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## **PRINCESS YACHTS LIMITED ANNUAL GOVERNANCE REPORT**

This report is to provide an overview of corporate governance considerations applicable to Princess Yachts Limited (“PYL” or “the Company”). PYL is a large private company for the purposes of the [Companies \(Miscellaneous Reporting\) Regulations 2018 \(SI 2018/860\) \(Reporting Regulations 2018\)](#). PYL has adopted the [Wates Corporate Governance Principles for Large Private Companies](#), as the preferred mechanism and which are designed specifically for large private companies to enable them to comply with the corporate governance statement requirements under the Reporting Regulations 2018.

The Wates Principles consist of six principles aimed at large private companies who may adopt them as an appropriate framework when making a disclosure about their corporate governance arrangements under Part 8 of [Schedule 7](#) to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The principles are intended to be flexible and high level and are not prescriptive. This acknowledges the wide variety of ownership structures among large private companies.

### **Principle 1 – Purpose, Values & Culture**

PYL’s current Vision and Purpose is underpinned by the six Corporate Values detailed below.

The Company’s purpose and values inform expected behaviours and practices throughout the organisation and are integrated into the business functions and operations. A healthy culture is vital to the Company’s competitive advantage and long-term value. The Board, Shareholders and Management are committed to embedding the desired culture in the Company.

#### **The Princess Vision and Purpose**

PYL’s primary objective is to be an authentic, sustainable and profitable luxury yacht brand offering an exceptional ownership experience for our customers.

#### **The Princess Values**

##### **PUT THE CUSTOMER FIRST**

We place our customers at the centre of everything we do.

##### **WORK TOGETHER, COLLABORATIVELY AS ONE TEAM**

We value and empower the people we work with and encourage diversity of thought.

##### **DEVELOP AND NURTURE OUR PEOPLE**

We provide a working environment that fosters personal development and professional growth.

##### **DELIVER OUTSTANDING RESULTS**

We work with exceptional people and encourage them to do exceptional things through innovation and continuous improvement to deliver quality in all areas of our business.

##### **DO THE RIGHT THING**

We challenge ourselves to act with honesty and integrity whilst having an awareness of our environment and focus on sustainability.

##### **CREATE A GREAT PLACE TO WORK**

We provide a diverse environment where we can safely perform at our best, taking pride in what we do and who we work with.

### **Principle 2 - Board Composition**

A biography for each Board Director can be found on the [PYL website](#).

The Company is owned by a number of different private equity funds, each of these funds nominate a representative that sits as a Board Director of the Parent Company of PYL; Princess Yachts

(Holdings) Limited (the “**Parent Company**”). The Executive Chairman & CEO and General Counsel both also sit on the Board of that company. The structure of the Parent Company’s Board ensures that the Parent Company effectively acts as a supervisory board and ensures that the balance of responsibilities, accountabilities and decision making across PYL are effectively maintained. The Shareholder representatives play a pivotal role in creating the conditions for overall Board and individual Director effectiveness. They also bring experience in a variety of areas, in addition to perspectives and challenges from outside the sectors in which PYL operate.

The Board of PYL comprises, an Executive Chairman & CEO, Chief Financial Officer, Chief Operating Officer, General Counsel & External Affairs Director, Chief Commercial Officer and HR Director (the “**Directors**”). This size and composition are appropriate to our moderately sized yet focused business. It is acknowledged that there is a relative lack of diversity on the Board and recognise that this is a challenge across the marine sector as a whole. However, there is a commitment to making PYL an increasingly inclusive environment. The Directors have equal voting rights when making decisions. All Directors have access to the advice and services of the Company Secretary and may, if they wish, take professional advice at PYL’s expense.

The Board last undertook a strategic review facilitated by an independent external adviser in 2021. All Directors were encouraged to share their thoughts, observations and instincts for the benefit of all. Directors also update their skills, knowledge and understanding of PYL by meeting with senior management, visiting production operations and sector events (such as visits to boat shows) and by attending appropriate external seminars and training courses.

Between externally facilitated assessments the Board has conducted informal self-assessments to consider progress and success in the execution of the action plans agreed under formal review. The Board considers effectiveness assessments important in the identification of key areas for future improvements, focus and for strengthening its overall performance. Directors are encouraged and supported to continue their development and broaden their experience with external organisations when work commitments permit.

### **Principle 3 - Director Responsibilities**

**The Board and individual Directors have a clear understanding of their accountability, responsibilities and procedures to support effective decision-making and independent challenge.**

Whilst Board oversight is always maintained, some key decisions are made by individuals with the most appropriate knowledge and industry experience. Each Board member has a clear understanding of their accountability and responsibilities. The Board has a programme of nine/ten main meetings every year, plus two additional days for strategic planning that will involve other Senior Managers. The Board’s key areas of attention are detailed in the Annual Strategic Report. All individuals must declare any potential conflicts of interest. These declarations are collated by the Company Secretary. Where there are potential conflicts, appropriate safeguards have been implemented. Significant decisions and issues are communicated through to the Parent Company Board which assists with such matters as financial reporting, risk, succession and remuneration.

The Board receives regular information on all key aspects of the business including health, safety and environment, market conditions, financial performance and operational matters. Key financial information is collated from PYL’s accounting system, with the finance department appropriately resourced and skilled to ensure the integrity of the data. Financial information is currently externally audited by PricewaterhouseCoopers LLP on an annual basis. Other key information is prepared by the relevant internal function.

### **Principle 4 - Opportunity & Risk**

**The Board seeks out opportunity whilst mitigating risk.**

#### Opportunity

Long term strategic opportunities are highlighted regularly as part of the interaction with the Parent Company Board. Short term opportunities to improve performance, resilience and liquidity are collated through the business review process, which is attended by members of the PYL Board and Parent Company Board.

## Risk

The PYL Strategic Report includes key risks that are monitored by the Board.

In early 2020 PYL embarked on a full-scale review of its risk management processes and engaged the services of a third-party professional service to assist in the introduction of a bespoke risk management system. This project continued despite the pandemic through 2021 and although the anticipated completion date was adjusted, it will be concluded during the first half of the calendar year. The initial focus of the project was to introduce a system that ensures inherent and emerging risks are identified and managed appropriately and in a timely manner. Also, to ensure that there is a coherent approach to risk identification, classification and mitigation. A full Board Meeting took place at the end of 2021 to discuss the Company strategy and final steps to complete the project initiation. The follow up to the risk and strategic review will be rolled out in the business throughout 2022.

It is essential that the design of the Company's systems and controls are such to enable management of, rather than elimination of, risk.

## Responsibilities

In order that the Board comply with their obligations to protect PYL's integrity and long-term sustainability, is able to meet its strategic objectives and to create value for its shareholders, customers and suppliers, PYL has developed a set of processes and standards that, combined, provide an internal control framework that also includes our accreditations for ISO 45001 & 9001.

The Board approves any contract above a certain value (determined by the Board) or any transaction that requires an unbudgeted allocation of capital. This ensures that the appropriate level of diligence has been performed in understanding the obligations, risks and terms of the contract, and involves discussions with the Parent Company Board when appropriate.

## Environment and Sustainability

The Company has adopted a broad and full strategy in order to tackle its responsibilities in this area. On a practical level this has manifested itself this year with the commissioning of a Bio-Mass facility at the South Yard Site and the impending roll out of solar panels across the estate. The extent of the work involved in this area is significant and full details are contained within the Company's ESG report available on the website.

## **Principle 5 – Remuneration**

The Board promotes executive remuneration structures aligned to the long-term sustainable success of the Company, considering pay and conditions elsewhere in PYL. The Parent Company Board plays an oversight role in respect of executive remuneration and is responsible for overseeing recommendations from the Board concerning the remuneration and recruitment strategy and long-term incentive plans. Advice is taken from independent external consultants who provide updates on legislative requirements, best market practice and remuneration benchmarking.

In 2018, PYL reported its first Gender Pay Gap report, which highlighted some specific areas of focus for future years. The Group is an active equal opportunities employer and promotes an environment free from discrimination, harassment and victimisation. Everyone receives equal treatment and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. All decisions relating to employment practices (including remuneration) are objective, free from bias and based solely upon work criteria and individual merit.

## **Principle 6 – Stakeholders**

The importance of good governance and effective communication is recognised by the Board. 2021 has shown that continued efforts to communicate with all our stakeholder community including Shareholders, customers, employees, suppliers and the local communities in which we operate is critically important for the day-to-day running of the business and the need to protect the Company's brand, reputation and relationships.

## External Impacts

The Board is committed to ensuring that the Company plays its part as a good corporate citizen, be that through social responsibility, community engagement or environmental sustainability. It achieves this in part through its “Don’t Walk By” culture (ensuring the safety, health and wellbeing of everyone who works with us); looking to create a positive environmental and social impact; being a valued employer where everyone is valued and respected. PYL is also committed to supporting local charities and is actively engaged within the local community.

## Stakeholders

### Community & Region

The last 12 months has seen the Company enter into a number of local partnerships with the aim of increasing links between the Company, its staff and the local community. Specific new partnerships have been entered:

**Plymouth Argyle** - Plymouth Argyle is an EFL League One football club with a mission to engage with the local community through sport. Argyle will offer over 1,000 opportunities for Princess staff to attend matches, they will host team building activities with employees, and provide mascot opportunities and places at half term courses for Princess employees’ children. Through the partnership, over £5,000 will be generated for local charity, Plymouth Children in Poverty (PCIP) in addition to 150 team shirts being donated to local school and football youth clubs.

**Plymouth Albion** - Local to Princess Yachts’ Newport Street and South Yard factories, Albion is Plymouth’s local rugby union club. As part of the new partnership, Princess Yachts becomes a ‘Key Partner’, sponsoring coaching, match day events and summer clubs for local children and featuring as a sponsor on the front of the Albion Women’s Team shirts. The contract will also provide Princess employees with discounted match tickets and reserved grandstand seating. Princess Yachts will also sponsor Albion’s prestigious ‘Project 150’, which endeavours to develop an official youth team and women’s team, with further support for ‘Albion Academy’ which provides rugby training sessions for school children and young people.

**Plymouth Children in Poverty Charity (PCiP)** – this local charity collaborates and brings together private, public, charitable and educational sectors to facilitate effective, long-lasting projects that can make a difference to improve a young person’s future. In May 2021, PCiP launched its first Intervention Road Map, a journey throughout a young person's life, offering various intervention points from Nursery engagement, to the Year 9 Superkids Project supporting children and young people through both financial and time funding of the National Citizenship Service. By working with PCiP to help eradicate poverty in Plymouth and by raising the aspirations and achievements of under-privileged young people, Princess Yachts will be investing back into the community by providing opportunities for the young people of Plymouth through careers events and sponsored sporting opportunities such as ‘Super Saturdays’ and summer camps with both Plymouth Albion and Argyle.

In addition to these new partnerships, the Company will continue its support and interaction with the Theatre Royal (Plymouth), the Marine Conservation Society, and the West Country 100 Club, a collection of businesses in the South West who support the rehabilitation of ex-Royal Marine Servicepeople. Full details of all of the Company’s partnerships are detailed on the [PYL website](#).

### Regional & National Business

The Company plays a full and active role in supporting the business community both in the South West and nationally. This works to help spread best practice and continue business and economic growth to the benefit of our employees, and community in general. Members of the Board sit on the Regional Council and the Manufacturing Council of the Confederation of British Industry, the Plymouth Growth Board, British Marine, the Maritime Enterprise Working Group and the Plymouth Employment and Skills Board. The Company is also a patron of the Devon & Plymouth Chamber of Commerce.

## Suppliers

The Company holds monthly updates, inviting suppliers to participate in activities and discussion. The purpose of the event is to communicate business performance and priorities to our suppliers and give them an opportunity to participate in a collaborative Q&A and workshop activities as part of strengthening relationships. The events also provide the forum for launching and review of joint continuous improvement initiatives focused on enhancing our products and services to our customers. As part of on-going supplier relationship development, PYL has refreshed its formal supplier performance metrics and review process with a methodology aimed at driving continuous improvement in safety, quality, service and cost for key suppliers. Supplier performance is managed by the relevant business contract owner through regular contract review. The focus of these reviews is to assess performance against contracted obligations as well as continuous improvements in safety, quality, service and cost. PYL has also deployed an initial assessment of Corporate Social Responsibility (CSR) for production suppliers (which includes sustainability).

## Distributors

PYL's activities create the commercial environment in which our Distributor partners strive to operate profitable and sustainable businesses. Every major Distributor in our global network participates in an individual Annual Business Review attended by the Directors. The review meetings focus on key performance indicators across sales, aftersales, marketing, finance and business development. The output being a 5-year business plan for each Distributor. A "Heads of Business" conference brings together the entire global network of Distributors and their appointed Sub-Dealers at least once every two years. The conference provides the platform for the PYL Board to communicate the brand strategy and future product strategy. It is also the forum to invite feedback on market developments and the effectiveness of our policies and practices. In response to the COVID pandemic, recent Annual Business Reviews and the "Heads of Business" conference have been successfully delivered in a virtual format.

## Customers

PYL's provides support to the Princess Distributor Network, 3<sup>rd</sup> party service agents and yacht owners/crew. This includes, but is not limited to, warranty, product safety, parts supply, technical support and product training. We track and monitor data within our Customer Relationship Management (CRM) system to manage all aftermarket issues. The data from the CRM system provides feedback to the business on product quality and performance which can in turn bring about design, engineering or manufacturing changes in current or future product as appropriate.

## Learning & Development

PYL partners with providers to deliver apprenticeship programmes including South Devon College, Plymouth City College, Plymouth University, MBB and Accredited Training. PYL continues to embed apprenticeship programmes as part of its succession planning. As a result of PYL's apprenticeship programme, PYL has been placed in the Top 100 Apprenticeship Employers 2020 rankings and was awarded the Princess Royal Training Award in 2020. The Princess Royal Training Awards are selected annually by Her Royal Highness to recognise organisations whose training has delivered measurable business impact. PYL received this Award in recognition of the innovative and highly effective partnership with South Devon College to ensure that our apprentices develop the skills necessary to provide a sustainable workforce for the future. Our apprenticeship team were also recognised for their exceptional commitment to training, despite facing unprecedented challenges of Covid-19. We have dedicated leadership pathways including both CMI qualifications and our internally designed 'Crafted in Plymouth' management development programme. We offer work experience placements each year to local schools and we also partner with local schools and colleges to take part in their careers fairs and also specific career presentations. We have a dedicated compliance training team to ensure that our employees remain legally compliant to carry out their roles. We audit and maintain a database of all training records. We deliver a suite of internal and external training programmes specific to role.

## Workforce

The Company has a good working relationship with the Works Committee (WC). The WC is a formal recognition agreement with Unite and covers shop floor employees (c2,600). The WC is made up of 10 elected representatives who cover each of the 5 sites. In addition to the WC we have 13 Health, Safety & Environment reps. Depending on the number of employees at each site equates to the number of reps. The relationship with Unite (and its predecessor unions) has been in place

for 30+ years. In 2019 a new recognition agreement was signed by PYL and Unite setting out our working relationship going forward and how we would continue to 'work in partnership'. We also have regular dialogue at a regional level within Unite to ensure that we are working as collaboratively as possible. The Company consults with the WC on a wide range of areas including pay, terms & conditions, policies and Health & Safety. The Company also have c550 office-based support roles across a range of functions including Management, IT, HR, Finance & Purchasing. This group is not covered by the recognition agreement but PYL is implementing an 'Employee Forum' in Q2 2022 that will create a panel of nominated employees from across the support functions to give them a voice on the issues that affect them.