

**PENTLAND GROUP LIMITED**  
**Registered number: 00793577**

**Statement of Corporate Governance**

The Companies (Miscellaneous Reporting) Regulations 2018 requires Pentland Group Limited to publish a statement of its corporate governance arrangements. Below is the statement of corporate governance for Pentland Group Limited captured by these regulations.

**Extract from the Directors' Report for the year ended 31 December 2020**

The Board has considered the Wates Principles and its application to its corporate governance code. The below explains how these Wates Principles are reflected in the company's governance arrangements, with reference to the six key tenets of corporate governance.

Principle		How the Company has applied it
<p><b>Principle One: Purpose and Leadership</b></p> <p>An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.</p>	<p><b>Applied</b></p>	<ul style="list-style-type: none"> <li>• The company is part of a family-owned group, with the fourth generation of the family now actively working in the business.</li> <li>• Through its subsidiaries, the company operates primarily in the retail and consumer brands sectors, but also invests outside these core areas to diversify the group's portfolio where we believe our expertise can create value for ourselves and others.</li> <li>• The company has a clear purpose set by the ultimate parent company, Pentland Group Holdings Limited. Through the leadership of the Board by the executive chairman, a clear vision for the UK group's purpose and overall values is articulated which underpins and defines the strategy and culture of the organisation. Our values are those of the shareholding family, based on social responsibility, inclusion, diversity, long-termism and sustainability.</li> <li>• Policies and protocols are in place to support the execution of the group's purpose and values across the organisation excluding the JD group.</li> </ul>
<p><b>Principle Two: Board Composition</b></p> <p>Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.</p>	<p><b>Applied</b></p>	<ul style="list-style-type: none"> <li>• The Board includes six members of the ultimate shareholding family and two non-family directors, one of whom is an independent non-executive director.</li> <li>• The Board operates partly through committees and, in particular, an Investment Committee (chaired by the Board's executive chairman), an Audit and Risk Committee (chaired by our independent non-executive director), a Banking Committee (chaired by our executive non-family member) and a Remuneration Committee (chaired by the Board's executive chairman). All committees have documented terms of reference which are regularly reviewed by the Board.</li> <li>• All directors have access to the Company Secretary's office and to the Group's General Counsel for advice and may take professional advice at the company's expense when required.</li> </ul>

		<ul style="list-style-type: none"> <li>• A list of Board members is set out on page 7.</li> <li>• Given the Rubin family representation on the Board, the Board does not consider it necessary to have a formal process for reporting its performance and effectiveness to shareholders. However, the need for such evaluation is regularly reviewed by the Audit and Risk Committee.</li> <li>• The company fully supports the professional development of all Board members with each member taking personal responsibility for additional training and support to meet their personal areas of specialism and interest.</li> <li>• The Board composition is balanced between executive and non-executive directors with a suitably qualified and experienced senior independent non-executive director.</li> </ul>
<p><b>Principle Three: Director Responsibilities</b></p> <p>The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.</p>	<p><b>Applied</b></p>	<ul style="list-style-type: none"> <li>• The Board is responsible for establishing the culture, values and framework within which the UK group operates and is collectively responsible to the company's stakeholders for the direction and oversight of the company to ensure its long-term success. It provides leadership, oversees strategy, ensures the necessary resources are available, and sets policies and standards. In doing so, the directors comply with their duties under section 172 of the Companies Act 2006.</li> <li>• Given the purpose of the company and nature of its ultimate ownership, the Board is largely comprised of members of the Rubin family.</li> <li>• Given the diverse nature of the businesses within the UK group, Board appointments have been made with care and to ensure that its membership includes the right and appropriate levels of skills and experience to address the challenges that the business currently face along with those of the future.</li> <li>• Through the Company Secretary's office, the Board has been given sufficient infrastructure to allow them to undertake their work with due care, which is aligned to achieving the UK group's long-term success and vision.</li> <li>• The Board is focused on improving its operational governance to ensure that the UK group's corporate purpose and strategy remains at the centre of its decision-making protocols.</li> <li>• The executive roles of individual directors are understood by the Board, although not formally documented. Authority limits are formally agreed by the Board and updated from time to time.</li> </ul>

<p><b>Principle Four: Opportunity and Risk</b></p> <p>A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.</p>	<p><b>Applied</b></p>	<ul style="list-style-type: none"> <li>• The Board’s decisions are focused on promoting and delivering long term value.</li> <li>• Principal risks have been identified across the UK group and at the operating business level. Risks relating to the retail business of JD are identified and mitigated by their independent board.</li> <li>• The company’s Internal Audit function, which reports to the Audit and Risk Committee, operates under a written IA charter agreed by the Board, and is responsible for the examination and evaluation of the adequacy and effectiveness of the UK group’s governance, risk management and internal controls, excluding JD whose board makes separate arrangements for reviewing governance, risk management and controls.</li> <li>• The company has implemented a Risk Management Framework to help identify, assess, debate, and mitigate the key risks facing us, in order to support the UK group’s overall purpose.</li> </ul>
<p><b>Principle Five: Remuneration</b></p> <p>A board should promote executive remuneration structures aligned to the long-term sustainable success of the company, taking into account pay and conditions elsewhere in the company.</p>	<p><b>Evolving</b></p>	<ul style="list-style-type: none"> <li>• In 2020, the Board formed a Remuneration Committee, with our independent non-executive director as a member. The role of the committee is to set the remuneration and incentives for executive Board members and senior executives to ensure that reward decisions are aligned with our business strategy, culture and values, whilst supporting an effective and efficient talent management strategy.</li> </ul>
<p><b>Principle Six: Stakeholder Relationships and Engagement</b></p> <p>Directors should foster effective stakeholder relationships aligned to the company’s purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.</p>	<p><b>Applied</b></p>	<ul style="list-style-type: none"> <li>• The company benefits from having Rubin family members on its Board, which reduces the agency risk involved in managing the business.</li> <li>• The company expects its operating businesses to maintain a high level of direct engagement with their key stakeholders, whether their employees, suppliers, customers, tax authorities, regulators or other governmental bodies, pensioners or community groups.</li> <li>• The Board engages regularly with its own stakeholders, including its shareholders, lending institutions, direct employees, pensioners, regulators, tax authorities, government authorities and their agencies, professional advisors, underlying investment businesses, communities, and individual directors. How the Board has engaged with key stakeholders during the course of the year can be found on pages 3 to 5.</li> </ul>