

Chair's Introduction to Governance

Committed to effective corporate governance.



Governance Highlights

- Further development of Group policies
- Introduction of formal DEI policy and initiatives
- Strengthening of formal succession planning, Board appointment process and talent pipeline management
- Enhanced reporting and flow of governance information
- External validation of approach to risk monitoring and assessment
- Preliminary alignment with TCFD

The Group Board is committed to effective corporate governance. We see the principles of good governance not just as a set of guidelines, but as a real basis for making us a better business with strong internal controls that deliver long-term value and meets stakeholder expectations around leadership and oversight. As Chair of the Group Board, I am responsible for corporate governance within the Group, and I work with our Board and Group General Counsel & Company Secretary to build upon and enhance our sound corporate governance grounding.

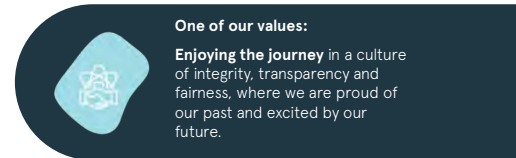
This involves reviewing the continued effective operation of the Group Board and its Committees and their oversight of the Group's businesses, updating our governance framework and our approach where necessary or desirable in response to: (i) changes in our businesses as we grow; (ii) changes in official standards; (iii) developments in best practice guidance; and (iv) our stakeholders' expectations.

In doing this, we are focused on ensuring that the new policies or practices we introduce are not only aligned with best practice but are designed in a meaningful way to fit with our culture and way of working. During 2021, this included Board time dedicated to: developing or formalising Group policies and Board processes; reviewing the quality of contribution, debate and decision-making at Board and Committee meetings; developing or formalising the Company's approach to, and processes around, specific governance initiatives (for example DEI, succession planning and talent pipeline development); reviewing Board and Committee terms of reference; and, enhancing the reporting and flow of information from Facilisgroup and Brand Addition up to the Group Board through the appropriate forums.

One of our values:

Learning and growing knowing there is always progress to be made.





One of our values:

Enjoying the journey in a culture of integrity, transparency and fairness, where we are proud of our past and excited by our future.

Our Group Board members have extensive experience and are professionally active in roles other than at The Pebble Group. They are provided with a monthly 'Boardroom Briefing' covering a range of corporate governance issues, such as: reports on corporate culture; recent cases on directors and their responsibilities; and updates on executive remuneration, ESG or climate related issues and disclosure requirements. The Group Board is also given the opportunity to keep in touch with relevant developments through appropriate seminars and formal external training courses to ensure the continued development of knowledge, skill and capability. Fostering a culture of continuous improvement is important to me and I will lead in personal development through my own participation in training and continued professional development.

In the year, the Group formalised and published its values, included in which is our corporate governance strategy centred around ensuring that our operations are conducted with integrity, transparency and fairness.

We are proud of the work we have done to enhance our governance and risk management processes and our commitment to continuing to evolve these brings excitement for our future. You can find more about our values on the inside front cover.

As a Board we aim to lead by example, be authentic, embrace our values and create 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 Group 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, 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 with this, which serves to mitigate and minimise risk and add value to our businesses.

This section of the Annual Report and Accounts outlines how we have applied the principles of the QCA code during the year and we take the opportunity to share with you the many initiatives and activities that took place during 2021 to ensure a strong and open dialogue with our shareholders, particularly around how the Company is performing, to ensure that the Group Board remains a well-functioning and balanced team, and to enhance our governance structures to ensure that they remain fit for purpose and support good decision-making by the Group Board and its Committees.

We will continue to review and update our governance framework and our approach as the Company continues to grow and will update the Corporate Governance statement in the AIM rule 26 section of the Company's website. Additional information is contained in our Section 172(1) statement on pages 22-25.

Richard Law
Chair
22 March 2022

Delivering long-term growth.

The Directors believe that the QCA Code which sets out best practice corporate governance arrangements for small and mid-sized quoted companies, particularly those on AIM, remains most appropriate for the Company.

This section of the Annual Report and Accounts outlines how we have applied the ten principles of the QCA Code during the year.

Commentary

Cross-reference to detail

Principle 1:

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



The Group Board has a clear strategy for delivering long-term shareholder value. The Chair and CEO work closely to ensure the message and direction is strong and understood.

The Group Board held its annual strategy event over two days in October 2021 to discuss its ongoing vision for the Group, its direction and strategic priorities. The output focussed on:

- driving increased scale;
- our people and team structures;
- accelerating our long-term growth aspirations.

Q The Company's business model and strategy are detailed in the following sections of this Report:

- at a glance on page 4
- the Chair's report on page 12
- the CEO's review on page 14
- throughout the Strategic Report on pages 2-49
- strategy in action on page 17

Principle 2:

Seek to understand and meet shareholder needs and expectations.



The Executive Directors have primary responsibility for contact with shareholders and enjoy maintaining an active and frequent dialogue. They provide regular Group Board updates on shareholder meetings and provide the Non-executive Directors with all reports and feedback issued by analysts to support their understanding of the view of the Group by the investment community.

The Directors met with shareholders during the year as part of a planned programme of investor relations and when requested made themselves available for meetings. Shareholder engagement sessions in 2021 were well attended and received positively.

The Group Executive Committee discusses shareholder needs and expectations in the context of upcoming market announcements and other touchpoints at every monthly meeting and reviews investor feedback received following each of those touchpoints.

The 2022 AGM will repeat the arrangements established in 2021 to ensure maximum opportunity for shareholder engagement in that forum by enabling shareholders to view the meeting via a live webcast and participate via live Q&A functionality. With the future needs and expectations of our shareholders in mind, the Company amended its Articles of Association in 2021 to permit 'hybrid' general meetings.

Should you wish to request a meeting or submit a question, please contact investors@thepebblegroup.com.

Q How we engage with shareholders is detailed in the Stakeholder Engagement section on page 21.

Q Investor presentations can be found on the Company's website.

Q Information on 'hybrid' meeting provisions in the Articles of Association can be found on the Company's website.

Corporate governance statement

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



Our values identify the importance of all our stakeholders and our commitment to social responsibilities, demonstrating how integral these matters are to the Group’s culture.
The Group works consistently to strengthen the relationships it has with all of its stakeholders.

- Q Our values are on the inside front cover.
- Q Information on how our business model identifies key resources and relationships is contained on page 6.
- Q How the Company obtains stakeholder feedback and the output of that is in the Stakeholder Engagement section on pages 18-21.
- Q Approach to wider stakeholder and social responsibilities is set out in our Section 172(1) statement on pages 22 – 25.

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



The Group Board uses a considered approach to risk management and acknowledges the need to accept a certain level of strategic risk to achieve capital growth for shareholders.
Risk management is embedded from the Group Board to the Audit Committee, to the Group Executive Committee, to the Operating Boards. There is an effective process for identifying, assessing and managing risks in this framework. The Audit Committee provides the assurance that the risk management and related control systems in place are effective.

- Q The risk management framework is explained, together with details of the key risks and opportunities facing the Group and related mitigating actions to manage these risks, on pages 45-49.
- Q The Audit Committee report on page 67 explains how it oversees the effectiveness and integrity of the internal control systems.

Principle 5:
Maintain the Board as a well-functioning, balanced team led by the Chair.



The Group Board has strong independent representation, a good balance between the Executive and the Non-executive Directors and a good gender balance.

Executive Directors dedicate a full-time commitment to the Company. Non-executive Directors provided a strong time commitment in 2021, allocating sufficient time to effectively discharge their responsibilities. This included the preparation for, attendance at, and dealing with actions arising from all Group Board and Committee meetings, which had full attendance.

The Chair and Company Secretary keep Group Board processes under review to develop and formalise, including conducting detailed annual planning and agenda setting. This results in the Group Board and its Committees receiving high quality, accurate and timely information on a regular basis.

The Company is satisfied that the current Group 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 2021 Annual Group Board Effectiveness review highlighted the role of the Chair, the relationship between the Chair and CEO, the effective functioning of the Group Board and its strengths as a balanced team as particular strong points.

Q Group Board structure and composition details are on page 52.

Q Detailed information on Group Board and Committee meeting frequency and attendance can be found in the Group Board of Directors section on pages 64-65.

Q Information on how the Nomination Committee actively reviewed Group Board structure, size and composition in 2021, is on pages 54-55.

Q Details of the Nomination Committee update to its Group Board effectiveness review criteria in 2021 (to ensure it remained fit-for-purpose) is on pages 54-55.

Q For full details of the Annual Group Board Effectiveness review 2021 results, see Principle 7 below.

Corporate governance statement

Principle 6:

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



All Directors are professionally active. Each has demonstrated that they possess the appropriate skills, capabilities and experience for the roles they perform at the Company, including as members of the Group Board and its Committees. Group Board experience is extensive and varied, and the mix of personal qualities (including gender balance) contributes to the Group Board's ability as a whole to deliver the Company's strategic objectives.

The 2021 Group Board effectiveness review assessed the performance of the individual Directors and found no issues. Further, all Directors were re-elected at the 2021 AGM. It is the Company's intention to continue to subject all Directors to re-election annually.

A Director performance evaluation by the Nomination Committee in Q1 22 concluded that each Director continued to make an effective and valuable contribution to the Group Board, and that each Director demonstrated a strong commitment to their role and to the long-term success of the Company.

The Company Secretary acts as adviser to the Chair and the Group Board, with responsibility for ensuring effective Group Board processes are followed. Monthly '*Boardroom Briefings*' are circulated to update Directors on topical issues, such as: corporate culture; Directors and their responsibilities; executive remuneration, ESG or climate related issues and disclosure requirements.

The Company's external auditor, PwC, provides regulatory updates and briefings to the Group Board three times per year on relevant corporate reporting developments or similar '*hot topics*' for the year under review.

The Company's NOMAD provides annual Group Board training and a briefing pack on the AIM Rules, Market Abuse Regulation, managing price sensitive information and other regulatory updates.

The Group Board is given the opportunity to keep in touch with relevant developments through appropriate seminars and formal external training courses facilitated by the Company Secretary to ensure continued development of knowledge, skill and capability.

Fostering a culture of continuous improvement is important to the Chair, who will lead in personal development by participating in training and continued professional development.

The Group Board and Committees have access to professional advisors at the Company's expense, if necessary.

Director's skills and experience are detailed on pages 64 and 65 and also on the Company's website.

For full details of the results of the 2021 Annual Group Board Effectiveness review, see Principle 7 below.

For full details of the Director performance evaluation conducted by the Nomination Committee in Q1 22, see pages 54-55.

The use of professional adviser services has been set out in the reports of each of the Group Board's Committees contained in this Report, where applicable.

Principle 7:

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

The Group Board, led by the Chair, fosters a culture of continuous improvement to maximise the effectiveness of board practices. It performs an annual formal assessment of the effectiveness of the Group Board and its performance as a unit as well as that of its Committees and the individual Directors.

The process is conducted internally by the Group Board and not on an anonymous basis, to reflect the open culture and nature of the Group Board:

- The Chair of the Group Board is responsible for and leads the process with assistance from the Company Secretary to ensure that all Directors are actively engaged.
- Completion of a written questionnaire by all Directors, covers 'Composition and Process' and 'Behaviours and Activities'.
- A written report from the Chair on the results is tabled for full Board discussion.
- Directors' evaluation of the results is facilitated by the Company Secretary.
- Actions are included and followed-up as part of standard Group Board process.

The Nomination Committee reviews the Group Board effectiveness process annually to enhance and improve the exercise. The process followed in 2021 was as per the above, which was considered to remain fit-for-purpose given the size, nature and complexity of the Group Board and its Committees, current stability of composition and governance maturity. However, the questionnaire was enhanced to reflect the QCA's list of characteristics of an 'effective board'.

Q Details of the Nomination Committee update to its Group Board effectiveness review criteria in 2021 (to ensure it remained fit-for-purpose) is on page 54.

Q Detailed information on how the Nomination Committee actively reviewed Group Board structure, size and composition in 2021 can be found on page 55.

Results and recommendations of November 2021 Review

Particular strengths highlighted:

- tone from the top, the role of the Chair and strong positive relationship with CEO
- Group Board independence, knowledge and experience, attendance and active contribution at meetings, Group Board operation as a team in an accountable, open and transparent environment and time commitment of Non-executive Directors
- Group Board access to, and good use of, appropriate data to monitor the Company's performance
- Group Board creation of a performance culture that drives value creation without excessive risk exposure
- DEI policy
- crisis response capabilities and crisis management plans

Recommendations:

- Group Board to consider attendance of the Chair at a selection of investor meetings for shareholder availability and visibility
- CEO to explore enhanced ESG resource within our operations to shape ESG priorities and further develop ESG strategy in preparation for possible future formal evaluation of ESG/Sustainability governance as part of the evolving Group Board Effectiveness review process

Progress against previous recommendations

The Group Board has addressed the areas for development identified in the first performance review as outlined in the Company's 2020 Annual Report and Accounts. In particular:

- The Nomination Committee has introduced a process to consider Group Board requirements over the next five years vs. current using a director skills matrix as a tool to assist in planning for future Group Board needs in the context of the Company's likely expansion.

Q Detailed information on how the Nomination Committee has introduced a formal approach to succession planning is set out on page 54.

- The Nomination Committee has introduced a formal approach to succession planning and established a process for ensuring that succession plans are in place for orderly succession to both the Group Board and senior management positions.
- There is formal annual focus and oversight on crisis management and disaster recovery at Group Board level, particularly in the areas of IT and cyber security and data security risks due to detailed board planning by the Chair and Company Secretary. Divisional leads of Facilisgroup and Brand Addition and IT senior management presented to the Group Board in September 2021 on disaster recovery and business continuity plans. As a result, crisis response capabilities and crisis management plans were highlighted as a particular strength in the 2021 Group Board effectiveness review.
- The Remuneration Committee takes into account periodic external comparisons to examine current market trends and practices at equivalent roles in similar companies. The Remuneration Committee also appoints external consultants where appropriate, to provide advice. During Q4 21 such a periodic review took place.

Corporate governance statement

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

During 2021, the Group formally adopted its values. They shape our culture, define who we are, what we do and how we act. We believe they demonstrate our commitment to ethical behaviour.

For details of our values please see inside front cover.

For information on how the Company's culture is consistent with its objectives, strategy and business model, please see the Strategic Report pages 2-49.

The Group Board monitors and promotes an ethical corporate culture by having documented key governance policies in place which are reviewed and re-approved annually to ensure that they remain up to date and continue to reflect best practice. It is extremely important to the Group Board that policies or practices not only align with best practice but are designed in a meaningful way and fit with our culture and way of working.

Our assessment of our principle risks and uncertainties reflects our ethical culture and balanced risk appetite. For details, please see pages 45-49.

The policies assist in embedding a culture of ethical behaviour for all employees. In addition, we seek to work with agents, contractors, business partners and other third parties who work with us or on our behalf, who share our zero-tolerance approach to certain activities e.g., bribery and corruption, and we expect them to behave consistently with the provisions of certain of our policies.

For details of the key governance policies in place across the Group, please see page 55.

Information on monitoring compliance with certain policies can be found in the Audit Committee Report on pages 67-70.

The Group Board also monitors the state of culture and employee satisfaction at present by including minutes of the Brand Addition employee forum for noting at each Group Board meeting.

The CEO in conjunction with the Company Secretary or the Group Senior ESG Officer is responsible for reviewing the suitability, adequacy and effectiveness of the policies and for making improvements as appropriate. The HR Department in each business is

responsible for ensuring the implementation and communication of policies and ensuring that any Group policies are reflected in Brand Addition's and Facilisgroup's respective equivalent local policies.

Any non-compliance with policies is reported by the Divisional Lead of Facilisgroup and Brand Addition via the Group Executive Committee to the relevant Group Board Committee and ultimately the Group Board for monitoring on an ongoing basis.

In October 2021, the Company published its first ESG report in which it set out its ESG strategy and the framework which underpins its approach to ESG.

During 2021, the Group has also been focusing on the development and enhancement of its governance policies and processes and will continue with its development, then implementation of the same in 2022.

For details on the upcoming policies under development for introduction in 2022, please see page 55.



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



The Group’s governance structures have evolved and developed since IPO, so that they fit naturally with our culture and way of working. They will remain under review during 2022 and will evolve where required in line with the Company’s planned growth.

The role of each member of the Group Board is clearly defined. The Chair is responsible for the operation of the Group Board and for corporate governance within the Group. The CEO is responsible for proposing the strategic direction of the Group Board and implementing the strategy once approved. The CFO is responsible for all financial matters and engagement with shareholders.

The Group Board reviews its formal schedule of matters reserved for the Group Board and each Committee reviews its terms of reference on an annual basis to ensure they remain fit for purpose and support good decision-making.

The Group Board and its Committees operate within formal processes and timetables facilitated by the Company Secretary. Each meeting has an agenda, a Group Board reporting template (with Section 172 guidance), appropriate and timely information is circulated in good time prior to each meeting, and meetings are planned to ensure that appropriate time is allotted for open and in-depth discussion. All actions arising are formally tracked, followed up by the Company’s management and reported. The Chair and Company Secretary keep Group Board processes under review to develop and formalise, including conducting detailed annual planning and agenda setting which aligns with the terms of reference. This results in the Group Board and its Committees receiving high quality, accurate and timely information on a regular basis which supports good decision-making by the Directors.

Q The Group’s governance structures are explained on pages 52–56.

Q More detail on the Group Board roles and responsibilities can be found on the corporate governance section of the Company’s website.

Q The roles of the Group Board’s Committees are described in detail on pages 53–55.

Q The schedule of matters reserved for the Group Board and each Committee’s terms of reference can be found on the Company’s website

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

The detailed responses to the principles of the QCA Code in this section of the Report, in conjunction with the related information throughout this Report, communicates to shareholders and other relevant stakeholders how the Company is governed.

In October 2021, the Company published its first ESG Report in which it set out its ESG strategy and the framework which underpins its approach to ESG.

Q See the details included at Principle 2 above as to how the Company maintains an active dialogue with its shareholders on Company performance through a planned programme of investor relations.

Q A range of Company information is included on the Company’s website.

Q Further information can be requested from investors@thepebblegroup.com