

# THE PERFUME SHOP

## **The Perfume Shop Limited (the “Company”)**

### **Corporate Governance**

The Company is part of the ASW Group, and ultimately part of CKHH.

The Company adopts and applies high standards of corporate governance best suited to the needs and interests of the CKHH Group as it believes that an effective corporate governance framework is fundamental to promoting and safeguarding interests of the shareholder and other stakeholders and enhancing shareholder value.

For year ended 26 December 2020, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has adopted the Wates Corporate Governance Principles for Large Private Companies (“Wates Principles”) which are available on the Financial Reporting Council website as an appropriate framework when making a disclosure about its corporate governance arrangements. The Company’s reporting against the Wates Principles is set out below.

#### Principle 1 – Purpose and Leadership

The Company’s goal is to achieve profitable growth of its business in a sustainable way and retain its position as the UK’s largest specialist retailer of perfume by continuing to develop competitive advantage through product expertise and being the leading authority on fragrance, in both an online and offline market place. It seeks profitable growth by developing lasting relationships with customers, employees and suppliers, and innovates to deliver engaging experiences, platforms, products and working environments.

Whilst the Board is responsible for the overall direction and management of the Company, the effective day-to-day management of the Company is overseen by the Exec, supported by delegated authorities to certain senior officers and employees which is generally based on financial thresholds. The Board regularly reviews these authorities to ensure they are appropriate and relevant.

The Exec and members of the Board meet regularly to discuss and review strategies, performance, business plans, budgets and risk profiles of the Company. Whilst the Board is charged with the task of promoting the long-term success of the Company and making decisions in the best interests of the Company, the Exec is accountable for the conduct and performance of the Company within the agreed strategies. The Board together with the Exec instil and uphold the Company’s objectives and strategies through the day-to-day operations and management of the Company.

A decision-making framework exists outlining the forum that sets out the strategy and purpose, those empowered to execute the strategy and those who are informed on the progress of execution against the plan.

The culture and behaviours that are demonstrated include being customer led, evidence based, equal opportunity, working collaboratively and people development. The Board and Exec recognise the importance of their role in setting the tone and embedding behaviours in corporate culture and values. Insight from employee engagement surveys also provides measures against the company’s values and is used as a key indicator of progress against cultural change ambitions.

#### Principal 2 – Board Composition

The Board is comprised of six directors which provides for representation of both the Exec and also the Company’s shareholder. The Exec is represented by the Managing Director, Finance Director and People & Development Director, with the Company’s shareholder represented by the A.S. Watson

Group Managing Director and A.S. Watson Group Finance Director. CKHH is represented by the Deputy Chairman of Hutchison Whampoa Europe Limited. The Board considers its current size and composition constitutes an effective Board appropriate to meet the strategic needs and challenges of the Company and ensure effective decision-making.

The Exec comprises eight senior executives, led by the Managing Director. Collectively the Exec possesses extensive retail leadership experience, gained across several different organisations and countries. It includes executives with specialist professional qualifications. The Company supports professional development through executive training programmes, briefing sessions to the Management Team, webcasts and provision of relevant reading materials.

Diversity and inclusion is a key part of the Company's culture. The Company is committed to developing a more diverse workforce, including at the most senior levels. It recognises the benefits of a Board and Exec that possesses a balance of skill sets, experience, expertise and diversity of perspectives appropriate for the strategies of the Company. The Company believes that board diversity enhances decision-making capability and thus the overall effectiveness of the Board and the Exec in achieving sustainable business operation and enhancing shareholder value.

### Principal 3 – Directors Responsibilities

The Board and each director have a clear understanding of their accountability and responsibilities. The Board is committed to achieving and maintaining the high standards of corporate governance, policies and practices of the ASW Group, taking into account the business, legal and regulatory frameworks within which the Company operates. Business plans and budgets are prepared annually by the Management Team and then subject to review and approval by the Board and the executive management team of ASW as part of ASW's five-year corporate planning cycle.

The Management Team is also responsible for preparing monthly management reports on the financial results and key operating statistics of the Company. Monthly meetings are held with the executive management team of the ASW Group to review these reports, business performance against budgets, forecasts, significant business risks sensitivities and strategies of the Company.

The Board is responsible for promoting the long-term success of the Company and making decisions in the best interests of the Company in line with the agreed business plans and strategies. Throughout the year, the Management Team provides to the Board information with respect to the performance, business activities and development of the Company. The Company also has in place delegated authorities of the Board to ensure that there are appropriate controls surrounding decisions and commitments that may bind the Company.

The Board considers that all of these robust corporate governance and internal control frameworks and company leadership, working together, promote effective stewardship to deliver long-term value for the Company and its shareholder as a whole.

### Principal 4 – Opportunity and Risk

The Company is committed to the long-term sustainability of its business by regularly reviewing its business models and practices to identify opportunities for improving its performance and creating value for stakeholders.

The Board seeks to instil risk awareness across the Company's business operation and has put in place policies and procedures which provide a framework for the identification, reporting and management of risks. The Company adopts an enterprise risk management framework to manage its risk exposure and appetite. The framework facilitates a systematic approach in identifying, assessing and managing risks within the Company, be they of strategic, financial, operational or compliance nature. There is ongoing dialogue amongst the Exec about current and emerging risks, their plausible impact and mitigation measures. On a half-yearly basis, the Company is required to identify, assess and report to its shareholder the significant risks faced by the business.

The Company reviews external factors that influence the business, including political, economic and industrial relations factors. Additionally, the Company considers market demand, technology and reviews the position of its competitors and customers.

The Company's key operational risks, and management of these, are outlined in the Strategic Report and denoted as 'Principal Risks and Uncertainties' on pages 3 and 4. Results and Business Review and Future Outlook and Prospects of the Company are set out in the Strategic Report, on pages 2 and 11 respectively.

#### Principal 5 – Remuneration

The remuneration of the directors and senior executives of the Company is determined with reference to their expertise and experience in the industry, the performance and profitability of the Company as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Remuneration arrangements are also subject to oversight and approval from the Company's shareholder. Eligible employees also participate in bonus arrangements which are determined in accordance with the performance of the Company and the individual's performance. The Board considers the remuneration structure of the Company aligns with the Company's objectives, values and strategies to support long-term sustainable success.

The Gender Pay Gap is reviewed by the Exec, and an action plan is formulated for improvements across the whole organisation.

#### Principal 6 – Stakeholder Relationships and Engagement

The Board actively promotes engagement and communications with stakeholders including employees, its shareholder, customers, business partners, suppliers, pensioners, regulators, Government and community groups.

The Company is in regular contact with its customers. Monthly customer engagement surveys are performed and the insight and feedback is circulated across the business to the relevant departments.

The Company engages widely with its suppliers both when tendering for services and during the life cycle of contracts. The Management Team and the procurement team work continuously to ensure that suppliers meet the necessary security, environmental and ethical requirements. The Company works with its suppliers on targeted aims, such as reducing the amount of packaging waste.

Internal communication standards aim to ensure that all internal communications will be open, consistent and accessible to all employees. To allow the sharing of feedback, ideas and questions, channels that allow two-way communications are utilised wherever possible and employee feedback is responded to in a timely manner via the relevant channels. Leaders and managers are visible to employees and responsible for follow up with appropriate action. Internal communications include regular features that celebrate individual and team successes and achievements.

The Company is committed to achieving and maintaining high standards of openness, probity and accountability. The whistle-blowing policy and other mechanisms allow the employees of the Company and those who deal with the Company to report any suspected impropriety, misconduct or malpractice concerning the Company with confidence.

**September 2021**