

Corporate Governance Report



Building the range of parts, accessories and clothing

Statement of Compliance with the UK Corporate Governance Code

For the period ended 29 March 2013 the Board considers that the Group has complied fully with the UK Corporate Governance Code 2010 except where Dennis Millard stood in as Interim Executive Chairman between 18 July 2012 and 21 November 2012 as described on page 74 and except with respect to the ongoing service of Keith Harris and Bill Ronald as described on page 75. The Code is published by the Financial Reporting Council from whom paper and downloadable versions can be obtained via its website: www.frc.org.uk. We have outlined in this report how we have complied with the five main principles of the Code using the same headings as the main sections of the Code.

“ As a Board we are committed to continually reviewing and refreshing the Group’s Corporate Governance framework. Examples throughout the year were the implementation of stronger Delegated Authority arrangements and the Group Treasury and Tax Strategy and policy documents. ”

Dennis Millard
Chairman

To allow for effective decision-making within the Group, the Board maintains a schedule of matters formally reserved for its decision, coupled with a schedule delegating other decisions to its Committees, Executive Directors and management. In summary:

Matters Reserved for the Board	Include: <ul style="list-style-type: none"> ■ Authority e.g. division of responsibilities and review of its own performance. ■ Strategy and Management e.g. approval of the annual operating and capital expenditure budgets and any material changes thereto. ■ Structure and Capital e.g. changes to structure or listing status. ■ Investor Relations ■ Contracts e.g. significant corporate transactions. ■ Audit, Financial Reporting and Controls e.g. reviewing the effectiveness of the Group’s risk and control processes to support its strategy and objectives. ■ Nominations to the Board ■ Executive Remuneration 	Available on our Corporate Website.
Board Committees	The terms of reference of each Committee establish its responsibilities; these are summarised on pages 78 to 81.	Available on our Corporate Website.
Executive Directors and Management	Day-to-day decisions are delegated to the Executive Directors and management via established procedures for approving decisions within business functions. Examples of decisions delegated in this way are approval of adverts, signature of day-to-day contracts, engaging of new suppliers, entering into tenders and promotional activity.	A formal delegated authorities document confirms how and by whom approval can be obtained and what evidence is required of such approval. This document has been reviewed during the year, and tighter controls have been put in place.

Leadership

The Role of the Board



Responsibility	Specific Actions		
Shareholders, customers, employees and other stakeholders.	Acting in the best interests of the Company to generate value for shareholders.	Monitoring material customer service issues including resultant activities, e.g. Which? report, Service Revolution.	Employee engagement survey, review of bonus scheme and whistleblowing process.
Risk management and accountability controls.	Consideration and approval of all regulatory and statutory announcements, including those pertaining to results and dividends.	Review of the risk management strategy and systems of internal controls.	Approval of corporate governance arrangements and policies, including Group Treasury and Tax Strategy and Policy documents, Health & Safety policy, and introduction of tighter delegated authority arrangements.
Long-term direction and strategy.	Two full days dedicated to strategy discussions.	Regular review of forecast versus actual financial performance.	Regular updates on the progress of key strategic initiatives.
Right resources to deliver.	Consideration of commercial initiatives such as logistics and business systems improvements.	Monitoring of colleague retention data.	Implementation of a regular colleague engagement survey and analysis of results.
Management performance.	Clear division of responsibilities between Chairman and Chief Executive available on our Corporate website.*	Regularly reviewing of standard agenda and special management reports.	Interlinking of management performance to non-financial, as well as financial, KPIs.
Values and standards.	CSR and Community programmes e.g. Bikeworks, Charity Partnerships, Kids Holiday Bike Clubs	More frequent visits by the Non-Executive Directors to stores, autocentres and the Support Centre.	Introduction of regular meetings between colleagues and senior management.

* From 18 July 2012 to 21 November 2012 Dennis Millard held the role of both Chairman and Chief Executive when he stood in as Interim Executive Chairman following David Wild's departure.

Corporate Governance Report continued

The Company has appropriate Directors' Liability Insurance in place.

The table below shows the composition of the Board and its Committees, and sets out the number of meetings attended by each individual throughout the period.

The Board†			Meeting Attendance			
			Board	Audit Committee	Remuneration Committee	Nomination Committee
			* indicates attendance by invitation			
			Scheduled: 14	Scheduled: 3	Scheduled: 6	Scheduled: 3
Role	Date of Appointment					
Board Member			Scheduled: 14	Scheduled: 3	Scheduled: 6	Scheduled: 3
Dennis Millard	Chairman and Chair of Nomination Committee	28 May 2009	14	3*	6	3
Matt Davies	Chief Executive (current)	4 October 2013	3	1*	2*	1
David Wild	Chief Executive (former)	4 August 2008	7	2*	2*	n/a
Andrew Findlay	Finance Director	1 February 2011	14	3*	n/a	n/a
Paul McClenaghan	Commercial Director (former)	31 March 2007	13	2*	n/a	n/a
Bill Ronald	Senior Independent Director	17 May 2004	14	3	6	3
David Adams	Non-Executive Director and Chair of Audit Committee	1 March 2011	13	3	6	3
Claudia Arney	Non-Executive Director	25 January 2011	14	3	6	3
Keith Harris	Non-Executive Director and Chair of Remuneration Committee	17 May 2004	14	3	6	3

† Includes David Wild who resigned on 18 July 2012, Matt Davies who was appointed on 4 October 2012 and Paul McClenaghan who resigned on 12 April 2013.

The Board recognises that it is preferable that the position of Chairman and Chief Executive are not held by the same individual and maintains a clear division of the responsibilities of these two roles. However, from 18 July 2012 to 21 November 2012 Dennis Millard acted as Interim Executive Chairman whilst the Company undertook a search for a new Chief Executive. It was felt that Dennis Millard was best placed to lead the Company during this brief period of four months due to his knowledge and experience of the Company. Following the presentation of the Group's interim results on 21 November 2012 the Company returned to the position of having a separate Chairman and Chief Executive in compliance with the UK Corporate Governance Code.

Non-Executive Directors

The Non-Executive Directors are responsible for providing independent challenge and rigour to deliberations by:

- contributing to strategy discussions;
- considering the reporting of performance by managers against agreed goals and objectives, and providing critique where necessary;
- ensuring the financial information, risk management and controls processes of the Group are appropriately vigorous;
- undertaking regular meetings with senior management and periodic visits to stores and autocentres;
- meeting together regularly without the Executive Directors present; and
- considering Executive Director remuneration and succession planning.

The Senior Independent Director, Bill Ronald:

- is available to act as an intermediary for the other Directors or a sounding board for the Chairman as required;
- leads meetings with the other Non-Executive Directors without the Chairman at least annually to appraise his performance; and
- can be contacted by shareholders if direct contact with the Chairman, Chief Executive or other Executive Directors has not alleviated their concerns, or if such contact would not be appropriate.

Concerns over any unresolved business can be recorded on behalf of a Director in the minutes of the relevant meeting. At the time of resignation, a Non-Executive Director is able to raise any concerns in a written letter to the Chairman who will bring such concerns to the attention of the Board.

Effectiveness

The Composition of the Board

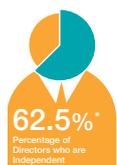
The Directors possess an appropriate combination of skills, experience, independence and knowledge of the Company to collectively act in the best interests of the Company via the Board and its Committees, without responsibilities or decision-making being dominated by any one individual or small group. Each Director commits sufficient time and attention as is necessary to discharge their duties.

Skills*



* Includes David Wild who resigned on 18 July 2012, Matt Davies who was appointed on 4 October 2012 and Paul McClenaghan who resigned on 12 April 2013.

All the Non-Executive Directors are considered by the Board to be independent in character and judgement. As at 17 May 2013, both Keith Harris and Bill Ronald will have served as Non-Executive Directors of the Company for nine years. The Board acknowledges that under the UK Corporate Governance Code it should determine whether service of more than nine years from the date of first election of each individual affects their independence. The Board considers that both Keith Harris and Bill Ronald continue to be independent in character and judgement. Nevertheless a process has commenced to recruit two new Non-Executive Directors to replace both Bill Ronald and Keith Harris in the year ahead and thus both Keith Harris and Bill Ronald will offer themselves for re-election.

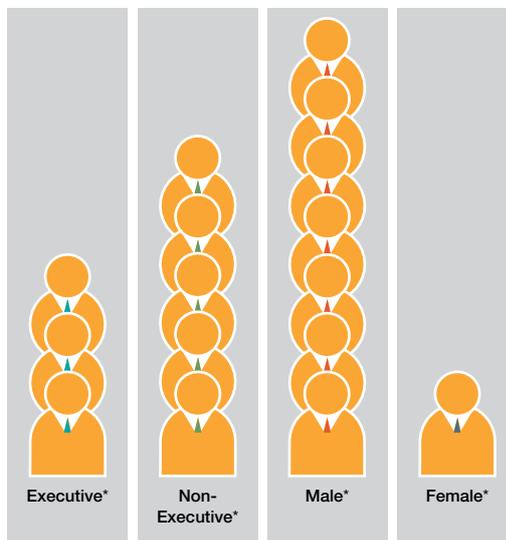


* Shows the percentage of Directors considered independent in character and judgement throughout the period.

Diversity

The Terms of Reference of the Nomination Committee state that potential candidates should be considered “on merit and against objective criteria, and with due regard for the benefits of diversity on the Board, including gender”. The Board, which includes one female member, considers the background and experience brought to the Board by each individual to contribute to its diversity. In any recruitment, the Board prefers to select the best-qualified candidate to provide the Board with the support and expertise required to implement its long-term strategy, rather than to fulfil any fixed quota.

In recommending new appointments to the Board, the Nomination Committee considers the existing balance of skills, knowledge and experience on the Board, the capabilities of the nominees and the time they have available to commit to the Company when making recommendations to the Board.



* Shows situation as maintained throughout the period to 29 March 2013. On 12 April 2013, Paul McClenaghan resigned and so the Company now has two Executive Directors and six male members of the Board.

Corporate Governance Report continued

Appointments to the Board

During the period, Matt Davies was recruited as Chief Executive. Egon Zehnder International ("EZI") were engaged by the Company to conduct the search for suitable candidates and short-listed several candidates who met individually with members of the Board. Feedback from these one-to-one meetings was fed back to the Chairman. The Nomination Committee subsequently met to discuss the potential appointment and to recommend the appointment of Matt Davies to the Board, which met on 3 October 2012 to formally approve the appointment.

Experience*



* Includes David Wild who resigned on 18 July 2012, Matt Davies who was appointed on 4 October 2012 and Paul McClenaghan who resigned on 12 April 2013.

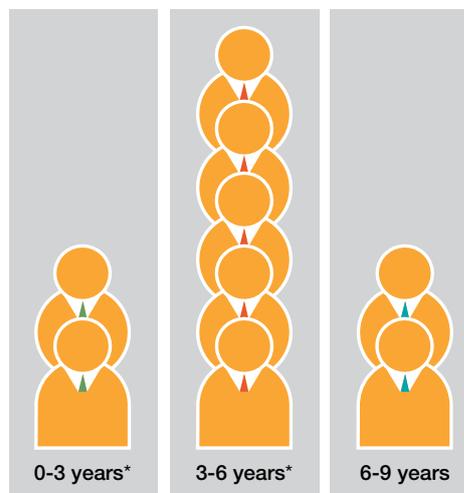
Development and Support

An induction programme is maintained for new Directors, which is tailored to include briefings on the activities of the Group and visits to operational sites. The Chairman, with the assistance of the Company Secretary, prepared a comprehensive induction programme for Matt Davies when he joined the Company. This included: extensive store and distribution centre visits and on-site discussions with store and distribution centre colleagues; one-to-one meetings with the senior management teams; and the provision of induction materials covering the operational and organisational structure of the business, as well as the strategic aims and key initiatives of the Company.

Ongoing resources available to the Directors to maintain and develop their knowledge are:

- membership of the Deloitte Academy, a training and guidance resource for boards and directors;
- a programme of head office and store visits through the period;
- regular reviews with the Chairman to identify any training and development needs;
- advice and the services of the Company Secretary on governance, relevant legislative changes affecting the business or their duties as directors; and
- access to independent professional advice at the Company's expense.

Knowledge of the Company*



* Includes David Wild who resigned on 18 July 2012, Matt Davies who was appointed on 4 October 2012 and Paul McClenaghan who resigned on 12 April 2013.

Evaluation

Egon Zehnder International ("EZI") conducted a Board Effectiveness Review (the "EZI report") during May 2012. The process comprised:

- circulation of a pre-discussion guide
- meetings of c.2 hours between EZI and each Board member and the Company Secretary
- review of the EZI report with the Chairman
- circulation of the EZI report to the Board
- discussion of the EZI report at the Board meeting in June 2012 with EZI consultants in attendance
- individual feedback to the Chairman from EZI and the Senior Independent Director
- individual feedback to the other Directors from the Chairman

The overall conclusion of EZI was that the levels of engagement and openness throughout the process were very high and EZI were encouraged that the Board were so keen to enhance Board effectiveness. The Board remains mindful of the conclusions of the EZI report and continues to look for ways to improve.

Re-election

In compliance with the Code and the Company's Articles of Association, all Directors on the Board as at 29 March 2013, except for Paul McClenaghan, will seek re-election at the Company's AGM. Matt Davies who was appointed to the Board on 4 October 2012 will offer himself for election at the AGM.

Board Committees

The Board discharges some of its responsibilities via Nomination, Audit and Remuneration Committees, and more detail about these follows this section. The Company Secretary also acts as the secretary to each Committee. Whilst not entitled to attend, other Directors, professional advisors and senior management attend when invited to. The Auditor attends certain Audit Committee meetings by invitation. No member is present at Nomination and Remuneration Committee discussions pertinent to them.

Senior members of the finance and treasury teams manage the day-to-day treasury needs of the Group via a Treasury Committee chaired by the Finance Director.

Final market announcements are approved prior to release via a Disclosure Committee made up of a minimum of two Directors.

Other ad hoc committees may be set up by the Board to consider specific issues.

Directors and their Other Interests

Each Director has notified the Company of any situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (a situational conflict). These interests were considered and approved by the Board in accordance with the Company's Articles of Association and each Director was informed of the authorisation and the terms on which it was given. All Directors are aware of the need to consult with the Company Secretary regarding any further possible situational conflict that may arise so that prior consideration can be given by the Board as to whether or not such conflict will be approved.

Details of the Directors' service contracts, emoluments, the interests of the Directors and their immediate families in the share capital of the Company and options to subscribe for shares in the Company are shown in the Directors' Remuneration Report on pages 82 to 101.





Nomination Committee



Chairman
Dennis Millard

"The Nomination Committee is encouraged to see the impact that Matt Davies' appointment, and those of other senior executives recently appointed, is having on colleagues and the generation of refreshing ideas within the business. Egon Zehnder International have worked well alongside the Nomination Committee throughout the year both in relation to Matt's appointment, and the external board evaluation."



Other Members

Matt Davies
David Adams
Keith Harris
Bill Ronald
Claudia Arney

Meetings

3

The Nomination Committee is chaired by Dennis Millard and, with the exception of Matt Davies (formerly David Wild), all members of the Committee are considered independent. The Code states that the test of independence is not appropriate in relation to the Chairman after his appointment and the Board feels it is appropriate that as all Non-Executive Directors sit on the Committee, the Chairman of the Group should chair the Committee. Senior members of management and advisors are invited to attend meetings as appropriate.

Annual Activity

The Committee has responsibility for:

- considering the size, structure and composition of the Board of the Company;
- reviewing senior management succession plans, retirements and appointments of additional and replacement Directors; and
- making appropriate recommendations so as to maintain an appropriate balance of skills and experience on the Board.

Standing Items	One-Off Considerations
July 2012	
Executive management succession plans	Update on CEO recruitment
Non-Executive Director succession plans	
Committee evaluation	
September 2012	
	Update on CEO recruitment and recommendation of the appointment of Matt Davies
March 2013	
Review size, structure and composition of the Board	
Terms of Reference	
Confirm Directors standing for re-election at AGM	
Approve Committee memberships	
Confirm Committee Chairman attendance at AGM	

Accountability

Audit Committee



Chairman
David Adams

“The Audit Committee is pleased to see that the Head of Internal Audit appointed during the period is commencing the process towards the annual audit plan for future years being completed by the in-house team. The Audit Committee will continue to monitor and review the effectiveness of the Group’s internal control and risk management systems with the support of this new resource.”



Other Members

Keith Harris
Bill Ronald
Claudia Arney

Meetings

3

All the members of the Audit Committee are independent Non-Executive Directors. Having been the Deputy Chief Executive and Finance Director of the House of Fraser Plc, David Adams is considered by the Board to have recent and relevant financial experience and so the requisite experience to chair the Committee. Each of the other independent Non-Executive Directors has, through their other business activities, significant experience in financial matters. The Chairman, senior members of management and advisors are invited to attend meetings as appropriate.

The Audit Committee meets according to the requirements of the Company’s financial calendar. The meetings of the Audit Committee also provide the opportunity for the independent Non-Executive Directors to meet without the Executive Directors present and to raise any issues of concern with the Auditors. There have been two such meetings in the period ended 29 March 2013 and nothing of note was reported.

Annual Activity

The Audit Committee is responsible for:

- making recommendations to the Board on the appointment of the Auditor, including on independence, non-audit work undertaken (against a formal policy) and remuneration;
- reviewing the accounting principles, policies and practices adopted throughout the Period;
- assisting the Board in achieving its obligations under the Code in areas of risk management and internal control, focusing particularly on compliance with legal requirements, accounting standards and the Listing Rules;
- ensuring that an effective system of internal financial and non-financial controls is maintained; and
- approving a formal whistleblowing policy whereby staff may, in confidence, disclose issues of concern about possible malpractice or wrongdoings by any of the Group’s businesses or any of its employees without fear of reprisal, and includes arrangements to investigate and respond to any issues raised.

Standing Items	One-Off Considerations
May 2012	
Recommend the Preliminary Statement to the Board for approval	Update on compliance and strategic initiatives
Recommend to the Board approval of the Annual Report	Approval of the Non-audit Fee Policy
Review of External Auditor’s Report	
Review Statement of External Auditor’s Independence	
Review of Internal Auditor’s Full-Year Report	
Group Whistleblowing Policy	
Committee Evaluation	
November 2012	
Recommend to the Board the approval of the Interim Statement	
Review of Internal Audit Half-Year Report	
External Auditor’s Non-Audit Fees	
Terms of Reference	
January 2013	
Review and Recommendation of External Auditor’s Fees	
Approval of External Auditor’s Annual Programme	
Approval of Internal Auditor’s Annual Strategy	

Corporate Governance Report continued



Internal Control and Risk Management

Overall responsibility for the system of internal control, reviewing its effectiveness and ensuring that there is a process to identify, evaluate and manage any significant risks that may affect the achievement of the Group's strategic objectives lies with the Board.

The Board and the Audit Committee have reviewed the effectiveness of the Group's internal control and risk management systems in accordance with the Code for the period ended 29 March 2013, and up to the date of approving the Annual Report and Financial Statements. The internal control and risk management system is designed to manage, rather than eliminate, the risk of failing to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The internal audit function principally reviews the effectiveness of the controls operating within the business by undertaking an agreed schedule of independent audits each year. The Audit Committee determines the nature and scope of the annual audit programme at the beginning of each calendar year and revises it from time to time according to changing business circumstances and requirements.

Whilst directed by Andrew Findlay, the Company's Finance Director, the internal audit function is independent in action and reporting, with direct line of communication to the Audit Committee Chairman. The findings of the independent audits are reported initially to Executive management and any necessary corrective actions are agreed. Summaries of these reports are presented to, and discussed with, the Audit Committee along with details of progress against action plans as appropriate.

During the period ended 29 March 2013, the Company engaged KPMG to support the internal audit process. KPMG do not perform a management role. An experienced in-house Head of Internal Audit and Risk was appointed in October 2012 and it is planned that following further recruitment, the annual audit plan for future years will be completed by an in-house team supplemented by specialist consultants as necessary.

The assessment and control of risk are considered by the Board to be fundamental to achieving corporate objectives. An ongoing process for identifying and evaluating the significant risks faced by the Group and the effectiveness of related controls has been established by the Board to ensure an acceptable risk/reward profile across the Group. The key elements of this process which cover both the Retail and Autocentres businesses are:

- a comprehensive system of monthly reporting from key Executives, identifying performance against budget, analysis of variances, major business issues, key performance indicators and regular forecasting;
- well-defined policies governing appraisal and approval of capital expenditure and treasury operations;
- reviews of key business risks and of management's controls and plans to mitigate these risks; and
- an annual corporate governance confirmation made to the Board by senior Executives on the effectiveness of the identification of major risks and of the monitoring of internal controls within their areas of responsibility.

During the year, we reviewed our risk management system. Key elements now include:

- oversight by the Head of Internal Audit and Risk;
- regular meetings and workshops to identify and discuss key risks and mitigations with a broad sample of Group senior management and Executives;
- review of the corporate risk register in terms of completeness and accuracy with Executive team; and
- Audit Committee discussion of the latest corporate risk register and the risk management system with subsequent reports to the Board.

During the financial period to 29 March 2013 and up to the date of this report the risk management system considered the Company's Risk Register and its alignment with the Company's key strategic objectives, reporting the findings to the Board. The Board considered its appetite for risk in relation to the top 30 risks determining that the risks and mitigating actions were appropriate to the level of risk that was both acceptable to, and incumbent within, a FTSE 250 business. More information on the Company's key risks and uncertainties is shown on pages 52 to 55.

Remuneration

Remuneration Committee



Chairman
Keith Harris

“The Committee has looked to ensure that our Remuneration Policy is appropriate not only to attract and retain a high-calibre CEO, but to incentivise all colleagues to deliver a sustainable business based on the Company’s strategy, leading ultimately to an increase in shareholder value.”



Other Members

Dennis Millard
Bill Ronald
David Adams
Claudia Arney

Meetings

6

All members of the Remuneration Committee are considered to be independent Non-Executive Directors. Executive Directors attend Remuneration Committee meetings at the invitation of the Committee Chairman.

The Remuneration Committee has responsibility for:

- Making recommendations to the Board on the Company’s policy on remuneration of Executive Directors, the Company Secretary and members of its Executive management team.
- Determining specific remuneration packages for each of the Chairman, the Executive Directors and Company Secretary of the Company and such members of senior management as it is delegated to consider including pension rights; any compensation payments; and the implementation of Executive incentive schemes. In accordance with the Committee’s Terms of Reference, no individual may participate in discussions relating to their own terms and conditions of service or remuneration.

Further information on the activities of the Remuneration Committee is set out in the Directors’ Remuneration Report on pages 82 to 101. A resolution to approve the Directors’ Remuneration Report will be proposed at the forthcoming AGM.

Relations with Shareholders

During the period ended 29 March 2013 Bill Ronald served as the Company’s Senior Independent Director. The Senior Independent Director is available to meet shareholders upon request if they have concerns that contact through the normal channels of the Chairman or the Executive Directors has failed to resolve, or for which such contact is inappropriate.

During the period under review the Chief Executive, Finance Director and Chairman have met with analysts and institutional shareholders to keep them informed of significant developments and report to the Board accordingly on the views of these stakeholders. Each of the other Non-Executive Directors is also offered the opportunity to attend meetings with major shareholders and would do so if requested by any major shareholder.

The Company’s investor relations programme includes formal presentations of full year and interim results and meetings with individual investors as appropriate. Independent feedback from these meetings is provided to the Board. The Company Secretary also brings to the attention of the Board any material matters of concern raised by the Company’s shareholders, including private investors.

The Interim Report and the Annual Report and Financial Statements are the primary means of communication during the year with all of the Company’s shareholders. The Board recognises the importance of the Internet as a means of communicating widely, quickly and cost-effectively and a Corporate and Investor Relations website facilitates communication with shareholders. Information available online includes copies of the full and half-year financial statements, press releases, corporate governance information, the Terms of Reference for the Audit, Nomination and Remuneration Committees and the Matters Reserved for the Board. The Company’s financial calendar and other shareholder information, which are also available online, are set out on page 147.

The Board welcomes the opportunity to meet with shareholders and to hear their views and answer their questions about the Group and its business at the Company’s AGM which will be held on Tuesday, 30 July 2013 at the Crowne Plaza Birmingham NEC, Pendigo Way, National Exhibition Centre, Birmingham, B40 1PS. The Chairmen of the Remuneration, Nomination and Audit Committees will be present at the AGM and will be in a position to answer questions relevant to the work of those Committees. It is the Company’s practice to propose separate resolutions on each substantial issue at the AGM. The Chairman will advise shareholders on the proxy voting details at the meeting.

By order of the Board

Alex Henderson
Company Secretary
23 May 2013