

Statement of Compliance with the QCA Corporate Governance Code



Independent Non-Executive Chairman's Introduction

As Chairman of Personal Group, I ensure that the Board is performing its role effectively. This means ensuring the Directors have the capacity, ability, structure, diversity and support to respond to the opportunities being created for us.

I also have responsibility for ensuring the robust governance of the Group through challenge and direction of the Senior Management Team. We seek to maintain high standards of corporate governance whilst still achieving the Company's strategic aims. It is well recognised that business success is derived from good corporate governance. I and the Board believe that a sound and well understood governance structure is essential for maintaining the integrity of the Group, in all its actions. Good governance should enhance performance and deliver positively for our shareholders, staff, customers, suppliers and other stakeholders.

In 2018 the Group adopted the Quoted Companies Alliance (QCA) Corporate Governance Code in its entirety. The code seeks to measure our adherence to good governance principles providing the necessary framework for assessing performance as a Board and as a Company. This framework supports the way in which the strategy is set and establishes how effective decision making from all stakeholders leads us to meet the overall objectives. Each of the 10 principles of the Code provide greater detail in specific areas and explain how we manage corporate governance, showing the way in which these aspects provide the support to drive successful outcomes to the business. The Board delivers effective decision making, managing the risks of not achieving the required improvement to performance and subsequent drive of value for shareholders, based on the quality information which it receives.

The Board does not consider that it departs from any of the principles of the QCA Code and will continue to develop its governance processes in the coming year. The Board also has a significant role to play in establishing the culture of the business ensuring that it is consistent with our business model and suitably cascaded through the Group. This is monitored through engagement with the wider investor community, through involvement of the Board Committees and by use of the wide-ranging experience, skills and capabilities of Board members. We will be conducting an externally facilitated Board Effectiveness Review in 2019.

The Board met 10 times in 2018 with all Directors present at all meetings, other than Ken Rooney who attended all but one. In addition, the Board has Audit, Risk and Compliance and Remuneration Committees, the reports of which can be seen later in this section.

Mark Winlow
Independent Non-Executive Chairman

Principle 1:

Establish a strategy and business model which promote long-term value for shareholders

Personal Group is a leading provider of employee services in the UK, serving more than 600 corporate clients. Its aim is to be the defacto provider of employee services in the UK by maximising the strength of its offer, the addressable market and market access, and the quality of its systems and team. Details of the current business model and strategy can be see in the Strategic Report section of the Report and Accounts.

What we do

Who we are

We are a technology enabled employee services business which works with employers to build employee engagement, improve retention and drive productivity. Our suite of in-house employee services is complemented by a range of third party propositions.

What we do

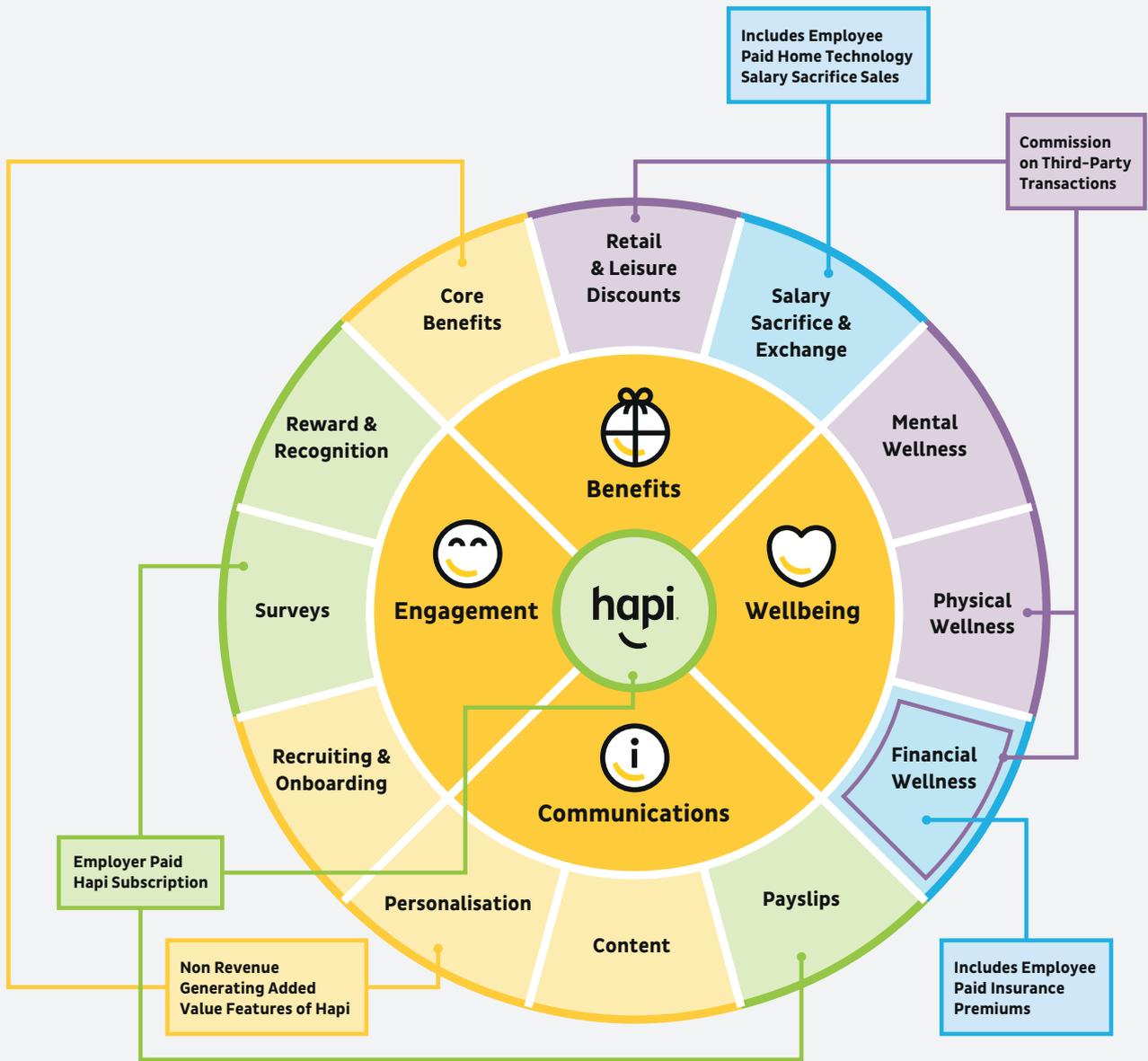
We offer simple, seamless employee services to make work happy, for everyone. We make it easier for HR to offer a full range of employee services – and we make it easier for their employees to access them, wherever they are.

How we do it

We balance our user friendly, engaging technology and HR analytics, with a face-to-face launch of the benefits programme and marketing support from our client services team, creating a personalised benefits roll out for each of our clients' employee sites.

Our business model

Hapi generates income from the subscription paid by clients, through revenue generated via employee use of third-party services and by facilitating employee purchases of Personal Group insurance products and PG Let's Connect home technology products.



Key:

| | |
|------------------------------|---|
| Hapi Revenue – Direct Income | Product Revenue – Insurance Premium & PG Let's Connect Income |
| Third-Party Revenue | Value Add for Client Included in Hapi |

Principle 2:

Seek to understand and meet shareholder needs and expectations

Personal Group remains committed to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what analysts and investors think about us, and in turn, helping these audiences understand our business, is a key part of driving our business forward and we actively seek dialogue with the market.

To ensure dialogue with shareholders is consistently maintained, the Company employs the services of a broker, a financial and corporate communications agency and has invested in its internal investor relations resource.

The Group undertakes a series of activities that seek to inform shareholders of the Group's progress and to understand shareholder needs and expectations. These initiatives include, but are not limited to, an Annual General Meeting, investor roadshows, regulatory announcements via a Regulatory News Service (RNS) as required by the AIM rules, the publication of the Annual Report & Accounts and the maintenance of an 'investor relations' section on the website that compiles timely and detailed information pertinent to the Company's trading and activity.

Private shareholders

The AGM is the main forum for dialogue with shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the Board and all committees, together with all other Directors, routinely attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are subsequently published on the corporate website.

Institutional shareholders

The Directors actively seek to build relationships with institutional shareholders. Shareholder relations are managed primarily by the Chief Executive (CEO) and Chief Financial Officer (CFO). In addition, the Independent Non-Executive Chairman is available to meet with major shareholders if required to discuss issues of importance to them.

Regular direct dialogue with shareholders is maintained through a system of formal and informal meetings throughout the year. Meetings are undertaken by the CEO and CFO and provide a strong understanding of financial market perception and support the effective management of market expectations. Formal meetings include making presentations to analysts and institutional shareholders immediately following the announcement of the group's full and interim results releases and at the group's AGM. Informal meetings take place throughout the year and are not necessarily based around newsflow. They are designed to actively maintain and build relationships and, alongside the provision of independent feedback and the circulation of analyst research notes and comment, are aimed at ensuring the Board maintains a strong understanding of market views and opinions.

To request any investor meetings, please contact:
investors@personalgroup.com

Principle 3:

Take into account wider stakeholder and social responsibilities and their implications for long-term success

Our wider stakeholders include those within our business: clients, suppliers and employees, our local community, our employees' families, local businesses and community organisations such as charities and local colleges, and, of course, our wider environment. Engaging with all groups, via both formal and informal channels, strengthens our relationships and helps us stay connected.

Our Business

Our unique approach to delivering employee services brings together both digital and face-to-face engagement to provide employees access to their company benefits, discounts, technology and services anytime, anywhere. We believe technology cannot solve the employee engagement problem on its own, so we work with each client to create an employee benefits roll out plan which will increase employee engagement, drive benefits adoption and deliver HR a return on investment.

Our Environment

At Personal Group we are continuing to work towards reducing our carbon footprint, automating processes and are moving towards becoming a paperless business. The recent refurbishment of our head office has provided more areas dedicated to everyday recycling and has created an environment which encourages collaborative working.

Our Community

We empower employees to make a difference in all aspects of life – at work, in their local communities and across the wider world. The community initiatives that we support,

and how we support them, are guided by employees. In the past 12 months our staff have completed charity bead walks in support of school girls in Kenya, volunteered at the local food bank and organised various bake sales, contests and fundraising activities in each of our offices.

Corporate Social Responsibility

We truly believe that when people feel like they make a difference, they do. And when it comes to CSR, at Personal Group, we do more than write a cheque. Our CSR considers our environments, our community and business, with a focus on driving client, employee and investor satisfaction.

Whistleblowing

All staff have undergone training on the Whistleblowing Policy and are encouraged to report incidents of concern in relation to any type of activity where the usual feedback control mechanism is either not appropriate or unavailable. One of the independent Non-Executives is also appointed as a Whistleblowing Champion. They ensure the systems in place are suitable so any compromise in our values or behaviour can be reported in a confidential manner.



Modern slavery

Our supply chains consist of global suppliers providing retail discounts, e-payslips, employee assistance programmes, computer software and technology goods. High standards of corporate governance are a priority to the Group with the Board ensuring that our Procurement and Supplier Management Policy is followed when engaging a new supplier or reviewing an existing relationship.

This confirms the supplier's commitment to the identification and eradication of slavery and human trafficking through the due diligence process and overall management of suppliers.

There were no instances of slavery or human trafficking concerns raised to us during the financial year.

We have developed training materials which are available across the business via our learning management platform with particular emphasis placed on those directly connected to maintenance of supplier relationships.

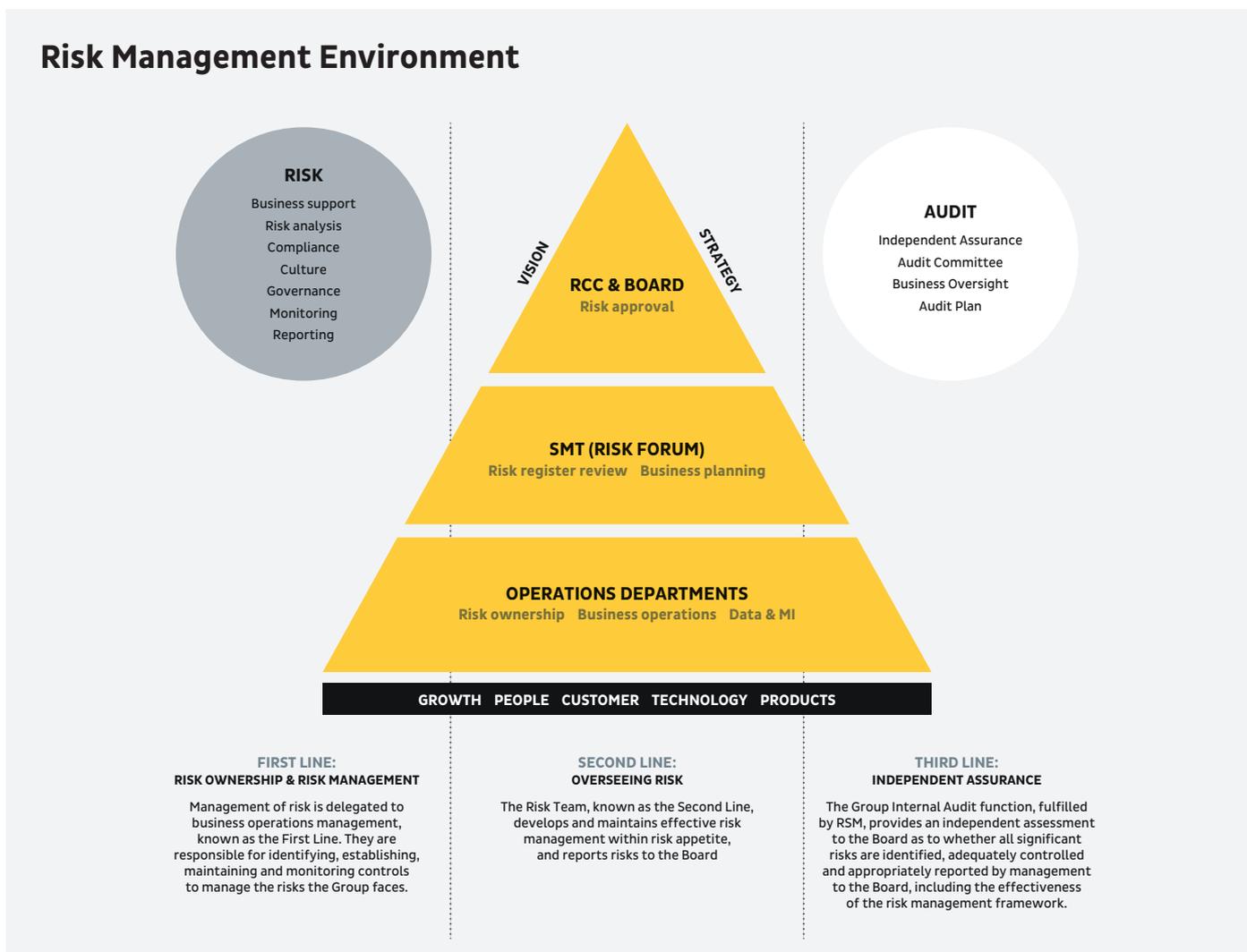
Our policy is available on the Personal Group website: <https://www.personalgroup.com/policies/modern-slavery-act>

Principle 4:

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board is responsible for identifying and mitigating risks to the Group achieving its strategic objectives. It has adopted a risk vision strategy, including an “Enterprise Risk Management Framework”, a system of risk governance, including a Risk and Compliance Committee, and has developed a system of internal financial and non-financial controls. During 2018, a risk based internal audit function was again provided by RSM. Further details can be found on pages 32 and 45 of the Annual Report and Accounts.

The Senior Management Team are regularly provided with an update on the current view of the risks affecting the business. These risks are consistent with those on the risk registers and a review of them continues to ensure that they cover all business activities alongside any particular “hot spot” risks, which require a more immediate review. Such emerging risks are perceived to be potentially significant to Personal Group but which may not yet be fully understood.



Risk vision and strategy

To achieve its objectives as well as sustainable profitability, the Group will pursue opportunities that give rise to risk. Therefore, we have adopted an Enterprise Risk Management Framework as part of our decision-making and business management processes. As a result of this rigorous approach, the Group can maintain financial security, produce good outcomes and the fair treatment of customers, and meet the needs of other parties such as shareholders, employees, suppliers and regulators. We review the risk management strategy regularly, particularly after any significant change to the risk environment and, each year, after the approval of the Group's strategy and business plans.

Composition

The Risk and Compliance Committee currently has seven members; 3 Independent Non Executive Directors, the Chief Executive, the Chief Financial Officer, the Managing Director of Personal Group Benefits Limited and is chaired by Non Executive Director, Ken Rooney. The Head of Risk and the Company Secretary are normally also in attendance at each meeting. The role of the Committee is to oversee compliance with Prudential Regulation Authority and Financial Conduct Authority requirements, as well as other appropriate regulations which impact the Group, in conjunction with the overall approach to governance and risk management.

Activity during the year

The Committee's Chairman reports formally to the Board on its proceedings after each meeting and during the year the Committee met four times overseeing significant Group-wide projects which included:

- The preparation for the introduction of the General Data Protection Regulations (GDPR)
- The implementation of the Insurance Distribution Directive (IDD) across the business
- Assistance with the co-ordination of a project involving the extension of insurance cover for employees who are no longer able to make payments via payroll deduction
- The review and development of the performance management framework operating in the insurance sales teams
- Update and development of the Own Risk and Solvency Assessment (ORSA) for Personal Assurance Plc
- Introduction of the requirements of the Quoted Companies Alliance (QCA) Corporate Governance Code.

Other work undertaken during the year comprised:

- Involvement with various initiatives designed to enhance our cyber security following third-party cyber incidents
- The continuing monitoring of the adequacy and effectiveness of our risk management including emerging and focus risks being informed by data from our Treating Customers Fairly (TCF) and Conduct Risk dashboards
- The ongoing review, consideration and approval of the existing Company policies used across the business
- Consideration of management information which confirms levels of quality and compliance.

Principle 5:

Maintaining the Board as a well-functioning, balanced team led by the Chair

The Board comprises the Independent Non-Executive Chairman, three Executive Directors, three Non-Executive Directors, and the Company Secretary. The Board is confident that the Group is well placed to realise the long-term benefits of the sizeable and growing market opportunity that is emerging for employee services. The foundations of the business are strong, with the investments made in recent years building a solid platform for growth.

The Board considers that the Non-Executive Directors, other than Ken Rooney, bring an independent judgement to bear. Ken Rooney is considered to be non-independent due to his previous time working with the Group over a number of years. However, the Board is satisfied that it has a suitable balance between independence and knowledge to enable it to discharge its duties and responsibilities effectively and all Directors are encouraged to challenge all matters, whether strategic or operational. The Group has established four committees with the mix of appropriate skill sets. These include an audit committee, a remuneration committee, a risk and compliance committee and a nominations committee. (See Principle 9 for more information)

Key Board activities in the last year included:

- **Continuance of an open dialogue with the investment community, including meetings with institutional investors by the Chairman**
- **Consideration of our financial and non-financial policies and the review and approval of the Annual Report & Accounts**
- **Attendance at the annual strategy meeting with the Senior Management Team to discuss and agree strategic priorities**
- **Discussion and agreement of the Group's capital structure and financial strategy including capital investments and dividend policy**
- **Review of the development of key projects across the Group**
- **Discussion of internal governance processes and approval of Own Risk Self Assessment and the Solvency and Financial Condition Report shown elsewhere on the Personal Group website**

- **Review of the Group risk register and discussion of the key risks facing Personal Group and how they are being managed**
- **Review of shareholder feedback after the full and half year results**
- **Appointment of Deborah Frost as Chief Executive**
- **Appointment of Bob Head as interim Chair of the Remuneration Committee upon the appointment of Deborah Frost as Chief Executive**
- **Appointment of Maria Darby-Walker to the Board as a Non-Executive Director.**

Directors' conflict of interest

The Group has effective procedures in place to monitor and deal with any potential conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board on a monthly basis.

Principle 6:

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The background and experience of the Board ensures there is an effective and appropriate balance of skills and knowledge. These include areas such as: HR, technology, insurance, business services and innovation. Additional training is provided where needed and Board members are encouraged to maintain their professional development. The Board meets regularly to receive and review information on the Group's operational and financial performance.

Appointment, removal and re-election of Directors

The Board makes decisions regarding the appointment and removal of Directors, and there is a formal, rigorous and transparent procedure for appointments. The Company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation; that all Directors must stand for re-election at least once every three years; and that any new Directors appointed during the year must stand for re-election at the AGM immediately following their appointment.

Full details of the Board of Directors can be found on page 40 – 41 of the Annual Report and Accounts.

Principle 7:

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Chairman of the Personal Group Board is responsible for assessing the effectiveness of the Board and taking actions to improve its effectiveness.

Each year the Chairman conducts a Board effectiveness review and at least every 3 years this is conducted by a suitably qualified independent organisation. The next Board review will take place in 2019 and involve an independent assessment of our effectiveness.

The annual Board effectiveness assessment is used in the development of Board succession plans. These consider the skills needed on the Board as the business develops, the tenure of existing Board members and their individual performance. Recent years have seen the appointment of three new independent Non-Executives, a new Chairman and the appointment of an additional Executive Director.

The assessment of the Board's effectiveness asks:

- **Does the Board of Directors have the necessary mix of skills and experience to execute and evolve the strategy and business model?**
- **Do all individuals on the Board work together effectively?**
- **Does the Board have the right processes and systems to enable successful execution of the strategy?**

The Board members have objectives set each year and performance feedback is given to individuals; the Chairman gives feedback to the independent Non-Executives and the Chief Executive; the Chief Executive gives feedback to the Executive Directors; and the Deputy-Chairman gives feedback to the Chairman.



Principle 8:

Board Promotion of Corporate Culture: How the Board Promotes Corporate Culture Based on Ethical Values and Behaviours

The Board believes Group culture is set from the top of the organisation. The Board promotes a culture based around four values: we have fun, we run it like we own it, we are the best we can be, and we walk the walk. These values form a core part of how the business is managed, from recruitment to training, and ongoing reward and recognition. An employee satisfaction survey is carried out on an annual basis, with the results fed back to the Board.

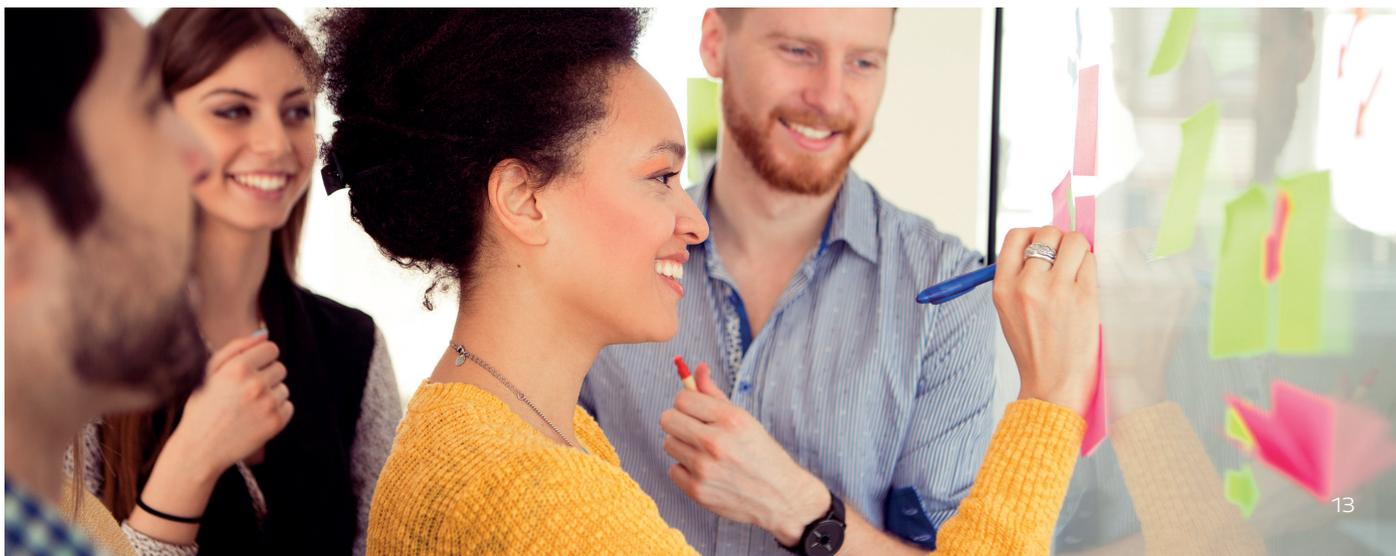
The Board promotes a group culture based around four defined values:

- **We Have Fun**
- **Run it Like We Own It**
- **Be the Best We Can Be**
- **We Walk the Walk**

The Group's values are promoted throughout the business at all levels. They form part of selecting the right people in the recruitment stage and instilling the values in new joiners through the induction process. They are a key element of the Group's ongoing management systems to reinforce the day-to-day application of the values which are displayed prominently across the business. New systems include the introduction of a new learning management system available to all employees, which helps embed our values in all employee learning and development, both for new starters and long-term employees.

Recruitment across the business is managed by the Group's HR function and in-house recruitment team who ensure the right person is hired for each role and that they fit the Group's corporate culture. Psychometric tests are used to aid consistency and quality of hire. All new starters undertake a comprehensive induction course, which combines training with an introduction to the Group values, culture and behaviour. Throughout their employment, employees are asked to complete various training programmes, which help ensure these values and behaviours are understood and maintained.

The ongoing reward and recognition programme, called 'Cheers', seeks to ensure our values are actively and visibly supported at all levels across the business. Behaviour and conduct form a key element of any decisions to increase employee pay and provide bonus awards. Our specific focus on charitable involvement is outlined on page 35 of the Annual Report and Accounts.



Principle 9:

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board is collectively responsible for the long-term success of the Group and for setting and executing the business strategy. The Board meets at least ten times each year in accordance with its scheduled meeting calendar and sets direction through a formal schedule of matters reserved for its decision. Appropriate and timely information is provided prior to each meeting. Board meeting attendance by each member is highlighted on pages 40 – 41 of the Annual Report and Accounts.

Occasionally there may be additional meetings scheduled if required by the business. The Board and its Committees receive appropriate and timely information prior to each meeting from the Senior Management Team and a formal agenda is set for each meeting. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Group's Senior Management Team.

The Role and Responsibilities of the Chair

The role of Chair is to lead the Board and ensure that the Board is performing its role effectively. This means ensuring the Directors have the capacity, ability, structure, diversity and support to respond to the opportunities being created. The Chair also has responsibility for ensuring the robust governance of the Group through challenge and direction of the Senior Management Team, seeking to maintain high standards of corporate governance whilst still achieving the Company's strategic aims.

The Role and Responsibilities of the Chief Executive

The Chief Executive is responsible for growing the business of the group and leading it, in conjunction with the Board, to develop and deliver both the strategy and business model thereby creating shareholder value. Additionally, they will lead the development and subsequent embedding of the Group's culture and standards.





to be in attendance at times. The Remuneration Committee operates within defined terms of reference. It met five times in 2018.

The primary purpose of the Remuneration Committee is to oversee, monitor and determine the Company's framework for remuneration. The Committee's overall objective is to align reward for everyone with the delivery of profitable sustainable growth through the Company's remuneration framework. A full report on the work of this committee can be found on pages 46 and 47 of the Annual Report and Accounts.

The Role of the Risk and Compliance Committee

The Risk and Compliance Committee currently has seven members; three Independent Non Executive Directors, the Chief Executive, the Chief Financial Officer, the Managing Director of Personal Group Benefits Limited and is chaired by Non Executive Director, Ken Rooney. The Head of Risk and the Company Secretary are normally also in attendance at each meeting. The role of the Committee is to oversee compliance with Prudential Regulation Authority and Financial Conduct Authority requirements, as well as other appropriate regulations which impact the Group, in conjunction with the overall approach to governance and risk management. A full report on the work of this committee can be found on page 45 of the Annual Report and Accounts.

Matters Reserved for Board Approval

The Board is collectively responsible for the long-term success of the Group and for setting and executing the business strategy. In addition, it will oversee the financial reporting and controls, agree resolutions to be put forward to shareholders at a general meeting, appoint members of the Board and their committees, agree changes to structure & capital and approve the remuneration of Directors and Senior Executives.

Nominations Committee

The Board has not established a Nominations Committee as it does not consider it to be proportionate to do so.

Full details of the members within each committee is available in the Annual Report.

The Role of the Audit Committee

The Audit Committee comprises three Non Executive Directors and meets at least twice a year. During 2018 the Committee comprised:

- **Bob Head (Chairman)**
- **Mark Winlow**
- **Maria Darby-Walker**

Three meetings were held during 2018 and all committee members were in attendance. Additionally, the remaining Board members, Head of Risk and Company Secretary were present at all meetings. The meetings of the Committee are designed to facilitate and encourage communication among the Committee, the Group, the Group's internal audit function and the appointed external auditor. A full report on the work of this committee can be found on pages 43 and 44 of the Annual Report and Accounts.

The Role of the Remuneration Committee

The Remuneration Committee consists of three Independent Non Executive Directors, with the Non Executive Deputy Chairman (who is not considered independent due to his previous executive role in the business), Chief Executive and HR Director invited

Principle 10:

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Investors

Our focus on client and employee satisfaction has led to improved performance and profitability, supporting our progressive dividend policy. In 2018 we continued our series of roadshows to engage and update investors ensuring they remained well-informed on the latest Company news and announcements. Our focus on responsive and regular investor communications will continue in 2019 under the leadership of our new CEO. In the past year all resolutions, found at: personalgroup.com/about-us/investordocuments were passed, and no votes exceeded 20% against any resolution.



Employees

We listen to our staff and shape our own employee engagement strategies around the feedback we receive. We understand that happy employees are more productive and by focusing on our own employee satisfaction, we have driven up productivity within Personal Group which has had a positive impact on both client and investor satisfaction.

Clients

We have invested in our client facing teams ensuring that client needs continue to be met and service levels remain high. In 2018 we held our first Group Client Conference, enabling clients to share their stories of HR best practice and to hear from experts in the employee engagement, communications and reward arena.

This statement will be reviewed on an annual basis in line with the compilation of the Annual Report and Accounts.



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V1.4-25.06.19