

## **Corporate Governance Guidelines**

### **1. The Role of the Board**

The Board's prime objective is the sustainable enhancement of business performance and shareholder value. It is responsible for determining all major policies, ensuring that effective strategies and management are in place, assessing Signet's performance and its senior management, reviewing the systems of internal control and setting policy including that relating to social, ethical and environmental matters. The Board is currently comprised of seven members. The Board delegates the day-to-day management of the Company to the Chief Executive Officer and other senior executives of the Company, and provides oversight of management.

The Board also seeks to present to shareholders, potential investors and other interested parties a balanced and coherent assessment of the Company's strategy, financial position and prospects. Board members are expected to attend Board meetings and review materials relating to those meetings in advance.

The Board monitors all developments in corporate governance, including the Companies Act 1981 of Bermuda, the NYSE Listing Standards, SEC requirements, London Stock Exchange rules and Sarbanes-Oxley Act. The Board reviews its performance and procedures in light of changing expectations regarding best practice and makes amendments, where it believes appropriate, to take account of them.

Prior to the reorganization, the Group was subject to different corporate governance standards, including the corporate governance provisions of the UK Corporate Governance Code. The Company, as a non-UK company, is not required to comply with the UK Corporate Governance Code but the Board has due regard for the principles of it.

#### **a. Separate and Independent Chairman**

The Company has a Chairman of the Board who is separate from its Chief Executive Officer and whom the Board has determined to be independent under the listing standards of the NYSE. The Board considers it to be important for its effectiveness and efficiency to maintain a clear division of responsibilities between the running of the Board and the executive responsibility for the running of the Company's business; therefore the Board has agreed that the roles of Chairman and Chief Executive Officer should be separate.

The division of responsibilities between the Chairman and the Chief Executive Officer has been specifically agreed by the Board.

In summary, the Chairman is responsible for:

- effective running of the Board, including evaluating its performance and that of the individual Directors, and the Board's compliance with corporate governance requirements and best practice;
- reviewing, prior to their presentation to the Board by executive management, strategy, medium term plans and the annual budget;
- reviewing, prior to their presentation to the Compensation Committee, the recommendations of the Chief Executive Officer regarding the compensation of senior executive officers and for making a recommendation regarding the compensation of the Chief Executive Officer;
- maintaining contact with major Shareholders to understand directly their issues and concerns;
- keeping the other independent Directors appropriately informed of developments within the business and shareholders' attitude toward the Company; and
- safeguarding Signet's reputation, and representing it both internally and externally.

In summary the Board has agreed that the Chief Executive Officer is responsible for:

- the executive leadership of the business;
- developing and presenting to the Board, strategy, medium term plans and budgets;
- within this framework, the performance of the business;
- complying with legal and corporate governance requirements, together with the social, ethical and environmental principles of Signet; and
- making recommendations on the appointment and compensation of senior Executive Officers and management development.

**b. Executive Sessions of Independent Directors**

Independent Directors meet regularly in executive session without management participation. At those meetings the Chairman presides. This encourages open discussion. In addition, at least once per year the independent Directors, excluding the Chairman, meet separately in executive session to consider the independent Chairman's performance. At those meetings, Russell Walls, Chairman of the Audit, and Nomination and Corporate Governance Committees, presides.

**c. Independent Directors Constitute a Majority of the Board**

The Board currently comprises of one executive Director and six independent Directors including the Chairman.

The Board has affirmatively determined that each of the following Directors is "independent" under the NYSE listing standards: Sir Malcolm Williamson, Robert Blanchard, Dale Hilpert, Marianne Parrs, Thomas Plaskett, and Russell Walls. It also regards all the independent directors, including the Chairman, as independent non-

executive directors, within the meaning of “independent” as defined in the UK Corporate Governance Code.

In considering “independence” the Board considers any commercial, consulting, legal, accounting, charitable or any other business or non-business relationships that a Director or his or her immediate family may have with the Company. No such relationship exists for any of the independent Directors.

#### **d. Management Development and Succession Planning**

The Board periodically reviews management development and succession planning with respect to senior management positions, and engages the Chief Executive Officer in such discussions. The Board considers from time to time as appropriate potential successors to the Chief Executive Officer in the event of his or her resignation, retirement or disability. The Chief Executive Officer reports at least annually to the Board on succession planning and the Company’s program for management development.

On appointment, new directors take part in an induction programme and are given an opportunity to familiarise themselves with the Group’s business, procedures and investor perceptions. In addition to meeting with management, this process includes briefings from the Group’s external auditor, lawyers, financial advisers and stockbrokers. Directors are kept informed of the latest developments and best practice in corporate governance and attend relevant courses or receive appropriate training to equip them to carry out their duties. The independent directors are given regular opportunities to see the operations of the business and have access to management, staff and, as necessary and appropriate, independent advisors.

The performance of the Board, its Committees and individual members is rigorously monitored at least annually to ensure that each director continues to contribute effectively and demonstrates commitment to the role. The Board has a formal written procedure for the evaluation process which is conducted by the Chairman in conjunction and the Group Company Secretary. The process is designed to help in assessing the future development needs of the Board and the directors.

#### **e. Board Committees**

Certain matters are delegated to Board Committees, each with Charters setting out defined terms of reference, procedures, responsibilities and powers. The principal committees are the Audit, Nomination and Corporate Governance, and Compensation Committees, and the Group Company Secretary acts as secretary to all of them.

### **2. The Audit Committee**

The Audit Committee has a written Charter which is reviewed annually. The Audit Committee’s responsibilities include the review of the appropriateness and effectiveness of the Group’s accounting policies and financial procedures and oversight of the external auditor’s work, including the scope and result of the audit. The Audit Committee

also reviews the effectiveness of the internal auditors, the Disclosure Control Committee and the Group's whistleblowing procedures.

The Audit Committee reviews the whistleblowing procedures twice a year, which includes receiving reports on all matters raised to Group and on actions taken. The Audit Committee also reviews the effectiveness of the Group's internal control and risk management procedures and reports to the Board on these matters. This review is based on a report submitted via the Risk Management Committee which includes the Group's prioritised risk register, and annual written self-certification statements prepared by the operating divisions and head office departments, which confirm the extent of their compliance with all material internal financial operating and disclosure controls. These statements are prepared by the divisional finance directors on behalf of each operating division and are reviewed by senior divisional executives, Group management and the Audit Committee. In addition to the management self certification process, the Audit Committee receives regular updates on divisional and Group based internal audit activity throughout the year and reviews reports submitted to the Board by the Group's external auditor. The Audit Committee reviews, discusses with management and approves for submission to the Board, all Group audited financial statements, as well as approving trading statements, and quarterly results announcements.

The external auditor's objectivity and independence is monitored by the Audit Committee which also has the primary responsibility for recommending the appointment of the external auditor, determining its fees and making an annual assessment of the external auditor's independence (including consideration of a written disclosure by the external auditor of all relationships with the Group). The planned rotation of partners and staff of the external auditor, together with a cooling off period before anyone from the external auditor joins the Group, also assist in maintaining the independence of the external auditor. The Audit Committee has reviewed and approved a policy for the provision of audit and non-audit services by the external auditor which is compliant with the requirements of the Sarbanes-Oxley Act. The policy requires that the Audit Committee approves in advance all audit and non-audit work carried out by the external auditor (subject to a de minimis amount, this being then reported to the Audit Committee on a quarterly basis). The approval process requires disclosure of the objectives and scope of services to be performed in addition to the fee structure. The Audit Committee also reviews all approved services and fees at subsequent meetings.

The Audit Committee has an established channel of direct communication with the external auditor who normally attends meetings except in relation to certain aspects of their own appointment, assessment of their independence and determination of their fees. The Chairman, the Group Chief Executive, the Chief Financial Officer and others attend the meeting by invitation. The Audit Committee meets at least once a year with both the external auditor and internal auditors without executive management being present. The Audit Committee also meets on two occasions during the year with divisional management to assess the risk and internal audit functions of the UK and US divisions and for the purpose of being briefed on business and technical developments. The Business Risk Assurance Manager also reports to the Committee on the processes in relation to the review of business risks.

All members of the Audit Committee are independent, as defined by the SEC, the NYSE listing rules and the UK Corporate Governance Code, and the only remuneration members of the Audit Committee receive, from the Group, is as directors. All of the members of the Audit Committee have significant financial experience either as a result of positions held in other companies or from advising on financial matters.

### **3. Nomination and Corporate Governance Committee**

The Nomination and Corporate Governance Committee has a written Charter which is reviewed annually. The Nomination and Corporate Governance Committee has responsibility for reviewing the composition and balance of the Board and its Committees, as well as Board and senior management succession. It will evaluate potential successors especially in relation to the Chief Executive Officer based on their effectiveness and ability to add value to the business, and will make recommendations to the Board regarding potential successors. In the event of the retirement or emergency departure of the Chief Executive Officer, the Nomination and Corporate Governance Committee and the Board will implement temporary measures until a replacement Chief Executive Officer is appointed.

Once the Nomination and Corporate Governance Committee has agreed a job specification, the services of external recruitment agencies are used to identify suitable candidates for senior executive posts and for all Board appointments. The Nomination and Corporate Governance Committee carries out interviews with such individuals in accordance with a formalised process, particularly with regard to the performance evaluation procedures for individual directors. The review of any independent director, who is serving beyond six years from first being elected to the Board, is considered with particular care. No director is involved in any decision about his own re-appointment.

When the role of the Chairman or any matter relating to succession to that role is discussed, the Chairman may be consulted, but the responsibility for preparing a job specification and making any recommendation to the Board rests solely with the independent directors of the Nomination and Corporate Governance Committee. The Nomination and Corporate Governance Committee also reviews a number of other senior appointments within the Group, such as that of the Group Company Secretary.

### **4. Compensation Committee**

The Compensation Committee's role is to set the compensation policy for executive directors and other senior executives and to ensure that they are fairly rewarded for their individual contributions to Group performance, having due regard for the interests of shareholders, the financial and commercial health of the Group and pay and other conditions throughout the Group. It is also the role of the Compensation Committee to ensure that the Group's compensation policies remain competitive.

The Compensation Committee sets the compensation of the Chairman of the Board and of the Group Chief Executive. The compensation of the other executive director and the Group Company Secretary is set based on recommendations made by the Chief Executive Officer after consultation with the Chairman. The Committee also monitors the compensation of certain other senior executives and sets performance targets and

makes all share based compensation awards. Where executive directors are involved in assisting the Compensation Committee, care is taken to recognize and avoid possible conflicts of interest.

The Compensation Committee has developed the following sub-principles that it applies:

- The compensation program must align the interests of senior management with those of Shareholders.
- The only element of guaranteed pay is base salary with the percentage of at risk compensation increasing in line with the responsibility and experience of each executive.
- Elements of compensation that are at risk should separately reward both annual and multi-year performance as well as reward exceptional performance.
- Compensation should include a retention component, which encourages high performing executives to remain with the Company.
- The compensation program should be simply constructed and easily understood so that the named executive officers are in no doubt as to the performance requirements and their relationship to the level of payments and therefore remain motivational.
- Although there is no formal share retention requirement in place for most of the named executive officers, the compensation program should encourage all senior executives to build a substantial holding of the Company's shares.

The Company has a share ownership policy applicable to the Board of Directors to better align management's interests with those of Shareholders over the long-term.

The Chief Executive Officer is expected to build a holding of Common Shares equal to at least five his base salary within 5 years. In addition, a \$250,000 minimum share ownership requirement, to be achieved within 5 years of selection as Chairman, is required by the Chairman and a \$150,000 minimum share ownership requirement, to be achieved within 5 years of election to the Board of Directors is required by the independent Directors. However, once achieved at any given share price, the requirement is considered to have been met notwithstanding any subsequent change in share price. The holding is to be maintained while he or she is an executive officer or Director, as applicable, of the Company.

All members of the Compensation Committee are independent without any personal financial interest (other than as shareholders) in matters decided by the Compensation Committee. No executive director or senior manager is involved in determining their own compensation.

The Compensation Committee regularly uses external professional advice and makes use of competitive market surveys conducted independently in both the US, where more

than 70% of sales and profit are generated, as well as in the UK. The Committee has retained Pay Governance as advisers and they are not retained by the Group in any other capacity.

The Compensation Committee reviews and recommends any amendment of fee levels or structure of fees, paid to the independent directors. The actual form and amount of compensation is determined by the Board after consideration of, among other factors, external comparisons, and the time commitment and the responsibilities of the independent directors, and is reviewed annually.

## **5. Claw Back Policy**

In the event of a material restatement of the company's financial results, the Compensation Committee will recalculate all incentive compensation based on the restated results. If there was an underpayment based on the restated results, the Company will make up the difference. If there was any overpayment, the Company will formally request that all recipients return such overpayment to the Company. If a present employee refuses, the amount of the overpayment will be deducted from any future incentive compensation earned. If a former employee refuses, the Company will consider legal action, balancing the amount to be recovered versus the cost of such legal action.

## **6. Executive Management**

The Group comprises two separate operating divisions, one in the US and one in the UK, each with a separate executive committee which meets regularly. The Chief Financial Officer and the Chief Executives of the UK and US divisions report to the Chief Executive Officer. The executive management is responsible for the performance of the Group and its compliance with the internal policies and procedures set by the Board. As part of this responsibility, the executive management regularly reports to the Board on the performance of the Group, the competitive environment and its relations with stakeholders.

## **7. Business conduct and ethics**

Signet strives to act in accordance with the laws and customs of each country in which it operates; to adopt proper standards of business practice and procedure; to operate with integrity; and to observe and respect the culture of each country in which it operates. To that end, the Group has adopted a statement of social, ethical and environmental principles and supporting policies applicable to all officers and employees of the Group and complies with the requirements of the NYSE. In addition, the Group has a policy on business integrity, as well as more detailed guidance and regulations in the Group's staff induction, training and operational procedures. These policies meet the requirements of the NYSE, and the UK corporate governance requirements and include a code of business conduct and a code of ethics.

## **8. Relations with shareholders**

The Board recognizes the importance of relations with shareholders and communicates regularly with them about the Group's strategy, financial performance and prospects. It does this through documents distributed to shareholders, stock exchange announcements, the Group's website and in meetings. Conference calls on quarterly and annual results and the Christmas trading statement are open to all interested parties, including private shareholders, through the use of teleconferences and web casting. Other presentations are available on the Group website. The Board recognizes that private investors have the opportunity to question the Board at general meetings of shareholders. All of the directors are required to attend the annual general meeting and the chairmen of the Audit, Nomination and Corporate Governance and Compensation Committees, in addition to the Chairman of the Board, are available to answer questions relating to the function of their respective Committees.

The Chief Executive Officer, Chief Financial Officer and the Investor Relations Director carry out an extensive program of meetings with institutional investors. Shareholders who wish to send communications to the Board of directors, the Chairman or any other individual director may do so in writing, addressed to Mark Jenkins, Group Company Secretary at 15 Golden Square, London W1F 9JG, UK.

The Board is kept informed of investment market attitudes to the Group by receiving regular reports on investor relations, copies of brokers' research, press cuttings and third party surveys of investor perceptions.

**Adopted by the Board on 23 February 2011**