

Wates corporate governance principles for large companies

The Companies (Miscellaneous Reporting) Regulations 2018 require certain large companies to include a statement as to which corporate governance code has been applied and how during the financial year. For the year ended 31 December 2020, the Company qualifies for this disclosure and has chosen to adopt the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council (FRC) in December 2018 and available on the FRC website), which incorporates 6 key principles: Purpose & Leadership, Board Composition, Director Responsibilities, Opportunity & Risk, Remuneration and Stakeholder Relationships & Engagement.

These new corporate governance reporting requirements apply to companies reporting for financial years starting on or after 1 January 2019 and companies are able to adopt the Wates Corporate Governance Principles as an appropriate framework when making a disclosure regarding their corporate governance arrangements.

The Company is part of the wider ASDA Group of companies. The Company's immediate parent company, ASDA Group Limited plays an important role in the overall governance of the Group. This role is described in more detail in ASDA Stores Limited's corporate governance statement (the "ASL Wates Statement") in the Directors' Report in the financial statements of ASDA Stores Limited which are available at ASDA House, Southbank, Great Wilson Street, Leeds LS11 5AD.

The board of ASDA Group Limited, with the support of AREIC (further detail of which is available in the Strategic Report) plays an important role in the governance of the operations of the Company, including consideration and approval of key commercial decisions which materially impact the Company and its operations. The Board and AREIC meet monthly and both meetings include both Directors of the Company. Details of the directors of ASDA Group Limited who served during the year are included in the financial statements of ASDA Group Limited which are available from ASDA House, Southbank, Great Wilson Street, Leeds LS11 5AD.

Purpose and Leadership

The Company's purpose is to hold investment properties and rent these properties, predominantly to fellow Group companies but also to a limited number of third party tenants. Please see the ASL Wates Statement for visibility of the purpose of the wider Group.

The Company does not have any employees and has limited third party stakeholders. The Company adopts the same strategy, beliefs, values and culture as the wider Group and is subject to the same policies and procedures. Please see the ASL Wates Statement for further detail.

Board Composition

Chair

Board meetings of ASDA Group Limited and the Company were chaired by Roger Burnley (the Chief Executive Officer of ASDA Group Limited), who was responsible for each board's overall effectiveness, promoting open debate and facilitating constructive discussion. Whilst Roger acted as both the chair and Chief Executive Officer, he had a direct reporting line into the ultimate parent company during the year, Walmart; this structure provided independent review and scrutiny of the operations of the Board and the Company and individual Director effectiveness. The scrutiny, review and support provided by the ultimate parent during the year, Walmart, provided an appropriate amount of independent rigour and challenge to the operation and decisions of the Board and the Company.

Balance, Diversity, Size & Structure

During the year, the board of the Company was comprised of Roger Burnley and Robert McWilliam.

As noted above the Board (being the board of directors of the immediate parent ASDA Group Limited) plays a key role in the Company's governance. The Board and AREIC both meet monthly and make key decisions which where relevant, are carefully considered and if deemed appropriate, implemented by the Company. The composition of the Company board is considered appropriate to the size and scale of the Company's activities. It is considered that these two Directors have the appropriate balance of background, skills, experience and knowledge to make and execute Company decisions, working closely with the Board (and AREIC). For further detail on the diversity of backgrounds, experience and skill of the Board, given the important role it plays in the governance of the Company, please see the ASL Wates Statement.

The Board and the Company observe a Diversity and Inclusion policy. The Board and the Directors of the Company continuously strive to increase diversity at all levels of the Group.

Effectiveness

The Directors have a formal appraisal process twice annually which consider performance and reward. Furthermore, there are periodic evaluations of the constitution and effectiveness of the Board and additional appointments are made where necessary to deliver the appropriate diversity and expertise.

During the year, the Directors had the benefit of Group wide on-going professional development programmes. This was delivered through a variety of means such as mentoring programmes, officer development days and various Group and Walmart training courses, which ensured that the Directors had the most up to date knowledge and skills to ensure they were effective in their roles.

Director Responsibilities

Accountability

The Board, including the Directors of the Company, receive a detailed on-boarding pack detailing their accountabilities and obligations as Directors. Any changes to a Director's areas of responsibility and/or reporting lines are briefed to all employees of ASDA Stores Limited via colleague email communications.

Furthermore, during the year, the Directors observed detailed corporate governance procedures and policies, much of which was derived from the corporate governance framework mandated by Walmart. This set out clear guidelines as to which internal stakeholders within the Group and Walmart needed to be aware of or involved in decision making on a relevant matter, ensuring that there were appropriate checks and balances before making decisions. The corporate governance framework also allowed Walmart to provide independent challenge to Directors and the Board by reviewing significant decisions that required Walmart input. The policies in place were reviewed periodically.

Conflicts were carefully managed and monitored by Walmart. An annual process was completed to identify any conflicts. Additionally, on an on-going basis the Board, including the Directors of the Company, were asked to consider and report on any conflicts. Appropriate measures would be implemented in the event of any conflict.

Committees

The Company and the Directors have not established any committees.

Integrity of Information

The Board has established formal and robust internal processes which ensure that the systems and controls in place are operating effectively. This ensures the quality and integrity of information provided to the Board and the Directors of the Company is reliable, which allows for better and more informed decision making. As a wholly owned subsidiary of a publicly listed US-based company during the year, the Company applied the financial control framework set out in Section 404 of the Sarbanes-Oxley Act, which mandated robust internal controls designed to prevent or detect material errors in the financial statements and ensured they were documented and certified to Walmart. Key controls within this framework were tested annually by the Company's and Walmart's internal audit functions, which acted independently to monitor the Company's systems and controls and report any deficiencies in design or operation of controls to management such that appropriate and timely resolution actions could be taken.

Opportunity and Risk

Risk

The Group has a risk management programme which facilitates identification, mitigation and ongoing monitoring of significant risks. The activities of the Company are captured within this risk management programme. The policies that facilitate delivery of the risk management programme are developed and overseen by ASDA Group Limited's Compliance Ethics & Audit Committee. Please see ASDA Group Limited's Strategic Report for full details of the risks identified and assessed.

Opportunity

The Strategy Delivery Forum, a cross functional team made up of senior leadership of the Group, meets monthly to assess progress against key strategic initiatives and opportunities for the Group as a whole. The output of this forum is shared with the Board, including the Directors of the Company. Where applicable, this forum would assess strategic initiatives relevant to this Company, to create and preserve value in the long-term.

Remuneration

The Directors did not receive any remuneration for their qualifying services as statutory Directors of the Company during the year. The Directors provided qualifying services to other Group companies and their remuneration is paid by ASDA Stores Limited and disclosed in the financial statements of ASDA Stores Limited.

Stakeholder Relationships and Engagement

The Company's key stakeholders are its investors, its customers including both intercompany and third-party tenants and its suppliers, being third party lessors.

For more information regarding how the Company considers its key stakeholders in the decision-making process, please refer to the detail set out in the Section 172 Statement within the Strategic Report.