



Personal Group Holdings Plc

Statement of
Compliance with the
QCA Corporate
Governance Code

March 2021

Chairman's Introduction

My role as Chairman of Personal Group is to ensure that the Board is performing its role effectively. This means making sure the Directors have the capacity, ability, structure, diversity and support to respond to the opportunities being created for us, whilst having consideration of our responsibilities under s172 of the Companies Act 2006.

I also have responsibility for ensuring the robust governance of the Group through challenge and direction of the Senior Leadership Team. Good governance should enhance performance and deliver positively for our shareholders, staff, customers, suppliers and other stakeholders whilst still enabling achievement of the Group's strategic aims.

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.

Following the external Board effectiveness review conducted by Grant Thornton and presented early in 2020, the Board continues to address the points raised and embed the learnings into the day-to-day operations of the Board and wider business.

We have worked on an integrated succession plan for the Board and, as noted in my Chairman's report earlier in this document, we have seen a number of Board changes (both executive and non-executive) during the year and in early 2021. Mike Dugdale and Ken Rooney have departed the Personal Group Holdings Board and I am pleased to welcome Sarah Mace (CFO and Executive Director) and Martin Bennett (Independent non-executive Director) to the Board; both bring with them a wealth of skills and experience to support the Group moving forward. Andy Lothian has also taken up a different role on the Board having relinquished his executive duties but remaining with the Board in a non-executive capacity.

This year has seen challenges throughout the world as a result of the COVID-19 pandemic, the Board has been focused on supporting the Senior Leadership Team in ensuring the seamless transition from the Group's normal place of work to a myriad of home working environments. Ensuring our staff have the right support, not just in terms of equipment but also with their mental health, has been a major priority for the Board during this time.

In 2020, 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 Code and we continue to monitor our performance against each of the 10 principles. The Board is able to deliver effective decision making and subsequent drive of value for shareholders, based on the quality information which it receives.

The Board met 10 times in 2020 and the number of meetings each Director attended can be seen on pages 40 and 41 of the Annual Report and Accounts. In addition, the reports of the Audit, Risk and Compliance and Remuneration Committees can be seen on pages 43,44 and 47.

Mark Winlow

Independent Non-Executive Chairman

Principle 1

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

Personal Group provide health insurance services and a broad range of employee benefits and wellbeing products to businesses across the UK. The Group enable employers to improve employee engagement and support their people's physical, mental, social and financial wellbeing, supporting our vision of creating a brighter future for the UK workforce.

Full details of our business model and strategy can be found in the Strategic Report section of our Annual Report and Accounts which is available on our company website (www.personalgroup.com).

What we do



Insurance benefits

- Hospital plan and death benefits policy provision: simple 'fair-deal' plans that are secured for the lifetime of the policy, providing people with peace of mind if the unexpected happens - all for the price of a cup of coffee a week.



Employee engagement & benefits delivered via SaaS

- **Hapi, a market leading, fully customisable, employee engagement platform and app:** flexible and easy to use, Hapi allows businesses to integrate existing benefits and connect all aspects of mental, physical, social and financial wellbeing with communication and engagement tools.
- **Sage Employee Benefits:** an employee engagement product designed for the SME market. Operates on a monthly subscription model for Sage's payroll customers, delivered by Personal Group.
- **Innecto Reward Consulting:** a suite of solutions helping HR develop and implement fair, consistent and best fit reward programmes.



Traditional employee benefits and engagement

- **PG Let's Connect:** provision of home technology via salary sacrifice. Allows employees to access the latest consumer technology from leading manufacturers and spread the cost either by salary sacrifice or net pay arrangements.

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 (AGM), we ensure that shareholders views are brought into the Boardroom and considered in our decision making. We also hosted our first retail investor webinar in March 2021.

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 investorrelations@personalgroup.com

Principle 3

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

Our business is driven by a passion and commitment to improve the wellbeing of our people, our communities and our environment. We pride ourselves on doing the right thing, a value that is shared throughout our entire organisation, and this goes beyond our day-to-day work, impacting our approach to how we operate as a business at all levels.

As a Board we understand our duty to promote the success of the Company whilst considering the views of, and impact on, our wider stakeholder group of customers, clients, colleagues, suppliers, our community and environment, as well as our shareholders. Engaging with all groups, via both formal and informal channels, strengthens our relationships and helps us stay connected.

Our people

Our employees are at the heart of our business. We take being a great place to work very seriously and, despite the implications of lockdown and remote working, our employee engagement scores have increased from 2019. 87% of staff said they were happy with their work and home-life balance, and we saw excellent scores for people management and leadership, a testament to our commitment of supporting our staff and investing in their wellbeing.

In December 2020, we offered eligible staff £500 worth of free shares in Personal Group Holdings Plc, which will be held in trust in accordance with a government approved Share Incentive Plan. This is in recognition of our employees' fantastic contribution and will enable them to share in the success we are building together.

We have also recently formed a Diversity and Inclusion network that comprises stakeholders from a variety of functions within the business. This has been created to ensure that as an organisation, we continue to celebrate and support inclusivity and diversity within our workforce.

In addition, 2020 saw us achieve OpenCompany status on Glassdoor, verifying that our organisation embraces workplace transparency.

As we look forward to 2021, the business has several core projects on its agenda. These will focus on three key areas: creating a high-performance culture, building our potential for now and the future and becoming an employer of choice. To support these, there are plans to launch an Accelerated Development Programme, a Mentoring Programme and we are also reviewing our reward strategy in line with our company goals.

Our community

We are passionate about giving back to our community, and with the COVID-19 pandemic having such a significant impact on charities' income, we wanted to support them with their efforts. Whilst we would normally donate our time alongside financial support, this was not possible during 2020, so the PACT (Personal Assurance Charity Trust) Committee partnered with several charities local to our business and agreed upon projects and initiatives that our financial donations would really enhance. In total we donated £100k to PACT during 2020.

Our environment

Although the environmental footprint of our business is relatively small compared to others, reducing our impact on the environment remains a key focus. We are investing in renewable energy to power the building (solar) and investigating lower emission options for the fleet we operate. We are working towards our goal of becoming net carbon neutral over 10 years.

Further details on our ESG agenda and CSR can be found on pages 32-35 of our Annual Report and Account, available on our company website (www.personalgroup.com).

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 a range of goods and services to our business, clients and customers. 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.

In 2020 we did not receive any reports of modern slavery within our business or in our supply chain. *This statement is approved by the Board on 17th March and signed on its behalf by Deborah Frost – Personal Group Chief Executive.*

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 prudent oversight of the Group and ensures it is conducted in accordance with sound business principles and within applicable law, regulation and Government guidelines. The Board approves the risk appetite and tolerance levels and regularly reviews the effectiveness of the risk management system.

The risk environment is managed in a two-pronged approach: 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 gross risk and the inherent risk is identified, and the residual risk rated after identifying operational 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 Leadership Team. Each month a Risk Forum is held where the Senior Leadership Team discuss the key risks, both current and emerging. Mitigating activities and timelines for implementation 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 current and emerging risks.

Rink management three lines of defence



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.

The Role of the Audit Committee

The Risk and Compliance Committee currently has seven members: four Independent Non-Executive Directors, one Non-Independent Non-Executive Director, the Chief Executive and the Chief Financial Officer. The Head of Risk and the Company Secretary are normally also in attendance at each meeting as is Ken Rooney, a Non-Independent Non-Executive Director who sits on the Personal Assurance Board only. They meet as required but not less than four times a year.

Bob Head (Independent and Chair of Committee)
Mark Winlow (Independent Chairman and stepping down in May 2021)
Maria Darby-Walker (Independent)
Martin Bennett (Independent and joined 1 January 2021)
Andy Lothian (Non-Independent)
Deborah Frost (Chief Executive)
Sarah Mace (Chief Financial Officer)

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.

2020 activity

The Committee's Chairman reports formally to the Board on its proceedings after each meeting, and during 2020 the Committee met four times, overseeing significant Group-wide projects, some of which included:

- Oversight of the Group's response to the pandemic, which included the development of new routes to markets and new sales channels.
- Oversight of the risks which arose by having all employees working from home, and the potential threats to the security of personal and business data.
- The launch of a new version of the insurance plans following the benchmarking work which was carried out in 2019.
- Updating and further developing the Own Risk and Solvency Assessment (ORSA) for Personal Assurance Plc. Additional stress testing was undertaken to confirm ongoing

- financial resilience during the exceptional economic and environmental issues caused by the pandemic.
- A review of the approach to vulnerable customers. An immediate response was developed to assist financially vulnerable customers, and the strategy will be further developed in 2021.
 - A review of the value insureds receive from their relationship with the Group.
 - A review of the Brexit readiness plans of key partners, to inform the partner management arrangements which, of themselves, were strengthened during 2020.
 - Oversight of the Health, Safety and Environment Committee, ensuring the Group continues to comply with the Government's advice during the pandemic.
 - Environmental, Social and Governance criteria is being developed to help investors and other stakeholders to better determine the future financial performance of the Personal Group of Companies (return and risk).

To view further activity that was undertaken in 2020, view page 43 of the Annual Report and Accounts on the Personal Group website (www.personalgroup.com).

Principle 5

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

The board comprises the Independent Non-Executive Chairman, three Independent Non-Executive Directors, one Non-Independent Non-Executive Director, the Chief Executive, Chief Financial Officer 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 benefits and wellbeing 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 Senior Leadership Team (SLT), 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).

Recent and upcoming board changes

Changes from 1 January 2021

- Ken Rooney has stepped down from his position as a Non-Independent Non-Executive Director and Deputy Chairman on the Personal Group Board, however, will remain on the Personal Assurance Board.
- Andy Lothian moved from an Executive Director to a Non-Independent Non-Executive Director on the Board, effective from 1 January 2021. This has created an opening for a new Executive Director to join Personal Group in 2021.
- Martin Bennett joined the Board as an Independent Non-Executive Director.
- Sarah Mace appointed Chief Financial Officer after previously being interim CFO from October 2020 and prior to that Group Financial Controller since 2014.

Changes from May 2021

- Mark Winlow, current Non-Executive Chairman, has expressed his intention to step down at the Company's AGM to be held in May 2021.
- Martin Bennett has been confirmed as Mark's successor and will take the office at the May AGM.

Key Board activities during 2020

- 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 Leadership 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 which can be view 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.
- The Board continued to address the points raised from the 2019 Grant Thornton Board effectiveness review.
- Board appointments including succession planning
- Employee share scheme

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.

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 pages 40-41 of the Annual Report and Accounts.

Principle 7

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

Board evaluation is the responsibility of the Chairman. Internal Board effectiveness reviews are undertaken yearly, with independent reviews at least every three years. Following the external Board effectiveness review conducted by Grant Thornton and presented early in 2020, the Board continues to address the points raised and embed the learnings into the day-to-day operations of the Board and wider business.

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. For further detail on recent and upcoming Board changes refer to principle 6 within this document.

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:

- We have fun
- We run it like you own it
- We're the best you can be
- 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, and are promoted throughout the business at all levels.

Recruitment

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. Employees are also required to read and accept core policies including: Data Protection: Compliance Following GDPR, Financial Crime, ISO, Personal Group Conduct Rules, Absence, Disciplinary and Grievance, Modern Slavery Awareness, Whistleblowing and Equal Opportunity and Dignity at Work.

Reward and recognition

Our 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.

Employee satisfaction

An employee satisfaction survey is carried out on an annual basis, with the results fed back to the Board. Despite the implications of lockdown and remote working, our employee engagement scores have increased from 2019. 87% of staff said they were happy with their work and home-life balance, and we saw excellent scores for people management and leadership.

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 Leadership Team (SLT) 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 SLT.

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 Leadership 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 four Independent Non-Executive Directors and meets at least twice a year. Current Committee members include:

Bob Head (Chair)
Mark Winlow (stepping down in May 2021)
Maria Darby-Walker
Martin Bennett (joined 1 January 2021)

Three formal meetings were held during 2020 and all committee members were in attendance. Additionally, the remaining Board members, Head of Risk and Company Secretary were also 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 44-46 of the Annual Report and Accounts.

The Role of the Remuneration Committee

The Remuneration Committee comprises of four Independent Non-Executive Directors. Current Committee members include:

Maria Darby-Walker (Chair)
Mark Winlow (stepping down in May 2021)
Bob Head
Martin Bennett (joined 1 January 2021)

The Chief Executive and HR Director may be invited to be in attendance at times. The Remuneration Committee operates within defined terms of reference and it met four times in 2020.

The primary purpose of the Remuneration Committee is to review and make recommendations regarding the remuneration policy for the Group, specifically regarding the Group's framework of Executive Remuneration.

The Committee's overall objective is to align reward for the Executive Team with the delivery of profitable sustainable growth through the Group's remuneration framework. A full report on the work of this committee can be found on pages 47-51 of the Annual Report and Accounts.

The Role of the Risk and Compliance Committee

Full details of the Committee responsibilities and its members can be seen within principle 4 of this document.

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. This committee will comprise of The Chair (nominated by the Board), and a minimum of two other Board members and will meet twice a year or as often as may be deemed necessary to enable it to discharge its duties in an expeditious manner.

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.

Full details of the members within each committee are 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 and virtual 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. March 2021 saw us host our first retail investor webinar. Further information can be found via <https://www.personalgroup.com/why-invest>.

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 benefits platform and company presentations, as well as regular floor huddles and away days (both prior to COVID-19). 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 interactions, and more recently implemented virtual visits, to holding industry and other business forums and producing white papers and collateral on topics that are relevant for their business. We also recognise the importance of system security for our customers and their employees and hence our business is ISO 27001 accredited across the whole Group.

END

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