

**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 (“section 172 statement”). Below is the section 172 statement for Pentland Group Limited captured by these regulations.

**Extract from the Strategic Report for the year ended 31 December 2020**

The duty of the directors is to promote the success of the company for the benefit of its stakeholders as a whole. Our success requires the board of directors (the “Board”) and its 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 it owns and with the wide range of businesses in which it invests.

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. Further information about the company’s corporate governance arrangements is set out in the Statement of Corporate Governance on pages 7 to 9 of the directors’ report.

**Engagement with Stakeholders**

The success of the company depends upon effective engagement with its stakeholders. The company’s stakeholders include its:

- Shareholder(s);
- 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 it and its subsidiaries 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 company’s trading businesses.

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.

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.

**Shareholders**

The company operates as an intermediate management holding company. The company creates value through the active allocation of resources to its underlying trading businesses and investments, which are actively monitored by the company directly or through managers. The value created translates

into dividends and movement in underlying value of shareholders' equity in the wider Pentland Group. As a result of the restructure of the Pentland Group's ultimate parent holding entity, the company's immediate shareholder is Pentland UK Holdings.

The Board includes six members of the ultimate 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 2020 and the outcomes and actions of that engagement included:**

<b>Issues</b>	<b>Outcomes and Actions</b>
<ul style="list-style-type: none"> <li>Mitigating the risks to the business from the complex uncertainties caused by the COVID-19 global pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>The Board took action in response to the human and trading challenges of the COVID-19 pandemic. Please refer to "Statement in relation to COVID-19" for further details.</li> </ul>

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 the 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, performance and strategy of both the company and, where appropriate, its subsidiaries, 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 2020 and outcomes and actions included:**

<b>Issues</b>	<b>Outcomes and Actions</b>
<ul style="list-style-type: none"> <li>The availability of committed lending facilities throughout the COVID-19 pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>The Board assured itself that the Banking Committee was managing an appropriate dialogue with banking partners to ensure that facilities remained available if required.</li> </ul>

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.

Members of the Board act as representatives on the boards of our underlying subsidiaries and substantial investment entities. This ensures an appropriate 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, 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 2020 and outcomes and actions included:**

<b>Issues</b>	<b>Outcomes and Actions</b>
<ul style="list-style-type: none"> <li>• Protecting the health and wellbeing of employees and those within our businesses throughout the COVID-19 pandemic; and</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• The Board assured itself that appropriate actions were being taken by the business and that of its subsidiaries in response to the COVID-19 pandemic;</li> <li>• A Remuneration Committee is in place 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; and</li> <li>• The Board regularly considers the actions required to ensure there is succession planning for key roles.</li> </ul>

Tax Authorities

The taxes to which the company and its subsidiaries are 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. Andrew Long, one of the Executive Directors, is the Senior Accounting Officer and reports directly to HM Revenue and Customs on the company's reporting and controls environment as well as compliance with domestic tax requirements.

**Specific matters on which the board of directors engaged in 2020 and outcomes and actions included:**

<b>Issues</b>	<b>Outcomes and Actions</b>
<ul style="list-style-type: none"> <li>• The need to publish annually, the UK tax strategy; and</li> <li>• Government support during the COVID-19 pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> <li>• The Board reviewed the available government support packages and approved the claiming of grants and payment deferrals where it was felt appropriate to do so.</li> </ul>

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 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.

<b>Specific matters on which the board of directors engaged in 2020 and outcomes and actions included:</b>	
<p><b>Issues</b></p> <ul style="list-style-type: none"> <li>• JD’s international expansion plans;</li> <li>• Supporting the Pentland Brands business through the pandemic; and</li> <li>• Supporting the continued growth of the investment business.</li> </ul>	<p><b>Outcomes and Actions</b></p> <ul style="list-style-type: none"> <li>• Providing shareholder support for JD’s continued international expansion;</li> <li>• Provision of funding for Pentland Brands’ working capital requirements; and</li> <li>• Provision of funding for both new and previously uncalled commitments in PE/VC funds</li> </ul>

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. 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.

COVID-19

In common with many businesses, the main area for significant decision making in 2020 related to the global COVID-19 pandemic. Given the rapidly developing situation and the need to conserve liquid resources to support the business through the pandemic, the Board decided it would be appropriate to suspend dividends until the future effects on the performance of the business became clearer. Other actions taken by the company and its subsidiaries are covered in the “Statement in Relation to COVID-19”.

## **PENTLAND INDUSTRIES LIMITED**

**Registered number: 02307419**

### **Section 172 Statement**

The Companies (Miscellaneous Reporting) Regulations 2018 requires Pentland Industries 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 (“section 172 statement”). Below is the section 172 statement for Pentland Industries Limited captured by these regulations.

### **Extract from the Strategic Report for the year ended 31 December 2020**

The company operates to ensure that all relevant matters are considered by the board of directors (the “Board”) in its principal decision-making as a means of contributing to the overall purpose of the Pentland Group and acknowledges the need to maintain high standards of business conduct.

In the performance of its duty to promote the success of the company and considering its principal activity as an intermediate holding company, the Board has had regard for the impact of their decisions on the company’s main stakeholder groups.

**PENTLAND UK HOLDINGS**  
**Registered number: 12282861**

**Section 172 Statement**

The Companies (Miscellaneous Reporting) Regulations 2018 requires Pentland UK Holdings 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 (“section 172 statement”). Below is the section 172 statement for Pentland UK Holdings captured by these regulations.

**Extract from the Strategic Report for the year ended 31 December 2020**

The company operates to ensure that all relevant matters are considered by the board of directors (the “Board”) in its principal decision-making as a means of contributing to the overall purpose of the Pentland Group and acknowledges the need to maintain high standards of business conduct.

In the performance of its duty to promote the success of the company and considering its principal activity as an intermediate holding company, the Board has had regard for the impact of their decisions on the company’s main stakeholder groups.