

Edmundson Electrical Limited

Year ended 31 December 2021

Statement on Section 172 of the Companies Act 2006

The Board of Directors, in line with their duties under s172, act in a way they consider in good faith would be most likely to promote the success of the Company for the benefit of its members as a whole and for our other stakeholders. In doing so we have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

Through an open and transparent dialogue with our key stakeholders, we have been able to develop a clear understanding of their needs, assess their perspectives and monitor the impact on our strategic ambition and culture. As part of the Board's decision-making process, the Board and its committees consider the potential impact of the Company's operations on the community and environment. The Board considers the likely consequences of decisions in the long term and promotes responsible business practices.

Illustrations of how s172 factors have been applied by the Board can be found in our Corporate Governance Statement (see below), along with details of how we engaged with our key stakeholder groups and considered their views.

Corporate Governance Statement

The Board has considered its governance and has determined to apply the Wates principles. Each year we review our practices against these principles and we will continue to monitor them in the light of future developments in this area.

Purpose and Leadership

Good governance is essential to the successful delivery of our strategy and the way in which our business operates on a day to day basis. The Board is committed to maintaining the highest standards across the Company for the benefit of all our stakeholders.

Our strategy is to provide the highest possible service to trade customers. We operate in a multi-branch business with a high level of decentralisation backed up by strong controls and a reward structure that is based on local performance and individual contributions. The ability of our managers to determine all aspects of their businesses ensures they are strongly focused on providing the best service to their customers, supporting our key suppliers to get their products to market and employing, retaining and rewarding a high quality team.

As a decentralised business we try to take decisions as close to our customers as possible. However, the Board is strongly aware that it has ultimate responsibility for the actions that are taken. It reserves certain key decisions to the Board, such as senior appointments, funding of operations, acquisitions and appointment of auditors. Day to day operations are managed with the oversight of an operational management team comprising the Managing Director and Finance Director, together with senior commercial and regional managers. Minutes of these meetings are provided to all Directors.

In addition to the day to day monitoring of operating performance, members of the Board meet with each manager once a year for a formal review of the performance of their business and of their plans for the following year by way of a detailed analysis of the business. This is supplemented by a mid-year review of progress to enable adjustments to be made in the light of market developments.

Purpose and Leadership (continued)

All members of the Board, together with the senior management team, actively promote our decentralised philosophy and seek to coach and help the managers and their teams to maximise their rewards by considering the consequences of their decisions in the long term. Our values of integrity, fairness, teamwork, hard work and personal responsibility support this and ensure we meet the needs of our customers and suppliers. These are supported by a commitment to the recruitment of high calibre staff and ongoing training and development at all levels.

We are committed to complying with all legal requirements and to operating to the highest ethical standards. All staff are made aware of our ethics policy and are expected to adhere to it.

Composition of the Board

Douglas McNair is Chairman. He leads the Board and is responsible for its effectiveness. Mark Felber is Managing Director, Philip Elsegood is Finance Director and Gary Mason is Chief Operating Officer. The other non-executive Directors are Douglas Christie, Finance Director of Marlowe Holdings Limited, our UK parent company, and Bill Woof, our Corporate Legal Counsel. All the Directors have many years' experience with the Company and collectively have an appropriate combination of skills, backgrounds, experience and knowledge. In the event of new appointments to the Board, consideration will be given to the appropriate balance of expertise, diversity and objectivity.

Directors are encouraged to pursue appropriate professional development to assist them with performing their duties. The Chairman reviews the performance of the Board and individual Directors annually in consultation with the shareholders.

Directors' Responsibilities

The Company has clear policies and practices governing its internal affairs. These are set out in Standard Practice Instructions (SPIs) and other internal documents such as the Company Treasury Policy. The Directors are fully aware of their responsibilities as set out in our Section 172 statement.

All Directors receive copies of the monthly management accounts including individual branch performances. These are also provided to our shareholders.

If conflicts of interest arose, these would be discussed with the Chairman and appropriate processes would be put in place to manage them.

Opportunity and Risk

The long term success of the business depends on constantly striving to improve our performance through the review processes set out above and on maintaining the decentralised model and related reward structure. Where opportunities for opening new business locations arise these are approved through a capital expenditure approval process. Acquisitions are made after a thorough due diligence process by an experienced team, supported by outside advisers as appropriate and with Board approval.

The Board monitors risks facing the business and identifies any that are emerging. It works with the operational management team to ensure that risks are appropriately managed and that there are clear responsibilities for this.

There is an active programme of internal audit which monitors compliance with our SPIs. The safety of our workforce and of visitors to our premises is of paramount importance. We have a programme of Health and Safety training and monitoring and constantly evaluate our procedures as a result. The SPIs also set out the requirements in relation to trading in an ethical manner and employee conduct to ensure business performance is underpinned by high standards and achieved in a sustainable manner.

Remuneration

The remuneration of the Chairman is determined by the shareholders. Other Directors' remuneration is set by the Chairman in consultation with the shareholders. Remuneration comprises basic salary, which is set in the context of industry norms, pension contributions or equivalent additional salary, company car or salary alternative, medical cover and an annual bonus. The annual bonus is discretionary and is allocated out of the total generated by the individual branch reward calculations. This ensures total alignment between the success of individual branches and the shareholders' interest in overall performance. There are no other elements of remuneration.

Stakeholder relationships and engagement

The principal stakeholders in the business are the shareholders, employees, customers and suppliers. Other stakeholders include pension scheme members, regulators, the Government and the communities in which we operate.

Members of the Board liaise regularly with our shareholders who receive monthly management accounts. The shareholders also regularly attend our annual review meetings with managers. Major business decisions are taken having regard to our shareholders' views.

As a highly decentralised business with over 350 branches we operate a cascade system of staff briefing to keep employees informed of matters that are of importance to them, including the financial performance of their business. These briefings are two way, with concerns passed upwards as necessary. There is a clearly stated whistleblower policy in place supported by a dedicated confidential hotline.

Our customers are key to the success of our business and our management and staff are encouraged to engage regularly with them. This ensures we are meeting our customers' needs and that they know the level of service we aim to provide. Key account managers and regional managers are responsible for the relationship with major customers. During the year meetings were held with major customers to discuss their ongoing service requirements. Key decisions made by the Company during the year included setting pricing and credit levels appropriate to current market conditions. In addition, we play a major role in support of the Electrical Distributors' Association, our industry's trade body, and we attend all their major functions.

We support our suppliers through our commercial programmes. We encourage suppliers to provide training in their products to our staff so that they can ensure customers are aware of suitable products. We have an annual supplier meeting for our key suppliers and during the year we host events to improve engagement with our key suppliers' senior management. Key decisions made by the Company include supplier selection within our main product categories. Whilst overall terms are agreed by our commercial team, managers are encouraged to work with suppliers at a local level to obtain specific terms to support customer projects. We have a strict policy of ensuring that suppliers are paid promptly and to agreed terms.

Our pensions department has an active programme of communicating with members to keep them informed on relevant matters and to help them as they develop their retirement plans.

We have policies to ensure compliance with UK laws and regulations and we communicate these requirements within the organisation as appropriate. We conduct our tax affairs in a way that ensures compliance with applicable laws and regulations and we maintain an open dialogue with the UK tax authorities. All taxes are paid as they fall due and we have support from our external advisers to help ensure we meet our obligations.

Our branches operate across the UK and we encourage our staff to play a full part in their local communities. We fully support the Electrical Industries Charity on many levels. In addition, we make significant charitable donations in support of the arts, health and education.

Stakeholder relationships and engagement (continued)

We are aware of our responsibilities to the environment. We have taken a leading role in the promotion and supply of green energy materials, including solar panel systems and LED lighting. We have also deployed these within our own buildings. We supply electric vehicle charging systems and have encouraged the use of hybrid vehicles within our fleet. As far as practicable we endeavour to reuse supplier packaging for our own customer deliveries to minimise waste.