

Selfridges Retail Limited

Corporate Governance Statements

FY 2019/20

SELFRIDGES&C^o

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The Directors and Their Duties under Section 172 of the Companies Act 2006 (Section 172)

Selfridges Retail Limited (Selfridges) is incorporated in the UK and headquartered in London. Selfridges is a world renowned retailer which provides leading luxury shopping experiences for customers from across the globe; and it is part of the wider 'Selfridges Group' comprised of Selfridges and other international retail businesses.

Selfridges has its flagship store on London's Oxford Street along with two stores in Manchester at Exchange Square and the Trafford Centre, as well as another in Birmingham Bullring Centre and also a digital business. These stores are recognised as some of the world's top retail destinations. Selfridges is renowned for its unique shopping experiences for both domestic and international customers. Selfridges' vision remains focused on creating amazing destinations, offering world-class customer service with emphasis on sustainability in how we conduct our every-day business. Our strategy is built around three driving forces: 1) create amazing destinations, 2) inspire people and enable success and 3) deliver the unique Selfridges spirit to both our customers and colleagues.

Selfridges has a Board of Directors and an Executive Committee comprised of executive directors, including some board directors. The Executive Committee has delegated responsibility for the day to day running of the business, setting and adhering to Selfridges strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to Selfridges' parent company and shareholders. All of the directors and Executive Committee have had training in directors' duties, as detailed below in the corporate governance statement.

Selfridges and its Executive Committee support the principles of good governance and adopted the Wates Principles for Corporate Governance for the financial year which ended on 1 February 2020 as a framework for decision making to ensure the long term success

of the Company and its stakeholders, as well as having regard to the requirements of Section 172. This is further developed below.

Selfridges continues to adopt the Wates Principles for Corporate Governance first implemented in 2019, during which year Selfridges reviewed its internal governance framework to align with good practice in governance. This included ensuring that there is an appropriate rhythm for key meetings in Selfridges, with appropriate Terms of Reference in place, that attendees' roles and responsibilities are considered, meetings are minuted, and matters which should be addressed by the board of directors including principal decisions are addressed in this way. By way of example, the Company held board meetings in 2019 to approve the payment of dividends, the financial statements and appointments of auditors, the appointment and removal of directors, as well as approval of corporate reports on tax strategy, gender pay gap and modern slavery. These matters were the principal decisions made during this financial year and in making these decisions the directors took into account the viewpoints of the Company's stakeholders, including employees, suppliers, customers and others, as further detailed below.

The Company's Purpose is to surprise, amaze and amuse its customers and the Company continues the philosophy established by its founder, Harry Gordon Selfridge, that 'everyone is welcome'. The vision and purpose are delivered with a focus on sustainability and in the financial year ending 1 February 2020 this was under the banner of Buying Better Inspiring Change. Selfridges Board of Directors and Executive Committee leads the business with purpose, aligning with the Company's Vision across physical stores and digitally.

Selfridges welcomes feedback and will continue to review how the Company and its Executive Committee can improve engagement with team members and stakeholders.

**The Six Wates Principles
and how Selfridges applies these:**

1. Purpose and Leadership

- Selfridges was founded in 1908 by Harry Gordon Selfridge and the first Selfridges store opened its doors in 1909; today, the Company continues his Vision of providing the destination for the most extraordinary customer experience. The Company's Purpose is to surprise, amaze and amuse its customers and 'everyone is welcome'. The Vision and Purpose are delivered with a focus on Sustainability under the banner of Buying Better Inspiring Change.
- Selfridges' Board of Directors and Executive Committee lead the business with purpose, aligning with the Company's Vision across physical stores and digitally.
- The Selfridges Values of We Own Customer Experience, We Show Respect, We Lead and Inspire, We Take Responsibility and Deliver, and We Share our Knowledge resonate across all levels of the Company and informs how business decisions are made and how team members are recognised and rewarded.
- The Purpose, Vision and Values are embedded at every level of the business, alongside Selfridges' sustainability commitments through Buying Better Inspiring Change.
- The Executive Committee encourages all managers and senior managers to recognise team members who demonstrate their commitment to the Values and sustainability through recognition and reward schemes as well as bi-annual Extraordinary People Awards.

Sustainability as part of the Strategy:

- Sustainability is a key element of Selfridges' strategy over the next five years and it has bold ambitions to lead the way in bringing new, more sustainable ways of shopping to customers and to be recognised as an external advocate on sustainable consumption.
- Through iconic campaigns and collaborations, Selfridges engages team members and customers by shining a spotlight on some important causes. Each area of the business has its own sustainability targets, sponsored by the Executive Committee and reviewed by an Executive led Sustainability Steerco, with a network of green champions across the business to help drive environmental change in all areas. Sustainability is embedded within buying conversations to ensure brands meet high standards on ethical trade and those with a sustainable focus are championed. The Company has set a Science-Based Target to reduce carbon emissions in its own operations and has committed to move all high-risk materials to sustainably sourced by 2025 as well as continuing to remove unnecessary and problematic plastic from its business.

2. Board Composition

- Board meetings are held four times a year and more often if required. Board meetings are held to approve the payment of dividends, the financial statements and appointment of auditors, the appointment and removal of directors, as well as approval of corporate reports on tax strategy, gender pay gap and modern slavery. Other business may be addressed as required.
- The Executive Committee meets informally at least once a fortnight and has more formal, structured, minuted meetings once each month. The Executive Committee operates under Terms of Reference setting out its purpose and remit. Regular agenda items include financial performance, budgets, five year plan, strategic initiatives and updates, content for Selfridges Group Review, talent review, key leavers and joiners, and risk matters (see below); whereas ad hoc agenda items might include updates on customer engagement, Employee Opinion Survey, Employer Brand, regulatory or risk matters, such as Brexit, GDPR, carbon targets, changes to IR35 or PSD2. Executive Committee meetings are chaired by Selfridges' Managing Director.
- The Risk Management Committee takes over the agenda of an Executive Committee meeting once a quarter. The Committee operates under Terms of Reference setting out its purpose and remit; the Committee supports the Board of Directors in identifying and managing key corporate risks, identifying actions for directors/ managers to address or mitigate risks or to improve controls. The Risk Management Committee meetings are chaired by the Stores Director, or another board director.
- The Executive Committee is supported by the senior management team from across the Company. Members of senior management will join members of the Executive Committee for other executive led, decision making committees; for example, the Information Security Steering Committee, which oversees data protection, information security and cyber risk in the Company. This enables decision making to be delegated appropriately and introduces diversity of thinking to the benefit of the Company and its Directors.

3. Director Responsibilities

- The Company directors and Executive Committee are appointed to their roles with consideration of experience, capability and their ability to lead the business with effective and strategic decision making.
- An induction is provided upon joining.
- Specific training on directors' duties is provided once a year.
- Other training on key areas of risk or compliance (e.g. data protection, health and safety, competition law, Corporate Finances Act, anti-bribery and corruption) is provided from time to time, as appropriate. This ensures awareness remains current and decision making across the Company is underpinned by considerations of compliance and good governance.
- The Executive Committee and Board of Directors, as well as other members of the senior management team, are aware of their duty to avoid conflicts of interest and a formal request for confirmation of any conflicts is sent out and collated once a year.
- A whistleblowing or complaints reporting process (run by a third party) is in place for all team members working in Selfridges, which ensures there is a secure, anonymous route for any concerns about Executive Committee or director behaviour or decisions to be escalated to and addressed by the General Counsel and Managing Director/ Selfridges Group, as appropriate.
- The Executive Committee and Board of Directors review the public reports required to be published by the Company each year: statutory accounts, gender pay gap report, modern slavery report, tax strategy and others.
- The Executive Committee is committed to reviewing and, where appropriate, improving its operational governance to ensure that the Company's Vision and Purpose, Strategy and Values, as well as the proper discharge of Directors' duties are fully taken into account and demonstrably remain central to all Company decisions.

4. Opportunity and Risk

- The Executive Committee and Board of Directors are committed to regularly reviewing the Company's Vision and Purpose, Strategy and Values to ensure that these meet the aim of promoting and delivering long term value to the shareholders, with Selfridges' customers, team members, supplier and brand partnerships, and environment at the heart of everything they do.
- Principal risks have been identified across the Company at a department, project and corporate level. Risks are assessed on a matrix of impact (financial and reputational) and likelihood, with target risks noted and a plan to address, mitigate or improve the risk position where possible. Risks are regularly reviewed and the overarching corporate risk register is discussed at the quarterly Executive Risk Management Committee meetings, as well as bi-annually at the meeting of the directors with the Audit Committee.
- The key corporate risks identified include: the risk of a major incident occurring, cyber security and data privacy, Brexit, the increasing regulatory environment, including the impact of food safety laws and incidents, as well as health and safety.
- Sustainability is also a key corporate risk and the sustainability risks identified by the business are: ineffective measuring and monitoring systems for managing sustainability performance, and reputational impacts in relation to poor ethical and environmental practices of suppliers. All risks have mitigation plans in place.
- The Directors regularly discuss and receive updates on key risk matters and ensure these are factored into decisions made, with appropriate controls through supplier engagement and contracts where appropriate.
- The Audit Committee is appointed by the Board of Directors in consultation with the shareholder. The Audit Committee has Terms of Reference, which are reviewed each year.
- Other risks are managed by Executive led sub-committees, such as data protection, cyber and information security via the Information Security Steering Committee; and strategic projects (stores and technology) and their risks via Masterplan or other programme governance meetings led by members of the Executive Committee.
- Capital Expenditure is governed by a framework and procedure, with monthly CapEx Approval and Review meetings, attended by members of Selfridges Executive Committee and Selfridges Group.
- A Contracts Authorisation Policy is in place across the Company.
- There are policies and procedures in place for other key risk areas – e.g. anti-money laundering, anti-bribery and corruption, safe deposit management procedures.

5. Remuneration

- Selfridges Group has a Remuneration Committee which reviews compensation for the Company's directors, Executive Committee and senior team members once a year.
- The Company has clear pay structures based on grade, seniority and responsibility, with commission schemes in place in retail areas and bonus schemes in place for retail managers and head office or back of house roles. Bonus schemes are aligned with the Company's performance and individual performance, as well as behaviours in line with the Company's Strategy and Values.
- There is a long term incentive plan in place for the Executive Committee and a small additional group of senior management in key roles to assist with retention and to align decisions and behaviours with the long-term success of the Company.

6. Stakeholder Relationships and Engagement

- The board and Executive Committee believe that engagement with stakeholders is key to the success of the business.
 - Shareholder engagement: there are regular meetings between Selfridges and its parent company directors. There are cross-directorships between Selfridges and Selfridges Group; knowledge is shared on a regular basis; there are monthly business review meetings to provide oversight of strategic plans, capital expenditure and budgets.
 - There is regular and structured engagement with representatives of the parent companies via Selfridges Group and directors from Canada.
 - Team member engagement: ensuring team members feel informed, involved and inspired at Selfridges is vital to the continued success of the Company. Team member engagement tools and activities enable the directors to ask for, listen to and respond to the views, questions, concerns and ideas of team members. In many cases, this will include workers employed by concession partners, suppliers, or agencies, as well as those directly employed. At the start of the year, team members are briefed on the Selfridges Strategy at 'Open House' – an immersive multimedia exhibition for all team members that brings the strategy and plans to life. Other feedback mechanisms for meeting team members include site visits and floor walks. Digital tools include Yammer - a social communications platform; and Selfridges' team members are encouraged to join and create new communities, such as Green Warriors, Values Ambassadors, a Well Being community, and Women in STEM (to name but a few). There are Good Morning Selfridges team briefings; Selfridges Celebrates events; digital newsletters; as well as listening groups.
- Team members are invited to complete an annual Employee Opinion Survey which measures team member engagement; the results are fed back to the Executive Committee, and actions then follow with team member updates via line managers. Selfridges is also introducing pulse surveys throughout the year to gather further feedback and opinions.
- Customers: Selfridges puts the customer at the heart of everything we do and asks for customer feedback from point of sale in-store through to digital sales, through independently conducted customer surveys and through listening to customer feedback through social channels and via the customer contact centre.
 - Suppliers: regular meetings and other channels for two-way communication of strategy, ideas, initiatives, for performance and delivery discussions and contract review, including invitations to business update and review meetings, Open House at Selfridges, other KPI or relationship meetings. Selfridges has very strong relationships with the partner brands supplying goods for sale and operating as concessions, with regular meetings, frequent collaborations and a product offer which is special, sometimes unique and often has exclusive products on sale in Selfridges.
 - Community engagement: across all stores, Selfridges engages with its neighbouring businesses; local authority/ councils; the landlord, customers and community to share information and gain feedback. The Company supports local charities and charitable initiatives and supports social mobility; in Manchester and London, this is primarily through involvement with the Social Mobility Business Partnership; and in Birmingham, this is via a local enabling enterprise programme with local schools.

6. Stakeholder Relationships and Engagement (cont.)

- In London, Selfridges engages with New West End Company, neighbouring businesses, Marylebone Residents Association and individual residents.
- In Birmingham, Selfridges is actively involved with and chairs Retail Business Improvement District (BID) Birmingham; sits on the Birmingham city strategic board; is actively involved with the West Midlands combined authority initiative supporting inclusive leadership; and supports two local women in business leadership networks; as well as partnering with Birmingham City University to support its Fashion and Marketing course.
- In Manchester, Selfridges is actively involved with and chairs Retail BID Manchester, also attending BID CityCo Board Meetings; attends Manchester Big Stores monthly meetings; is a board member of the Millennium Quarter Trust, which meets quarterly; acts as ambassador for Manchester City Hospital; works with Marketing Manchester; and is involved as sponsor with Manchester International Festival.
- Other stakeholders that Selfridges engages with include local law enforcement and regulators: fire, Environmental Health and Safety, Trading Standards, HMRC, local authorities, FCA, pension trustees and members.
- Selfridges undertakes annual customer research to track key indicators to better understand customer perceptions and behaviour in order to drive progress, in particular in its sustainability strategy.

Stakeholder Engagement Statement

Engagement of employees

At Selfridges, employees are called team members. The Board of Directors and Executive Committee consider engaging with team members to be vital to the continued success of the Company. An extensive range of team member engagement tools and activities are already in place to enable the directors to ask for, listen to and respond to the views, questions, concerns and ideas of team members. In many cases, this will include workers employed by concession partners, suppliers, or agencies, as well as those directly employed.

Current engagement mechanisms include reviewing and implementing actions from the annual Employee Opinion Survey, meeting team members and listening to their ideas through formal and informal meetings, at annual events such as 'Open House', through internal social media such as 'Yammer' and through site visits and floor walks. Selfridges' team members are encouraged to join and create new communities, from Green Warriors, to Values Ambassadors, a Well Being community, and Women in STEM (to name but a few). Information is shared with team members via a weekly newsletter, emails, large and small group briefings, face to face training sessions or digital updates, as well as through planned communication cascades via line managers. Selfridges recruits team members from a diverse array of businesses and backgrounds to ensure that fresh ideas and diversity of thought continues to flow into and through the Company. Selfridges celebrates long service and has an alumni group to maintain contact with those who have left the Company for new ventures.

Engagement with Customers, Suppliers and Other Stakeholders

The Board of Directors and Executive Committee consider engaging with Selfridges' customers, suppliers and other stakeholders also to be vital to the continued success of the Company. Selfridges has been at the forefront of retail since 1909 and continues to redefine the way customers shop and socialise. In order to do this, Selfridges must listen to what its customers have to say, to think about what its customers want today and will want tomorrow, wherever in the world the customer may be. Customers are asked to provide views, comment, feedback and suggestions through a number of channels: regular customer surveys in person and digitally, NPS feedback following a sale, personal contact and dialogue with Personal Shopping, Customer Relations and others. This feedback is reviewed by senior managers and the Executive Committee and fed into decision making where appropriate. Selfridges and its directors strive to consistently drive innovation, success and amazing customer experiences.

Selfridges' suppliers also play a key role in guiding and enabling Selfridges to continue to deliver an amazing customer experience; in person, in stores and digitally, at every step of the supply chain. Suppliers are welcomed to visit sites and attend the annual 'Open House' event. Supplier relationship meetings take place regularly and suppliers' ideas and recommendations are fed back into decision making. Selfridges has very strong relationships with the partner brands supplying goods for sale and operating as concessions, with regular meetings, frequent collaborations and a product offer which is special, sometimes unique and often has exclusive products on sale in Selfridges.

Directors and other individuals from across Selfridges regularly meet with other key stakeholders: law enforcement, regulators and local authorities, local businesses, local business improvement or community representation groups, charities, NGOs, experts in subjects which touch Selfridges' business, such as modern slavery, diversity, social mobility, fire safety, taxation and finance, law, technology and security. Decision making at all levels of the business can be informed by these dialogues.

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