

## Chairman's introduction to governance



**John Coleman** Chairman

### Dear shareholder,

On behalf of the Board I am pleased to present our first Corporate Governance Report since the Company made the step up from AIM to the Official List of the Main Market of the London Stock Exchange on 19 October 2015. As a consequence, we are required to report on how we have applied the principles of the UK Corporate Governance Code 2014 (the 'Code'). I believe that we are making good progress towards being fully compliant with the Code. We have a strong and effective Board which possesses extensive knowledge and experience of the retail sector and City-related matters.

### Compliance with the UK Corporate Governance Code (the 'Code')

As a Premium Listed company we are required to report on a 'comply or explain' basis on how the Company has applied the provisions of the Code. This report has been prepared against the Code published in September 2014. The Code's 'comply or explain' approach permits listed companies some degree of flexibility and the ability to apply governance principles other than in strict accordance with the Code, for example to take account of differences in size and complexity between different entities.

Bonmarché complies with the Corporate Governance Statement requirements pursuant to the FCA Disclosure and Transparency Rules by virtue of the information included in the Corporate Governance section of the Annual Report, together with the information contained in the Shareholders Information section on page 100.

During the period under review the Company did not fully comply with the Code as only one independent Non-executive Director served on the Board; however, since the year end, a second independent Non-executive Director has been appointed.

### The Board

During the period under review there were a number of changes to the composition of the Board.

On 29 April 2015 Tim Mason stepped down as Chairman and, on behalf of the Board, I wish to thank him for his valuable contribution to the development of the Company. On the same date, I was appointed as Chairman.

Michael Kalb joined the Board as a non-independent Non-executive Director on 29 April 2015 as the appointee of the Company's majority shareholder, BM Holdings S.à r.l., an affiliate of Sun Capital Partners, Inc. ('Sun Capital'); however, he stepped down on 8 April 2016 and was replaced by Sergei Spiridonov, who is Group Chief Operating Officer of Sun European Partners, LLP, the European adviser to Sun Capital. His biographical details can be found on page 31. Michael Kalb continues to have a relationship with the Company in the capacity of Board Observer on behalf of BM Holdings S.à r.l.

On 8 April 2016 Mark McClennon was appointed as an independent Non-executive Director. He is currently Global Vice President for IT at Unilever plc, leading IT in relation to the growth agenda for Unilever globally across marketing, e-commerce, R&D and sustainability.

He joined Unilever in 1993 and has held a variety of senior roles across the business. Mark's biographical details can be found on page 30.

On 16 December 2015 we announced that Beth Butterwick would be leaving the Company. I would like to take this opportunity to thank Beth for her valuable contribution to the Company since joining in 2011. The search for Beth's replacement has been ongoing and I am pleased to report that a new Chief Executive has been appointed. Helen Connolly will join Bonmarché from George at Asda, where she has held the position of Senior Buying Director for the past three years. Prior to that, she held positions within Arcadia Group and Next plc. Helen's expertise in buying, merchandising, sourcing and product and business development is first class and I believe that she will be an excellent leader for the business. Helen will join the Company and the Board later in the year.

I believe that the current make-up of the Board, combined with a strong management team, provides us with an appropriate balance of skills, knowledge, expertise and diversity to enable us to deliver value to shareholders and to maintain strong corporate governance.

We have recently undertaken an internal evaluation of the Board's performance. The insights gained from this exercise will help us as we continue to develop our corporate governance processes and we have put in place an action plan which will be implemented over the coming year.

## Annual General Meeting ('AGM')

The AGM provides an opportunity for shareholders to meet the Board and to ask questions. Our 2016 AGM is scheduled for 28 July 2016 at our headquarters at Grange Moor, near Wakefield, and we look forward to meeting the shareholders who are able to attend.



**John Coleman**  
Chairman  
10 June 2016

## Introducing our incoming Chief Executive

The Board of Bonmarché is pleased to announce the appointment of Helen Connolly as the Company's new Chief Executive. Helen will take up her position later in the year and a further announcement will be made at the relevant time.

Helen is currently Senior Buying Director for George at ASDA, where she is responsible for all women's clothing, non-clothing and male and female essentials. Previously, she was Category Director for Buying and Design, and Buying Manager of Womenswear at George at ASDA. She was formerly Head of Sourcing for Womenswear and Girlsweare from China, Thailand, India and Sri Lanka at Next plc and has also worked within Arcadia Group as Head of Buying at Dorothy Perkins.

Helen brings significant relevant experience from the value retail sector, with particular expertise in women's apparel, which is Bonmarché's core market.

## Board of Directors



**John Coleman**  
Non-executive  
Chairman  
(independent)



**Beth Butterwick**  
Chief Executive



**Stephen Alldridge**  
Finance Director



**Ishbel Macpherson**  
Senior Independent  
Non-executive  
Director



**Mark McClellon**  
Independent  
Non-executive  
Director

### Date of appointment

October 2013

September 2011

March 2003

October 2013

April 2016

### Board Committees



### Experience

John Coleman has 15 years of experience acting as a non-executive director on the boards of various companies in different sectors, including builders merchants, travel/leisure and retail and the value fashion retail segment. As well as acting as a non-executive director, John worked as CEO of House of Fraser between 1996 and 2006 and as CEO of Texas Homecare and Ladbroke's plc between 1993 and 1995. Before that he was Managing Director of Dorothy Perkins from 1991 to 1993, Managing Director of Topman and Topshop from 1990 to 1991 and Managing Director of Topshop from 1986 to 1990, all at the Burton Group. On 22 April 2016, he was appointed as a non-executive director and Chairman Elect of McBride plc. John is a qualified accountant.

Appointed to the Group in 2011, Beth Butterwick led the turnaround of the new business strategy. This enabled the acquisition of the business and assets of Bonmarché by Bonmarché Limited, an affiliate of Sun Capital Partners, Inc., in January 2012. With over 21 years' retail experience, Beth started her career as a graduate trainee with Marks & Spencer, where she progressed to head of buying for the Accessories Group. She joined Gap Inc. as part of the senior management team responsible for the European expansion. Following this, Beth was appointed as Commercial Director at MS Mode BV, based in the Netherlands, where she played a key part in its performance improvement, prior to its acquisition by Excellent Retail Brands Group in January 2011.

Stephen Alldridge joined the Group in 2003 and has an in-depth knowledge of Bonmarché. With Beth Butterwick, he led the acquisition of the business in January 2012 and has since been closely involved in the development of strategy, as well as overseeing Bonmarché's logistics and IT operations, leading the successful AIM IPO in November 2013 and Bonmarché's move to the Main Market in October 2015. Before joining Bonmarché, he was a financial controller at The Peacock Group plc, which he joined in 1996. He qualified as a Chartered Accountant with Ernst & Young, following which he spent two further years with the firm specialising in corporate recovery.

Ishbel Macpherson has 10 years of experience acting as a non-executive director on the boards of various companies in different sectors, including pharmaceuticals, retail and support services. Prior to acting as a non-executive director, Ishbel worked in the finance sector, as Head of UK emerging companies, corporate finance at Dresdner Kleinwort Wasserstein between 1999 and 2005, Head of smaller companies, corporate finance at Hoare Govett between 1994 and 1999, and Director of corporate finance at BZW between 1989 and 1994.

Mark McClellon is the Global Vice President for IT at Unilever plc, leading IT in relation to the growth agenda for Unilever group marketing, e-commerce, R&D and sustainability. He joined Unilever in 1993 and has held a variety of senior roles across the business. Mark holds a BA (Hons) in pure mathematics from the University of Liverpool and he trained as an accountant.

## Trading Board



**Sergei Spiridonov**  
Non-independent  
Non-executive  
Director



**Jeff Bee**  
Merchandising  
Director



**Geraldine Higgins**  
Product Director



**Mark Pickersgill**  
Retail Director

### Date of appointment

April 2016

June 2012

January 2016

August 2008

### Board Committees



### Experience

Sergei Spiridonov is Group Chief Operating Officer of Sun European Partners LLP, the European adviser to Sun Capital. Prior to joining Sun European, Sergei led the strategic transformation team at Tesco plc and before that he was a Partner with McKinsey and Company, where he worked with a wide range of consumer and retail businesses. He holds a master's degree in business administration from Harvard Business School and a master of science degree in accounting and finance along with a certificate in banking and finance from the London School of Economics.

Jeff Bee joined the Group in June 2012. He heads up the Merchandising function and takes responsibility for the levels of stock the Group maintains, pricing and the product mix. Previously, he spent 12 years at Next, three years at Matalan and 10 years as a consultant to companies such as Marks & Spencer, Dixons Group, Faith and Republic.

Geraldine Higgins joined the Group in January 2016 as Product Director and is responsible for Buying and Design, Sourcing and Compliance. She has a strong value trading and sourcing background, having previously spent eight years at Dunnes Stores in Ireland, four years at Primark, five years at Matalan, three years at Etam (Holland), and more recently at Sainsbury's and Monsoon.

Mark Pickersgill joined the Group in August 2008 to head up retail operations, store portfolio and store design and visual merchandising. Previously, he spent four years at C&A, six years at Topshop, two years at Next, three years at Gymboree and seven years at Peacocks.

Note:  
Since the year end, a People Director and an Interim Multi-channel and Marketing Director have been appointed to the Trading Board.

- Remuneration Committee
- Audit Committee
- Nomination Committee
- Chair of the Committee
- Attends by invitation

## Corporate Governance Report

### The role of the Board

It is the responsibility of the Board to promote the long term success of the Group and to provide leadership within a framework of prudent and effective controls that enable risk to be assessed and appropriately managed. The Board agrees the Group's strategy, seeks to ensure that adequate resources are available to enable the Group's objectives to be met, and reviews management performance. The Board also approves the Group's values and ensures that its responsibilities to shareholders and other stakeholders are met.

A Schedule of Matters Reserved for the Board is in place and it is reviewed periodically. The Schedule can be found on the Company's website: [www.bonmarcheplc.co.uk](http://www.bonmarcheplc.co.uk).

The key responsibilities of the Board are:

- the overall management of the Group;
- approval of long term objectives and strategy;
- approval of revenue and capital budgets and plans;
- oversight of operations, ensuring that adequate systems of internal control and risk management are in place and that accounting and other records are maintained such that statutory and regulatory obligations are complied with;

- review of performance in light of strategy and budgets, ensuring that any corrective actions are taken;
- approval of the audited financial statements, the Annual Report, the interim results, material contracts and major projects;
- approval of the dividend policy;
- determining changes to the structure, size and composition of the Board and succession planning;
- determining the remuneration policy for the Directors and senior executives and approval of the remuneration of the Non-executive Directors; and
- approval of communications with shareholders and the market.

The Terms of Reference for the Audit, Nomination and Remuneration Committees are available on the Company's website: [www.bonmarcheplc.co.uk](http://www.bonmarcheplc.co.uk).

### Chairman and Chief Executive

The roles of the Chairman and the Chief Executive are separate and the division of their responsibilities has been agreed and approved by the Board. The Chairman engages in separate discussions with the Non-executive Directors between formal Board meetings.

A summary of the main responsibilities of each role is available on the Company's website: [www.bonmarcheplc.co.uk](http://www.bonmarcheplc.co.uk).

### Role of the Chairman

The Chairman ensures that the Board is effective, sets the agenda and programme for the year, ensures that adequate time is allocated for the discussion of all agenda items and ensures that the Directors receive accurate and timely information.

The Chairman also consults with the Non-executive Directors, including the Senior Independent Director, on matters of corporate governance.

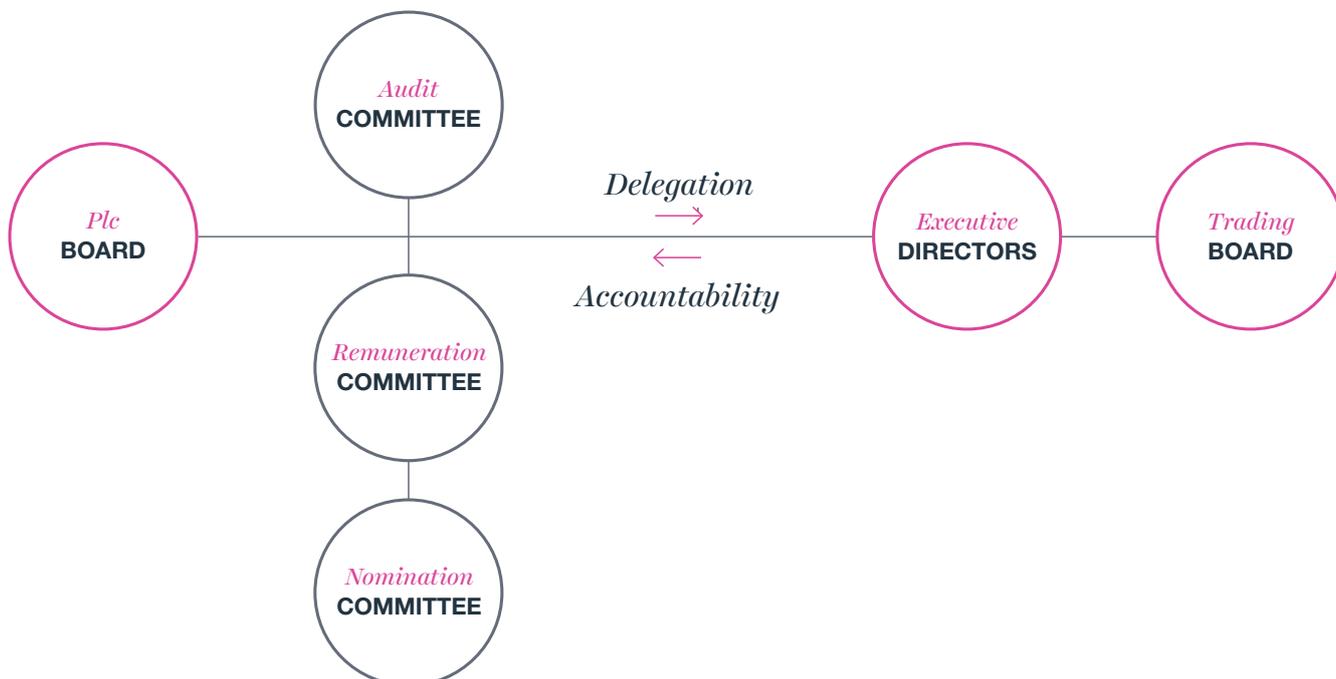
### Role of the Chief Executive

The Chief Executive is responsible for the day-to-day leadership, operation, performance and management of the Group and for leading the implementation of the strategy agreed by the Board.

### Senior Independent Director

Ishbel Macpherson is the Senior Independent Director ('SID') and she is available to shareholders to address any concerns which have not been resolved through the normal channels of Chairman or Chief Executive. The SID will also hold a meeting once a year with the Non-executive Directors without the Chairman present.

The Company's governance framework is set out in the diagram below:



## Non-executive Directors

The Non-executive Directors are appointed for an initial three-year term with typical tenure expected to be two three-year terms, subject to annual re-election by shareholders at the Annual General Meeting. Their letters of appointment set out their duties and the level of commitment expected. They are expected to commit at least 15.5 days per annum. The key elements of the role of Non-executive Director are:

- strategy – to challenge constructively, and contribute to the development of strategy;
- performance – to scrutinise the performance of management in meeting agreed goals and objectives and monitor reporting of performance;
- risk – to satisfy themselves as to the integrity of financial information and the robustness of financial controls and systems of risk management; and
- people – to determine appropriate levels of remuneration for the Executive Directors and oversee the appointment of Executive Directors and succession planning.

## The Company Secretary

The Company Secretary ensures effective communication between the Board and its Committees and between senior management and the Non-executive Directors. The Company Secretary also advises the Chairman and the Board on corporate governance and ensures that Board procedures are followed.

Stephen Alldridge currently acts as Company Secretary in addition to his role as Finance Director. Whilst he is an Executive Director of the Company, the Board believes that he is able to maintain independence, where required, as Company Secretary.

It is the Board's intention to appoint a new Company Secretary later in 2016.

## Conflicts of interest

Under the Articles of Association, the Board may authorise any actual or potential conflict of interest on the part of a Director and may impose appropriate conditions relating to such conflict.

Directors are not able to vote in respect of any contract, arrangement or transaction in which they have a material interest and in such circumstances they are not counted in the quorum.

A process is in place to identify Directors' potential or actual conflicts of interests. This includes declaring any potential new conflicts before the start of each Board meeting. A Conflicts of Interest Register is maintained and circulated to the Board in advance of each Board meeting.

## Committee membership

The Board has agreed that all independent Non-executive Directors will serve as members of the Audit, Remuneration and Nomination Committees.

The Code recommends that a majority of the Nomination Committee are independent Directors. Whilst John Coleman's role as Non-executive Chairman of the Company meant that the Company did not comply with the Code in this regard during the period under review, the Board considered that such an arrangement was appropriate and practical for the size and nature of the Company.

On 8 April 2016 Mark McClennon was appointed as an independent Non-executive Director and he joined the Audit, Remuneration and Nomination Committees on the same date.

## Board induction, training and development

An induction programme for newly appointed Directors is in place which consists of briefings from the Chairman, the Chief Executive, the Finance Director and corporate advisers along with visits to the head office, the distribution centre and stores.

The Directors are encouraged to attend training and continuing professional development courses as required. Individual training needs are discussed with Directors as part of the annual Board evaluation process. Updates on corporate governance and regulations are provided as required.

## Independent advice

The Directors may seek independent professional advice, if necessary, at the expense of the Company.

## Performance evaluation

The Board conducted an evaluation of its own performance during May 2016. The evaluation was conducted on the basis of questionnaires which were completed by each individual Director. Responses were reviewed by the Chairman, who then met with each Director on a one-to-one basis to discuss their responses, general views as to the Board's performance and individual training needs. The Chairman summarised the outcome of the process at the Board meeting in May 2016. All Directors agreed that the Board is of an appropriate size and composition to conduct its role, and that the diversity of skills and experience on the Board provides for open debate and focused and constructive challenge by the Non-executive Directors.

Provision B.6.2 of the UK Code, which requires that evaluation of the Board should be externally facilitated at least every three years, does not apply to the Company as it is not a constituent of the FTSE 350. However, the Board intends to keep under review whether an externally facilitated evaluation would be appropriate in future years.

## Appointments

The recruitment of new Directors is led by the Nomination Committee and, where appropriate, the Committee is supported by external independent search consultants (see the Nomination Committee Report on page 36).

## How the Board operates

The Board meets at regular intervals and met 10 times during the year under review. Directors are also provided with weekly trading information and a Board pack covering each month in which no formal Board meeting is held to ensure they are apprised of the Company's ongoing performance. Directors have contact on a variety of issues between formal meetings and are encouraged to question and voice any concerns they may have on any topic put to the Board for debate.

## Corporate Governance Report *continued*

### How the Board operates *continued*

The Board is supported in its work by Board Committees which are responsible for a variety of tasks delegated by the Board. Attendance at Board and Committee meetings by the Directors is shown below.

	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings
J Coleman	10/10	5/5	3/3	2/2
I Macpherson	10/10	5/5	3/3	2/2
B Butterwick	10/10	—	—	—
S Alldridge	10/10	—	—	—
T Mason	—	—	—	—
M Kalb	9/10	—	—	—

Note: The number of meetings attended is reported out of the number of meetings that the Director was eligible to attend.

In relation to the Audit and Remuneration Committee meetings, Michael Kalb attended as an Observer up to his resignation on 8 April 2016 and thereafter he was replaced by Sergei Spiridonov, who was appointed as a non-independent Non-executive Director on the same date.

Beth Butterwick and Stephen Alldridge may also attend Committee meetings by invitation.

In addition, a Trading Board meets on a regular basis. This consists of the Chief Executive, who chairs the meeting, the Finance Director, the Product Director, the Merchandise Director, the Retail Director, the People Director and the Multi-channel and Marketing Director. The responsibility of the Trading Board is to oversee the day-to-day management of the Group's business, implement the strategy and policies of the Board and review progress and financial performance against approved budgets and plans. The proceedings of the Trading Board are reported to the Board by the Chief Executive.

### Accountability

#### What the Board did during the year

There are a number of standing and routine items included for review on each Board agenda. These include the Chief Executive's Report and the Finance Director's Report, which contains a health and safety report, financial reports, consideration of reports from the Board Committees, proposed new store openings and investor relations updates. The Board also receives periodic presentations

and updates from members of the Trading Board in relation to strategic developments or operational matters and took part in a full-day strategic review.

### Risk management and internal control systems

#### Introduction

The Board is responsible for ensuring that an appropriate risk management and internal control framework is in place.

#### Risk governance

Effective risk management is key to the long term success of the business and it requires an appropriate risk governance structure. The governance structure and processes should be appropriate to the size and complexity of the business, its culture and its risk appetite and tolerance.

Bonmarché's risk governance framework is based on its organisational structure, to make use of established lines of accountability.

The Board has delegated specific duties in relation to risk management and internal control to the Audit Committee. The Audit Committee periodically reviews the adequacy and effectiveness of the risk management framework.

Executive Directors and senior management are responsible for managing the risk framework and internal control systems, for reviewing the framework to identify opportunities for improvement, and for reporting its effectiveness to the Audit Committee.

#### Board:

- provides oversight and direction and sets the tone; and
- receives reports from the Audit Committee.

#### Audit Committee:

- endorses risk appetite, tolerance and policy; and
- reviews risk profile and reporting.

#### Executives and senior management:

- manage and identify risk; and
- support risk culture.

#### Employees:

- comply with risk procedures; and
- identify risks.

### Risk management framework

The risk management framework sets out the policies and procedures for managing risk. It is designed to allow:

- risks to be assessed and managed in a balanced and proportionate manner;
- implementation of effective controls;
- clear understanding of roles and responsibilities in relation to risk management;
- continual improvement of risk management and controls; and
- consistent application of procedures as a result of having defined policies and procedures in place.

### Key features of the risk management and internal control systems

The key areas that the framework details are:

- risk governance environment (as described above);
- framework foundations, scope, risk appetite and descriptions of roles and responsibilities; and
- framework arrangements, incorporating risk management procedures to gather and document risk information relating to new risks, progress on any mitigations requiring action, changes to current risks or mitigations and changes to the overall risk profile.

A Risk Register is an important feature of our risk framework, as it documents the identification, assessment and treatment of risks, and any mitigations

requiring action. The Board undertook a detailed review of the register at its meeting in February 2016. During the year, the Audit Committee reviewed the effectiveness of the risk management and internal control systems. The review concluded that the framework as described above is suitable for identifying, evaluating and managing principal risks and enables risk management activities to be monitored and reviewed on a regular basis. The risk management and internal control systems were in place throughout the year and up to the date of approval of the 2016 Annual Report.

### Principal risks and uncertainties

The Directors have identified the risks and uncertainties facing the Group, management of which is considered key to the successful implementation of strategy and long term growth. The principal risks, and how we mitigate them, are described on pages 18 and 19.

### Financial and business reporting

The Board seeks to present a fair, balanced and understandable assessment of the Group's position and prospects in all half-year, full-year and any other price-sensitive reports and other information published externally. The Board receives a number of reports, including those from the Audit Committee, to enable it to monitor and clearly understand the Group's financial position. Having requested, and received, advice from the Audit Committee, the Board believes that the 2016 Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

### Anti-fraud, bribery and corruption

The Company aims to promote honest and ethical conduct. To support this, it has in place an anti-bribery policy which aims to ensure compliance with the Bribery Act 2010.

### Whistleblowing

The Company has a written policy and formal procedures designed to ensure that colleagues can confidentially raise concerns about possible improprieties. This includes guidance on raising

the concerns internally and provides external, independent whistleblowing advice from the charity Public Concern at Work. The Audit Committee regularly reviews the Company's whistleblowing policy and procedures, and any instances of whistleblowing, as part of its standing agenda.

### Controlling shareholder

The Group is controlled by BM Holdings S.à r.l., which owns 52.4% of the Company's issued share capital. BM Holdings S.à r.l.'s ultimate Parent Company is a private equity investment fund advised by an affiliate of Sun Capital Partners, Inc.

Under the UK Listing Rules companies with a shareholder or shareholders who could, when acting in concert, exercise 30% or more of the voting rights of a company at a general meeting are required to enter into a binding agreement with that shareholder or shareholders. This is intended to ensure that the parties to the agreement comply with certain independence provisions as set out in the Listing Rules.

On 15 November 2013, prior to admission to AIM, the Company entered into a Relationship Agreement (as amended and restated on 18 September 2015) with BM Holdings S.à r.l., Investec Bank plc and Sun Capital Partners Management V, LLC. The Relationship Agreement exists to ensure that the Group is capable of carrying on its business independently of its parent group, and that transactions and relationships between the Group and the Parent Company's group are conducted on an arm's length commercial basis such that the Company continues to satisfy the appropriate criteria for trading as a Premium-Listed company. The Relationship Agreement also regulates the provision of any consulting services by Sun Capital Partners Management V, LLC to the Company.

The views of the major shareholder are represented on the Board through its entitlement to nominate a Director, for so long as it holds over 15% of the Company's issued share capital, and, for so long as it controls more than 30% of voting rights, the Chairman of the Board. The major shareholder is also entitled to nominate an Observer to attend all Board meetings. BM Holdings S.à r.l. has presently waived its right to nominate the Chairman. Sergei Spiridonov, who was appointed as a non-independent Non-executive Director on 8 April 2016, acts as BM Holdings S.à r.l.'s

representative and Michael Kalb acts as Board Observer having previously served as a non-independent Non-executive Director on behalf of BM Holdings S.à r.l. from 29 April 2015 to 8 April 2016.

In accordance with Listing Rule 9.8.4(14), the Board confirms that for the year ended 26 March 2016:

- (i) the Company has complied with the independence provisions included in the Relationship Agreement; and
- (ii) so far as the Company is aware, the independence provisions contained in the Relationship Agreement have been complied with by the other parties to the Relationship Agreement and their associates.

### Other shareholders

The Group attaches great importance to communication with shareholders and maintains an active dialogue with the investment community through a planned programme of investor relations activities. The Chief Executive and the Finance Director provide formal presentations at the time of announcing the Group's full-year and interim results and meet institutional investors and analysts at other times.

Investor relations activity is reported to the Board as part of the regular update provided by the Finance Director at each Board meeting.

The Interim results and the Annual Report are the primary means of communication during the year with all of the Company's shareholders. They are available on the Company's corporate website, [www.bonmarcheplc.co.uk](http://www.bonmarcheplc.co.uk), which also contains the latest announcements, press releases, published financial information and other information about the Company.

The Annual General Meeting ('AGM') affords the opportunity for shareholders to meet the Directors personally and to ask questions about the Group and its business. This year's AGM will be held on 28 July 2016 at the Company's headquarters at Jubilee Way, Grange Moor, Wakefield WF4 4SJ. The Notice of AGM is available on the Company's website at [www.bonmarcheplc.co.uk](http://www.bonmarcheplc.co.uk) and will be sent out to shareholders at least 20 working days before the meeting. The result of the proxy votes submitted by shareholders in respect of each resolution is made available on the Company's website or can be provided upon request to the Company Secretary.