Corporate governance statement

The Board

The Board has as its prime objective the sustainable enhancement of business performance and shareholder value. It carries the responsibility for determining all major policies, for ensuring that effective strategies and management are in place, for assessing the performance of the Group and its senior management and for reviewing the system of internal controls, and setting policy relating to social, ethical and environmental matters (see pages 61 to 66). 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. The Board retains responsibility for a range of specific matters including approval of the annual report and other documents circulated to shareholders by the Company; quarterly and annual results announcements; other trading statements; distribution policy; acquisitions, disposals, material agreements and capital expenditures outside predetermined limits set by the Board; risk management; budgets; long range plans; senior executive appointments; succession planning and corporate governance.

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

The formal schedule of matters reserved for the Board is reviewed annually and the division of responsibilities between the Chairman and the Group Chief Executive is set out in writing and agreed by the Board. In summary, the Chairman is responsible for:

- the effective running of the Board, including the evaluation of its performance and that of the individual directors, and the Board's compliance with corporate governance;
- the review, prior to their presentation to the Board by executive management, of strategy, medium term plans and annual budget;
- reviewing, prior to their presentation to the Remuneration Committee, the recommendations of the Group Chief Executive regarding the remuneration of senior executives and for making a recommendation regarding that of the Group Chief Executive;
- maintaining contact with major shareholders to understand directly their issues and concerns;
- keeping the non-executive directors appropriately informed of developments within the business and shareholders' attitude to the Group; and
- the reputation of the Group, and representing it both internally and externally.

The Chairman is also a member of the Nomination and Corporate Governance, and Remuneration Committees.

In summary, the Group Chief Executive is responsible for:

- the executive leadership of the Group;
- the development, and presentation to the Board, of strategy, medium term plans and budgets;
- within this framework, the performance of the business;
- compliance with legal and corporate governance requirements, together with the social, ethical and environmental principles of the Group; and
- making recommendations on the appointment and remuneration of senior executives and management development.

The Board met eight times in 2007/08, including five extended sessions of more than one day. All directors attended all meetings of the Board with the exception of Messrs. Light, Walker, and Walls each of whom was not present at one meeting and Mr. Anderson who was not present at three meetings.

The Board currently consists of eleven directors: the Chairman, four executive directors (the Group Chief Executive, the Group Finance Director and the Chief Executives of the UK and the US divisions) and six independent non-executive directors, one of whom is nominated as the senior independent director. Incumbents are identified on page 51. Directors are subject to election at the first annual general meeting after appointment and then to re-election by shareholders at no more than three yearly intervals. Whilst the Board is of the view that fixed terms of appointment are not as important as the particular contributions being made by the individual non-executive directors in deciding their terms of office, the Board has applied fixed three year terms to non-executive directors' appointments. Notwithstanding this, the performance of each director is reviewed annually. Any non-executive director who has served on the Board for nine years since first being elected as a non-executive director must stand for annual re-election.

The mix of skills and business experience of the directors is considered to be appropriate for the proper and efficient functioning of the Board. The terms of reference of the Nomination and Corporate Governance Committee include the regular review of the composition and balance of the Board. No one individual has unfettered powers of decision and no individual or grouping is in a position to unduly influence the Board's decision making. The non-executive directors meet regularly without the executive directors being present. They also meet, chaired by the senior independent director, occasionally without the Chairman being present.

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 non-executive directors are given regular opportunities to see the operations of the business and to meet management and staff.

All directors receive written reports in a timely manner prior to each meeting which enables them to make informed decisions on the issues under consideration. The performance of the Board, its Committees and individual members is rigorously monitored 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 with the senior independent director and the

Group Company Secretary. It consists of a questionnaire, completed by the directors, followed by a structured discussion planned to explore the responses and any other matters raised during the process.The process is designed to help in assessing the future development needs of the Board and the directors. The performance evaluation of the Chairman is led by the senior independent director and takes into account the views of both the non-executive and executive directors.

The Group Company Secretary is responsible, through the Chairman, for advising the Board on all governance matters and ensuring that Board procedures are followed. All directors have access to his advice and service. There is also a procedure for directors to take independent advice in the course of their duties, if considered appropriate, at the Group's expense.

Board committees

Certain matters are delegated to Board committees, each with defined terms of reference, procedures, responsibilities and powers. The principal committees are the Audit, Nomination and Corporate Governance, and Remuneration Committees.

The Audit Committee

The Audit Committee has written terms of reference which are reviewed annually and are available on request from the Group Company Secretary and on the Group's website. 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. An extensive review of the internal audit function was performed by an independent external party in 2007/08. The scope of this effectiveness review was agreed with senior management and the Audit Committee and was conducted in accordance with the guidelines set out by the Institute of Internal Auditors. The results were communicated to, and discussed with, all relevant parties upon completion of the fieldwork. The conclusion was that internal audit was providing an effective service to the Company. A number of recommendations to build on the divisional structure of Internal Audit, reinforcing the independence of the function through its reporting relationships with Group executives and non-executive directors, were also implemented.

The Audit Committee reviews the whistleblowing procedures twice a year, which includes receiving reports on all matters raised 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. Quarterly Risk Management Committee reports are also provided to the Chairman of the Audit Committee and a member of that Committee is in attendance at each Risk Management Committee meeting. The Audit Committee reviews, discusses with management and approves for submission to the Board, all Group audited accounts, as well as selected trading statements and internal financial reports.

The external auditor's objectivity and independence is monitored by the Audit Committee which also has the primary responsibility for making a recommendation on the appointment of the external auditor, the determination of its fees and making an annual assessment of its independence (including consideration of a written disclosure by the external auditor of all relationships that they have 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. See page 92 for details of fees paid to the external auditor.

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 Group Finance Director 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 both of the 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 UK Combined Code, the SEC and the NYSE and the only remuneration members of the Audit Committee receive, from the Group, is as directors. Russell Walls is Chairman and an "audit committee financial expert" as defined by the applicable SEC regulations. During the year the Audit Committee consisted of Dale Hilpert, Brook Land and Russell Walls all of whom have significant financial experience either as a result of positions held in other companies or from advising on such matters. The Group Company Secretary acts as secretary to the Audit Committee. The Audit Committee met nine times in 2007/08, including a meeting entirely dedicated to the consideration of corporate governance matters and there was full attendance at all meetings.

Corporate governance statement (continued)

The Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee has written terms of reference which are reviewed annually and are available on request from the Group Company Secretary and on the Group's website. 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 also makes recommendations to the Board on all new Board appointments and nominations for re-election as directors. The Nomination and Corporate Governance Committee also assists the Board in the consideration and development of appropriate corporate governance guidelines.

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 non-executive 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. The procedure for the election of directors is laid out on page 51.

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 non-executive 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. The senior independent director chairs the Nomination and Corporate Governance Committee. During the year the Nomination and Corporate Governance Committee consisted of Robert Blanchard, Brook Land and Sir Malcolm Williamson. The Group Company Secretary acts as secretary to the Nomination and Corporate Governance Committee, which met seven times in 2007/08 and there was full attendance at all meetings.

The Remuneration Committee

The role of the Remuneration Committee is discussed in the Directors' remuneration report on page 67.

Further details regarding the chairmen and members of these Committees are set out on page 51.

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 Group Finance Director and the Chief Executives of the UK and US divisions report to the Group Chief Executive.

The executive management is responsible to the Board 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.

Business strategies; long range plans; budgets; acquisitions, disposals, material agreements and capital expenditures outside predetermined limits set by the Board; and internal policies and procedures are presented to the Board by executive management for consideration. Within this approved framework the executive management is responsible for the day to day running of the business including: merchandising; store operations; human resource management and planning; marketing; real estate; financial reporting; treasury management; risk management; tax management; social, ethical and environmental matters; and communications with investors.

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 described on pages 61 to 66 and supporting policies applicable to all officers and employees of the Group and complies with the requirements of the NYSE. In addition, it 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 UK corporate governance requirements and the requirements of the NYSE, and include a code of business conduct and ethics.

A code of ethics which meets the requirements of the Sarbanes-Oxley Act, covering the Chairman, the Group Chief Executive, the Group Finance Director and senior officers, is also in place. These codes are available on request from the Group Company Secretary and on the Group's website – www.signetgroupplc.com.

Relations with shareholders

The Board recognises 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 and in meetings. Presentations 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 recognises that the prime opportunity for private investors to question the Board is at a general meeting 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 Remuneration Committees, in addition to the Chairman of the Board, are available to answer questions relating to the function of their respective Committees. All of the directors attended the 2007 annual general meeting.

The Group Chief Executive, the Group Finance Director and the Investor Relations Director carry out an extensive programme of meetings with institutional investors. The Chairman and the senior independent director are also available to meet with investors from time to time. Major shareholders are offered an opportunity to meet new non-executive directors following the appointment of the individual.

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.

Compliance statement and Combined Code

The NYSE corporate governance requirements are not mandatory for foreign private issuer companies such as Signet. However, the Group has chosen in general to comply as a matter of best practice.

In a limited number of areas the Group, as permitted by the NYSE rules, has elected to defer to the UK corporate governance practices. This is permissible provided significant variations are explained. An explanation of those variations, which relate to the Chairman's membership of Committees, can be found on the Group's website.

The Board considers that it has complied throughout the year with the provisions of the UK Combined Code required to be observed by companies and complies with the NYSE rules, other than in those cases where the variations have been explained.

Internal controls

The UK Combined Code requires that the directors review the effectiveness of the Group's system of internal controls including the following areas:

- Financial
- Operational
- Compliance
- Risk management

The Board considers that it has complied with the Turnbull guidance (Internal Control: Guidance for Directors on the Combined Code ("the Turnbull guidance") published in September 1999) throughout the year and up to the date of approval of this Annual Report & Accounts. In addition, during the year the Board continued to take steps to ensure continued compliance with the requirements of Section 404 of the Sarbanes-Oxley Act. The Group Chief Executive and the Group Finance Director will, as they did in previous years, sign the applicable certifications required by the Sarbanes-Oxley Act when the Annual Report on Form 20-F is filed with the SEC.

The Board exercises ultimate responsibility for the Group's system of internal controls and for monitoring its effectiveness. The internal controls system is designed to safeguard shareholders' investments and the Group's assets, both tangible and intangible, including the reputation of the Group with its various stakeholders. Procedures are in place to ensure the maintenance of proper accounting records, the reliability of the financial information used within the business or for publication and the determination of disclosure obligations and of materiality. These procedures also cover disclosure on a timely basis of information to the investment markets. However, such procedures are designed to manage rather than wholly eliminate the risk of failure to achieve business objectives and can provide only reasonable, not absolute, assurance against material misstatement or loss.

Signet's disclosure control procedures are designed to help ensure that processes and procedures for information management are in place at all levels of the Group. The disclosure control procedures aim to provide reasonable assurance that any information disclosed by the Group is recorded, processed, verified, and summarised appropriately and on a consistent basis. The procedures are also designed to provide reasonable assurance that information is accumulated and communicated to management to allow timely decisions to be made regarding required disclosure. The Group's Disclosure Control Committee, which has formalised terms of reference, consists of the Group Finance Director, the Group Company Secretary, the Investor Relations Director and the Group Financial Controller who consult with the Group's external advisers and auditor, as necessary. These procedures are designed to enable Signet to make timely, appropriate and accurate public disclosures. The activities and findings of the Disclosure Control Committee are reported to the Audit Committee.

Key procedures designed to provide effective internal controls are:

- **Control environment** – control is exercised through an organisational structure with clearly defined levels of responsibility and authority together with appropriate reporting procedures, particularly with respect to financial information, capital expenditure, investment, granting of guarantees and the use of treasury products (see page 49 for more detail) as well as health, safety, environmental and customer service issues.

- **Reporting and information systems** – the Group has a comprehensive budgeting and strategic planning system with an annual budget and strategic plan approved by the Board. Reported monthly trading results and balance sheets include the corresponding figures for the budget or revised forecast and for the previous year. Any significant variances are examined by divisional operating management and discussed with Group management, with action being taken as appropriate. A forecast of the full year's results is updated regularly, based on performance to date and any changes in outlook. The executive directors regularly report to the Board on the development of the business, the competitive environment and any material breaches of procedure. Through these mechanisms, the Group's performance is continually monitored, risks identified in a timely manner and their implications assessed.

Corporate governance statement (continued)

The Group, as part of its continuous review of procedures, has taken steps to strengthen, as appropriate, resources committed to meeting the increasing demands of corporate governance, to comply with the Sarbanes-Oxley Act, to monitor and address evolving and more complex accounting standards, including changes in the application and interpretation of US GAAP. The Group further strengthened its Group Finance function during 2007/08 reflecting the increasing demands of IFRS accounting and US GAAP requirements.

The Group issues both sales and financial results on a quarterly basis. The external auditor reviews the quarterly and half year statements and Christmas trading statement and presents reports to the Audit Committee for consideration.

- **Risk management** – the identification of major business risks is carried out in conjunction with operational management and appropriate steps are taken to monitor and mitigate risks. The Business Risk Assurance Manager co-ordinates risk management information and processes; the Business Risk Assurance Manager is responsible for assessing the day to day risk management processes and internal control structure for the Group, ensuring such processes satisfy the applicable standards in the UK and US. His findings are reported to the Audit Committee. The Risk Management Committee has written terms of reference approved by the Board and is chaired by the Business Risk Assurance Manager. Its members include the Group Finance Director, senior divisional executives, the divisional heads of internal audit with a member of the Audit Committee in attendance and it meets at least four times a year. Matters considered by the Risk Management Committee include reviews of the Group's risk register, emerging issues, new regulations and the activity of the internal audit function. The external auditor and the Chairman of the Audit Committee receive copies of the papers submitted to the Committee. A report from each Risk Management Committee meeting highlighting any material non-compliance or emerging issue, is considered by the Board in a timely manner. In order to provide a formal forum for risk assessment, risk and control committees have been established at both divisional and corporate level. The divisional committees are chaired by the divisional Chief Executives and the corporate committee is chaired by the Group Finance Director. Each committee has formalised terms of reference and involves participation by the executive management teams and the Business Risk Assurance Manager to ensure a consistent approach and provide a level of independent challenge.

- **Control procedures** – each operating division maintains documented financial and operating controls as well as procedures appropriate to its own business environment and in conformity with Group guidelines. During the year documented Group policies and procedures were enforced. Each of the operating divisions has an internal audit function which primarily reviews the processes in the store operations but also reviews central service functions. Internal audit reviews of Group functions are carried out by an external company. The work of internal audit is monitored by senior divisional executives, and/or Group management, the Risk Management Committee and the Audit Committee.

  There have been no changes in the Group's internal controls over financial reporting during the period covered by this Annual Report & Accounts that have materially affected, or are reasonably likely to materially affect, those controls.

- **Reviews of effectiveness** – the Board, in addition to receiving summaries of the Risk Management Committee reports, annually reviews the effectiveness of the internal controls system on the basis of a report from, and the recommendation of, the Audit Committee. The Disclosure Control Committee reports to the Audit Committee on a quarterly basis as to the effectiveness of the disclosure control procedures.

Based on their review of the Group's disclosure controls and procedures, as of the end of the period covered by this Annual Report & Accounts, and in accordance with the requirements of Section 302 of the Sarbanes-Oxley Act, the Group Chief Executive and Group Finance Director have concluded that the Group's current disclosure controls and procedures are effective to provide reasonable assurance that information regarding the Group is recorded, processed, summarised and reported and that the information is accumulated and communicated to management to allow timely decisions regarding required disclosure.

Management's annual report on internal control over financial reporting

As a foreign private issuer Signet is required to comply with applicable US regulations, including Section 404 of the Sarbanes-Oxley Act 2002.

In accordance with the requirements of Section 404 of the Sarbanes-Oxley Act, management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the US Securities Exchange Act of 1934, as amended. The Group's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS, including the reconciliation required under US GAAP. As a result of its inherent limitations, Signet's internal control over financial reporting is not intended to provide absolute assurance that a misstatement of the financial statements would be prevented or detected.

Signet's management conducted an evaluation of its internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission. Based on this evaluation, management believe that Signet's internal control over financial reporting was effective as of 2 February 2008.

KPMG Audit Plc, which has audited the consolidated financial statements of the Group for the fiscal year ended 2 February 2008, has also audited the effectiveness of internal control over financial reporting. An unqualified opinion has been issued thereon, the details of which are included within the Form 20-F.

Certifications by the Group Chief Executive and Group Finance Director as required by the Sarbanes-Oxley Act are submitted as exhibits to the Form 20-F.