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## Chairman's introduction

The Board is committed to effective corporate governance, not just as a set of guidelines, but as a real basis for providing internal controls that will deliver long-term value and meet stakeholder expectations around leadership and oversight. As Chairman of the Board, I am responsible for corporate governance within the Group and we have recently recruited a Group General Counsel and Company Secretary to support our commitment to maintaining and further developing and enhancing our sound corporate governance grounding.

This will involve ensuring continued effective operation of the Board and making sure the Board continues to develop its corporate governance in response to changes in official standards and stakeholder expectations. Our Board members have extensive experience and remain professionally active, however our approach to corporate governance will involve ensuring that the Board is given the opportunity to keep in touch with relevant developments through appropriate seminars and formal training courses which will be recommended to the Board to ensure the continued development of Board members' skills and capabilities.

Our corporate governance strategy is centred around ensuring that our operations are conducted with integrity, fairness and transparency and that our operations are conducted against a backdrop of sustainability and a strong moral compass. As a Board we aim to lead this ethical culture and perpetuate an open and honest environment, because we believe this establishes and evolves effective risk management and effective decision making at all levels of our organisation. The Board sees this as a key differentiator and has observed how this serves to build trust with our clients and suppliers and allows us to retain high-performing staff.

In adhering to these principles, since our IPO in December 2019, the Company has applied the Corporate Governance Code for Small and Mid-Size Quoted Companies 2018 published by the Quoted Companies Alliance (the "QCA Code") and I believe that we are in full compliance, which serves to mitigate and minimise risk and add value to our business.

Here we outline how we have applied the principles of the QCA code during the year and we take the opportunity to share with you the improvements made to our corporate governance arrangements. We will continue to review and update our governance framework and our approach as the Company continues to grow. Additional information is contained in our Section 172 Statement on pages 17 to 19 of the Annual Report and Accounts 2020 ("Annual Report").

**Richard Law, Chairman**

23 March 2021

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**Principle 1: Establish a strategy and business model which promote long-term value for shareholders**

The Board has a clear strategy for delivering long-term shareholder value.

The Company's business model and strategy are set out on pages 5 and 16 of the Annual Report.

The Group's vision is to become the partner of choice for both global brands that use promotional products as a key stakeholder engagement tool and SME distributors that require a technology platform in order to professionalise and grow their promotional products business in North America.

The Group's strategy is to return to profitable growth via continuing to improve and evolve our services, focusing on:

- Retention of our valued long-term relationships with our current clients and Partners
- Extension of our technology and other services to increase the spend of existing clients and Partners
- Attract further quality businesses to our Group through providing additional market leading technology and services

The Board held its annual strategy meeting in October 2020 to discuss its ongoing vision for the Group, its direction and strategic priorities. The outcomes from which are communicated in the Annual Report on the strategy pages referenced above, in the Chairman's statement, Chief Executive's statement and throughout the Strategic Report.

**Principle 2: Seek to understand and meet shareholder needs and expectations**

The Group is committed to engaging with its shareholders to ensure their needs and expectations are understood and its strategy and business model are clearly articulated.

The Executive Directors of the Company have primary responsibility for contact with shareholders and maintain an active and frequent dialogue with them. The Board is updated at every Board meeting about shareholder meetings that have taken place and the focus of the meetings. The Non-Executive Directors are also provided with any reports and feedback issued by analysts to support their understanding of the view of the Group by the investment community. Should you wish to request a meeting or submit a question, please contact [Investors@ThePebbleGroup.com](mailto:Investors@ThePebbleGroup.com).

The Directors have met with shareholders during the year as part of a planned programme of investor relations and when requested made themselves available for meetings. The Annual General Meeting "AGM" is also an opportunity for the Company's Directors to meet with its shareholders and for them to ask questions.

In recognition that COVID-19 considerations make a physical meeting with shareholders in attendance unpredictable and susceptible to changes, possibly even last minute, arrangements have been made to preserve shareholder engagement by enabling shareholders to view the meeting via a live webcast and to some extent participate in the form of Q&A functionality giving the opportunity to raise questions to the Directors as they see appropriate.

At the 2020 AGM, all resolutions proposed by the Board were passed by shareholders and details of the proxy voting are given on the Company's website <https://ir.design-portfolio.co.uk/viewer/13/192>. Details of the business that will be undertaken at the 2021 Annual General Meeting is set out in a

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separate Notice of Annual General Meeting in the circulars and constitutional documents page of the Company's website.

**Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success**

The Board recognises that the Company's long-term success relies on its ongoing positive relationships with all stakeholders and understands that its responsibilities are not only to its shareholders and employees, but to its wider stakeholders including customers and suppliers and the communities in which it operates.

The Board and all senior managers have regard to the Company's stakeholders and social responsibilities in its decision making. This comes naturally to The Pebble Group where our emphasis as a business is that decisions are taken with regard to acting equitably and for the long term. We always aim to maintain and build our reputation for high standards of business conduct. In 2021 the Board has evolved its reporting process with the introduction of an enhanced reporting template containing guidance notes to facilitate the explanation of all relevant Section 172 factors and ensure that they are made central to all information and recommendations presented to the Board.

The Company works consistently to strengthen the relationships it has with all stakeholders and is committed to the highest standards of corporate social responsibility in its activities. The work done in respect of this is outlined in the Section 172 Statement on pages 17 - 19 of the Annual Report and Environmental, Social and Governance on pages 20 - 28. In January 2021 the Company appointed a Senior Environmental Social and Governance "ESG" Officer reporting directly to the Chief Executive Officer who will have responsibility for supporting the Board in maintaining the highest of standards and deliver on its ESG commitments.

**Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The Board uses a considered approach to risk management and acknowledges the need to accept a certain level of strategic risk to achieve its objectives of capital growth for shareholders. The risk management framework and key risks facing the business are set out on pages 38 - 41 of the Annual Report, along with the monitoring processes and mitigating actions in place to manage these risks. The Audit Committee has responsibility for reviewing the effectiveness of the Group's internal controls as set out on pages 55 -57 of the Annual Report, reports directly to the Board on these matters.

The Board has ultimate responsibility for the Group's system of internal control and, as set out in the Audit Committee Report section of the Annual Report, is supported by the Audit Committee in managing this risk. Acknowledging that there are inherent limitations in any control system and that any such system can only provide reasonable and not absolute assurance, the Board considers the controls in place are reasonable for a Group of this size and complexity, the principal elements of the Group's internal control system include:

- Hands-on close management of the day-to-day business of the Group by the Executive Directors
- Attendance by the Chief Executive Officer and Chief Finance Officer at the monthly Operating Boards of Brand Addition and Facilisgroup where financial performance, operational developments and full year expectations are discussed in detail
- Preparation and approval by the Board of detailed budgets

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- Monthly reporting, monitoring and review of actual performance against budget
  - Monthly reporting of updates to sales, Adjusted EBITDA and cash forecasts to reflect actual performance and any revisions to expectation as the year progresses
  - An established independent Group Finance team consisting of qualified accountants with responsibility for the audit of areas of risk and within the Group's businesses
  - A risk register maintained by the Group Finance team reviewed twice annually by the Group Audit Committee

## **Principle 5: Maintain the board as a well-functioning, balanced team led by the chair**

The Directors acknowledge the importance of high standards of corporate governance and believe the QCA Code provides the best fit for the Group by setting out a standard best practice for small and mid-sized quoted companies, particularly those on AIM.

The composition of the Board is set out on page 44 of the Annual Report and includes a balance of Executive and Non-executive Directors, with three Non-executive Directors and two Executive Directors. The Board is managed by the Chairman who has the overall responsibility for strategy, risk and corporate governance.

The Board's activities are supported by Nomination, Audit and Remuneration Committees. Details of these committees are set out on the corporate governance pages 44 - 45 of the Annual Report and their terms of reference are on the Company's website.

Whilst Executive Directors dedicate a full-time commitment to the Company, the Non-executive Directors have demonstrated a strong time commitment to the Company throughout the year and have allocated sufficient time to effectively discharge their responsibilities, including in the preparation for, attendance at, and dealing with actions arising from all Board and committee meetings. Information on meeting attendance in 2020 can be found in the Board of Directors section on pages 52 and 53 of the Annual Report.

The Board and its committees receive high quality accurate and timely information on a regular basis and the Board meets at least 10 times per year. The Board met 11 times during 2020 and each meeting had full attendance by all Directors.

All Directors were elected in advance of the IPO at the 2019 AGM following their appointment to the Board and at the 2020 AGM the Chairman was subject to re-election. Although the Directors are required to seek re-appointment at least once every three years in accordance with the Company's Articles of Association, the Board has decided that all Directors shall be subject to re-election by shareholders at the 2021 AGM as set out in the Directors' report section of the Annual Report and in the Notice of the Annual General Meeting and it is our intention to subject all Directors to re-election annually.

The Company is satisfied that the current Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders and will consider the requirement for additional Non-executive Directors as the Company fulfils its growth objectives.

The Board believes that the three Non-executive directors are independent, with Yvonne Monaghan fulfilling the role of Senior Independent Director. The results of the Board's assessment of its effectiveness is detailed in principle 7.

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**Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**

All the Directors have appropriate skills and experience for the roles they perform at the Company, including as members of Board Committees. The Board is represented by an appropriately diverse mix of individuals, given its size. Experiences are varied and contribute to maintaining a balanced Board that has the appropriate level and range of skill to deliver the Company's strategic objectives. Details of the skills and experience of the Directors are provided on pages 52 and 53 of the Annual Report and also on the Company's website.

It is not dominated by any one individual and all Directors have the ability to challenge proposals put forward to the meetings where decisions are reached democratically.

All Board members remain professionally active and are given the opportunity to keep in touch with relevant developments through appropriate seminars to ensure the continued development of each Board member's skills and capabilities.

The Board and committees have access to professional advisors at the Company's expense, if necessary. Where applicable, the use of the services of professional advisors has been set out in the reports of each of the Board's committees as set out in the Annual Report.

In January 2021, the Company appointed Lucy Penfold to the role of Group General Counsel and Company Secretary to act as adviser to the Chairman and the Board, with responsibility for ensuring effective Board processes and procedures are followed and that applicable rules and regulations are complied with. In addition, the Directors also receive regular briefings and updates from the Company's nominated adviser in respect of continued compliance with, inter alia, the AIM Rules.

The Company's statement on its Audit, Remuneration and Nomination Committees can be found on pages 44 - 45 of the Annual Report and on the Company's website.

**Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**

In February 2021, the Board performed an internal formal evaluation of its performance in its first year of existence. The review comprised:

- The completion of a comprehensive questionnaire by all Board members covering the effectiveness of the Board performance as a unit, as well as that of its committees and the individual Directors. This covered assessment against both 'Composition and Process' criteria, and 'Behaviours and Activities' criteria
- A Board discussion facilitated by the Company Secretary of the outputs of the questionnaire

The process highlighted many positives and particular strengths in the form of high-quality debate, open discussions and effective teamwork evident on the Board and committees. It also identified some areas for development and recommendations to be progressed in 2021, including:

- In the context of the Company's likely expansion over the next five years, adopting a longer-term outlook to the consideration of, and detailed planning around, future Board size and composition; and mix of skills, experience, knowledge and diversity of the Board
- A requirement for formal and comprehensive succession planning at both Board and Senior Executive levels

- Increased focus at Board level on crisis management and disaster recovery, particularly in the areas of cyber and data security risks
- Adopting a pro-active approach to periodic monitoring of market practice around Executive Remuneration and Performance, with input from external advisors as appropriate, to ensure that the Company remains aligned each year.

## **Principle 8: Promote a corporate culture that is based on ethical values and behaviours**

The Company has a responsibility towards its employees and other stakeholders. The Board promotes an ethical corporate culture by having documented policies as follows:

- Anti Slavery and Human Trafficking Policy
- Anti-Bribery and Corruption Policy
- Business Ethics Policy
- Conduct Policy
- Corporate Hospitality and Gifts Policy
- Whistleblowing Policy

which are followed in each territory in which it operates, with any areas of non-compliance reported to the Board. These assist in embedding a culture of ethical behaviour for all employees and the Company's commitment to upholding human rights of all individuals is clearly documented in its Modern Slavery Act 2015 Statement.

The Company's policies set out its zero-tolerance approach towards any form of discrimination, inappropriate or unethical behaviour relating to bribery, corruption or business conduct in all territories in which it operates.

At Board level, there are terms of reference for each of its committees, requiring regular disclosure of Directors' other interests, and following a share dealing code, all of which require high standards of behaviour.

## **Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the board**

The Board has a formal schedule of meetings and matters reserved for its attention, including approval of strategic plans and acquisitions, ensuring maintenance of sound risk management and internal controls, delegation of authority and other corporate governance matters. It is scheduled to meet at least 10 times per year and these meetings can be supplemented by additional meetings as and when necessary. During 2020 the Board met 11 times and each meeting had full attendance by all Directors.

The Board and its committees have a formal agenda in place for each meeting, they receive appropriate and timely information and appropriate time is allotted to ensure that Section 172 factors are discussed and taken account of during Board discussions and decision-making. Information is distributed several days in advance of the meeting and any actions arising from the meetings are followed up by the Company's management.

The role of each member of the Board is clearly defined. The Chairman is responsible for the operation of the Board. The Chief Executive Officer is responsible for proposing the strategic direction of the Board and implementing the strategy once approved. The Chief Financial Officer is responsible for all financial matters and engagement with shareholders. Board roles can be found on the corporate governance section of the Company's website.

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The Board is supported by the Audit, Remuneration and Nomination Committees in discharging its responsibilities. Each of the committees has access to information and external advice, as necessary, to enable the committee to fulfil its duties.

The Audit Committee has primary responsibility for monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on.

The Remuneration Committee will review the performance of the Executive Directors, Chairman of the Board and senior management of the Group and make recommendations to the Board on matters relating to their remuneration and terms of service.

The Nomination Committee will lead the process for Board appointments and make recommendations to the Board.

The terms of reference of these committees can be found on the Corporate Governance section of the Company's website.

The Group is organised so that each of Brand Addition and Facilisgroup have an established Operating Board which meet monthly and report directly into the Executive Directors of the Group and the main Board. The Operating Boards meet just prior to the Board enabling the Executive Directors to provide the most up-to-date information possible to the members of the Board. In 2021 clear divisional leads have been established in both Brand Addition and Facilisgroup and a Group Executive Committee has been created with the divisional leads as well as the Group Executive Directors as members, to improve and facilitate the flow of information throughout the Group and ensure consistent good governance across divisions.

**Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

These responses to the principles of the QCA Code and the information contained in the Annual Report provides details to all stakeholders on how the Company is governed.

The Company will communicate with its shareholders through:

- the Annual Report and Accounts
- Half-year report announcements
- Regulatory Information Service ('RIS') announcements
- the Annual General Meeting ('AGM')
- one-to-one meetings with large existing or potential new shareholders
- Webinar meetings open to private investors will be initiated during 2021

As outlined at principle 2, the Company maintains an active dialogue with its shareholders through a planned programme of investor relations.

A range of Company information is included on the Company's website and further information can be requested from [investors@thepebblegroup.com](mailto:investors@thepebblegroup.com).