

PENTLAND GROUP LIMITED

Registered number: 11439197

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 2022

Pentland's business approach is based on openness and high levels of accountability, and the Board's approach to corporate governance is to issue clear policies and procedures as it considers appropriate for a privately-owned company with some of its ultimate shareholders represented on the Board. The Board has considered the Wates Principles and its application to its corporate governance code. The below explains how those 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>Principle One: Purpose and Leadership</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>Applied</p>	<ul style="list-style-type: none"> • The company is part of a family-owned group, with the fourth generation of the family now actively working in the business • Through its subsidiaries, the company operates primarily in the retail and consumer brands sectors • 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 chair, 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 • Policies and protocols are in place to support the execution of the group's purpose and values across the organisation excluding JD Sports Fashion plc and its sub-group
<p>Principle Two: Board Composition</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>Applied</p>	<ul style="list-style-type: none"> • The Board includes five members of the ultimate shareholding family and two non-family directors, one of whom is an independent non-executive director • The Board operates partly through committees and, in particular, a Trading Committee (chaired by the Board's executive chair) and a Banking Committee (chaired by our executive non-family member). All committees have documented terms of reference which are regularly reviewed by the Board • 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 • A list of Board members is set out on page 5 • 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 • The Board composition is balanced between executive and non-executive directors with a suitably qualified and experienced senior independent non-executive director

Principle		How the Company has applied it
<p>Principle Three: Director Responsibilities</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>Applied</p>	<ul style="list-style-type: none"> • 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 • Given the purpose of the company and nature of its ultimate ownership, the Board is largely comprised of members of the Rubin family • 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 • 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 • 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 • 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
<p>Principle Four: Opportunity and Risk</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>Applied</p>	<ul style="list-style-type: none"> • The Board's decisions are focused on promoting and delivering long term value • Principal risks have been identified across the UK group and at the operating business level. Risks relating to the retail business of JD Sports Fashion plc are identified and mitigated by their independent board • The Pentland Group, of which the company forms part has an Internal Audit function, which reports to the Audit and Risk Committee, operates under a written IA charter agreed by the Board of the ultimate parent company, 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 Sports Fashion plc whose board makes separate arrangements for reviewing governance, risk management and controls • The Pentland Group 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

Principle		How the Company has applied it
<p>Principle Five: Remuneration</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>Evolving</p>	<ul style="list-style-type: none"> • The Remuneration Committee of the company's ultimate parent set the remuneration and incentives for Board members and senior executives to ensure that reward decisions are aligned with the Group's business strategy, culture and values, whilst supporting an effective and efficient talent management strategy.
<p>Principle Six: Stakeholder Relationships and Engagement</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>Applied</p>	<ul style="list-style-type: none"> • The company benefits from having Rubin family members on its Board, which reduces the agency risk involved in managing the business • 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 • The Board engages regularly with its own stakeholders, including its shareholders, its people, pensioners, regulators, tax authorities, government authorities and their agencies, professional advisors, underlying trading businesses, communities, and individual directors. How the Board has engaged with key stakeholders during the course of the year can be found on page 1 and 2.

PENTLAND CAPITAL 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 2022

Our success requires the board of directors (the “Board”), its committees and senior management to ensure the careful deployment of the company’s capital and resources and the active management of relationships with the businesses in which it invests.

Throughout the year, the directors have performed their duty to promote the success of the company under section 172 of the Companies Act 2006, taking into consideration the issues and stakeholders relevant in complying with section 172(a) to (f), the methods used to engage with those stakeholders and the effect of such on the decisions and strategy during the year.

Engagement with Stakeholders

The success of the company is dependent on the effective engagement with, and support from, its stakeholders. The company’s stakeholders include its: -

- Shareholder(s);
- People (including defined benefit pension scheme members);
- Regulators (including the Financial Conduct Authority, Financial Reporting Council and the Pensions Regulator);
- Tax authorities in the territories in which it and its subsidiaries operate;
- Government authorities and their agencies;
- Professional advisors;
- Underlying subsidiary and investment businesses; and
- Investment communities in which we operate.

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.

Shareholders

The company is part of a family-owned group. The company creates value through the active allocation of capital and resources to a portfolio of investments across a diverse range of markets and sectors, which are actively monitored by the company directly or through managers. The value created translates into dividends and the movement in underlying value of shareholders’ equity in the wider group. The company’s immediate shareholder is Pentland Investment Holdings Limited, a company registered in Jersey and tax resident in the United Kingdom.

The Board includes six members of the ultimate shareholding family, who 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.

People

We pride ourselves on the quality of our people, both those employed directly by the company and those within our subsidiary businesses. Details on how we engage with our people can be found in the directors’ report on page 4.

An executive member of the Board also acts as a Trustee to the Pentland Group Retirement Benefits Scheme, to which the company acts as both an employer and a guarantor, on a joint and severally liability basis, for any obligations of the scheme (see note 7). The Pentland Group Retirement Benefits Scheme is closed to member contributions and for a number of years its assessed potential liabilities exceed its current assets.

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), 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 our tax 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 to HM Revenue and Customs on the company's reporting and controls environment as well as compliance with domestic tax requirements.

Subsidiary 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 subsidiaries and significant investment entities, where appropriate.

An executive committee exists as a delegated committee of the Board to make acquisition/disposal and portfolio monitoring decisions concerning direct and indirect investments.

Communities

We believe in doing the right thing, not the easy thing – as individuals and as an organisation. Respect for people and the environment has always been at the heart of our business and we strive to make all our decisions in good conscience.

People are an important part of the company achieving its purpose and we have built a network of long term relationships with investment managers and executives. The company invests in private equity and venture capital funds, listed securities and directly-held businesses across a diverse range of sectors and geographies, including social impact investing.

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. During the year the Board has had to be responsive to challenging economic and financial market conditions, the considerable geopolitical and economic disruption following the Russian invasion of Ukraine and finalising the separation programme after the demerger.

Background/Issue	Stakeholder Considerations	Outcome and Actions
Revolving Credit Facility with Pentland Group Limited		
<p>Last year's demerger saw the cancellation of the revolving credit facilities with the lending institutions as a result of the company leaving our sister group headed by Pentland Group Holdings Limited.</p> <p>With the heightened economic and political uncertainty characterised by rising inflation and interest rates, conversations about a replacement bank RCF for Pentland Group Limited were put on hold, leaving that company with a short term funding requirement.</p>	<p>The company does not primarily consider the provision of loans to external parties as part of its medium and long-term strategy. The Board considered the current levels of cash within the company, its liquidity needs and the importance of being able to act in an agile and responsive way to the active allocation of capital and resources.</p>	<p>In June 2022, the company entered into a credit agreement with Pentland Group Limited to provide a revolving credit facility. The aggregate principal amount available under that facility is £90m, carrying an interest rate of SONIA + 3.75% per annum and a final repayment date of 31 December 2023. The credit facility does not impose any financial covenants on the debtor.</p> <p>On 31 December 2022, the facility had been drawn down by Pentland Group Limited to £57.0m. This is expected to be repaid by the end of the year ahead of the final repayment date on 31 December 2023.</p>

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 2022

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 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 in 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 GROUP LIMITED

Registered number: 11439197

Section 172 Statement

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Extract from the Strategic Report for the year ended 31 December 2022

Our success requires the board of directors (the “Board”), its committees and senior management ensure the careful deployment of the company’s capital and resources and the active management of relationships with the trading businesses we own and invest in.

Throughout the year, the directors have performed their duty to promote the success of the company under section 172 of the Companies Act 2006, taking into consideration the issues and stakeholders relevant in complying with section 172(a) to (f), the methods used to engage with those stakeholders and the effect of such on the decisions and strategy during the year. Further information about the company’s corporate governance arrangements is set out in the Statement of Corporate Governance on pages 5 to 7 of the directors’ report.

Engagement with Stakeholders

The success of the company is dependent on the effective engagement with, and support from, its stakeholders. The company’s stakeholders include its:

- Shareholder(s);
- People (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 trading 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.

Shareholders

The company is part of a family-owned group. The company creates value through the active allocation of resources to its underlying trading subsidiaries, joint ventures and associates, which are actively monitored by the company. The value created translates into dividends and the movement in underlying value of shareholders’ equity in the wider group. The company’s immediate shareholder is Pentland UK Holdings.

The Board includes five members of the ultimate shareholding family, who 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.

People

We pride ourselves on the quality of our people, both those employed directly and those working within our subsidiary businesses. Details on how we engage with our people can be found in the directors’ report on page 7.

An executive member of the Board also acts as a trustee to the Pentland Group Retirement Benefits Scheme, to which the company acts as both an employer and a guarantor, on a joint and severely liability basis, for any obligations of the scheme. The Pentland Group Retirement Benefits Scheme is closed to member contributions and for a number of years its assessed potential liabilities exceed its current assets.

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 our tax 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 to HM Revenue and Customs on the company's reporting and controls environment as well as compliance with domestic tax requirements.

Subsidiaries, Joint Ventures and Associates

Each of the underlying trading subsidiaries have extensive engagement with their own unique stakeholders which allows them to take account of the need of their own stakeholders in their decision making. The leadership teams of each business make decisions with a long-term view and with the highest standards of conduct in line with group policies, with the exclusion of JD Sports Fashion plc ("JD") who set their own standards and policies.

The Board closely evaluates the performance of its subsidiaries, joint ventures and associates, 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 those businesses, where appropriate.

Communities

We believe in doing the right thing, not the easy thing – as individuals and as an organisation. Respect for people and the environment has always been at the heart of our business and we strive to 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
- Reduce the environmental impact of our operations and materials

Pentland has 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. We partner with leading charities, organisations and academic institutions to scale positive change and we continue to make significant charitable donations.

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. During the year the Board has had to be responsive to adjusting to post-pandemic business patterns, the uncertain economic environment, the considerable geopolitical and economic disruption following the Russian invasion of Ukraine and finalising the separation programme after the demerger.

Background	Stakeholder Considerations	Outcome and Actions
Sale of Pentland Brands UK Distribution Limited		
<p>Pentland became the worldwide footwear licensee for Lacoste in the early 1990s. At that time Lacoste footwear was a £1m business and, over the years, Pentland built it into a £200m plus business.</p> <p>In January 2018, Pentland signed a 10-year agreement with the Lacoste Group to become joint owners (50/50) of the Lacoste footwear business (Pentland Chaussures Limited) with Pentland retaining the footwear distribution rights for Lacoste UK and Ireland.</p> <p>Having continued to build a strong footwear business in the UK and Ireland, Lacoste felt that it was the right time for them to bring the UK and Ireland distribution service back into their business.</p>	<p>The Board considered the importance of making decisions that support and achieve long term sustainable growth and returns alongside the potential impact on employees whose roles could be potentially impacted by the decision.</p>	<p>Pentland agreed to sell its footwear distribution rights for Lacoste UK and Ireland to the Lacoste Group. The agreement was for Lacoste to acquire Pentland Brands UK Distribution Limited business, effective 4 January 2023. The joint venture remains unchanged.</p>
Revolving Credit Facility with Pentland Capital Limited		
<p>Last year's demerger saw the cancellation of the revolving credit facilities with lending institutions as a result of Pentland Capital Limited (formerly Pentland Group Limited) leaving the group.</p> <p>With the heightened economic and political uncertainty characterised by rising inflation and interest rates, conversations about a replacement bank RCF facilities with lending institutions was put on hold.</p>	<p>The Board considered the importance of being able to act in an agile way when considering providing capital investment support through the active allocation of resources to its underlying trading businesses, which underpins value creation for shareholders.</p>	<p>In June 2022, the company entered into a credit agreement with Pentland Capital Limited for a revolving credit facility. The credit facility does not impose any financial covenants on the company and is expected to be fully repaid by December 2023.</p>

Certification of Berghaus as a B Corporation

In November 2021, Pentland Brands launched its ambitious 100-1-0 sustainability goals.

B Corps are businesses that meet high standards of social and environmental performance, public transparency and accountability to balance profit and purpose.

The proposal was for Berghaus to become a B Corp to offer a consumer centric sustainable proposition. Berghaus obtaining B Corp status demonstrates our purpose of pioneering brands improve its consumers lives.

The Board considered the importance of the communities in which our underlying trading businesses operate. Communities want us to behave as a responsible business, bring value to the community and be committed to reducing our impact on the environment.

The Board also considered the importance of our people being passionate about wanting to work for a responsible business where they feel they are part of contributing to a more sustainable future.

The Board approved the Berghaus B Corp submission. Following a rigorous assessment that covered governance, workers, community, customers, and environment, in August 2022, Berghaus was awarded B Corp status, the first brand in the Pentland Brands portfolio to be certified.

As a B Corp, the brand joins the globally recognised community that use business for good and pledges to continue improving its approach to responsible business practices.