Performance	Payout % of salary
Angela Spindler	Group profit	70%	£81.5m	£99.5m	£82.6m	45.15%
	Corporate objectives	20%			27.6%	8.28%
	Personal objectives	10%			65%	9.75%
Craig Lovelace	Group profit	70%	£81.5m	£99.5m	£82.6m	37.63%
	Corporate objectives	20%			27.6%	6.90%
	Personal objectives	10%			80%	10%

Notes:
1 The precise targets set for the corporate objectives are considered to be commercially sensitive.
2 Payouts determined on a straight line between threshold and maximum.
3 The personal objectives on which these figures are based, were disclosed on page 74 of the Annual Report and Accounts for 2016.
4 The corporate objectives are commercially sensitive. They include five measures that focus on various aspects of the business and are assessed objectively against measurable results.

Summary of awards granted in 2016/17 (Audited)

The table below provide details of the long-term incentive awards granted to Executive Directors during the year.

Executive	Type of award	% of condition	Salary	Face value	Number of shares	Share price at grant	Performance Period	Threshold target	Stretch target
Angela Spindler	LTIP	50% EPS 30% Free cash flow 20% Revenue	150%	£815,489	472,063	172.75p	3yrs to end of financial year 2018/19	EPS: 25% vests if EPS growth compounded annually at least 2.5% above RPI Free cash flow: At least £370m Revenue: At least 5% CAGR	EPS: 100% vests if EPS growth compounded annually at least 9% above RPI Free cash flow: At least £450m Revenue: At least 10% CAGR
Craig Lovelace	LTIP	50% EPS 30% Free cash flow 20% Revenue	125%	£419,998	243,125	172.75p	3yrs to end of financial year 2018/19	EPS: 25% vests if EPS growth compounded annually at least 2.5% more than RPI Free cash flow: At least £370m Revenue: At least 5% CAGR	EPS: 100% vests if EPS growth compounded annually at least 9% above RPI Free cash flow: At least £450m Revenue: At least 10% CAGR

Note:
1 The awards are based on salaries at the date of grant.

Summary of awards (Audited)

The table below summarises each of the Executive Directors' long-term share awards and the changes that have taken place in the year.

Executive	28 February 2016	Awarded during the year	Lapsed during the year	Vested and exercised during the year	4 March 2017	Date granted	Type of award
Angela Spindler	220,338	–	–	(220,338)	–	Aug 2013	Recruitment
	151,834	–	(151,834)	–	–	Aug 2013	LTIP
	185,198	–	–	–	185,198	Aug 2014	LTIP
	238,087	–	–	–	238,087	Aug 2015	LTIP
	–	472,063	–	–	472,063	Aug 2016	LTIP
	–	12,790	–	–	12,790	June 2016	DSBP
Craig Lovelace	119,117	–	–	–	119,117	Aug 2015	LTIP
	–	4,731	–	–	4,731	June 2016	DSBP
	–	243,125	–	–	243,125	Aug 2016	LTIP

Summary of awards lapsed or vested in 2016/17 (Audited)

The table below provides details of the long-term incentive awards made to Executive Directors that lapsed to during the year.

Executive	Type of award	% of condition	Salary	Face value	Number of shares	Share price at grant	Performance Period	Threshold target	Stretch target	Actual performance	Vesting
Angela Spindler	LTIP	50% EPS	125%	£650,000	151,834	428.1p	EPS: 3 years to end of financial year 2015/16	EPS: 50% vests if EPS growth compounded annually greater than 5%	EPS: 100% vests if EPS growth compounded annually greater than 10%	EPS: not achieved	0%
		50% TSR					TSR: 3 years to June 2016	TSR: 25% vests at median performance	TSR: 100% vests at upper quartile	TSR: 15th out of 20	
	Recruitment	Strategic metrics	200%	£1,040,000	220,338	472.0p	3 years to July 2016	Targets are commercially sensitive		Targets achieved	100%

Directors' shareholdings (Audited)
It is the Board's policy that Executive Directors build up and retain a minimum shareholding in the Company. Under these guidelines the Chief Executive Officer and the Chief Financial Officer are expected to hold Company shares equal in value (at the time of acquisition) to 200% and 100% of their base salary respectively and to have met this guideline within 5 years of appointment.

The beneficial interests of Directors who served during the year, together with those of their families, in the shares of the Company are as follows:

	Owned shares (Number of shares)				Other interests in shares			
	28 February 2016	4 March 2017	Value of shares counting towards guideline holding (as a 2016 % of salary)	Guideline met?	Outstanding awards subject to performance conditions	Outstanding awards not subject to performance condition	Outstanding share options	Total as at 4 March 2017
Angela Spindler	100,438	214,147	41%	N/A	895,348	12,740	–	1,122,235
Craig Lovelace	–	–	0%	N/A	362,242	4,731	–	366,973
Lord Alliance of Manchester CBE	95,047,966	95,047,966	N/A	N/A	–	–	–	95,047,966
Andrew Higginson	101,009	104,161	N/A	N/A	–	–	–	104,161
Ivan Fallon	11,425	11,425	N/A	N/A	–	–	–	11,425
Ron McMillan	–	–	N/A	N/A	–	–	–	–
Fiona Laird	–	–	N/A	N/A	–	–	–	–
Simon Patterson (resigned April 2016)	10,000	N/A	N/A	N/A	–	–	–	–
Lesley Jones	–	–	N/A	N/A	–	–	–	–
Richard Moross	–	–	N/A	N/A	–	–	–	–

The Directors' share interests shown above include shares held by members of the Director's family, as required by the Companies Act 2006.

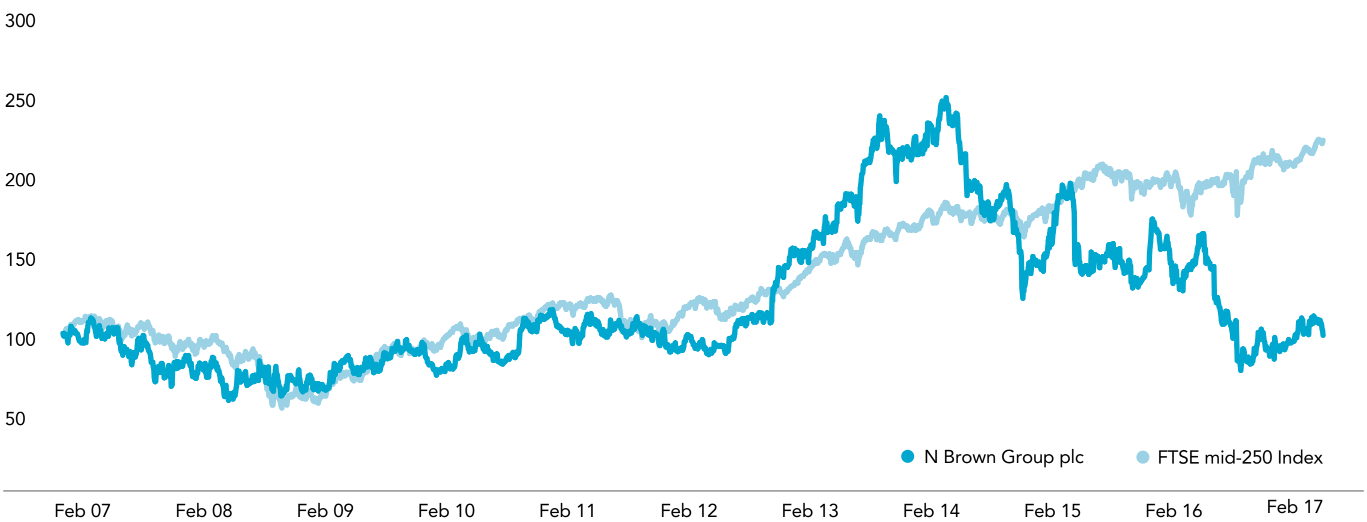
There have been no changes to the Directors ' interests in shares between 4 March and 30 April 2017.

Performance graph and table
The graph shows the Company's ten year performance, measured by TSR, compared with the performance of the FTSE 250 Index, also measured by TSR. The Company was a member of this index throughout the 2016/17 financial year and accordingly it is felt to be the most appropriate comparator group for this purpose.

Analysis of Chief Executive's pay over 9 years

	Alan White					Angela Spindler			
	2009/10	2010/11	2011/12	2012/13	2013/14	2013/14	2014/15	2015/16	2016/17
Total remuneration (£'000)	2,438	3,738	2,734	1,780	2,734	1,364	728	783	1,373
Annual bonus (% of maximum)	96.9%	90.6%	38.7%	71.4%	15.8%	83.2%	0%	27.9%	42.1%
Long term share vesting (% of maximum)	100%	100%	100%	100%	85%	N/A	N/A	N/A	N/A

TOTAL SHAREHOLDER RETURN PERFORMANCE: N BROWN VS FTSE 250
(rebased to 100)



Percentage change in the Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's total remuneration (excluding the value of any long term share awards and pension benefits receivable in the year) between the 2015/16 and 2016/17 financial years, compared to that of the average for all employees of the Group.

	% Change from 2015/16 to 2016/17		
	Salary	**Benefits**	**Annual bonus**
Chief Executive	+2.0%	5.6%	+126%
Average of other employees	+2.0%	nil	+173%

Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends.

	2017	2016	% Change
Staff costs (£m)	69.3	71.3	–2.8%
Dividends (£m)	40.2	40.2	0%

The figures relate to amounts payable in respect of the relevant financial year.

Shareholder voting on the Directors' Remuneration Report at the 2016 annual general meeting

Annual Report on Remuneration

	Total number of votes	% of votes cast
For	186,409,339	92.82%
Against	1,121,425	0.56%
Total votes cast (excluding withheld votes)	187,530,764	93.38%
Votes withheld[1]	13,294,675	6.62%
Total votes cast (including withheld votes)	200,825,439	100%

1 A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast 'for' and 'against' a resolution.

Shareholder voting on the Directors' Remuneration Policy at the 2016 annual general meeting

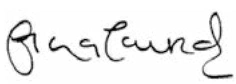
Directors' Remuneration Policy

	Total number of votes	% of votes cast
For	181,154,278	90.20
Against	17,796,528	8.86
Total votes cast (excluding withheld votes)	198,950,806	99.06
Votes withheld[1]	1,897,309	0.94
Total votes cast (including withheld votes)	200,848,115	100%

Approval of the Directors' Remuneration Report

The Directors' Remuneration Report was approved by the Board on 9 May 2017.

Signed on behalf of the Board on 9 May 2017.



Fiona Laird
Chair of the Remuneration Committee