



Superdrug Stores plc (the “Company”)

Corporate Governance

The Company is part of the A.S. Watson Group of companies (“ASW Group”), and ultimately part of CK Hutchison Holdings Limited (“CKHH”, and together with its subsidiaries, the “CKHH Group”), a company whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited.

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 (the “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 principal objective is to be the best for everyday and accessible beauty and health, both on the High Street and Online. This business purpose is clearly cascaded and communicated throughout the Company as it focusses on delivering this objective consistently for its customers. This in turn ensures financial returns for its shareholder, stability and progression for its employees and continued investment in the business and the communities which it serves.

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 Company’s executive management team (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.

Principle 2: Board Composition

The Board is comprised of four directors which provides for representation of both the Exec and also the Company’s shareholder. The Exec is represented by the Chief Executive and the Finance Director, with the Company’s shareholder represented by the A.S. Watson Group Managing Director and A.S. Watson Group Finance Director. 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 of ten senior executives, led by the Chief Executive. Collectively the Exec possesses extensive retail leadership experience, gained across several different organisations and countries. It includes executives with specialist professional qualifications, most notably in relation to the Company’s pharmacy operations.

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.

Principle 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 structure, policies and practices of the ASW Group, taking into account the business and regulatory frameworks within which the Company operates. Business plans and budgets are prepared annually by management of the Company and are subject to review and approval by the Board and the executive management team of ASW Group as part of the ASW Group's five-year corporate planning cycle. Management of the Company 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 ASW Group to review these reports, business performance against budgets, forecasts, significant business risks sensitivities and strategies of the Company.

The Board as a whole 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 of the Company provides to the directors updates and other information with respect to the performance, business activities and development of the Company. The Company also has in place a formal structure of the Board approved delegated authorities 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.

Principle 4: Opportunity and Risk

The Company is committed to the long-term sustainability of its business by regularly reviewing its business model and practices to identify opportunities for improving its performance and creating value for stakeholders. The Exec meets regularly to discuss and consider these opportunities and conducts an annual strategic review and quarterly forecasting exercise to embed decisions and allocate resources accordingly.

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 formally identify and assess the significant risks the business faces.

Principle 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. All 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 that 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. The Exec is committed to developing a more diverse senior leadership team across the Company and has introduced balanced shortlists for all senior management and director appointments covering gender and ethnicity to bolster its leadership team and future progression potential.

Principle 6: Stakeholder Relationships and Engagement

The Board actively promotes engagement and communications with stakeholders, including employees, shareholder, customers, business partners, suppliers, its Pension Scheme, regulators, government, community groups and media partners. The Company actively encourages employees to express their views and has established various channels including a social platform 'The Hub' allowing two way communication between colleagues at all levels of the organisation. The Hub is used regularly by over 75% of employees to engage with the culture, share views, ask questions and learn about the business. The Company also regularly collects views from other stakeholders through a variety of channels, such as independently sourced feedback and assessment reports by the Company's key suppliers on its performance across a range of measures such as business relationships, supply chain management and payment processes.

The Company is committed to achieving and maintaining high standards of openness, probity and accountability. There are established whistle-blowing policy and mechanisms which 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.

The Company has adopted a proactive approach to its social, economic and environmental responsibilities as outlined in its s.172 disclosures.

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