

# 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. Good governance should enhance performance and deliver positively for our shareholders, staff, customers, suppliers and other stakeholders whilst still enabling achievement of the Company's strategic aims.

In 2019 we continued to develop our governance processes to improve adherence to the Quoted Companies Alliance (QCA) Corporate Governance Code which the Group adopted in 2018.

The Board does not consider that it departs from any of the principles of the QCA Code and will continue to monitor performance against each of the 10 principles. The Board continues to have 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.

In November 2019 we engaged Grant Thornton to undertake an external Board effectiveness review from compliance and performance perspectives. This was executed using a combination of structured interviews, Board and Committee meeting observations, a web-based questionnaire and a desktop review of Board documentation. The overall outcome was positive and compared favourably with similar sized firms in the industry. However, it also identified some key areas necessary to enhance our overall performance as a Board. We intend to address all the points raised during 2020.

The Board met 10 times in 2019 and the number of meetings each Director attended can be seen in the Annual Report on page 32 and 33. In addition, the reports of the Audit, Risk and Compliance and Remuneration Committees can be seen on pages 35 to 41.

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 both traditional and digital employee services in the UK. Its aim is to be the de facto provider of employee engagement services and products in the UK by maximising the strength of its offer, the addressable market and market access, and the quality of its systems and team. During 2019 we refined our central purpose to be to connect the unconnected, protect the unprotected and to engage and reward employees with the provision of our services in the UK. Details of the current business model and strategy can be seen in the Strategic Report section of the Annual Report and Accounts.

## What we do

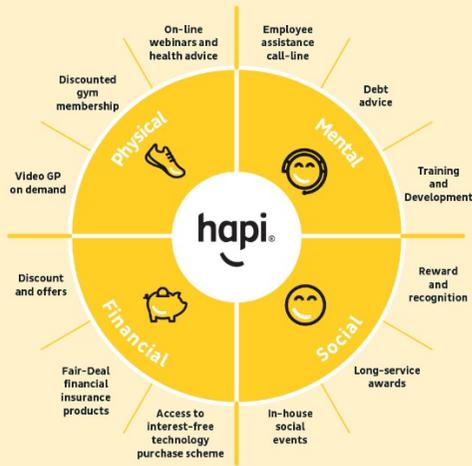
<b>Who we are</b>  We are a technology enabled employee services business which works with employers to build employee engagement, improve retention and drive productivity. Our suite of in-house employee services is complemented by a range of third-party propositions.	<b>What we do</b>  We offer simple, seamless employee services to make work happy for everyone. We make it easier for HR professionals to offer a full range of employee services – and we make it easier for their employees to access them, wherever they are.
<b>How we do it</b>  We balance our user friendly, engaging technology and HR analytics, with a face-to-face* and/or virtual 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.	<b>Our business model</b>  Our business is built on one simple fact: happy people are more productive at work. We provide services to large industrial firms, to small and medium sized enterprises, and to the Public Sector. Services include an employee experience platform, simple and single premium insurance products, a range of salary sacrifice schemes, as well as pay and reward benchmarking.

\*In accordance with Government guidelines

## Hapi, our employee experience platform

Hapi is our fully customisable employee experience platform which enables HR departments to streamline processes, connect with their employees and effectively communicate their employee deal. Flexible and easy to use, Hapi allows businesses to connect all aspects of mental, physical, social and financial well-being with the benefits, communication and engagement tools they need to create an environment for their employees to succeed.

Hapi's flexibility also enables us to adapt our approach for different market segments to make our offering as relevant as possible for their employees.



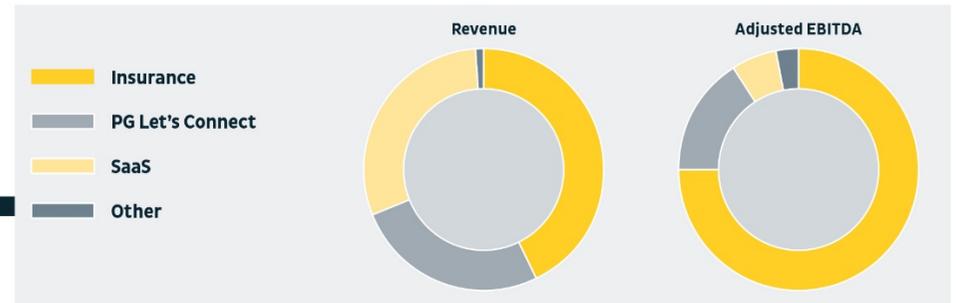
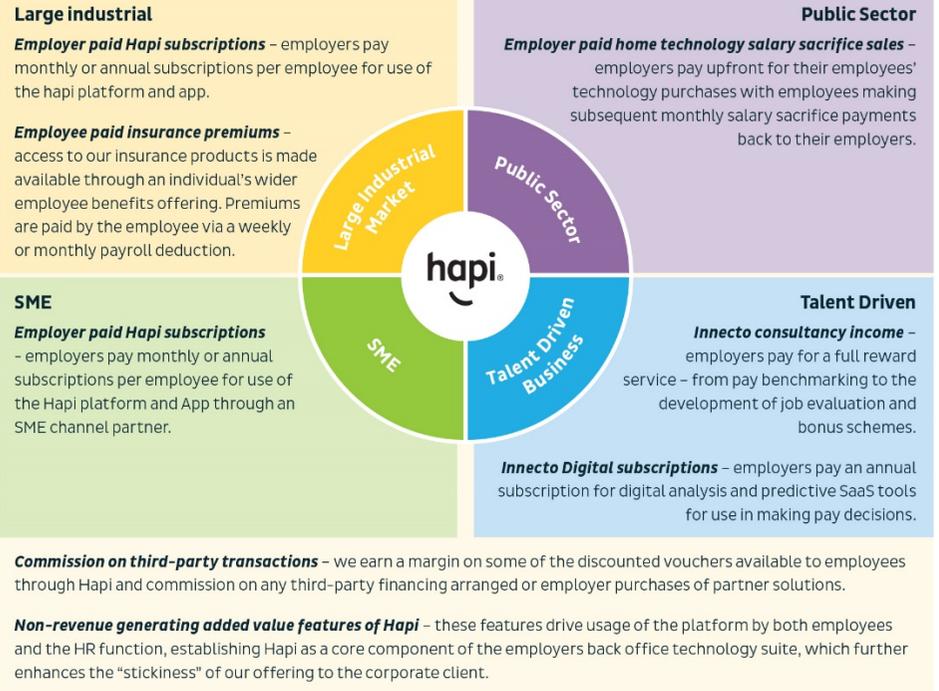
## Maximising that value



## Creating value for our stakeholders



## How we make our money



## 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 and a financial and corporate communications agency. Through our investor relations programme which includes regular updates, meetings, roadshows and our Annual General Meeting, we ensure that shareholders views are brought into the Boardroom and considered in our decision making.

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### 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 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 Chief Executive 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 news flow. 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](mailto: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: customers, policyholders, 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.

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### 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.

### Our Business

Our values are simple and demonstrate our personality. Being trustworthy and delivering quality solutions are at the heart of what we do.

We are:

**Solid:** Trustworthy, respected and dependable. We keep our promises and get it right first time – time after time.

**Driven:** Motivated, ambitious and determined, delivering what our clients and customers need in an ever-changing landscape.

**Engaging:** Genuine, approachable and passionate, ensuring people feel comfortable and confident when talking to us.

**Expert:** Professional, precise, knowledgeable, learning all the time to make sure we are delivering viable, quality solutions to our Clients.

### Our Environment

At Personal Group we are working towards reducing our carbon footprint and in 2019 we carried out our first Energy Saving Opportunities Scheme assessment. Two thirds of our total energy consumption currently derive from mileage from our field-based sales team and in 2020 we will be putting action plans in place to reduce the amount of travel undertaken wherever possible.

The remaining third is generated from our offices in Milton Keynes, Bromsgrove and Marlborough and we will be looking to address the recommendations of the report to reduce this consumption over the coming year. Our living roof is now well established and continues to encourage wildlife, including a bug house and planted area. We have also upgraded our kitchen and cooking facilities to encourage staff to eat more healthily and have created a separate break-out area to enable staff to take much needed breaks and mealtimes.

### Our Community

Within Personal Group we encourage our employees to "Run it like you own it" which has created many new projects and initiatives. Our staff truly engage and are constantly looking at ways to help each other and the local community. In 2019 our Charity of the Year was Milton Keynes Food Bank for which many internal fundraisers were held to help make a real difference.

## 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. We also require all staff to successfully complete Anti-Modern Slavery training as part of their induction in order to embed these principles in our wider business model.

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

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

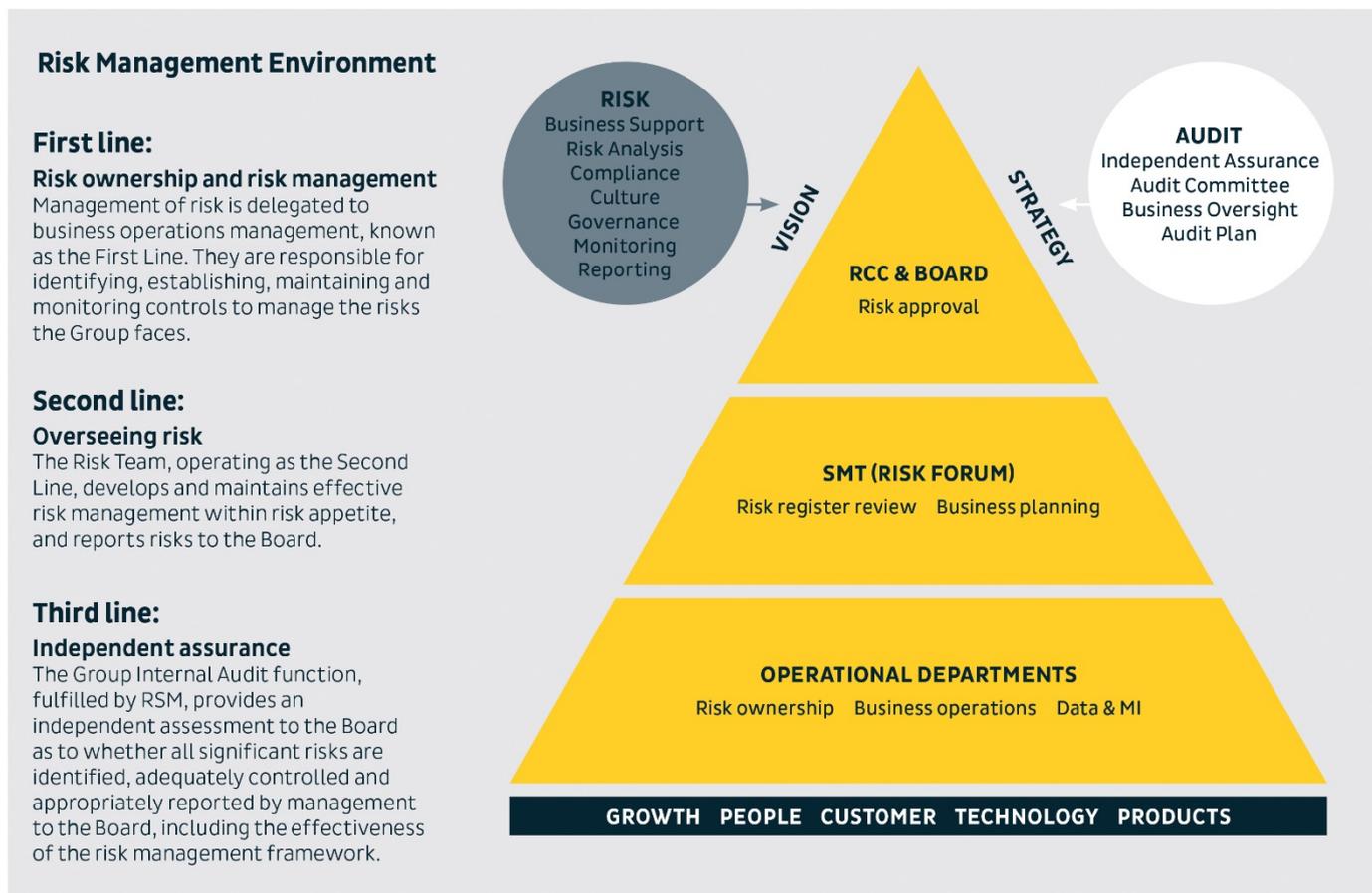


## Principle 4:

# 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 addresses Risk Management through an "Enterprise Risk Management Framework" and a system of risk governance, including a Risk and Compliance Committee. During 2019, a risk based internal audit function was again provided by RSM. Further details can be found on pages 22 and 35 of the Annual Report and Accounts.

The risk environment is managed in a two-pronged approach being top down risks that threaten the Strategic Plan and bottom up risks identified within business areas. The risks are captured on a risk register where the inherent risk is identified, and the residual risk rated after identifying controls and mitigating actions. Responsibility to maintain the register as well as to implement and monitor mitigating actions sits with each member of the Senior Management Team (SMT). Each month an SMT Risk Forum is held where the key risks, both current and emerging, are discussed. Mitigating activities are agreed so that the Group can continue to achieve its strategic objectives. The risks facing the business are discussed at each Board meeting and in greater detail at the quarterly Risk and Compliance Committee meeting. The Board is satisfied that, through the processes set out above, it can effectively identify, assess and manage risk.



## 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 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:

- An extensive review of the risks to the Group in relation to the strategy led by the incoming Chief Executive.
- The extension of the Senior Managers and Certification Regime to the relevant companies within the Group.
- The benchmarking of the Group insurance products, confirmation of consumers' demand and needs for those products and consideration of how the insurance companies within the Group keep in touch with policyholders.
- Updating and further developing the Own Risk and Solvency Assessment (ORSA) for Personal Assurance Plc.

In addition to the above, other work undertaken during the year comprised:

- Oversight of the further embedding of GDPR related arrangements.
- The continued monitoring of the adequacy and effectiveness of the Group 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 Group 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 Group maintains, and is satisfied that, the Board has a suitable balance of independence and knowledge, with Directors encouraged to challenge all matters. The Board meets regularly, with a formal schedule of matters for its approval. The Board is supported by regular engagement with the SMT, and a system of formal Board committees. Directors are required to devote sufficient time to carry out their role. The Group has established three committees with the mix of appropriate skill sets. These include an Audit Committee, a Remuneration Committee and a Risk and Compliance Committee. (See Principle 9 for more information)

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#### 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 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 and Solvency Assessment Report 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.

- Concluded a Board effectiveness review by Grant Thornton.
- Appointment of Maria Darby-Walker as Chair of the Remuneration Committee.

#### 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. Additional training is provided where needed and Board members are encouraged to maintain their professional development. In 2019, post the transition of Deborah Frost to Chief Executive, a skills gap analysis was carried out prior to the appointment of Maria Darby-Walker as a Non-Executive Director.

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### **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 32 – 33 of the Annual Report and Accounts.

## Principle 7:

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

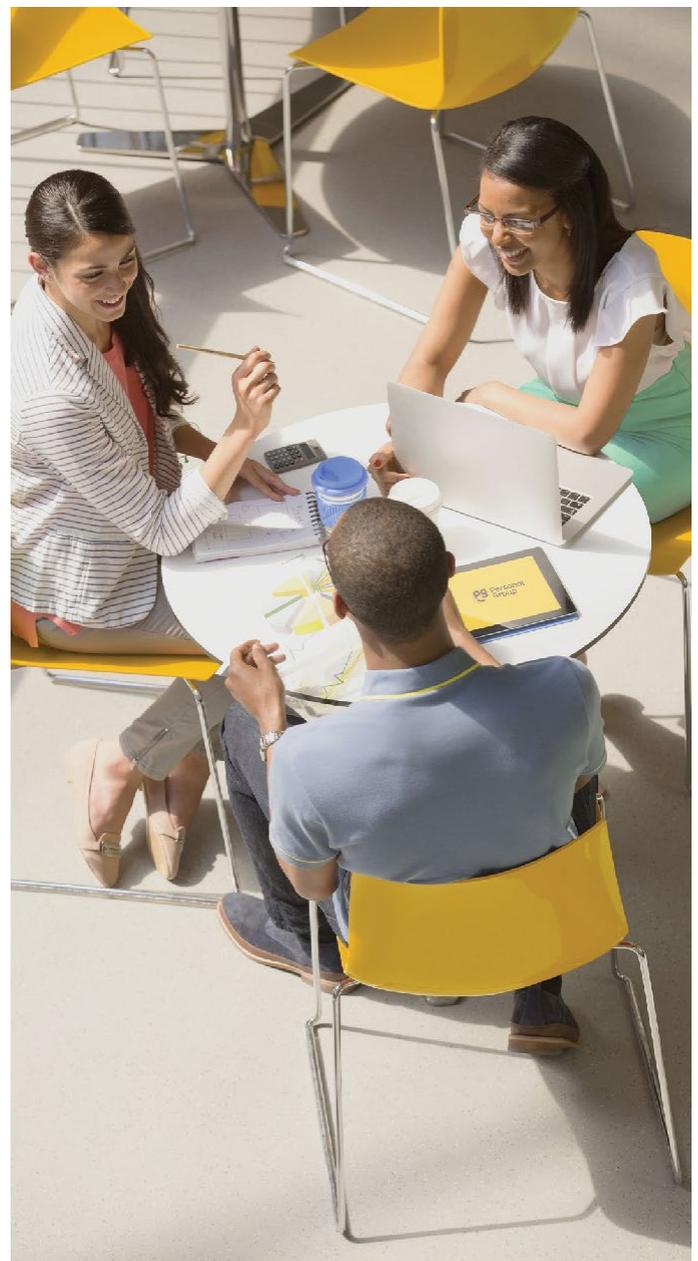
Board members are each set annual objectives, with performance feedback provided by corresponding Executive and Non-Executive members. Board evaluation is the responsibility of the Chairman. Internal Board effectiveness reviews are undertaken yearly, with independent reviews at least every three years. In 2019 an external Board effectiveness review was undertaken by Grant Thornton. Further details are provided on page 30 of the Annual Report.

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 two 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 and promotes a culture based around four values. 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.

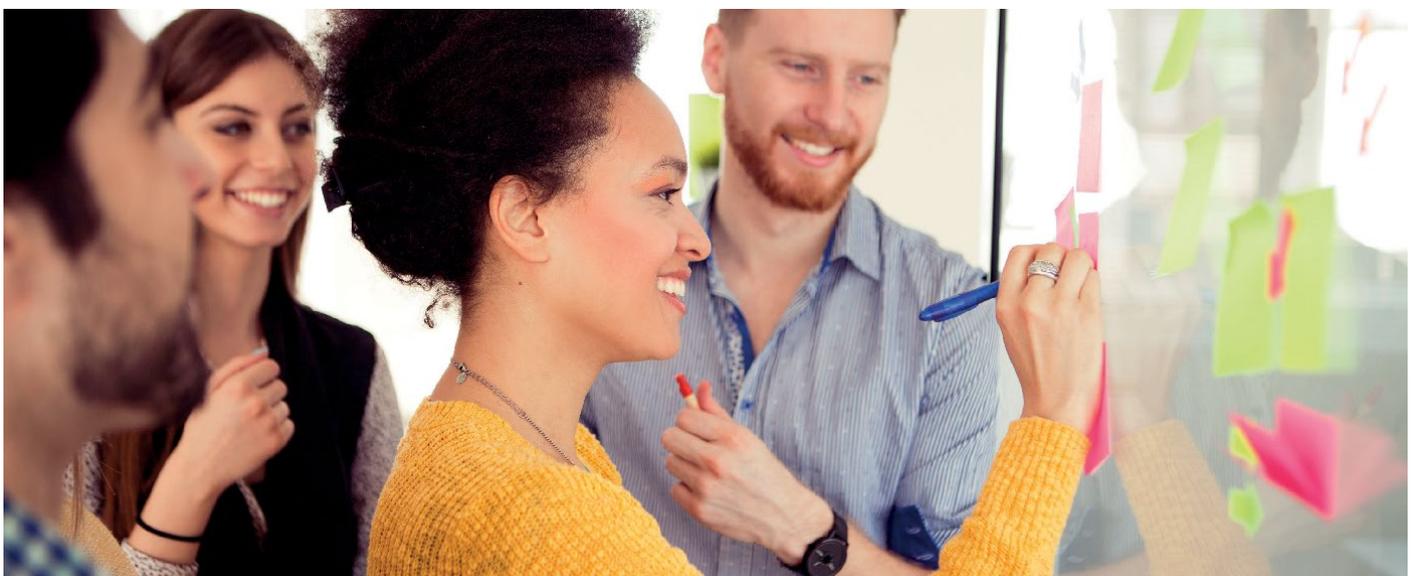
#### The Board promotes a group culture based around four defined values:

- **You Have Fun**
- **You Run it Like You Own It**
- **You're the Best You Can Be**
- **You Walk the Walk**

The Group 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 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 HR function and in-house recruitment team who ensure the right person is hired for each role and that they fit the Group 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 27 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 32 – 33 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 SMT 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 SMT.

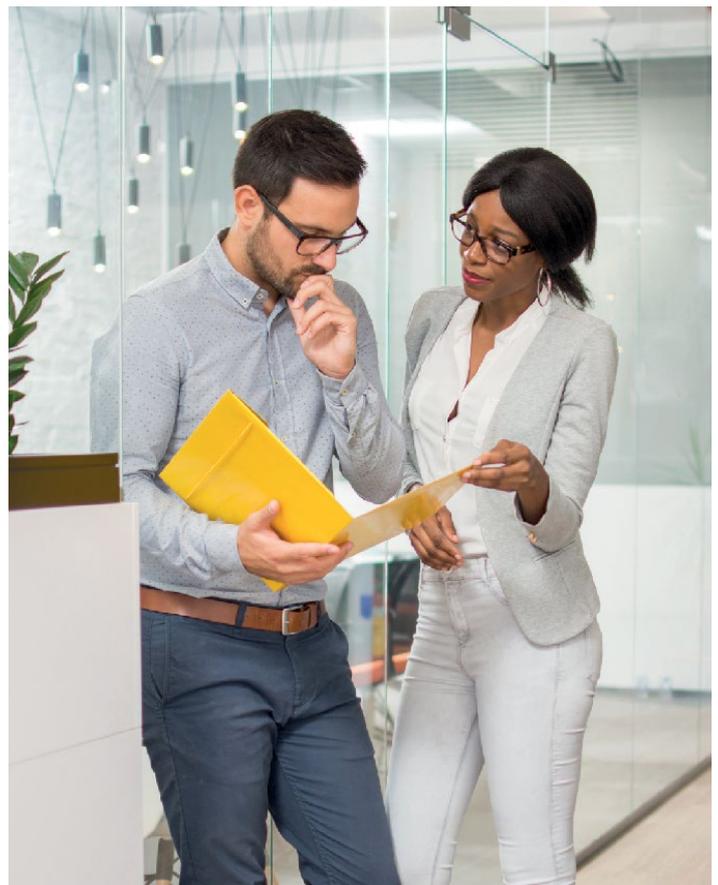
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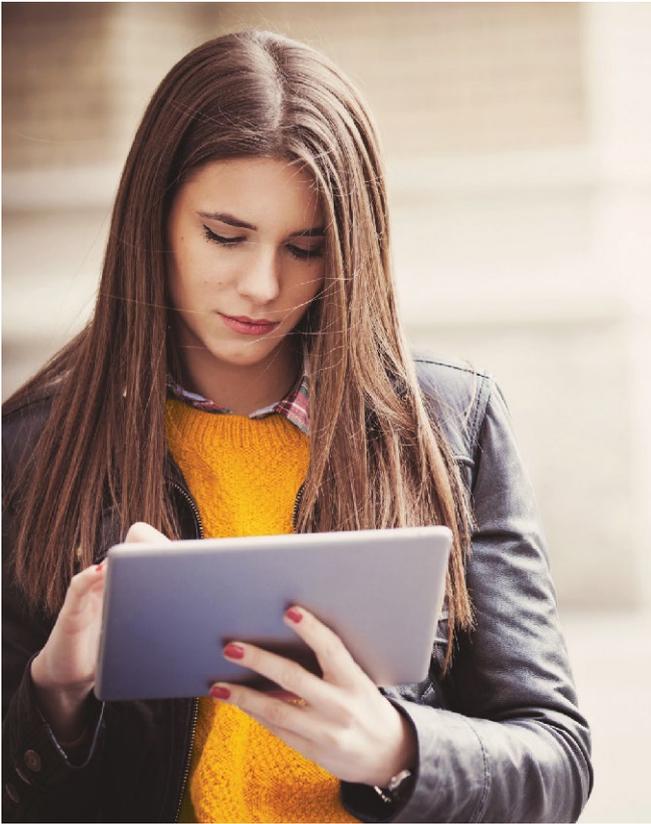
### The Role and Responsibilities of the Chair

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 culture and standards.





## The Role of the Audit Committee

The Audit Committee comprises three Non-Executive Directors and meets at least twice a year. During 2019 the Committee comprised:

- **Bob Head (Chairman)**
- **Mark Winlow**
- **Deborah Frost (to 28 February 2019)**
- **Maria Darby-Walker (from 28 June 2019)**

Three meetings were held during 2019 and all committee members were in attendance when they were members. 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 internal audit function and the appointed external auditor. A full report on the work of this committee can be found on pages 36 and 37 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). The Chief

Executive and HR Director may be invited to be in attendance at times. Maria Darby-Walker joined the Board in 2019 and assumed the role of Chair of the Remuneration Committee. The Remuneration Committee operates within defined terms of reference. It met four times in 2019.

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 38 and 39 of the Annual Report and Accounts.

## The Role of the Risk and Compliance Committee

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. A full report on the work of this committee can be found on page 35 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

A Nominations Committee is being constituted. The Committee will also provide independent oversight of the Group's compliance with the Senior Managers and Certification Regime.

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

## Principle 10:

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

The Group communicates through a variety of regular digital and traditional communications. These include face-to-face meetings, the Annual Report and Accounts, Interim Results, investor news announcements and information provided on the Group website.

### Investors

Through our investor relations programme which includes regular updates, meetings, roadshows and our Annual General Meeting we ensure that shareholders views are brought into the Boardroom and considered in our decision making.

All resolutions for the past year may be found at: <https://www.personalgroup.com/why-invest/regulatory-news>

### Employees

We have an open, collaborative, and inclusive management structure and engage regularly with our employees. We do this through an appraisal process, structured career conversations, employee surveys, our Hapi site, Company presentations, regular floor huddles and away days. We remunerate with market-based pay, rewards and benefits, and our employee engagement scores reflect our committed and passionate team.



### Clients

We engage and build our relationships with our customers and clients in several ways from face-to-face interaction to holding industry and other business forums and producing white papers on topics that are relevant for their businesses. We also recognise the importance of system security for our customers and their employees and are delighted to have now achieved ISO 27001 accreditation across the whole Group.

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



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