

LORDS GROUP TRADING PLC QCA CODE WEBSITE DISCLOSURES

Corporate Governance Statement

Lords Group Trading plc (“Company” or “Group”) sets out below how it complies with the ten key principles of the Quoted Companies Alliance (“QCA”) Corporate Governance Code (“QCA Code”).

In November 2023, the QCA released an updated version of the Code, which has more emphasis on areas such as risk, internal controls, ESG and remuneration. The Company has been developing its corporate governance framework since before the IPO in 2021 and while the new QCA Code only applies to the Group from the start of the financial year 2025, the Company already meets many of its new provisions. The Board is working to address the remaining gaps, with the intention of complying in full by the end of the financial year 2024 (“FY24”). The Company became a member of the QCA in January 2024, which will support efforts to further develop the Company’s governance.

The Chairman’s Corporate Governance Statement can be found on page 62 of the Company’s Annual Report and Financial Statements for the year ended 31 December 2023 (“2023 ARA”) available on the Company’s website (www.lordsgrouptradingplc.co.uk/financials/annual-interim-reports).

During the year, the Company continued to refine its approach to corporate governance. Priorities in the financial year 2023 (“FY23”) included further development of the Company’s risk management framework in collaboration with KPMG. To strengthen internal controls, following the FY23 year end, the Board approved the appointment of BDO to provide internal audit services to the Group, including deep dives in key areas.

Further key governance-related matters to highlight were the appointment of Sheena Mackay as a new Non-Executive Director in September 2023, following Dawn Moore’s resignation at the 2023 Annual General Meeting, and the appointment of Stuart Kilpatrick as the new Chief Financial Officer (“CFO”) following the announcement at the beginning of the year that Chris Day would be leaving the Group in the second quarter of 2024. The Nomination Committee report included in the 2023 ARA provides more information on director recruitment and succession planning.

This document was last updated on 20 June 2024.

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

The Company’s strategy and business model are designed to promote long-term value for the Company’s shareholders through the organic growth of its existing businesses and through inorganic strategies to continue to build upon the Company’s strong track record of acquisitions. The Company’s organic growth is driven by investing in what the Company calls ‘Our three Ps’ – people, plant and premises – to give customers the best experience when buying from the Group. The Company looks for acquisitions that can help expand its geographical footprint, broaden its product range or grow its digital sales while only acquiring businesses that can be scaled up or where growth can be accelerated.

A more detailed description of the Group’s strategy and business model and key strengths and challenges is set out in the Strategic Report in the Company’s 2023 ARA.

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

The Company is committed to listening and communicating openly with its shareholders and in doing so ensuring that the Company's strategy, business model and performance are clearly understood. The Board is committed to maintaining open channels of communication and to engaging with shareholders in a manner that they find meaningful, in order to gain an understanding of their views. When making decisions, the Board considers the interests of the stakeholders affected and the impact the decision may have in the long term.

The Directors meet regularly with institutional shareholders, including after the announcement of full-year and half-year results, and are responsible for ensuring that their expectations are understood by the Board. The Company's annual general meetings also provide opportunities for dialogue between the Board, who routinely attend annual general meetings, and the Company's shareholders. A detailed description of the Company's engagement with key stakeholders, being customers, employees, suppliers, communities and shareholders, is set out in the Strategic Report in the Company's 2023 ARA.

The Board is always happy to respond to shareholder enquiries and to receive feedback from key stakeholders. For shareholder queries, details of our Investor Relations adviser are set out on the Advisers page of the website together with our Registrar details (www.lordsgrouptradingplc.co.uk/investors/advisers).

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

The Board considers the interests of shareholders and all relevant stakeholders in line with section 172 of the Companies Act 2006. Engaging with the Company's stakeholders is core to the Company's strategy and is considered to be a driver of long-term shareholder value.

The Board regularly engages with its workforce, suppliers, customers and other stakeholders to stay abreast of stakeholder insights and to enable the Board to understand and consider these issues in decision-making.

Details of how the Company seeks to understand and meet shareholder needs and expectations are set out in Principle 2, above. Board members regularly meet employees across the businesses and locations within the Lords Group and all employees are encouraged to raise and discuss any areas of interest or concern they may have.

A more detailed description of the Company's engagement with key stakeholders, the section 172 statement and how the business model identifies the key resources and relationships on which the business relies, including engagement outcomes, are set out in the Strategic Report in the Company's 2023 ARA.

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

The Board is responsible for establishing and maintaining the Company's system of internal financial controls and the Audit Committee assists the Board in discharging its duties relating to internal financial controls. Internal financial control systems are designed to meet the particular needs of the

Company and the risks to which it is exposed. Such internal financial controls include strategic planning, approval of annual budgets, regular monitoring of performance against budget (including a full investigation of significant variances), control of capital expenditure and ensuring proper accounting records are maintained.

Effective risk management is key to delivering the Company's strategy and requires a robust framework for identifying, managing and mitigating the principal risks the Company faces, and ensuring the Company identifies emerging risks on a timely basis. The Directors, together with the Company's advisers, have reviewed the effectiveness of the procedures in place and consider that they are appropriate to the nature and scale of the operations of the Group. The Directors continue to reassess internal financial controls as the Company expands, both organically and through acquisition, further. It is the Board's policy to ensure that the management structure and the quality and integrity of the personnel are compatible with the requirements of the Group.

In FY23, the Company continued to work with KPMG on its risk management framework, including maintaining risk registers at divisional and Group levels. The Group will continue to build on this work in FY24. Details of the identified principal risks and uncertainties can be found in the Strategic Report in the Company's 2023 ARA.

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

The Board consists of the Non-Executive Chairman, the Chief Executive Officer ("CEO"), CFO and two additional Non-Executive Directors. The biographical details of the Board members can be found both on the Company's AIM Rule 26 website (www.lordsgrouptradingplc.co.uk/investors/aim-rule-26) and in the Governance section of the Company's 2023 ARA.

The Board has determined that each of the Non-Executive Directors of the Company, namely Gary O'Brien, Andrew Harrison and Sheena Mackay are independent in character and judgment and the Board, therefore, meets the QCA Code recommendation of having at least two independent non-executive directors. The Board holds at least seven formal meetings throughout the year and also meets on an ad hoc basis where necessary in order to, amongst other things, review performance, approve financial statements, dividends and significant changes in accounting practices and key commercial matters, such as decisions to be taken on whether to take forward or to cancel a material project. There is a formal schedule of matters reserved for decision by the Board in place which is available from the Corporate Governance section of the Company's website.

The Directors commit the requisite amount of time to their respective roles to ensure that they discharge their individual and collective responsibilities in an effective manner. The Company has effective procedures in place to monitor and deal with conflicts of interest and 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.

The Board is supported by an Audit Committee, Remuneration Committee and Nomination Committee, further details of which are set out on the Company's website, including the terms of reference for these committees (www.lordsgrouptradingplc.co.uk/investors/corporate-governance).

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

The Board considers its overall size and current composition to be suitable and have an appropriate balance of sector, financial and public markets skills and experience as well as an appropriate balance of personal qualities and capabilities.

The Nomination Committee monitors the structure, size and composition (including the skills, knowledge and experience) of the Board and the other committees and is responsible for identifying suitable candidates for board membership and monitors the performance and suitability of the current Board on an on-going basis.

In order to continue to develop their skills and keep up to date with market developments and corporate governance matters, the Board receives training from the Company's Nominated Adviser and the Company Secretary, and all Directors are also able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

The summary of each individual Director's skills and experience can be found both on the Company's AIM Rule 26 website (www.lordsgrouptradingplc.co.uk/investors/aim-rule-26) and in the Governance section of the Company's 2023 ARA.

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

In FY23 the Company carried out its second evaluation of the Board and the committees. This was an internally facilitated evaluation, using a series of online questionnaires provided by the Company Secretary. The evaluation focused on board composition, responsibilities, culture, quality of information and individual performance. The Company Secretary collated the responses and provided a summary to the Chairman who then held individual meetings with the Directors to discuss the overall feedback. The evaluation showed that the Board and the committees ranked in the top quartile for their performance.

The responses identified continuous professional development as an area for improvement and the Board will focus on this in 2024. The Company will report on the progress made against this matter in the 2024 Annual Report and Financial Statements. The Company aims to conduct an evaluation of the Board and the committees on a yearly basis.

The board performance review conducted in the financial year ended 31 December 2022, identified two areas for improvement: additional training for the directors, to ensure they remain current with developments in corporate governance and stakeholder views; and considering a more systematic approach to monitoring and overseeing the Group's culture. To address the first matter, the Company Secretary provided training on the Market Abuse Regulation, the QCA Code and other statutory reporting requirements. The Board will build on this to provide additional training in 2024, reflecting the responses to the 2023 evaluation. Furthermore, the Company have done considerable work on culture, as explained in further detail in the Chairman's introduction in the 2023 ARA.

The Board reviewed its composition during the year and also included a question on this topic in the evaluation questionnaires. The conclusion was that given the Group's current size, the Company has sufficient Directors on the Board and that the skill base is very strong across most of the skill sets required. The Board does not have a formal policy or targets for diversity. Currently, the Board has one member from an ethnic background and one woman. The Board is very aware of the importance of diversity and the benefits it brings in terms of differing experiences and perspectives. The Board will therefore fully consider diversity as part of any future appointments to the Board.

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

The Group's values and culture are the foundation of the Company's strategy, are adopted by all members of the Group and are core to promoting long-term shareholder value. It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company is committed to acting professionally, fairly and with integrity in all its business dealings and relationships.

The Group has implemented, inter alia, the following policies to help ensure appropriate values and behaviours:

- an Anti-Bribery and Corruption Policy;
- a Whistleblowing Policy;
- an Anti-Money Laundering Policy;
- a Share Dealing Policy; and
- various HR policies including anti-discrimination and anti-bullying policies.

The Company's people and culture are among the Group's key strengths. Regular engagement surveys show that employee engagement remains strong, and this is a testament to the Company's people-oriented culture and the feeling that the Company is, at heart, a family business. During FY23 the Group engaged consultants to speak to more than 100 colleagues at every level of the business, building on an earlier survey of our managers. This showed that our people enjoy the family feel at the Company and the way they are both empowered to deliver and accountable for doing so. Following this engagement, the Company formalised its cultural blueprint, which can be viewed in the 2023 ARA. The blueprint includes a refreshed set of values, which have begun to be rolled out across the business. As well as influencing day-to-day behaviours, the values will play an important part in many aspects of how the Group manages its people, from recruitment to performance and development.

The Company's strong culture and engagement are demonstrated by high employee retention levels and the average employee length of service. Further initiatives launched to help further increase employee engagement include:

- Directors and executive Board members visit stores and sites regularly;
- Regular communications on business performance, market conditions and financial performance, including CEO updates and newsletters;
- Surveys to understand employee engagement and where we can improve;
- Commitment to training and development, with a target of 16 hours per year;
- Introducing Workvivo app to enhance internal communications; and
- Health, wellbeing and fun initiatives for colleagues and families.

The Board receives regular updates on colleague KPIs which are also reported to the management.

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

Whilst the Board is collectively responsible for defining corporate governance arrangements, the Chairman is ultimately responsible for corporate governance. The governance structures within the Company have been assessed by the Board and are considered appropriate for the size, complexity and risk profile of the Company and, furthermore, that the QCA Code is the appropriate recognised UK corporate governance code for the Company to adopt. This is reviewed by the Board regularly to ensure governance arrangements continue to be appropriate as the Company changes over time.

The Board meets formally at least seven times throughout the year and the Board and its sub-committees receive appropriate and timely information prior to 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 sub-committee and then followed up by the Company's management. There is a formal schedule of matters reserved for the decision of the Board that covers the key areas of the Company's affairs. A full schedule of matters reserved for the Board's decision is available from the Corporate Governance section of the Company's website (www.lordsgrouptradingplc.co.uk/investors/corporate-governance).

The Chairman, CEO, CFO and Non-Executive Directors have clearly defined roles and responsibilities, with the role of the Chairman being to lead the Board and ensure it is operating effectively in approving and monitoring the strategic direction of the Company.

The role of the CEO is to propose strategic direction to the Board and to execute the approved strategy by leading the executive team in managing the Company's business. The role of Non-Executive Directors is to act as a sounding board for the Chairman and a source of reciprocal feedback for other members of the Board and shareholders, where required.

The Board has established Audit, Remuneration and Nomination Committees, with formally delegated duties and responsibilities. The Board also delegates specific responsibilities to senior management. This is governed by a formal policy and a delegated authority matrix.

Audit Committee

The Audit Committee has responsibility for monitoring the integrity of the Group's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Group's internal control and risk management systems, monitoring the effectiveness of the internal audit function and overseeing the relationship with the external auditor (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings).

The Audit Committee comprises Gary O'Brien, Andrew Harrison, and Sheena Mackay and is chaired by Gary O'Brien. The Audit Committee meets at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.

In addition to the Committee members, the CFO and Group Financial Controller attend meetings at the Committee's invitation. The Committee also meets with the lead audit partner, without management being present.

The Audit Committee also has unrestricted access to the Group's external auditor.

Remuneration Committee

The Remuneration Committee has responsibility for determining and agreeing with the Board the framework for the remuneration of the Executive Directors and other designated senior executives and, within the terms of the agreed framework, determining the total individual remuneration packages of the Executive Directors including, where appropriate, bonuses, incentive payments and share options or other share awards. The remuneration of Non-Executive Directors is a matter for the Board. No Director is involved in any decision as to his or her own remuneration.

The Remuneration Committee comprises Gary O'Brien, Andrew Harrison, and Sheena Mackay and is chaired by Sheena Mackay.

The Committee meets formally at least twice a year and also has ad hoc meetings where necessary. The CEO, CFO and the Group HR Director attend meetings by invitation. The Executive Directors are not involved in any discussion regarding their own pay. Similarly, none of the Non-Executive Directors are involved in determining their own fees.

Nomination Committee

The Nomination Committee has responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and giving full consideration to succession planning. The Nomination Committee also has responsibility for recommending new appointments to the Board and to the other Board committees. It is responsible for identifying suitable candidates for board membership and monitors the performance and suitability of the current Board on an on-going basis.

The Nomination Committee comprises Gary O'Brien, Andrew Harrison, and Sheena Mackay and is chaired by Sheena Mackay. The Nomination Committee meets at least once a year and otherwise as necessary.

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

As stated above, the Company is committed to open communications with all its shareholders and communication is conducted primarily through the Company's regulatory announcements, website disclosures, the annual report and accounts, the annual general meetings and one-to-one meetings with large existing shareholders and potential new institutional investors. The Group's website is updated on a regular basis.

The Board maintains that, if there is a resolution passed at a general meeting with 20% votes cast against, the Company will seek to understand the reason for the result and, where appropriate, take suitable action. Notices of general meetings can be found here: www.lordsgrouptradingplc.co.uk/investors/shareholder-information. All 2024 AGM resolutions were passed comfortably. The votes on all resolutions were taken on a poll to ensure that full shareholder representation was reflected.

The Company's annual and interim reports are available on the Company's website (www.lordsgrouptradingplc.co.uk/financials/annual-interim-reports).