

Pentland Group Limited
Registered number: 00793577

Section 172 Statement

The Companies (Miscellaneous Reporting) Regulations 2018 requires Pentland Group Limited to publish a statement explaining how the Directors have given due regard for the matters set out in section 172 (1) (a) to (f) of the Companies Act 2006 while performing their duty to promote the success of the Company for the benefit of its members as a whole ("s.172 statement").

Below is the section 172 statement for the Group captured by these regulations.

Extract from the Strategic Report for the year ended 31 December 2019

The duty of our directors is to promote the success of the Company for the benefit of our stakeholders as a whole. Our success requires the Board, Committees and senior management to maintain an approach to strategic, financial and operational decision-making that ensures the careful deployment of the Company's capital and resources, the active management of relationships with the businesses we own and with the wide range of businesses in which we invest.

The following sets out how the Board have approached and met their responsibilities under section 172 Companies Act 2006 and in particular how the directors have satisfied themselves that they have acted in a way which is most likely to promote the success of the company for the benefit of its members as a whole and in doing having regard to the long term impact of its decisions, the interests of its employees, the need to foster business relationships with customers, suppliers and other stakeholders, the Company's impact on the community and the environment, whilst maintaining the Company's reputation and acting fairly between stakeholders.

Engagement with Pentland Group's Stakeholders

Successful delivery of Pentland Group's purpose depends upon effective engagement with its stakeholders. The Company's stakeholders include its:

- Shareholders;
- Lending institutions;
- Employees (including defined benefit pension scheme members);
- Regulators (including the Financial Conduct Authority, Financial Reporting Council, Competition and Markets Authority and the Pensions Regulator);
- Tax authorities in the territories in which we operate;
- Government authorities and their agencies;
- Professional advisors;
- Underlying investment businesses; and
- Communities with whom we operate, with particular emphasis on those engaged in the provision of products for the Group.

In addition, the Board is mindful of its subsidiaries' responsibilities to their own stakeholders. The Board expects the boards of its subsidiaries to manage their businesses and to determine their particular strategy and business model, as they are closest to the markets and stakeholders they serve. In doing so, those boards are expected to engage appropriately with their stakeholders.

While the Company endeavours to serve the interests of all stakeholders, our primary responsibility is to engage with and support those stakeholders whom we can influence directly. At the same time, we actively engage with our subsidiary companies through our representation as non-executive directors on their boards.

We have presented below a summary of the key stakeholder groups, as well as the key decisions made during the year, with reference to how our key stakeholders were impacted and how directors engaged with those stakeholders to promote the success of the Company and its subsidiary businesses.

Shareholders

The Company operates as a collective investment vehicle for the Rubin family shareholders, providing them with a diversified exposure to underlying trading businesses and investments. The Company creates value through the active allocation of resources to underlying trading businesses and investments, which are actively monitored by the Group directly or through managers. The value created for our shareholders translates into dividends and movement in underlying value of shareholders' equity in the Group.

The Board includes six members of the shareholding family. They meet regularly to consider company business at board meetings. In between those formal board meetings, direct meetings are routinely held between individual shareholders and executives as well as non-executive directors of the Board.

Other than the routine engagement on topics of strategy, governance and performance, specific matters on which the board of directors engaged in 2019 and the outcomes and actions of that engagement included:

Issues	Outcomes and Actions
<ul style="list-style-type: none"> Mitigating the risks to the business from the elevated political uncertainties in the UK, including that related to Brexit (refer to Principal Decisions for further details) 	<ul style="list-style-type: none"> The Board proposed to its shareholders a restructure of the Group's ultimate parent holding entity (refer to Principal Decisions for further details)

Lending Institutions

The Company works with a number of domestic and international banks. Continued access to capital resources to meet shorter term fluctuations in working capital and development capital is of vital importance to the long-term success of our business. The active management of the financial boundaries across Pentland Group with various lending institutions ensures clear demarcation of responsibilities and financial exposure of the Company in connection with its underlying subsidiaries and investments.

The Company routinely meets with its lending institutions to discuss specific business, Group performance and strategy and also to be appraised of macro-economic factors affecting both the lending community and the Company. There is also a Banking Committee as a delegated committee of the Board to make all decisions concerning general banking matters in respect of the Company and, where appropriate, its subsidiaries, excluding major Company issues as determined by the Chairman.

Specific matters on which the board of directors engaged in 2019 and outcomes and actions included:

Issues	Outcomes and Actions
<ul style="list-style-type: none"> Mitigating the risks to the business from the elevated political uncertainties in the UK, including that related to Brexit (refer to Principal Decisions for further details) 	<ul style="list-style-type: none"> Consent from our Revolving Credit Facility lending banks for the addition of additional holding companies above the Pentland Group banking group structure

Employees and Members of the Pentland Group Retirement Benefits Scheme

We pride ourselves on the quality and diversity of our employees, both those employed directly by the Company and those working within our subsidiary businesses. We believe they are the key to operating a successful business.

Executive members of the Board hold non-executive director positions on the boards of our underlying subsidiaries and substantial investment entities. This ensures a direct level of engagement and representation of the Board in the board decision making processes of our subsidiaries and significant investment entities.

An executive member of the Board also acts as a Trustee to the Pentland Group Retirement Benefit Scheme (“PGRBS”), to which the Company acts as both sponsoring employer as well as guarantor of section 75 liabilities that may arise (refer to note 7 in the financial statements). The PGRBS is closed to member contributions and for a number of years its assessed potential liabilities exceed its current assets.

Specific matters on which the board of directors engaged in 2019 and outcomes and actions included:

Issues	Outcomes and Actions
<ul style="list-style-type: none"> • The success of the Company is dependent upon the continued success of its key management team and upon its ability to attract, motivate and retain suitably qualified employees; and • Discussion of the appropriate level of annual cash funding to meet medium term projected cash flow requirements of the PGRBS as required by the Pensions Regulator. 	<ul style="list-style-type: none"> • A Remuneration Committee was established to set the remuneration for executive members of the Board and senior executives, to ensure that reward decisions are aligned with our business strategy, culture and values, and support an effective talent management strategy; • The Board regularly considers the actions required to ensure there is succession planning for key roles; and • The Company agreed a plan with the Trustees of the PGRBS and the PGRBS Actuary to increase the scheme funding over the next three years.

Tax Authorities

Whilst the Board is collectively responsible for setting the Group’s global tax strategy, the JD board of directors sets the tax strategy for that group. The taxes to which the Group is subject reflect the breadth and scale of our operations and include corporate income taxes (including withholding taxes and local trade taxes), indirect taxes (including VAT and sales taxes), employment taxes, social security payments, customs and excise taxes, stamp duties and business rates. There is a nominated Board member with specific responsibility for monitoring compliance with the strategy, with support from the Company’s Group Head of Tax.

Regular meetings and discussions are held between the Company’s tax function and HM Revenue and Customs. The Company’s Chief Financial Officer is the Senior Accounting Officer and reports directly to HM Revenue and Customs on the Group’s reporting and controls environment as well as compliance with domestic tax requirements. The Chief Financial Officer of JD performs the same role in relation to JD.

Specific matters on which the board of directors engaged in 2019 and outcomes and actions included:

Issues	Outcomes and Actions
<ul style="list-style-type: none"> • The need to publish annually, the Group’s tax strategy; and • Plans for the restructure to the Group’s ultimate parent holding entity (refer to Principal Decisions for further details) 	<ul style="list-style-type: none"> • The Board reviewed the tax strategy, renewed its commitment to pay its fair share of tax and approved the publication of its annual tax strategy; and • Clearance requested and obtained from HM Revenue and Customs on the tax consequences of restructuring.

Subsidiaries and Investment Businesses

The Board closely evaluates the performance of its subsidiaries and investments, influencing major strategic changes and intervening where shortcomings are identified. It does so by appointing nominated executive members to act as representatives on the boards of significant subsidiaries and investment entities. An Investment Committee exists as a delegated committee of the Board to make acquisition/disposal and portfolio monitoring decisions concerning direct and indirect investments, excluding major acquisitions/disposals above a certain limit as determined by the Board.

Specific matters on which the board of directors engaged in 2019 and outcomes and actions included:	
<p>Issues</p> <ul style="list-style-type: none"> • JD’s international expansion plans; • Supporting the repositioning of the Pentland Brands business; and • Supporting the continued growth of the investment business 	<p>Outcomes and Actions</p> <ul style="list-style-type: none"> • Providing shareholder support for JD’s continued international expansion, principally into the North American market during the integration of the acquisition of Finish Line; • Provision of funding for Pentland Brands’ working capital requirements; • Initiating discussions with PVH Corp regarding the stewardship of Speedo North America; and • Provision of funding for both new and previously uncalled commitments in PE/VC funds

Communities

Respect for people and the environment has always been at the heart of our business and we strive to do the right thing, not the easy thing, and make all our decisions in good conscience. Our focus is to:

- Help people to live active, healthy lifestyles by building a business with social purpose;
- Protect human rights by doing business ethically and sustainably;
- Enable an ethical and transparent supply chain; and
- Reduce the environmental impact of our operations and materials.

As a company, we have long maintained a commitment to treating people in our business together with the environment, fairly and with respect. Our commitment to giving back to communities runs through the entire Group. The Company continues to make significant charitable donations and through the Rubin Foundation Charitable Trust continues its support for the Pentland Centre for Sustainability in Business at Lancaster University and for an annual Pentland scholarship for a graduate from the southern hemisphere at University College London.

Our Principal Decisions

We define principal decisions as both those that are material to the Company, but also those that are significant to any of our key stakeholder groups. In making the following principal decisions the Board considered the outcome of its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct and to act fairly between the interests of individual stakeholder groups.

Restructure of the Parent Holding Structure

During the year, the Board reviewed the risks to the business from the elevated political uncertainties in the UK, including Brexit. The Board therefore developed a plan to mitigate the impact and create an appropriately funded EU platform for continued international investment.