

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 QCA Corporate Governance Code.

The Chairman’s Corporate Governance Statement can be found on page 52 of the Company’s Annual Report and Financial Statements for the year ended 31 December 2021 (“2021 ARA”) available on the Company’s website (www.lordsgrouptradingplc.co.uk/financials/annual-interim-reports).

This document was last updated on 21 July 2022.

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 2021 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 2021 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 at 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 are set out in the Strategic Report in the Company's 2021 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.

Details as to the identified principal risks and uncertainties to the Group can be found in the Strategic Report in the Company's 2021 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, the Chief Financial Officer 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 2021 ARA.

The Board has determined that each of the Non-Executive Directors of the Company, namely Gary O'Brien, Dawn Moore and Andrew Harrison, 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 eight 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.

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 Disclosure 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.

Given the size of the Board, a separate Nominations Committee has not been established and it is for the Board as a whole to review the structure, size and composition of the Board based upon the skills, knowledge and experience required to ensure that the Board operates effectively.

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 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 is set out in the Governance section of the Company's 2021 ARA.

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

The Board had been trading on AIM since July 2021 therefore it considered it too early to conduct a full performance evaluation during 2021. In 2022 the Board intends to conduct internally facilitated

evaluations to review the performance of the Board and to ensure its members are functioning in an efficient manner, focusing on defined objectives as well as reviewing the effectiveness of each of the Board's Committees. The Board will consider the benefits of an externally facilitated evaluation in due course.

Going forward the Board's effectiveness and the individual performance of Directors will be considered periodically by the Board on an informal basis, via feedback to the Chairman. Directors are encouraged to provide feedback on all areas of the Board efficacy, having due regard to the balance of skills, experience, independence and knowledge contributed by members of the Board, as well as the successful operation of the Board as a unit, its diversity and other factors relevant to its effectiveness.

The Board spends time considering succession planning for the Executive Directors and other members of the senior management team. This is part of the broader work on reviewing the organisational structure, understanding the roles required within that structure, and where there are gaps that need to be filled. This work will continue throughout the course of 2022 and on an ongoing basis alongside the evaluation of the capabilities of the Executive Directors and members of the senior management team and as part of the Company's review of Board effectiveness.

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
- various HR policies including anti-discrimination and anti-bullying policies.

The Company's people and culture are among the Group's key strengths. Employee surveys during 2021 showed exceptional levels of employee engagement, which are a credit to the management team and the positive, people-oriented culture they have nurtured. In turn, this helps the Group to achieve equally high levels of customer satisfaction. This focus on delivering for the customer and investing to further improve the Company's offer to them is at the heart of the Group's growth strategy.

The Company's strong culture and engagement are demonstrated by high employee retention levels, the average employee length of service and by all five divisional managing directors having been promoted from within the business, including two of which who commenced their employment with the Company working on the shop floor. The Group aims to further increase employee engagement, having refreshed and enhanced the structure of the Group's employee share schemes in connection with admission to trading on AIM. The Directors believe in democratised ownership of the business which is intended to remove business dependence on existing management and to focus on the next generation of management leading the Group.

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 Corporate Governance 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 eight 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, Chief Executive, Chief Financial Officer 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 Chief Executive 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 the 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 Disclosure Committees, with formally delegated duties and responsibilities. Given the size of the Board, a Nomination Committee has not been established. The Board as a whole is therefore responsible for reviewing its structure, size and composition, and the skills, knowledge and experience required to ensure the Board operates effectively. 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 auditors (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings). The Audit Committee comprises Gary O'Brien, Dawn Moore and Andrew Harrison 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, Chris Day (Chief Financial Officer) and Kevin Ellis (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 auditors.

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, Dawn Moore and Andrew Harrison and is chaired by Dawn Moore.

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

Disclosure Committee

The Disclosure committee supports the Board with respect to compliance with the UK Market Abuse Regulation, the Disclosure Guidance and Transparency Rules for Companies, as well as identifying, controlling and disclosing inside information. The Disclosure Committee comprises the members of the Board and meets as necessary.

A detailed description of the work of the Audit, Remuneration and Disclosure Committees is described in their respective reports in the Governance section of the Company's 2021 ARA as well as on the Company's website (www.lordsgrouptradingplc.co.uk/investors/corporate-governance).

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 meeting 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 and details of the Company's 2022 AGM results can be found here: www.lordsgrouptradingplc.co.uk/investors/shareholder-information. All 2022 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).