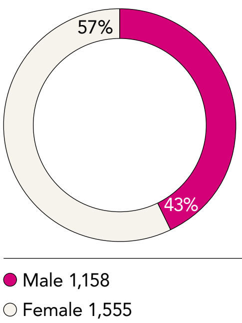
Setting a high standard of governance

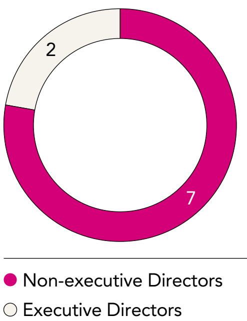
My role is to ensure the board operates effectively, is well managed, complies with the requirements of the Code and has the correct balance of diversity, skills and experience to execute the strategy set by the board.

ANDREW HIGGINSON
Non-Executive Chairman

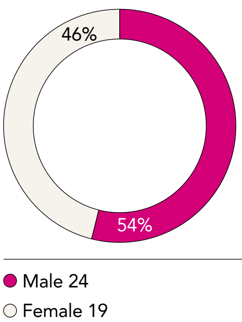
EMPLOYEE DIVERSITY (%)



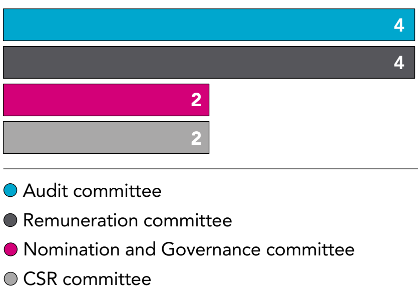
BOARD COMPOSITION



SENIOR MANAGEMENT (%)



COMMITTEE MEETINGS DURING 2016



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"). 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. 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 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 64 to 79. In addition, disclosures required by the Disclosure and Transparency Rules (rule 7.2.6) regarding share capital can be found on page 78.

COMMITTEES OF THE BOARD

Audit committee
Ron McMillan (Chairman)
Simon Patterson[1]
Fiona Laird
Lesley Jones

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 risks, treasury and cash management, the treatment of exceptional items and the capitalisation of software development costs.

Outlook
As transformation of the business model continues apace, the committee will focus on those areas which have been identified through our risk assessment process as being key to the delivery of our strategy. This will include a review the Group's marketing investment to provide assurance that the significant investment in this area delivers improved targeted marketing to all customer segments, a review of the delivery of the anticipated capabilities and benefits of Fit 4 the Future and oversight of the implementation of a more flexible and tailored financial services offering.

Remuneration committee
Fiona Laird (Chairman)
Ron McMillan
Simon Patterson[1]

Activities
Key activities for the committee included support and oversight of the closure of the Group's defined benefit scheme to new accruals and a review of and recommendation to the board in respect of the Group's incentives schemes. The committee also reviewed the remuneration packages of all executive directors and senior executives.

Outlook
As we move into delivery of Fit 4 the Future, the Committee will oversee the implementation of the revised incentive arrangements which aim to focus executives on delivering transformation. The Committee will also look to foster closer relationships with shareholders and to provide oversight of the new gender pay gap reporting requirements.

Nomination and governance committee
Simon Patterson (Chairman)[1]
Andrew Higginson
Lesley Jones
Ron McMillan
Fiona Laird

Activities
Our activities this year have included a review of the Group's succession planning, a board evaluation exercise and consideration of the skills and experience required for a new non- executive director in light of the current composition, skills, expertise and experience of the board.

Outlook
Under the Chairmanship of Fiona Laird, we will focus on identifying and developing the Group's future leaders and will review our executive and non-executive director induction and training programmes. Together with our appointed consultants we will seek to appoint a suitably skilled and experienced non-executive director.

CSR committee
Fiona Laird (Chairman)
Angela Spindler (Chief Executive)
Theresa Casey (Company Secretary)
Andrew York (Ethical Trading Manager)[2]

Activities
During the year we successfully launched the Group's CSR Charter "Taking Care of Our World", highlighting our passion for fair fashion and introduced a new three year CSR strategy aligned with the Group's sourcing and commercial strategies. In Bangladesh we now directly employ skilled personnel , allowing us to work collaboratively with suppliers, NGO's, and government bodies on the ground.

Outlook
Our focus for 2017 will be on investing in technology and people to better enable us to monitor and report on CSR improvements. We are also refining our anti-slavery policy and will publish our anti-slavery statement later this year and continuing to identify ways in which we can improve the performance of our supply chain to promote more sustainable ways of working.

1. Resigned 1 April 2016.
2. Resigned 28 April 2016.

BOARD ACTIVITIES IN 2015/16

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

- **Strengthening the operating board through the appointment of Steve Johnson, an experienced financial services executive and the appointment of Craig Lovelace, our new CFO who has experience in dealing with multi-site multi-platform businesses;**
- **Reviewing the progress and costs of the Fit 4 the Future Project;**
- **Assessing the progress of the Group's international and High Street strategies; and**
- **Reviewing and improving communications with our investors and appointing a Director of Investor Relations.**

BOARD OF DIRECTORS

ANGELA SPINDLER (53)
Chief Executive

Relevant skills, qualifications and experience

Angela was appointed Chief Executive Officer in July 2013 and has over 30 years of retail experience, including roles at Coca Cola, Mars Inc, Asda, Debenhams and the Original Factory Shop. Angela studied at Manchester University.

Angela was a non-executive director of Manchester Airport Group until 31 March 2016 and is currently a non-executive director of DIA, which is listed on the Madrid stock exchange.

Meetings attended

9/9

Committee membership

None

ANDREW HIGGINSON (58)
Independent Non-executive Chairman

Relevant skills, qualifications and experience

Andrew was appointed a director in July 2012 and became Chairman in September 2012. Andrew spent 22 years in executive retail roles, including positions with Laura Ashley Holdings, The Burton Group and Tesco. Andrew is currently the Chairman of Wm Morrison Supermarkets PLC and a non-executive director of Woolworths Holdings Limited (South Africa) and McCurrach UK Limited.

Meetings attended

9/9

Committee membership

- Nomination & Governance committee member

CRAIG LOVELACE (42)
Group Chief Financial Officer

Relevant skills, qualifications and experience

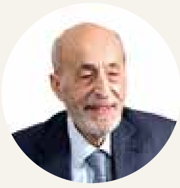
Appointed in May 2015. Formerly Group Chief Financial Officer for General Healthcare Group Ltd since 2011 and prior to this, held a number of senior UK and International finance roles at Regus Plc, Electronic Arts Inc and PwC. Craig is a fellow of the ICAEW.

Meetings attended

8/9

Committee membership

None



LORD ALLIANCE OF MANCHESTER CBE (83)
Non-executive Director

Relevant skills, qualifications and experience

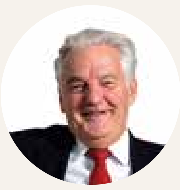
Appointed a director and Chairman in 1968. Stood down as Chairman on 1 September 2012. Co-founder and former Chairman of Coats Viyella Plc. He is also a director of a number of private companies, and was appointed a life peer in 2004. Lord Alliance holds honorary doctorates from Heriot-Watt University and the Unviersity of Manchester.

Meetings attended

8/9

Committee membership

None



IVAN FALLON (71)
Non-executive Director

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.

Meetings attended

9/9

Committee membership

None

RON MCMILLAN (63)
Independent Senior Non-executive Director

Relevant skills, qualifications and experience

Appointed a Director on 1 April 2013. Ron is Senior Independent Director and Chairman of the Audit Committee. He is also Chairman of the Audit Committee of B&M Value Retail SA, 888 Holdings Plc and SCS PLC. Previously, he was the Deputy Chairman of PricewaterhouseCoopers in the Middle East and Northern Regional Chairman of the UK firm.

Meetings attended

9/9

Committee membership

- Audit committee member
- Remuneration committee member
- Nomination & Governance committee member

FIONA LAIRD (55)
Independent Non-executive Director

Relevant skills, qualifications and experience

Appointed a director on 1 April 2013. Senior Vice President of Human Resources at Unilever plc. She has served in numerous human resources, compensation & benefits, labour relations, communications and change management roles globally for Unilever since joining the Group in 1991.

Meetings attended

9/9

Committee membership

- Audit committee member
- Remuneration committee member
- Nomination & Governance committee member
- CSR committee member

SIMON PATTERSON (43)
Independent Non-executive Director (resigned April 1 2016)

Relevant skills, qualifications and experience

Appointed a director on 1 April 2013. Managing Director at Silver Lake, a leading investment firm focused on the global technology industry. He is currently a board member of Dell and Intelsat, and a Trustee of the Natural History Museum.

Meetings attended

8/9

Committee membership

- Audit committee member
- Remuneration committee member
- Nomination & Governance committee member

LESLEY JONES (61)
Independent Non-executive Director

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 through January 2014. Appointed as Non-Executive Director and Board Risk Committee Chair at Close Brothers in December 2013 and a Non-Executive Director of N Brown Group Plc in October 2014.

Meetings attended

9/9

Committee membership

- Audit committee member
- Nomination & Governance committee member

THERESA CASEY (47)
Company Secretary

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.

Meetings attended

9/9

Committee membership

N/A

DIRECTORS' REPORT

Activities and results
The directors have pleasure in presenting their annual report and audited financial statements for the year ended 27 February 2016. 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 40, 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 52 weeks ended 27 February 2016 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 and provides a fair review of the Group's business at the end of the financial year.

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 28 to 31.

UK Corporate Governance Code
As required by the UK Corporate Governance Code 2014 (the "Code"), pages 16 to 27 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.

Results, dividends and reserves
The financial statements set out the Group's results for the year ended 27 February 2016 and are contained in pages 84 to 111.

An interim dividend of 5.67p per share (2015, 5.67p) was paid on the ordinary shares of the Group on 8 January 2016. The net cost of this dividend was £16.0m (2015, £16.0m).

The directors recommend a final dividend of 8.56p per share (2015, 8.56p) for the 52 weeks ended 27 February 2016, the net cost of which will be £24.2m (2015, £24.2m). The dividend will be paid on 29 July 2016.

Movements in reserves are shown in the Statement of Changes in Equity on page 87.

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 106.

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 page 108.

The directors have no current plans to issue shares other than in connection with employee share options.

2016 annual general meeting
The annual general meeting will be held at 12:30 pm on Tuesday, 12 July 2016. 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 50 and 51.
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 2016 annual general meeting all of the directors will retire and will offer themselves for re-election.

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 (appointed 11 May 2015)
Dean Moore	Finance Director (resigned 30 April 2015)
Ivan Fallon	Non-executive Director
Fiona Laird	Non-executive Director
Simon Patterson	Non-executive Director (resigned 1 April 2016)
Ron McMillan	Non-executive Director
Lesley Jones	Non-executive Director

Craig Lovelace joined the Group as Chief Financial Officer on 11 May 2015.

Details of directors' interests (beneficial and non-beneficial) in shares of the Group are given in the Remuneration Report on page 78 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 56 to 58. 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 27 February 2016 and through to the date of this report.

Major shareholders
In addition to the directors' shareholdings shown in the Remuneration Report on page 78 and in accordance with Chapter 5 of the Disclosure and Transparency Rules, the following notifications had been received from holders of notifiable interests in the Group's issued share capital at 30 April 2016:

Shareholder	Holding	% of issues share capital
INVESCO Asset Management Ltd	33,867,567	11.95
Nigel Alliance OBE	31,489,256	11.11
Tameside MBC re Greater Manchester Pension Fund	12,199,970	4.30

Governance
The board is committed to maintaining high standards of corporate governance. Further details are contained in the Corporate Governance Statement on pages 56 to 58.

Corporate social responsibility and greenhouse gas emissions
Details on corporate social responsibility and greenhouse gas emissions are set out on pages 40 to 47.

Charitable and political donations
During the year, the Group made charitable donations of £13,315 (2015, £40,818). No political donations have been made (2015, nil). No contributions have been made to non-EU political parties (2015, nil).

Auto-enrolment and Stakeholder pension
Until 31st October 2015, The People Pension' was the auto-enrolment provider for weekly paid employees, whilst Prudential auto-enrolled monthly paid employees and ran the Stakeholder Pension for weekly employees already in the scheme. With effect from 1 November 2015, Zurich has been appointed as provider for all qualifying employees. As at 31 May 2016 86.9% of all employees were members of a qualifying pension scheme with 1,216 employees being auto-enrolled as at the date of this report. At the date of this report the opt out rate is 4.3%.

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 21 on page 103. The Group's risk management policies and procedures and the table of principal risks and mitigations can be found on pages 28 to 31.

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 61.

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 2015 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 2016 annual general meeting or 14 July 2016. Accordingly, a resolution will be proposed at the 2016 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 2016 annual general meeting or 14 July 2016, and a resolution will be proposed at the 2016 annual general meeting to renew it.

Approval was also given at the 2015 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 2016 annual general meeting or 14 July 2016, and a resolution will be proposed at the 2016 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 2016 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 92 and 93.

Viability statement
In accordance with provision C.2.2 of the 2014 revision 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 complies 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
2 June 2016

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

Angela Spindler
Chief Executive
2 June 2016

CORPORATE GOVERNANCE STATEMENT

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 and Transparency Rules ("DTR's"), except as specifically highlighted within this statement the Directors consider that the Group has, throughout the year complied with the provisions of the code.

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

Full biographical details of all directors appear on pages 50 and 51.

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.

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 27 February 2016 were:

- Andrew Higginson (Chairman);
- Lord Alliance of Manchester;
- Ivan Fallon;
- Fiona Laird;
- Simon Patterson (resigned 1 April 2016);
- Ron McMillan; and
- Lesley Jones

Simon Patterson resigned from the board in April 2016 in order to take up another role outside the company. I would like to thank Simon personally for his contribution to the company. An external agency has been appointed to assist in the recruitment of a replacement non-executive director, in relation to which an announcement will follow in due course.

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.

Save for Simon Patterson, all board members remain in place as at the date of this report.

Pursuant to the Code, all directors are required to retire and submit themselves for re-election annually. Accordingly, each of the continuing directors will retire at the forthcoming annual general meeting and offer themselves for reappointment at that meeting.

With the exception of Ivan Fallon, who remains on a three month rolling arrangement, all non-executive directors serve on letters of appointments stipulating 3 year terms. 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.

The board, having carried out a performance evaluation, believes the performance of all directors and their commitment to the role of director continues to be fully effective. Further details of this evaluation can be found on page 58.

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.

Details of directors' contract terms are shown in the Remuneration Report on pages 70 to 72. In accordance with the Code, the company has made the terms and conditions of appointment of the non-executive directors available for inspection

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 five 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.

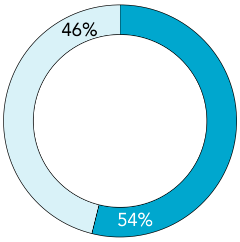
Gender diversity
We currently have 33% female diversity at board level and 37.5% on the Home Shopping board. This is over the current Government target of 25% by 2015, established in the Davies review, and significantly higher than the current FTSE 250 who have achieved representation at 19.9%. We believe 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.

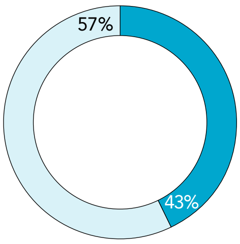
Gender split
At the date of this report the gender split (male/female, senior management and entire workforce) is as follows:

SENIOR MANAGEMENT (%)



- Male 24
- Female 19

EMPLOYEE DIVERSITY (%)



- Male 1,158
- Female 1,555

Board operation and evaluation
An effective board of directors leads and controls the Group. The members of the board are named below. The board met 9 times during the year. Directors' attendance at board meetings was as follows:

	Attendance
Andrew Higginson	9
Lord Alliance of Manchester CBE	8
Angela Spindler	9
Ivan Fallon	9
Dean Moore (resigned 30 April 2015)	2
Fiona Laird	9
Simon Patterson (resigned 1 April 2016)	8
Ron McMillan	9
Lesley Jones	9
Craig Lovelace (joined 11 May 2015)	8

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 to 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. Further detail is given below.

Day-to-day management of the Group's activities is delegated to the operational board, known as the Home Shopping board, on which Angela Spindler and Craig Lovelace (from 11 May 2015) sit as chief executive officer and chief financial officer respectively.

Details of all of the members of the Home Shopping Board is set out on page 23.

In November the members of the board met with the Home Shopping 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.

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.

Non-executive directors meet with operational teams and the Home Shopping 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 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.

Board effectiveness appraisal
In accordance with Main Principle B.6 of the Code an internal effectiveness review of the board, its committees and its individual directors 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 2014 evaluation exercise. Some actions were identified as a result of the evaluation and based on these, the Board has agreed a set of objectives for 2016/17.

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.

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

Directors' conflicts of interest
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.

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 50 and 51.

Board activities in 2015/16
Some of the key activities that the board has covered over the past year are:

- Setting and reviewing the Group's business plan and annual budget.
- Oversight of major capital projects, including the major warehouse extension at Shaw and Fit 4 the Future.
- Governance and risk control, including oversight of our application to the FCA for full authorisation.
- Performance of a robust assessment of the principal risks facing the Group, including those that would threaten the business model, future performance, solvency or liquidity, and a review of all internal controls material, more details of which are set out in pages 28 and 29 of this report.
- Monitoring the Group's risk management and internal control systems, including a review of their effectiveness.

Committees of the Board
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 following 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.

Andrew Higginson
Chairman
N Brown Group Plc

RON MCMILLAN
Chairman of the Audit Committee

THE AUDIT COMMITTEE

Member	No. of meetings
Ron McMillan (Chairman)	4/4
Simon Patterson (Resigned 1 April 2016)	2/4
Lesley Jones	4/4
Fiona Laird (Since 1 April 2016)	1/4

RESPONSIBILITIES

Monitoring the integrity of the Group's financial statements and reviewing significant financial judgements and estimates in advance of these being considered by the board;

Reviewing the Group's internal financial controls;

In conjunction with internal audit and the external auditor, reviewing internal financial controls and management's response to required corrective action;

Monitoring and reviewing the role and effectiveness of the Group's internal audit function, including activities and resources;

Overseeing the role and effectiveness of the Group's external auditors, reviewing and monitoring their objectivity and independence and agreeing the scope of this work and fees for audit and non-audit services; and

Reporting to the Board on how it has discharged its responsibilities.

PRIORITIES FOR 2017

Ensuring that Fit 4 the Future delivers the anticipated capabilities and benefits as they are delivered throughout the year;

Reviewing and providing oversight to the introduction of more flexible and personalised Financial Services products; and

Reviewing the Group's marketing investment to provide assurance that the Group continues to deliver improved customer experience and is able to adapt to changing customer behaviours through improved targeted marketing.

Dear Shareholder
The Audit Committee exercises oversight of the Group's financial policies and reporting. It 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 judgements and estimates are appropriate and obtains from the external auditor an independent view of the key disclosure issues and risks.

Amongst other things, during the year the committee considered:
- The regulatory environment in which the Group operates;
- The Group's approach to and methodology for provisioning for bad and doubtful receivables, in particular the application of IAS 39;
- The Group's approach to and methodology for provisioning for inventory;
- The Group's exposure to corporate tax and VAT risks;
- Treasury and cash management;
- Financial crime and fraud;
- The Viability Statement;
- The presentation and appropriateness of exceptional items; and
- The capitalisation of software development costs.

A key responsibility of the committee is to review the scope, nature and effectiveness of internal and external audits. The committee ensures that the head of internal audit has appropriate independence and authority, that the scope of internal audit's work is not restricted and that the function has adequate resources. The head of internal audit has a direct reporting line to me. The committee has also continued to monitor and review the key aspects of the Group's external audit and, in relation to risk, the Committee undertook a full re-scoring of the corporate risk assessment during the year.

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

I will 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 audit committee for their help and support this year.

Ron McMillan
Chairman of the Audit Committee

Committee composition
The committee comprises a minimum of three members, all of whom are non-executive directors. Two members constitute a quorum. The committee requires the inclusion of one financially qualified member with recent and relevant financial experience. The committee chairman fulfils that requirement. All members are expected to have an understanding of financial reporting, the Group's internal audit control environment, relevant corporate legislation, the roles and functions of internal and external audit and the regulatory framework of the business.

The members of the committee were:
- Ron McMillan (Chairman)
- Simon Patterson (resigned 1 April 2016)
- Fiona Laird (appointed 1 April 2016)
- Lesley Jones

The Chairman, Chief Executive, the Chief Financial Officer, the head of internal audit and the external auditor are invited to attend audit committee meetings where appropriate.

In addition to scheduled meetings, the chairman of the committee met with the Chief Financial Officer, the head of internal audit and the external auditor on a number of occasions during the year.

Activities
The key matters considered by the committee during the year were:

Regulatory environment
In common with the wider industry, the Group is now regulated by the FCA, having historically being regulated by the OFT. Our FCA application is progressing in line with expectations. We recognise that changes in laws and regulations may impact the Groups business, sector and market and the committee therefore continues to review the 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 new regulations.

Bad and doubtful debts
Following a review of the Group's accounting policies, specifically the application of International Accounting Standard 39 ("IAS 39") in relation to the provisioning for bad and doubtful receivables, the Group announced a restatement of its debtor impairment provisions and consequent increases to reported profits during the year. This was as a direct result of a change in the technical interpretation of this accounting standard and did not affect the way in which the Group operates. The committee is satisfied that the change in interpretation of IAS 39 does not reflect any changes to the Group's underlying trading performance or on the risk profile of the Group's debtor balances. The Group's current business practices, approach to payment arrangements and customer rehabilitation are all unaffected by the revised IAS 39 accounting treatment.

Exposure to corporate tax and VAT
The Group has a number of open items with the tax authorities and the calculation of the Group's potential liabilities or assets in respect of these necessarily involves a degree of estimation and judgement. The Board sets and oversees the Group's tax strategy which evaluates tax risk. In undertaking this task the Group uses its tax advisors and legal counsel. During the year the Group's tax advisers have kept the committee appraised of existing and emerging risks and the committee has considered the appropriateness of related tax provisions and assets.

Inventory valuation
Provision is made where the net realisable value of stock is estimated to be lower than 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 made is appropriate.

Capitalisation of software development costs
The committee has reviewed the treatment of the significant software and project costs in respect of Fit 4 the Future in order to satisfy itself that the Group's current approach in capitalising costs to the extent that future economic benefits are expected to be generated remains appropriate.

In addition to the above matters and those set out in the letter from the chairman of the committee on page 59, the work of the committee during the year included:

- Reviewing the draft interim and annual reports and considering:
  1. The accounting principles, policies and practices adopted and the adequacy of related disclosures in the reports;
  2. The significant accounting issues, estimates and judgements of management in relation to financial reporting;
  3. Whether any significant adjustments were required arising from the audit;
  4. Compliance with statutory tax obligations and the Group's tax policy; and
  5. Meeting with the internal and external auditor, both with and in the absence of the executive directors.
- Reviewing and approving the resources of, the scope of work undertaken by and the reports prepared by internal audit.
- Reviewing the reports prepared by the external auditor on key audit findings and any significant deficiencies in the financial control environment.
- Reviewing and considering the Group's systems of internal risk control, sources of assurance and exposure to fraud and overseeing the development of a new risk model for aligning identified risks with mitigating actions.
- Overseeing the management of the Group's whistleblowing procedures which contain procedures for the committee to receive, in confidence, complaints on all operational matters.
- Reporting to the board on how it has discharged its responsibilities, and
- Making recommendations to the board in respect of its findings in respect of all of the above matters.

Internal controls

The committee has established a continuous process for identifying, evaluating and managing the significant risks the Group faces. This monitoring is principally based on reviewing reports from senior management to consider whether significant operational risks are being identified, evaluated, managed and controlled and whether any significant weaknesses exist which need to be addressed. During the year, committee members have continued to receive, consider and approve updated risk evaluations from the operational directors. Further details are given in the Risk Management section of this report.

During the year the committee has reviewed reports from internal audit on the following topics:

- Risk management, including the Group's three lines of defence document
- The linkages between the internal audit programme and identified risks
- Governance over the fit 4 the Future programme
- Returns management
- Credit marketing
- Pricing and margins
- FCA compliance
- Stock and retail audit outputs
- Financial crime, including whistleblowing, money laundering, fraud and bribery and corruption

The committee also reviewed through discussion the performance of internal audit.

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

External auditors

In the 2015 Annual Report the Audit Committee confirmed that it was undertaking a competitive tender to appoint new external auditors. As part of the tender process a number of firms were approached and from this a short list was selected. Following presentations from the short listed firms the Audit Committee recommended to the Board that KPMG be appointed as the Company Auditors. The appointment was confirmed by shareholders at the 2015 AGM.

The total fees paid to KPMG for the year ended 27 February 2016 were £0.8m, of which £0.5m was in respect of non-audit services. Further details are set out in note 6 to the financial statements.

The committee has reviewed through discussion the performance of the external auditor, including their relationship with the Group, the Group's use of the auditor for non-audit services and the balance of audit and non-audit fees paid to the auditors. Non-audit services are generally subject to tender processes and the allocations of work are done on the basis of competence, cost effectiveness, regulatory requirements, the potential for conflicts to arise and knowledge of the Group's business. KPMG LLP has, during the year provided non-audit services in the form of pensions advisory work and regulatory compliance. KPMG LLP was retained in relation to these services prior to its appointment as the Group's auditor. It was considered appropriate that KPMG should complete its work in relation to these matters. 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 is mindful of the attitude investors now have to the auditors performing non audit services and of the new guidance in this are which is operative for accounting periods starting on or after 16 June 2016. Going forward, the committee will ensure that fees for non audit services performed by the auditors will not exceed 70% of aggregate audit fees measured over a three year period.

NOMINATION AND GOVERNANCE COMMITTEE REPORT

SIMON PATTERSON
Chairman of the Nomination and Governance Committee

NOMINATION AND GOVERNANCE COMMITTEE

Member	No. of meetings
Simon Patterson (Chairman) (resigned 1 April 2016)	1/2
Andrew Higginson	2/2
Lesley Jones	2/2
Ron McMillan	2/2
Fiona Laird	2/2

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 2017

Identifying and nominating a suitable candidate to fill the non-executive director vacancy following the resignation of Simon Patterson;

Identifying and developing the Group's future leaders; and

Reviewing and, where appropriate, recommending changes to the induction and development programme for directors.

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 up to the date of my resignation on 1 April 2016. The other members of the committee are currently Andrew Higginson, Lesley Jones, Ron McMillan and Fiona Laird. Fiona Laird took on the role as Chairman on 1 April 2016, following my resignation.

The formal terms of reference for this committee require it to make recommendations to the board for appointments of directors including, when appropriate, the Chairman 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 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.

MWM Consulting LLP ("MWM") are appointed by the Committee as external agents to assist in the discharge of its duties and, following my resignation, they are assisting 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. The Company will continue to keep you updated about any developments in this regard. MWM has no other connection with the Company.

Simon Patterson
Chairman of the Nomination and Governance Committee

CSR COMMITTEE REPORT

FIONA LAIRD
Chairman of the CSR Committee

THE CSR COMMITTEE

Member	No. of meetings
Fiona Laird (Chairman)	2/2
Angela Spindler (Chief Executive Officer)	2/2
Theresa Casey (Company Secretary)	2/2
Andrew York (Ethical Trading Manager)	2/2

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 2017

Investing in technology and people to better enable us to monitor and report on improvements;

Publishing our anti-slavery statement; and

Identifying ways in which we can improve the performance of our supply chain to promote more sustainable ways of working.

Dear Shareholder
The Committee has enjoyed a 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 and complement our CSR Strategy.

Having completed a review of the Group's CSR activities in 2014/5, we have this year successfully introduced a new three year CSR strategy to align our CSR activities with the Group's Sourcing and Commercial strategies. This Strategy is designed to embrace the three CSR pillars which make up our Charter – "All People, One Planet, Every Product".

We aim to align our ethical policies with our commercial activities, integrating them with our buying strategies in order to achieve tangible results and benefits.

In another major advancement, we now directly employ skilled personnel on the ground in Bangladesh, allowing us to work more closely and collaboratively with suppliers, NGO's, and government bodies.

Fiona Laird
Chairman of the CSR Committee

FIONA LAIRD
Chairman of the Remuneration Committee

THE REMUNERATION COMMITTEE

Member	No. of meetings
Fiona Laird (Chairman)	3/3
Ron McMillan	3/3
Simon Patterson	3/3

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 determine targets for, any performance-related pay schemes operated by the company and approve 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 2017

The committee will continue to foster a close relationship with shareholders in developing the remuneration policy.

The committee will oversee the introduction of the proposed new incentive schemes as detailed in this report.

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 2015/16 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 amended proposed forward looking Directors' Remuneration Policy Report subject to a binding vote at the 2016 annual general meeting; and
- An "Annual Report on Remuneration" which provides shareholders with details of the remuneration that was actually delivered to the company's directors during 2015/16. This final part of the report will be subject to an advisory vote at the forthcoming annual general meeting.

The Group is currently undergoing a significant transformation and is keen to ensure that the incentive arrangements remain appropriate to successfully deliver this. As a result, over the year the remuneration committee have undertaken a review of the long term incentive arrangements in place and we are now proposing to introduce a change to the performance conditions for the LTIP. This is designed to focus participants on the success of the current business strategy and transformation. This change requires shareholder approval for a new Policy at the 2016 AGM. There will be no other substantive changes made to the policy although minor changes to take account of developments in best practice and the passage of time will be made.

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 has fully debated and approved the proposed remuneration changes to ensure that the incentive plans in place appropriately reward the delivery of our transformation plan whilst ensuring alignment with shareholders. We have also consulted with our top ten shareholders and investor bodies on this change and have taken on board their feedback.

Proposed new LTIP performance conditions

Over the year, the Remuneration Committee have undertaken a detailed review of the appropriateness of the LTIP performance conditions in the context of the Company's transformation plan. The current LTIP performance conditions are adjusted EPS growth in excess of RPI (60% weighting) and relative TSR against a peer group of retailers (40% weighting). As part of the review, we have considered a range of performance measures and are proposing the following changes to performance conditions to better align participants with the current business strategy and transformation:

- Removal of relative TSR as a performance measure for the LTIP – it is our view that the use of relative TSR no longer accurately reflects the performance of our business and is an inappropriate way in which to incentivise participants as it does not directly align participants with the delivery of the strategic plan;
- Maintain adjusted EPS as a measure but reduce the weighting from 60% to 50% - our rationale remains that EPS accurately reflects the performance of our business and the experience of our shareholders;
- Introduction of free cash flow measure (30% weighting) – free cash flow aligns with the transformation agenda and is commonly used by retailers to monitor the flows of cash in and out of the business as well as providing an assessment of underlying profitability; and
- Introduction of revenue measure (20% weighting) – revenue growth is a critical KPI for the business 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 target ranges applying to each measure for awards to be made in 2016 are set out in full on page 75.

The Committee works hard to ensure that targets are appropriately stretching and motivating to management. In particular, following consultation with shareholders, we have listened to views about the maximum target under the EPS metric and we propose to increase the point at which 100% of this element of the LTIP is payable from the current level of 7.5% annual growth in adjusted EPS in excess of RPI over three financial years to 9% .

The Remuneration Committee strongly believes that the changes will provide a stable footing for remuneration to support the "Fit 4 the Future" strategy and achieve the following:

- Provide an incentive structure that supports the strategic transformation of N Brown and incentivises participants;
- Provide a more coherent incentive arrangement aligned to shareholder value;
- Balance the need to retain and motivate the Executive team with sufficiently challenging targets; and
- Remain in line with market practice, the views of investor bodies and the increasing use of multiple metrics to monitor performance of executives.

Remuneration outcomes for 2015/16

Annual bonus is paid 60% in cash and 40% deferred as a conditional award of shares that vest at the end of 3 years after the grant. The principal performance metric for the normal annual bonus was based on Group profit. The committee determined that this element of the annual bonus targets had not been met. The remainder of the normal annual bonus was based on meeting corporate and personal objectives and the committee determined that 27.9% of salary was payable to the CEO and 20.7% of salary was payable to the CFO.

The committee reviewed the EPS and TSR performance of the company in respect of the 2013 Long Term Incentive Share Plan ("LTISP") 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 year. The second, over shares worth £1,040,000 at the time of grant are subject to the achievement of strategic objectives measured over a period of three years as detailed in our 2015 Annual Report.

The committee reviewed the salaries of the executive directors in April 2016 and determined that the CEO's salary should be increased by 2%, in-line with most of the general workforce, with effect from 1 October 2016. Following bench marking and a review of the industry backdrop, the committee determined that the CFO's salary should be increased by 5% with effect from 1 May 2016.

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 2015. Vesting of these awards is subject to growth in adjusted EPS in excess of RPI (60% weighting) and relative TSR against a peer Group of retailers (40% weighting). In 2016 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 2016 and will be subject to the revised performance conditions set out above.

In May 2015, Craig Lovelace joined the company as Chief Financial Officer on terms described in last year's Remuneration Report. Dean Moore stepped down as Finance Director in April 2015. As was noted in last year's report, in accordance with the Remuneration Policy, Dean Moore has been paid the balance of his notice period. Payments were phased over the remaining 9 months of his contractual notice period and were subject to an obligation to mitigate. After due consideration the Committee determined that Dean Moore was a "good leaver" and the terms in relation to "good leaver" therefore applied.

I will be available to answer any questions at the annual general meeting in July and very much hope that you will support the revised Directors' Remuneration Policy and 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 in reviewing the suitability of the LTIP performance conditions and generally with the day to day tasks of the committee over the last year.

Fiona Laird
Chairman of the Remuneration Committee

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, if approved by shareholders at the 2016 annual general meeting will become effective immediately for a period of three years.

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 & 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 1st October	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

ELEMENT	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE ASSESSMENT
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
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 in 2016/17 will be split between growth in adjusted EPS in excess of RPI (50% of the award), free cashflow (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

ELEMENT	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE ASSESSMENT
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 it 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 2016/17 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. LTISP awards granted prior to 2014 and LTIP awards prior to 2016 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 at 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 2016, the committee has decided to maintain a condition based on growth in adjusted EPS and introduce free cashflow 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 objectives of driving profitable growth. The measure takes account of fair value adjustments to financial instruments (net of tax) as well as other non-recurring 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 cashflow 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 finance director 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 5 years of appointment. Details of the current shareholdings of the executive directors are provided later in this report.

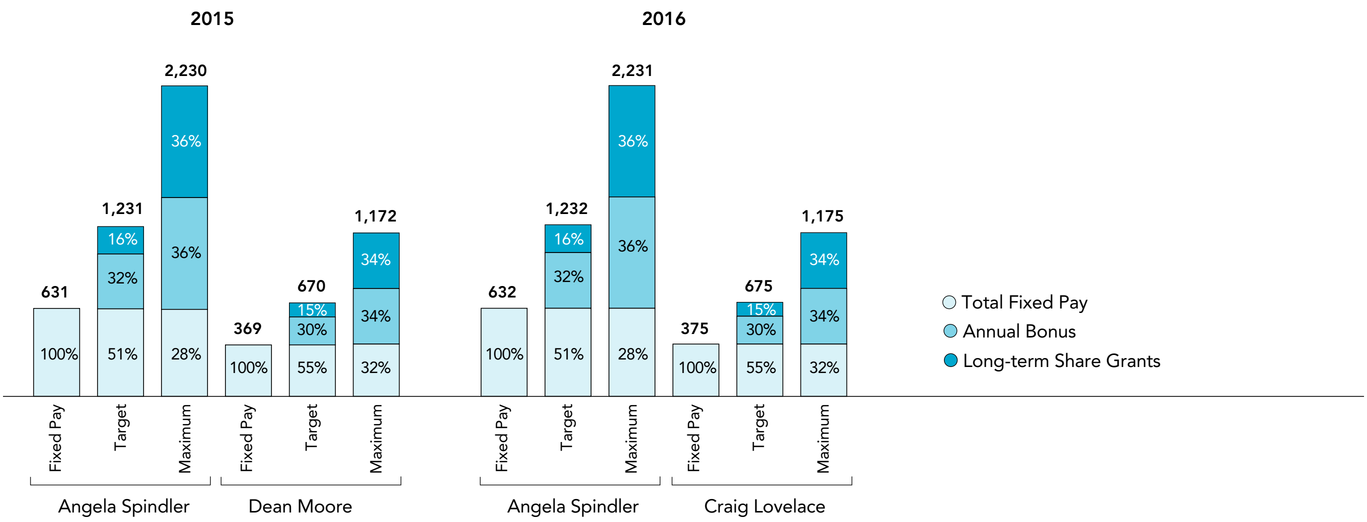
How shareholders' views are taken into account
The committee considers shareholder feedback received regarding the directors' remuneration report and guidance from shareholder representative bodies more generally. As appropriate, the committee also seeks feedback from shareholders on specific matters.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

In developing the changes proposed to the Policy from 2016 onwards, the Committee has engaged with its major shareholders and representative bodies. This process of engagement was still ongoing at the time this report was prepared.

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. Potential termination payments are summarised on page 71.

POTENTIAL REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS
(£'000)



Assumptions
1. Fixed pay = salary as 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 finance director plus target LTIP awards of 37.5% of salary for the chief executive and 31.25% for the finance director.
3. Maximum = fixed pay plus maximum annual bonus of 150% of salary for the chief executive and 125% for the finance director plus maximum LTIP awards of 150% of salary for the chief executive and 125% for the finance director.
4. Salary levels (on which other elements of the packages are calculated) are based on those effective from 1 October 2015 (£543,660 for the chief executive and £320,000 for the finance director).
5. The value of taxable benefits is based on an estimated cost of £19,000 in respect of the chief executive and £17,000 for the financial director and includes a car allowance and health insurance.
6. Pension provision is 15% of salary for the chief executive and 10% for the finance director.

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

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.

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 LTISP, 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 PSP 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 1 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

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 2016 annual general meeting. The information on pages 74 to 79 has been audited.

The remuneration committee and its advisers
Members of the Remuneration Committee

Name	From	To
Fiona Laird	1 April 2013	To date
Ron McMillan	1 April 2013	To date
Simon Patterson	1 April 2013	1 April 2016

General Counsel and company secretary, Theresa Casey, acts as secretary to the committee and the chief executive, Angela Spindler, the chairman, Andrew Higginson, and the Group HR director, Caroline Massingham, 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 3 times during the year. See page 64 for details of attendance.

Advisers
The committee received advice from New Bridge Street (a trading name of Aon Hewitt Limited, part of Aon plc). New Bridge Street was formally appointed by the committee. In addition, KPMG LLP ("KPMG") and Pinsent Masons LLP provided advice to the Group during the year which materially assisted the committee in relation to the closure to new accruals of the Group's defined benefit scheme. Neither firm was specifically appointed by the committee. KPMG who are also the Group's auditors were appointed to provide pension consultancy services in relation to the closure of the defined benefit scheme prior to their appointment as auditors. KPMG and Pinsent Mason LLPs have no other connections with the Group other than as set out above.

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 2015/16 were £40,512 (2014/15: £100,365). The committee reviews the performance and independence of its advisers on an annual basis and it satisfied that the advice received is objective and independent.

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

Application of the remuneration policy for 2016/17

Base salary

The executive directors' salaries were reviewed in April 2016. The salary increase takes effect from 1 October 2016 for the CEO and 1 May 2016 for the CFO and are set out below. The salary increases are in line with most of the general workforce.

Name	Salary as at 1 October 2015	Salary as at 1 October 2016	Increase
Angela Spindler	£533,000	£543,660	2%
		Salary as at 1 May 2016	
Craig Lovelace	£320,000	£336,000	5%

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 detailed below:

	Fees as at 1 March 2015	Fees as at 1 March 2016	Increase
Chair's fees	£250,000	£250,000	0%
Other non-executive directors' base fee	£47,000	£47,000	0%
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%

Annual bonus plan performance targets

The annual bonus plan for 2016/17 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 2015/16, 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 2015/2016 were as follows:

Angela Spindler	Craig Lovelace
Develop a Financial Services business we can be proud of	Build a relationship of support and trust with the CEO
Deliver Fit 4 the Future project to plan	Ensure integrity of reporting internal and external numbers
Build digital capability	Focus on meeting city expectations
	Enhance reporting to provide more insightful financial information for commercial decision making
	Assess and address any gaps in finance function capability

Long term incentive targets

Awards granted to the executive directors under the LTIP in 2016/17 will be subject to three metrics, namely growth in adjusted EPS, free cashflow 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 cashflow (30% of award) is defined as cashflow 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 9% CAGR

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

Directors' emoluments (Audited)

	Year	Salaries & fees £000's	Taxable benefits[1] £000's	Bonus (cash and deferred shares) £000's	LTISP and Matching Share Awards £000's	Pension and salary supplement £000's	Other[3] £000's	Total £000's
Executives (salaries)								
Angela Spindler	**2015/16**	**533**	**18**	**152**	**–**	**80**	**–**	**783**
	2014/15	530	19	–	–	79	100	728
Craig Lovelace – appointed 11 May 2015	**2015/16**	**258**	**14**	**56**	**–**	**9**	**9**	**346**
	2014/15	–	–	–	–	–	–	–
Dean Moore – resigned 30 April 2015	**2015/16**	**133**	**3**	**–**	**–**	**4**	**295**	**435**
	2014/15	353	17	–	473	42	–	885
Non-executive's (fees)								
Lord Alliance of Manchester CBE[2]	**2015/16**	**47**	**–**	**–**	**–**	**–**	**–**	**47**
	2014/15	47	–	–	–	–	–	47
Andrew Higginson	**2015/16**	**250**	**–**	**–**	**–**	**–**	**–**	**250**
	2014/15	250	–	–	–	–	–	250
Ivan Fallon	**2015/16**	**55**	**–**	**–**	**–**	**–**	**–**	**55**
	2014/15	55	–	–	–	–	–	55
John McGuire – resigned 1 April 2014	**2015/16**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2014/15	5	–	–	–	–	–	5
Fiona Laird	**2015/16**	**55**	**–**	**–**	**–**	**–**	**–**	**55**
	2014/15	55	–	–	–	–	–	55
Anna Ford – resigned 22 July 2014	**2015/16**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2014/15	22	–	–	–	–	–	22
Simon Patterson – resigned 1 April 2016	**2015/16**	**55**	**–**	**–**	**–**	**–**	**–**	**55**
	2014/15	55	–	–	–	–	–	55
Ron McMillan	**2015/16**	**60**	**–**	**–**	**–**	**–**	**–**	**60**
	2014/15	60	–	–	–	–	–	60
Lesley Jones	**2015/16**	**47**	**–**	**–**	**–**	**–**	**–**	**47**
	2014/15	19	–	–	–	–	–	19

Notes:
1. Taxable benefits comprise private medical cover and car allowance.
2. Lord Alliance has waived his non-executive director's fee.
3. Dean Moore received £295,248 in respect of payment in lieu of contractual notice. Craig Lovelace received £9,434 in respect of relocation expenses.

Total pension entitlements (Audited)

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

Dean Moore was a member of the contributory defined contribution pension scheme ("scheme") and received matching contributions from the company up to a maximum of 6% of salary. In addition, he received an additional 6% of salary as a cash allowance. Contributions paid by the company into the scheme during the year in respect of Dean Moore amounted to £19,555 (2015, £21,745).

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 £16,800 (2015, N/A).

Details of variable pay earned in the year

Annual bonus (Audited)

The table below gives details of executive directors' bonuses for 2015/16:

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%	£88m	£94m	£84.5m	Nil
	Corporate Objectives	20%			43.1%	12.9%
	Personal objectives	10%			100%	15%
Craig Lovelace	Group Profit	70%	£88m	£94m	£84.5m	Nil
	Corporate objectives	20%			43.1%	10.8%
	Personal objectives	10%			79%	9.9%

Notes:

1. In assessing the performance achieved against the Group profit performance condition the remuneration committee did not consider that the Group profit achieved was supported by the underlying trading profit performance of the Group. It therefore determined that the targets for the profit bonus element had not been met.
2. The precise targets set for the corporate objectives are considered to be commercially sensitive.

Long term share awards (Audited)

Details of the performance conditions for the relevant awards are set out below:

Grant	Condition	Performance Period	Threshold target	Stretch target	Actual performance	Vesting
2013 matching DABs award	EPS	2 years to 28 February 2015	100% vests if growth in EPS at least equal to growth in RPI	N/A	Growth in EPS below growth in RPI	0%
2012 LTISP award	TSR	3 years to 28 February 2015	25% vests at median performance	100% vests at upper quartile	15th out of 20	0%

Summary of awards granted in 2015/16 (Audited)

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

Executive	Type of award	Condition	% of salary	Face value	Number of shares	Share price at grant	Performance Period	Threshold target	Stretch target
Angela Spindler	LTIP	60% EPS 40% TSR	150%	£799,500	238,087	335.8p	EPS: 3yrs to end of financial year 2017/18 TSR: 3yrs to June 2018	EPS: 0% vests if EPS growth compounded annually less than 2.5% TSR: 25% vests at median performance	EPS: 100% vests if EPS growth compounded annually greater than 7.5% TSR: 100% vests at upper quartile
Craig Lovelace	LTIP	60% EPS 40% TSR	125%	£400,000	119,117	335.8p	EPS: 3yrs to end of financial year 2017/18 TSR: 3yrs to June 2018	EPS: 0% vests if EPS growth compounded annually less than 2.5% TSR: 25% vests at median performance	EPS: 100% vests if EPS growth compounded annually greater than 7.5% TSR: 100% vests at upper quartile

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 2015	Awarded during the year	Lapsed during the year	Vested and exercised during the year	27 February 2016	Date granted	Type of award
Angela Spindler	110,169	–	–	(110,169)	–	Aug 2013	Recruitment
	220,338	–	–	–	220,338	Aug 2013	Recruitment
	151,834	–	–	–	151,834	Aug 2013	LTISP
	185,198	–	–	–	185,198	Aug 2014	LTIP
	–	238,087	–	–	238,087	Aug 2015	LTIP
Craig Lovelace	–	119,117	–	–	119,117	Aug 2015	LTIP
Dean Moore	132,777		(132,177)	–	–	July 2012	LTISP
	81,023			–	81,023	June 2013	LTISP
	102,945			–	102,945	Aug 2014	LTIP
	11,107		(11,107)	–	–	May 2013	Matching share award
	2,963			–	2,963	May 2014	Matching share award

The current deferred annual bonus scheme was introduced in 2010. Under its terms, executive directors (excluding Angela Spindler) invest up to 25% of their base salary into shares and defer receipt for two years. Matching shares could be earned subject to employment conditions and were subject to a financial performance condition requiring that growth in the company's EPS must at least equal the growth in RPI over the deferral period. The matching element of the deferred annual bonus scheme will operate for the last time in respect of the finance director's bonus outcome for 2013/14.

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 finance director 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 2015	27 February 2016	Value of shares counting towards guideline holding (as a % of salary)	Guideline met?	Outstanding awards subject to performance conditions	Outstanding awards not subject to performance conditions	Outstanding Share options	Total as at 27 February 2016
Angela Spindler	–	100,438	61%	N/A	795,457	–	–	**895,895**
Craig Lovelace	–	–	N/A	N/A	119,117	–	–	**119,117**
Dean Moore	156,175	–	N/A	N/A	186,931	–	–	**186,931**
Lord Alliance of Manchester CBE	95,047,966	95,047,966	N/A	N/A	–	–	–	**95,047,966**
Andrew Higginson	91,331	101,009	N/A	N/A	–	–	–	**101,009**
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	10,000	10,000	N/A	N/A	–	–	–	**10,000**
Lesley Jones	–	–	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 27 February and 30 April 2016.

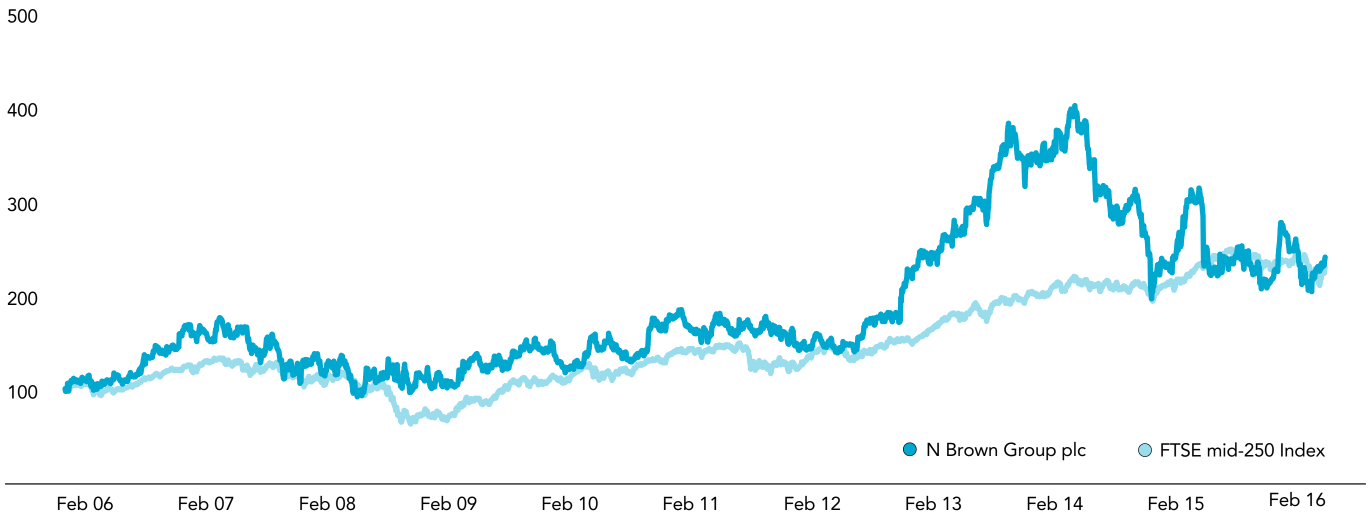
Termination payments (Audited)
Dean Moore stepped down as Finance Director on 30 April 2015. After due consideration the committee determined that Dean Moore was a "good leaver" and the terms below in relation to "good leaver" will therefore apply.

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 is a member of this index and accordingly it is felt to be the most appropriate comparator group for this purpose Analysis of chief executive's pay over 6 years.

Analysis of Chief Executive's pay over 7 years

	Alan White					Angela Spindler		
	2009/10	2010/11	2011/12	2012/13	2013/14	2013/14	2014/15	2015/16
Total remuneration (£'000)	2,438	3,738	2,734	1,780	2,734	1,364	728	783
Annual bonus (% of maximum)	96.9%	90.6%	38.7%	71.4%	15.8%	83.2%	0%	27.9%
Long term share vesting (% of maximum)	100%	100%	100%	100%	85%	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 2014/15 and 2015/16 financial years, compared to that of the average for all employees of the Group.

	% Change from 2014/15 to 2015/16		
	Salary	**Benefits**	**Annual bonus**
Chief Executive	+2.0%	nil	nil
Average of other employees	+2.0%	nil	nil

Relative importance of spend on pay

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

	2016	**2015**	**% Change**
Staff costs (£'m)	71.3	74.2	–3.9%
Dividends (£'m)	40.2	40.0	+0.5%

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

Shareholder voting on the directors' remuneration report at the 2015 annual general meeting

Annual Report on Remuneration

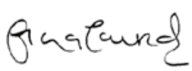
	Total number of votes	**% of votes cast**
For	222,910,254	98.45%
Against	3,478,226	1.54%
Total votes cast (excluding withheld votes)	226,388,480	99.9%
Votes withheld[1]	21,182	0.01%
Total votes cast (including withheld votes)	226,409,662	100%

Notes:
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.

Approval of the directors' remuneration report

The directors' remuneration report was approved by the board on 2 June 2016.

Signed on behalf of the board



Fiona Laird
Chairman of the Remuneration Committee