RS Group plc
(formerly Electrocomponents plc)

# Annual Report and Accounts 2022

# Our Journey to Greatness

For the year ended
31 March 2022

# Our purpose

## Making amazing happen for a better world

## What we do

### We are a global omni-channel provider of product and service solutions for designers, builders and maintainers of industrial equipment and operations

Read more on pages 04 and 05 ▸

## Our vision

### First choice for all our stakeholders

Read more on pages 34 and 35 ▸

## The value we can bring to all our stakeholders


**Our people:** We nurture talent and build a high-performance, purpose-led culture that excites and empowers our people

**Customers:** A strategic go-to partner providing product and service solutions enabling our customers to achieve their goals sustainably

**Suppliers:** A strategic go-to partner providing global market reach and insight to expand revenue and develop new products while raising supply chain standards

**Communities:** Building skills of young engineers and fostering sustainable innovation to inspire a more inclusive, diverse and sustainable world

**Shareholders:** Investing in our strategy with a strong environmental, social and governance approach to generate sustainable shareholder value

## Financial highlights

**Revenue**
£2,554m
Change: +28%
2020/21: £2,003m

**Profit before tax**
£302m
Change: +88%
2020/21: £161m

**Earnings per share**
48.9p
Change: +77%
2020/21: 27.7p

**Like-for-like[1] revenue growth**
26%
2020/21: 1%

**Adjusted[2] profit before tax**
£314m
Like-for-like[1] change: +81%
2020/21: £182m

**Adjusted[2] earnings per share**
51.3p
Like-for-like[1] change: +72%
2020/21: 31.3p

**Dividend per share**
18.0p
Change: +13%
2020/21: 15.9p

**Return on capital employed**
28.7%
2020/21: 19.4%

**Adjusted[2] operating profit margin**
12.5%
2020/21: 9.4%

**Adjusted[2] free cash flow**
£163m
Change: +12%
2020/21: £145m

1. Like-for-like change excludes the impact of acquisitions and the effects of changes in exchange rates on translation of overseas operating results, with 2020/21 converted at 2021/22 average exchange rates. Revenue is also adjusted to eliminate the impact of trading days year on year. Acquisitions are only included once they have been owned for a year, at which point they start to be included in both the current and comparative periods for the same number of months (see Note 3 on pages 147 to 150 for reconciliations).
2. Adjusted excludes amortisation of intangible assets arising on acquisition of businesses, acquisition-related items, substantial reorganisation costs, substantial asset write-downs, one-off pension credits or costs, significant tax rate changes and associated income tax (see Note 3 on pages 147 to 150 for reconciliations).

## RS Group plc is listed on the London Stock Exchange and is a constituent of the FTSE All-Share Index

## Stock ticker: RS1

(formerly Electrocomponents plc with stock ticker: ECM)

# Contents


**Strategic report 02**

| | |
|---|---|
| Our investment proposition | 02 |
| Our business at a glance | 04 |
| Chair's introduction | 06 |
| Drivers of outperformance | 08 |
| Chief Executive Officer's review | 18 |
| Our Journey to Greatness | 22 |
| One Brand, One Team, One Culture | 24 |
| Business model | 26 |
| Our strategic priorities | 28 |
| Our market and proposition | 32 |
| Stakeholder engagement | 34 |
| Key performance indicators | 36 |
| Business review | 40 |
| Financial review | 44 |
| Risks, viability and going concern | 50 |
| Environmental, social and governance | 58 |
| Non-financial information statement | 82 |

**Corporate governance report 84**

| | |
|---|---|
| Chair's letter | 84 |
| Corporate governance at a glance | 86 |
| Our Board of Directors | 88 |
| Board leadership and Company purpose | 90 |
| Audit Committee report | 100 |
| Nomination Committee report | 106 |
| Directors' remuneration report | 108 |
| Directors' report | 130 |
| Statement of Directors' responsibilities | 132 |

**Financial statements 133**

| | |
|---|---|
| Independent Auditors' report | 133 |
| Group accounts | 140 |
| Company accounts | 180 |
| Five year record | 186 |

**Shareholder information 187**


Scan to read our Annual Report and Accounts online

Scan to read 2030 ESG action plan – For a Better World

Scan to read our Notice of Annual General Meeting 2022









# Five key reasons to invest

**We are committed to delivering a lean and sustainable business which is well positioned to drive market outperformance, high-quality margins and strong free cash flow.**

## 1 Leveraging our differentiated business model

**Leading global distributor to offer industrial and electronic product and service solutions**
- Product and service solutions proposition
- Wide breadth and depth of product offer
- Industrial and electronic component expertise
- Industry-leading product availability
- Digitally-led with a human touch
- Fast and responsive customer service
- Strong own brand, RS PRO
- Increasingly becoming a one-stop shop for our customers

**Our Journey to Greatness will drive stronger revenue and high-quality profit**
- We see the opportunity to improve further through:
  - **G**alvanising a high-performance, purpose-led culture
  - **R**ealising world-class customer experience
  - **E**xtending our wisdom, insight and data
  - **A**ccelerating to a solutions-led, innovative business
  - **T**ransforming our executional capabilities

**>700,000** stocked products

**23%** solutions revenue

**62%** digital revenue

## 2 Gaining share in a large, fragmented market

**Global player in large fragmented marketplace**
- Market valued at over £400 billion
- Market growing at around GDP
- Top 50 players account for c. 30% of market
- Market consolidation accelerating
- We are one of a few global players
- We have <1% of global market share
- We have >1.2m customers with average order value of £211 (excluding our integrated supply business's pass-through sales orders)

**Driving continued market outperformance**
- Expand service solutions offer; customers receiving a solutions-based service generate c. 30% higher growth
- Increase product range depth and category verticals
- Widen industry exposure
- Deliver best-in-class customer experience
- Drive greater website traffic and conversion
- Leverage digital data and knowledge
- Differentiate different customer needs and service levels
- Share expertise and services across the Group

**<1%** share in >£400bn global market

## 3 Supporting a more sustainable and inclusive world

**2030 ESG action plan – For a Better World aligned with our purpose and The RS Way**
- We attract, retain and develop industry-leading talent within a diverse and inclusive culture
- Extending our sustainable product and service solutions to help our customers achieve their own sustainable ambitions
- Creating a cleaner and greener distribution model for our distribution centres, product transportation and packaging
- Proactively address our environmental impacts to tackle climate change and ensure we grow sustainably
- Build resilience in the face of long-term global challenges such as climate change

**Strong ESG ratings and benchmarks**
- CDP 2021 climate leadership score: A-
- EcoVadis: Gold medal rating
- FTSE4Good Index score: 3.2/5
- MSCI: A rating
- Sustainalytics rating: Global top 50 ESG companies – 18/14,661; negligible risk (6)

**A-** CDP 2021 climate leadership score

## 4 Accelerating organic growth with acquisitions

**Inorganic opportunities are strengthening our proposition and growth ambitions**
- Significant investment has built a scalable operating base from which to enable inorganic growth
- Adding acquisitions to accelerate organic strategy
- Clear, prioritised view of targets and markets
- Disciplined build or buy analysis, in that order
- Opportunities aligned with future market trends
- Significant firepower to support growth

**Strategy-led prioritisation of value-accretive acquisitions**
- To expand product and service solutions offer
- To add new product extensions and adjacencies
- To deepen geographic coverage

**Disciplined approach**
- Shareholder value driven, not just financial metrics
- Cultural fit critical
- ESG lens on every transaction

**0.1x** net debt to adjusted EBITDA provides opportunity to invest organically and inorganically

## 5 Driving strong revenue, cash conversion and attractive returns

**Driving scale and a lower cost to serve**
- Continued market share gains
- Gross margin underpinned by specialist service proposition
- Ongoing investment delivering a strong and scalable operating model
- Utilising digital assets and data to improve returns
- Increasing automation in distribution centres
- Re-engineering supply and transport routes
- Sharing Group expertise and services
- Adding acquisition opportunities

**Strong cash and returns focus**
- Tight working capital management and disciplined capital investment
- 70.8% adjusted operating cash flow conversion
- 12.5% adjusted operating profit margin
- 28.7% return on capital employed
- Progressive dividend policy

**28.7%** return on capital employed

# Our business at a glance

## A global partner

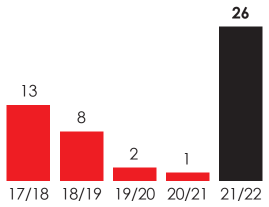
**Revenue split**

| | |
|---|---|
| EMEA | 62% |
| Americas | 28% |
| Asia Pacific | 10% |

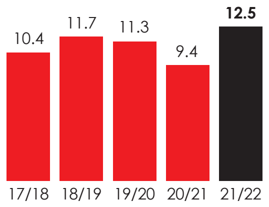
**Profit split**

| | |
|---|---|
| EMEA | 65% |
| Americas | 27% |
| Asia Pacific | 8% |

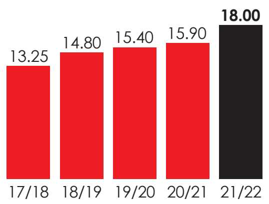
**Like-for-like revenue growth (%)**



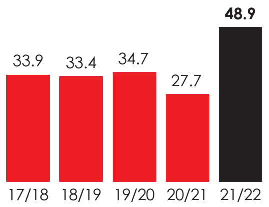

**Adjusted operating profit margin (%)**




**Dividend per share (pence)**




**Earnings per share (pence)**




## Breadth of service

**Revenue split by product and service solutions**

| | |
|---|---|
| Electrical | 21% |
| Automation and control | 23% |
| Mechanical and fluid power | 4% |
| Electronics | 22% |
| Single-board computing | 3% |
| Facilities and maintenance | 22% |
| Other | 5% |

**Revenue split by range of industries**

| | |
|---|---|
| Original equipment manufacturing | 24% |
| Commercial and financial services | 12% |
| Electronics manufacturing | 13% |
| Process manufacturing | 12% |
| Public sector | 3% |
| Transport and defence | 8% |
| Utilities and energy | 5% |
| Other | 23% |

Working with over
**2,500**
suppliers for our stocked product range

Digital market leader
**62%**
revenue through digital channels

Operations in
**32**
countries

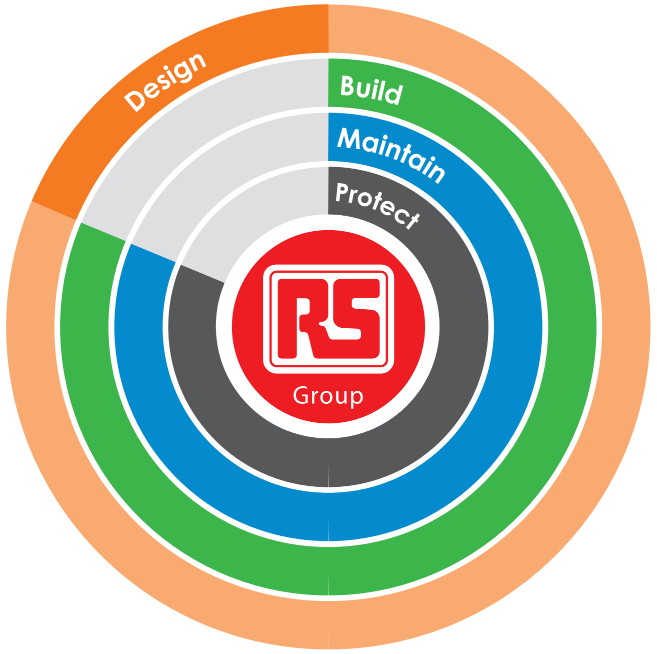
Over
**60,000**
parcels shipped daily

Over
**700,000**
stocked and three million unstocked high-quality industrial and electronic products

Over
**1,200,000**
customers

Read more on pages 32 and 33

## RS Group: One integrated global brand for the designers, builders and maintainers of industrial equipment and operations




Read more on pages 24 and 25

## Our drivers of outperformance

### People and knowledge
Read more on pages 08 and 09

### Product choice
Read more on pages 10 and 11

### Providing solutions
Read more on pages 12 and 13

### Ease of doing business
Read more on pages 14 and 15

### ESG
Read more on pages 16 and 17

## Our 2030 ESG action plan

For a Better World is our 2030 action plan to support a more sustainable and inclusive world. We are bringing our people, customers, suppliers and communities together to accelerate our positive impact and deliver our purpose of making amazing happen for a better world.

MAKING AMAZING HAPPEN
FOR A BETTER WORLD

Read more on pages 58 to 81

**Our ESG goals:**

Advancing sustainability

Championing education and innovation

Empowering our people

Doing business responsibly

**Our ESG ratings and standards:**

ecovadis 2021 Gold
Gold medal rating

CDP
Climate leadership score: A-

SUSTAINALYTICS
Global top 50 ESG companies – 18/14,661; Negligible risk (6)

MSCI
A rating
2021

FTSE4Good
Index: 3.2/5 score
2021

# "Our performance demonstrates the strength of our people and proposition and fills us with great confidence in our future journey."

**Rona Fairhead**
**Chair**

RS Group (formerly Electrocomponents) has had a very strong year and made huge progress towards our vision of being first choice for all our stakeholders. As I reflect on these achievements, my overriding sense is one of thanks to Lindsley, David, the Senior Management Team (SMT) and all the employees of the Group for their hard work, dedication and good humour. Our success is a testament to them. To deliver such good results in the face of supply chain disruption, COVID-19 restrictions and geopolitical stresses is remarkable.

The tragic events which have unfolded in Ukraine have truly shocked and saddened me and highlight the ongoing difficulties and uncertainties being faced. My thoughts are with all those who are affected by the situation.

## High-performance, purpose-led culture

This has been a year of continued outperformance with very strong like-for-like revenue growth and operating profit margin improvement across all three regions, most notably in Asia Pacific. We have demonstrated our resilience and the benefits of a clear strategy, a high-performance, purpose-led culture and the ability to act as one team.

Our culture is a critical factor to our success. We have a team of amazing leaders who are cultivating an environment of growth, innovation and operational excellence, making the Group a place people want to join and work. We ensure their health, safety and wellbeing is our number one priority and we invest in their training and development to ensure we have a solid infrastructure for organic and inorganic growth. This is further supported by the SMT which we continue to strengthen.

## Our commitment for a better world

Our purpose-led culture underpins our environmental, social and governance (ESG) ambitions and in November 2021 we launched our 2030 ESG action plan – For a Better World. Framed around four global goals, our plan sets out 15 long-term commitments to contribute towards a more sustainable and inclusive world, while delivering long-term value to all our stakeholders. I am extremely proud of our work in this area and pleased that our improved sustainability progress is receiving external recognition too (see page 59).

## To be first choice

Our vision is to be first choice for all our stakeholders: our people, customers, suppliers, communities and shareholders. This vision ensures we are focused when planning and executing our strategy.

Our people are our most important asset and we are passionate about nurturing talent. We want to be our customers' go-to provider of product and service solutions and our suppliers' go-to partner as we expand their market and product reach. Our strong commitment to supplier relationships and investment in our facilities enabled us to maintain good product availability and customer service despite global supply constraints. We have continued to invest in our people, new innovative solutions and operations to support our growth.

We work hard to generate sustainable value, both for our communities through our educational programmes and environmental improvements, and also for our shareholders. I believe we have a responsibility to motivate, support and excite young people, especially within the engineering industry; after all, they are our future. In November 2021, I visited our operations in Fort Worth, US, and was fortunate to meet some of the research students we sponsor at Texas A&M University and some of the businesses we support in our DesignSpark Innovation Centre (see page 67). Their ideas, passion and enthusiasm were infectious, and very humbling.

## Becoming great

Our fast and responsive omni-channel experience, broad product choice and availability, and expanding solutions offer are key to our outperformance and evident in an increasing average order value and growing business-to-business customer base. Our performance demonstrates the strength of our people and proposition and fills us with great confidence in our future journey. We know we can be even better.

In March 2022, the Company held an Investor Event which outlined the five key opportunities which will drive us on our Journey to Greatness to deliver stronger revenue and high-quality profitable growth. This journey requires further improvement in our performance and execution to move us from a good Company to a great one and we set out on pages 22 and 23 how we plan to achieve this.

## From Electrocomponents to RS Group

The Board approved the decision to rename the Company to RS Group plc bringing our business together under one brand, united behind our vision of being first choice for all our stakeholders. We believe this will allow customers and suppliers to see the full breadth of our offer, our people to feel part of one joined-up global business and our communities and investors to have a clearer view of what we stand for and our opportunities for growth.

## Our investors

It is of critical importance to me that we maintain an active and open dialogue with our investors. During the pandemic, meetings were limited to virtual only. However, as the COVID-19 restrictions eased during the year, we were fortunate to meet many of our shareholders in person and look forward to meeting many more, if appropriate, at this year's Annual General Meeting and beyond.

The Board understands the importance of the dividend to its shareholders, and we are pleased to continue with our progressive dividend policy. The increase in the dividend reflects the Board's confidence in the future prospects of the Group and its strong balance sheet.

## Our Board

We have an excellent Board, with varied and relevant experience combined with a positive but challenging approach. My most sincere thanks goes to the Board members for their ongoing contributions and commitments. Earlier in the year Bertrand Bodson stood down from the Board and I would like to thank him for his significant contribution over the past six years. As Bertrand stepped away, we welcomed Alex Baldock, chief executive of Currys plc, in September 2021 and welcome Navneet Kapoor, executive and chief technology and information officer at A.P. Møller Maersk, who joins on 1 June 2022. Both Alex and Navneet have led transformations from a product-driven to service-driven business in very different industries and have great international and digital experience.

## Looking forward

As we set out on our Journey to Greatness, we are aware of the challenges and uncertainties of the external environment. However, given what the Group has achieved so far, the clarity of our strategy, the attractiveness of our offer and the further growth opportunities we see, we remain confident for our future sustainable journey and that we can continue to drive value for all our stakeholders.

**Rona Fairhead**
Chair
24 May 2022

# Driving value for all our stakeholders

### Our people

Committed to developing talent and building a high-performance culture

**75**
employee engagement score

Read more on pages 69 to 73

### Customers

Saving our customers time and money and making it easy for them to run their businesses

**50.6**
Net Promoter Score

Read more on page 30

### Suppliers

Extending market reach and providing insight and analysis for our suppliers

**2,500+**
suppliers for our stocked product range

Read more on page 30

### Communities

Respecting, protecting and contributing to the communities in which we operate

**500+**
hours volunteered by RS for The Washing Machine Project

Read more on pages 66 to 68

### Shareholders

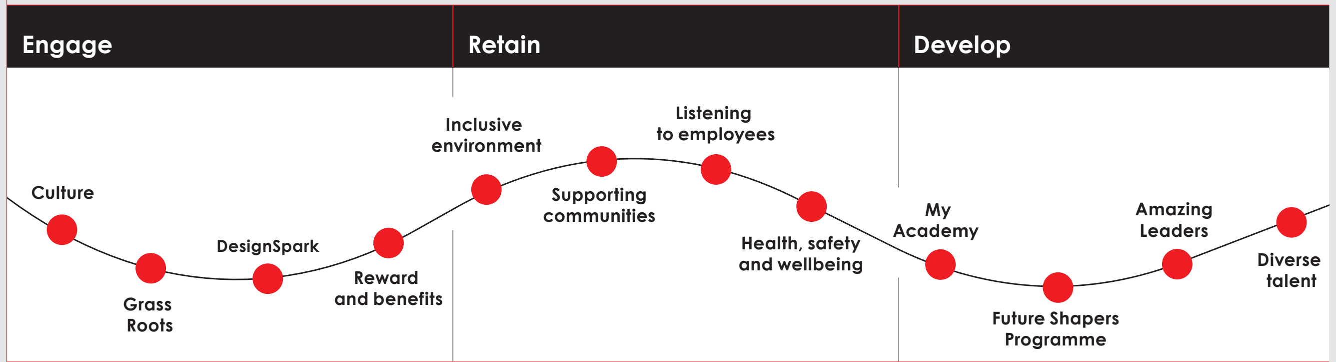
Delivering sustainable growth and superior value for our shareholders

**> £2bn**
total shareholder return over 3 years

Read more on page 127

# We have a diverse and experienced high-performance team

## Our people are empowered with the skills and knowledge that drives our outperformance and vision of becoming first choice for all our stakeholders




| Engage | Retain | Develop |
|---|---|---|
| • High-performance, purpose-led culture<br>• Grass Roots education programme supporting future engineers and innovators<br>• DesignSpark engineering and innovation community<br>• Diverse and extensive physical, financial and occupational benefits | • Transparent, accountable and inclusive environment<br>• Employee networks that create greater awareness of the communities in which we operate<br>• Global listening strategy through engagement pulse surveys<br>• Mental heath training and Target Zero accidents programme | • Dynamic and digital learning pathways for all employees via My Academy<br>• Future Shapers talent programme<br>• Amazing Leaders: peer-to-peer learning, developing behaviours and capability for future success<br>• Targeted leadership programmes to support female and ethnically-diverse talent |

**90%**
employee retention rate

**75**
employee engagement score

# Our broad and deep product offering differentiates us

## We are a leading distributor with the product range, superior availability and responsive service capability to offer industrial and electronic components globally

### Broader and wider product offer versus major competitors

| | | | Unnamed major competitors | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | RS Group | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **Industrial products** | Automation and control | ● | ◖ | ◖ | ◖ | | ● | | ● |
| | Electrical | ● | ◖ | | ◖ | | ● | | ● |
| | Mechanical | ● | | | | ● | | ● | |
| | Fluid power | ● | | | ◖ | ● | | ● | |
| | Tools | ● | | | ◖ | ● | ◖ | ● | ◖ |
| | Personal protective equipment | ● | | | | ● | | ● | |
| **Electronic products** | Semiconductors and passives | ◖ | ● | ● | ● | | | | ◖ |
| | Electromechanical and interconnect | ● | ● | ● | ● | | | | ● |
| | Single-board computing | ● | ◖ | ◖ | ● | | | | |

● Full product offer
◖ Part range

Over
**700k**
stocked products

**80k**
RS PRO products

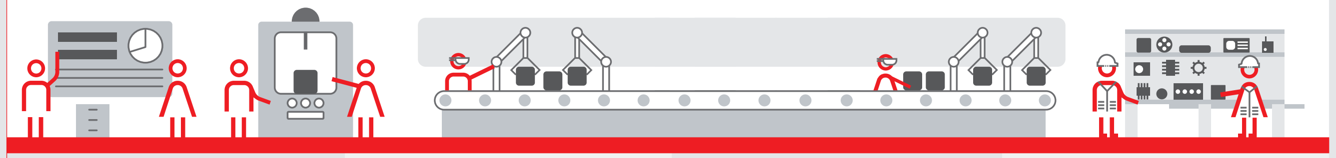




# We solve customer problems and unlock new opportunities

## Our product and service solutions meet the needs of designers, builders and maintainers of industrial equipment and operations as they manage their design, procurement, inventory and maintenance needs

### Solutions that span our customers' asset lifecycle



| Design | Procurement | Inventory | Maintenance |
| --- | --- | --- | --- |
| • Technical support<br>• Virtual demo lab<br>• Product comparisons<br>• Design support<br>• Prototyping services<br>• DesignSpark | • RS eProcurement solutions<br>• RS PurchasingManager™<br>• RS ConnectPoint®<br>• RS Product Plus<br>• Integrated Supply<br>• MyMRO / Sync | • RS ScanStock®<br>• RS VendStock®<br>• RS Plus™<br>• Stores management<br>• Kitting / special handling<br>• Scheduled orders | • Calibration<br>• Lubrication / oil analysis<br>• Condition monitoring<br>• Safety Solutions<br>• RS Industria™<br>• Energy optimisation |

**23%**
of Group revenue attributed to service solutions

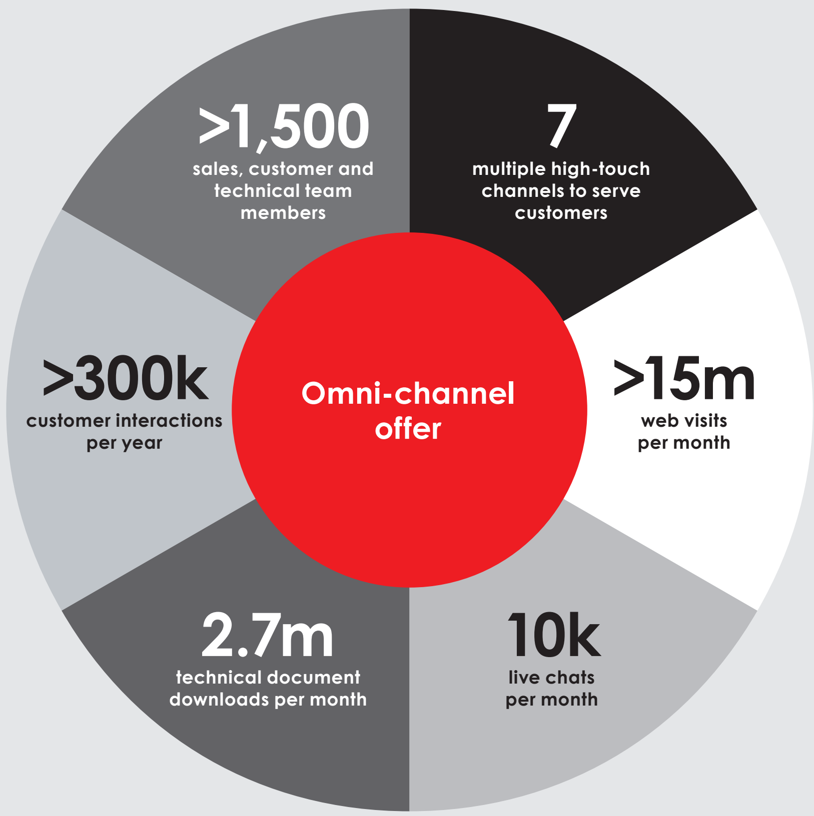
**>700**
solution experts





# We deliver a technology-enabled experience with a human touch

## Our omni-channel offer ensures we serve our customers through the most appropriate channel to give them a personal, efficient and differentiated experience




**62%**
of revenue through digital channels

**c. 4%**
of Group revenue spent on digital per annum

# Our strong ESG approach underpins all we do

## Our 2030 ESG action plan – For a Better World is aligned fully with our purpose and embedded into our strategic plan, growth initiatives and management targets

**50%**
reduction in Scope 1 and 2 emissions since 2019/20[1]

**£300m**
sustainability-linked loan to help facilitate ESG action

**75**
employee engagement score

**32%**
women in leadership roles

**ESG will be embedded in our annual incentive, covering c. 40% of employees**

**500+ hours**
volunteered by our people for The Washing Machine Project

**1st**
circular product recycling scheme with Raspberry Pi

1. Scope 1 and 2 $CO_2e$ emissions updated to reflect changes in reporting and emissions factors.





# "Our outperformance reflects the hard work of our skilled and dedicated people."

**Lindsley Ruth**
**Chief Executive Officer (CEO)**

## Our year

We have had a very strong year, reflecting the work our people and teams have done in strengthening our position as a global omni-channel provider of industrial product and service solutions. We have delivered strong revenue and profit growth despite the challenges created by the pandemic, global supply chain disruptions and cost inflation.

Our performance is down to our talented people, and our number one priority remains their health, safety and wellbeing. The pandemic brought us closer together as colleagues and as a Group. Physically we have spent much of the year working apart, but our strong technology capability has allowed us to operate uninterrupted and connect better across teams and regions.

There has been a change in culture across the Group as we have invested in talent, empowered our leaders and incentivised our teams with targets they can identify with and influence. The culture change has been the main driver of our market outperformance in all three regions, with greater operational ownership underpinning stronger profitable growth. We thank all our 7,654 employees and feel honoured that 90% choose to remain with us.

This year has been one of external recognition too. Our strength has resulted in us re-joining the FTSE 100 Index, over 19 years after we left. We also won 'company of the year' at the plc awards 2021, were voted one of the Top 50 Inclusive UK Employers 2020/21 and are ranked by Sustainalytics as 18 out of 14,661 companies globally for our environmental, social and governance (ESG) commitment. Achieving these milestones reflects the hard work all our teams do to fulfil our purpose of making amazing happen for a better world.

## Our transformation

We have come a long way since I joined the Company in 2015, transforming the performance and aspirations of our business. We have proven our ability to outperform consistently and deliver market share gains; improved the Group's profitability and shown we can operate better and more sustainably; demonstrated the strength of the business through the cycle and particularly in difficult macroeconomic conditions; and accelerated our growth opportunities with bolt-on acquisitions.

Our outperformance is underpinned by being resilient and adaptable. We have a long history of controlling our own future through anticipating and adapting to market changes, to delivering a first-class customer experience and evolving our proposition to become solutions led. This has been fundamental to our growth journey and sets us aside from our more transactional competitors.

We are a socially and environmentally responsible organisation with high ethical and governance standards which I lead and for which I am directly accountable. We want to be a leader in creating a more sustainable and responsible future and know that this can also be a key value driver and competitive differentiator.

In November 2021, we launched our 2030 ESG action plan, with four global goals and 15 supporting actions. It is integrated into our strategic plans, our 2022/23 management incentive targets and underpins our purpose. Importantly, we are supporting all our stakeholders as they become more sustainable: we sell products and service solutions that support our customers' and suppliers' sustainability ambitions; we are attracting and empowering a more diverse workforce and we are adding value to our communities through our educational resource; and we are improving returns for our shareholders. Our work is also recognised externally by strong ESG ratings which is already proving a differentiator in winning commercial tenders.

## Reviewing 2021/22

We delivered very strong like-for-like revenue growth of 26% during the year, of which c. 19% was volume and mix driven. We have grown market share in all regions through providing an extensive product and service solutions offer and industry-leading product availability with a fast, responsive and omni-channel customer experience.

We have strengthened our customer relationships, delivered a more tailored user experience and offered services to solve our customers' procurement problems. This has resulted in a higher average order value for our non-integrated supply business, growth in our business-to-business (B2B) customer base and increased levels of customer engagement. We are increasingly becoming a one-stop shop for our customers.

Meanwhile, our procurement expertise and experience allowed us to identify supply issues in the market early and work closely with our suppliers to secure and invest appropriately in greater levels of inventory and ensure industry-leading availability.

We have taken actions during the year to improve our gross margin through revising our pricing and discount policies, developing our own-brand range and negotiating buying terms better. This has been delivered despite some regional and product mix dilution and ongoing pressures from inbound freight inflation.

Cost pressures have worsened. Freight rates and delivery charges remain at elevated levels and show no signs of abating. We are managing the cost impact through storing our product closer to the customer and working with our suppliers to become more regionally sourced. This action is reducing our freight miles, and those of our suppliers, thereby decreasing carbon emissions too.

## Bridging the past with the future

At the end of March 2022, I was honoured to be joined by our former Chairman and CEO, Bob Lawson, at our Investor Event where Bob outlined what drove our recovery over two decades ago: it was from being focused on our customers, having a culture that embraced testing and learning, developing our internet capabilities and being international. What underpinned it all, the foundation of our business, was providing a first-class customer service and experience that ensured we only ever had satisfied customers. Fundamentally, these attributes have also been key in driving our recovery over the last seven years and continue to underpin our strategic ambitions and future growth.

*Lindsley Ruth, current CEO, with Bob Lawson, CEO (1992–2001) and Chairman (2001-2006)*

**Scan to watch our Investor Event**

We have also seen greater labour and energy inflation, although the latter is not significant given our capital-light business model and move towards lower-carbon facilities and sustainable energy sources (88% of our electricity is from renewable sources). Given the importance of our people, we ensure we offer competitive pay and benefits, implementing a real pay rise and an additional 'thank you' bonus to all permanent employees during the year.

We continually invest in our operating model to strengthen our expertise, advance our technological and digital capabilities, grow our product and service solutions capacity and improve our operating basics. We have strengthened our experience in areas where we can widen our competitive differential further. We have developed internally and recruited externally excellent people who support our ambitions for stronger revenue and high-quality profitable growth.

Even after this targeted operational investment, our adjusted operating profit conversion improved by 6.4 percentage points to 28.4%.

Our operating profit grew by 85%, or 70% on an adjusted basis to deliver a 3.1 percentage point improvement in our adjusted operating profit margin to 12.5%. On a two-year basis, and so excluding the impact of the COVID-19 pandemic in 2020/21, revenue and adjusted operating profit grew by 31% and 45% respectively.

We completed the physical expansion of our German distribution centre (DC) in September 2021. This will, in time, double our capacity and improve our speed and service in Europe, mitigating some of the additional costs and processes arising from the UK's exit from the European Union.

We remain strongly cash generative, despite additional inventory investment as we deepened our product offer through our expanded DCs in the US and Germany and ensured strong product availability despite supply chain disruptions.

We are financially strong and remain extremely disciplined. Our return on capital employed improved nearly 10 percentage

## Our drive to net zero

Climate change is one of the greatest challenges facing our world today. As a critical partner to the global industrial sector, we are committed to reducing our climate impacts by adopting a cleaner and greener distribution model, while providing sustainable product and service solutions that enable our customers and suppliers to address their climate goals.

In November 2021, we launched our 2030 ESG action plan – For a Better World. Our ambitious new plan includes a commitment to achieve net zero in our direct operations by 2030 and in our wider value chain by 2050. To deliver this, we have set three science-based targets covering our Scope 1, 2 and 3 carbon emissions and submitted these in May 2022 to the Science Based Targets initiative (SBTi) for verification. In doing so, we join the largest global alliance on climate change: the United Nations Race to Zero and the UN Global Compact's Business Ambition for 1.5ºC.

Our decarbonisation plan is progressing well. In 2021/22, we obtained 88% of our electricity from renewable sources. We have achieved an absolute Scope 1 and 2 emissions reduction of 50% and intensity reduction of 63% since 2019/20 (tonnes of $CO_2e$ per £m revenue). Beyond our own operations, we have encouraged our global suppliers to set carbon reduction targets with the SBTi, of which 19% of our suppliers by spend have already done so.

We are also expanding our product and service solutions that help our customers increase the sustainability of their operations and address their climate goals. Our plan is to introduce an RS sustainable product flag and range in 2022/23 to give our customers greater choice and confidence. During the year we were awarded an A- rating by CDP for our 2021 action and disclosure on climate change both for our direct and supplier engagement action. This reflects our ambition to raise climate action across our value chain.

To complement our commitments, we conducted a climate risk and opportunity assessment and scenario analysis in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in 2021/22. A summary of our TCFD disclosure can be found on pages 78 and 79.

There is a long road ahead, but we will continue to strive to be a catalyst for positive change throughout the global industrial sector and making amazing happen for a better world.

**Read more on page 61** ▸

points to 28.7% and we increased our dividend by 13% to 18.0p.

We believe we can accelerate our growth ambitions through ongoing organic investment, with value-accretive acquisitions which will enhance our proposition strategically. Our priority is to pursue high-quality businesses that can expand the Group's product and service solutions offer, extend our product offering and / or strengthen our position geographically. With our strong balance sheet, we have significant firepower but we are maintaining our financial discipline with acquisitions assessed on delivering strategic and financial benefit, strong returns and the all-important cultural fit. We are in a number of active discussions that meet our strict criteria.

### Becoming first choice

Our vision is to be first choice for all our stakeholders: our people, customers, suppliers, communities and shareholders. Delivery of this vision is planned and monitored according to three key themes and incorporates our stakeholder feedback and needs (see pages 34 and 35).

### Cultural transformation: having a high-performance, purpose-led culture

Our people are our most important asset and differentiate us. We have a diverse and inclusive culture, not just in gender and ethnicity but also mindset, which is vital in creating engaged, adaptable and high-performing people.

### Operational efficiency: delivering world-class capability and execution

We have invested in our DCs to expand inventory capacity, increase automation, develop technology and drive environmental efficiencies. This has allowed us to source and store more product locally, re-engineer supplier routes to reduce carbon emissions and develop a scalable global network to support our revenue growth ambitions. Additionally, our regional centres of expertise leverage our wisdom, insight and data across our core commercial functions to drive scale and improve efficiency.

### Growth accelerators: driving a compelling value proposition and customer experience

We have three growth accelerators which underpin our vision of being first choice for all our stakeholders:

- **We are easy to do business with:** our fast and responsive omni-channel model delivers a seamless end-to-end customer experience through digital channels, human touch or a combination of both with specialist support and product knowledge.
- **We offer a broad and deep product offer:** strong and extensive supplier relationships ensure product choice, availability and substitute options.
- **We provide product and service solutions:** solving our customers' problems across the design, build and maintain lifecycle drives closer and stronger relationships and greater value.

Combined, these three key themes, driven by our people and aligned to our purpose, ensure we provide a compelling customer experience and value proposition.





### Our Journey to Greatness

We see a huge growth opportunity for RS Group. We have less than a 1% market share of a very fragmented market and our proposition is resonating. We believe we can increase our ambitions, moving from the good business we are today to a truly great one.

We are calling this next phase our Journey to Greatness. We have a differentiated business model, but it can be better. To be great, we need to benchmark our business against the highest global standards and deliver best-in-class growth and returns within our core competitive strengths by:

- **G**alvanising a high-performance, purpose-led culture
- **R**ealising a world-class customer experience
- **E**xtending our wisdom, insight and data
- **A**ccelerating to a solutions-led innovative business
- **T**ransforming our executional capabilities

To mark this change, on 3 May 2022, we became RS Group. RS is our primary customer brand, recognised by engineers around the world. It has its roots in the very beginnings of the Company, which began life as Radiospares in 1937, founded on the same principles that guide us today: ease of doing business and putting the customer first. As RS Group, we are bringing our business together under one strong, unified global brand, united behind our single purpose. We believe this will open many more opportunities for us, unlocking our global efficiency, enabling scalability and helping us deliver our Journey to Greatness.

There is no change to our strategy. Our strategic roadmap, Destination 2025, has evolved into The RS Way, reflecting greater ambitions to drive stronger revenue and high-quality profitable growth. We have a purpose-led culture and vision with ESG embedded in everything we do to advance sustainability, champion education and innovation, empower our people and be a responsible business.

### In summary

As I write, there is a significant amount of uncertainty around the world including the invasion of Ukraine and geopolitical fallout; the lockdown of many cities in Asia owing to further outbreaks of COVID-19 and its variants; and the continued impact of inflationary pressures as well as a potential severe global economic slowdown. While we have no operations in Ukraine or Russia, our thoughts and support are with all those affected by the events. We are mindful of the challenges that all our stakeholders face and continue to provide assistance where we can.

However, despite these uncertainties we have established a track record of being resilient through the economic cycle and particularly during periods of macroeconomic uncertainty. This has been driven by our people, having a purpose-led culture and working as a team.

## Mitigating against supply chain disruptions

Over the last two years, there has been much disruption to global supply chains across many industries. The effects from COVID-19 and its variants, the UK's exit from the European Union, resource shortages and the Suez Canal blockage have resulted in logistical and capacity challenges, increased freight costs and material and product shortages. We implemented a number of actions to maintain our high-service level operation and minimise the impact not only for our customers, suppliers and the environment, but also the communities in which we operate. Such actions included moving freight from air to road in Europe and from air to sea in Asia Pacific, sourcing more products locally and working with our strategic partners to strengthen our carrier relationships and negotiation expertise. To help protect our customers from product shortages, we increased our holding of replenishment inventory to coincide with longer lead times, undertook strategic buying where possible and accelerated our strategy of positioning faster-moving products closer to the customer to reduce lead times, improve consistency of service and reduce cost. Our actions have delivered service and cost benefits while reducing our $CO_2$ emissions and have been a key driver of our market outperformance.

Having repositioned our Group, we can see the opportunity to unlock further growth through leveraging the Group's differentiated model, improving our operational execution and ensuring we contribute to making amazing happen for a better world.

Our strong market share growth and outperformance underpins our confidence in being able to deliver stronger revenue and high-quality profitable growth, enhanced by strategic acquisitions, with a mid-teen adjusted operating profit margin and underpinned by at least a 20% return on capital employed.

**Lindsley Ruth**
Chief Executive Officer
24 May 2022

# Our Journey to GREATness requires:

**We believe we can deliver stronger revenue and high-quality profitable growth. To do this, we need and want to be great. We need to improve our competitive strengths further by benchmarking our business against the highest global standards.**

## G
### Galvanising a high-performance purpose-led culture

We know that organisations which actively invest in their culture outperform their competitors. We want to attract, develop and retain the right talent through creating a purpose-led culture that empowers and excites. We are investing in our people by upgrading their skills and rewarding our managers based on the quality of employee experience they provide. We want to ensure that all employees bring their true self to work. This will develop an employee and candidate experience that sets us apart.

## R
### Realising a world-class customer experience

We have the data and insight to understand and anticipate better our customers' needs, optimise and accelerate product range expansion and develop a more customised and proactive customer service. All this is supported by our global distribution centre network. We are expanding our product and service solutions further, especially our industry-leading global integrated supply proposition. Ongoing development of our technology will provide an even more personalised customer experience through both digital channels and human touch to exceed customer expectations for speed, responsiveness and ease of doing business.

## E
### Extending our wisdom, insight and data

Wisdom comes from combining knowledge, judgement and data. We continue to invest in our data and insights capability to ensure we are differentiated and stay ahead of our competitors. We are analysing over 100 billion data records, including over 150 data points per customer, providing us with a better understanding of our customers and their behaviour. We can apply this insight to improve our pricing strategy, choose which markets and product ranges are most attractive and which services to offer. We see the opportunity to monetise our data to drive commercial value through new revenue streams.

## A
### Accelerating to a solutions-led innovative business

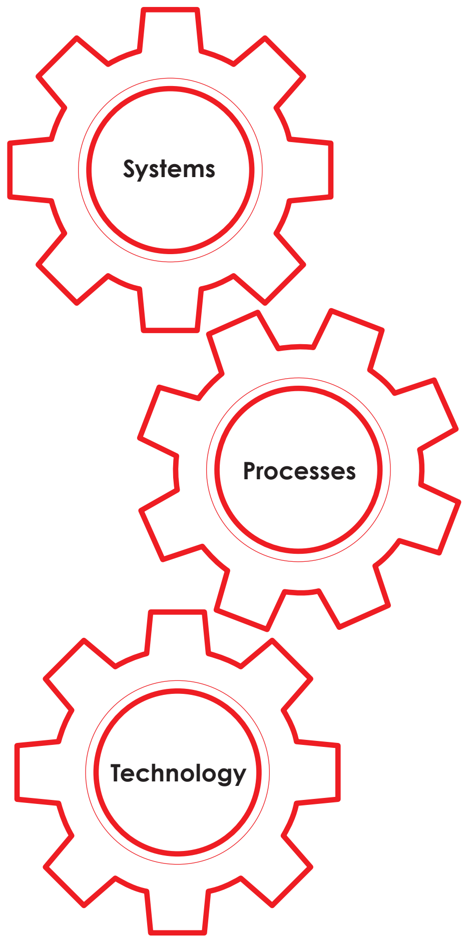
We have an ever-growing portfolio of product and service solutions that solves our customers' problems, supports our suppliers and generates long-term sustainable revenue. By evolving our solutions through iterative development, we can solve bigger problems, drive greater value and move from more transactional to strategic relationships. We are creating and introducing new innovative and digitally-enabled solutions for our customers which are generating additional revenue opportunities across the whole Group. This includes our integrated supply offer and our own brand, RS PRO.

## T
### Transforming our executional capabilities

Distribution is all about execution. We are focused on giving the right tools to the right people and marrying global expertise with local knowledge and experience. We have aligned operating plans fully across the Group. Our detailed operational reviews highlight where we can learn and improve as one team in order to enhance our organisational capabilities and develop a scalable go-to market strategy. We are improving efficiencies through creating a lean and scalable business model based on simplicity, transparency and accountability which is delivering an improvement in employee engagement.

## Supported by robust systems, processes and technology

Our systems, processes and technology support our value generating opportunities and ensure we are in a strong position to achieve greatness.



# RS Group: One Brand One Team One Culture

## Our name change to RS Group plc in May 2022 starts our transition for our brands to unite under the RS name.

Being one strong, unified global brand will open many more opportunities for us; unlocking our global efficiency, delivering scalability and helping us deliver our Journey to Greatness. This is an opportunity to achieve our vision to be first choice for all our stakeholders. Our people can feel part of one joined-up global business: one brand, one team, one culture. Our customers and suppliers can easily see the full breadth of our offer, our shareholders can have a clearer view of the sum of our parts and the communities we impact can be clear on our purpose and what we stand for.

RS Group

## The future RS Group

We are a leading global omni-channel industrial product and service solutions provider to customers who are involved in designing, building and maintaining industrial equipment and operations, safely and sustainably.

We are moving from a portfolio of separate brands that deliver product and services solutions across our customers' asset lifecycle to become a cohesive Group that drives greater sustainable value for all our stakeholders as we operate under one brand, RS.

### RS PRO

RS PRO is the Group's main own-brand product range of 80,000 high-quality, competitively priced industrial products

### RS Integrated Supply

We provide integrated global supply solutions for maintenance, repair and operations, trading as IESA and Synovos in 2021/22

### RS Safety Solutions

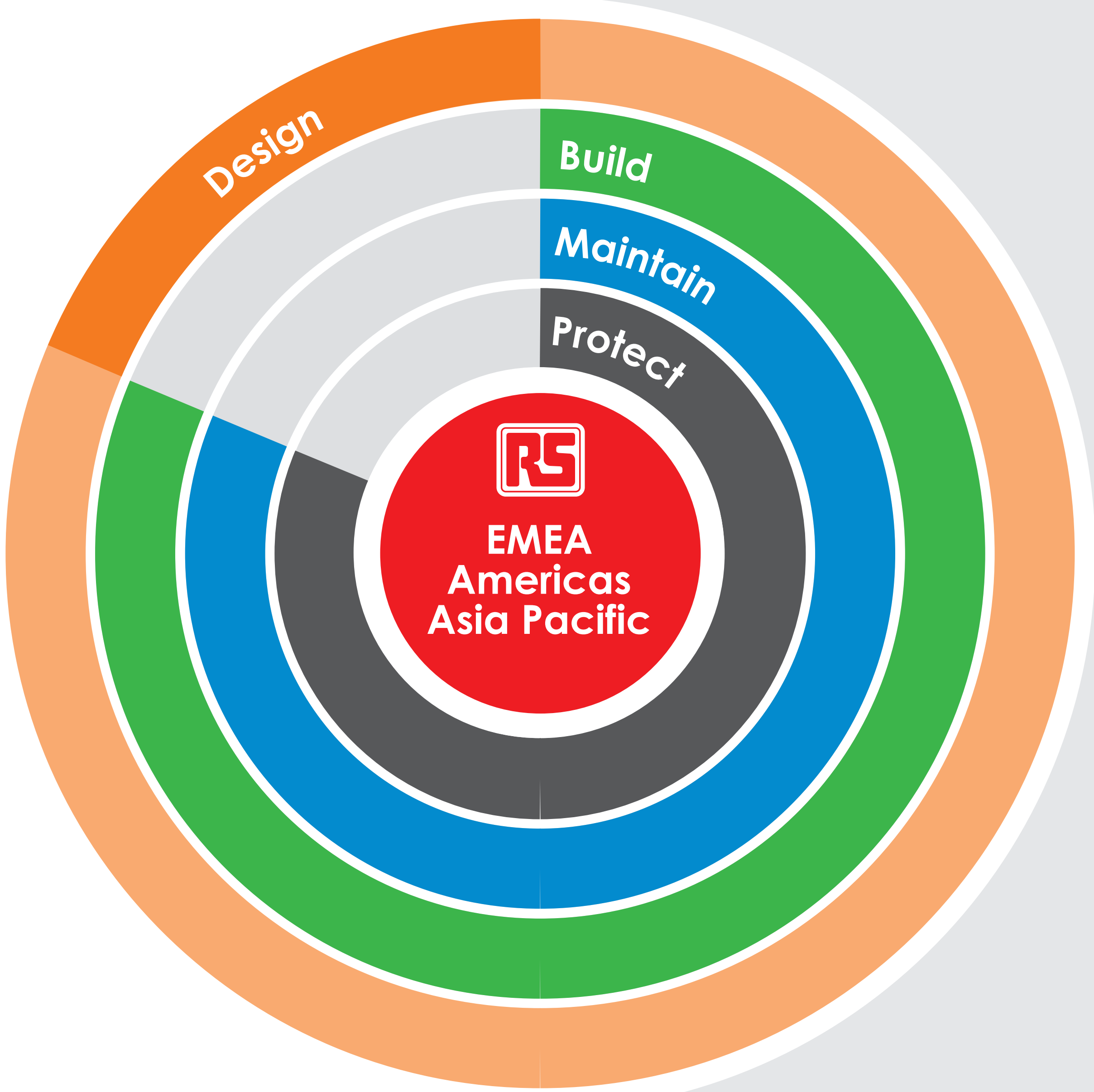
We are multi-specialists for personal protective equipment and hygiene solutions, trading as Needlers and Liscombe in 2021/22

### RS DesignSpark

RS DesignSpark is a community of engineers and students sharing design tools and resources

okdo™ DESIGN THE WORLD

OKdo is a technology solutions business focused on single-board computing, Internet of Things and education




- Design
- Build
- Maintain
- Protect

# Our competitive advantage

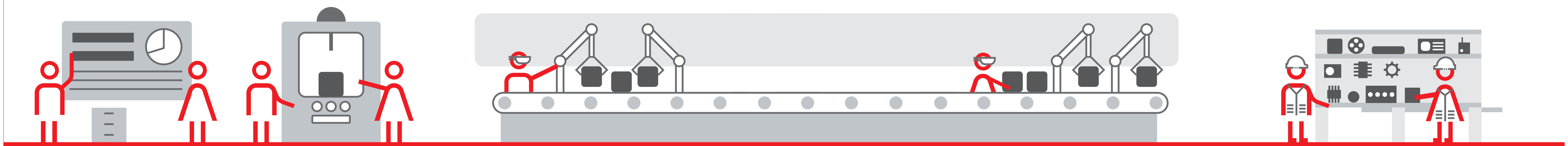
**We provide the product and service solutions that help our customers design, build and maintain industrial equipment and operations, safely and sustainably**

Design

Build

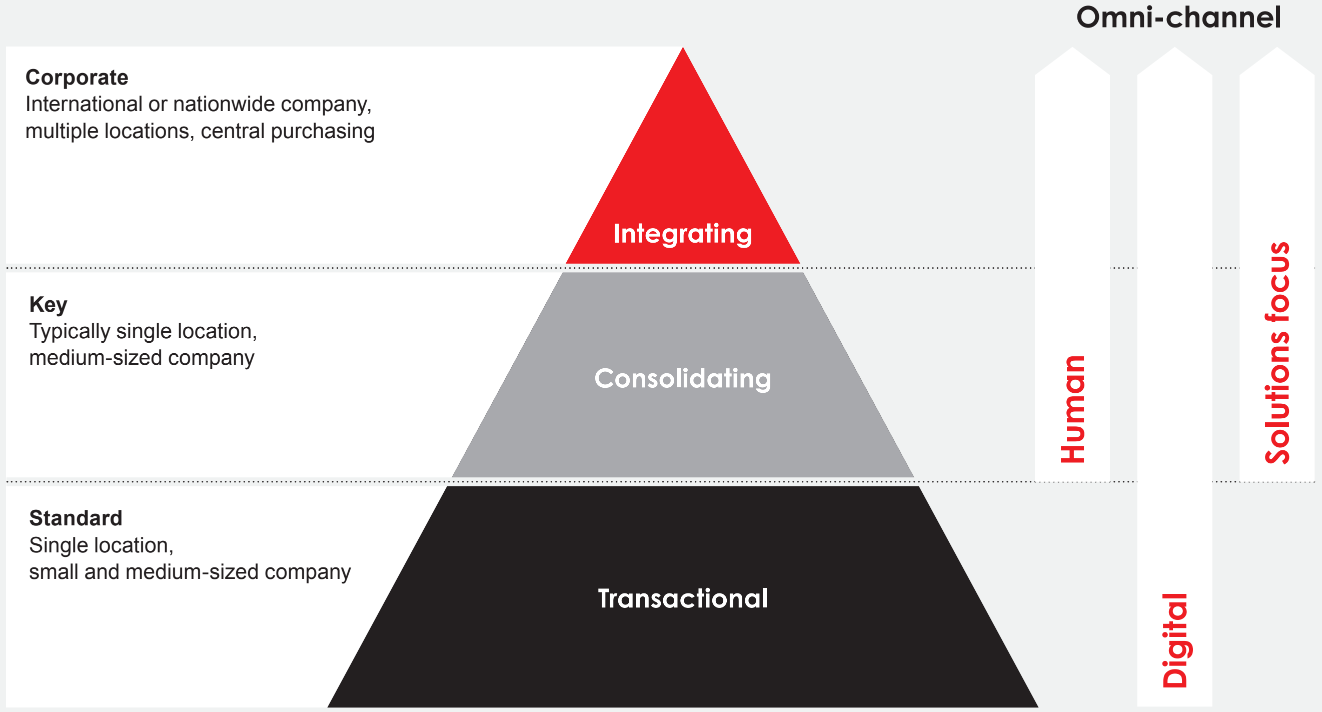
Maintain

Protect



## We have a deep understanding of our customers

Across industry verticals, our customers range from small local single site businesses through to multi-site global companies. Our service proposition depends on our customers' needs and the touch points we have with them to maximise customer lifetime value. Our solutions offer is broadly for corporate and key customers.




1. Excluding our integrated supply business's pass-through sales orders.

**>1.2 million customers with average order value of £211[1]**

## We provide what our customers need

What differentiates our proposition is that we ensure we provide a compelling customer and supplier experience and value proposition. Our outperformance is driven by continuously developing and improving these growth accelerators.

**Product choice**

A broad and deep range of industrial and electronic products

**>700,000 stocked products**

**Product and service solutions**

A portfolio of solutions across products and services which adds value and resolves problems

**23% of Group revenue attributed to service solutions**

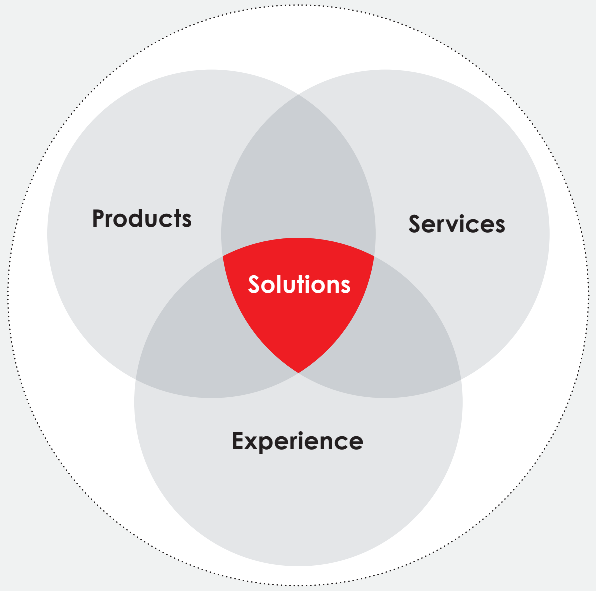
**Ease of doing business**

Technology-enabled experience powered by human touch, knowledge and expertise

**62% of Group revenue through digital channels**

## We deliver solutions to make us first choice for all stakeholders

We combine our product offering, services portfolio and responsive experience to deliver solutions which generate sustainable value for all our stakeholders. This underpins our vision of being first choice for all our stakeholders.



# The RS Way

## Our strategy is unchanged, but our ambition has increased


During 2021/22 we made strong progress against our five strategic priorities despite the external pressures we faced. We remain confident in our ability to develop our offer further and build the right capabilities and infrastructure to enable us to grow and scale our business more efficiently.

# The RS Way

## Our progress against our five strategic priorities and future initiatives

### 1 High-performance team

#### What this means
Investing in our people to build a purpose-led, customer-focused, diverse global talent base and leadership team.

#### Our progress in 2021/22
Our people engagement score continued to trend in a positive direction at 75 (2020/21: 74), putting us on track to achieve our ambition to be in the top 10% of high-performing companies for engaged employees by 2030.

To support our commitment to employee development, we launched My Academy in July 2021. This is a global digital learning platform accessible by all employees to connect, learn and grow. It helps them to be self-driven and have a more personalised learning experience. It is available in 27 languages and over 6,000 employees have completed over 62,000 items of learning. This contributed to a total of over 32,000 hours of online training across the year.

In addition to this, our leader development programme, Management Matters, continues to offer prioritised digital learning pathways for all people managers. These range from essential management basics to skills masterclasses that attract more than 300 people managers per month.

We accelerated efforts to increase focus on diversity and inclusion through the launch of a new global inclusion training module. By standing together united for inclusion we create a safe, inclusive and dynamic culture where our people can thrive and grow. The training was successfully received, with over 90% of desk-based employees having completed it.

#### Future initiatives
We will invest further in our people to continue building a safe, inclusive and dynamic culture which enables our people to bring their true self to work and thrive.

### 2 Best customer and supplier experience

#### What this means
By excelling at the basics and providing differentiated solutions, we are putting our customers and suppliers at the heart of our business and making their lives easier.

#### Our progress in 2021/22
We are focused on driving a fast and responsive omni-channel experience for our customers. This year we rolled out an improved purchase experience with 'single basket' allowing customers to build baskets across multiple devices, and developed a more responsive user interface meaning the customer's view is optimised depending on the device they are using.

We have developed our approach in delivering greater customer lifetime value through improving our focus on acquiring, developing and retaining our customers. This has resulted in an increased share of wallet and more efficient cost to serve, resulting in greater profitability.

We continue to work with our suppliers to improve the sustainability of our value chain and to source and deliver innovative and sustainable product and service solutions closer to our customers. This has been enhanced by our recent acquisitions.

RS PRO remains a key growth driver for the Group, with 19% like-for-like revenue growth (up from 10% in 2020/21) and adding over 12,500 new products to its range including the launch of a recycled PLA 3D printer filament created from recycled post-industrial waste, offering customers not only high-quality products at competitive prices, but environmentally friendly alternatives.

#### Future initiatives
We continue to invest in building a truly differentiated and personalised offer with unrivalled product choice, specialist technical support and solutions that make our customers' lives easier. We are also expanding our sustainable product range and profile online.



### 3 Innovation

#### What this means
Introducing new products and solutions to harness our digital expertise, data and insight. Taking advantage of new technologies and changing market dynamics to create new opportunities for growth and efficiency.

#### Our progress in 2021/22
Throughout the year we have continued to drive innovation to support our customers, suppliers and communities.

Across EMEA, we launched a new service solution in 3D printing and printed circuit board manufacturing to support customers engaged in product design and manufacturing.

RS Industria™ was launched in the UK to support our customers with their maintenance needs. Using data insight, RS Industria™ is able to predict the needs of our customers' business before a problem occurs, while also supporting their sustainability goals by providing energy usage insight, process quality and asset reliability.

DesignSpark opened its first innovation centre in Texas, US, dedicated to incubating and accelerating start-ups. Opened in November 2021, the centre allows us to help start-ups to prove and grow their propositions. In return, the centre opens further opportunities for the Group, giving us access to emerging technologies and solutions that could in the future be applied across our business.

#### Future initiatives
We continue to drive more innovation focusing our global effort on service solutions, in turn driving product purchases, to differentiate ourselves and future-proof our business.

### 4 Operational excellence

#### What this means
Continuously improving service and efficiency to build a sustainable business.

#### Our progress in 2021/22
We are focused on continuous improvement to provide best-in-class customer service while driving operational efficiencies.

We have improved our operational capabilities in the year by training 1,069 employees across the business to become process improvers and lean thinkers. We have introduced 78 continuous improvement ambassadors helping to deliver over 300 projects in the year.

We continue to enhance our website capabilities to ensure a seamless customer experience. We have deployed a new content management system for our website that enables quick, easy and efficient digital content changes and integration with personalisation and automation technologies to help create a customised and responsive digital experience for our customers.

Additionally, our focus on enriching product content on our websites has contributed towards accelerated search engine optimisation performance.

We have improved our speed to market when launching new products through a focused marketing campaign coordinated with a training programme for our field-sales teams.

#### Future initiatives
We will continue to invest in technology and automation to simplify processes, drive efficiencies and improve service where we can across our business.

### 5 Reinvestment to accelerate growth

#### What this means
Being disciplined in our allocation of cash between organic investment to drive faster growth, inorganic opportunities and attractive sustainable shareholder returns.

#### Our progress in 2021/22
During the year, we continued our operating and capital investment to drive stronger revenue and high-quality growth.

We increased our inventory by over 20%, despite the global supply chain challenges, leveraging our supplier relationships and global footprint to support industry-leading availability and a competitive advantage.

We invested in product development and innovation, systems and technology, digital content and our people to ensure we are well positioned to capitalise on the market trends we see.

We continued to invest in a scalable, highly automated and sustainable supply chain to support growth at a lower cost. The expanded distribution centre in Bad Hersfeld, Germany opened in September 2021 and, together with our DC in Fort Worth, US, is highly automated and provides significant room to increase throughput, future-proofing our business for the long term.

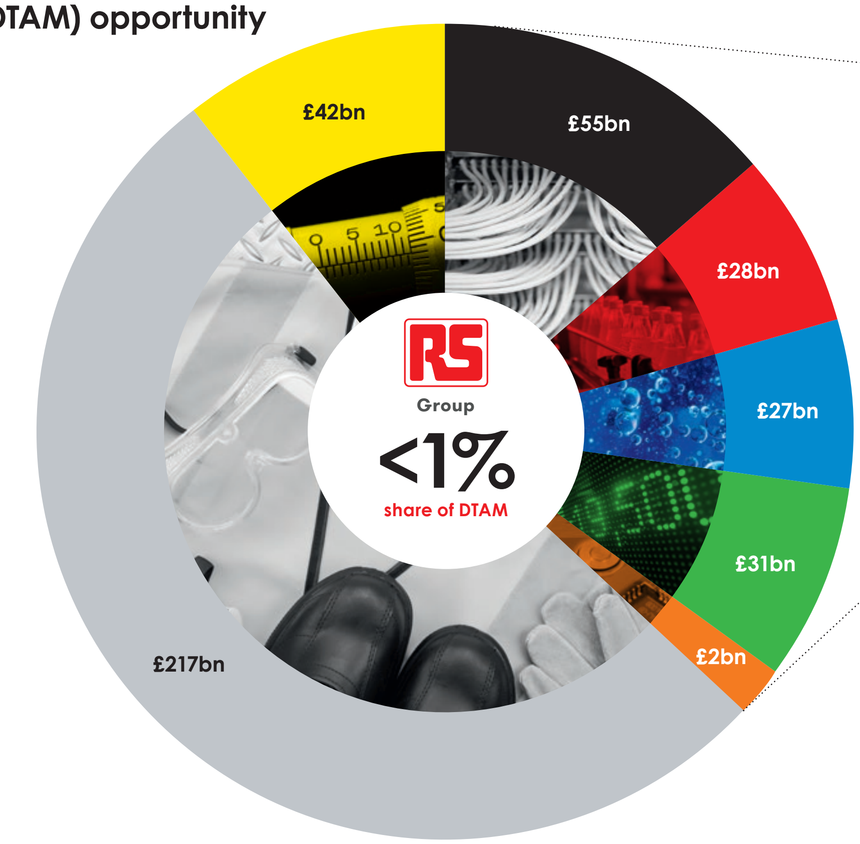
We have strict financial, strategic and cultural targets when assessing inorganic opportunities and are in a number of active discussions.

#### Future initiatives
We recognise the importance of investing in our people, technology, processes and systems and will continue to prioritise the right investments to achieve the optimum balance between short and long-term value creation. We will continue to invest in a sustainable way with a focus on limiting our environmental impacts.

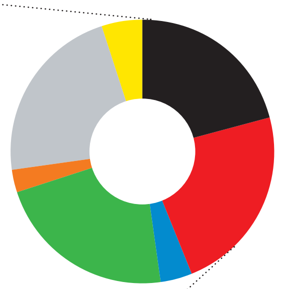
# Well positioned for growth in a large and fragmented market

## The markets we operate in

### Our distributor total addressable market (DTAM) opportunity




### Our revenue split by product and service solutions



| | |
|---|---|
| Electrical | 21% |
| Automation and control | 23% |
| Mechanical and fluid power | 4% |
| Electronics | 22% |
| Single-board computing | 3% |
| Facilities and maintenance | 22% |
| Other | 5% |

**We estimate our DTAM of the global maintenance, repair and operations and HSE market is >£400bn and typically grows at GDP**

Source: Texas A&M University and RS Group market research.

## Key long-term trends driving our market

**Increasing customer needs**
- Customers want a superior service
- Increasingly connected businesses (Internet of Things)
- Data analysis to tailor service to customer needs

**Solutions-driven offer**
- Differentiates the proposition from a high-volume distributor
- Increases customer loyalty and transaction spend
- Drives product purchases

**Consolidation**
- Scale improves back-office efficiencies
- Volume-related buying benefits
- Deeper supply chain partnerships

**Increasing focus on sustainability**
- Increasing consideration of environmental impact
- Restructuring of supply chain models
- Greater focus on traceability and accountability

## Our growth ambition

We see opportunities to continue to take market share across all our operating areas. We have demonstrated our resilience over recent years as our performance has decoupled from the market, being driven instead by our differentiated proposition. Our market outperformance results from selling more product and service solutions to existing and new customers, growing our branded and own-branded product range and leveraging our digital and data capabilities to improve our customer service and experience.

### We are accelerating organic growth by adding strategic acquisitions within:

**Product and service solutions**
- Making customers' lives easier
- Providing innovative solutions
- Reinforcing our differentiated offer
- Enhancing customer loyalty
- Integrating products and services

**Product extensions and adjacencies**
- Delivering a one-stop shop
- Offering a deeper and broader range
- Providing greater product expertise
- Developing a strong own brand
- Being an end-to-end specialist

**Geographic opportunities**
- Adding scale in key markets
- Growing under-represented countries
- Being a global omni-channel provider
- Offering integrated supply globally
- Utilising existing capacity

## We have a disciplined investment criteria

Our growth remains primarily organic, supplemented by value accretive acquisitions where appropriate that fit culturally as well as strategically.

**Attractive market opportunity?**
**Make or buy?**
**Value creation potential?**
**Availability?**

**Buy**

iesa
needlers
Liscombe
Monition Reliability and Condition Monitoring Services
synovos

**Build**

okdo Design the World
iesa
DESIGNSPARK
RS Industria

## Building RS Industria™

Industrial customers increasingly want a cost-effective way to monitor their operations to improve their business performance and sustainability goals.

Our response is RS Industria™, our flexible industrial data platform that provides continuous insight into the operational health and sustainability of industrial assets and equipment. Using the expertise gained from our acquisition of Monition and leveraging our strong relationships with our global cloud-technology partners we saw the opportunity to build a service that was not available in the market.

The benefits of predictive maintenance include forecasting of component failure, scheduling maintenance time, coordinating the delivery of appropriate replacement components and information on energy and water consumption. This is all rapidly delivered within a scalable, cyber-secure platform that can easily be expanded across single or multiple sites.

# Listening and responding to our stakeholders

**It is important for us to engage with our key stakeholders to understand what is important to them and ensure we are responsive to their needs and add value.**

We value all of our stakeholders and their views are fundamental to us becoming first choice and driving a long-term sustainable business. While most of our stakeholder engagement takes place on an operational level, our management and Board also actively consider these stakeholders and the long-term impact our decision making has on them when setting and approving strategic decisions respectively. How our Board considers our stakeholders is set out on pages 92 to 95. Our section 172 statement can be found on page 83.


## Our people

Our people are fundamental to the success of our business and we continue to invest in our ability to attract, develop and keep the best talent.

### What matters to them
- High-performance, purpose-led culture
- Diversity and inclusion
- Wellbeing and mental health
- Training and career development

### How we engage
- We encourage employee-led networks and communities
- Regular employee engagement surveys and Non-Executive Director initiatives
- Training courses for all employees and managers
- Provision of online onboarding tool and revised processes
- Health and wellbeing resources

### Outcomes of our engagement
- Upward trend in employee engagement score to 75
- 284 people in our apprenticeship programmes
- Voted one of the 2020/21 Inclusive Top 50 UK Employers
- Ranked in the top half of the FTSE 100 Rankings 2021 Women on Boards and in Leadership Review

## Customers

It is crucial to understand our customers' needs in order to create value, solve problems and unlock opportunities.

### What matters to them
- Innovative and sustainable solutions to solve problems and unlock opportunities
- A seamless omni-channel approach so they can concentrate on what they do best
- Ease of doing business
- A partner to build a more sustainable and socially responsible future
- An unrivalled choice of products and services and availability

### How we engage
- Dedicated customer service
- Omni-channel communication
- Trade fairs and being on customer sites
- Voice of the Customer survey, Trustpilot, Google customer feedback
- Customer performance reviews

### Outcomes of our engagement
- Strengthened customer relationships
- Responsive and flexible proposition
- Ease of business with our customers



## Suppliers

We work in partnership with our suppliers to deliver an unrivalled choice and innovative solutions for our customers.

### What matters to them
- Data-driven product management
- Knowledge of customer needs and trends
- Ease of doing business
- Offering full product ranges, services and solutions to our customers
- Positive environmental and social impact and operating to high ethical standards

### How we engage
- Dedicated account managers
- Regional and global supplier events
- Supplier scorecards with defined targets
- Voice of Supplier survey every two years
- RS Connect – partnering with suppliers to connect with customers

### Outcomes of our engagement
- Stronger partnerships with our suppliers
- Specialist product offering
- Developing a programme to source, store and deliver products closer to the customer
- Won exporter of the year award at the Business Champion 2022 Award

## Communities

Across our communities worldwide, we are implementing educational initiatives to improve lives and inspire the next generation of engineers.

### What matters to them
- Supporting local communities
- Providing educational initiatives to young people
- Limiting environmental impact in operations

### How we engage
- Competitions to encourage innovation
- Delivering SuperSkills Employability Training
- Our exclusive Global Youth Advisory Board (The FAB15)
- Organising and supporting community events and awards, including REflect our Diversity in STEM event

### Outcomes of our engagement
- Won 2 Elektra Awards, Education Support Award and Best Campaign of the Year for the launch of our partnership with The Washing Machine Project (TWMP)
- 568 students received SuperSkills Employability Training
- 15 members on The FAB15, from 12 countries, working on four projects
- £218k fundraised to the TWMP Foundation (including a corporate donation of £97,000 made in April 2022) and 500+ hours volunteered by our people

## Shareholders

Our shareholders include individual and institutional investors who provide the capital for our business to grow.

### What matters to them
- Sustainable growth and superior returns
- Understanding the business and our strategy
- Strong corporate governance
- Environmental, social and governance (ESG)

### How we engage
- Annual General Meetings
- Investor roadshows, detailed investor events, meetings and conferences
- Stock exchange announcements, press releases and results briefings
- Ongoing dialogue with analysts and investors

### Outcomes of our engagement
- Share price reflective of business opportunities
- Progressive dividend policy
- Over 200 attendees at our 2022 Investor Event: Our Journey to Greatness
- ESG focused investor roadshows
- Won 'company of the year' category at the plc awards 2021

## Hear from our stakeholders

Knowing, understanding and listening to our stakeholders is a key element of our day-to-day work. We interviewed some of our stakeholders for our recent Investor Event in March 2022 asking them about their experience of RS Group.

**Our people**
Scan to watch what our people have to say

**Our customers**
Scan to watch what some of our customers have to say

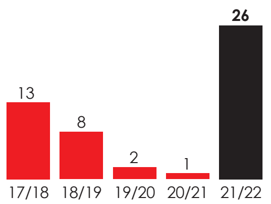
**Our supplier**
Scan to watch what one of our suppliers has to say

# Financial key performance indicators

**We use six financial key performance indicators (KPIs) to measure our progress in delivering the successful implementation of our strategy and monitor and drive our performance. Our financial KPIs reflect our strategic priorities as described on pages 30 and 31.**

## Like-for-like revenue growth

**26%**




### Why this is important

By driving a differentiated customer experience and providing innovative solutions, we aim to drive market share gains and higher revenue growth, which in turn drives profit growth. Like-for-like revenue growth is adjusted for trading days, currency movements and to exclude the impact of acquisitions until they have been owned for a year. This is a performance measure in employees' annual bonuses.

### Link to strategic priorities

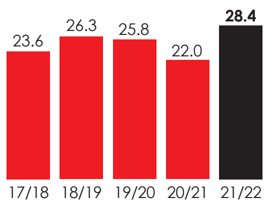
- High-performance team
- Best customer and supplier experience
- Innovation
- Reinvestment to accelerate growth

### Link to principal risks

1 2 3 4 5 6 8 9 10

## Adjusted[1] operating profit conversion

**28.4%**




### Why this is important

We are constantly striving to make our operating model as lean and efficient as possible so we can convert a higher percentage of gross profit into adjusted operating profit. Our aim is that each region, each market and each individual takes responsibility for our performance and constantly questions whether we can do things more efficiently to drive greater returns.

### Link to strategic priorities

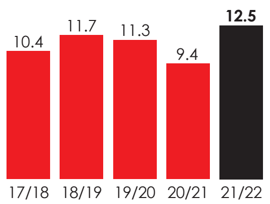
- High-performance team
- Operational excellence
- Innovation
- Reinvestment to accelerate growth

### Link to principal risks

1 2 3 4 5 6 8 9 10 11

## Adjusted[1] operating profit margin

**12.5%**




### Why this is important

A great customer experience, high-performance team and operational excellence should all drive improvement in adjusted operating profit margin. A higher adjusted operating profit margin should drive higher returns for our shareholders. It is adjusted operating profit expressed as a percentage of revenue.

### Link to strategic priorities

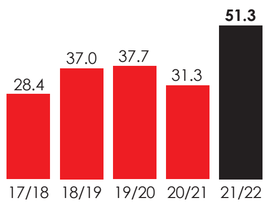
- High-performance team
- Best customer and supplier experience
- Operational excellence
- Reinvestment to accelerate growth

### Link to principal risks

1 2 3 4 5 6 8 9 10 11

## Adjusted[1] earnings per share (EPS)

**51.3p**




### Why this is important

Adjusted EPS is a measure used by investors in deciding whether to invest in the Company. It is a measure of the growth and profitability of the Company that also reflects management performance. This is a performance measure in our Long Term Incentive Plan (LTIP).

### Link to strategic priorities

- High-performance team
- Best customer and supplier experience
- Operational excellence
- Innovation
- Reinvestment to accelerate growth

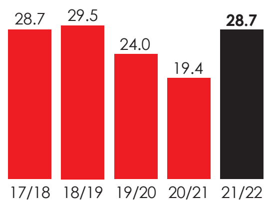
### Link to principal risks

1 2 3 4 5 6 8 9 10 11



## Return on capital employed (ROCE)

**28.7%**




### Why this is important

ROCE is a measure used by investors in deciding whether to invest in the Company. A tight focus on working capital control and more disciplined capital investment, coupled with increased profitability, will drive improved returns for our shareholders. ROCE is measured as adjusted operating profit expressed as a percentage of the monthly average of net assets excluding net debt and retirement benefit obligations. This is an underpin in our LTIP.

### Link to strategic priorities

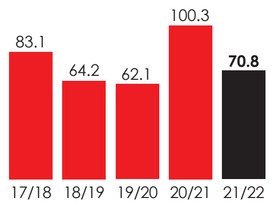
- High-performance team
- Operational excellence
- Innovation
- Reinvestment to accelerate growth

### Link to principal risks

1 2 3 4 5 6 8 9 10 11

## Adjusted[1] operating cash flow conversion

**70.8%**




### Why this is important

By tight working capital management and disciplined capital investment, we aim to convert a high percentage of our operating profit into operating cash flow. Adjusted operating cash flow conversion is defined as adjusted free cash flow before income tax and net interest paid, as a percentage of adjusted operating profit. The higher the conversion the more cash we have available to invest in our business to drive future growth and returns for our shareholders.

### Link to strategic priorities

- High-performance team
- Operational excellence
- Reinvestment to accelerate growth

### Link to principal risks

1 2 3 4 5 6 7 9 10 11

## Key to our principal risks (see pages 52 to 55)

### Strategic risk category

1. Prolonged effects of the ongoing COVID-19 pandemic across different geographies
2. Fail to respond to strategic market shifts, for example, changes in customer demands / competitor activity and related stakeholder requirements
3. The Group's revenue and profit growth activities are not successfully implemented
4. Effects on the business due to geopolitical developments

### Operational risk category

5. Failure in the business's critical infrastructure
6. Cyber security breach / information loss
7. UK defined benefit pension scheme cash requirements are more than the cash available
8. People resources unable to support the existing and future growth of the business
9. Impact on the business if the macroeconomic environment deteriorates
10. Potential impact on the business due to climate change effects

### Regulatory / compliance risk category

11. Fail to comply with international and local legal / regulatory requirements

1. Adjusted excludes amortisation of intangible assets arising on acquisition of businesses, acquisition-related items, substantial reorganisation costs, substantial asset write-downs, one-off pension credits or costs, significant tax rate changes and associated income tax (see Note 3 on pages 147 to 150 for reconciliations).

# Non-financial key performance indicators

**We have eight non-financial KPIs to help measure progress against our strategy.**

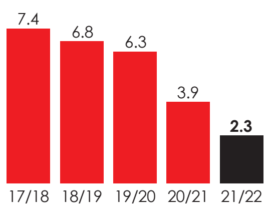
Following the launch of our 2030 ESG action plan – For a Better World, we have updated our non-financial KPIs to reflect our new commitments and the relevancy to our business model. We still monitor, measure and report our prior KPIs, which are disclosed in the ESG section on pages 58 to 81.

## Environment

### Carbon intensity

(tonnes of $CO_2e$ due to Scope 1 and 2 emissions / £m revenue)

**2.3**




**Why this is important**

We recognise the role and responsibilities we have as a global business to address our environmental impacts and help tackle climate change. We are decoupling our business growth from our carbon footprint and thus our carbon intensity continues to decline. We are extending our use of renewable electricity while maintaining a focus on energy efficiency programmes.

**Link to strategic priorities**

- High-performance team
- Innovation
- Operational excellence

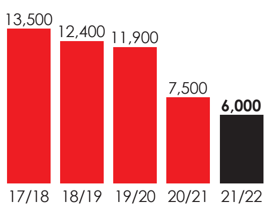
**Link to principal risks**

2 3 5 10 11

### Carbon emissions

(tonnes of $CO_2e$ due to Scope 1 and 2 emissions)

**6,000**




**Why this is important**

We are now targeting our absolute carbon reduction in line with our net zero action plan. This is a measure in our sustainability-linked loan (see page 48 for more details) and will be a performance measure in our employees' 2022/23 annual bonus.

**Link to strategic priorities**

- High-performance team
- Innovation
- Operational excellence

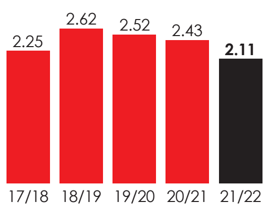
**Link to principal risks**

2 3 5 10 11

### Packaging intensity

(tonnes / £m revenue)

**2.11**




**Why this is important**

Our aim is to provide the best customer experience in the most sustainable way. We will work across our network of distribution centres to reduce packaging use, while increasing recycled content and recyclability. This is a measure in our sustainability-linked loan (see page 48 for more details).

**Link to strategic priorities**

- High-performance team
- Best customer and supplier experience
- Innovation
- Operational excellence

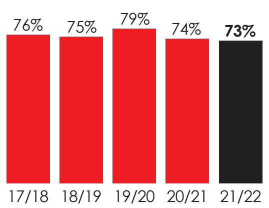
**Link to principal risks**

1 2 3 10 11

### Waste

(% of waste recycled)

**73%**




**Why this is important**

Ensuring we are able to grow and scale the business in a sustainable way is key. We have moved to a single metric to show not only what we recycle but what we also reuse. We implement waste reduction initiatives internally and by working with our suppliers.

**Link to strategic priorities**

- High-performance team
- Best customer and supplier experience
- Operational excellence
- Innovation

**Link to principal risks**

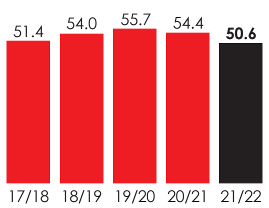
1 2 3 5 11

## Customer

### Group rolling 12-month Net Promoter Score

(NPS)

**50.6**




**Why this is important**

There is a strong correlation between high customer loyalty scores and our financial performance. NPS is a customer satisfaction measure. Achieving consistently strong customer satisfaction ratings is a key priority and will help drive stronger financial performance. NPS fell during 2021/22 due to longer lead times from COVID-19 and its variants, the UK leaving the European Union and industry supply shortages. This is a performance measure in employees' annual bonuses.

**Link to strategic priorities**

- High-performance team
- Best customer and supplier experience
- Innovation

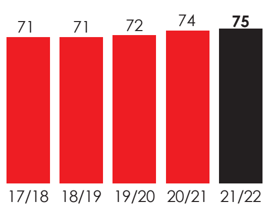
**Link to principal risks**

1 2 3 5 6 8

## People

### Employee engagement

**75**




**Why this is important**

The fulfilment of our people in the workplace is a key priority. Our aim is to increase employee engagement by building a diverse and customer-centric culture and offering the right training and development opportunities. Having more engaged employees reduces staff turnover, improves productivity and helps us better serve our customers.

**Link to strategic priorities**

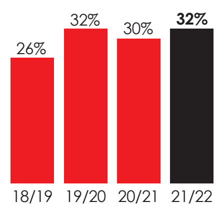
- High-performance team

**Link to principal risks**

1 8 11

### Percentage of management that are women

**32%**




**Why this is important**

Empowering our people to bring their true self to work creates a culture of excellence where everyone can thrive. Gender diversity in leadership is a key action of our 2030 ESG plan and therefore a new non-financial KPI we have added this year. Our baseline for gender diversity in management is 2018/19, to align with a global people grading system that was introduced in the year. This is a measure in our sustainability-linked loan (see page 48 for more details).

**Link to strategic priorities**

- High-performance team

**Link to principal risks**

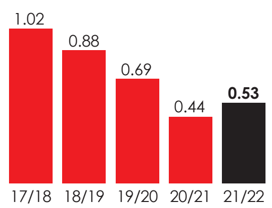
2 8 11

## Health and safety

### All Accidents

(per 200,000 hours)

**0.53**




**Why this is important**

We continue to make progress towards the long-term target of zero accidents on the basis that all accidents are preventable. A safe working environment is important for the wellbeing of our employees and the success of our business.

**Link to strategic priorities**

- High-performance team
- Operational excellence

**Link to principal risks**

1 11

"I'm very proud of the hard work and coordination between our teams in maintaining good product availability globally despite the external industry supply chain challenges."

**Mike England**
**Chief Operating Officer**

# Regional performance

## Overall results

| | 2022 | 2021 | Change | Like-for-like[1] change |
|---|---|---|---|---|
| Revenue | **£2,553.7m** | £2,002.7m | 28% | 26% |
| Gross margin | **44.2%** | 42.7% | 1.5 pts | 1.7 pts |
| Operating profit | **£308.8m** | £167.2m | 85% | 97% |
| Adjusted[2] operating profit | **£320.4m** | £188.3m | 70% | 78% |
| Adjusted[2] operating profit margin | **12.5%** | 9.4% | 3.1 pts | 3.7 pts |
| Adjusted[2] operating profit conversion | **28.4%** | 22.0% | 6.4 pts | 7.5 pts |

1. Like-for-like adjusted for currency and to exclude the impact of acquisitions; revenue also adjusted for trading days (see Note 3 on pages 147 to 150 for reconciliations).
2. Adjusted excludes amortisation of intangible assets arising on acquisition of businesses, acquisition-related items, substantial reorganisation costs, substantial asset write-downs and one-off pension credits or costs (see Note 3 on pages 147 to 150 for reconciliations).

Our strong revenue performance across all three regions is due to the hard work of our teams and the strength of our differentiated offer. We are gaining share in all major markets as we focus on the core basics: who are our customers, what do they need and how can we solve their procurement problems. During a time of extreme uncertainty, being able to deliver on those fundamentals has been key in developing closer relationships with our customers and increasingly becoming a one-stop shop.

Our investment into areas such as product and service solutions, digital, inventory and our distribution centre (DC) infrastructure has meant that we have been able to navigate successfully not only COVID-19 and its variants but also the UK leaving the EU (Brexit), external industry supply challenges and inflationary pressures. Our industrial experience and strong relationships allowed us to identify the supply issues in the market early and partner closely with our suppliers to secure and invest appropriately in greater levels of inventory. This ensured we maintained good product availability despite global supply constraints.

All regions have seen operating profit margin improvement, most notably in Asia Pacific. This was achieved by revising our discount policy, ensuring pricing options reflect demand elasticity, improving our own-brand ranges and negotiating better buying terms to drive gross margin benefits. We have also delivered operational improvements as we focused on becoming more agile and streamlined, albeit these were partly offset by freight, energy and labour inflation and ongoing investment in our people, digital capabilities, technology and customer experience.

We have seen increased collaboration across the business as regional heads adapt global expertise and best practice to suit local needs. Regions are empowered to react quickly to support changing customer needs and priorities, deepening our relationship as a trusted partner to both our customers and our suppliers. Our customer base continues to increase and the breadth of our product offer and strong availability has meant that we are also seeing an increase in average order values across all regions. The more difficult supply environment has meant that online journeys have been supported more often by sales teams as customers seek reassurance about availability and lead times. We have seen a significant increase in supplier lead times but only a slight worsening in our order availability to customers. Our on time to promise metric was 86% for the three months ended 31 March 2022.

Customer experience remains a core focus for the business as we improve ease of use, personalisation, sales and technical expertise and maintain relatively high inventory availability. Our Group rolling 12-month Net Promoter Score (NPS), a measure of customer satisfaction, fell to 50.6 (2020/21: 54.4). This was due to the external pressures our business faced including the COVID-19 pandemic, Brexit fallout and industry supply shortages, with our revenue and order metrics suggesting relative market outperformance. We are working hard on improving this score, which is part of our employee incentive plans and core to our customer-centric strategy. We have developed our digital capabilities further to provide our customers with more information on availability and lead times and seen greater interaction with our sales teams; a benefit of our omni-channel model. However, we note that the supply chain issues and geopolitical uncertainties continue to worsen.

## A greener DC

In September 2021, we opened our expanded and upgraded DC in Bad Hersfeld, Germany. The expansion was part of our ambition to build a more scalable, sustainable and customer-centric supply chain. Spanning 37,600m², the expanded state-of-the-art DC can now accommodate c. 500,000 products and deploys best-in-class technology to help deliver a significantly lower carbon footprint.

The expansion of the site brings products closer to our European customers. This reduces our transport emissions by minimising distances our products travel and we are also transitioning to lower-carbon modes of distribution. The increased automation at the facility is also helping achieve additional energy savings and packaging waste reductions.





# EMEA

**We have seen a significant benefit from operating a more cohesive team across EMEA and are excited by the operational and environmental benefits we can deliver in Europe from our extended DC in Germany.**

**Pete Malpas**
**President,**
**EMEA RS Components**

**Elaine Pointon**
**Chief Finance Officer,**
**EMEA RS Components**

EMEA accounts for 62% of Group revenue and is managed across the key markets of: UK and Ireland; France; Italy; Iberia; Germany, Austria and Switzerland; and rest of EMEA which includes Benelux, Eastern Europe, Scandinavia, South Africa and our export business (covering 32 international distribution partners servicing 82 countries). We do not have operations in Russia or Ukraine. During the year, we traded under our key brand names of RS, RS PRO, OKdo, IESA, Needlers and Liscombe. A broad range of products, high inventory availability and specialist expert service are key priorities for our customers. We differentiate our offering by providing a best-in-class online experience, supported by a knowledgeable sales force, technical expertise, 24/7 customer support and a range of product and service solutions. Delivering on these drives stronger customer relationships, higher average order values and operational efficiencies.

## Overall results

| | 2022 | 2021 | Change | Like-for-like[1] change |
|---|---|---|---|---|
| Revenue | **£1,579.5m** | £1,277.4m | 24% | 22% |
| Operating profit[2] | **£243.7m** | £172.6m | 41% | 46% |
| Operating profit margin | **15.4%** | 13.5% | 1.9 pts | 2.5 pts |

1. Like-for-like adjusted for currency and to exclude the impact of acquisitions; revenue also adjusted for trading days.
2. See Note 2 on pages 145 and 146 for reconciliations to Group operating profit.

- Overall, EMEA revenue grew 24%, 22% on a like-for-like basis, to £1,579.5 million (2020/21: £1,277.4 million), benefiting from an improved market backdrop, operational model and sales focus. Industrial production data shows that we continued to gain share during the year as the security of our offer, in terms of product availability and financial strength, resonated with customers with both average order value and average order frequency improving.
- UK and Ireland, which accounts for c. 40% of the region's revenue, performed well but slightly below the region's overall performance due to lower industrial production growth. The summer months were impacted by labour shortages relating to COVID-19 restrictions with supply constraints impacting some industry verticals, especially those in heavy industry. Our peer analysis suggests we increased market share significantly.
- Germany saw good momentum and market share gains. We have a new German management team which has driven new sales strategies and focus. Performance during the period was helped by a slightly larger electronics product bias. Our enlarged DC opened for first stage commissioning at the end of September and is being slowly brought up to full stage working. The facility is highly automated which allows us to improve our sustainability performance, reduce our environmental impact and increase efficiency. We will also be able to broaden our product range and offer service solutions to European customers.
- Our business in France benefited, as a result of flattening the reporting structure in EMEA, from greater end-to-end ownership by the team and some additional inventory within the French DC.
- IESA continues to win new contracts and the pipeline is very strong especially within Europe where we have invested in developing our coverage and reach over the last two years. In some instances, particularly in the first half, new business rollout was delayed due to lockdowns restricting our teams moving onto our customers' sites. We have seen reduced trading activity from some of our major customers within the heavy industry sector and thus disproportionately hit by COVID-19. Our new customer wins are across a wider industry range. We are excited about being able to provide our integrated supply offer across Europe and now globally as we work closely with our integrated supply business in Americas, Synovos, on joint tenders.
- Digital, accounting for 71% of the region's revenue, outperformed with 23% like-for-like revenue growth as greater focus was placed on driving organic growth through search engine optimisation marketing, improving content and greater focus on delivering greater lifetime customer value. Our mobile responsive website has delivered a significant improvement in how easily our customers can search, find and order with us in real time during their production process. Web revenue grew 25% on a like-for-like basis. We also saw a recovery in our eProcurement business due to increased activity from our larger customers.
- RS PRO, which accounts for 18% of the region's revenue, performed well with 17% like-for-like revenue growth, against a strong comparative period last year, less exposure to the fastest growing industrial component product ranges and a lower electronics weighting.
- OKdo, which accounts for 4% of revenue in the region was flat on a like-for-like basis with growth impacted by extreme supply constraints since the second quarter.
- Supply shortages were a significant challenge across the region as demand recovered before manufacturing capacity resumed fully. However, we maintained relatively stable levels of availability due to forward planning, our close relationships with suppliers and investment in our inventory position. We were able to limit as much of the supply disruption as possible through utilising our experience that we gained during Brexit, rerouting transport, advancing orders, increasing local sourcing and holding greater inventory as a buffer. Although our teams worked hard to mitigate industry-wide supply challenges and the effect of Brexit, there continued to be unavoidable impacts on delivery lead times especially across the UK border and inventory availability. EMEA's rolling 12-month NPS was 48.6 (2020/21: 55.5).
- Gross margin has benefited from product management work to reduce the level of discounting, set appropriate prices given inventory turn and pass-through cost of goods inflation. There is a small dilutive impact from our acquisitions of Needlers Holdings Limited and John Liscombe Limited which operate at a lower gross margin given their personal protective equipment exposure.
- Operating profit improved 41%, up 46% on a like-for-like basis, to £243.7 million (2020/21: £172.6 million).
- Operating profit margin improved 1.9 percentage points to 15.4% (2020/21: 13.5%), despite extra costs relating to Brexit from higher outbound freight costs, cost inflationary pressures and continual investment in our operating model. We are driving a lower cost to serve and generating operating profit conversion improvements.

# Americas

## Investment in our organisational capabilities has driven our outperformance. There are significant opportunities to accelerate our growth further as we embrace our stronger product and service solutions proposition.

Ken Bradley
President,
Allied Electronics & Automation

Manisha Kadoche
Chief Finance Officer,
Allied Electronics & Automation

Americas accounts for 28% of Group revenue, with Allied Electronics & Automation (Allied), Synovos, RS PRO and OKdo being our trading brands during the year. We have operations in the US, together with smaller operations in Canada, Mexico and Chile. Our DC expansion completed in 2020/21 enables us to continue to widen our product offering further into the maintenance, repair and operations (MRO) market. We are driving ongoing gains from the changes we have made in recent years to focus our sales teams on identifying new revenue generating opportunities, utilising our shared expertise across the Group and continuing improvements to our digital proposition. This is resulting in greater customer engagement and marketing returns. Synovos, Inc. the integrated supply business we acquired in January 2021, is driving cross-business benefits as the Group becomes a supplier to its customers, RS PRO products provide a competitive alternative to the branded ranges and we offer transatlantic integrated supply solutions with IESA.

### Overall results

| | 2022 | 2021 | Change | Like-for-like[1] change |
|---|---|---|---|---|
| Revenue | **£718.7m** | £517.0m | 39% | 36% |
| Operating profit[2] | **£99.3m** | £51.9m | 91% | 98% |
| Operating profit margin | **13.8%** | 10.0% | 3.8 pts | 4.5 pts |

1. Like-for-like adjusted for currency and to exclude the impact of acquisitions; revenue also adjusted for trading days.
2. See Note 2 on pages 145 and 146 for reconciliations to Group operating profit.

- Like-for-like revenue grew 36%, underpinned by a strong market and the investment we have made over the last few years in our people, operating model and DC. We are seeing strong growth in the automation and control product range and are extending our proposition into the MRO market. Our growth has been similar across industrial and electronic products, with demand for the latter being driven by our industrial customers as we provide product experience and expertise to customers where we understand their business requirements and needs.
- We have significantly invested in our people and culture, digital and marketing proposition, and product and service offer. Our sales force, management and teams are better aligned to revenue and margin growth which form part of their incentive plans. Field sales teams are now focused on customer acquisition and retention, as well as expanding our product proposition and RS PRO participation, supported by a central customer service team providing specialist support and dealing with administrative tasks.
- Digital accounted for 43% of the region's revenue, with 37% like-for-like growth. Like-for-like growth in web revenue was 45% illustrating the strength of our offer and the investment we have made in our digital platform to improve site speed and search engine optimisation.
- RS PRO accounts for under 1% of the region's revenue and grew like-for-like revenue by 37%. The performance has been held back by the facts that the RS PRO brand is less well known to our Americas customers and has an MRO focused range, rather than automation and control. We expect to benefit from the Group rebranding as we move towards becoming RS Americas, while the movement into more MRO products will also help.
- We are very excited about the opportunities the acquisition of Synovos brings. Together with IESA, we are able to offer a global integrated supply solution; one of the first operators able to do this. During the year, Synovos experienced delays in implementing new contracts due to COVID-19 lockdowns restricting access to customers' sites. We have seen lower revenue from existing customers during the pandemic and a smaller margin contribution due to some fixed price contracts. Additionally, we have incurred costs relating to personnel changes and improving the commercial operating model to become more aligned with IESA. This will provide the opportunity to scale more quickly and efficiently to take advantage of the growth we see. We have already signed a number of new contracts with global companies in the technology and pharmaceutical verticals and we are pleased with Synovos's integration into the Group. We see more opportunities for cross-business benefits including expanding our RS PRO reach.
- Americas' rolling 12-month NPS declined 8% to 66.0 (2020/21: 71.9), largely due to external pressures including the pandemic and supply chain disruption plus the significant increase in volume throughput. Our focus remains on delivering a strong offline and online customer experience and mitigating the industry issues we are facing.
- Gross margin grew due to a strong product margin focus to reduce the level of discounting and improve price optimisation across our products.
- Operating profit improved 91%, 98% on a like-for-like basis, to £99.3 million (2020/21: £51.9 million).
- Operating profit margin improved 3.8 percentage points, 4.5 percentage points on a like-for-like basis, to 13.8% (2020/21: 10.0%) a function of larger volumes, gross margin gains and operational leverage due to the strong revenue growth.

## Unlocking our digital opportunity

In Americas, we have invested in our technical infrastructure to enhance our digital platform capabilities and the digital touch points in our customers' journey. This included deploying significant enhancements such as self-service capabilities and real-time user feedback.

We have also introduced our virtual demo lab in Fort Worth, US where we have been able to combine the strength of our people with virtual technical expertise to showcase new products and services to our customers, providing usage, technical and compatibility information on a one-to-one virtual basis.

Increasingly, we are utilising our data, product expertise and customer knowledge to personalise our digital offering, thereby solving our customers' needs and building a world-class customer experience.





# Asia Pacific

## We are so proud of our people and their commercial focus in delivering a significant increase in our revenue and operating profit margin. We see many more growth opportunities as we develop our offer further based on our growth accelerators.

Sean Fredericks
President,
Asia Pacific
RS Components

Ellen Li
Chief Finance Officer,
Asia Pacific
RS Components

Asia Pacific accounts for 10% of Group revenue and consists of Australia and New Zealand (ANZ), Greater China, Japan and Korea, and South East Asia. RS, RS PRO and OKdo are our main trading brands in Asia Pacific. Our broadening product offer, strong technical expertise, omni-channel service and a growing range of product and service solutions underpin our market share growth. This allows us increasingly to become a one-stop-shop partner of choice for our customers.

### Overall results

| | 2022 | 2021 | Change | Like-for-like[1] change |
|---|---|---|---|---|
| Revenue | **£255.5m** | £208.3m | 23% | 27% |
| Operating profit[2] | **£29.3m** | £1.4m | >200% | >200% |
| Operating profit margin | **11.5%** | 0.7% | 10.8 pts | 11.4 pts |

1. Like-for-like adjusted for currency; revenue also adjusted for trading days.
2. See Note 2 on pages 145 and 146 for reconciliations to Group operating profit.

- Asia Pacific revenue increased 23%, 27% on a like-for-like basis, to £255.5 million (2020/21: £208.3 million).
- A change in management culture has led to more focused and productive sales processes as we have increased attention on more profitable opportunities to drive a significant improvement in average order value. This has delivered an improved revenue performance, helped by a stronger participation of our electronics product range, and margin gains. Our industrial product performance has also remained strong and we have continued to take market share.
- Japan and Korea has benefited from a new president, greater understanding of the local customer needs and improved customer service. Greater China has enhanced business opportunities, with the sales team focused on increasing the average order value and higher margin revenue opportunities, although the recent lockdowns have impacted delivery. South East Asia's performance improved in the second half as local COVID-19 lockdowns eased and we continued to gain share. ANZ's performance in recent months has benefited from new contracts and high margin RS PRO growth.
- OKdo, which accounts for 8% of the region's revenue, declined 10% on a like-for-like basis having been impacted by shortages in the second half of the year.
- Digital, which accounts for 61% of the region's revenue, increased 37% on a like-for-like basis driven by digital share gains in Japan and Korea, Greater China and South East Asia, which all saw a strong recovery in eProcurement. Web like-for-like revenue also grew by 37%.
- RS PRO, which accounts for 13% of the region's revenue, saw strong like-for-like growth of 26%, with growth strong across all markets.
- Asia Pacific's rolling 12-month NPS of 36.7 (2020/21: 37.4) has been impacted by longer supply lead times and our decision to implement delivery charges for some small value orders which have low levels of profitability. We remain committed to improving the customer experience and actions we have implemented, including a more focused sales force, have supported a recent improvement in the monthly NPS trend.
- Gross margin growth was driven by greater focus on higher revenue opportunities, implementation of the small order handling charge and price increases.
- Operating profit was £29.3 million, a significant improvement on the prior year which delivered £1.4 million.
- The operating profit margin of 11.5% was a 10.8 percentage points improvement (2020/21: 0.7%), benefiting from strong revenue growth, gross margin gains, continued cost discipline and our scalable operating model. The region remains focused on improving our cost to serve, reducing freight costs by shifting shipments from air to sea and leveraging our operational assets.

# Central costs

Central costs are Group head office costs and include Board, Group Finance and Group Professional Services and People costs that cannot be attributed to region-specific activity.

| | 2022 | 2021 | Change | Like-for-like[1] change |
|---|---|---|---|---|
| Central costs | **£(51.9)m** | £(37.6)m | 38% | 38% |

1. Like-for-like adjusted for currency.

- Central costs increased by £14.3 million to £51.9 million (2020/21: £37.6 million) due to higher costs related to prospective acquisitions, investment in future growth opportunities and higher performance-related incentives and share-based payments.

## Reducing our carbon footprint

Our improvement in performance and operating profit margin in Asia Pacific has been achieved concurrently with pursing our environmental, social and governance (ESG) goals.

A small order handling charge was implemented at the beginning of this year to encourage customers to consolidate their orders to reduce unnecessary deliveries, save energy consumption and reduce carbon emissions. This led to an increase in the average order frequency and average order value, with minimal change in customer numbers. This action also helped to reduce the carbon intensity of sales to customers in Asia Pacific by 17%[2] in 2021/22, from 2020/21.

We continue to source and stock more products locally so that we reduce our freight costs, lead times and carbon footprint with fewer international freight dependencies.

2. Tonnes of $CO_2e$ due to Scope 3 transport emissions per £m sales

> "Our profit performance has been exceptional despite the challenging market and ongoing investment in our operational capabilities to support our growth ambitions."

**David Egan**
**Chief Financial Officer**

# Our financial performance and position

**Revenue**
## £2,554m
Change: +28%
2020/21: £2,003m

**Operating profit**
## £309m
Change: +85%
2020/21: £167m

**Like-for-like[1] revenue growth**
## 26%
2020/21: 1%

**Adjusted[2] operating profit**
## £320m
Like-for-like[1] change: +78%
2020/21: £188m

**Net debt**
## £42m
2020/21: £122m

**Adjusted[2] operating profit margin**
## 12.5%
2020/21: 9.4%

### Overall results

| | 2022 | 2021 | Change | Like-for-like[1] change |
|---|---|---|---|---|
| Revenue | £2,553.7m | £2,002.7m | 28% | 26% |
| Gross margin | 44.2% | 42.7% | 1.5 pts | 1.7 pts |
| Operating profit | £308.8m | £167.2m | 85% | 97% |
| Adjusted[2] operating profit | £320.4m | £188.3m | 70% | 78% |
| Adjusted[2] operating profit margin | 12.5% | 9.4% | 3.1 pts | 3.7 pts |
| Adjusted[2] operating profit conversion | 28.4% | 22.0% | 6.4 pts | 7.5 pts |
| Profit before tax | £302.2m | £160.6m | 88% | 102% |
| Adjusted[2] profit before tax | £313.8m | £181.7m | 73% | 81% |
| Earnings per share | 48.9p | 27.7p | 77% | 90% |
| Adjusted[2] earnings per share | 51.3p | 31.3p | 64% | 72% |
| Cash generated from operations | £267.1m | £231.1m | 16% | |
| Adjusted[2] free cash flow | £162.9m | £145.4m | 12% | |
| Adjusted[2] operating cash flow conversion | 70.8% | 100.3% | (29.5) pts | |
| Net debt | £42.1m | £122.0m | | |
| Net debt to adjusted[2] EBITDA | 0.1x | 0.5x | | |
| Return on capital employed | 28.7% | 19.4% | | |
| Dividend per share | 18.0p | 15.9p | 13% | |

1. Like-for-like change excludes the impact of acquisitions and the effects of changes in exchange rates on translation of overseas operating results, with 2020/21 converted at 2021/22 average exchange rates. Revenue is also adjusted to eliminate the impact of trading days year on year. Acquisitions are only included once they have been owned for a year, at which point they start to be included in both the current and comparative periods for the same number of months (see Note 3 on pages 147 to 150 for reconciliations).
2. Adjusted excludes amortisation of intangible assets arising on acquisition of businesses, acquisition-related items, substantial reorganisation costs, substantial asset write-downs, one-off pension credits or costs, significant tax rate changes and associated income tax (see Note 3 on pages 147 to 150 for reconciliations).





### Revenue

Group revenue increased by 28% to £2,553.7 million (2020/21: £2,002.7 million). Adjusting for the year-on-year impact of acquisitions of £94.8 million, £10.5 million from additional trading days and a negative impact of £62.7 million from exchange rate movements, like-for-like revenue growth was 26% of which volumes and mix accounted for c. 19%. Revenue momentum was strong across the year, with second half like-for-like growth of 22% despite tougher comparatives as the economy recovered from the initial COVID-19 pandemic impact.

Industrial production figures, supplier indications and results reported by peers show that we are outperforming the industrial market and gaining share as our customers have relied on our product availability, the breadth of our range and our experienced team to deliver products and services in time to ensure their trading continuity. We have seen a 1% increase in our total customer numbers. Our average order value grew by 10% (excluding our integrated supply business's pass-through sales orders) with the majority of the growth driven by an increasing number of products within our customers' baskets.

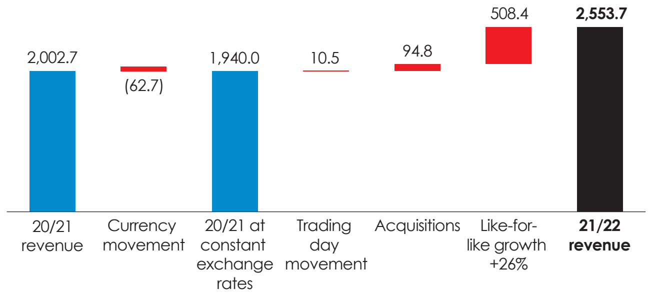
Our industrial products ranges, which account for c. 75% of Group revenue, grew by 24% like-for-like during the year with strong growth across all our industrial product ranges. Our electronic products range, predominantly supplied to our industrial customers as they become more digitalised and connected, grew by 43% on a like-for-like basis benefiting from strong market conditions, our product availability and new customers. OKdo, the Group's single-board computing (SBC) and Internet of Things (IoT) business, which accounts for c. 3% of revenue, declined by 3% on a like-for-like basis as supply tightened from the second quarter.

RS PRO, which is our main own-brand product range and accounts for 12% of Group revenue, grew by 19% on a like-for-like basis, despite having a limited electronics offer, fewer automation and control products and a very small participation within Americas. Our offer continues to gain traction with our performance aided by targeted product marketing and new product development. We have a strong product line-up and are excited about the opportunities to drive stronger revenue across the Group.

Digital, accounting for 62% of Group revenue, performed slightly ahead of the Group overall, delivering 27% like-for-like growth. Web revenue, which is a truer representation of our digital proposition and demand as it excludes eProcurement, grew by 30% on a like-for-like basis. eProcurement and other digital, which are used predominantly by our larger customers who suffered heavily during lockdowns, have recovered strongly with 21% growth on a like-for-like basis.

We continue to redirect our digital marketing spend away from paid advertising towards organic marketing which is driving a better return on our investment. We have seen efficiency improvements in our key marketing channels as we have focused more on marginal return on investment rather than purely on revenue, a result of the investment we have made in increasing the digital expertise within our teams. We have also benefited from promoting a 'test and learn' environment, resulting in quicker, less risky development changes.

**Like-for-like revenue development (£m)**




## Driving sustainability across finance

On 29 October 2021, we amended our revolving credit facility to a sustainability-linked loan to coincide with the November 2021 launch of our 2030 ESG action plan – For a Better World.

We worked together with our banking partners to leverage the opportunity to embed ESG within our financial facilities and develop an instrument that reflected our ESG goals.

We selected three of our most material ESG actions including:
- Scope 1 and 2 $CO_2e$ emissions – as part of our ambition to be net zero in our direct operations by 2029/30
- Packaging intensity – as part of our action to reduce our packaging intensity by 30% by 2029/30
- Percentage of management that are women – as part of our action to work towards 40% of our leaders being female by 2029/30

Linking our revolving credit facility to our ambitious ESG action plan demonstrates our commitment to integrate ESG into all aspects of our business and supports our purpose of making amazing happen for a better world.

### Gross margin

Group gross margin increased 1.5 percentage points to 44.2%, (2020/21: 42.7%). Excluding the dilutive impact from our recent acquisitions and the small benefit from exchange rates, the like-for-like growth was 1.7 percentage points which includes a 0.6 percentage points benefit from last year's one-off inventory provision relating to the decline in price of certain personal protective equipment (PPE) products bought at the start of the pandemic.

We have taken actions to improve our gross margin through revising our discount policy, ensuring pricing options reflect demand elasticity, improving our own-brand ranges and negotiating buying terms better. We are delivering gross margin benefits although this is being partly offset by regional and product mix dilution and ongoing pressures from inbound freight inflation.

The dilutive impact from acquisitions reflects the lower digital participation within the acquired businesses compared to our Group model. We expect this dilutive impact to reduce over time as integration continues.

## Operating costs

Total operating costs, which include regional and central costs, increased by 19%. Excluding amortisation of acquired intangibles and the substantial reorganisation costs and acquisition-related items incurred in 2020/21, total adjusted operating costs increased by 21%, 19% on a like-for-like basis, to £807.5 million (2020/21: £667.7 million). Two thirds of this increase is volume driven or relates to the annualisation of the operating costs of last year's acquisitions.

At the moment, we see no indications that the elevated costs we have experienced since the start of the COVID-19 pandemic will unwind. The UK leaving the EU (Brexit) has led to additional brokerage and air freight costs to ensure timely delivery and greater administrative expenses relating to border and custom checks. Higher energy and fuel costs are affecting all three regions. Freight rates have, in some instances, been impacted by premium fees to expedite shipments given the shortage of containers and we are also seeing fuel surcharges. Our parcel delivery charges have increased in the UK.

We are managing what we can control, which includes working partly to mitigate this by storing our product closer to the customer, but this is taking time to achieve. It is anticipated that our newly commissioned Bad Hersfeld DC in Germany will reduce some of these costs over time.

A large proportion of our operating costs relates to our people. We awarded a pay rise across the Group early in the year but are seeing inflationary pressures build given general employment shortages across all specialist areas, including technology, and within our US and UK DCs. Our employee retention rate is 90%, and we are mindful of the competitive pressures for new talent.

Operating costs increased to strengthen our expertise, technological capabilities and product and services capacity, and improve our operating basics. We want to be the best in class in each of our disciplines and will invest in our business to ensure it can support the strong organic growth we are delivering and the inorganic opportunities we see on our Journey to Greatness.

Our RISE programme to simplify the Group remains on track. We are excited by the benefits we see from having a more agile business and leaders with greater operational focus and ownership. We have delivered c. £15 million of benefits in 2021/22 due to the flatter regional management structure and sharing our business functions across the Group including marketing, digital, innovation and product and supplier management. This simpler operating model has allowed us to adapt to change faster, improve margins and operate more efficiently. We can see from the work to date that there are more opportunities to improve our differentiated business model further and be better at the basics to increase our operational leverage.

Adjusted operating costs as a percentage of revenue decreased by 1.7 percentage points to 31.6% (2020/21: 33.3%). Our improved trading momentum and steps taken to simplify our operating model to drive efficiencies have driven higher conversion of gross profit into operating profit, with adjusted operating profit conversion 6.4 percentage points higher at 28.4% (2020/21: 22.0%). We remain committed to The RS Way target of a 30% adjusted operating profit conversion and focused on achieving our aspiration of a mid-teen adjusted operating profit margin.

## Items excluded from adjusted profit

To improve the comparability of information between reporting periods and between businesses with similar assets that were internally generated, we exclude certain items from adjusted profit measures. The items excluded from 2021/22 are described below. In 2020/21 we also excluded substantial reorganisation costs of £11.2 million, primarily labour-related restructuring costs to implement RISE, and £2.9 million of acquisition-related items. See Note 3 on pages 147 to 150 for definitions and reconciliations of adjusted measures.

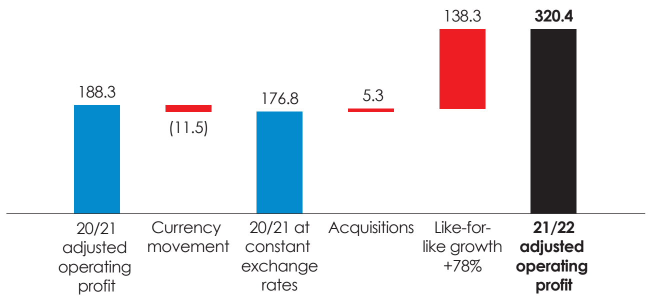
### Amortisation of acquired intangibles

Amortisation of acquired intangibles was £11.6 million (2020/21: £7.0 million) and relates to the intangible assets arising from acquisitions.

## Operating profit

Operating profit increased by 85% to £308.8 million (2020/21: £167.2 million). Excluding the year-on-year impact of acquisitions and the negative impact of currency movements, adjusted operating profit saw a like-for-like increase of 78%. Adjusted operating profit margin improved 3.1 percentage points to 12.5%.

## Like-for-like adjusted operating profit movement (£m)



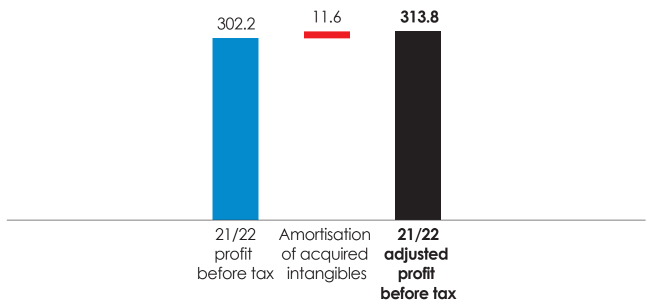

## Net finance costs

Net finance costs were £7.1 million (2020/21: £6.8 million) with less interest capitalised as our DC expansions were completed. A high proportion of our debt is at fixed interest rates and with low floating deposit interest rates there has been little benefit seen from our lower net debt.

## Profit before tax

Profit before tax was up 88% to £302.2 million (2020/21: £160.6 million). Adjusted profit before tax was up 73% to £313.8 million (2020/21: £181.7 million), up 81% on a like-for-like basis.

## Adjusted profit before tax reconciliation (£m)




## Taxation

The Group's income tax charge was £72.2 million (2020/21: £35.1 million). The adjusted income tax charge, which excludes the impact of tax relief on items excluded from adjusted profit before tax, was £72.3 million (2020/21: £39.6 million), resulting in an effective tax rate of 23.0% on adjusted profit before tax (2020/21: 21.8%). The increase is predominantly due to a recalculation of deferred tax balances as a result of the UK corporate income tax change from 19% to 25% effective from 1 April 2023 but enacted earlier this year.

## Earnings per share

Earnings per share was up 77% to 48.9p (2020/21: 27.7p). Adjusting for items excluded from adjusted profit and associated income tax effects, adjusted earnings per share of 51.3p (2020/21: 31.3p) grew 72% on a like-for-like basis.

## Cash flow

We remain a robust cash generative business, benefiting from actions we took to increase our focus on cash at the start of COVID-19. Cash generated from operations was £267.1 million (2020/21: £231.1 million) with higher EBITDA mainly offset by movements in working capital as we increased our inventory levels. As a result, adjusted operating cash flow conversion was 70.8%, a decline of 29.5 percentage points year on year.

Net interest paid decreased by £1.3 million to £7.0 million (2020/21: £8.3 million) as 2020/21 included the payment of the fees for refinancing our revolving credit facility.

Income tax paid increased to £57.1 million (2020/21: £35.2 million) due to taxable profit being higher than 2020/21. Also 2020/21 benefited from the utilisation of some prior year overpayments.

Net capital expenditure decreased to £42.5 million (2020/21: £54.7 million) due to Americas DC expansion completing in 2020/21 and Germany DC expansion moving to early-stage commissioning during the third quarter. Additionally, some capital expenditure was held back as we prioritised our Journey to Greatness plans. Capital expenditure was 1.3 times depreciation (2020/21: 1.7 times) moving more in line with our typical maintenance capital expenditure levels of closer to 1.0 – 1.5 times depreciation. We anticipate capital expenditure in 2022/23 to be £50 – 60 million as we resume our ongoing investment schedule.

Free cash flow increased to £160.5 million (2020/21: £132.9 million). Excluding cash outflows of £2.4 million (2020/21: £12.5 million) related to substantial reorganisation costs and acquisition-related items in 2020/21, adjusted free cash flow was £162.9 million (2020/21: £145.4 million).

## Summary cash flow

| £m | 2022 | 2021 |
|---|---|---|
| **Operating profit** | **308.8** | 167.2 |
| Add back depreciation and amortisation | **63.7** | 56.5 |
| **EBITDA** | **372.5** | 223.7 |
| Add back loss on disposal of non-current assets | **2.4** | 0.3 |
| Movement in working capital | **(116.2)** | (1.5) |
| Movement in provisions | **(1.7)** | 1.6 |
| Other | **10.1** | 7.0 |
| **Cash generated from operations** | **267.1** | 231.1 |
| Net interest paid | **(7.0)** | (8.3) |
| Income tax paid | **(57.1)** | (35.2) |
| **Net cash from operating activities** | **203.0** | 187.6 |
| Net capital expenditure | **(42.5)** | (54.7) |
| **Free cash flow** | **160.5** | 132.9 |
| Add back cash effect of adjustments[1] | **2.4** | 12.5 |
| **Adjusted[1] free cash flow** | **162.9** | 145.4 |

1. Adjusted excludes the impact of substantial reorganisation and acquisition-related items cash flows.

## Summary balance sheet

| £m | 31 March 2022 Assets | 31 March 2022 Liabilities | 31 March 2022 Net assets | 31 March 2021 (restated[1]) Assets | 31 March 2021 (restated[1]) Liabilities | 31 March 2021 (restated[1]) Net assets |
|---|---|---|---|---|---|---|
| Intangible assets | **473.3** | **–** | **473.3** | 466.4 | – | 466.4 |
| Property, plant and equipment | **177.3** | **–** | **177.3** | 170.2 | – | 170.2 |
| Right-of-use assets | **45.8** | **–** | **45.8** | 58.6 | – | 58.6 |
| Investment in joint venture | **1.5** | **–** | **1.5** | 1.1 | – | 1.1 |
| Other non-current assets and liabilities | **7.9** | **(70.1)** | **(62.2)** | 12.8 | (66.7) | (53.9) |
| Current assets and liabilities | **1,137.1** | **(609.8)** | **527.3** | 936.9 | (502.2) | 434.7 |
| Capital employed | **1,842.9** | **(679.9)** | **1,163.0** | 1,646.0 | (568.9) | 1,077.1 |
| Retirement benefit net assets / (obligations) | **0.3** | **(12.7)** | **(12.4)** | 0.8 | (56.5) | (55.7) |
| Net cash / (debt) (including lease liabilities) | **258.0** | **(300.1)** | **(42.1)** | 199.0 | (321.0) | (122.0) |
| Assets / (liabilities) | **2,101.2** | **(992.7)** | **1,108.5** | 1,845.8 | (946.4) | 899.4 |

1. Restated for measurement period adjustments for prior year acquisitions (see Note 28 on page 175).

## Working capital

We have actively managed our working capital and, as a result, working capital as a percentage of revenue decreased by 0.8 percentage points to 21.1% (2020/21 restated[1]: 21.9%).

We continue to monitor receivables collection closely, which remains our greatest short-term liquidity sensitivity. We have maintained the actions we took at the end of 2019/20 to limit our exposure by tightening credit policies, including short payment terms and low credit limits for new customers and seeking payment commitments for overdue balances before releasing new orders to existing customers. Trade and other receivables at £594.3 million (2020/21 restated[1]: £493.6 million) are higher due to our increased revenue.

Gross inventories increased to £559.2 million (2020/21: £460.4 million). We have added more inventory into our expanded DC in Fort Worth, US, and have worked hard to add to our inventory levels across the Group to protect supply given external supply challenges, especially since they were lower than we would have liked at 31 March 2021 due to delays caused by Brexit and the Suez Canal blockage. Strong experience and foresight by our procurement teams meant that we were able to take steps to secure our inventory position as signs of industry supply shortages began to develop. Our inventory turn was unchanged at 2.7 times as our business grew in line with our increase in inventory. Inventory provisions have decreased by £10.9 million to £29.7 million mainly as a result of selling some heavily provisioned electronics products.

Overall trade and other payables increased to £584.1 million (2020/21: £475.3 million) mainly due to the increase in purchases of products.

Looking forward we continue to manage actively our working capital position and remain focused on receivables collection. We continue to invest in our inventory position to ensure that we remain well positioned to maintain service levels and deliver strong growth within this supply constrained market. However, we understand that demand and supply dynamics can change quickly and that our systems and orders need to remain flexible to be able to adapt according to market forces. We continue to pay our suppliers to terms and have worked with some of our larger suppliers to improve terms where possible.

## Net debt

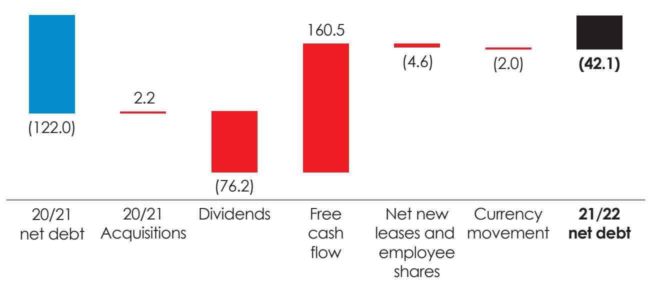
Our net debt is £42.1 million, £79.9 million lower than at 31 March 2021 when it was £122.0 million. Net debt comprised gross borrowings of £300.1 million (2020/21: £321.0 million), including lease liabilities of £48.7 million (2020/21: £61.5 million), offset by cash and short-term deposits of £257.9 million (2020/21: £197.9 million) and interest rate swap assets with a fair value of £0.1 million (2020/21: £1.1 million).

On 29 October 2021 we moved our £300 million three-year revolving credit facility to a sustainability-linked loan (SLL). We will be measured against annual ESG actions relating to Scope 1 and 2 $CO_2e$ emissions, packaging intensity and percentage of management that are women. Meeting these annual ESG actions will mean a margin benefit of up to 2.5 basis points, while missing these ESG actions would mean we pay a margin premium of up to 2.5 basis points, and if all three ESG actions were missed the loan would be declassified as an SLL but this would not be an event of default. This new agreement also replaced LIBOR with risk free rates and our request to take up the option to extend the maturity for a year was later accepted.

Our SLL of £300 million has a lender option accordion of up to a further £100 million and a maturity of November 2024 which may be extended at the option of the Group for a further one-year term subject to individual lender approval. This SLL was undrawn at 31 March 2022 and, together with £151.7 million of private placement loan notes, form our committed debt facilities of £451.7 million.

The Group's financial metrics remain strong, with net debt to adjusted EBITDA of 0.1x and EBITA to interest of 44.6x, leaving significant headroom for the Group's banking covenants of net debt to adjusted EBITDA less than 3.25 times and EBITA to interest greater than 3 times.

## Movement in net debt (£m)




## Return on capital employed (ROCE)

ROCE is the adjusted operating profit for the 12 months ended 31 March 2022 expressed as a percentage of the monthly average capital employed (net assets excluding net debt and retirement benefit obligations). ROCE remained strong at 28.7%, up 9.3 percentage points year on year (2020/21: 19.4%).

## Retirement benefit obligations

The Group has defined benefit pension schemes in the UK and Europe, with the UK scheme being by far the largest. All these schemes are closed to new entrants and in Germany and Ireland the pension schemes are closed to accrual for future service.

Overall, the accounting deficit of the Group's defined benefit schemes at 31 March 2022 was £12.4 million compared to £57.4 million at 30 September 2021 and £55.7 million at 31 March 2021.

At 31 March 2022, the UK defined benefit scheme had an accounting surplus of £24.9 million (2020/21: an accounting deficit of £41.2 million). Under the scheme's rules the Group does not have an unconditional right to any surplus that may arise on the scheme and so the accounting surplus has been restricted to £nil. The movement from a deficit to a surplus was principally due to a decrease in liabilities caused by a 0.7 percentage points increase in the discount rate (from 2.1% to 2.8%) partially offset by an increase of 0.5 percentage points in inflation-linked assumptions, as well as an increase in the value of the assets.

The triennial funding valuation of the UK scheme at 31 March 2019 showed a deficit of £44.7 million on a statutory technical provisions basis. A recovery plan was agreed with the trustee of the UK scheme with deficit contributions paid with the aim that the scheme was fully funded on a technical provisions basis by March 2022. These deficit contributions started in 2019/20 and consisted of an annual contribution of at least £10 million, increased each 1 April by the increase in the Retail Prices Index (RPI) for the year to the preceding December, plus an additional contribution of £25 million. This additional contribution could be paid in instalments and paid as and when we deemed appropriate, provided the total additional contribution had been paid no later than 31 March 2022. Given our financial strength, we paid £12.5 million in 2020/21 and the remaining £12.5 million in 2021/22.

## Dividend

The Board intends to continue to pursue a progressive dividend policy while remaining committed to a healthy dividend cover over time by driving improved results and stronger cash flow.

The Board proposes to increase the final dividend to 11.6p per share. This will be paid on 22 July 2022 to shareholders on the register on 17 June 2022. As a result, the total proposed dividend for 2021/22 will be 18.0p per share, representing an increase of 13% over the 2020/21 full-year dividend. Adjusted earnings dividend cover for 2021/22 was 2.9 times.

## Foreign exchange risk

The Group does not hedge translation exposure on the income statements of overseas subsidiaries. Based on the mix of non-sterling denominated revenue and adjusted operating profit, a one cent movement in the euro would impact annual adjusted profit before tax by £1.8 million and a one cent movement in the US dollar would impact annual adjusted profit before tax by £0.7 million.

The Group is also exposed to foreign currency transactional risk because most operating companies have some level of payables in currencies other than their functional currency. Some operating companies also have receivables in currencies other than their functional currency. Group Treasury maintains three to seven months hedging against freely tradable currencies to smooth the impact of fluctuations in currency. The Group's largest exposures related to euros and US dollars.

## Retirement benefit obligations

| £m | 31 March 2022 UK | 31 March 2022 Other | 31 March 2022 Total | 31 March 2021 UK | 31 March 2021 Other | 31 March 2021 Total |
|---|---|---|---|---|---|---|
| Fair value of scheme assets | **585.7** | **7.6** | **593.3** | 572.8 | 8.1 | 580.9 |
| Defined benefit obligations | **(560.8)** | **(7.3)** | **(568.1)** | (614.0) | (7.3) | (621.3) |
| Effect of asset ceiling / onerous liability | **(24.9)** | **–** | **(24.9)** | – | – | – |
| Status of funded schemes | – | **0.3** | **0.3** | (41.2) | 0.8 | (40.4) |
| Unfunded schemes | – | **(12.7)** | **(12.7)** | – | (15.3) | (15.3) |
| Total net liabilities | – | **(12.4)** | **(12.4)** | (41.2) | (14.5) | (55.7) |

# Managing our risks effectively

**The Group has risk management and internal control processes to identify, assess and manage the risks which have the potential to affect the achievement of its strategic, operational and compliance objectives.**

## The risk management process

The Board has overall accountability for the Group's risk management, which is managed by the Senior Management Team (SMT) and co-ordinated by the Group's risk team. The principal elements of the process are:

### Identification

Risks are identified through a variety of sources, both external, to ensure that developing risk themes (emerging risks) are considered, and internal, including the Board, senior, regional and country management teams. The sharing of identified risks is two-way: both from the local country teams to more senior management and from the Board to the broader management. The focus of the risk identification is on those risks which, if they occurred, and became issues, would have a material quantitative or reputation impact on the Group and the achievement of its strategic, operational and compliance objectives.

This identification process also includes the Board and SMT specifically considering if there are other less easily qualified and slowly developing risks (emerging risks) which the Group should be addressing.

### Assessment

Management identifies the controls for each risk and assesses the impact and likelihood of the risk occurring (using consistent measures). These assessments consider the effects of the existing controls (the resulting net or residual risk).
This assessment is compared with the Group's risk appetite to determine the appropriate risk treatment. This process is supplemented by an annual risk and controls assessment completed by operating locations and Group-wide functions.

### Ownership

The Group's principal risks are owned by individual members of the SMT with responsibility for specific mitigation actions / controls. The SMT collectively reviews the risk register, the controls and mitigating actions at specific Group risk review meetings.

### The Board

The Board confirms it has undertaken a robust review of the Group's principal and emerging risks (including those that could threaten its business model, future performance, solvency or liquidity) and assessed them against the Group's risk appetite. For several principal risks, members of the SMT will, as part of their ongoing activities, update the Board on these risks and their mitigation. This allows the Board to determine whether the actions being taken by management are sufficient.

## Accountable and responsible teams

### Board

Overall accountability for the Group's approach to risk management and internal control including approving the Group's risk appetite and the principal risks.

### SMT Risk Committee

Responsible for owning and reviewing the Group's risk management process, risks and mitigating internal controls and making recommendations to the Board.

### Markets, regions and Group functions

Identifying, reviewing and communicating local risks using risk registers where applicable.

## Supporting teams

### Audit Committee

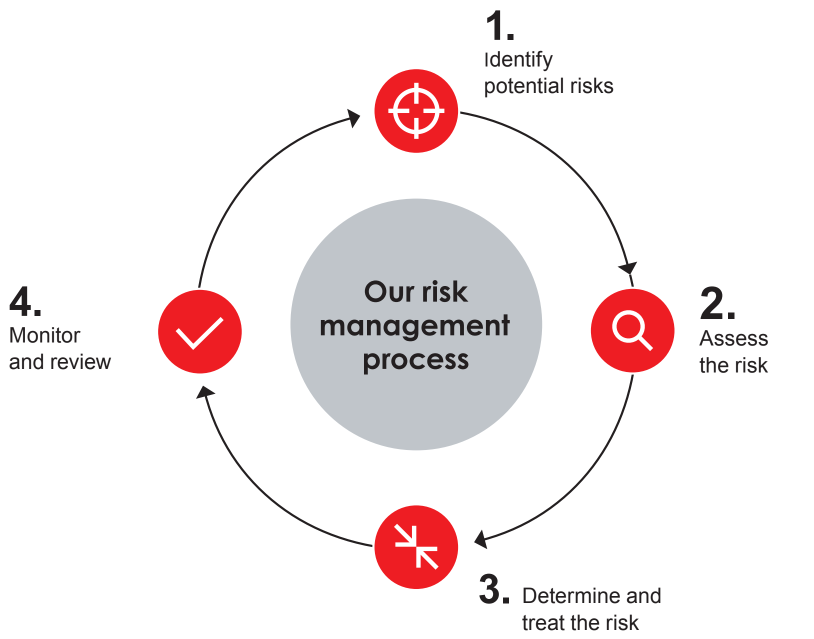
Responsible for supporting the Board to ensure effective internal controls and risk management systems and to measure the Group's effectiveness in managing risk.

### Group Risk

Supports the business to identify, assess, manage and report risks. This includes providing a consistent measurement process for risks and helping identify risks that should be reported at a Group level.

### Operational Audit

Operational Audit, as part of its scheduled audits, reviews the effectiveness of the Group's mitigating controls for its risks.




## Our risk appetite

In accordance with the UK Corporate Governance Code, the Board has defined its risk appetite. Each risk listed within the risk register is categorised as either: strategic, operational, or regulatory / compliance. These three risk categories and their respective risk appetites are described in more detail below.

| Risk category | Risk appetite | Risk management objectives | Risk appetite statement |
|---|---|---|---|
| **Strategic**<br><br>See Strategic priorities on pages 28 to 31 | High | The business will achieve its strategic objectives by delivering supporting priorities. It will proactively manage the risks associated with exploring more innovative product and service solutions and reinvesting in existing and new initiatives to accelerate business growth. | Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if the activities carry a higher residual risk. |
| **Operational**<br><br>See Business model on pages 26 and 27 | Medium | The business will adopt innovative solutions while identifying and managing the risks that could adversely impact its more operational objectives to maintain the best customer and supplier experience. | Willing to consider all options and choose the one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit. |
| **Regulatory / compliance**<br><br>See Business model on pages 26 and 27 | Low | The business will ensure that it manages its regulatory and compliance risks appropriately and:<br>• complies with all its legal obligations across all its locations; and<br>• manages its own activities and those of other parties with whom it transacts to avoid reputational damage to the business. | Preference for options that carry a low residual risk with the potential for benefit / return not a key driver. |

# Principal risks and uncertainties

The Group has identified 11 principal risks, a net increase of one from those disclosed last year. This movement includes:
- The removal of the risk associated with the UK's exit from the EU with some of the specific effects now considered within the more detailed risks such as the impact of possible future diverging legislation between the UK and the EU.
- A new risk reflecting the increasing geopolitical uncertainties and how they may affect the business model and the Group's profitability.
- Including the climate change related risk as a principal risk (previously listed as an emerging risk), recognising our improving understanding of this area and its possible impact on the business.

| What is the risk and how could it affect our business? | Risk direction and residual risk assessment | What are we doing to manage the risk? |
|---|---|---|
| **Strategic risk category** – These risks are often caused by external developments. Mitigation is generally directed at a strategic level supported by local activities. | | |
| 1 **Prolonged effects of the ongoing COVID-19 pandemic across different geographies**<br>This includes the uncertainties associated with the pandemic including changing customer demand, potential volatility in the recovery of receivables and associated liquidity risk, and delays and difficulties sourcing inventory and associated cost volatility. This risk also includes the uncertainty about the recovery phase: its speed, extent to which confidence recovers from its effects and any other effects, such as supply constraints and inflation. Looking further ahead there will be the risk associated with further outbreaks. | The scale, duration and extent of the effects of the pandemic across different geographies of the world are better understood and managed hence the risk will continue to reduce.<br><br>Medium risk assessment owing to the uncertainty about economic recovery effects and future pandemic variants of the COVID-19 virus, albeit mitigated by improved international and business preparedness. | • Ensuring employees' health, safety and wellbeing – keeping them safe to enable a continuation of service.<br>• Supporting our customers by maintaining suitable levels of inventory and exploring opportunities with suppliers by taking appropriate actions to manage inventory supply and demand volatility.<br>• Protecting our receivable balances and their recoverability. |
| 2 **Fail to respond to strategic market shifts, for example, changes in customer demands / competitor activity and related stakeholder requirements**<br>Changes to customer and market assumptions upon which the Group performance plans are based. | Customer and competitor behaviours will accelerate market developments.<br><br>Medium risk assessment due to significant business impact of possible changes with mitigation by monitoring controls and change activities. | • Maintain strong relationships with customers and suppliers to grow existing business and identify new opportunities.<br>• Monitoring of market developments, including the competitive environment.<br>• Targeted mergers and acquisitions (M&A) that complement both our existing business and strategic growth areas. |
| 3 **The Group's revenue and profit growth activities are not successfully implemented**<br>This risk could lead to lower than forecast financial performance in terms of revenue growth, cost savings and operating profit with changes required to Group plans and any post-acquisition integration activities. | This risk will increase as we accelerate the journey towards achieving our strategic objectives.<br><br>Medium risk assessment owing to the controls we have to manage strategy implementation. | • Improving the basics for customers with prioritised proposals and projects, including revenue growth and supporting activities across shared business services and supply chain infrastructure.<br>• Integrated project management governance structure with accountabilities designed to support delivery on time and to cost, within resources and capabilities.<br>• Specific and tailored post-acquisition integration plans overseen by a specialist team within our Integration Management Office. |
| 4 **Effects on the business due to geopolitical developments**<br>Future global destabilisation with impacts on international business activities such as increasing operating costs, additional trade sanctions and supply chain delays. | Increasing global geopolitical uncertainty means that this risk will increase.<br><br>Medium risk assessment due to the potentially high impact though this is likely to be regionally based which can be better absorbed by the Group. | • Continuously monitor the existing markets in which the Group operates to identify potential uncertainties that may impact our service to customers within countries, regions or globally.<br>• Through our supplier (direct and indirect) relationships, identify potential supply vulnerabilities and ensure appropriate resilience is in place.<br>• Considered as part of the due diligence process when looking at potential M&A targets. |





**Risks direction definition**
- The risk is likely to increase within the next 12 months
- The risk is likely to remain stable within the next 12 months
- The risk is likely to reduce within the next 12 months

| What is the risk and how could it affect our business? | Risk direction and residual risk assessment | What are we doing to manage the risk? |
|---|---|---|
| **Operational risk category** – These risks are related to those that could impact internal areas e.g. the business's infrastructure, ways of working and people. Mitigating actions are often processes and direct controls. | | |
| 5 **Failure in the business's critical infrastructure**<br>An unplanned event could disrupt the Group's critical infrastructure, including:<br>• Key location failure<br>• Core transaction systems unable to operate<br>• Numerous third-party suppliers unable to meet demand<br><br>This could lead to the business being unable to serve its customers. | Increasing risk, principally due to third-party suppliers being unable to meet all the increased demand during the economic recovery following COVID-19.<br><br>Medium risk assessment due to the potential impact of a significant failure of the Group's critical infrastructure though given the nature of the event, a very low likelihood. | • Documented and tested business continuity plans at key distribution centres (DCs), sales and back-office locations.<br>• To fulfil customer orders and maintain service, we can plant switch whereby the activity of a DC unable to operate can be switched to another.<br>• Close relationships with third-party recruitment agencies providing additional temporary staff if required in a business failure.<br>• Ongoing assessments of critical third-party inventory suppliers and appropriate inventory levels to mitigate risk where needed.<br>• Resilient IT systems infrastructure featuring operating redundancies and disaster recovery.<br>• Core Group transaction systems managed from a data centre.<br>• Periodic testing of the IT disaster recovery plans across the Group.<br>• Strict control over upgrades to core transaction systems and other applications. |
| 6 **Cyber security breach / information loss**<br>An attack on the Group's systems, sites or data could lead to potential loss of confidential information and / or disruptions to the Group's transactions with customers (including the transactional website) and transactions with suppliers. Accidental data loss could also occur because of employee or partner action (or inaction). | Frequency and sophistication of cyber attacks on businesses with well-publicised malicious cyber activity aimed at individuals and companies expected to continue to increase.<br><br>High risk assessment due to increased use of and sophistication of cyber attacks across industries. | • The Group continues to invest in both expertise and technical solutions. Such solutions include anti-malware software to protect business PCs and laptops. External emails identified to all business recipients. Firewalls to protect against malicious attempts to penetrate the business IT environment.<br>• Computer emergency readiness team (CERT) to track software vulnerabilities and respond to security incidents.<br>• Our Technology teams have procedures to update supplier security patches to servers and clients. They regularly undertake control reviews to consider the security implications of IT changes.<br>• With ongoing higher levels of homeworking, increased cyber monitoring, employee training and messaging on cyber risk awareness.<br>• Security reviews with selected third-party suppliers. |

# Principal risks and uncertainties continued

| What is the risk and how could it affect our business? | Risk direction and residual risk assessment | What are we doing to manage the risk? |
|---|---|---|
| **Operational risk category** continued | | |
| 7<br>**UK defined benefit pension scheme cash requirements are more than the cash available**<br>The Company may be required to contribute increased cash sums to the UK defined benefit pensions scheme due to the trustee exercising its power to close the scheme if in a deficit (the trustee has confirmed that it has no current intention to exercise this power to wind up the scheme). | Reducing risk due to the improvement in the scheme funding position due to deficit contributions to the UK pension scheme (as per the recovery plan agreed with the pension trustee), asset performance and changes in market-related assumptions.<br>Medium to low risk assessment due to a de-risked cash flow driven investment strategy. | • Maintain a strong working relationship with pension trustees where Company representatives regularly attend trustee meetings to update on business performance and risk management.<br>• Quarterly reviews of the pension scheme funding position.<br>• Joint trustee / Company working group to review investment performance and strategy quarterly.<br>• Company and trustee have a funding agreement to eliminate the deficit over time.<br>• Company covenant and ability to support the scheme regularly reviewed by trustee. |
| 8<br>**People resources unable to support the existing and future growth of the business**<br>The business may not be able to attract and retain the necessary high-performing employees to ensure that the business achieves its targeted performance. | No expected significant changes to the supply and retention of quality employees.<br>High risk assessment due to wider market challenges attracting and retaining high calibre employees in an increasingly competitive environment. | • Development of existing employee competencies and the introduction of external expertise where appropriate.<br>• Continuous employee performance conversations to align personal objectives with the Group's strategy.<br>• COVID-19 people-related support activities across the regions where still needed.<br>• Regular employee talent reviews and succession planning for the business's more senior / critical roles.<br>• Developing the business brand to attract high potential talent.<br>• Developing a more high-performance, purpose-led employee culture. |
| 9<br>**Impact on the business if the macroeconomic environment deteriorates**<br>The Group's revenue, and hence profit, could be adversely affected by a decline in the global macroeconomic environment with other associated effects such as foreign exchange volatility. | Increasing risk due to labour shortages, raw material and energy costs fuelling inflation pressures and a downward revision of global GDP forecasts.<br>Medium risk assessment reflecting the business being less cyclical coupled with a strong balance sheet and its cash generative nature. | • Strong cash generative business.<br>• Strong balance sheet.<br>• Significant headroom maintained on debt covenants and banking facilities.<br>• Relevant foreign exchange cash flow hedging for business trading purposes.<br>• Cost management and control of inventory.<br>• Frequent business financial performance reviews covering cash flow and profitability including revenue, gross margin and operating costs. This includes more significant costs such as freight. |

**Risks direction definition**

- The risk is likely to increase within the next 12 months
- The risk is likely to remain stable within the next 12 months
- The risk is likely to reduce within the next 12 months

| What is the risk and how could it affect our business? | Risk direction and residual risk assessment | What are we doing to manage the risk? |
|---|---|---|
| **Operational risk category** continued | | |
| 10<br>**Potential impact on the business due to climate change effects**<br>The Group could be unprepared for the various consequences of climate change. This could be either:<br>• The physical risks of more extreme weather conditions (heat / flooding) affecting supply chain channels and disrupting customer service.<br>• The transition risks associated with the consequences of the migration to a carbon neutral economy, including the impact on the transport of inventory both within the Group and to customers. | Increasing risk due to the evidence supporting climate change and its global impact (both physical and transition risks).<br>Following a detailed quantitative and qualitative review of our physical and transition risks, we assess this risk as medium to low given the likely impact and timescales for these risks on the Group. | • Undertaken detailed climate scenario analysis of physical and transition risk impacts on the Group. See pages 78 and 79.<br>• Strategies and controls in place to mitigate physical climate-related risks on operations and wider supply chain. See pages 60 to 65 and 77.<br>• Net zero plan and science-based targets to decarbonise our DCs, transport network and products, as part of our 2030 ESG action plan – For a Better World. See page 61.<br>• Increasing sustainable products, packaging and transport options to support our customers' climate goals. See pages 63 to 65.<br>• Including a review of climate risks and opportunities as part of M&A due diligence. |
| **Regulatory / compliance risk category** – External regulations and requirements can be very localised. Risk mitigations are often specific actions to ensure compliance. | | |
| 11<br>**Fail to comply with international and local legal / regulatory requirements**<br>Failure to manage these risks could lead to:<br>• Serious health and safety incidents / breaches.<br>• Non-compliance with trade, transport or product regulations.<br>• Breaches of any other regulatory or legislative requirements within the markets / regions in which the Group operates. | No significant changes to the risk.<br>Medium risk assessment: controls operating across various activities, including transactional, health and safety and legal, to monitor risks and apply controls. | • Target Zero, including accident reporting and reduction strategies which are supported by central, regional health and safety expertise supported by in market health and safety representatives.<br>• Employment of internal specialist expertise, supported, where needed, by suitably qualified / experienced external partners, for example to provide relevant country specific data protection regulation guidance.<br>• Ongoing reviews of relevant national and international compliance requirements.<br>• Training and awareness programmes focusing on anti-bribery, competition and data protection legislation with increased modern slavery awareness.<br>• Code of conduct for all employees.<br>• Ethical sourcing policy for suppliers.<br>• Our trade compliance systems which scan external customer orders to ensure relevant trade compliance requirements are being followed, including sanctions, embargoes and denied parties.<br>• Working with our suppliers to obtain relevant product information, for example any restrictions on use. |

## Viability statement

### Assessment of prospects

The Group's strategic priorities are focused on delivering sustainable growth and superior returns for all our stakeholders and include a number of initiatives. They are discussed in more detail on pages 28 to 31.

Our business model, as described on pages 26 and 27, is structured so that the Group is a global omni-channel provider of product and service solutions for designers, builders and maintainers of industrial equipment and operations to a very broad spread of customers both in terms of industry sector and geography. The Group is not reliant on one particular group of customers or suppliers, with its largest customer accounting for under one percent of revenue and its largest supplier less than four percent of revenue. Our business model is differentiated by: our global network of 14 distribution centres; our talented and customer-centric team; our strong supplier relationships; our broad range of products and value-added solutions capabilities; and our strong digital presence. The Group has high inventory availability with products sourced from a large number of suppliers and provides customers with a reliable and fast service.

The Group's results and financial position are reviewed monthly by both our SMT and the Board. Every day the SMT receives an analysis of the previous day's revenue and gross margin. The Board receives and reviews monthly management accounts, including cash flows, and also receives regular performance and forecast updates from the CFO and Chief Executive Officer.

We frequently update our detailed rolling 18-month forecast of the Group's income statement, balance sheet and cash flows which are regularly reviewed, and the assumptions approved, by the Board.

The Group's long-term prospects are assessed primarily through our strategic and financial planning process. This includes the preparation of a five-year strategic plan and an annual target setting process involving both Group and regional management which are updated annually and reviewed and approved by the Board. The SMT receives and reviews a scorecard each quarter showing progress against the strategic plan objectives. The Board also receives updates and, if appropriate, the strategic plan is updated depending on progress and performance.

The Board also considers the long-term prospects of the Group as part of its regular monitoring and review of risk management and internal control system, as described on page 98.

The detailed rolling 18-month forecast is supplemented by updates during the month of our cash position and latest cash forecasts in order to track closely our net debt position and enable us to take any necessary actions on a timely basis. Our capital position is supported by regular reviews of the Group's funding facilities and banking covenants' headroom, through the Board's Treasury Committee. During the year we moved our £300 million three-year revolving credit facility to a sustainability-linked loan and took up the option to extend the maturity for a year. It has a lender option accordion of up to a further £100 million and the maturity may be extended at the option of the Group for up to one further one-year term subject to individual lender approval. This loan was undrawn at 31 March 2022.

As described throughout this Annual Report and Accounts, the Group's performance over the past year has been very strong with like-for-like revenue growing by 26% and free cash flow of £160.5 million reducing net debt to £42.1 million (including lease liabilities of £48.7 million) at 31 March 2022 from £122.0 million (including lease liabilities of £61.5 million) at 31 March 2021. We also paid dividends during the year of £76.2 million (2020/21: £71.2 million). We have ended the year with an even stronger balance sheet than with which we started.

Details of our sources of finance are outlined in Note 23 on page 171, with the earliest facility maturing being the sustainability-linked loan in November 2024.

The Group's debt covenants are EBITA to interest to be greater than 3:1 and net debt to adjusted EBITDA to be less than 3.25:1. At 31 March 2022 EBITA to interest was 44.6x (2020/21: 26.7x) and net debt to adjusted EBITDA was 0.1x (2020/21: 0.5x) (see Note 3 on page 149 for reconciliations) and under our strategic plan these are also comfortably met.

### Viability assessment period

In its assessment of the Group's viability, the Board has reviewed the assessment period and has determined that a three-year period to 31 March 2025 continues to be most appropriate. The robustness of the strategic plan is significantly higher in the first three years with the final two years being a high-level extrapolation. The Group has few contracts with either customers or suppliers extending beyond three years and, in the main, contracts are for one year or less. The business operates with a minimal forward order book, generally taking orders and shipping them on the same day. In addition, as more business continues to move online and we become more agile, speed of change increases and so visibility is relatively short term. Of the Group's long-term obligations, the UK pension scheme is the largest and its triennial funding valuation forms the basis of our agreeing its funding with its trustee. Our share-based payment schemes are also mainly for three years.

### Assessment of viability

Each of the Group's principal risks and uncertainties on pages 52 to 55 has a potential impact on the Group's viability and so the Board considered various scenarios and examined a number of factors that could impact each in the future. It decided which scenarios would have the most impact on the viability of the Group and determined an appropriately severe but plausible stress test for each of these scenarios.

The strategic plan approved at the March 2022 Board meeting is currently considered to reflect the Board's best estimate of the future prospects of the Group. Therefore, in order to assess the viability of the Group, the scenarios and stress tests were modelled by overlaying them onto the strategic plan to quantify the potential impact of one or more of them crystallising over the assessment period.

The scenarios and related stress tests modelled and how they link to the principal risks and uncertainties were:

| Scenario and related stress tests modelled | Link to principal risk and uncertainties |
|---|---|
| **Scenario 1 – Revenue and gross margin down and operating costs up**<br>Revenue falls in 2022/23 by more than that seen in the first half of 2020/21 (when the biggest impact of COVID-19 was seen) with a further decline in 2023/24. Gross margin declines in 2022/23 by 2 percentage points and freight, variable labour and other operating costs prices continue to rise. No mitigation taken on costs in 2022/23 and then costs move in line with revenue in future years. | 1 Prolonged effects of the ongoing COVID-19 pandemic across different geographies<br>2 Fail to respond to strategic market shifts e.g. changes in customer demands / competitor activity and related stakeholder requirements<br>3 The Group's revenue and profit growth activities are not successfully implemented<br>4 Effects on the business due to geopolitical developments<br>9 Impact on the business if the macroeconomic environment deteriorates<br>10 Potential impact on the business due to climate change effects<br>11 Fail to comply with international and local legal / regulatory requirements |
| **Scenario 2 – Cash collection down**<br>Cash collection from trade receivables deteriorates leading to trade receivables impaired by 5% of revenue in 2022/23. | 1 Prolonged effects of the ongoing COVID-19 pandemic across different geographies<br>4 Effects on the business due to geopolitical developments<br>10 Impact on the business if the macroeconomic environment deteriorates |
| **Scenario 3 – Significant infrastructure failure**<br>Major incident at the largest DC which destroys the building and its contents. | 5 Failure in the business's critical infrastructure<br>10 Potential impact on the business due to climate change effects |
| **Scenario 4 – Major cyber breach / information loss**<br>Major system failure (possibly caused by a cyber attack) leading to a serious loss of service, fines for data breach and loss of reputation leading to halving of revenue growth. | 5 Failure in the business's critical infrastructure<br>6 Cyber security breach / information loss |

The scenarios considered and the severe and plausible stress tests for the principal risks and uncertainties 7 'UK defined benefit pension scheme cash requirements are more than the cash available' and 8 'People resources unable to support the existing and future growth of the business' were assessed to have less impact on the Group's viability.

In performing the above tests it was assumed that no major reorganisations or significant working capital initiatives occur in mitigation, capital expenditure is unchanged from that in the strategic plan, dividends continue to be paid and there are no changes in debt financing.

The results of the above stress tests showed the Group would be able to withstand the impact of these scenarios occurring.

Reverse stress tests were also undertaken to assess the circumstances that would threaten the Group's current financing arrangements. These included significant declines in like-for-like revenue, significant declines in gross margin and a major deterioration in cash collection and would have to result in adjusted operating profit margin falling to under 2% in at least one of the following three years. These reverse stress tests also assumed that no major reorganisations or significant working capital initiatives occur in mitigation, capital expenditure is unchanged from that in the strategic plan, dividends continue to be paid and there are no changes in debt financing. The Board considers the risk of these circumstances occurring to be remote.

The above scenarios are hypothetical and extremely severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group; however, multiple control measures are in place to prevent and mitigate any such occurrences from taking place. If any of these scenarios actually happened, various options are available to the Group to maintain liquidity so as to continue in operation.

### Confirmation of viability

Based on the assessment outlined above, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three years to 31 March 2025.

## Going concern

The going concern period is defined as a period of at least 12 months from 24 May 2022.

Based on the assessment outline above, the Board also believes that it is appropriate to continue to adopt the going concern basis in preparing the Group's accounts.

# For a Better World: our 2030 ESG action plan

**Our purpose and new 2030 ESG action plan will generate greater long-term value for our stakeholders and triple bottom line benefits for people, planet and profit.**

### How we developed our 2030 ESG action plan

Our purpose, making amazing happen for a better world, reflects our focus on delivering results for people, planet and profit. To reinforce this commitment, we launched our 2030 ESG action plan – For a Better World in November 2021.

For a Better World builds on our former 2025 ESG targets with four global goals and 15 supporting actions. With insights gathered from our materiality assessment, the plan complements our Group strategy, The RS Way, by delivering long-term value for all our stakeholders and accelerating our Journey to Greatness.

Our refreshed approach supports six of the UN SDGs and lays the foundation for our long-term vision to 2050. Our key commitments and 2021/22 performance highlights can be found in the table below.

See our progress against 15 supporting actions on pages 60, 66, 69 and 74

## Alignment to ratings and standards

- CDP: A- climate leadership score 2021
- EcoVadis: Gold medal 2021
- FTSE4Good Index: 3.2/5 score 2021
- MSCI: A rating 2021
- Sustainalytics: Global top 50 ESG companies – 18/14,661; Negligible risk (6)

## 2030 ESG action plan

| Global goals | | Key action areas | Performance highlights | | |
|---|---|---|---|---|---|
| **Advancing Sustainability** | We are developing sustainable operations and product and service solutions | **Net zero emissions in direct operations by 2030**, value chain before 2050. SBTi, UN Global Compact's Business Ambition for 1.5°C and UN Race to Zero commitments | **50%** reduction in Scope 1 and 2 emissions since 2019/20[1] | **88%** of Group electricity from renewable sources in 2021/22[2] | **17%** reduction in Scope 3 transport emissions intensity since 2020/21[3] |
| **Championing education and innovation** | We are building skills and fostering innovative solutions that improve lives | Building skills and fostering innovation with **1.5 million engineers** and innovators | **1.2m** members, students and start-ups engaged through DesignSpark | **£218k** raised to support The Washing Machine Project to improve lives[4] | **c. 4,200** universities, colleges and schools use our educational products in their teaching |
| **Empowering our people** | We are creating a safe, inclusive and dynamic culture where our people can thrive and grow | Working towards **40% women** and **25% ethnically diverse leaders** | **75** employee engagement score in 2021/22 – our highest to date | **44%** of the Board are women, including the Chair | **23%** reduction in our accident frequency rate since 2019/20 |
| **Doing business responsibly** | We ensure the highest ethical standards throughout our business and global value chain | Increasing screening and **ESG objectives for suppliers. ESG metrics in employee rewards** and **sustainability-linked loans** | **ESG** metric added to annual incentive for 2022/23 to drive progress against our 2030 climate actions | **£300m** sustainability-linked loan (SLL) to help facilitate ESG action | **112** RS PRO supplier ESG inspections since May 2019 |

Supporting six United Nations Sustainable Development Goals (UN SDGs)

4 Quality education; 5 Gender equality; 8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 12 Responsible consumption and production; 13 Climate action

1. Scope 1 and 2 $CO_2e$ emissions updated to reflect changes in reporting and emissions factors.
2. Percentage of total electricity use.
3. Tonnes of $CO_2e$ due to Scope 3 transport emissions per tonne of product sold.
4. This includes a corporate donation of £97,000 made in April 2022.

# Advancing sustainability

Supporting UN SDGs

8 Decent work and economic growth · 9 Industry, innovation and infrastructure · 12 Responsible consumption and production · 13 Climate action

## Our approach

We sit at the centre of the global industrial value chain as a critical partner to our customers and suppliers. Thus, we play an important role in advancing environmental sustainability and tackling climate change across many sectors of the global economy.

We are committed to the Science Based Targets initiative (SBTi) and to achieving net zero in our operations by 2030. We are also helping customers and suppliers meet their climate ambitions in line with our commitment to delivering a net zero value chain by 2050.

## Our commitments and progress

| 2030 actions | Performance |
|---|---|
| **By 2030 in our direct operations:**<br>• **Carbon:** Be net zero with a science-based target to reduce absolute emissions from our own operations by 75%[1]<br>• **Packaging:** Make our packaging more sustainable: reduce intensity by 30%[1], with 100% of packaging widely reusable, recyclable or compostable, and made with 50% recycled content<br>• **Waste:** Reduce, reuse and recycle our waste: reduce intensity by 50%[1], recycle > 95% and achieve zero waste to landfill in our direct operations | **50%** reduction in Scope 1 and 2 emissions since 2019/20[2]<br>**16%** reduction in packaging intensity since 2019/20[3]<br>**73%** of total waste recycled. Declined by one percentage point in 2021/22 |
| **Working towards a net zero global value chain by 2050:**<br>• **Transport:** Reduce Scope 3 transport emissions by 25% per tonne of product sold[1]<br>• **Products and solutions:** Develop innovative and sustainable product and service solutions for all our customers<br>• **Supplier carbon:** Engage 65% of suppliers by spend to set SBTs by 2025 | **17%** reduction in intensity of Scope 3 transport emissions since 2019/20[4]<br>**19%** of suppliers by spend are committed to setting an SBT by 2025 |

1. By 2029/30 from 2019/20.
2. Scope 1 and 2 emissions updated to reflect changes in reporting and emissions factors.
3. Tonnes per £m revenue.
4. Tonnes of $CO_2e$ due to scope 3 transport emissions per tonne of product sold.


Our upgraded distribution centre (DC) in Bad Hersfeld, Germany, is powered in part by a 6,000m² solar array which generates 750kW of green photovoltaic (PV) electricity and 22% of the site's annual electricity requirement. The expanded site can now house up to 500,000 products, which will significantly reduce delivery distances and associated transport emissions.

# Our net zero roadmap

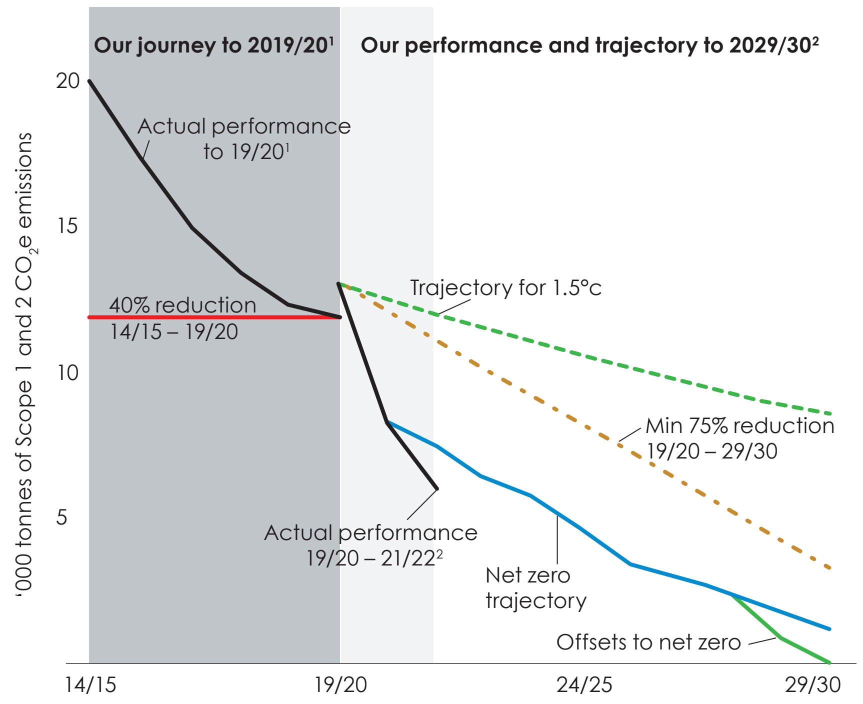
In November 2021, we announced our ambition to become a net zero business by 2030. This included setting science-based targets covering our Scope 1, 2 and 3 emissions with a 75% reduction in direct emissions by 2030. We have also set supporting targets for packaging, waste and transportation to drive further environmental performance and climate action.

Beyond our own business we are committed to supporting our customers and suppliers on their journey to tackling climate change and achieving net zero by 2050. This includes offering an increasing range of sustainable product and service solutions to our customers, as well as committing to engage 65% of our suppliers by spend to set SBTs by 2025.

To drive collaboration and industry-wide action, we joined the UN Global Compact's Business Ambition for 1.5°C and the UN Race to Zero in 2021/22 to align to best-practice guidelines and collaborate to drive positive change.

We submitted our science-based targets covering Scope 1, 2 and 3 emissions to the **SBTi** for verification in May 2022. We expect to obtain formal approval of our ambitions in 2022/23.

## Our pathway to net zero in our direct operations




1. Group performance excluding businesses acquired post 2019/20 baseline year.
2. Performance and plan re-based to 2019/20 to include acquired businesses.

## Our journey to net zero

**Our journey so far**

- 50% reduction in Scope 1 and 2 emissions since 2019/20
- 88% of Group electricity usage from renewable sources in 2021/22
- Solar panels added to German DC: 750kW capacity
- Energy efficiency improvements to DCs and sites
- All new UK company cars are electric or hybrid from 2021/22

**By 2030: Net zero in our direct operations**

- SBT to cut absolute emissions by 75% by 2029/30, from 2019/20
- 100% renewable electricity across the Group
- Increase onsite renewable electricity generation
- Low-carbon DCs delivered through low-carbon technology and efficiency projects
- Net zero emissions company car and van fleet
- Gold standard offset project strategy for residual emissions

**Before 2050: Net zero across our wider value chain**

- 65% of our suppliers by spend to set science-based targets by 2025
- 25% reduction in Scope 3 transport emissions, per tonne of product sold by 2029/30, from 2019/20
- Expand sustainable product and service solutions for our customers
- Utilise wider societal and technological developments in increased availability of low-carbon energy, heating and cooling technology, global logistics solutions, carbon capture and storage

# Greenhouse gas (GHG) emissions

## GHG emissions and Streamlined Energy and Carbon Reporting (SECR) disclosure

In accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, our 2021/22 Group emissions were:

| | Metric | 2021/22 | 2020/21 |
|---|---|---|---|
| **Group Scope 1 emissions** | | | |
| Combustion of fossil fuels[1] | tonnes $CO_2e$ | **4,555** | 4,219 |
| Operation of facilities, including fugitive emissions[2] | tonnes $CO_2e$ | **153** | 254 |
| **Group Scope 2 emissions** | | | |
| Purchased electricity (market-based)[3] | tonnes $CO_2e$ | **1,446** | 3,286 |
| **Intensity metric** | | | |
| $CO_2e$ due to premises energy and vehicle use per £m revenue | tonnes $CO_2e$ /£m | **2.3** | 3.9 |
| Total $CO_2e$ per £m revenue[2] | tonnes $CO_2e$ /£m | **2.4** | 4.0 |
| **SECR disclosures[4]** | | | |
| UK total Scope 1 and 2 emissions (market-based) | tonnes $CO_2e$ | **3,060** | 2,987 |
| UK energy consumption (including vehicles) | GWh | **30.7** | 28.8 |

1. Includes emissions of 1,615 tonnes relating to fuel use in company vehicles (2020/21: 809 tonnes).
2. 153 tonnes of $CO_2e$ due to fugitive emissions from air-conditioning systems (2020/21: 254 tonnes).
3. Market-based electricity purchased from renewable sources at zero $CO_2e$ per kWh. Location-based emissions increased by 6,215 tonnes at grid-average rates (2020/21: 4,441 tonnes).
4. SECR: UK emissions were 50% of 2021/22 global market-based emissions and including vehicles UK energy use was 57% of global energy use.

GHG emissions are calculated using the UK Department for Environment, Food & Rural Affairs and International Energy Agency emissions factors in line with the GHG Protocol (Corporate Standard). Data is updated to reflect reporting methodology changes and current emission factors. Full data can be found in our ESG data centre on our website: **rsgroup.com/esg**

# A greener distribution model

### Scope 1 and 2 emissions

Since 2014/15, we have delivered a 70% reduction in Scope 1 and 2 emissions from our DCs and other premises energy use, including the use of company-owned and leased vehicles. For the launch of our net zero ambitions we have set the baseline of 2019/20 and have updated our current and historic reporting accordingly.

In 2021/22, we reduced our Scope 1 and 2 $CO_2e$ emissions by 50% against our 2019/20 baseline and by 20% year on year. Indexed to revenue, our emissions intensity is down by 63% against the baseline year and 41% since 2020/21. During the year, 88% of our electricity was from renewable sources, including our own onsite energy generated by solar panels on the roof of our expanded DC in Germany. This is a 78 percentage points increase in the use of renewable electricity since 2019/20.

During the year, 25 sites covering 47% of our operations by revenue and 62% by floor area were covered by ISO 14001 certifications. Excluding the third-party managed DC in Hong Kong, our 13 owned and leased DC sites, with total floor area of 264,000m$^2$, have environmental management systems in place with four covered by ISO 14001. The majority of our 46 other sites, with total floor area of 57,000m$^2$, have certified or internal environmental management systems.

### Fleet emissions

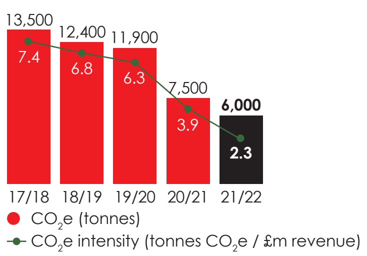
We have made significant progress in reducing fleet emissions and in transitioning to more sustainable vehicles over the last two years.

In 2021/22, emissions were 67g/km across our RS UK fleet, a reduction of 38g/km per vehicle from 2019/20. In addition, 94% of all new vehicle purchases in the UK were electric or hybrid vehicles, which now make up 42% of our RS UK fleet.

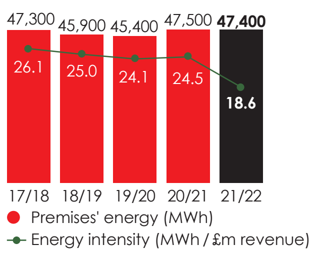
During 2022/23, we will be rolling out our sustainable fleet framework beyond the UK, increasing the purchase of fully electric vehicles (EVs), conducting electric van trials and increasing our electric vehicle charging infrastructure.

In 2022/23, we will also be introducing a new salary sacrifice benefit called Ignite for our UK employees. The scheme will make it easier and more affordable for our people to purchase or lease their own electric vehicle.

### Scope 1 & 2 emissions[1,2,3,4,5,7,8]




### Premises' energy use[1,2,3,4]




1. KPIs are on a constant exchange rates basis and are updated to reflect changes in reporting methodology and/or emissions factors.
2. Covers the operations under our financial control globally but excludes several smaller sites where energy, waste and water costs and consumption are included in lease costs.
3. As a result of the COVID-19 pandemic, or for other reasons, some reports include estimated data where suppliers have not been able to provide their usual reports.
4. This data aligns to the statutory information required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.
5. $CO_2$ equivalent from vehicles and all premises Scope 1 energy sources with market-based Scope 2 emissions calculated with country-specific $CO_2$ factors and with 100% renewable electricity reported at zero kg $CO_2$ per kWh.
6. Heads are the average monthly number of full-time equivalent employees, agency workers and contractors.
7. The 2021/22 $CO_2e$ emissions, carbon intensity and packaging intensity, which is shown on the following page, have been subject to assurance by ERM CVS. See independent assurance report on pages 80 and 81.
8. Emissions data for all years has been updated to include $CO_2e$ due to the use of company leased and owned vehicles. Previously this information was only included in the statutory GHG emissions disclosure tables.

# Closing the loop on waste

### Packaging

Packaging is key to ensuring our products are delivered safely, securely and without damage. Our 2030 packaging actions are to achieve a 30% reduction in packaging intensity; for 100% of our packaging to be widely reusable, recyclable or compostable; and for our packaging to have at least 50% recycled content.

In 2021/22, packaging intensity was down by 13% to 2.11[7] tonnes per £m revenue versus 2020/21 and by 16% against the 2019/20 baseline. This was primarily due to the continued use of reusable eco-totes and pallets for product movements between our sites in Europe. We also increased the proportion of packaging by weight which is recyclable to 92%, up from 89% in 2020/21.

Currently, 42% of our packaging is made with 50% recycled content, so we have a way to go to reach our target of 100% by 2030. We are working with our suppliers to increase the amount of recycled content in our packaging and rolling out recyclable paper padded envelopes further across Europe.

### Recycling and waste

We are committed to achieving circularity within our own operations. Our 2030 goal is to reduce waste intensity by 50% from 2019/20. We also want to reuse, reduce and recycle over 95% of our waste and we are targeting zero waste to landfill in our direct operations by 2030.

In 2021/22, waste intensity was down by 1% year on year and by 12% since 2019/20. The proportion of total waste that is recycled declined by one percentage point to 73% and by six percentage points from the baseline year. This decline was due to operational changes by waste contractors during and following the COVID-19 pandemic. Waste that is not recycled is typically sent for incineration or energy recovery. In 2021/22, 8% of our total waste was sent to landfill.

Moving forward, we will continue to work with waste contractors to deliver our targets, reduce intensity and to recycle and reuse materials where possible to avoid landfill.

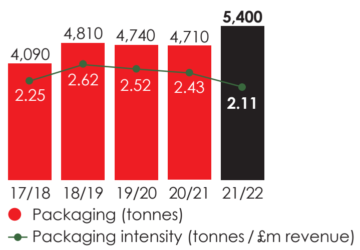
### Water

As an industrial product and service solutions provider, RS Group does not have manufacturing facilities. Thus, water use is generally limited to hygiene, cleaning and catering use across our sites.

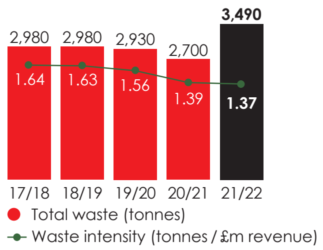
In 2021/22, as our people returned to our sites following the COVID-19 pandemic, total water use increased by 10%. This was due to enhanced hygiene and cleaning across our facilities. Despite this, total water use per head decreased by 4% to 4.06m$^3$ per head in 2021/22. The cumulative reduction since 2019/20 is 29%.

**In 2021/22, the Group commissioned independent external assurance for its Scope 1 and 2 $CO_2e$ emissions, carbon intensity and packaging intensity with ERM CVS. The independent assurance report is set out on pages 80 and 81.**

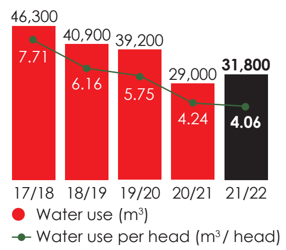
### Packaging use[1,2,3,7]




### Total waste[1,2,3]




### Water use[1,2,3,6]




## Promoting a circular supply chain

To help increase the reuse of packaging in our supply chain, we are replacing wooden and cardboard packaging pallets with reusable, returnable eco-totes for product movements between our European sites.

Eco-totes have a longer life than wooden pallets which need to be repaired more frequently. When rolled out in 2022/23, we expect to save c. 220 tonnes of packaging and 50 tonnes of paper waste every year.

## Donating inventory

In 2021/22, we launched an exciting initiative targeting two of our core ESG ambitions: reducing waste and improving lives through innovation.

The initiative, Save Our Stock (SOS), notifies our educational customers and charities of any surplus items that they can receive for free by signing up to a regular newsletter.

In April 2022, we delivered a large number of surplus fan heater units to the Salvation Army to help keep vulnerable people warm over the winter months.

## Decarbonising our supply chain

### Transport emissions

As a global business, we ship over 60,000 parcels to our customers daily, which makes transportation a significant contributor to our overall carbon footprint. By 2029/30, we are targeting a 25% reduction in Scope 3 transport emissions per tonne of product sold against a 2019/20 baseline.

We are switching to lower-carbon transport modes from air to road and sea, which is helping to drive reductions in transport emissions. For example, we moved our product replenishments from the UK to our Asia Pacific DCs from air to sea in 2019/20 which has led to an 80%[1] reduction in transport emissions across these lanes.

In addition, in 2021/22 we switched a proportion of our European customer deliveries from air to road, which reduced emissions intensity by 14%[2] across these lanes compared to 2020/21.

We also include environmental considerations when selecting logistics providers to ship our products. For example, our UK logistics partner is committed to investing €7 billion in green technologies by 2030.

Together, these efforts have resulted in a 17%[3] reduction in Scope 3 transport emissions per tonne of product sold since 2019/20. Moving forward, we will implement further measures to reduce our Scope 3 transport emissions and disclose our progress on an annual basis.

### Supplier engagement

With over 2,500 direct suppliers and more than 700,000 stocked products, we know that the carbon footprint of our suppliers and the products they produce is the biggest driver of carbon emissions in our supply chain. To address this, we have set a target for 65% of suppliers by spend to set SBTs by 2025.

At our global supplier conference in July 2021, we asked 450 suppliers to commit to setting SBTs. As of 31 March 2022, 19% of our suppliers have done so. Furthermore, we updated our supplier ethical trading policy in 2021/22 to include a commitment for our suppliers to set SBTs by 2025.

In 2023/23, we will continue to partner with our strategic suppliers to help them improve their ESG performance while bringing new sustainable technologies, circular products, packaging and service solutions to market.

### Shifting our product transportation model in Europe

In 2021/22, we implemented key changes across our European operations to source, store and ship a greater percentage of our products regionally and locally. For example, our expanded DC in Germany can now house up to 500,000 products closer to our European customers to drive down costs, distance travelled and carbon emissions in our supply chain.

We are also shifting to lower-carbon forms of transportation, by prioritising road and sea freight over air. For example, we switched a proportion of our European customer deliveries from air to road in 2021/22, which reduced emissions intensity by 14% across these lanes, compared to 2021/22. We are also setting weight limits on what we deliver by air, so we deliver higher-weight items by road wherever possible.

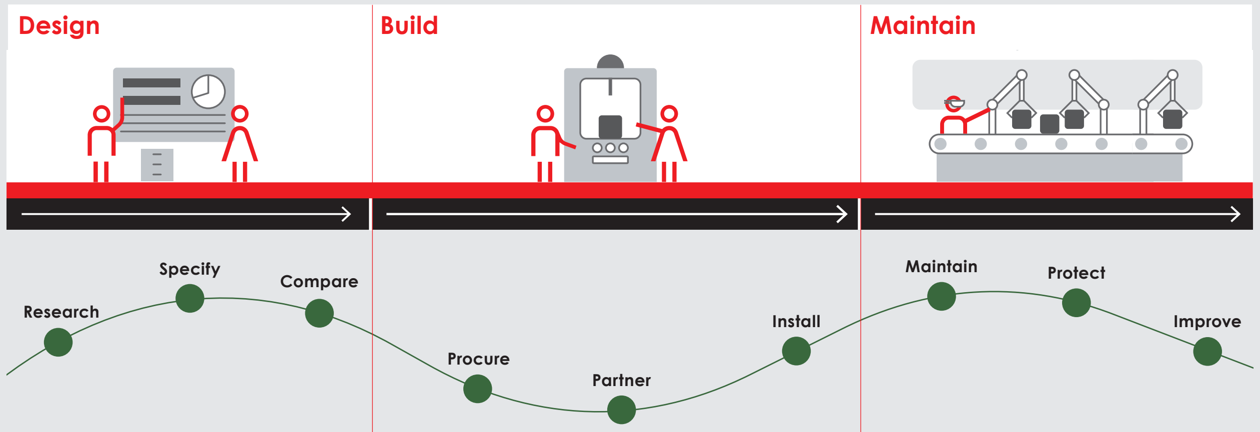
**17%**

**reduction in intensity of Scope 3 transportation emissions since 2019/20[3]**

1. Tonnes of $CO_2e$ due to Scope 3 transport emissions for Asia Pacific product replenishments per tonne of product moved.
2. Tonnes of $CO_2e$ due to Scope 3 transport emissions for European customer deliveries per tonne of product sold.
3. Tonnes of $CO_2e$ due to Scope 3 transport emissions per tonne of product sold.

## Helping customers and suppliers become more sustainable

We are focused on offering differentiated product and service solutions that help our customers achieve their ESG goals. By working closely with our suppliers, we are providing sustainable products and circular solutions that span all stages of the industrial lifecycle.




Our DesignSpark platform is a hotbed of design and innovation for sustainable engineering solutions. The platform brings together a community of 1.2 million engineers, professionals and students from 32 countries to learn, develop and design sustainable technologies that improve people's lives.

For example, one of our latest activist engineering campaigns is inspiring the community to develop air quality solutions.

Our sustainable product solutions help our customers optimise their operations, reduce costs and improve resource efficiency. Our products sit across categories and include everything from variable speed drives and high-efficiency motors through to low-energy lighting and automated solutions that offer environmentally friendly alternatives.

**In 2022/23, we will be introducing a new range of sustainable RS products to continue to provide our customers greater choice and confidence in sustainable alternatives.**

Our innovative and data-driven technologies are optimised to help our customers maintain efficient and sustainable operations. RS Industria connects factories and provides essential data and condition monitoring reports to optimise performance, promote equipment longevity and minimise air, water and energy leakage.

Our integrated supply solutions also provides an in-house MRO procurement service for industrial and manufacturing customers, which helps streamline their purchases while consolidating their supply chains to become greener and more efficient.

### What's next?

**Carbon:**
- Drive forward our net zero plan for DCs, offices and vehicles
- Increase onsite renewable energy generation and use of low-carbon technology

**Packaging:**
- Introduce additional automated packaging processes
- Continue to use recycled and recyclable materials, including the use of reusable packaging types such as eco-totes and pallets

**Waste:**
- Achieve zero waste to landfill at sites with alternative facilities
- Collaborate with waste providers, non-governmental organisations and landlords to increase waste management systems and redirect surplus inventory

**Transportation:**
- Continue to decarbonise our logistics by shifting our transportation modes and reporting our annual Scope 3 emissions

**Sustainable products and service solutions:**
- Introduce a range of sustainable RS products with eco-labels and certifications in 2022/23

**Supplier carbon:**
- Continue to encourage our suppliers to set SBTs to reach 65% of our suppliers by spend by 2025

Supporting UN SDGs

# Championing education and innovation

## Our approach

People and innovation are key to driving a more sustainable and inclusive world. Engineers, innovators and technologists are the beating heart of the global industrial sector – making amazing happen every day and solving some of the world's most pressing challenges.

To support them, we are committed to building skills and fostering innovation with 1.5 million engineers and innovators by 2030.

## Our commitments and progress

| 2030 actions | Performance |
|---|---|
| **Inspiring future engineers and innovators:**<br>• Reach one million young people with educational technologies, learning content and skills development to support future engineers and innovators | **c. 420,000**<br>young engineers and students reached through Grass Roots education since 2020/21 |
| **Purpose-driven innovation:**<br>• Engage with 1.5 million engineers and innovators in creating socially responsible and sustainable solutions | **276,000**<br>engineers and innovators engaged in purpose-driven innovation initiatives since 2020/21 |
| **Social impact partnerships:**<br>• Support our social impact partners to develop solutions that improve lives – including supporting The Washing Machine Project (TWMP) to help 100,000 people in need | **1,260**<br>lives improved through the TWMP Iraq pilot |

OKdo donated 5,000 micro:bits to the BBC's do your :bit global challenge in 2021/22. The competition provided pocket-sized codable computers to 8–18 year-olds around the world, who were tasked with developing social and environmental innovations that address the UN SDGs.

## Inspiring future engineers and innovators

We are empowering the next generation of engineers, innovators and technologists to develop vital skills, experience and inspiration to change our world.

By 2030, we are committed to reaching one million young people with educational technologies, inspirational learning content and immersive skills development opportunities.

As of 31 March 2022, our Grass Roots education programme has reached c. 420,000 future engineers and innovators through our partnerships with professional engineering institutions, universities and youth programmes. We are supporting young people from primary school through to higher education on this journey.

### Higher education

We partner with professional engineering institutions and universities to offer a broad range of educational products and services that enable young engineers and innovators to learn the skills needed for their future careers.

In 2021/22, c. 4,200 universities, colleges and schools used RS and OKdo educational products to teach c. 355,000 students valuable technical skills. Over the next 24 months, we will be expanding our higher education offer across our markets and expanding our presence on university campuses.

### DesignSpark

Our DesignSpark platform is a hotbed of engineering design, innovation and resources for 1.2 million budding engineers, hobbyists, professionals and students across 32 countries.

To support students, we added a new Grass Roots education platform focused on youth-led content in June 2021. This addition has resulted in a 30% growth in new young users (under the age of 25) to the DesignSpark platform over the last two years, meaning we now support c. 356,000 young users to learn vital engineering skills.

As part of our engagement with students, the Grass Roots team promote competitions and activities throughout the year to help young innovators and engineers develop and flex their skills, gain experience and make new connections.

### STEM learning – OKdo

OKdo offers a broad range of coding and electronics products, tools and games to get young people switched on to the exciting possibilities of engineering from a young age.

Raspberry Pi computer boards are one of our most popular products to teach programming and computing in an easy and affordable way. In 2021/22, OKdo shipped c. 1.89 million Raspberry Pis which delivered £6.2 of royalty payments to the Raspberry Pi Foundation. The Foundation is a UK-based charity that works to put the power of computing into the hands of people all over the world.

In addition, 5,000 micro:bits were donated to the BBC's do your :bit challenge.

## Purpose-driven innovation

### Encouraging innovation

As a purpose-led business at the heart of the global industrial sector, we are passionate about nurturing innovative technologies that will benefit people and the planet. Over the next decade, our aim is to bring together 1.5 million engineers and innovators to create sustainable solutions that will help shape a better future.

In 2021/22, we launched several new initiatives through DesignSpark to engage our online community of 1.2 million students and engineers to co-create sustainable solutions that improve lives.

For example, our #ActivistEngineering initiative set the challenge of delivering cutting-edge environmental and social innovations. In addition, our air quality project sought to improve indoor air quality through innovation by engaging 17,000 engineers in a unique innovation challenge.

Looking ahead, we will continue to provide businesses and individuals with resources and technology to create and test new solutions that address pressing sustainability challenges.

### Launching a new innovation hub in Texas

In a first step towards bringing our DesignSpark community into a physical space, we opened the DesignSpark Innovation Centre in November 2021, in Texas, US.

Working in partnership with Lake Walk, the 8,000 m² facility will act as an entrepreneurial hub for new innovation by creating an ecosystem for local start-up businesses, technology researchers and creatives to collaborate.

As of 31 March 2022, there are 12 start-ups in residence who are making use of our tools, resources, products and support to prototype new technologies that will deliver positive social and environmental outcomes.

## Social impact partnerships

We support social impact programmes that drive meaningful change through the power of education and innovative engineering solutions. In 2021/22, this included two key partnerships:

### The Washing Machine Project

70% of the world's population lack access to an electric washing machine. While handwashing clothes might sound like a simple task, it disproportionately affects the wellbeing and livelihoods of women in low-income communities around the globe.

To tackle this challenge through innovation, we work with TWMP and TWMP Foundation to support their mission of providing accessible, manual washing machines that allow women to take charge of their lives.

We have generated £218,000 to support TWMP Foundation. This includes a corporate donation of £97,000 made in April 2022. In addition, 65 of our colleagues volunteered their time to build washing machines for TWMP's first pilot project in Iraq, which has positively impacted the lives of 1,260 people.

By the end of 2023/24, TWMP's mission is to deliver at least 7,500 machines to 100,000 disadvantaged people around the world. To support TWMP to achieve this goal, we will need to increase our fundraising activity in 2022/23.

### Engineers Without Borders International

We have been partnering with Engineers Without Borders-International (EWB) since 2020/21, to support their mission to place global responsibility at the heart of engineering.

As a sponsor of their Engineering for People Design Challenge, we encourage 20,000 students a year to take part in design challenges that broaden their awareness of the social, environmental and economic impacts of their engineering solutions across four countries.

As well as providing funding for the challenge, we also offer critical skills training to students to boost their soft skills. We also sit on the grand finalist panel to judge and select the winning ideas.

Over the last two years, we have extended the challenge beyond the UK and South Africa to reach students in the US and Australia.

### What's next?

**Education for engineers:**
- Expand our innovation start-up network of centres and hubs across multiple geographies
- Roll out our higher education offering across key markets in the next 24 months

**Sustainable solutions:**
- Continue to develop DesignSpark #ActivistEngineering campaigns to cover wider ESG challenges
- Introduce new tools and resources to help engineers build sustainability into their design processes
- Support start-ups with resources and technology to create and test new sustainable solutions

**Social impact partnerships:**
- Roll out additional projects and support activities for TWMP
- Collaborate with EWB to drive innovation through annual design challenges

**£218k**

generated for TWMP Foundation. This includes a corporate donation of £97,000 made in April 2022.





# Empowering our people

Supporting UN SDGs

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

### Our approach

Our unique team of over 7,600 individuals is the lifeblood of our business. Every day, their passion and expertise enable us to delight our customers and make amazing happen for a better world.

We are working hard to create a purpose-led culture where our people are proud and excited to come to work every day. We are investing in their wellbeing, development and, above all, empowering them to drive our journey towards being a truly great Company.

### Our commitments and progress

| 2030 actions | Performance |
|---|---|
| **Engaged employees:** • Achieve and maintain an employee engagement score in the top 10% of high-performing companies | **75** employee engagement score (out of 100) |
| **Inclusion:** • Ensure our team is reflective of the customers, suppliers and communities we serve by working towards 40% of our leaders being women and 25% being ethnically diverse | **32%** women in leadership roles |
| **Health and safety:** • Aim for zero accidents involving our people | **20%** increase in our all accident frequency since 2020/21 |
| **Volunteering:** • Inspire 50% of colleagues to volunteer to support their communities and build new skills | **185** volunteers shared 2,000 hours of their time in 2021/22 |

Our aspiration is to be in the top 10% of highest performing companies for engaged employees by 2030. In 2021/22, our employee engagement score increased to 75 – our highest score yet. This positive progress shows we are heading in the right direction when it comes to helping our people reach their full potential and thrive.

# Engaged employees

## Our people plan

In 2021/22, we appointed our first Chief People and Culture Officer to drive forward our global people plan focused on five key areas:

1. Creating a purpose-led culture where our people are empowered to drive our strategy and collective success
2. Investing in upgrading the skills of our leaders and workforce while rewarding great work
3. Providing an excellent employee experience where our people feel able to show up every day as themselves
4. Facilitating a fantastic candidate experience
5. Rewarding managers based on the quality of the human and authentic relationships they build

Our people plan sets the roadmap for our journey to being a truly great Company over the next three years, outlining what we need to do to be the best for our people.

## MyVoice

We know that having an engaged and motivated team is critical to ensuring a high-performance culture and delivering our future success. A high employee engagement score is one of the best indicators of being an employer of choice and will help us to attract and retain the best talent to support our ongoing business transformation.

We gather regular feedback through our annual MyVoice survey to understand how our people feel about working for us and what we can do to better support them. In March 2022, 75% of our workforce responded. The findings showed our employee engagement score increased again to 75 – up from 74 in 2020/21 and 72 in 2019/20.

Our employee engagement continues to trend in the right direction. We are on track to achieve our ambition to be one of the most engaged companies, globally. Our aspiration is to be in the top 25% by 2025 and top 10% by 2030.

## Talent development and leadership

Attracting and retaining top talent is key to our long-term success. Our talent strategy has evolved in recent years to seek a deeper understanding of the career aspirations of our colleagues to match the opportunities we have with developing the leaders we need for the future.

To enable our leaders to create a purpose-led culture, we launched our global leadership framework Amazing Leaders in January 2021. Developed through extensive internal consultation, the framework binds together our leadership values under three critical behaviours that help us be our best: passion, humility and trust.

These behaviours and core leadership skills are reinforced through regular discussions and training sessions that enable peer-to-peer learning and connection. In February 2021, we facilitated 150 conversations on how to become an amazing leader in 10 languages.

## Developing our future shapers

Launched in March 2019, our Future Shapers programme invests in tomorrow's leaders by developing leadership skills and experience for those who have the ambition and potential to make a big impact.

In 2021/22, we received 122 applications from 19 countries for 14 Future Shapers positions. The selected cohort received award-winning executive training, coaching and mentoring from the Ivy House master class programme.

AMAZING LEADERS

SHOW **PASSION**

ACT WITH **HUMILITY**

DEMONSTRATE **TRUST**

## Our industry-leading benefits in the US

In 2021/22, we updated our benefits package and diversity policies to provide industry-leading support to the majority of our US employees. Actions included:

- **Extending paid parental leave** to 12 weeks for maternity leave and two weeks for supporting parents or foster parents
- **Extending domestic partner benefits** by enabling employees to enrol their partners in health and dental plans
- **Adding transgender benefits** to our health plans by including additional coverage to meet their individual needs
- **Launching the Mom project** to encourage and support mothers back into the workplace after childbirth

## Learning and development

We continued to invest in skills, education and formal training programmes in 2021/22. Working with educational leaders Degreed, we launched our My Academy platform in July 2021, with the goal of migrating all existing and new development programmes onto a single global learning hub.

The My Academy platform now includes all mandatory training, compliance and new-starter content across multiple languages in one centralised space. As at March 2022, over 85% of our people have accessed 49,000 unique learning, training and development opportunities. This is also supplemented with our investment in a state-of-the-art, multi-language learning programme with TED&Work.

For our leaders, our Management Matters programme provides ongoing learning activities to over 1,200 people managers. Launched in October 2019, Management Matters promotes core leadership skills through inspiring monthly live webinars, learning paths and skill sharing initiatives. In 2021/22, this activity was supplemented by quarterly virtual global leadership events. Participation continued to grow in the year, with around half of our EMEA, Americas and Asia Pacific leaders participating.

We continued to support apprenticeships in 2021/22 with 284 employees on England Apprenticeship Levy funded programmes and 151 apprentices graduating into permanent roles. We also received 5% Club Gold status in the UK, with 12% of our UK workforce in 'earn and learn' positions.

## Reward and benefits

In addition to supporting our people in their career development, it is important that we offer industry-leading rewards and benefits to attract and retain the right talent, reward excellence and retain our position as an employer of choice.

Beyond the provision of physical and social wellbeing benefits, we are committed to supporting our people financially to create a sense of belonging and ownership. We regularly evaluate our incentive schemes and benefits packages. This includes exceeding minimum legal requirements in areas such as holidays, parental leave and pension provision.

It is important that our people have the opportunity to share in the success of the business that they help create. In the UK, we support our people by providing:

- **Advance payments:** To help our people avoid debt, we offer access to earned pay when needed without charging interest. This scheme allows a withdrawal of up to 40% of earned pay before payday to help them with their financial security
- **Affordable loans:** We provide access to loans at lower-than-market rates which are repaid via employee salaries on a monthly basis to save them the burden of paying high-interest rates
- **Retail discounts:** We offer unlimited access to a range of deals, special offers and savings across a wide range of retailers. Around 76% of our employees access these benefits

## Volunteering

We introduced two paid volunteering days for all employees in 2020/21. This enables our people to participate in charitable and education initiatives that boost their physical and mental wellbeing, as well as benefiting the communities that surround us.

In 2021/22, 185 people volunteered nearly 2,000 hours to support their chosen charitable cause, or one of our social impact partners – The Washing Machine Project or Engineers Without Borders-International (see page 68). Volunteering was limited during the year due to the challenges of physically volunteering due to the COVID-19 pandemic and we plan to increase participation in 2022/23.

By 2030, we want to inspire 50% of our employees to use their volunteer time to have a positive impact on global communities.

# Inclusion

## Our approach
Empowering our people to bring their true selves to work creates a culture of excellence where everyone can thrive. We are proud to support our people in achieving their best by building an inclusive workplace that supports everyone, irrespective of ethnicity, disability, age, religion, sexual orientation or gender identity.

## Ethnicity
Every day we work to grow the diversity of our team to ensure it fully reflects our people and the customers, suppliers and the communities we serve. That is why we are targeting 25% ethnically diverse leaders by 2030, with an interim target of 18% by 2025.

In 2021/22, 11% of our leaders and one member of our Board, representing 11% of the Board, were ethnically diverse. We acknowledge that we still have a long way to go, however we are committed to ensuring that we hold ourselves accountable by being proactive in our recruitment practices and internal development programmes to encourage ethnically diverse talent to thrive. Additionally, a key priority for 2022/23 is to encourage more of our workforce (where appropriate) to declare their ethnicity in our HR systems.

We are creating a culture where we can authentically celebrate and transparently discuss the ethnic diversity of our people. This means listening to the challenges of our employees, acknowledging the change required and finding appropriate solutions. This is an ongoing journey and we continue to build this path as we travel along it.

We are signatories to Business in the Community's Race at Work Charter in the UK and the US CEO Pledge, which reinforces our commitment to enhancing representation across all levels of our business.

## Gender
We are committed to promoting gender diversity within our leadership team and across the Group. Our ambition is for 40% of our leaders to be women by 2030, with an interim target of 35% by 2025. As of 2021/22, 32% of our leaders and 44% of our Board are female. Across RS Group, our gender representation sits at a near 50/50 split (see table below).

We run several initiatives throughout the year to promote gender diversity within the group. Elevate, our Women's Employee Resource Group, is sponsored by our Chief Operating Officer and hosts monthly Elevate & Connect sessions to share learnings and facilitate discussion. We conducted several programmes in 2021/22 including the 30% Club which promotes female mentorship, along with a more in-depth development programme in collaboration with LHH Penna entitled Women in Leadership.

Celebrating International Women's Day in March 2022, we hosted three internal events. Firstly, a roundtable discussion was held with women across RS Group to hold transparent conversations about career progression, work-life balance and mental health. This was followed by a talk from Roma Agrawal who spoke about being a woman of ethnic diversity in a male dominated industry. Finally, Remarkable Women closed the day with a masterclass on ruthless compassion.

In 2021/22, we were featured in the FTSE Women's Review, a government-backed independent, voluntary and business-led initiative aimed at increasing female corporate representation. RS Group ranked in the top half (33rd) of the FTSE 100 Rankings 2021 Women on Boards and in Leadership. We also ranked 8th in the FTSE 350 peer group of industrial and service companies.

To read more about our gender diversity performance, our 2021/22 Gender Pay Gap can be found on our website: **rsgroup.com/esg**.

## Global diversity and inclusion training

In 2021/22, we launched several initiatives to ramp up our focus on diversity and inclusion, including the launch of a new global inclusion training module through the My Academy platform. To date, 90% of our people have completed the module which is designed to raise awareness of our biases and the impact these have on the decisions we make. From 2022/23, this training will be mandatory for all new starters.

This training complements other inclusion training initiatives such as our Include Me programme, a highly personal and immersive inclusion learning module for 240 of our people leaders, which seeks to promote equality through the values of passion, humility and trust.

## 2021/22 gender split in numbers:

| Gender | Total employees 2021/22 | Total employees 2020/21[1] | Management[2] 2021/22 | Management[2] 2020/21 | Board of Directors 2021/22 | Board of Directors 2020/21 |
|---|---|---|---|---|---|---|
| Female | 3,843 (50%) | 3,629 (50%) | 42 (32%)[3] | 36 (30%) | 4 (44%) | 4 (44%) |
| Male | 3,811 (50%) | 3,737 (50%) | 89 (68%) | 84 (70%) | 5 (56%) | 5 (56%) |

1. This excludes one permanent employee that we do not have a gender record for.
2. Permanent employees who operate at a senior level in the Group and typically, although not exclusively, are the Senior Management Team and their direct reports. Temporary employees (three female and one male in 2021/22), contractors and agency staff are not included.
3. The 2021/22 management gender split has been subject to assurance by ERM CVS. See independent assurance report on pages 80 and 81.



# Health, safety and wellbeing

## Target Zero performance
The health, safety and wellbeing of our people underpins everything we do. Through our Target Zero programme, we are committed to protecting our people, reducing incidents and supporting physical and mental health. In 2021/22, we achieved:
- Our All Accident frequency rate declined by 23% to 0.53 per 200,000 hours worked in 2021/22 against our 2019/20 baseline, however was up 20% from 2020/21. 40 accidents were reported in the year (2020/21: 29), including 23 lost time accidents (LTAs) and 17 first-aid only accidents, up from 15 and 14 respectively in 2020/21.
- LTA frequency rate increased to 0.31 per 200,000 hours worked from 2020/21. A total of 252 calendar days were lost due to LTAs. This is an average of 11 days lost per LTA in 2021/22 compared to 22 days per LTA in 2020/21.
- The increases occurred as there were more accidents as employees returned to site post COVID-19. This is being addressed through enhanced safety training and awareness measures.
- None of the accidents reported in the year resulted in life-changing injuries and there were no work-related fatalities.
- We piloted a safety programme to target the sites with the highest LTA rate from the previous year. Following a successful trial in 2020/21, we initiated the first formal programme in 2021/22 across three DCs.
- Near miss reporting continued in 2021/22, with 13,770 near misses reported, an average of 1.76 per head and 38% up on 2021/22. This increase was due to improved reporting and by encouraging additional reporting of unsafe acts, conditions and near misses.
- All our sites have health and safety management systems in place. Of these, 26 sites are certified to ISO 45001 or an equivalent standard, covering 66% of floor area and 44% of sites.

## Promoting mental health and physical wellbeing
Ensuring our people are happy, healthy and able to perform at their best is vital to our success. With the impact of COVID-19 affecting colleagues around the world, we continued to implement measures to support their wellbeing in 2021/22.

To provide emotional support to our people, we trained over 120 mental health first aiders and 300 people managers. This support is supplemented by an app that enables people to set action plans for specific areas of their life and to improve their mental and physical health.

## Our COVID-19 response
We have all been affected by the COVID-19 pandemic over the last two years. During these testing times, we have prioritised the health, safety and wellbeing of our people while ensuring ongoing business continuity.

By implementing early-stage controls and adhering to government requirements, all DCs remained operational throughout 2021/22. Our Crisis Management Team met regularly to ensure our safety measures were implemented and maintained effectively and that DCs were able to respond to the evolving situation.

During 2021/22 we launched our future working model 'Unity', to offer our office-based colleagues greater choice and flexibility over where they work. This will promote wellbeing and attract global talent.

## What's next?

**Engaged employees:**
- Reviewing our end-to-end employee listening strategy to further strengthen engagement
- Further rollout of our Amazing Leaders framework

**Inclusion:**
- Extend inclusion training to all employees and leadership teams
- Sponsorship of the Rainbow LGBTQ+ Tour of Cambridgeshire UK bike ride
- Automated, self-service mental health awareness training to be accessed any where, any time

**Health and safety:**
- Supporting our people back to working safely and flexibly in our offices
- Ongoing focus on safety and avoiding preventable accidents, including LTA rates

**Volunteering:**
- Encouraging our employees to use their two paid annual volunteering days, giving their time and skills to have a positive community impact


**100%**

of sites have health and safety management systems in place

Supporting SDGs

# Doing business responsibly

## Our approach

As we accelerate our growth, it is essential we do so responsibly by acting as a compliant, trusted and transparent partner. Our robust ethics and compliance approach ensures that doing the right thing underpins everything we do.

By integrating ESG targets in our employee rewards programme and collaborating with thousands of suppliers to raise ethical and environmental standards, we are driving positive change within our business and across our industry.

## Our commitments and progress

| 2030 actions | Performance |
| --- | --- |
| **Incentivising ESG progress:** • ESG-related targets included in our employee rewards programme across all levels and geographies | **c. 40%** of Group employees will have their annual incentive aligned to Group climate performance in 2022/23 |
| **Responsible supply chain:** • Evaluate our suppliers against our high ethical and environmental standards. Set ESG objectives for strategic suppliers | **40%** of suppliers by spend are EcoVadis rated and 29% have signed our improved ethical trading declaration |

To incentivise action around our 2030 ESG commitments, we introduced a climate-linked KPI to our employee rewards programme in 2022/23. This means that all employees who qualify for the annual incentive, c. 40% of Group employees, will be incentivised to deliver our science-based Scope 1 and 2 carbon reduction target, aligned to our ambition to be net zero in our direct operations by 2030.





# ESG governance

### Commitment from the top

Our commitment to ESG is driven by strong governance from the very top of the Group.

The Board has strategic oversight of ESG. Lindsley Ruth, our Chief Executive Officer, is responsible for ESG and also maintains oversight of our ESG Committee which is chaired by Non-Executive Director, Joan Wainwright. Our President, Global Supply Chain is the Senior Management Team (SMT) sponsor for ESG and our VP Social Responsibility and Sustainability leads the development and execution of our 2030 ESG action plan.

Our strong ESG leadership approach is complemented by a suite of policies and procedures that ensures robust governance, ethics and compliance across our business and wider supply chain.

### Alignment to best practice

We align to external frameworks and standards to ensure we adhere to best practice and to enhance comparability of our ESG performance data.

For our reporting, we align to the sector-specific recommendations of the Sustainability Accounting Standards Board (SASB). We are also members of the United Nations Global Compact (UNGC) and our priorities are informed by the UN SDGs.

We are early supporters of the Task Force on Climate-Related Financial Disclosures (TCFD) and in 2021/22 we conducted our first climate scenario analysis. A summary of our TCFD progress can be found on pages 78 and 79 and our full disclosure can be found in our TCFD Report 2021/22 available on our website: **rsgroup.com/esg**.

We continued to perform strongly in leading ESG ratings in 2021/22. Our CDP Climate scores were A- for our action and disclosure on climate change, for both direct action and supplier engagement. We were also rated A by MSCI and achieved EcoVadis Gold medal status.

In 2021/22, the Group commissioned external assurance on select environmental and social data from ERM CVS. See pages 80 and 81 for the full assurance report.

To read more about our ESG approach, performance and progress, our 2021/22 ESG Pack can be found on our website: **rsgroup.com/esg**.

### Sustainability-linked loan

To embed a strong ESG approach and facilitate action around our 2030 ESG action plan, we moved our £300 million revolving credit facility to a sustainability-linked loan (SLL) in 2021/22. Maturing in 2024, with a one-year extension option, the loan is linked directly towards the achievement of three of our most material 2030 ESG actions, namely our Scope 1 and 2 $CO_2e$ emissions, packaging intensity and percentage of management that are women.

### Policies and standards

Our global compliance framework ensures that a risk-based approach is adopted across our business and supply chain. This is supported by a suite of policies and procedures to ensure the highest standards of ethics and compliance in all that we do.

### Code of Conduct

Our Code of Conduct (Code) sets out the standards and behaviours that we live by. Updated annually and published in seven languages, the Code details requirements related to anti-bribery and corruption, competitive behaviour, privacy, data security, human rights and whistleblowing.

The Board receives updates on ethics and compliance matters every two months. To ensure compliance, we provide mandatory Code of Conduct training and share copies of our Code to all employees. In 2021/22, we expanded training beyond our senior leaders to all our people.

### Human rights and modern slavery

We are committed to upholding, protecting and advancing the human rights of all the people who work within our business and across our global supply chain, in line with UN Global Compact Principles 1 and 2.

We support the principles set out in the UN Declaration of Human Rights and the International Labour Organisation Core Conventions, including those on child labour, forced labour, human trafficking, non-discrimination, freedom of association and collective bargaining. Our UNGC Communication on Progress can be found on our website: **rsgroup.com/esg**.

We do not discriminate in our employment policies and consider all applications for employment fairly. For those with disabilities, we provide training, career development and promotion opportunities.

We also recognise freedom of association by allowing our people to establish and join organisations of their own choosing. In 2021/22, 1,674 employees were part of collective bargaining arrangements.

# ESG governance continued

## Whistleblowing

Speak Up, our dedicated whistleblowing policy and helpline, promotes an open and accountable culture where employees can raise ethical concerns confidentially without fear of victimisation. The independent reporting tool is operated by a third party and available to all our global employees.

In 2021/22, we received 15 Speak Up reports globally and they were reviewed and monitored by our Audit Committee. Appropriate actions were taken to address them. We continued to deliver Speak Up training, awareness and refresher campaigns to promote awareness and use of the facility throughout the year.

## Anti-bribery and corruption

We have a zero tolerance stance on all forms of bribery and corruption and are committed to conducting our business affairs in line with UN Global Compact Principle 10. Our Group-wide anti-bribery policy covers our stance on bribes, gifts and hospitality, facilitation payments, political and charitable contributions.

In 2021/22, we delivered anti-bribery training to 5,220 employees globally.

## Anti-competitive behaviour

We will compete fairly and vigorously wherever we do business. In doing so, we always comply with the competition and anti-trust laws in force locally. These laws vary from market to market but their purpose will always be to prohibit any arrangement which is designed to reduce fair competition.

Our competition law compliance policy sets out the requirements of customer, supplier and market engagement. We received no fines or penalties under applicable bribery, corruption or anti-competitive behaviour laws in 2021/22.

## Privacy

We respect the privacy of our colleagues, customers and suppliers by upholding the confidentiality of their personal information. Regular risk-based analysis helps inform key areas of focus and a dedicated compliance toolkit is available to all staff.

To embed privacy considerations into our project processes, our global network of local data champions continued to provide relevant information to our staff and take appropriate action. The Group operational audit and risk team also support our Data Protection Officer with reviewing the process.

In 2021/22, 47% of our workforce undertook privacy training, with more frequent training made available to employees who handle data as part of their role.

## Data and information security

Guided by our information security policy, we have a robust information security programme, aligned with the principles of NIST-CSF and ISO 27001. We recognise the high level of trust that our customers, suppliers and employees place in us. This is why we maintain a high level of focus on data and information security as part of our cyber security breach / information loss principal risk (see page 53).

Led by our Chief Information Security and Compliance Officer, our information security team conducts regular horizon scanning to identify emerging cyber security risks and new innovations. This includes staying up to speed with the latest regulation, delivering mandatory information security training to all our staff and raising awareness of information security throughout the year.

All of our employees received dedicated information security training in 2021/22. We also collaborated with security specialists Cybermaniacs to produce a series of short videos providing information security tips to our staff to keep them engaged, safe and compliant.





# Responsible procurement

## Embedding ESG standards with our key suppliers

We are committed to supporting our suppliers to raise ESG standards across our supply chain. From sourcing responsibly to strengthening labour practices and developing a sustainable distribution model.

Being a proactive supply chain steward is not only the right thing to do, it delivers significant value to our customers by giving them greater assurance, confidence and choice over their purchasing decisions.

In 2021/22, we strengthened processes across every stage of supplier interaction. In particular, we targeted our top 65% of suppliers by spend (c. 380 businesses) as well as RS PRO suppliers, to embed our ESG standards within their processes. Highlights from 2021/22 include:

- 100% of suppliers on our existing RS database are risk screened using the TA15 tool against over c. 650 global government-issued lists.
- Since May 2019, 112 inspections of RS PRO Asia suppliers have taken place. This covers 90% of RS PRO suppliers operating in higher-risk sourcing regions.
- In February 2022, we introduced an improved ethical trading declaration and asked all suppliers to commit in a phased rollout. As at 31 March 2022, 29% of suppliers by spend have committed.
- In early 2021/22, we partnered with EcoVadis to understand the ESG performance of top suppliers and target improvements. As at 31 March 2022, 40% of suppliers by spend are EcoVadis rated.
- We formed a new partnership with Sedex to improve supply-chain visibility and ESG standards for our RS PRO suppliers.
- In July 2021, we asked over 450 suppliers to set SBTs at our global supplier conference. As at 31 March 2022, 19% of our suppliers by spend have committed to set SBTs.

## Conflict minerals and hazardous materials

As a provider of industrial and electronic products, our commitment to compliance and quality policy sets out our approach to keeping the products we sell free from conflict minerals and hazardous substances. To achieve this, we have due diligence processes to identify and verify the source of the minerals contained in our products and we work closely with suppliers to address challenges.

We support the Responsible Minerals Initiative and the efforts of human rights organisations to end violence and atrocities in Central Africa, where many conflict materials are sourced including the Democratic Republic of Congo and nine adjoining countries: Republic of Congo, Central Africa Republic, South Sudan, Zambia, Angola, Tanzania, Burundi, Rwanda and Uganda.

In North America, we comply with the Dodds Frank Act and, as a result, request Conflict Minerals Reporting Templates (CMRTs) from all applicable suppliers. We have collected CMRTs for 75% of applicable suppliers for our business in North America. A number of our suppliers in Americas are also Group suppliers, which means we have CMRTs for 25% of our top 3,000 Group suppliers.

In May 2022, we published our first Conflict Minerals & Materials of Concern Statement to offer an annual update of our ongoing efforts in this area. This is available on our website: **rsgroup.com/esg**.

## What's next?

**Incentivising ESG progress:**

- Embedding ESG KPIs into annual incentives and objectives

**Responsible supply chain:**

- Ensuring all suppliers have an ethical trading declaration in place
- Encouraging our strategic suppliers to become EcoVadis rated, set SBTs and ESG KPIs for our partnerships
- Engaging RS PRO suppliers to become members of Sedex to increase supply chain visibility and meet social compliance

Scan for a full list of our codes, policies and standards

**£300m**

sustainability-linked loan to help facilitate ESG action

# TCFD: Our progress

## Taskforce on Climate-related Financial Disclosures (TCFD) response

Climate change is one of the greatest challenges facing our world today. As a critical partner to the global industrial sector, we are committed to reducing our climate impact, while providing sustainable product and service solutions that enable our customers and suppliers to address their climate goals.

The table below summarises our TCFD disclosure for 2021/22 in line with our commitment to providing transparent and quality climate reporting. In 2021/22, we worked with an external TCFD partner to identify our key climate-related risks and opportunities (CRROs), complete climate scenario analysis and report against TCFD's recommendations.


Scan to read our full TCFD Report 2021/22

## Listing Rule

We have complied with the requirements of Listing Rule 9.8.6R, by including climate-related financial disclosures that are consistent with the TCFD recommendations across its four pillars and 11 recommendations. Our action and disclosure are consistent with the TCFD's recommendations for a first-time disclosure and we will continue to progress in 2022/23 with greater quantification of the financial impact of our CRROs and Scope 3 emissions.

| | |
|---|---|
| TCFD | Signatories of the Taskforce on Climate-related Financial Disclosures (TCFD) since 2020 |
| Science Based Targets | Science-based targets covering Scope 1, 2 and 3 emissions reduction submitted to the SBTi for verification |
| CDP | Climate leadership score of A- for our 2021 CDP climate action and disclosure for both direct action and supplier engagement |

| Recommendation | Our action | Find out more |
|---|---|---|
| **Governance – Disclose the organisation's governance around climate-related risks and opportunities** | | |
| a) Describe the Board's oversight of climate-related risks and opportunities<br><br>b) Describe management's role in assessing and managing climate-related risks and opportunities | Our Chief Executive Officer (CEO) is accountable for RS Group's response to climate change. The CEO ensures the Board has strategic oversight of the Group's CRROs, 2030 ESG action plan and its six climate-related actions. The Board ensures climate factors are considered in annual corporate planning and in short and long-term strategic decisions.<br><br>The Board is supported by the Audit Committee who review CRROs and TCFD analysis annually and ensure integration into financial disclosures, before recommending them to the Board for approval. The Board is also supported by the Remuneration Committee, which in April 2021 agreed to the addition of a climate KPI to executive remuneration and wider employee rewards for 2022/23.<br><br>The Senior Management Team (SMT) reviews CRRO results annually and is responsible for ensuring that teams are developing plans to mitigate risks and leverage opportunities. The CEO has oversight of the ESG Committee in executing our climate strategy. The ESG Committee sets our net zero plan and reviews performance quarterly. They also ensure that the Group's CRROs, climate-scenario analysis and TCFD compliance are reviewed annually. The SMT Risk Committee oversees the Group's risk management approach and, in 2021/22, recommended to the Board that climate change move from being an emerging risk, to a principal risk rated as medium to low, which the Board approved.<br><br>Both Committees are supported by the TCFD Steering Group, which is chaired by the VP Social Responsibility and Sustainability, with a relevant VP-level lead for each pillar. The TCFD Steering Group meets monthly to assess activities, ensure compliance with TCFD requirements and complete climate scenario analysis. They also ensure that wider management are identifying, assessing and responding to CRROs to mitigate risks and leverage opportunities. | **TCFD 2021/22 Report (rsgroup.com/esg)**<br><br>**Principal risks** (pages 52 to 55)<br><br>**Corporate Governance** (pages 84 to 131)<br><br>**2021/22 ESG Pack (rsgroup.com/esg)** |

| Recommendation | Our action | Find out more |
|---|---|---|
| **Strategy – Disclose the actual and potential impacts of climate-related risks & opportunities on the organisation's businesses, strategy & financial planning** | | |
| a) Climate-related risks and opportunities identified over the short, medium and long term<br><br>b) The impact of climate-related risks and opportunities on businesses strategy and financial planning<br><br>c) Resilience of our strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario | To assess our resilience to climate change, Group Risk and Operational Audit completed an audit of CRROs in consultation with management across the Group in 2020/21. This was followed by conducting qualitative scenario analyses in 2021/22, supported by our TCFD consultancy partner.<br><br>The scenario analyses considered the impact of physical climate change risks and transition impacts on the Group over the short, medium and long term. This covered 2030 and 2050 for physical risks and 2025, 2030, 2035 and 2040 for transition risks. The assessments were conducted against two scenarios to compare the potential impacts of both. These were aligned with TCFD recommended scenarios for 2°C or lower and 4°C of global warming.<br><br>The analyses showed that we are mitigating key climate change risks and well placed to leverage opportunities from the transition to a low-carbon economy. For physical risks, the effects of extreme heat and acute weather event scenarios were considered across our distribution centres (DC). The materiality of these risks on the Group's profitability was then assessed at a high level using low, medium and high-impact ranges. The potential physical risks were deemed to be low under both scenarios, due to our current mitigations and controls. Our long-term facilities plan means we are investing in automated, sustainable and energy efficient DCs. We also have business continuity and insurance plans in place.<br><br>On the transition side, our analyses indicated that the costs of transport and raw materials are likely to rise into 2040 as businesses decarbonise. To mitigate against these impacts in our supply chain, we are restructuring our distribution model to source, store and ship more products regionally and locally. We are also switching to lower-carbon forms of transportation to reduce costs, miles and emissions. The scenario analyses also highlighted the significant commercial opportunity that decarbonisation presents for the Group by providing sustainable product and service solutions to our customers – a strategy which we are already capitalising on.<br><br>In 2022/23, we will embed our scenario analysis findings further in our annual strategic and financial planning, risk management process and through our 2030 ESG action plan. By taking these actions we believe our strategy is resilient to the CRROs posed under different climate scenarios. | **TCFD 2021/22 Report (rsgroup.com/esg)**<br><br>**Principal risks** (pages 52 to 55)<br><br>**Corporate Governance** (pages 84 to 131)<br><br>**2021/22 ESG Pack (rsgroup.com/esg)** |
| **Risk management – Disclose how the organisation identifies, assesses and manages climate-related risks** | | |
| a) Our processes for identifying and assessing climate-related risks<br><br>b) Processes for managing climate-related risks<br><br>c) How processes for identifying, assessing and managing climate-related risks are integrated into our overall risk management | CRROs are managed via our risk management process to ensure a robust and consistent approach across the Group. Initially, our Group risk and operational audit team created a CRRO register in consultation with key teams. These were further refined and assessed through scenario analyses.<br><br>The potential size and scope of each CRRO is analysed for impact, likelihood and overall materiality. The Group defines impact as the financial impact on adjusted operating profit over five years, and likelihood is categorised over three time horizons – short (within 5 years), medium (5–10 years) and long term (over 10 years). Combined, these provide an indicative materiality score which enables the Group to better understand and prioritise its CRROs.<br><br>CRROs are then integrated into our risk management process for ongoing management. Each CRRO has an owner, mitigating controls and a series of metrics and targets that are monitored and reported on. From 2022/23, Operational Audit will monitor the controls associated with our CRROs.<br><br>Updates and key risks are provided to the SMT Risk Committee, Audit Committee and Board during their bi-annual risk reviews to ensure clear line of sight and integration into our financial planning and strategy. In 2021/22 the potential impact of climate change moved from an emerging to a principal risk, rated as medium to low, as disclosed on page 55. | **TCFD 2021/22 Report (rsgroup.com/esg)**<br><br>**Principal risks** (pages 52 to 55) |
| **Metrics and targets – Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities** | | |
| a) The metrics we use to assess climate-related risks and opportunities, in line with strategy and risk management process<br><br>b) Scope 1, 2 and 3 greenhouse gas (GHG) emissions and the related risks<br><br>c) Targets to manage climate-related risks, opportunities and performance against targets | To understand and manage our climate impacts, we monitor key metrics for our CRROs and have set performance targets against a number of these. Each CRRO has a business owner to oversee the approach with relevant leadership teams and is required to report progress to the Group risk team on an annual basis. Key examples include:<br>• Extreme heat – DC temperatures, employee wellbeing, efficiency of cooling systems<br>• Severe weather events – business continuity plans and insurance policies for DCs<br>• Decarbonisation of logistics network – reduction in transport miles, emissions, cost and air freight. Actions to reduce Scope 3 transport emissions by 25% per tonne of product sold by 2029/30 – 17% reduction delivered since 2019/20<br>• Sustainable product and service solutions – monitor percentage of sustainable products in our range with a 2029/30 growth target in development<br><br>We were early adopters of GHG emissions reporting and have a strong track record of carbon reduction including a 70% reduction in Scope 1 and 2 emissions since 2014/15. We received an A- rating by CDP in 2021 for our direct and supplier engagement action.<br><br>Our 2030 ESG action plan includes six climate-related actions (see page 61). Our decarbonisation plan is progressing well and our climate KPIs were further elevated by linking these to incentive plans for 2022/23 and our £300 million sustainability-linked loan in 2021/22 (see page 75). | **TCFD 2021/22 Report (rsgroup.com/esg)**<br><br>**Advancing Sustainability** (pages 60 to 65)<br><br>**Corporate Governance** (pages 84 to 131)<br><br>**2021/22 ESG Pack** and **ESG data centre (rsgroup.com/esg)** |

# ESG assurance

In 2021/22, the Group commissioned ERM Certification and Verification Services Limited (ERM CVS) to conduct independent external assurance of a selection of its most material ESG metrics for the first time. This move reflects the Group's commitment to ensuring a strong ESG approach and robust reporting and disclosure. The metrics assured are defined below. Metrics 1, 3 and 4 form part of the Group's £300 million sustainability-linked loan.

1. **Scope 1 and 2 $CO_2$e emissions** – this is measured as tonnes of $CO_2$e and uses market-based factors for Scope 2 emissions. This links to our science-based target to reduce absolute emissions from our own operations by 75% by 2029/30, from 2019/20.
2. **Carbon intensity** – defined as tonnes of $CO_2$e due to Scope 1 and 2 $CO_2$ emissions per £m revenue, with revenue being the Group's revenue per the audited Group income statement.
3. **Packaging intensity** – this is defined as the packaging that the Group uses for deliveries to customers and movements of products between its sites. It is measured as tonnes of packaging per £m revenue. Again, revenue is the Group's revenue per the audited Group income statement. This links to our action to reduce packaging intensity by 30% by 2029/30, from 2019/20.
4. **Percentage of management that are women** – this is defined as individuals who operate at a senior level in the Group and typically, although not exclusively, are the Senior Management Team and their direct reports. This links to our action for 40% of our leaders to be women by 2029/30.

ERM CVS's assurance statement to RS Group plc is included below.

## Independent assurance statement to RS Group plc

| Engagement summary | |
|---|---|
| **Scope of our assurance engagement** | Whether the 2021/22 data for the following ESG key performance indicators (KPIs) shown on pages 62, 63 and 72 of the Report are fairly presented, in all material respects, with the reporting criteria:<br>• Total Scope 1 and 2 $CO_2$e equivalent emissions (tonnes $CO_2$e)<br>• Carbon intensity (total scope 1 and 2 tonnes $CO_2$e per £m revenue)<br>• Packaging intensity (tonnes per £m revenue)<br>• Percentage of management that are women (percentage) |
| **Reporting period** | 2021/22 (1 April 2021 – 31 March 2022) |
| **Reporting criteria** | WBCSD/WRI Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard<br>RS Group's internal reporting criteria and definitions |
| **Assurance standard** | International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information |
| **Assurance level** | Limited assurance |
| **Respective responsibilities** | RS Group is responsible for preparing the Report and for the collection and presentation of the data and information within it<br>ERM CVS's responsibility is to provide a conclusion on the agreed scope based on the assurance activities performed and exercising our professional judgement |

### Our conclusion

Based on our activities, as described below, nothing has come to our attention to indicate that the 2021/22 data for the ESG KPIs listed under 'Scope' above and shown on page 62, 63 and 72 of the Report are not fairly presented, in all material respects, with the reporting criteria.

### Our assurance activities

Our objective was to assess whether the 2021/22 data for the ESG KPIs in the scope of our assurance are reported in accordance with the principles of completeness, comparability (across the Group) and accuracy (including calculations, use of appropriate conversion factors and consolidation). We planned and performed our work to obtain all the information and explanations that we believe were necessary to provide a basis for our assurance conclusion.

A team of sustainability and assurance specialists performed the following activities:

- Interviews with RS Group's management personnel and external consultants responsible for the management of the ESG KPI data to understand and evaluate the data management systems and processes (including internal review processes) used for measuring, collecting and reporting the ESG KPI data;
- A review of the internal KPI definitions used and calculation methodologies applied;
- Virtual visits to three RS Group operating facilities in the UK and USA, to review the data measurement, collection and reporting processes at the facility level and to test the consistency of reported 2021/22 data for the energy and fuel use underlying the GHG emissions and for packaging with underlying source data and related documentation;
- An analytical review of the 2021/22 data for all RS Group locations included in the reporting boundary, including a review of the completeness of the data and of the mathematical accuracy of the consolidation of the data;
- A review of the unit conversion and emission factors used in the calculation of the GHG emissions data and the alignment of these factors with the relevant sources;
- A review of the definition of management roles applied by RS Group in the calculation of the percentage of management that are women, and a review of employee data by gender and grade; and
- A review of the presentation in the Report of the data relevant to the scope of our work, to ensure consistency with our findings.

### The limitations of our engagement

The reliability of the assured data is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusion in this context.

For the 2021/22 revenue figure used in the calculation of the carbon intensity and packaging intensity KPIs, we have not independently assured this figure. Our work in relation to this figure was limited to confirming its consistency with the 2021/22 revenue figure in RS Group's audited accounts for the year ended 31 March 2022.

Due to travel restrictions as a result of COVID-19, our assurance work for the 2021/22 reporting period was conducted using a combination of desk-based reviews of data and information, and virtual interviews and meetings. We did not undertake any in-person visits to RS Group's operations.

**Gareth Manning**
Partner, Corporate Assurance

24 May 2022

ERMCVS
Informed Assured

ERM CVS is a member of the ERM Group. The work that ERM CVS conducts for clients is solely related to independent assurance activities and auditor training. Our processes are designed and implemented to ensure that the work we undertake with clients is free from bias and conflict of interest. ERM CVS and the ERM staff that have undertaken this engagement work have provided no consultancy related services to RS Group in any respect.

# Non-financial information statement

**This section of the Strategic Report constitutes the Group's non-financial information statement, produced to comply with sections 414CA and 414CB of the Companies Act 2006. The information listed is incorporated by cross-reference and some of the below policies can also be found on our corporate website.**

### Environmental matters

**Policies and standards**
- Code of Conduct[1]
- Group Environment, Health & Safety Policy Statement

**Further reading**
- Environment (pages 60 to 65)

### Employees

**Policies and standards**
- Code of Conduct[1]
- Environment, Health & Safety Policy Statement
- Gender Pay Gap Report[1]
- Diversity and Inclusion Policy[1]
- Employee Data Protection Policy
- Bullying and Harassment Policy

**Further reading**
- Our strategic priorities – high-performance team (page 30)
- Key performance indicators – All Accidents (page 39)
- Risks, viability and going concern (pages 50 to 57)
- Community (pages 66 to 68)
- People and health & safety (page 73)
- Corporate governance report (pages 84 to 131)
- Nomination Committee report (pages 106 and 107)

### Respect for human rights

**Policies and standards**
- Code of Conduct[1]
- Modern Slavery Act Transparency Statement[1]

**Further reading**
- Governance, ethics and compliance (page 74 to 77)

### Social matters

**Policies and standards**
- Code of Conduct[1]
- Environment, Health & Safety Policy Statement

**Further reading**
- Environmental, social and governance (pages 58 to 81)

### Anti-corruption and anti-bribery

**Policies and standards**
- Code of Conduct[1]
- Anti-Bribery Policy[1]
- Group Marketing Campaigns Policy
- Group Competition Law Compliance Policy[1]
- Group Embargoes Policy
- Speak Up Policy (whistleblowing)[1]

**Further reading**
- Governance, ethics and compliance (pages 74 to 77)
- Corporate governance report (page 84 to 131)
- Audit Committee report (pages 100 to 105)

### Principal risks

**Further reading**
- Risks, viability and going concern (pages 50 to 57)

### Non-financial key performance indicators (KPIs)

**Further reading**
- Business model (pages 26 and 27)
- Our strategic priorities (pages 28 to 31)
- Non-financial KPIs (pages 38 and 39)
- Environmental, social and governance (pages 58 to 81)

1. These policies and standards can be found on our corporate website.

# Section 172 statement

**The Companies Act 2006 and section 172**

Under the Companies Act 2006, our Directors are required to act in a way that they consider, in all good faith, would most likely promote the success of RS Group plc and its stakeholders. Throughout 2021/22, we have strived to continue to demonstrate how, as a considerate, sustainable, responsible and solutions-driven business, our Board of Directors and the Senior Management Team have achieved this. Throughout this report, there are many examples of how we have taken into account our key stakeholders: our people, customers, suppliers, communities and shareholders. Details of how the Board in particular has considered these stakeholders' interests can be found in the Corporate Governance Report on pages 92 to 94.

| | |
|---|---|
| **The long-term consequences of decisions that are taken** | |
| Building on the work required for our Journey to Greatness to strengthen our strategic plans | Pages 22 and 23 |
| Ensuring we have robust data driven insight to support our key decisions | Pages 22, 23 and 31 |
| Integration of Needlers Holdings Limited, Synovos, Inc. and John Liscombe Limited into the Group's business to create effective synergies | Pages 41 and 42 |
| Continuing our review of acquisition pipeline opportunities that provide sensible and logical builds to our business | Page 33 |
| **The interests of our employees** | |
| Prioritising the health, safety and wellbeing of our workforce | Page 73 |
| Building a purpose-led culture and investing in our people to attract and retain the best talent | Page 69 |
| Providing the My Academy learning platform | Page 71 |
| Continuing our programme of Board employee engagement | Page 95 |
| **The need to foster our business relationships with our customers, suppliers and regulators** | |
| Expanding our product range, supplier depth and global service solutions offering | Pages 10, 12, 26, 27 30 and 31 |
| Aligning our operating plans to build organisational capabilities and a scalable market strategy | Pages 22, 23, 30 and 31 |
| Engaging with our suppliers to help ease significant supply chain challenges | Pages 21 and 94 |
| **The impact of the Group's operations on the environment and community** | |
| Enhancing a purpose-led culture, driving our environmental, social and governance goals in our commitment for a better world | Pages 58 to 79 |
| Driving to be a sustainable and responsible leader in our sector | Pages 74 to 77 |
| Supporting suppliers to provide more sustainable and clean products | Page 64 |
| **Our reputation for having high standards and sound ethical conduct** | |
| Code of conduct: for our people (Speak Up) and our suppliers | Pages 75, 76 and 77 |
| Ensuring anti-bribery training is regularly rolled out to our employees | Page 76 |
| Ensuring we apply a zero-tolerance approach to modern slavery | Page 75 |
| **The need to act fairly between members of the Company** | |
| Continuing to deliver robust financial results and growth in share price | Pages 40 to 49 |
| Increasing operating effectiveness, delivering increased mid-teen operating profit | Page 46 |

The Strategic Report was approved by the Board on 24 May 2022 and is signed on its behalf by:

**Lindsley Ruth**
Chief Executive Officer

**David Egan**
Chief Financial Officer

**Forward-looking statements** This financial report contains certain statements, statistics and projections that are or may be forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans and objectives for the management of future operations of RS Group plc and its subsidiaries is not warranted or guaranteed. These statements typically contain words such as 'intends', 'expects', 'anticipates', 'estimates' and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although RS Group plc believes that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors, which may be beyond the control of RS Group plc, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Other than as required by applicable law or the applicable rules of any exchange on which our securities may be listed, RS Group plc has no intention or obligation to update forward-looking statements contained herein.

"Our governance framework operates at an appropriate level to ensure the Board functions effectively and with purpose in the interests of all our stakeholders."

**Rona Fairhead**
**Chair**

# Chair's letter

## Dear fellow shareholder

On behalf of the Board, I am pleased to present our Corporate Governance Report for the year ended 31 March 2022.

My first year as Chair of the Board has been an exciting and uplifting one. We have continued to prioritise the health and safety of our amazing workforce and to deliver product and service solutions to our customers. The Group has increased its operating effectiveness, enhanced its approach and commitment to environmental, social and governance (ESG) matters and has strengthened relationships with suppliers at a time when global supply chain challenges have been significant. The Group has also undergone a change of name from Electrocomponents plc to RS Group plc as it continues to pursue its Journey to Greatness, which was presented to stakeholders at our Investor Event in March 2022. Further details can be found on pages 21 to 23 of the Strategic Report. We have continued to reward the confidence of our investors and we are pleased to return to the FTSE 100 for the first time in over 19 years.

## Overview of the year

During the year, the Board continued to oversee the Group's medium and long-term strategy, in particular the work required for our Journey to Greatness, which will drive stronger revenue and high-quality profitable growth. The Board has continued to be updated on the Group's acquisition pipeline, supply chain activity, regional growth initiatives and ongoing programmes to engage, retain and develop talented individuals to achieve our goals.

We have substantially strengthened our ESG approach – For a Better World – which sets out our 2030 action plan, details of which can be found on pages 58 to 81 of this Annual Report. This approach is integrated into the way we operate and is key to everything we do. The Board supports keenly the Group's ESG action plan to promote a more sustainable and inclusive world for our people, customers, suppliers, communities and shareholders, given it represents one of our most material issues as well as some of our greatest opportunities to drive value and the key areas in which to limit risk.

Despite the challenges of COVID-19, we have continued to engage actively and constructively with our major shareholders. We view these interactions as hugely valuable and a significant influence on our plans to create long-term shareholder value. These have been carried out both by our Senior Management Team (SMT) and, where appropriate, by our Board, through investor meetings, our Investor Event and our substantial consultation on our Directors' Remuneration Policy proposed.

Other areas of focus for the Board over the past year have included consideration of the Group's product range expansion plans for our customers as well as supporting the Group's enhanced supply chain strategy and the IESA / Synovos integration plans (see page 42).

As always, our people continue to be our strongest and most powerful differentiator and we recognised their contribution with a one-off bonus for all permanent employees. Throughout the COVID-19 pandemic, we have continued to support our people, working hard to provide a safe and positive return to our offices. We are proud to have been recognised by Mental Health England for our efforts to equip managers with the requisite confidence and skills to deal with mental health and now have over 100 mental health first aiders round the globe.

Where possible, we have moved our workforce to a flexible hybrid working model to empower our people and ensure that we continue to attract and retain the talent we need for the future. We have progressed a range of dynamic people initiatives including: a diversity and inclusion (D&I) programme that placed us in the Top 50 Most Diverse Employers in the UK; launching our mandatory annual inclusion programme for all employees; and introducing the My Academy learning platform that has transformed how our people connect, develop and grow. The recent appointment of our Group Chief People and Culture Officer further strengthens what is important to us as an organisation and what we will continue to focus on going forwards.

## Remuneration

In early 2022, the Chair of our Remuneration Committee, Simon Pryce, and I undertook a consultation process with our major shareholders in relation to our proposed Directors' Remuneration Policy, which requires shareholder approval at our July 2022 Annual General Meeting (AGM). We believe that the proposals presented to shareholders are aligned with their best interests as well as reflect our Executive Directors' ambitions for, and commitment to, the ongoing transformational success of the Group. Further details on the Remuneration Policy and the consultation process can be found on pages 108 to 129 of the Remuneration Committee report.

## Board meetings, composition and governance

Many of the Board and Committee meetings during the year continued to take place remotely due to COVID-19 restrictions, however, we do not believe this has adversely affected the Board's oversight and decision-making capability. We believe the Board has remained true to its responsibilities of ensuring that all decisions taken have been in the best interests of our stakeholders, the Group as a whole and the Company's long-term success. Details of how the Board has accomplished this are set out on pages 86 to 99.

We have seen two changes in the composition of our Board this year: Bertrand Bodson stepped down from his role as Non-Executive Director in May 2021 and Alex Baldock joined as Non-Executive Director in September 2021. Details of the search process involved with Alex's appointment are set out on pages 106 and 107 of the Nomination Committee Report. I would like to take this opportunity to thank Bertrand for his valuable contribution to the Board throughout his tenure, particularly in challenging our drive towards digitisation. I would also like to welcome Alex, who has already made real, positive impact.

We have also appointed a further Non-Executive Director, Navneet Kapoor, who will join us on 1 June 2022 and I would like to welcome him to the Board.

In July 2021, Ian Haslegrave resigned as Company Secretary after 15 years in the role. On behalf of the Board, I would like to thank Ian for his dedication and support and to welcome Clare Underwood, whom the Board appointed to take up the role in March 2022. Our thanks are also due to Andy James who stepped up as Acting Company Secretary during the intervening period.

As planned, the Board underwent an internal evaluation this year and the conclusions demonstrate that the Board continued to perform effectively with all members feeling able to challenge and contribute appropriately. Results of the evaluation and future priorities for the Board are set out on page 99. In accordance with the UK Corporate Governance Code 2018 (the Code), the next Board evaluation will be facilitated by an external party and details will be shared in the Annual Report and Accounts for 2022/23.

## The year ahead

As a Board, our overriding objective is to ensure that we deliver value to every one of our stakeholders and do so in a sustainable and robust manner. We will continue to maintain that focus as the Company embarks on the next stage of its journey.

We also continue to encourage shareholder engagement and discussion through our general meetings. The AGM will be held on 14 July 2022 and this year we are offering shareholders a choice to attend the AGM in person or remotely via an electronic audio platform. Further details can be found in our Notice of AGM.

Finally, I would like to give my heartfelt thanks to my fellow Board members and all the people of RS Group for their hard work, commitment and support during the year and look forward to us, together, building further on these successful foundations.

**Rona Fairhead**
Chair
24 May 2022

# Corporate governance at a glance

## The UK Corporate Governance Code


### Board leadership and Company purpose

| | |
|---|---|
| Our Board | Pages 88 and 89 |
| Purpose, values, strategy and culture | Page 90 |
| Engagement with major shareholders | Pages 92 to 94 |
| Engagement with employees | Page 95 |

### Division of responsibilities

| | |
|---|---|
| Division of responsibilities and governance framework | Page 91 |

### Composition, succession and evaluation

| | |
|---|---|
| Board evaluation | Pages 96 to 99 |
| Nomination Committee Report | Pages 106 and 107 |

### Audit, risk and internal control

| | |
|---|---|
| Audit Committee Report | Pages 100 to 105 |
| Effectiveness of internal and external auditors | Pages 104 and 105 |
| Risk management | Pages 103 and 104 |

### Remuneration

| | |
|---|---|
| Directors' Remuneration Policy | Pages 113 to 118 |
| Directors' Remuneration Report | Pages 119 to 129 |


Throughout the year ended 31 March 2022, the Company was subject to the provisions of the UK Corporate Governance Code (Code). The Code is publicly available at www.frc.org.uk. The sections within this Annual Report and Accounts, as indicated above, explain how the Principles of the five main sections of the Code have been applied.

### Compliance with the Code

The Board confirms that in its view, the Company has applied the main Principles and has complied with all the relevant Provisions set out in the Code during the year other than Provision 38. This year, in line with best practice and shareholder guidance, we are making strides towards fully complying with Provision 38 by committing to reduce pension levels for existing Executive Directors by 14 July 2022, bringing their entitlement in line with the rate most commonly received by our UK people. Further details are given on page 113.

### Board tenure

| | |
|---|---|
| 0-3 years | 4 |
| 3-6 years | 3 |
| 6+ years | 2 |

### Age of Directors

| | |
|---|---|
| 45-54 | 4 |
| 55-64 | 5 |

### Gender

| | |
|---|---|
| Female | 4 |
| Male | 5 |

### Independence

| | |
|---|---|
| Independent | 6 |
| Executive | 2 |
| Independent Non-Executive Chair | 1 |

### Key experience

| | |
|---|---|
| Digital | 6/9 |
| Distribution | 4/9 |
| Emerging markets | 5/9 |
| ESG | 3/9 |
| Finance | 5/9 |
| International operations | 9/9 |
| M&A | 7/9 |
| Service industry | 4/9 |

### Number of meetings attended during the year

The Board held a mix of in-person and virtual meetings in 2021/22 and a breakdown of attendance is shown in the table below for the year ended 31 March 2022.

Attendance at all meetings is strongly encouraged, however at times, due to unforeseen circumstances, Directors may not be able to attend. Directors who are unable to attend are provided with all meeting information and have the opportunity to discuss their feedback with the Chair or Company Secretary to ensure their contributions are raised at the meeting. We are pleased to report that in 2021/22 the overall attendance of all Directors was 100%.

| | Board (scheduled) | Audit | Nomination | Remuneration |
|---|---|---|---|---|
| Alex Baldock[1] | 5/5 | 2/2 | – | 5/5 |
| Bertrand Bodson[2] | 2/2 | – | – | – |
| Louisa Burdett | 9/9 | 4/4 | 4/4 | 8/8 |
| David Egan | 9/9 | – | – | – |
| Rona Fairhead | 9/9 | – | 4/4 | – |
| Bessie Lee | 9/9 | – | 4/4 | – |
| Simon Pryce | 9/9 | 4/4 | 4/4 | 8/8 |
| Lindsley Ruth | 9/9 | – | – | – |
| David Sleath | 9/9 | 4/4 | 4/4 | 8/8 |
| Joan Wainwright[3] | 9/9 | – | 4/4 | 5/5 |

1. Alex Baldock was appointed to the Board, Audit Committee and Remuneration Committee on 1 September 2021.
2. Bertrand Bodson stepped down from the Board and Nomination Committee on 31 May 2021.
3. Joan Wainwright was appointed to the Remuneration Committee on 7 July 2021.

## Key activities 2021/22 and objectives 2022/23

### Board activities 2021/22

- Continuing to manage the impact of COVID-19
- Acceleration of our strategy: The RS Way
- Customer experience development (using digital and data)
- Solutions-led strategy
- Acquisition pipeline
- Regional focus
- Organisational capability and talent
- Strengthen focus on ESG
- Supply chain activity
- Product range expansion

### Board objectives 2022/23

- Journey to Greatness
- Increased focus on ESG
- Regional deep dives
- Strategic transformation
- Customer experience
- Supply chain focus
- Innovation
- Product expansion and supplier strategy
- Mergers and acquisitions (M&A)

## Committee activities 2021/22

### Remuneration Committee

- Reviewed the effectiveness of the remuneration policy to support the next phase of the Company's Journey to Greatness and to support historical performance
- Completed extensive engagement with our top shareholders to gain support and obtain feedback of the proposed new remuneration policy
- Reviewed and aligned the 2021/22 incentive outcomes to Company performance

Read more on pages 108 to 129

### Nomination Committee

- Reviewed the structure, skills, knowledge, experience and diversity of the Board
- Identified and nominated for the approval of the Board two Non-Executive Directors, Alex Baldock and Navneet Kapoor, to be appointed to the Board
- Reviewed succession planning for Executive and Non-Executive Directors and the SMT

Read more on pages 106 and 107

### Audit Committee

- Reviewed the integration process for acquisitions and the effectiveness of their internal control systems
- Reviewed the first phase of the Group's review of internal controls over financial reporting (ICFR)
- Reviewed principal risks and opportunities in relation to the Task Force on Climate-related Financial Disclosures (TCFD)

Read more on pages 100 to 105

# Our Board of Directors

## Rona Fairhead
**Chair**

**Joined in November 2020**

**Committee membership**
- Nomination (Chair)

**External roles**
- Non-executive director Oracle Corporation
- Member of the House of Lords

**Past roles**
- Chair of BBC Trust
- Minister of State in the UK Department for International Trade
- Non-executive director of HSBC Holdings plc and PepsiCo, Inc.
- Chair and chief executive officer of Financial Times Group

**Skills and experience**
- Chair
- Digital
- International operations
- Strategy
- Emerging markets
- M&A
- Service industry
- Finance experience
- Trade and export
- Chief executive officer
- Group finance officer

## Lindsley Ruth
**Chief Executive Officer**

**Joined in April 2015**

**Committee membership**
- Treasury

**External roles**
- Member of the CBI International Trade Council
- Non-executive director of Ashtead Group plc

**Past roles**
- Executive vice president of the Future Electronics Group
- Held senior positions with TTI Inc and Solectron Corporation

**Skills and experience**
- Digital
- Distribution
- Sales and marketing
- M&A
- Emerging markets
- Supply chain and procurement
- Management
- International operations
- Manufacturing
- Electronics
- Chief executive officer

## David Egan
**Chief Financial Officer**

**Joined in March 2016**

**Committee membership**
- Treasury (Chair)

**External roles**
- Member of the CBI Economic Growth Board

**Past roles**
- Group finance director of Alent plc
- Held a variety of senior finance positions at ESAB holdings and Hanson plc
- Non-executive director of Tribal Group plc, and chair of its audit committee

**Skills and experience**
- Digital
- Distribution
- Current financial experience
- M&A
- Emerging markets
- Service industry
- International operations
- Manufacturing
- Management
- Risk management
- Chief financial officer

## David Sleath
**Senior Independent Director**

**Joined in June 2019**

**Committee membership**
- Audit, Nomination, Remuneration

**External roles**
- Chief executive officer of SEGRO plc
- Board member, European Public Real Estate Association

**Past roles:**
- Finance director, SEGRO plc
- SID and audit committee chair, Bunzl plc
- President, British Property Federation
- Group finance director, Wagon plc

**Skills and experience**
- M&A
- International operations
- Service-led business models
- Finance
- Manufacturing and distribution
- Chief executive officer
- ESG

## Bessie Lee
**Independent Non-Executive Director**

**Joined in March 2019**

**Committee membership**
- Nomination

**External roles**
- Chief executive officer of Withinlink
- Chief executive officer of JLL Greater China
- Non-executive director of Abcam plc

**Past roles**
- Chief executive officer roles at Mindshare, GroupM and WPP in China
- Non-executive director of A2 Milk Company, Ecovacs Robotics and United Group
- Advisor to Didi Chuxing and Greater Pacific Capital

**Skills and experience**
- Digital
- M&A
- Marketing and advertising
- Emerging markets
- International operations
- Chief executive officer

## Louisa Burdett
**Independent Non-Executive Director**

**Joined in February 2017**

**Committee membership**
- Audit (Chair), Nomination, Remuneration

**External roles**
- Chief financial officer of Meggitt plc

**Past roles**
- Group finance director at Victrex plc
- Chief financial officer at Optos plc and the Financial Times Group
- Held roles at Chep Europe, a division of Brambles Ltd, GE Healthcare and GlaxoSmithKline plc

**Skills and experience**
- Digital
- Current financial experience
- M&A
- Service industry
- International operations
- Manufacturing
- Chief financial officer

## Simon Pryce
**Independent Non-Executive Director**

**Joined in September 2016**

**Committee membership**
- Audit, Nomination, Remuneration (Chair)

**External roles**
- Chief executive officer of Ultra Electronics Holdings plc
- Member of the Council and a member of the Strategy and Finance Committee of The University of Reading

**Past roles**
- Group chief executive at BBA Aviation plc
- Held a range of international finance and management roles at GKN plc, JP Morgan and Lazards

**Skills and experience**
- Strategic finance and capital markets
- M&A
- Emerging markets
- Service industry
- Strategy
- Manufacturing
- Defence industry
- International operations
- Chief executive office
- ESG
- Remuneration

## Joan Wainwright
**Independent Non-Executive Director**

**Joined in November 2019**

**Committee membership**
- Nomination, Remuneration

**External roles**
- Director of NJM Insurance Group

**Past roles:**
- President, Channel & Customer Experience, TE Connectivity Ltd
- Vice president, Public Affairs, Merck & Co
- Deputy commissioner of communications, U.S. Social Security Administration

**Skills and experience**
- Distribution
- Electronics
- ESG
- Sales and marketing
- International operations
- Strategy

## Alex Baldock
**Independent Non-Executive Director**

**Joined in September 2021**

**Committee membership**
- Audit, Remuneration

**External roles**
- Group chief executive of Currys plc

**Past roles:**
- Chief executive officer of Shop Direct
- Managing director of Lombard and Commercial Director at Barclays

**Skills and experience**
- Digital transformation
- Accelerating omni-channel growth
- Embedding customer focus
- International operations
- Chief executive officer

## Clare Underwood
**Company Secretary**

**Joined in March 2022**

**Past Roles**
- Chief operating officer and group company secretary of John Laing Group plc
- Head of London and group company secretary of Cable and Wireless Communications plc

**Skills and Experience**
- Governance
- Tax
- Accountancy
- Corporate law
- M&A

### Upcoming Board Changes
Navneet Kapoor will join the Board as Non-Executive Director in June 2022.

### Other Directors who served during the year
Bertrand Bodson stepped down from the Board on 31 May 2021. Biography details for Bertrand can be found in our Annual Report and Accounts for the year ended 31 March 2021.

# Board leadership and Company purpose

### Role of the Board

The Board's principal responsibility is to ensure the long-term sustainable success of the Group as a whole. The Board is accountable to stakeholders for the Group's financial and operational performance and is responsible for taking strategic decisions and providing oversight across the Group ultimately to ensure stakeholder interests are protected. The Board aims to lead with integrity and in a sustainable commercial manner to ensure value is created for all the Group's stakeholders. The Board also provides leadership to executive and senior management and applies a robust governance framework to ensure that this leadership is delivered effectively.

The key topics the Board has focused on this year, as well as those it plans to assess for the coming year, are set out on page 87.

### Purpose, values, strategy and culture

To achieve the long-term sustainable value generation of the Group, the Board has continued to work closely with the senior management team on the Group's purpose of making amazing happen for a better world.

The Board monitors the culture of the organisation to ensure that it is aligned to the Group's purpose, values and strategy.

This includes:

- Receiving regular updates from the Chief Executive Officer (CEO) that provide insight into the business and how it is operating.
- Receiving updates from the Chief People and Culture Officer on the people team approach in supporting the Group's culture.
- Receiving updates from the Board-appointed employee engagement representatives on employee engagement (see page 95).
- Receiving regular information on the usage of the Group's whistleblowing facility and how reports have been followed up, allowing it to assess the effectiveness of the facility and actions taken.
- Creating opportunities to meet senior employees and those identified as high potential at any level of the organisation.
- Via the Nomination Committee, monitoring succession and talent pipelines for the Executive Directors and senior management.

### Assessing opportunities and risks

The Board considers the principal risks and opportunities, including ESG, for the future of the business. Details of the risks assessed are set out in the Strategic Report on pages 50 to 57, together with consideration of the sustainability of the Group's business model.

At each Board meeting, the CEO and Chief Financial Officer (CFO) present a comprehensive update on performance, challenges, the competitive market and possible M&A opportunities. The Chief Operating Officer (COO) provides quarterly reports to the Board to give an overview on the external market, how components of the business are performing and monthly performance, including customer experience and digital.

These reports are complemented by members of the SMT and other managers providing updates at Board meetings on how their areas of the business are working towards the achievement of The RS Way and opportunities and risks faced within their areas. This ensures the Board has oversight across the business, allowing its governance processes to contribute strongly to the delivery of our strategy.

### Matters reserved for the Board

All matters that have a material impact upon the Group are reserved for the Board and are formally set out in a schedule. Such matters include, but are not limited to:

| Matters for the Board | CEO's responsibilities related to the matter |
|---|---|
| **Reviewing and approving the Group's long-term strategic aims and objectives** | The development, and successful achievement, of Group long-term strategic aims and objectives |
| **Approving material changes to the Group's management and control structure** | Assessing adequacy of management and control structure and where appropriate implementing non-material changes and / or proposing material changes |
| **Approving the Group's procedures for the detection of fraud and bribery prevention** | Ensuring appropriate internal controls are in place |
| **On recommendation of the Nomination Committee, reviewing succession plans for the Board and SMT** | Ensuring appropriate management development and succession planning for SMT (for review by the Nomination Committee) |

## Division of responsibilities and governance framework

### Audit Committee Chair: Louisa Burdett

- Monitors integrity of financial statements and announcements
- Reviews the Group's internal financial controls and internal control and risk management systems
- Monitors the internal audit function
- Manages the external Auditors

### Nomination Committee Chair: Rona Fairhead

- Reviews the structure, skills, knowledge, experience and diversity of the Board
- Identifies and nominates, for approval of the Board, candidates to fill vacancies
- Leads succession planning for both Non-Executive and Executive Directors

### Remuneration Committee Chair: Simon Pryce

- Agrees the Remuneration Policy for Executive Directors and remuneration structure for the SMT
- Oversees SMT and Group employee remuneration
- Approves the design and targets for incentive plans

Read more: Committee Reports on pages 100 to 129

### Chair: Rona Fairhead

- Leading the Board and ensuring its oversight of strategy, performance, value creation, culture, stakeholders and accountability
- Shaping the culture of the Board
- Promoting open, trusting, challenging discussions and debate and constructive relations between Non-Executive and Executive Directors
- Ensuring appropriate Board capabilities
- Representing the Company to shareholders and other key stakeholders
- Developing productive relationships with the CEO, providing support and advice and constructive challenge where appropriate

### Senior Independent Director: David Sleath

- Evaluating the Chair's performance
- Chairing the meeting of Non-Executive Directors when evaluating the Chair
- Being available as an alternative communication channel for shareholders
- Being a sounding board for the Chair

### Independent Non-Executive Directors

- Overseeing and constructively challenging strategy, performance and culture
- Providing independent external perspectives
- Contributing independent views to the Board's deliberations
- Satisfying themselves on the integrity of financial information and controls and systems of risk management

### The Board

The Board comprises a majority of independent Non-Executive Directors. As can be seen in the tables and biographies on pages 88 and 89, our Non-Executive Directors have diverse backgrounds, skills and experience to enable appropriate challenge at Board and Committee discussions. None of them have any conflicts of interest in general, whether from relationships with management, the Company or third parties which would compromise their independence. There are processes in place for identifying and managing any conflicts on particular topics which may arise and related party transactions.

### Chief Executive Officer: Lindsley Ruth

- Responsible for the Group on a day-to-day basis
- Developing, leading and implementing strategy
- Accountable to the Board for operational performance
- Leading and instilling effective Company culture
- Ensuring robust management succession plans are in place
- Responsible for ESG, including climate-related matters

### Chief Financial Officer: David Egan

- Responsible for strong financial management and implementing and monitoring effective financial controls
- Developing the Group's financial policies and strategies
- Ensuring a commercial focus across all business activities and appropriateness of risk management
- Supporting and advising the CEO

### Senior Management Team CEO: Lindsley Ruth

- Proposes and executes strategy
- Drives business performance
- Ensures customer focus
- Approves investments
- Culture / ESG

Full details of our SMT are available on our website.

### Treasury Committee Chair: David Egan

- Monitors the Group's Treasury Policy
- Implements policies and processes for foreign exchange and option deals
- Approves proposed Group capital structure changes
- Approves changes to authorised investments, counterparties and borrowings

### Company Secretary: Clare Underwood

- Supporting and advising the Chair on various matters including the effectiveness and governance of the Board and succession planning
- Managing the Board evaluation process and Board induction
- Keeping the Board informed of corporate governance developments
- Supporting the Remuneration Committee Chair in remuneration design and implementation and consultations
- Involved in the recruitment process for new Board members
- Advising the Board on governance

## The Board and our stakeholders

Our Strategic Report on pages 34 and 35 demonstrates how the business considers and interacts with the Company's key stakeholders: our people, customers, suppliers, communities and shareholders. This section of the Corporate Governance Report sets out how the Board considers these stakeholders.

The Board delegates the day-to-day operational decision making of the business to the CEO and CFO with support from the SMT and their teams. The Board recognises, however, that doing so does not absolve it of its accountabilities to the Group's stakeholders and the need to reinforce and support management's decisions by setting the tone from the top. The Board must consider the needs of, and impacts of its decisions on, all stakeholders as well as the consequences of its decisions in the long term. The Board also recognises that not all of these decisions result in a positive outcome for some stakeholders and that it must consider our stakeholders as a whole, sometimes having to base its decisions on stakeholders' contending priorities.

Throughout the year, as well as reviewing and approving standard business as usual items, policies and governance processes, the Board received updates on: regional business perspectives from EMEA, Americas and Asia Pacific; our brand and culture; innovation strategies including the work of DesignSpark; our M&A pipeline; investor relations; and technology. The Board also held its annual strategy meeting focusing on the numerous strands of the Journey to Greatness which is designed to amplify our strategy, The RS Way. Further details of our Journey to Greatness can be found on pages 22 and 23 of the Strategic Report.

Key decisions taken by the Board during the year, and their impact on stakeholders, are set out in the table to the right and on pages 93 and 94 of this Report.

## Product range expansion

**An initiative designed to enable the Group's product range expansion ambition**

See the Strategic Report

### Board actions

- The Board considered the Group's product range expansion plans to ensure alignment with the Group's key stakeholders, as well as discussed key pillars of product and supplier strategies, the wider digital ecosystem and the development of supply chain capabilities to ensure the plans were in the best interests of the majority of the Group's stakeholders and the Company as a whole.

### Our people

- Reduce manual administration jobs with greater value-added jobs.
- Enhance employee engagement experience with our customers and suppliers so increasing motivation and work satisfaction.

### Customers

- Inject high-quality supplier product data in all relevant languages.
- Increase local sourcing and apply capability enhancements in the areas of non-stocked items, deliver-to-promise and compliance.
- Enable a broader and deeper inventory selection through the opening of our extended distribution centre (DC) in Bad Hersfeld, Germany.

### Suppliers

- Build on our strong relationships with existing suppliers and creating robust relationships with new suppliers.
- Align commercial, category and supplier strategies incorporating the drive towards developing a more sustainable product range.
- Enhanced and scalable product compliance assurance management.
- Improve organisational alignment including prioritisation of launches, enhanced supplier marketing and stronger end-to-end trading focus.
- Enhance digital and supply chain capabilities, providing a more holistically focused operating model.
- Enable a broader and deeper inventory selection through the opening of our extended DC in Bad Hersfeld, Germany.

### Shareholders and wider investor community

- Enhance opportunity for increased market share through product range expansions in several sectors.
- Enhance margin enhancement through improving and developing our growth accelerators.

### Others (including regulators)

- Ensure customer and supplier data is managed in compliance with the General Data Protection Regulations and other local jurisdiction requirements.

## Journey to Greatness

**A Group-wide focus on driving stronger revenue and high quality profitable growth on our Journey to Greatness**

See the Strategic Report

### Board actions

- The Board was presented with an initial briefing, followed by more detailed planning and timelines throughout the year. Board members entered into detailed discussions with management, hearing their insights and experiences, with the Board providing various challenges for management to consider ahead of the detailed planning phase and final Board approval to launch.

### Our people

- Provide specific KPIs to drive increased collaboration between our people.
- Ensure we have the right talent which is supported appropriately and in the right areas of the business.
- Clarify accountabilities to make faster and higher quality decisions.
- Continue to improve our agility and the alignment, speed and empowerment of our people.

### Customers

- Build more holistic product and service offerings to become a true solutions provider.
- Drive down our cost to serve our customers in all areas.
- Refine our approach and service levels to serve all customers and improve customer experience.

### Suppliers

- Maximise the value we provide to our suppliers through their relationships with us with better alignment of product and service offerings.
- Reduce challenges to product expansion and increase the agility of the business to introduce new products to the offer.

### Shareholders and wider investor community

- Deliver stronger revenue and high quality profitable growth through benchmarking our business against best in class global standards and returns and funding investments in growth accelerators and potential strategic acquisitions. This will increase shareholder returns.

## Environmental, social and governance (ESG) plan

**The Group introduced its strengthened 2030 ESG action plan – For a Better World, in November 2021, and conducted an in depth review of its climate-related risks and opportunities**

See the ESG section of the Strategic Report

### Board actions

- The Board received updates during the year on the Group's proposed 2030 ESG action plan. It was fully supportive of management's plan and the long-term value it would generate for the Group's stakeholders.
- The Board received reports on the introduction of the 2030 ESG action plan in November 2021, including positive feedback from investors.
- The Audit Committee received an overview of the Group's key climate-related risks and opportunities and first-stage results of its climate scenario analysis in February 2022. The Committee reviewed and recommended for approval by the Board, the Group's first report under the TCFD framework. The Board approved the report, which can be found on our website: **rsgroup.com**.

### Our people

- Create a safe, inclusive and dynamic culture to attract the best people and enable them to thrive and grow.
- Develop a purpose driven culture where our people strive to create triple bottom line benefits for people, planet and profit.

### Customers

- Offer more sustainable product and service solutions to help our customers increase efficiency of their operations, cut costs and reduce environmental impacts.
- Increase supplier vetting, management and ESG engagement to provide quality, ethical and sustainable supply chain assurance to our customers.

### Suppliers

- Collaborate with suppliers to offer our customers sustainable product and service solutions.
- Engage suppliers to raise ethical and environmental standards across our global supply chain. From sourcing responsibly, to strengthening labour practices and cutting environmental impacts.

### Communities

- Empower the next generation of engineers and innovators to develop vital skills and experience, by providing accessible educational technologies, inspirational learning content and immersive skills development opportunities.
- Support purpose-driven innovation to develop new technologies that will benefit people and the planet.

### Shareholders and wider investor community

- Proactively manage and address ESG risks and opportunities.
- Publish the Group's TCFD report to help shareholders understand the Group's climate-related risks and opportunities.

### Others (including regulators)

- Proactively manage and address ESG risks and opportunities.
- Strengthen Group code of conduct and ethical sourcing policy for suppliers demonstrating our commitment to governance, ethics and compliance including modern slavery.
- Maintain commitment to the principles of the United Nations Global Compact and new commitment to the Science Based Targets initiative, United Nations Race to Zero and the UN Global Compact's Business Ambition for 1.5°C.

## Our people engagement

**How the Board can best hear the views, feelings and motivations of the Group's people**

See the ESG section and page 95 of the Corporate Governance Report

### Board actions
- The Board received reports during the year on the five employee engagement sessions facilitated by Bertrand Bodson, Bessie Lee and Joan Wainwright. Further details can be found on page 95 of this Report.
- The Board maintained its responsibility for oversight of D&I via its Nomination Committee where it also considered talent acquisition, development and retention as well as succession planning for the SMT. See page 107 of the Nomination Committee Report for further details on our D&I Policy Statement. Our D&I policy can be found on our corporate website.

### Our people
- Provide an opportunity for our people to feedback their opinions on the Group's culture and ways of working, the Group's leadership, structure and value, and how management looks after its employees.
- Continue to enhance employee engagement to help understand barriers to execution and how to mitigate or remove them.
- Introduce the My Academy learning platform and enhance performance appraisal processes, as well as providing mental health awareness training for management.
- Adapt the approach to Board employee engagement following the departure from the Board of Karen Guerra who was the nominated employee engagement Director.

### Customers
- Promote motivated and empowered employees with first class engagement with our customers.

### Suppliers
- Promote motivated and empowered employees with first class engagement with our suppliers.

## Acquisitions

**Acquisitions as part of the Group's M&A strategy**

See Strategic Report

### Board actions
- The Board was regularly updated on the integration across the Group of recent acquisitions, namely Synovos, Inc. (Synovos), Needlers Holdings Limited, and John Liscombe Limited and their subsidiaries.
- The Board agreed and monitored the integration of IESA and Synovos to create integrated supply solutions on a global scale.

### Our people
- Integrate Synovos, Needlers Holdings Limited and John Liscombe Limited and their subsidiaries into the Group culture, providing the same opportunities for training, development and employee benefits.

### Customers
- Provide an improved customer experience through the creation of global integrated supply solutions through the combination of IESA and Synovos.

### Suppliers
- Provide an improved supplier experience through the global integrated supply solutions of IESA and Synovos.

### Shareholders and wider investor community
- Accelerate the Group's potential for growth.

## Stakeholder – Suppliers

One example of how the Board supported management this year was in relation to our supply chain, where management concentrated on doing the right thing by its suppliers while getting the best outcome for its customers. Companies have seen a strain on supply chains globally and the Board actively supported the Group's enhanced supply chain strategy. As part of this strategy, we engaged extensively with our suppliers to understand the challenges they were facing and helped them where possible, for example with transport. Our commitment to those relationships led to us being first choice for many suppliers when allocating their products and materials. In turn, as suppliers needed to reduce their burden of risk because their own supply chains may be worse than others, for example in terms of raw materials, we placed firm orders and commitments ahead of others. This meant that we were doing the right thing by one group of stakeholders which subsequently benefited another and, in the longer term, our investors. This is an example of our vision to be first choice for all our stakeholders and which the Board supports from the top.

## Employee engagement

Betrand Bodson facilitated an employee engagement session with our people in EMEA, via our Management Matters platform, shortly before he left the Board. Both Bessie Lee and Joan Wainwright also held employee engagement sessions with our people in Asia Pacific and Americas respectively. Joan hosted two sessions via our Management Matters platform. Bessie visited our Shanghai offices for an in-person meeting as well as facilitating a Microsoft Teams session with our people in our Centre of Expertise (CoE) in Foshan, China. All sessions were very successful with a great deal of interaction. A case study of Bessie's visit to Foshan is set out below.

Bessie Lee's engagement session at our CoE in Foshan, China was to be held in person originally but due to COVID-19 restrictions it was necessary to change at the last minute and manage the day virtually. However, the efforts of the local team ensured that the session was not compromised and included a virtual office tour to give Bessie a better feel for the office dynamics as well as the facilities themselves.

The day comprised:
- A welcome session
- An introductory meeting between the local management teams and Bessie
- A co-ordinated virtual lunch and virtual office walk
- A town hall session
- Two separate coffee sessions, each with 14 employees
- A debrief with the local team at the close

Bessie was able to feed back to the Board her first-hand impressions of the breadth and depth of the CoE's offerings, levels of staff motivation and the team's commitment to productivity and continued efficiency improvements. She also fed back questions from our people which included:
- What impacts of COVID-19 would become permanent going forward e.g. working from home arrangements
- How high was China's awareness of artificial intelligence and what was the Group doing in terms of bringing that awareness to the forefront
- What investment would the Group make with regards to marketing and brand awareness

The Board considered the questions and was happy that management would be addressing them with our people via a series of town halls.

Our people were also sufficiently comfortable to ask Bessie questions about her personal development journey as well as asking how she saw the China tech giants' platforms evolving.

## Composition, succession and evaluation

### Board Composition and training

The Board is pleased to welcome Alex Baldock as a Non-Executive Director who joined the Board on 1 September 2021. Alex is also a member of the Audit and Remuneration Committees and brings a significant amount of skills and experience to the Board, particularly in the realm of digital transformation and e-commerce.

Further detail on the changes to the Board can be found in the Nomination Committee Report on page 106.

As part of the Board's continuous development, the Directors receive regular updates from the Company Secretary as well as a schedule of briefings and training offered externally. External training includes facilitated events, forum discussions and seminars related to the listed company environment many of which were offered virtually. In 2021/22 the Board undertook further refresher training of the UK Market Abuse Regulation and training on Task Force on Climate-Related Financial Disclosures via the Audit Committee. Finally, the Board also receives regular updates from senior management on specific topics such as data protection, supply chain and health and safety. The Company Secretary is available to all Directors whenever needed and ensures that both Directors and Committees have access to independent professional advice (at the Group's expense) if they deem it necessary to carry out their role effectively.

## Our induction framework: ensuring our Directors understand the business and the landscape in which we operate

### Governance

Outlining the UK governance landscape, including details relating to directors' remuneration, ESG and emerging governance trends and understanding our internal governance framework and how the Board operates.

Provided by:
- Company Secretary and team
- Global reward team

### Digital and technology

Understanding the technology infrastructure across the organisation and the drive for digital transformation.

Provided by:
- Chief Technology Officer
- Chief Digital Officer

### Finance and risk

Understanding the Company's capital structure, its finance requirements and the corresponding risks that we face.

Provided by:
- CFO
- VP, Group Operational Audit and Risk
- Chief Information Security and Compliance Officer
- External Auditors

### Strategy and marketplace

Understanding our strategic journey and gaining the corresponding knowledge of the industry within which we operate.

Provided by:
- CEO, CFO and COO
- Presidents of EMEA and Asia Pacific RS Components and Allied Electronics & Automation
- Presidents of Integrated Supply Solutions and OKdo
- SVP, Corporate Development
- External brokers

### Supply chain and ESG

Understanding our supply chain capabilities and how we are driven to provide an innovative and sustainable market-leading service in the long term.

Provided by:
- President, Global Supply Chain
- VP, Social Responsibility and Sustainability

### Legal and compliance

Understanding our key Group policies and industry specific legislation which applies to the business and its obligations as a UK listed company.

Provided by:
- Company Secretary and team
- General Counsel

### Our investors

Understanding the make-up of our institutional investors and market sentiments.

Provided by:
- VP, Investor Relations
- External brokers / advisors

### Culture and people

Meeting teams across the business to experience and understand the culture.

Provided by:
- Chief People and Culture Officer and team
- Site visits





### Induction

Following the appointment of any new Director, the Chair and Company Secretary ensure that a customised induction, to the Company and the role of the Board is made available. The induction programme is based on the framework set out to the left and, depending on the newly appointed Director, the framework is tailored to their skills, experience and needs. New Directors are provided with a Directors' Manual which sets out the relevant information on the Company's approach to governance, information on key Group policies and day-to-day administrative matters as well as historical Board packs.

If circumstances allow, a site visit to one of our DCs is also arranged. This ensures that each new Director can experience the day-to-day operations of the distributions facilities and ultimately better understand the culture of the business. With the continuation of COVID-19 and its variants in December 2021, Alex Baldock's scheduled site visit for January 2022 was postponed.

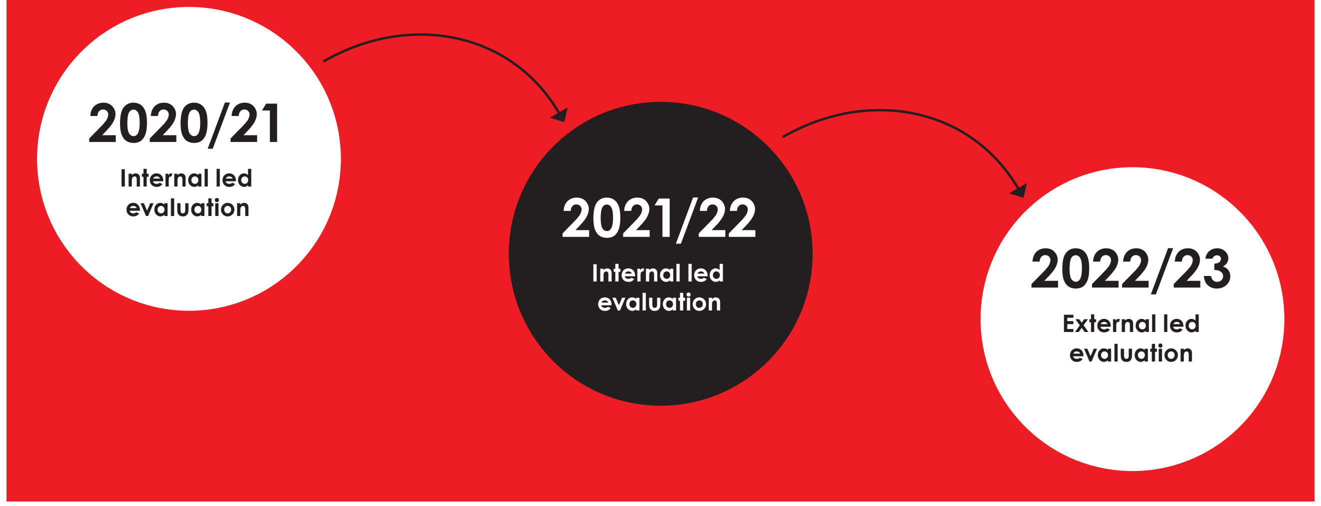
### Evaluation

Board evaluations provide invaluable insight and objectivity to the Directors and the Committees which in turn enables the Board to improve its leadership, effectiveness and focus. Examining each Director's role and their corresponding responsibilities within the overall Board dynamic encourages collaborative decision making and strategic clarity.

An evaluation is undertaken by the Board on an annual basis. For 2021/22 we conducted an internal evaluation which was led by the Chair of the Nomination Committee and facilitated by the Company Secretary via an online questionnaire. The scope of the evaluation covered the Board, its Committees, the Chair, the Senior Independent Director (SID) and the Company Secretary. The evaluation questionnaire sought to obtain views on key corporate governance aspects as well as gauging the Board's effectiveness. It further gave the Directors an opportunity to provide constructive feedback on areas which they thought were effectively managed and, conversely, those which could be improved upon.

The 2022/23 Board evaluation will be facilitated externally in line with the Code.

### Our three year evaluation cycle:



## Our approach to Board evaluation

### 1
### Design and planning
The scope of the evaluation is designed and agreed by the Chair of the Nomination Committee and the Company Secretary. Planning takes into account the activities undertaken throughout the year and the focus during the year of the Board and each of its Committees. Valuable input is also taken from each Committee Chair who provides feedback on areas the evaluation should take into consideration.

### 2
### Formulate questionnaire
An online questionnaire is prepared by the Company Secretary which includes a combination of rating scale and open-ended questions. Directors are able to provide their feedback on a no-name basis should they so wish and due regard is given to the previous year's internal evaluation to ensure progress can be monitored. Directors are given the opportunity to speak to the SID and Company Secretary.

### 3
### Evaluate and report
The Company Secretary collates and analyses the questionnaire responses and prepares separate reports containing the findings for the Chair, the SID and each Committee Chair. The findings distil and identify the strengths, challenges and priorities of the Board's performance. Responses relating to the Company Secretary are analysed by the SID and recommendations are included for discussion by the Board and each of the Committees.

### 4
### Agree actions
The findings and recommendations are presented by the Company Secretary to the Nomination Committee. Each Committee also considers its own findings and any relevant actions are agreed for the year ahead.

The 2021/22 internal evaluation covered the following areas:
- Effectiveness of the Board and Committee meetings
- Contributions of the Board and its Committees
- Relationships with the SMT around the direction and values of the organisation and the decision-making process
- Delivery of strategy against performance measures
- The Board's understanding of the Company's journey and developing culture
- Risk management
- Succession and talent management

The overall results of this year's evaluation were positive and there was a consensus about the challenges ahead and the areas of focus for the Board (see page 99).

### Re-election
Notwithstanding the provisions of the Company's Articles of Association (Articles), all Directors are required to retire and stand for re-election at each AGM. As illustrated on pages 88 and 89, the Board has a diverse and appropriate range of skills and experience and works effectively in its role. The external commitments of our Directors are kept under review to ensure they have the time to effectively contribute to the activities of the Board and all its Committees throughout the year.

The Board, following the internal evaluation process, also considers whether each Director performs effectively and demonstrates their commitment to the role. The Board recommends that the Directors be re-elected at this year's AGM, with the exception of Alex Baldock and Navneet Kapoor, who are recommended to be elected following their appointments on 1 September 2021 and 1 June 2022 respectively.

### Audit, risk and internal control
The Board is responsible for ensuring the risks facing the Group are effectively identified and controlled through the work of the Group risk team and internal audit activities. The Board has continued to monitor the established risk management and internal control procedures to ensure that they continue to be appropriate and effective within the specific context of the Group's activities.

The Audit Committee regularly reviews the effectiveness of the Group's internal control and risk management systems. This year it also reviewed the risks and opportunities in relation to climate change. This review role is managed by various processes including:
- Quarterly reporting by all material locations of their key internal financial controls (earlier during the year this frequency was monthly due to the higher risks during the more significant effects of the COVID-19 pandemic).
- An annual review by all business locations and functions of their operational risks and associated controls with a supporting review and assessment by the Group's internal audit team.
- The cycle of internal audits throughout the year, all of which are reported to the Audit Committee.

Further detail on these activities is set out in the Audit Committee Report on pages 100 to 105. The analysis of the principal risks to the Group, the procedures for identifying emerging risks, and how they are managed and mitigated are set out in the Strategic Report on pages 50 to 57.

### Going concern and viability
The Board is responsible for assessing the Group's long-term viability and deciding if it is appropriate to adopt the going concern basis in preparing the Group and Company accounts.

The Audit Committee reviews and challenges, where necessary, the Group's assumptions, process and assessment of its going concern and viability. Further detail on these activities are set out in the Audit Committee Report on page 102.

The Board's statements on going concern and viability can be found in the Strategic Report on pages 56 and 57.

### Remuneration
The Board retains overall responsibility for ensuring that the remuneration practices of the business are aligned to the established purpose and values and linked to the successful delivery of the Company's long-term strategy. Full details of the Remuneration Committee's work in this area is set out on pages 108 to 129.

This year we have consulted with our major shareholders in relation to our Directors' Remuneration Policy, which will be put to shareholders at the Company's AGM in July 2022. We also continued to engage with our major shareholders through numerous investor meetings and our Investor Event which was held on 30 March 2022.

### Outcomes from the 2021/22 internal evaluation

| Key outcomes from 2021/22 | Actions for 2022/23 |
|---|---|
| **Board effectiveness and process** | |
| • While the level and balance of challenge is right, there is still encouragement for the Non-Executive Directors to challenge the Executive Directors more and push harder.<br>• Meeting agendas could be shorter with more efficient time allocation. Continued support for condensed meeting papers.<br>• In-person meetings encouraged to build Board effectiveness. | • Encourage Non-Executive Directors to challenge the Executive Directors more.<br>• Reduce length / granularity and improve consistency of Board papers using clear summaries to highlight key issues / areas for discussion.<br>• Return to a majority of in-person meetings, with virtual / hybrid meetings only for meetings with appropriate agenda topics.<br>• Ensure time is allocated within the agenda to allow increased focus on:<br>– Monitoring progress and execution of strategy;<br>– Capitalising on growth opportunities; and<br>– Technology, including the Group's digital capabilities.<br>• Continue to improve agenda to focus on key matters and reduce time spent on papers for information only.<br>• Improve internal and external training options list. |
| **Strategy** | |
| • Continued improvement in the quality of strategy execution and status updates positively received.<br>• Monitoring progress and execution of strategy highlighted as an area of focus for the Board.<br>• Good advancement of competitor landscape in terms of information, but increased discussion and debate relating to competition encouraged. | • Implement a scorecard to enable regular monitoring of progress and execution.<br>• Increase time devoted to competitors and our relative position. |
| **Composition and succession** | |
| • Good satisfaction with the balance of the Board but increased focus on diversity required going forward. | • Nomination Committee to continue to focus on succession planning and diversity. |

### Actions undertaken from the 2020/21 internal evaluation

| Key outcomes from 2020/21 | Actions in 2021/22 |
|---|---|
| **Board effectiveness and process** | |
| • Positive support for the way in which the CEO has led the agenda items and the way in which discussions at meetings are set up.<br>• Recognition that the Board has adapted well and remained agile during COVID-19 when physical meetings could not take place.<br>• While the impact of COVID-19 highlighted the strength in efficiency and allowed all members to contribute in virtual meetings, it was identified that Board members, particularly newcomers, would benefit from more in-person meetings including gatherings and site visits once travel is permitted. | • Attention was given to the balance between the number of items on the agenda and the length of Board papers and meetings.<br>• Physical meetings and face-to-face gatherings, via Board dinners, were scheduled. |
| **Composition and succession planning** | |
| • Strong satisfaction with the balance and diversity of the Board, with a continued desire for increasing the diversity on the Board.<br>• Identification of skills and experience to strengthen the Board.<br>• Succession planning. | • Increased focus given to the knowledge and skills of the Board including digital, sustainability, commercial / customer and strategy, with a view to ensuring appropriate diversity on the Board.<br>• The Board continued to review succession planning and the pipeline for executive management. |
| **Strategy** | |
| • Visible year-on-year improvements in the quality of strategy execution and status updates.<br>• Detailed views provided in relation to areas of the strategy to be a focus for future Board meetings.<br>• Satisfaction with the Group's approach to ESG and recognition that there was a good ESG plan in place. | • Regular strategy execution and status updates were provided to the Board.<br>• Additional updates on the Group's competitor landscape and market dynamics affecting the Group were provided.<br>• Increased attention was given to the Board's awareness and understanding of the Company's approach to digital and customer experience.<br>• ESG continues to be a focus for the Board with TCFD training provided. |

# Audit Committee

## Louisa Burdett
Chair

### Members
Louisa Burdett (Chair)
Simon Pryce
Alex Baldock
David Sleath

### 2021/22 highlights
- Reviewed and monitored the Group's control and risk framework as the COVID-19 pandemic evolved
- Reviewed the integration process for acquisitions and the effectiveness of their internal control systems
- Continued its focus on development of the Group's information security strategy
- Regularly reviewed the Group's progress on strengthening IT access controls and documentation of other IT controls
- Monitored proposals for companies to establish an audit and assurance policy as recommended by the Brydon Review and the audit reform proposal being recommended by the UK's Department of Business, Energy & Industrial Strategy (BEIS)
- Monitored the first phase of the Group's review of internal controls over financial reporting (ICFR)
- Reviewed principal risks and opportunities in relation to the Task Force on Climate-related Financial Disclosures (TCFD)

### 2022/23 priorities
- Continue to monitor the Group's progress in its ongoing review of ICFR
- Review the Group's assessment of the impact of, and actions taken following, the regulations arising from BEIS's corporate reform
- Provide additional oversight to the Group's approach to risk, including structure and metrics
- Continue to review risks and opportunities for ongoing reporting of TCFD
- Oversight and accounting treatment of cost / benefits of the Group's Journey to Greatness programme

## Dear shareholder
As Chair of the Audit Committee (Committee), I am pleased to present the Committee's Report for the year ended 31 March 2022. The purpose of this Report is to describe the work undertaken by the Committee and explain how it has discharged its responsibilities throughout the year.

The Committee's main role is to monitor and review the integrity of the Company's financial information. This includes recommending to the Board whether the Company's Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and whether the assessment of the Group's going concern assumptions and longer-term viability are reasonable. The Committee is also responsible for providing assurance to the Board that the Group's internal controls and risk management systems are fit for purpose and regularly reviewed, as well as overseeing the effectiveness and independence of the external Auditors, PricewaterhouseCoopers LLP (PwC), including recommending to the Board the approval of PwC's fees and appointment.

As was the case last year, much of this year's work has been undertaken remotely due to restrictions resulting from the COVID-19 pandemic. However, restrictions in the UK were eased for part of the year in line with government guidelines with some work being able to take place locally. Communications have been maintained and we continued to see professional, comprehensive and robust work in all areas. This has meant that, throughout the year, the Committee has been able to discharge its obligations seamlessly.

The Committee has continued to focus on the Group's financial reporting, including approving the disclosures in relation to geopolitical uncertainties, climate change, the continued impact of COVID-19 and the Group's going concern and viability statements, and the Group's use and definitions of alternative performance measures. The Committee has continued to focus on the key accounting matters set out on pages 102 and 103. All of these matters were conducted to the satisfaction of the Committee.

The Committee has regularly reviewed and monitored the Group's progress on strengthening IT access and other controls. We are pleased that the Group has commenced a review of ICFR ahead of implementing BEIS's corporate reform. The Committee has also reviewed and considered the principal risks and opportunities in relation to the Group's obligations under TCFD, on which we are reporting for the first time.

As part of its duties, the Committee has continued to review the Group's cyber security and data protection controls, further details of which can be found on page 104.

The composition of the Committee changed during the year with the appointment of a new Non-Executive Director, Alex Baldock. I would like to welcome Alex to the Committee and thank him for his work with us to-date.

On behalf of the Committee, I would like to thank our internal audit and finance teams and PwC for their continued support over the past year.

I will be available as usual, at this year's Annual General Meeting (AGM) to answer any shareholder questions in relation to audit matters.

**Louisa Burdett**
Chair of the Audit Committee

24 May 2022

## Composition of the Committee
On 1 September 2021, Alex Baldock was appointed as an independent Non-Executive Director to the Board and as a member of the Committee. There were no other changes to the Committee's composition.

All members are independent Non-Executive Directors and the Board continues to be satisfied that the Chair of the Committee has current and relevant financial and accounting experience as required by the provisions of the UK Corporate Governance Code 2018 (Code). The Board is further satisfied that the other members of the Committee have sufficiently wide-ranging business experience, expertise and competence for the Committee to fulfil its responsibilities effectively. Biographies for the various Committee members are set out on pages 88 and 89.

Meetings of the Committee are scheduled to take place four times a year and occur in line with the financial and reporting cycles of the Company. Meetings are generally held prior to Board meetings so that optimum collaboration with the Board is maintained. Members and their attendance at meetings during the year are set out on page 87.

The Committee Chair extends invitations to certain other key individuals to attend meetings, including the Chair of the Board, other Non-Executive Directors who are not members of the Committee, the Chief Executive Officer (CEO), Chief Financial Officer (CFO), the Company Secretary, Group Financial Controller, Vice President Group Operational Audit and Risk (VP Audit and Risk) and the external Auditors, PwC. The Chief Information Security and Compliance Officer (CISO) also attends to provide regular updates on the Group's information security strategy. The Data Protection Officer attends meetings twice a year to give updates on data protection matters.

The Committee has independent access to the internal audit team and to the external Auditors without the presence of management. The VP Audit and Risk and the external Auditors have direct access to the Chair of the Committee outside formal Committee meetings.

The Chair provides updates to the Board on the proceedings, considerations and findings of each meeting.

## Activities during the year
The core functions of the Committee include:
- Supporting the Board in ensuring the integrity of the financial and corporate reporting and auditing processes.
- Assisting the Board in assessing the long-term viability of the Group by reviewing and challenging the scenarios considered and severe but plausible stress testing performed on the principal risks.
- Advising the Board on whether the half-year and full-year financial reports present a fair, balanced and understandable assessment of the Group's position and prospects.
- Ensuring effective internal control and risk management systems are in place.
- Measuring the Group's effectiveness in managing risk and reviewing the risk identification process.
- Approving the remit of the internal audit function and reviewing its effectiveness and findings.
- Ensuring that an appropriate relationship is maintained between the Group and its external Auditors, including the recommendation to the Board to approve their appointment and fees.
- Monitoring progress of the Group's information security strategy to mitigate its major risks.
- Reviewing the scope and effectiveness of the external audit process.
- Reviewing whistleblowing, fraud and data protection procedures.

The main activities of the Committee during the course of the year are set out on the following pages of this Report. Further information can also be found in the corporate governance section of our website: **rsgroup.com**

## Financial reporting
The primary role of the Committee in relation to financial reporting is to monitor the integrity of the Group's published financial information including reviewing its full-year and half-year financial results. The Committee undertakes this with both management and PwC and concentrates on ensuring compliance with the relevant financial and governance reporting requirements. The Committee considers the principal accounting policies that are used when preparing these results as well as reviewing the significant accounting issues and areas of judgements made as noted on page 102 and other key areas of focus as noted on page 103. The Committee receives regular reports from the CFO and the Group Financial Controller to support this work.

### Fair, balanced and understandable
The Board is required to confirm to the Company's stakeholders that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information and key messages to enable shareholders and other stakeholders to assess the Group and the Company's position and performance, business model and strategy. When assessing whether the Committee could make its recommendation to the Board in this regard, the Committee undertook its regular, robust approach which is:
- Ensuring regulatory requirements for the Annual Report and Accounts were thoroughly understood.
- Reviewing draft copies of the Annual Report and Accounts early in the reporting process to assess and advise on direction and key messages, with a near final version provided to the Committee and Board prior to sign-off of the Annual Report and Accounts.
- Assessing management's fair, balanced and understandable verification process and reviewing its results. This included a cascaded sign-off across the Group to determine the accuracy, consistency and clarity of the data, information and language.
- Reviewing the use and disclosure of alternative performance measures and confirming its belief that separate disclosure of these measures enables readers of the Annual Report and Accounts to understand better the underlying financial and operating performance of the Group. The alternative performance measures are consistent with prior years. The definitions and reconciliations of alternative performance measures are set out in Note 3 on pages 147 to 150.
- Ensuring that a thorough review of the Annual Report and Accounts was undertaken by all appropriate parties including external advisors.

The Committee has reviewed the Annual Report and Accounts for the year ended 31 March 2022 and has advised the Board that, in its opinion, the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Group's position and performance, business model and strategy.

## Significant accounting issues and areas of judgement

Management is required to exercise judgement in a number of areas when preparing the Group accounts. The Committee focuses on any significant areas of judgement that may materially impact the Group's and Company's reported results and assesses and challenges, if appropriate, whether these judgements are reasonable and appropriate. The Committee also reviews the clarity and transparency of the related disclosures.

The significant accounting issues and areas of judgement considered by the Committee during the year, and how these were addressed, are set out below.

| Significant accounting issues and areas of judgement | How the Committee addressed these matters and conclusions reached |
|---|---|
| **Retirement benefit obligations** | |
| The Group has a material defined benefit pension scheme in the UK and smaller defined benefit schemes in the Republic of Ireland, Germany, France and Italy. At 31 March 2022, the total net deficit in relation to these retirement benefit obligations was £12.4 million (2020/21: £55.7 million), of which the UK was £nil (2020/21: £41.2 million). Key judgements are made in relation to the assumptions used when valuing the retirement benefit obligations. See Note 10 on pages 155 to 159. | Small changes to the assumptions used to value the UK retirement benefit obligation, particularly changes in bond yields used to determine the discount rate, can have a significant impact on the financial position and results of the Group. The assumptions put forward by the actuaries, Head of Group Pensions and Group Financial Controller were reviewed by the Committee. The Committee also reviewed the external Auditors' comparisons of the assumptions with those of other similar schemes. After discussion, the Committee agreed the reasonableness of the assumptions used in valuing the retirement benefit obligations. |
| **Inventories valuation** | |
| Inventories represent a material proportion of the Group's net assets. At 31 March 2022, the Group had £529.5 million (2020/21: £419.8 million) of inventories on the balance sheet. Judgements are made in estimating the net realisable value of inventories. At 31 March 2022, inventory provisions were £29.7 million (2020/21: £40.6 million). Sensitivity analysis on the assumptions was performed which indicates that any reasonably likely change in assumptions, including the continuing COVID-19 pandemic and longer-term impacts of climate change and environmental regulations, is not expected to have a material impact on the current net realisable value of inventories. See Note 18 on page 165.<br><br>From an International Accounting Standard (IAS) 1 'Presentation of Financial Statements' perspective, the judgements involved in estimating the net realisable value of inventories do not have a significant risk of resulting in a material adjustment to the carrying amount of inventories within the next year. However, the Committee believes that inventories and their management are so critical to the Group's operating model that areas of judgement in inventories valuation are significant and require its particular focus. | The Group estimates the net realisable value of inventories in order to determine the value of any provision required. The judgements made in the methodology used to estimate the net realisable value relate to the number of years of sales there are in inventories of each product and the value recoverable from these inventories. These assumptions are based on recent experience and knowledge of the products on hand and are reviewed regularly. The ongoing impact of the COVID-19 pandemic and the longer-term impacts of climate change and environmental regulations on these assumptions were considered and the assumptions were adjusted where necessary to ensure they remain appropriate. The latest review was presented to the Committee and it reviewed and agreed the reasonableness of the assumptions.<br><br>In order to reach these conclusions, the Committee also discussed with senior managers the inventory management process and the improvements made during the year. |

## Going concern and viability statements

As part of the Committee's responsibility to provide advice to the Board, the Committee reviewed and challenged the Group's going concern assumptions at the half year and full year and reviewed and challenged the process and assessment of the Group's longer-term viability at the full year.

Management included a going concern statement in the Group's half-year report. The Committee reviewed the process conducted to prepare this statement including the assumptions used in the reverse stress tests. It recommended to the Board that it was appropriate to continue to adopt the going concern basis in the half-year results. The Committee also reviewed and agreed the wording of the going concern statement and recommended its approval to the Board.

For the viability statement in the Annual Report and Accounts, the Committee reviewed the determined assessment period and reviewed and challenged the scenarios considered and severe but plausible stress testing performed on the principal risks. The Committee recommended to the Board that it is able to confirm the Group's viability statement and the going concern statement. Details of these statements can be found on pages 56 and 57 of the Strategic Report.

## Other key areas of focus

The Committee also reviews a number of other key areas that require management to exercise judgement. These judgements have not had a significant effect on the amounts recognised in the accounts in the year ended 31 March 2022 nor are they significant estimates which have a significant risk of resulting in a material adjustment to the carrying amounts of the Group's assets and liabilities within the next year. However, the Committee focuses on these areas to ensure these judgements are also reasonable and appropriate and to ensure they have not become significant.

These other key areas of focus in the year were:

| Other key area of focus | How the Committee addressed these matters and conclusions reached |
|---|---|
| **Taxation** | |
| The Group operates across many different tax jurisdictions and is subject to periodic challenges by local tax authorities on a range of matters during the normal course of business. These challenges currently include transfer pricing. Judgements are made in assessing the levels of tax contingencies required for current challenges, recoverability of losses and areas of potential risk where the precise impact of tax laws and regulations is unclear. The Group's uncertain tax provision was £8.3 million as at 31 March 2022 (2020/21 restated: £7.8 million). See Note 11 on pages 159 and 160. | The Committee receives regular updates on challenges by local tax authorities and any other areas of potential risk.<br><br>It reviews the effective tax rate, the balance sheet provision at the half year and full year and relevant disclosures, and discusses the position with senior managers as well as the external Auditors. The Committee agreed the reasonableness of the tax provision and that the disclosures were reasonable and appropriate. |
| **Impairment of goodwill and other assets** | |
| There is £330.5 million of goodwill on the balance sheet at 31 March 2022 (2020/21 restated: £317.6 million). Judgements are made in relation to the assumptions used in the value-in-use models which are used to assess impairment of goodwill and other assets when there are indicators that they may be impaired. | The value of goodwill is reviewed regularly for impairment using value-in-use models using cash flows and discount rates as set out in Note 14 on pages 162 and 163. The Committee reviews these impairment tests every year, including the main assumptions. These assumptions also include consideration of the impact of climate change. It agrees with the tests' confirmation that there remains adequate headroom in place and no impairment provision is required.<br><br>Other assets are regularly reviewed to ensure there are no indicators that they may be impaired. If any significant impairments are found, the Committee will also review these impairment tests, including the main assumptions, confirming that the valuation is reasonable.<br><br>The Committee also reviewed and agreed with the trade receivable impairment allowance and disclosure in Note 23 on pages 170 and 171. |

## Other matters

The Committee also carried out a range of other activities in relation to financial reporting during the year which included:

- Reviewing the impact of amendments to accounting standards adopted during the year
- Reviewing the measurement period adjustments made to the acquisition fair values of Synovos, Inc. (Synovos)
- Reviewing and agreeing the accounting treatment and disclosure of any potential post-balance sheet events at both the half year and full year

During the year, the Company received a letter from the Corporate Reporting Review team of the Financial Reporting Council (FRC). This was to inform the Company that an extract of the Annual Report and Accounts for the year ended 31 March 2021 was to be included in the FRC's thematic review of alternative performance measures as an example of better practice.

## Internal control and risk management

Reports from the VP Audit and Risk are provided quarterly to the Committee and cover the performance of the Group's system of internal control and its effectiveness in managing the Group's principal risks and identifying any control failings or weaknesses. They highlight anything which might impact the delivery of the Group's key strategic objectives or that indicate improvement is required in any of the Group's processes or controls. The Committee carefully considers these findings and discuss appropriate actions where necessary.

An annual review of the Group's risk management process is undertaken by the Committee, as required by the Code, the FRC Guidance on Audit Committees and the recommendations of the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. These reviews include material controls which cover financial, operational and compliance controls and risk management systems. The outcomes of these reviews are shared with the Board. These, in combination with other updates to the Board on the Group's principal risks, allowed the Board to assess the effectiveness of the Group's systems of internal control and residual risk prior to making its statement in this Annual Report and Accounts. Further information regarding the Group's principal risks can be found on pages 52 to 55 of the Strategic Report.

The internal control system and risk management process have been in place during the year. In the event weaknesses are identified in the internal control system, plans for strengthening them are put in place and then regularly monitored. A small number of weaknesses were identified including in some of:

- the business's transactional compliance activities, notably product and customs areas, some of which were associated with the UK's exit from the EU (Brexit). Prompt actions have been taken including re-appraising the relevant roles and responsibilities and, where needed, increased investment in resources; and
- the businesses acquired during 2020/21, which are generally subject to internal audits following their purchase. All the more significant control weakness observations, where noted, have actions and agreed timelines assigned against them.

There were no other material control failings or weaknesses identified during the year.

## Internal financial controls

Internal financial controls are the systems that the Group employs to support the Board in discharging its responsibilities for financial matters and the financial reporting process as described on page 132.

The main elements include:

- Assessments by internal audit on the effectiveness of operational controls
- Clear terms of reference setting out the duties of the Board and its Committees, with delegation to management in all locations
- Group Finance and Group Treasury manuals outlining accounting policies, processes and controls
- Weekly, monthly and annual reporting cycles, including targets approved by the Board and regular forecast updates
- Local leadership teams reviewing financial results against forecast and agreed performance metrics and targets with overall performance reviewed at region and Group levels
- Specific reporting systems covering treasury operations, major investment projects and legal and insurance activities, which are reviewed by the Board and its Committees on a regular basis
- Whistleblowing procedures allowing individuals to report fraud or financial irregularities and other matters of concern

In advance of the regulations arising from BEIS's corporate reform, the Group has commenced a review of its ICFR. The first phase, which is close to being completed, was to assess the Group's current financial reporting controls and, based on risk, identify what improvements should be made. The next phases will continue during 2022/23. The goal is to improve and build on our existing financial reporting controls focused on key areas. The Committee has reviewed the first phase and is pleased with the work to date. It will continue to monitor the Group's progress.

### Internal audit

The work of the internal audit function spans the whole Group including, as and when relevant, acquired businesses and provides independent and objective assurance over the Group's systems of internal controls through a risk-based approach. The Committee reviews annually and approves the scope and resourcing of the internal audit plan with the VP, Audit and Risk. The scope of the plan is determined by reference to the Group's operating risks and strategic priorities as well as perceived geographic, functional and external risks. The Committee reviews:

- The level and skills of resources allocated to the internal audit function to conduct this programme of work
- The summary of the results of each audit and the business team's resolution of any control issues identified
- The effectiveness of the internal audit function

The VP Audit and Risk has regular, open access to the Chair of the Committee via various media, including virtual and in-person meetings. Discussions focus on audit planning and matters noted during internal audit assignments. Other members of the Committee are also available as required. The Committee meets with the VP, Audit and Risk without the presence of management at least once a year.

### Other activities

During the year, the Committee continued its focus on enhancing the Group's information security strategy via regular updates from the CISO. These included updates on information security risk assessments relating to our industrial control systems, including improvement actions both underway and planned. Throughout the year, the Committee also received updates on other specific information security risks and improvement actions, including strengthening IT access controls.

The Committee continued with its reviews of the data protection compliance programme through reports from the Data Protection Officer and meeting with the data retention project team. The Committee continued to carry out oversight of the Group's compliance with laws regarding the protection of personal data across its operations, including the General Data Protection Regulation and the UK equivalent following Brexit. The Committee received regular reports from the Data Protection Officer highlighting ongoing compliance work such as training and awareness campaigns to embed a culture of privacy by design, as well as assessments of the impact of material changes to the Group's operations on its handling of personal data (such as significant changes to systems). The Committee also received updates on the implementation of data retention controls across the Group.

The Committee received training in relation to TCFD during the year. It also discussed the principal risks and opportunities which ought to be disclosed in the Group's first TCFD report against the pillars of governance, strategy, risk management, metrics and targets. The Committee feels that it is appropriate to treat TCFD with equal importance as the Group's other reporting requirements and as such carefully assessed the contents of the TCFD report prior to its publication. The Committee was comfortable that the report contains appropriate and accurate data and information and recommended to the Board that it approve the TCFD report in parallel to this year's Annual Report and Accounts.

The Committee discussed maintaining the effectiveness of internal audits during the COVID-19 pandemic and any further risk areas of focus that arise as a result.

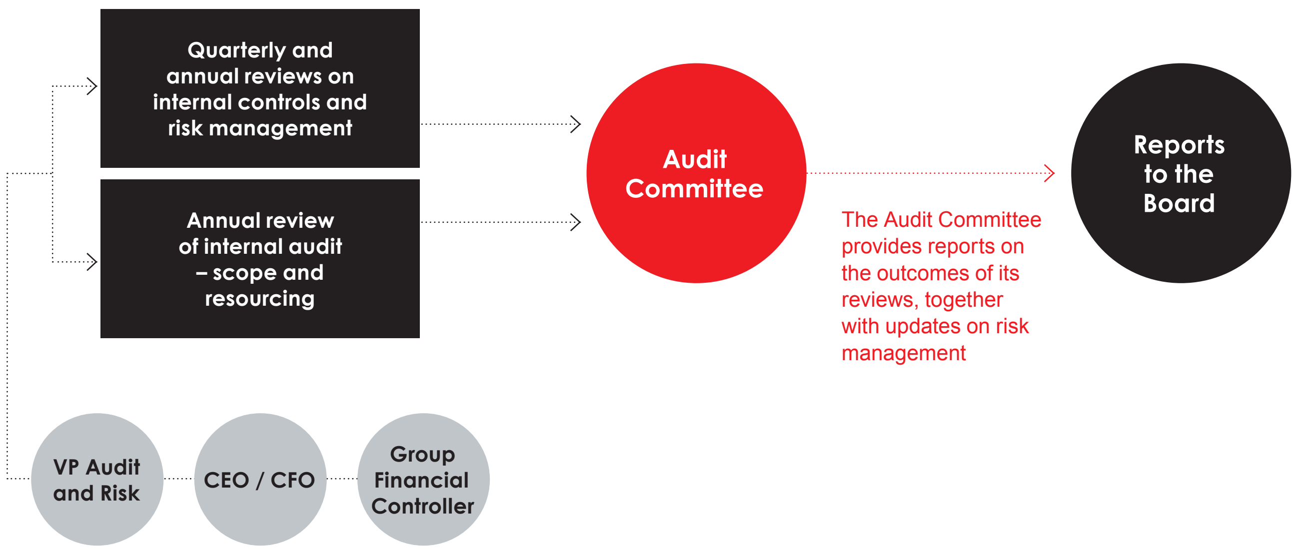
## Auditors

### Effectiveness and independence

The Committee is responsible for reviewing the performance and effectiveness of the external Auditors, PwC, as well as their appointment and remuneration.

A review of the external Auditors' performance and effectiveness is undertaken by the Committee each year. The review includes looking at qualification, expertise, resources and reappointment of the external Auditors, as well as ensuring that no issues have arisen which might adversely affect their independence and objectivity.

## Audit Committee reviews of internal control and risk management




The review also considers how robust the external audit itself has been, as well as the quality of delivery. It also addresses the FRC's Audit Quality Inspection Report on PwC as well as any feedback received from the Group's senior managers.

How well the external Auditors have exercised professional scepticism and whether they have provided an appropriate degree of constructive challenge to management is assessed by the Committee and, as part of risk evaluation planning, the Committee also considers the risk of PwC withdrawing from the market. For example, the external Auditors demonstrated professional scepticism and challenge on the valuation of inventories and the measurement period adjustments made to the acquisition fair values of Synovos, as well as recoverability of receivables and assumptions in the going concern and viability assessments.

During the year, the Senior Statutory Audit Partner, Sandeep Dhillon, together with other relevant and appropriate members of the PwC audit team, attended all of the Committee's meetings and provided reports and PwC's conclusions on the Group's key accounting judgements, internal control processes, Annual Report and Accounts and half-year report.

Following its review, the Committee concluded that it would recommend to the Board PwC's reappointment as the external Auditors. The Board accepted this recommendation and a resolution will therefore be put to shareholders at the forthcoming AGM to reappoint PwC.

Further details of how the Committee and PwC work together, as well as how PwC's independence is maintained, can be found in the corporate governance section of our website. As in previous years' reports, the Committee can confirm that the Group does not engage PwC to undertake any work that could affect this independence.

The Committee has satisfied itself that the Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014, published by the Competition and Markets Authority on 26 September 2014.

### Tender and rotation

Following an external tender process in 2014, PwC was appointed as the Group's external Auditors with their first audit being the 2014/15 Annual Report and Accounts. The Company plans to commence a retender process for the audit during 2022/23 for the 2024/25 Annual Report and Accounts in order to make any necessary changes to providers of other services in a timely and orderly fashion and to appoint an auditor before the start of that year as these are in the best interests of our shareholders. This is in accordance with the EU Audit Regulation and Directive, and the Companies Act 2006, which states that there should be a public tender every 10 years and a change of external Auditor at least every 20 years. No contractual obligations exist that might restrict the Committee's choice of external Auditors.

Sandeep Dhillon, Senior Statutory Audit Partner, is due for rotation after the 2023/24 audit.

### Non-audit assignments undertaken by the Auditors

The Group operates a policy to ensure that the provision of non-audit services does not impair the external Auditors' independence or objectivity. In determining this policy, the Committee took into account possible threats to the external Auditors' independence and objectivity.

The policy on non-audit services includes:

- In providing a non-audit service, the external Auditors should not:
  - Audit their own work
  - Make management decisions for the Group
  - Create a mutuality of interest
  - Find themselves in the role of advocate for the Group
- The total non-audit fees for any financial year should not exceed 70% of the average of the external audit fee over the last three years. In practice the non-audit fees are normally significantly below this level.

The policy also states that the Committee has pre-approved the CFO to have authority to commission the external Auditors to undertake non-audit work (not covered above) where there is a specific project with a cost that is not expected to exceed £50,000.

Full details of our policy in relation to non-audit services can be found in the corporate governance section of our corporate website. This policy was again reviewed by the Committee during the year and no changes were required.

During the year under review there were no non-audit fees for PwC compared to audit fees of £2.0 million plus audit-related assurance services of £0.1 million. Further information on fees payable to PwC are included in Note 6 on page 151.

The Committee has satisfied itself that its use of the external Auditors complies with both the Code and the FRC's Ethical and Auditing Standards regarding the scope and level of non-audit work and non-audit fees incurred by the Group.

## Committee evaluation

This year, the Board underwent an internal evaluation of its performance and the activities of the Committee were reviewed as part of this process. The results of the evaluation demonstrated that the Committee operated effectively and provided sufficient challenge.

Further details of the evaluation process can be found in the Corporate Governance Report on pages 97 to 99.

## Fraud

The Committee is responsible for reviewing the Group's procedures for the prevention and detection of fraud. Suspected cases of fraud must be reported to the Company Secretary within 48 hours and investigated by operational management or internal audit, as appropriate. The outcome of any investigation is reported to the Company Secretary and the CFO. A register of all suspected fraudulent activity and the outcome of any investigation is kept and is circulated to the Board on a regular basis, with the Committee also receiving regular updates. The Group takes steps in line with good business practice to detect and prevent fraudulent activity. The Committee is pleased to report that there were no frauds of a material nature discovered during the year, although the Group is subject to various attempts at external and low-level credit card and online fraud.

## Whistleblowing

In accordance with the provisions of the Code of Conduct, the Committee is responsible for reviewing the arrangements whereby all of the Group's people may, in confidence, raise concerns about illegal, unethical or improper behaviour or other matters and for ensuring that these concerns are investigated and escalated as appropriate. Reports may be raised directly to senior management or through an external third-party reporting tool. Whistleblowing is referred to internally as Speak Up and is available to all of the Group's people. The Committee receives aggregated reports on matters raised through these services and monitors their resolution. During the year, a new European Whistleblowing Directive came into force which required Member States to implement new rules on whistleblowing regimes. The Group's existing policies and procedures (adopted globally) put it in a strong compliance position but some updates were made to respond to the new legislation. The Group will continue to monitor any national laws that implement additional, relevant requirements.

## Terms of Reference

The Committee's Terms of Reference were reviewed and updated in November 2021 and are available in the corporate governance section of our website: **rsgroup.com.**

# Nomination Committee

**Rona Fairhead**
**Chair**

## Members

Rona Fairhead (Chair)
Bessie Lee
David Sleath
Louisa Burdett
Simon Pryce
Joan Wainwright

## 2021/22 highlights

- Reviewed the structure, skills, knowledge, experience and diversity of the Board
- Identified and nominated, for the approval of the Board, Alex Baldock to be appointed to the Board as a Non-Executive Director
- Reviewed succession planning for Executive and Non-Executive Directors and the Senior Management Team (SMT)
- Launched a further search process for an additional Non-Executive Director

## 2022/23 objectives

- Strengthen diversity within the SMT
- Increase focus on reviewing succession planning, talent and talent development

## Dear fellow shareholder

This has been my first full year as Chair of the Nomination Committee (Committee) and I am pleased to present its Report for the year ended 31 March 2022. This Report details the role of the Committee and the work which it undertook during 2021/22.

The Committee's responsibilities include reviewing the structure, skills, knowledge, experience and diversity of the Board; identifying and nominating, for the approval of the Board, candidates to fill vacancies; and ensuring appropriate succession planning is in place for our Board and, in compliance with the UK Corporate Governance Code 2018 (Code), the SMT. With this in mind, there were two key objectives for the Committee during the year: first, to identify a new Non-Executive Director following Bertrand Bodson's departure from the Board; and, second, to concentrate on developing enhanced succession plans for the Executive Directors and the SMT.

We achieved the first of these two objectives by recommending to the Board the appointment of two new Non-Executive Directors: Alex Baldock, whom we welcomed on 1 September 2021; and Navneet Kapoor, whom we welcome on 1 June 2022. Details of the search process undertaken with regards to Alex and Navneet can be found in this Report. Bertrand stepped down from the Board and the Committee at the end of May 2021 and, on behalf of the Committee, I would like to take this opportunity to thank Bertrand for all his work and immense contribution during his tenure with us.

The second of these two objectives is a perennial one, with the Committee seeking to ensure that there is a robust succession pipeline for our Executive Directors and our SMT. The Committee has reviewed, and will continue to work to strengthen, the Group's talent and talent development strategy as well as its diversity strategy.

We will continue to strive to have the best possible individuals engaged at both Board and SMT levels to support our strategy and growth ambitions as we look to embed ourselves into the FTSE 100.

I would like to thank my fellow Committee members for their hard work, commitment and support during the year.

**Rona Fairhead**
Chair of the Nomination Committee

24 May 2022

## Composition of the Committee

There was one change during the year to the composition of the Committee, being Bertrand Bodson who stepped down from the Board and the Committee on 31 May 2021.

During the year, the Committee reviewed the balance of skills, experience and independence of Board members, including reviewing any individual Director conflict authorisations as necessary. In order to inform its view of Director independence when reviewing conflicts, consideration was also given to external appointments held by the Directors. The Committee and the Board are satisfied that, as at the date of this Report, all Non-Executive Directors are independent. The skills and experience of the Committee members are set out on pages 88 and 89.

Regular attendees at meetings of the Committee have included the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the President, Group Professional Services and People and, after the latter's resignation, the Acting General Counsel and Company Secretary, and the newly appointed Chief People and Culture Officer.

## Board membership

As set out in our Annual Report and Accounts for the year ended 31 March 2021, Bertrand Bodson stepped down from the Board on 31 May 2021. The Committee has therefore focused during the year on finding a suitable individual to join the Board and subsequently appointed Alex Baldock. All other Board members remain the same as in 2020/21.

## Committee evaluation

As required by the Code, an internal evaluation of the performance of the Board and its Committees was undertaken in the year and was facilitated by an online questionnaire. The next external evaluation is due in 2022/23. As Alex Baldock had only just joined the Board, his feedback was not included in the evaluation process. Overall, the feedback on the Board's effectiveness was again strong, and a summary of the findings on its performance can be found on page 99. Findings on the Committee's performance were very positive, with the meetings being described as well run, business-like, open and transparent.

There was a call for the Committee to do more with regards to management succession planning and to spend more time considering talent and talent development. This focus will be followed through in 2022/23.

## Succession planning

Recommendations from the Committee for any new appointments, whether they be Executive Director or Non-Executive Director, are presented to the Board for its consideration. Specifications for all new Board roles are drafted to ensure that key competencies required to enhance Board composition are identified appropriately in order to assist the chosen agency when considering candidates. When considering the vacancy opened up by Bertrand Bodson's departure, the competencies identified included direct involvement in digital and cultural transformation, multi-channel experience, multinational outlook and a FTSE 100 quality candidate to match the Group's growth aspirations.





After shortlisting a selection of firms, it was agreed that MWM Consulting Limited be engaged to commence a search in January 2021. MWM Consulting Limited has no other connection with the Company. It is a signatory to the Voluntary Code of Conduct to address gender diversity on corporate boards and best practice for the related search processes.

After considering several high-quality candidates, the Committee recommended the appointment of Alex Baldock to the Board. This recommendation was accepted by the Board and Alex was appointed as a Non-Executive Director on 1 September 2021.

The Committee also undertook a search for a further Non-Executive Director to join the Board and engaged Audeliss Executive Search, which has a strong track record in diversity. Audeliss has no other connection with the Company. A number of exceptional candidates were considered and the Committee ultimately recommended to the Board the appointment of Navneet Kapoor. This recommendation was also accepted and Navneet joins us on 1 June 2022.

In addition to Board composition, the Committee has continued to build on its work to ensure there is a robust, diversified and inclusive talent pipeline for the Group's Executive Directors and the SMT. This focus on talent, talent development and diversity will continue throughout 2022/23.

## Employee engagement

As disclosed in last year's annual report, the Board split the role of Board-appointed representation as follows:

- Bessie Lee to lead the initiative in Asia Pacific
- Joan Wainwright to lead the initiative in Americas
- Bessie and Joan each sharing responsibility for EMEA

Details of Board employee engagement work during 2021/22 can be found on page 95.

Our Chair and Non-Executive Directors are encouraged to visit our sites when circumstances allow and we will aim for them to hold employee meetings whenever possible.

## Diversity and inclusion

As reported in previous years, diversity and inclusion (D&I) is of paramount importance to the Group. As such, the Committee maintains its Policy Statement emphasising its adherence to the Group D&I Policy in considering succession planning and recruitment at Board level.

The purpose of our D&I policy remains as follows:

- To attract, develop, motivate and retain a diverse workforce.
- To develop a culture where people feel able to give their best; where their views, opinions and talents are respected, whoever and wherever they are.

This policy applies equally to the Board, the SMT, the senior leadership team and all of our employees (including prospective employees) and contractors.

This policy applies globally and is intended to complement local statutory provisions to ensure the promotion of D&I. We are committed to compliance with all applicable laws, regulations and codes of practice in the markets in which we operate. This policy is not intended to prevail over local laws, regulations and codes of practice; if this policy is in conflict, local legislation should prevail.

We continue to commit to ensuring that existing and prospective employees are treated fairly and with respect in an environment that is free from any form of discrimination. We will ensure that:

- All employment, including recruitment, promotion, reward, working conditions, and performance management related policies, practices and procedures are applied impartially, fairly and objectively.
- We have equality of opportunity for all and we will provide employees with the opportunity to develop and realise their full potential.
- Respect is a right – we will inspire trust through honesty and openness.

Our D&I policy can be found on our website: **rsgroup.com**.

The Committee will be looking at ways in which to broaden further D&I at Board level and will challenge search firms on the parameters which they set to ensure as diverse a range of candidates as possible may be considered.

In line with the Code, the Committee has accountability for ensuring there is a fit and proper succession pipeline below Board level. It is therefore crucial that we continue to embed diversity throughout the Group so that, where possible, we ensure that this succession pipeline is diverse.

Enabling people to bring their true selves to work every day is the foundation of our D&I strategy. We aim to create a culture and employer brand that attracts, develops and retains the best, most diverse talent.

Our key successes during the year include:

- Addressing the wellbeing and mental health of our people as they continued working remotely for prolonged periods of time by embedding mental health first aider and manager training.
- Launching in October 2021 our mandatory annual inclusion training for all employees globally, which received strong positive feedback.
- Achieving an employee engagement score of 75, which is our highest to date.
- Adding in November 2021, a suite of inclusion policies to our employee handbook to inform our people of their rights as well as to protect our brand.
- Ranking in the top half (33) of the FTSE 100 Rankings 2021 Women on Boards and in Leadership.
- Ranking 5th in the FTSE 350 peer group of industrial goods and service companies.

Looking ahead, data and development are key for us to ensure we continue to meet the objectives of our inclusion strategy. We continue to expand our strategy around ethnicity and how we do this on a global scale but recognise the nuances in each geography.

Over the next 12 months we need to move our business from awareness around our D&I priorities – ethnicity, gender, wellbeing (mental health and disability) and LGBTQ+ – to being in our DNA. This means becoming more representative of our global customer base and also leading our suppliers in that direction.

## Terms of appointment

Executive Directors have one-year rolling contracts. Non-Executive Directors do not have service contracts but instead have letters of appointment setting out expected time commitments. Such time commitments can involve peaks of activity at particular times of year and when material Group projects are being considered.

Details of the Company's policy on Executive Directors' service contracts and terms of appointment for Non-Executive Directors are set out in the Directors' Remuneration Report on page 129.

Non-Executive Directors are expected to serve for six years on the condition that they maintain independence, honour their commitments and contribute to Board and Committee discussions in a meaningful and effective way. They may be invited to serve for a longer period, such extension being on an annual basis. However, this would be subject to rigorous annual review by, and at the recommendation of, the Committee as well as at the Board's discretion. Any extension beyond the nine years recommended by the Code is considered on a purely exceptional basis and only if proven to be in the best interests of the Board, the Company and its stakeholders, such as when assisting in any necessary succession planning activity.

All Directors of the Board must stand for re-election at each annual general meeting unless they are stepping down from the Board before the next one.

Terms of appointment for the Board members are available for inspection at the Company's registered office.

## Terms of reference

The Committee's Terms of Reference were reviewed and updated in November 2021 and are available in the corporate governance section of our website: **rsgroup.com**.

# Remuneration Committee

**Simon Pryce**
**Chair**

### Members

Simon Pryce (Chair)
Louisa Burdett
Joan Wainwright
Alex Baldock
David Sleath

### Highlights of 2021/22

- Comprehensive review of the effectiveness of remuneration policy and practice in support of strong historical performance, and the next phase of the Company's development and Journey to Greatness (J2G)
- Development of specific policy proposals and incentive frameworks to reflect best practice and support enhanced growth, improved operational performance and sustainable excellent outcomes for stakeholders
- Extensive shareholder engagement and consultation in support of the new Remuneration Policy
- Review and alignment of 2021/22 incentive outcomes with Company performance

### Priorities for 2022/23

- Implementation of new Remuneration Policy and review of effectiveness in supporting accelerated strategy delivery and excellent stakeholder outcomes
- Introduction of an environmental, social and governance (ESG) measure into the annual bonus

### Committee responsibilities

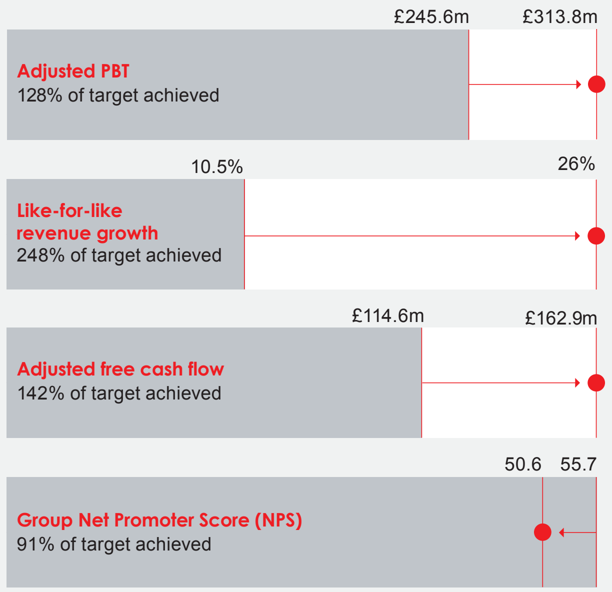
- Ensuring that the Directors' Remuneration Policy remains fit for purpose and aligned with strategic delivery and stakeholder outcomes
- Reviewing reward outcomes for the Executive Directors and the Senior Management Team (SMT) to ensure they reflect underlying performance, as well as absolute delivery against stretch targets, as communicated to it by the Board
- Oversight of key reward matters including Chief Executive (CEO) pay ratio, gender pay gap and reward outcomes relative to the wider workforce globally

## Remuneration at a glance

### 2021/22 financial performance

| Like-for-like revenue growth | Adjusted profit before tax (PBT) | Dividend per share |
|---|---|---|
| 26% | £314m | 18.0p |
| 2020/21: 1% | 2020/21: £182m | 2020/21: 15.9p |

### 2021/22 annual incentive outcomes against metrics




### 2019 Long Term Incentive Plan (LTIP) – outcome against targets: 46%

| Adjusted earnings per share (EPS) (cumulative for the three-year period ended 31 March 2022) | Total shareholder return (TSR) |
|---|---|
| 120.3p | 5 of 17 |
| 2018 LTIP: 106.0p | 2018 LTIP: 9 of 32 |

## 2022 Remuneration Policy

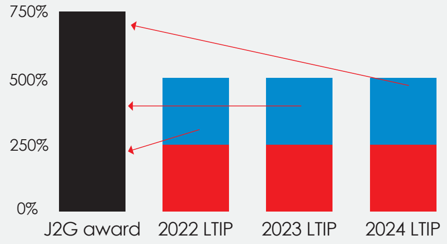
### Overview of changes

| Current | Proposed |
|---|---|
| Base salary | Base salary |
| Pension: 18% | Pension: 10.5% |
| Bonus: 150% Financial / strategic measures | Bonus: 150% Financial / strategic / ESG measures |
| LTIP: 250% TSR and EPS | LTIP: 250% TSR and EPS |
| | Journey to Greatness award: 750% EPS and strategic scorecard ROCE underpin |
| Shareholding guideline: 250% | Shareholding guideline: 400% |

### J2G award

- Distinctive design based on multiplier concept successfully used before
- One-off award covering the period 2022/23 to 2024/25
- 2 year post-vesting holding period
- Super stretch performance targets based on EPS and strategic delivery

Based on multiplier concept – multiply base LTIP award by 2 times (additional opportunity of 250%) multiplied by three representing each year of the Remuneration Policy period




### Updates for best practice

| 1. | 2. | 3. | 4. | 5. |
|---|---|---|---|---|
| Align pensions for incumbent Directors to UK employee rate | Shareholding guidelines increased to 400% of salary | Introduce a formal post-employment shareholding policy aligned to best practice | Strengthening malus and clawback policy | Introduce ESG metrics into annual bonus |

### J2G – stretching performance metrics aligned to strategy

**70%**
stretching EPS targets – set in excess of LTIP range and upper end of market practice in FTSE 100

**30%**
scorecard directly aligned to J2G objectives

### Alignment with broader employee reward

**85%**
of employees eligible to participate in incentive plans globally

**45%**
of eligible UK employees participate in share ownership programmes

**4.8%**
Average UK employee salary increase will be applied in June 2022

All eligible employees will receive a £1,000 share-based award under the all employee J2G LTIP Award in 2022

All employees globally received a one-off bonus in December 2021 to recognise their contribution to the Group's performance

## Dear fellow shareholder

On behalf of the Remuneration Committee (Committee), I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2022.

Despite the continuing challenging external environment during 2021/22, the business continued to deliver exceptional outcomes for all of our stakeholders. The remuneration and incentive outcomes for the year, which are reflective of this performance, are described in the annual report on remuneration on pages 119 to 129.

This year, in line with the normal three-year cycle, we will also be seeking shareholder approval for a new Remuneration Policy, which is set out on pages 113 to 118 of this Report. Further background on how the Committee developed this new Remuneration Policy, and our comprehensive engagement with shareholders on it, is set out in more detail later in this letter.

## Performance and business context

As has been reported earlier in this Annual Report and Accounts, 2021/22 saw another very strong performance for the Company, growing like-for-like revenue by 26% reflecting the continued work our people have done in strengthening our position as a global omni-channel provider of industrial product and service solutions. We have grown our market share and delivered strong profit growth, despite the challenges being faced from COVID-19 and its variants, global supply chain disruptions and cost inflation.

Our adjusted operating profit grew by 70% with an adjusted operating profit margin of 12.5%. Financially we remain very disciplined with return on capital employed (ROCE) of 28.7% an increase of 9.3 percentage points. We also increased our dividend by 13% to 18.0p.

We have strengthened our SMT, adding expertise and experience in areas where we can widen our competitive differential further, including recruiting a Chief People and Culture Officer and a Chief Services Officer.

There has been a continued evolution of the culture across the Group. We have invested in talent, empowered our leaders and incentivised our teams with stretching targets. This has been key to the exceptional Group performance and re-joining the FTSE 100 Index, over 19 years after we left. We received much external recognition of the progress we have made including winning 'company of the year' at the plc awards 2021, being voted one of the Top 50 Inclusive UK Employers 2020/21 and ranked in the top half of the FTSE 100 Rankings 2021 Women on Boards and in Leadership.

Given the importance of our people, the Group ensured we continued to offer competitive pay and benefits, including implementing a competitive pay rise, increasing the number of employees participating in an incentive, introducing sustainable benefit options and an additional one-off 'thank you' bonus to all permanent employees during the year.

In March 2022, the Company held an Investor Event which outlined the five key opportunities which will drive us on our Journey to Greatness to deliver stronger revenue and high-quality profitable growth. This requires:

- **G**alvanising a high-performance, purpose-led culture
- **R**ealising a world-class customer experience
- **E**xtending our wisdom, insight and data
- **A**ccelerating to a solutions-led innovative business
- **T**ransforming our executional capabilities

Successful execution of this journey will move us from a good Company to a great one and we set out on pages 21 to 25 how we plan to achieve that in detail.

We also paid the remaining deficit contribution of £12.5 million into the UK defined benefit pension scheme during the year in line with the recovery plan agreed with the trustee. The first payment of £12.5 million was made in 2020/21.

## Remuneration approach for the year ended 31 March 2022

As set out in last year's Report, for 2021/22 we returned to a normal annual bonus plan based on performance measured over the full financial year (having used half-year targets in 2020/21 as a result of the unprecedented uncertainty during that year). The 2021/22 bonus measures were consistent with prior years, adjusted PBT, like-for-like revenue growth, adjusted free cash flow and NPS, with stretching targets set for each at the start of the year. As a result of the exceptional performance achieved during the year, those stretching targets for each of the financial measures were exceeded. While other measures of customer satisfaction improved through the year, NPS fell, largely as a result of COVID-19 and its variants and industry supply shortages. The threshold for this measure was not met. Further detail of the specific targets and the performance delivered are set out on page 123.

In line with good practice and the terms of our Remuneration Policy, the Committee considered the formulaic bonus outcome of 80% of maximum in the context of the broader business performance for the year and the excellent stakeholder outcomes for all stakeholders. This review took into account the resilience of delivery given the impact of ongoing external challenges that were outside of management's direct and indirect control, as well as the overall experience of the Group's stakeholders. The Committee concluded that the formulaic outcome did not fairly reflect the exceptional overall performance of the business for the year and chose to exercise positive discretion to increase the bonus outcome for participants below Executive Director level. However, no positive discretion has been applied to the Executive Director bonuses and the overall formulaic outcome of 80% of maximum has been applied to the Executive Director bonuses. One third of the bonus will be delivered in deferred shares under the terms of the 2019 Remuneration Policy.

The 2019 LTIP award, which was based on performance over the three years ended 31 March 2022, will vest at 46% of maximum based on performance against the TSR and adjusted EPS performance targets. The strong TSR performance was just below the upper quartile of the peer group, resulting in a vesting of 92% of maximum for that element. The delivery of cumulative EPS growth of 120.3p fell just below the threshold of the target range (124p), resulting in no vesting for that element. Again, the Committee reviewed this formulaic outcome and concluded that although the EPS performance achieved was exceptional, against a target range set prior to the onset of the significant disruption brought about by COVID-19, no discretionary adjustment to the vesting of the award would be made. The vested shares for the Executive Directors will be subject to a two-year holding period in line with the 2019 Remuneration Policy. Further details regarding the performance targets and how they were met are provided on page 123.

## 2022 remuneration policy

In determining whether or not to make changes to the Remuneration Policy, the Committee undertook a comprehensive review over the course of the last year of the effectiveness of remuneration policy and practice in support of strong historical performance and the next phase of the Company's development. As context for this review, the Committee recognised not only the exceptional performance which the business has delivered resulting in it re-entering the FTSE 100, but also the significant opportunities which exist for stronger revenue growth, as highlighted in its Journey to Greatness. The excellent and very stretching stakeholder outcomes that Journey to Greatness has the potential to deliver are built upon continuing cultural transformation, improved operational efficiency and the effective realisation of strategic growth accelerators, all of which will drive stronger, sustained and value creative growth (as set out in detail on pages 21 to 25 of the Annual Report and Accounts).

The review considered remuneration policy and structure from a first principles basis to identify and develop a framework and practices that best reflect and support our business strategy and opportunities to deliver for our stakeholders. We looked at a range of alternative structures that are used by other companies as well as approaches we had successfully used in the past; most notably our 2016 Remuneration Policy, under which the LTIP multiplier offered the opportunity for additional long-term reward which helped to drive the greatest period of growth and shareholder value creation in our recent history. This continues to be regarded well by a number of our major shareholders. Our review also considered the latest investor best-practice expectations and guidance, with the proposed Remuneration Policy changes designed to ensure alignment and to reflect our ongoing commitment to the highest standards of governance.

Our overall conclusion from the review was to re-affirm our commitment to the core principles of our reward strategy that align incentive and stakeholder outcomes in support of a high-performance reward culture, with the opportunity for significant levels of reward for the delivery of commensurately exceptional levels of performance for our stakeholders. However, with the development of the Group over the last three years and the Journey to Greatness to amplify stronger strategic delivery, we have concluded that it is appropriate to make a number of changes to the 2022 Remuneration Policy.

Key features of the changes proposed, therefore, include:

- **Recommitment to market competitive levels of fixed pay but benchmarked to the FTSE 50–100.** Given the sustained increase in the size of the business which resulted in our re-entry into the FTSE 100 index during the year, we updated our UK-based market reference point to the lower half of the FTSE 100 (the FTSE 50–100).
- **Reduction in pension for incumbent Executive Directors.** Reflecting our prioritisation of long-term performance-based pay in the mix of the package, we will reduce the pension provision for the Executive Directors to the rate available to, and typically chosen by, the majority of the wider UK workforce (of 10.5% of salary).
- **No change to bonus or existing LTIP opportunities.** There will be no change to the quantum or structure of the annual bonus plan or the base LTIP, which will remain at 150% and 250% of salary, respectively. We will continue to align our annual bonus each year with the key financial and strategic priorities of the business, and so will also be based on an additional ESG measure for carbon-reduction in 2022/23. The LTIP will be based on a balance of a three-year adjusted EPS compound annual growth rate (CAGR) and relative TSR, supported by a robust ROCE underpin of 20%.
- **Introduction of an additional Journey To Greatness LTIP Award (J2G LTIP Award).** A small number of the SMT, including the Executive Directors, will participate in the new J2G LTIP Award, a one-off long-term incentive award aimed at driving and rewarding the next phase of our strategic development and profitable growth over the coming three-year period to 31 March 2025. The majority of the award (70%) will be based on the achievement of exceptionally stretching adjusted EPS growth targets of 15% to 21%, with the remainder (30%) based on successful execution of a number of quantifiable key long-term performance indicators directly linked to the Journey to Greatness, refer to page 114 for more detail. To ensure continued discipline in capital allocation, a 20% ROCE underpin will also apply to this award.

  The J2G LTIP Award is based on the same multiplier principle that underpinned our highly successful 2016 Remuneration Policy discussed above – it provides an opportunity for additional long-term reward for the delivery of exceptional performance, with targets above the top end of the LTIP target range and ahead of the upper end of market practice in the FTSE 100. There are three material changes to the 2016 structure, all aimed at providing better alignment to our current strategy and circumstances. First, we have increased the size of the multiplier from 1.5x to 2.0x to reflect the significant increase in the size of our business since that time. Second, the J2G LTIP Award will be granted as a one-off award covering the 2022 Remuneration Policy period, rather than applying separately to each LTIP award made annually in the period. This is designed to provide both immediate retention of our leadership team in what has become a highly competitive global talent market and to directly align the award to the critical 2022/23–2024/25 period, under which the Journey to Greatness strategic delivery will occur. The awards to Executive Directors will be a maximum of 750% of salary (representing a 2x multiple of the base LTIP award (additional opportunity of up to 250%) multiplied by three representing each year of the Remuneration Policy period. The final change to the 2016 structure is the introduction of a 30% strategic scorecard element based on additional strategic metrics, to sit alongside and balance the EPS component. This recognises and rewards the broader progression we are looking to deliver in cultural transformation, operational efficiency and growth acceleration, and is aligned to quantifiable key performance indicators directly linked to those strategic priorities (see pages 113 to 118).

  In line with the underlying principles of the award, the performance targets have been set at genuinely exceptional levels of stretch. The adjusted EPS target range of 15% to 21% CAGR, is set such that the threshold level of vesting (at which 0% vests) requires growth in excess of the top end of the base LTIP range. Maximum vesting would require 21% CAGR, which would broadly equate to a 2024/25 adjusted EPS of above 90p, and assuming no change to multiples, would translate into shareholder value creation of around £3 billion, of which the total Journey to Greatness cost to participants would be c. 1%. For the strategic scorecard, all metrics are quantifiable and transparent, with stretching targets which broadly require upper quartile levels of performance for threshold vesting, and upper decile levels for maximum vesting.
- **Significant increase to shareholding guidelines.** Reflecting our continued commitment to the delivery of reward under long-term, share-based performance pay, we will also significantly increase the level of shareholding guideline for Executive Directors from 250% of salary to 400% of salary. This will align us with best practice in some of the largest UK-listed companies (i.e. the upper quartile of the FTSE 100).
- **Enhanced post-employment shareholding requirement.** The new Remuneration Policy will introduce a formal post-employment shareholding requirement which aligns fully with best practice guidance. Under this Remuneration Policy, the level of required in-employment shareholding (or actual shareholding, if lower) is to be retained for two years post-employment. We have ensured that appropriate policies and procedures are in place to ensure compliance and enforceability with the requirement.
- **Strengthening malus and clawback provisions.** We also propose strengthening the malus and clawback provisions which will continue to apply to all of our incentive plans. The list of events in which the Committee can invoke the provisions will be expanded to include error in assessment, serious reputational damage and corporate failure (to complement misconduct and material misstatement in our current Remuneration Policy).

Our existing LTIP was approved by shareholders at the 2014 AGM and is therefore due to expire in 2024, during the life of the new Remuneration Policy. As a result, we will also be seeking shareholder approval at the forthcoming Annual General Meeting (AGM) for a renewed LTIP, which will embed the share plan enhancements described above. Full details of the plan will be set out in the Notice of AGM.

## Sharing success

Our high-performance, purpose-led culture will continue to be cascaded through the business, via participation in incentive plans and share schemes. 85% of our people globally participate in incentive arrangements and we are working to increase that number. The LTIP is extended to the senior management population. We will also establish an all-employee Journey to Greatness scheme under which all eligible employees will receive a share-based award of £1,000 aligned with the outcome of the main scheme described above, and will continue to consider other ways in which we can help our employees to share in our overall success. In terms of sharing success more broadly, we believe that the execution of our Journey to Greatness would have a profoundly positive impact on all of the Company's wider stakeholders, namely our people, customers, suppliers, communities and shareholders.

## Shareholder engagement

We remain committed to maintaining an open and transparent dialogue with shareholders on executive remuneration. As part of the development of the new Remuneration Policy, we engaged extensively with our major shareholders. We undertook a multi-phased consultation process, based initially on key principles and then on the detailed design, as well as the proposed targets for the J2G LTIP Award. This engagement also covered our proposals in respect of base salary increases and the exercise of positive discretion on the annual bonus. Overall, this engagement covered over 20 shareholders, who together represent around 80% of the register. We also engaged with the shareholder representative bodies and proxy agencies.

The majority of the shareholders we engaged with were supportive of our proposals, including a number of our largest holders. They acknowledged the approach the Committee had taken to better align our remuneration with our high-performance, purpose-led culture and strategy, recognising that it was distinctive against others in the market. They welcomed the continued focus on long-term, share-based and performance-linked reward which the J2G LTIP Award will bring, recognising the significant value successful execution will result in for all of the Company's stakeholders. Through the consultation process, we received valuable feedback and insights from all those we spoke to, with much of this directly influencing the shape of the final proposals (for example – on the Journey to Greatness performance measures framework). The Committee firmly believes that the proposals are right for our business and its stakeholders.

On behalf of the Committee, I would like to thank all those shareholders for their engagement during recent months. We will continue to engage openly with our shareholder base on the subject of executive remuneration moving forward.

## Remuneration approach for the year ending 31 March 2023

The Committee undertook the annual review of Executive Director salaries, taking into account, a range of relevant factors and revisions to the benchmark referred to earlier in this letter. Base salaries for both Executive Directors will be increased by 9% to recognise the continued strong personal performance from both Executive Directors, navigating the various external challenges and leading the business to deliver the exceptional performance.

Following this market re-alignment, it is the Committee's current expectation that subsequent salary adjustments during this Remuneration Policy period will be in line with the framework we apply for the wider UK workforce, an approach we have used consistently in recent years.

Other aspects of the package for the Executive Directors will reflect the new Remuneration Policy as explained earlier. Pension provision will reduce to 10.5%. The annual bonus will be based on a balanced set of key financial and strategic priorities for the year, using the following measures: adjusted PBT (35%), like-for-like revenue growth (35%), cash flow (10%), NPS (10%) and an ESG carbon-reduction metric (10%). The LTIP will continue to be based on TSR and adjusted EPS, with the adjusted EPS target range set at 7% to 15% compound annual growth. The J2G LTIP Award will be granted in the year and will include the exceptionally stretching adjusted EPS and strategic targets set out above. Both the LTIP and J2G LTIP awards will have a 20% ROCE underpin. Full details of the package for the year are set out on pages 119 and 121.

The fee for the Chair of the Board and the base fee for the Non-Executive Directors will increase by 4.8%, in line with the average increase for our UK-based people.

## Committee changes

There were two changes to the Committee during the year, with Alex Baldock and Joan Wainwright both joining. I would like to thank all members for their significant contribution to the deliberations of the Committee during the year.

**Simon Pryce**
Chair of the Remuneration Committee

24 May 2022





# Directors' Remuneration Policy

The 2022 Directors' Remuneration Policy set out below is proposed for shareholder approval at the AGM to be held on 14 July 2022. Subject to shareholder approval, the 2022 Remuneration Policy will take effect from that date.

The key differences between the 2022 Remuneration Policy and the Directors' Remuneration Policy approved at the Company's AGM held on 17 July 2019 are:

- Formalise the commitment made to reduce the pension provision for incumbent Executive Directors to the UK workforce level.
- Introduction of the J2G LTIP Award, designed to drive continued levels of exceptional profitable growth and strategic delivery.
- Increase the level of shareholding guideline from 250% to 400% of salary.
- Enhancement of the post-employment shareholding policy, under which Executive Directors will be required to retain the level of in-employment guideline for two years post cessation of employment.
- Strengthening malus and clawback provisions by expanding the list of events in which the Committee can invoke the provisions to include error in assessment, serious reputational damage and corporate failure.

Further background to these changes can be found in the Committee Chair's Letter on pages 110 to 112.

## Executive Director 2022 Remuneration Policy table

### Component: Base salary

| | |
|---|---|
| **Objective** | To provide a broadly market-competitive level of fixed pay reflecting the scale and complexity of our business enabling us to attract and retain global talent. |
| **Operation** | Generally reviewed each year, with increases normally effective from 1 June. Salaries are set by the Committee to reflect factors which include the scale and complexity of the Group, the scope and responsibilities of the role, the skills and experience of the individual, the overall total compensation opportunity, and the Committee's assessment of the competitive environment including consideration of appropriate market data for companies of broadly similar size, sector and international scope to RS Group plc. |
| **Opportunity** | There is no prescribed maximum salary.<br>Base salary increases are applied in line with the outcome of the annual review. Factors that are considered include: increases for other employees, changes in role and responsibilities, market levels, and individual and Company performance.<br>Salary increases will normally be based on the same framework which applies across the UK employee population. |
| **Performance measures** | Not applicable. |

### Component: Pension

| | |
|---|---|
| **Objective** | To provide a level of retirement benefit that is competitive in the relevant market and aligned to the approach for the employee population. |
| **Operation** | Executive Directors may participate in the defined contribution section of the group pension scheme (Scheme) or receive a cash supplement in lieu.<br>The defined benefit section of the Scheme is closed to new entrants. |
| **Opportunity** | A maximum contribution or cash supplement from the Company for any Executive Directors will be in line with the maximum rate available to the majority of the wider UK workforce (currently 10.5% of salary). |
| **Performance measures** | Not applicable. |

### Component: Benefits

| | |
|---|---|
| **Objective** | To provide benefits in line with the relevant market. |
| **Operation** | Executive Directors are provided with a company car (or a cash allowance in lieu thereof), fuel allowance and medical insurance.<br>Other benefits may be provided or introduced from time to time to ensure the benefits package is appropriately competitive and reflects the circumstances of the individual Executive Director. |
| **Opportunity** | While there is no prescribed maximum, Executive Directors do not normally receive total taxable benefits exceeding 10% of base salary and it is not currently anticipated that the cost of benefits provided will exceed this level in the years over which this Remuneration Policy will apply.<br>The Committee retains the discretion to approve a higher cost where appropriate (for example, relocation expenses or expatriation allowance) or in circumstances where factors outside the Company's control have changed materially (for example, market increases in insurance costs). |
| **Performance measures** | Not applicable. |

### Component: Annual bonus

| | |
|---|---|
| **Objective** | To focus Executive Directors on achieving demanding annual targets relating to Company performance. The deferral element ensures focus on our longer-term business goals. |
| **Operation** | Performance targets are normally set at the start of the financial year taking into account the annual targets and objectives agreed by the Board. After the end of the financial year, the Committee determines the extent to which these targets have been achieved.<br>A proportion of the total bonus payment (currently one-third) is delivered in the form of deferred shares in the Company under the Deferred Share Bonus Plan (DSBP). These shares normally vest after a period of two years, subject to continued employment. Dividend equivalents may be payable on shares which vest and will be delivered in the form of shares. The remainder is paid in cash after the year end.<br>Malus and clawback provisions apply to all elements of the annual bonus (see notes to this table).<br>The Committee will operate the DSBP in accordance with the rules of the plan. |
| **Opportunity** | The maximum opportunity in respect of a financial year is 150% of base salary. |

**Component: Annual bonus continued**

| | |
|---|---|
| **Performance measures** | Payment is determined by reference to performance, assessed over one financial year based on financial and strategic performance measures which the Committee considers to be aligned to the strategy and the creation of shareholder value. Such measures may include revenue, profit, cash flow, Net Promoter Score (NPS) or ESG. The performance measures for Awards to be granted in 2022/23 are as follows:<br>• Revenue growth – 35%<br>• Adjusted profit before tax (PBT) – 35%<br>• Cash flow – 10%<br>• Net Promoter Score (NPS) – 10%<br>• ESG carbon-reduction metric – 10%<br>The weightings of these performance measures are normally agreed by the Committee at the start of each year, according to annual business priorities. The overall framework will normally be weighted towards financial measures of performance. The Committee retains discretion to use different or additional measures and weightings to ensure that the bonus framework appropriately supports the business strategy and objectives for the relevant year.<br>Before any bonus may pay out, a threshold level of adjusted PBT must be achieved.<br>The Committee has discretion to adjust the formulaic bonus outcomes (including down to zero) to ensure alignment of pay with performance and fairness to shareholders and participants. The Committee also has the discretion to adjust targets for any exceptional events that may occur during the year. Any such discretion will be within the limits of the plan and will be fully disclosed in the relevant Annual Report on Remuneration.<br>For threshold performance, the bonus payout will normally be nil, but in no circumstances will it exceed 10% of the maximum opportunity. For target performance, the bonus payout will be no higher than 50% of the maximum opportunity. |

**Component: LTIP**

| | |
|---|---|
| **Objective** | To link the largest part of the Executive Director's annual package with long-term business performance. Performance metrics are aligned with shareholders' interests and the holding period ensures a focus on sustainable performance. |
| **Operation** | An award of shares (Award) may be made annually under the Company's LTIP. Awards will be in the form of conditional shares or a nil-cost option.<br>Awards vest after a performance period of at least three years, subject to the satisfaction of the performance measures and to continued employment with the Group.<br>Dividend equivalents may be payable on any shares vesting and will be delivered in the form of shares.<br>There will be a further holding period of two years following vesting.<br>Malus and clawback provisions apply (see notes to this table).<br>The Committee will operate the LTIP in accordance with the rules of the plan. |
| **Opportunity** | The maximum LTIP award in respect of a financial year will be 250% of salary. |
| **Performance measures** | Vesting is determined by reference to performance assessed over a period of at least three years, based on performance measures which the Committee considers to be aligned with the delivery of strategy and long-term shareholder value.<br>The performance measures for Awards are determined annually and will include metrics linked to profitability, shareholder value and capital efficiency.<br>The performance measures for Awards to be granted in 2022/23 are as follows:<br>• Adjusted earnings per share (EPS) – 50%<br>• Comparative total shareholder return (TSR) – 50%<br>• A return on capital employed (ROCE) underpin. If the underpin is not met at the end of the performance period, the Committee retains the discretion to review the formulaic level of vesting and consider whether any reduction should be applied.<br>The level of vesting for threshold performance will be no higher than 25% of maximum.<br>Additionally, for the Award to vest, the Committee must be satisfied that there has been a sustained improvement in the Company's underlying financial performance. The Committee has discretion to adjust the formulaic LTIP outcomes if it does not reflect appropriately underlying performance over the period or is not appropriate in the context of circumstances that were unexpected or unforeseen when awards were made. The Committee also has discretion to adjust targets if it considers that an amended target is reasonable, appropriate and would not be materially more or less difficult to satisfy than when it was originally set. |

**Component: J2G LTIP Award**

| | |
|---|---|
| **Objective** | To drive and reward the delivery of exceptional profitable growth and strategic delivery over the three-year period to 31 March 2025. |
| **Operation** | An award of shares made under the Company's LTIP, and which will vest based on the achievement of exceptionally stretching performance targets measured over a performance period of three years to 31 March 2025.<br>Dividend equivalents may be payable on any shares vesting and will be delivered in the form of shares.<br>There will be a further holding period of two years following vesting.<br>Malus and clawback provisions apply (see notes to this table).<br>The Committee will operate this award in accordance with the rules of the LTIP. |
| **Opportunity** | The maximum J2G LTIP Award which may be granted during the life of this Remuneration Policy is 750% of salary. |
| **Performance measures** | Vesting is determined by reference to performance assessed over the period of three years to 31 March 2025.<br>The performance measures for the award are as follows:<br>• Adjusted EPS – 70%<br>• A scorecard of KPIs directly linked to the Journey to Greatness – 30%<br>• A ROCE underpin will also apply. If the underpin is not met at the end of the performance period, the Committee retains the discretion to review the formulaic level of vesting and consider whether any reduction should be applied.<br>The level of vesting for threshold performance is nil.<br>The performance targets for the award are set out on pages 120 and 121 of the Annual Report on Remuneration.<br>Additionally, for the award to vest, the Committee must be satisfied that there has been a sustained improvement in the Company's underlying financial performance. The Committee has discretion to adjust the formulaic J2G LTIP Award outcomes if it does not appropriately reflect underlying performance over the period or is not appropriate in the context of circumstances that were unexpected or unforeseen when awards were made. The Committee also has discretion to adjust targets if it considers that an amended target is reasonable, appropriate and would not be materially more or less difficult to satisfy than when it was originally set. |

**Component: All employee share plans**

| | |
|---|---|
| **Objective** | To encourage the ownership of RS Group plc shares. |
| **Operation** | Executive Directors will be eligible to participate in all employee share plans on the same basis as other employees. |
| **Opportunity** | Maximum opportunity will be in line with other employees and HMRC approved limits, where appropriate. |
| **Performance measures** | Not applicable. |

**Component: Share ownership**

| | |
|---|---|
| **Objective** | To align Executive Director and shareholder interests and reinforce long-term decision making. |
| **Operation** | Executive Directors are expected to build up and retain a personal holding in RS Group plc shares of 400% of salary. To support this objective, Executive Directors are expected to retain at least 50% of any share awards that vest (net of tax) until this guideline is met. Unvested deferred share awards and vested LTIP / J2G LTIP awards in a holding period will count towards this guideline (on a net-of-tax basis). |
| **Opportunity** | Not applicable. |
| **Performance measures** | Not applicable. |

**Component: Post-employment shareholding requirement**

| | |
|---|---|
| **Objective** | To create long-term alignment between Executive Director and shareholder interests by ensuring a shareholding is retained in the period after an Executive Director has left the Group. |
| **Operation** | Executive Directors are required to retain a personal holding in RS Group plc shares for a period of two years post-cessation of employment.<br>The level of required shareholding is equal to that of the in-employment guideline (400% of salary) or, if lower, the actual shareholding at the date of cessation of employment.<br>The actual shareholding at cessation includes only shares which have vested (or are in a deferral or holding period, on a net-of-tax basis) from a share award which was granted after the effective date of this Remuneration Policy. |
| **Opportunity** | Not applicable. |
| **Performance measures** | Not applicable. |

## Notes to the Remuneration Policy table

The Committee reserves the right to make any remuneration payments and / or payments for loss of office (including exercising any discretions available to it in connection with such payments), notwithstanding that they are not in line with the 2022 Remuneration Policy, where the terms of the payment were agreed:

i. before the 2022 Remuneration Policy came into effect, provided that the terms of the payment were consistent with the Directors' Remuneration Policy (approved by shareholders in accordance with section 439A of the Companies Act) in force at the time they were agreed; or

ii. at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes, payments include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

The Committee may make minor amendments to the Remuneration Policy (for regulatory, exchange control, tax or administrative purposes, or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

### Malus and clawback provisions

All elements of the incentive framework (annual bonus, including the DSBP element, LTIP and J2G LTIP) are subject to malus and clawback provisions, which the Committee may invoke in circumstances which include:

- misconduct or material error of the participant or their team
- material misstatement of the Company's financial statements (being the Group accounts and the Company accounts)
- an error in assessing a performance condition or in the data on which the award was granted, vested or released
- serious reputational damage
- material corporate failure

In such circumstances, the Committee has discretion to:

- Require a participant to return a cash bonus at any time up to the second anniversary of payment
- Reduce (including down to zero) a DSBP award prior to vesting
- Reduce (including down to zero) an LTIP or J2G LTIP Award prior to vesting and / or require, at any time prior to the end of the holding period (five years from grant), a participant to return part or all of the value of the award received

### Performance measure selection and approach to target setting

The annual bonus performance measures are selected each year to reflect the financial and strategic performance measures which the Committee considers to be aligned with the delivery of the strategic priorities and which directly reinforce the medium-term performance framework. The LTIP performance measures were selected to provide a balance between external and internal measures of performance, reflect the Group's long-term strategic key performance indicators, as well as measure absolute and relative performance. TSR aligns performance with shareholders' interests. Adjusted EPS is a measure of the growth and profitability of the Company that also reflects management performance, and is a measure used by investors in deciding whether to invest in the Company. The same rationale applies for the J2G LTIP Award, where adjusted EPS (with exceptionally stretching targets) represents 70% of the award. The remaining 30% is based on the Journey to Greatness strategic scorecard, in order to ensure focus on the delivery of a broader range of priorities which support the long-term strategic transformation of the business. The ROCE underpin (which applies to both LTIP and J2G LTIP awards) reflects the efficiency of profit generation and balance sheet management.

Targets applying to the bonus and LTIP are set annually, based on a number of internal and external reference points. Bonus targets are set by reference to the annual targets agreed by the Board. LTIP targets reflect prevailing industry context, expectations of what will constitute appropriately challenging performance levels and factors specific to the Company. The upper end of the LTIP performance target range requires a challenging level of performance to be delivered. For the J2G LTIP Award, performance targets for both the EPS and strategic scorecard elements require genuinely exceptional levels of performance to be delivered, requiring a step change in performance from the delivery of strategic objectives which transform the long-term financial outlook, and are set significantly in excess of internal and external expectations.

## Differences from remuneration policy for our other people

The remuneration policy for our other people is based on broadly consistent principles as described on pages 113 to 115.

Annual salary reviews across the Group take into account business performance, local pay and market conditions, and salary levels for similar roles in comparable companies. The pension opportunity for the Executive Directors will be aligned with the wider UK workforce under this Remuneration Policy

All Executive Directors and senior managers are eligible to participate in annual bonus schemes. 85% of our people globally participate in incentive plans. In line with typical market practice, opportunities and performance measures vary by organisational level, geographical region and an individual's role. Other members of the SMT are eligible to participate in the DSBP and the LTIP on similar terms. Differences apply where appropriate (e.g. in the grant levels awarded). Awards made under the LTIP are subject to performance conditions and vest after three years subject to continued employment. Below SMT level, managers may be invited to participate in the LTIP.

All our people are eligible to participate in the Company's all employee share plans. This includes an all employee J2G LTIP Award under which all eligible people will be able to receive an award of £1,000 based on the performance outcome in the J2G LTIP Award.

## Performance scenario charts

The charts below provide estimates of the potential future reward opportunity for the Executive Directors, based on remuneration package for the first year of the Policy period and the potential mix between the different elements of remuneration under four different illustrative performance scenarios: below threshold, target, maximum and maximum (including 50% share price growth).

The below threshold scenario reflects fixed remuneration of base salary, pension (18% of salary, reducing to 10.5% of salary on 14 July 2022) and benefits (based on the amount received in 2021/22).

The target scenario reflects fixed remuneration as above, plus target bonus payout (50% of maximum), LTIP threshold vesting at 25% of the maximum award level and zero vesting under the J2G LTIP Award (reflecting the stretch of targets which are set above those of the LTIP).

The maximum scenario reflects fixed remuneration, plus full payout under all incentives (150% of salary under the annual bonus, 250% of salary under the LTIP and 750% of salary under the J2G LTIP Award).

The maximum (including 50% share price growth) scenario reflects fixed remuneration, plus full payout under all incentives (as described above), plus 50% share price growth on the LTIP and J2G LTIP awards as prescribed by the disclosure regulations.

## Approach to Executive Director recruitment remuneration

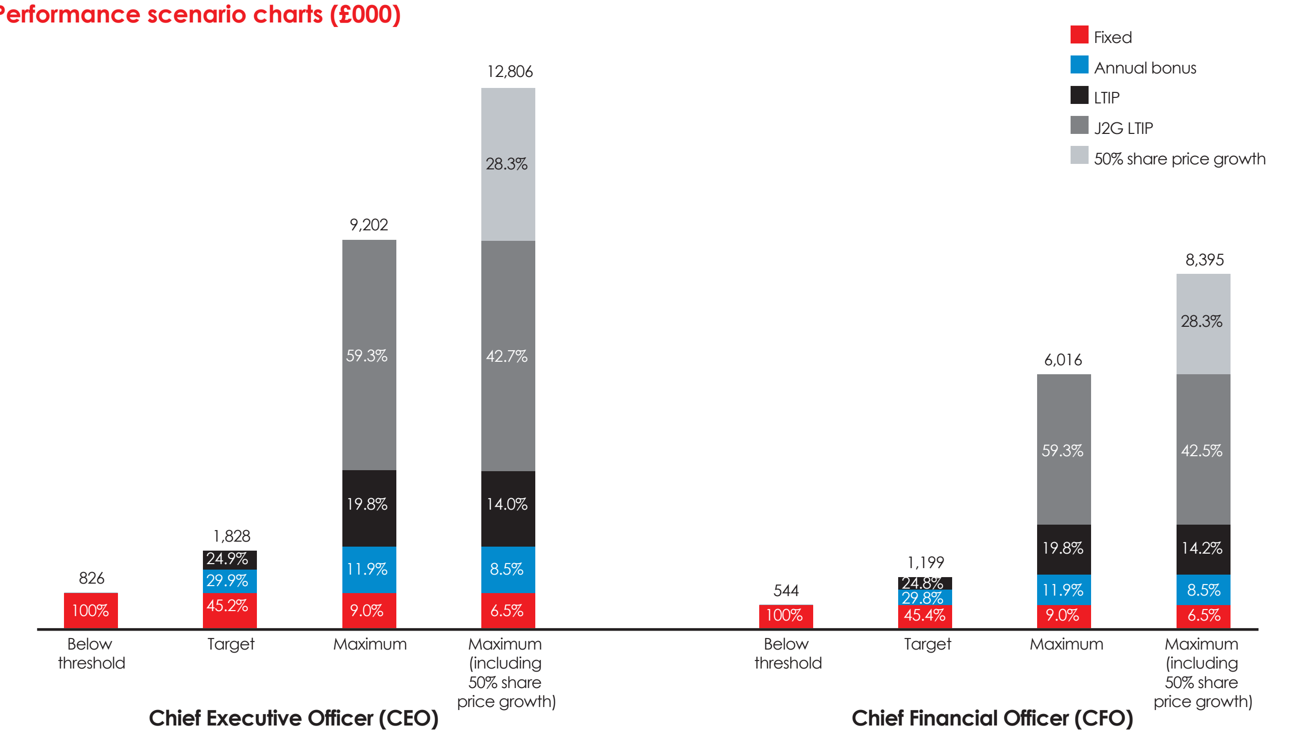
### External appointment

In cases of hiring or appointing a new Executive Director from outside the Group, the Committee may make use of all components of remuneration set out in the Remuneration Policy table on pages 113 to 118, subject to the limits contained in that table. In determining the appropriate remuneration structure and level for the appointee, the Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of shareholders.

An Executive Director appointed during this Policy period may receive a J2G LTIP Award in order to align with other members of the Executive Management Team. The Committee would set any award level with due regard to the proportion of the J2G performance period which had elapsed at the time of appointment.

The Committee may also need to make an award of shares or a cash payment in respect of a new appointment to buy out remuneration arrangements or income forfeited as a result of leaving a previous employer, over and above the approach and award limits outlined in the Remuneration Policy table. In determining an appropriate structure for any buyout awards, the Committee will consider all relevant factors including the form and time horizon of the forfeited remuneration, any performance conditions attached to the awards being bought out, and the likelihood of those conditions being met. Any such buyout will have a fair value which, in the view of the Committee, is no greater than the fair value of the awards forfeited.

## Performance scenario charts (£000)




### Internal promotion to the Board

In cases of appointing a new Executive Director by way of internal promotion, the Remuneration Policy will be applied consistently to that for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Committee may choose to continue to honour these arrangements.

## Service contracts and policy for payment for loss of office

Both Executive Directors have service agreements that operate on a rolling 12-month basis. In line with the Committee's policy, these service agreements provide for 12 months' notice by the Company and by the Executive Directors. The Company entered into service agreements with Lindsley Ruth on 1 April 2015 and with David Egan on 1 March 2016.

The Committee's policy for Directors' termination payments is to provide only what would normally be due to Directors had they remained in employment in respect of the relevant notice period and not to go beyond their normal contractual entitlements.

Both Executive Directors' service agreements provide for base salary in lieu of notice. The Committee will monitor, and where appropriate, enforce the Directors' duty to mitigate loss. Termination payments will also take into account any statutory entitlement at the appropriate level, to be considered by the Committee on a case-by-case basis.

When the Committee believes that it is essential to protect the Company's interests, additional arrangements may be entered into (for example, post-termination protections above and beyond those in the contract of employment) on appropriate terms. The Committee may also agree to pay legal fees and outplacement costs or other such costs on behalf of the Directors.

Any incentive arrangements will be dealt with subject to the relevant rules, with any discretion exercised by the Committee on a case-by-case basis taking into account the circumstances of the termination. The table below summarises how awards under the various incentive arrangements are typically treated in specific circumstances.

| | Good leaver[1] | Bad leaver[1] | Change of control |
|---|---|---|---|
| Annual bonus | Bonuses are paid only to the extent that the performance targets are met. Any such bonus would normally be on a pro-rata basis, taking account of the period actually worked.<br>Payment would normally be made after the end of the financial year.<br>Any bonus will be paid without the DSBP element. | No bonus is normally paid. | Bonus may be paid, taking into account performance and on a pro-rata basis. |
| DSBP | Awards normally vest in full at the normal vesting date, unless the Committee, in its discretion, decides that awards should be time pro rated and / or should vest on the date of cessation of employment. | Unvested awards normally lapse. | Awards vest in full on the change of control, unless the Committee, in its discretion, decides that awards should be pro-rated for time[2]. |
| LTIP (including J2G LTIP award) | Unvested awards will normally continue and vest at the normal vesting date, based on the extent to which the performance conditions have been achieved. The award will be reduced pro-rata to take account of the proportion of the vesting period that had elapsed (unless the Committee determines otherwise).<br>The Committee has discretion to determine that awards should vest earlier than the normal vesting date, in which case the Committee may determine the extent to which the performance conditions have been achieved in such manner as it considers reasonable. The award will remain subject to a pro-rata adjustment.<br>If following cessation as a good leaver the individual agrees to start employment with another employer before the vesting date, the Committee may determine that the award will lapse.<br>Vested awards remain subject to the holding period[3]. | Unvested awards normally lapse.<br>Vested awards remain subject to the holding period[3]. | Awards would vest on the change of control to the extent determined by the Committee, taking into account the extent to which the performance conditions have been satisfied and the proportion of the vesting period that has elapsed (unless the Committee determines otherwise)[2]. |
| All employee plans | In line with the same treatment for all employees under the plan rules and HMRC rules where applicable. | | |

1. Good leaver provisions would apply in circumstances of death, ill-health, injury or disability, the employing company ceasing to be a member of the Group or the transfer of an undertaking to a non-group member, or any other reason that the Committee determines in its discretion. Bad leaver provisions apply under all other circumstances.
2. Alternatively, on a change of control, unvested share awards may be exchanged for equivalent awards of shares in a different company. In the event of a variation in capital, demerger, distribution, delisting, special dividend or other event which, in the Committee's opinion, would materially affect the current or future value of the Company's shares, the Committee may allow awards to vest and be released early on the same basis as for a change of control. Alternatively, in these circumstances or in the event of a variation of the Company's share capital, the Committee may adjust the number of shares subject to an award.
3. In such circumstances, the vested awards will normally be released on the original release date, unless the Committee determines it should be released following cessation of employment. However, if a participant is summarily dismissed, awards will immediately lapse.

## External appointments

Executive Directors are permitted to take one non-executive position on the board of another company, subject to the prior approval of the Board. The Executive Director may retain any fees payable in relation to such an appointment. Details of external appointments and the associated fees received are included in the Annual Report on Remuneration on page 125.

## Consideration of employment conditions elsewhere in the Group

The Group seeks to promote and maintain good relations with employee representative bodies – including trades unions and works councils – as part of its broader employee engagement strategy and consults on matters affecting employees and business performance as required in each case by law and regulation in the jurisdictions in which the Group operates. The Committee is mindful of the pay increases, incentive outcomes and share award participation in relevant markets across the rest of the Group when considering the remuneration of the Executive Directors. Employees have the opportunity to discuss various topics including the Executive Directors' Remuneration Policy and framework via various internal forums.

## Consideration of shareholder views

The Committee consulted widely with key investors and shareholder bodies and took the feedback it received into account in developing the 2022 Remuneration Policy. This consultation exercise covered over 20 shareholders representing over 80% of the register. It remains the Committee's intention that key shareholders will normally be consulted before making any significant changes to the application of the Remuneration Policy.

More broadly, the Committee considers shareholder views received during the year and at the AGM each year and is regularly kept abreast of evolving guidance from shareholders and investor bodies. The Chair of the Committee is always available to shareholders, should they wish to discuss remuneration arrangements.

## Chair and Non-Executive Director remuneration policy

Non-Executive Directors do not have service agreements, but instead have letters of engagement providing for an initial three-year term. The Chair's letter of engagement and the Non-Executive Directors' letters have a three-month notice period. All Directors are subject to re-election annually at the AGM.

Neither the Chair nor the Non-Executive Directors are eligible to participate in any of the Company's bonus, long-term incentive or pension plans. Details of the policy on fees paid to the Company's Non-Executive Directors are set out in the table below.

**Component: Chair and Non-Executive Director fees**

| | |
|---|---|
| **Objective** | To attract and retain Non-Executive Directors of the highest calibre with broad commercial experience relevant to the Group. |
| **Operation** | The fees paid to Non-Executive Directors are determined by the Board of Directors as a whole and the fee paid to the Chair is determined by the Remuneration Committee.<br>Non-Executive Directors and the Chair receive a single base fee. Additional fees may be payable for additional Board duties, such as acting as Chair of the Audit, Nomination and Remuneration Committees, and to the Senior Independent Director.<br>Fee levels are normally reviewed annually, with any adjustments typically made effective from 1 April. Fees are reviewed by taking into account best practice and appropriate market data including fee levels at other companies of broadly similar size, sector and international scope to RS Group plc. Time commitment and responsibility are also taken into account when reviewing fees.<br>The Chair and the Non-Executive Directors may be provided with accommodation and travel expenses in order to carry out their duties. This may include the settlement by the Company of any associated tax liabilities in relation to these expenses. Other benefits arising from the performance of duties may be provided. |
| **Opportunity** | The fees currently paid to Non-Executive Directors are disclosed in the Annual Report on Remuneration. |
| **Performance measures** | Not applicable |

## Compliance with Provision 40 and 41 of the UK Corporate Governance Code

The Committee considers that the executive remuneration framework appropriately addresses the factors under Provision 40 of the UK Corporate Governance Code (the Code) as set out below.

As well as a focus on Executive Director remuneration, the Committee has oversight for the remuneration policies of the Group to ensure alignment with the strategic priorities of the Company. We value the contribution our people make to the success of the Group and charge management with the responsibility for ensuring a sustainable approach to their remuneration.

It is important to the Committee that the Group's employees are paid at a fair level reflecting the skills they bring. We use benchmarking information to ensure we pay competitively to attract and retain talent.

Part of building a sustainable Group is ensuring our employees have an opportunity to share in the success they help create. How this is achieved is outlined in the CEO Pay Ratio reporting section on page 126.

We engage regularly with our employees on remuneration in general. None of our employees raised questions on executive remuneration during the year, including in our open forums, engagement surveys or our specific Board employee engagement sessions. Over the past year we have had a regular communication cadence to highlight the range of benefits available to our employees including our annual incentive, financial planning, medical, employee discounts and fleet offerings.

**Factors under Provision 40**

| | |
|---|---|
| **Clarity** | We provide open and transparent disclosures of our Executive Directors' remuneration arrangements including undertaking engagement with key shareholders when considering changes to our Remuneration Policy. |
| **Simplicity** | We aim to ensure that remuneration arrangements for both our Executive Directors and the wider workforce are as simple as possible to drive understanding and engagement, and we take time to engage with participants and shareholders. |
| **Predictability** | Our Remuneration Policy contains details of maximum opportunity levels for each component of pay, with actual incentive outcomes varying depending on the level of performance achieved against specific measures. |
| **Proportionality, risk and alignment to culture** | The metrics used to measure performance for annual bonus and LTIP awards drive behaviours that are consistent with the business strategy and values of the organisation.<br>The annual bonus and LTIP structures do not encourage inappropriate risk-taking. They are subject to the achievement of stretching performance targets and the Committee has the ability to apply discretion to the formulaic outcomes. Malus and clawback provisions also apply for both the annual bonus and LTIP. Annual bonus deferral, LTIP holding periods and our shareholding guidelines provide a clear link to the ongoing performance of the business and are therefore aligned with shareholder interests. |

With regards to provision 41 the Remuneration Policy operated as intended in terms of Company performance and quantum.





# Annual report on remuneration

This part of the Report has been prepared in accordance with Part 3 of the revised Schedule 8 set out in The Large and Medium-sized Companies and Groups (Account and Reports) (Amendment) Regulations 2013) and Listing Rule 9.8.6R. The Annual Report on Remuneration will be put to an advisory shareholder vote at the forthcoming AGM.

## Application of the proposed 2022 Remuneration Policy for the year ending 31 March 2023

### Base salary

Base salaries for the Executive Directors effective from 1 June 2022 (with the prior year comparator and the change) are shown below:

| | Base salary effective 1 June 2022 | Base salary effective 1 June 2021 | Change |
|---|---|---|---|
| Lindsley Ruth | £728,341 | £668,203 | 9% |
| David Egan | £475,782 | £436,497 | 9% |

In undertaking their review this year, the Committee considered relativity to the external market data, as a key reference point in an increasingly competitive global talent market, particularly for proven senior management teams with strong track records. Given the sustained increase in the size of the business which resulted in our re-entry to the FTSE 100 Index during the year, we updated our UK-based market reference point to the lower half of the FTSE 100. We recognised the continued strong personal performance from both Lindsley Ruth and David Egan, navigating the various external challenges and leading the business to deliver the exceptional performance described on pages 108 and 110. Finally, we also reflected on our overall reward philosophy, as described on pages 110 to 112, which calls for remuneration packages to be heavily weighted towards the performance-based elements.

The Executive Directors will each receive a 9% base salary increase. Further details regarding the performance can be found on pages 108 and 110. For context, the average increase across the wider UK workforce will be 4.8%.

### Benefits

Benefits will be provided in accordance with the proposed 2022 Remuneration Policy. There are no significant changes in benefits compared to the prior year.

### Pension

Under the new Remuneration Policy, the pension rate for incumbent Executive Directors will be reduced from 18% of salary to align with the prevailing rate for the majority of the wider UK employee population (currently 10.5% of base salary), in line with shareholder guidance.

### Performance-related annual bonus

The maximum annual bonus opportunity for Executive Directors will remain unchanged (at 150% of base salary). The bonus outcomes for Executive Directors will be based on the following performance measures:

| Performance Measure | Weighting |
|---|---|
| Adjusted PBT | 35% |
| Like-for-like Group revenue growth | 35% |
| Adjusted free cash flow | 10% |
| Group NPS | 10% |
| $CO_2e$ reduction (scope 1 and 2 emissions)[1] | 10% |

1. As part of our 2030 ESG action plan – For a Better World, we have committed to establish a science-based target and reduce absolute emissions from our own operations by 75% by 2029/30. This refers to our scope 1 and 2 emissions caused by premises' energy use and from Company owned / leased vehicles only.

The annual bonus will be based on a balanced set of key financial and strategic priorities for the year, using the above measures. The measures are considered commercially sensitive as they may reveal information that damages our competitive advantage. Accordingly, they will not be disclosed in advance but, to the extent the Directors consider them to be no longer sensitive, will be disclosed retrospectively in the annual report on remuneration for the relevant year.

The Committee retains the discretion within our Remuneration Policy to adjust the overall bonus outcome to ensure alignment of pay with performance and fairness to shareholders and participants.

Before any bonus may be paid, a threshold level of adjusted PBT must be achieved. One-third of any bonus earned will be deferred into shares for a further two years under the DSBP.

### LTIP

Lindsley Ruth and David Egan will receive 2022 LTIP awards of 250% of salary in accordance with the proposed 2022 Remuneration Policy, subject to approval of the Policy at the AGM in July 2022.

The performance measures of adjusted EPS and TSR are consistent with prior years. There is one change to the calculation of the adjusted EPS measure for the 2022 LTIP. In line with common practice, this will be measured as a three-year CAGR. The bespoke TSR peer group of 16 of the Group's global peers (as set out on page 124) will remain unchanged.

Vesting of these awards will be determined in accordance with the following performance targets measured over the three years ending 31 March 2025.

| Measure | Weight | Threshold (25% of max) | Maximum (100% of max) |
|---|---|---|---|
| Adjusted EPS CAGR (three-year CAGR of the 2024/25 adjusted EPS, compared with the 2021/22 adjusted EPS)[1] | 50% | 7% | 15% |
| TSR (vs industrial / electronic peer group)[1,2] | 50% | Median | Upper quartile |
| ROCE (average of 2022/23, 2023/24 and 2024/25) | Underpin 20% If the underpin is not met, the Committee will review the formulaic level of vesting and consider whether it would be appropriate to use its discretion to reduce the level of vesting. | | |

1. Straight line vesting between measurement points.
2. TSR peer group is detailed on page 124.

The awards will be subject to a post-vesting holding period of two years.

### J2G LTIP Award

In accordance with the proposed 2022 Remuneration Policy, an award will be made to the Executive Directors to reward the delivery of the Journey to Greatness, which is strongly aligned to key strategic priorities. Successful execution of the plan will deliver superior value and returns for each of our stakeholders. For more detail refer to pages 111 to 115.

Lindsley Ruth and David Egan will each receive a maximum award of 750% of salary.

The awards will be determined in accordance with the following performance targets measured over the three years ending 31 March 2025. In line with the underlying principles of the award, the performance targets have been set at genuinely exceptional levels of stretch. The EPS target range is set such that the threshold level of vesting (at which nil vests) requires growth in excess of the top end of the base LTIP range. Maximum vesting of the EPS target would broadly equate to a 2024/25 adjusted EPS of above 90p, and assuming no change to multiples, would translate into shareholder value creation of around £3 billion, of which the total Journey to Greatness cost to participants would be c. 1%. For the strategic scorecard, all metrics are quantifiable and transparent, with stretching targets which broadly require upper quartile levels of performance for threshold vesting and upper decile levels for maximum vesting.

The awards will be subject to a post-vesting holding period of two years.

| Measure | Weight | Threshold (0% of max) | Maximum (100% of max) |
|---|---|---|---|
| Adjusted EPS CAGR (three-year CAGR of the 2024/25 adjusted EPS, compared with the 2021/22 adjusted EPS) | 70% | 15% | 21% |
| Key long term performance indicators (KPIs) scorecard (see page 121) | 30% | | |
| ROCE (average of 2022/23, 2023/24 and 2024/25) | Underpin 20% If the underpin is not met, the Committee will review the formulaic level of vesting and consider whether it would be appropriate to use its discretion to reduce the level of vesting. | | |

The scorecard comprises the specific KPIs which will best reflect execution of the strategy in each area, with specific focus on cultural transformation, operational and growth acceleration (with financials already reflected in the EPS component). The scorecard measures each have a stretching target range, which have been robustly calibrated to represent upper quartile levels of performance for threshold and upper decile for maximum payment. The scorecard measures, weighting and rationale is:

| | Weighting | Measure | Threshold | Maximum | Commentary |
|---|---|---|---|---|---|
| **Cultural transformation** | 7.5% | **Employee engagement score** To be measured based on the 2024/25 Group employee engagement survey outcome. | Upper quartile | Upper decile | Employee engagement drives positive cultural transformation, which results in value creation and superior results. Threshold and maximum equate to upper quartile and upper decile market data. |
| **Operational efficiency** | 7.5% | **On Time To Promise (OTTP)** Available product delivered when expected in a cost effective and efficient manner. Performance to be measured over the three-month period ending 31 March 2025. | 95% | 98% | With more than 2,500 suppliers, over 700,000 stock products and growing, multiple sourcing locations serving multiple countries around the world, world-class OTTP for industrial high service distribution is 98%. |
| **Growth accelerators** | 5.0% | **Web revenue** Increased web traffic, increasing average order value and increasing average order frequency. Performance to be measured on web revenue CAGR over the three-year period ending 31 March 2025. | 12.0% | 14.5% | Digital already represents 62% of Group revenue and web 45%, so web revenue growth faster than overall Group revenue illustrates focused effort on lower cost to serve revenue. Threshold CAGR is ahead of total Group stretch growth. |
| | 5.0% | **Solutions revenue** To be more solutions led, solve customers' challenges, drive value to stakeholders and drive greater customer loyalty and pull through products. Performance to be measured on solutions revenue CAGR over the three-year period ending 31 March 2025. | 12.5% | 15.5% | 2021/22 solutions revenue was £588.0 million. Threshold CAGR is ahead of total Group stretch growth. Solutions revenue growth of this nature would represent a material shift in our overall business position and set us up to continue to win in the longer term. |
| | 5.0% | **New product introduction (NPI) revenue** A wider product range, driven by data insights to ensure it is relevant, increases customer loyalty and helps the Group become their first choice. It also represents deeper supplier relationships. A product is included as an NPI for 12 months from its introduction into the Group's product range. Once it has been in the Group's product range for a year its future revenue is not included in NPI revenue. Performance to be measured on NPI revenue CAGR over the three-year period to 31 March 2025. | 14.5% | 26.0% | Threshold represents a 50% increase and maximum a doubling of 2021/22 NPI revenue. NPI revenue is considered commercially sensitive as they may reveal information that damages our competitive advantage. Accordingly, they will not be disclosed in advance but, to the extent the Directors consider them to be no longer sensitive, will be disclosed retrospectively in the annual report on remuneration for the relevant year. |

### All employee share plans

Executive Directors are able to participate in any all employee share schemes offered to all employees on identical terms, with the exception that they will not participate in the all employee Journey to Greatness share award set out on pages 112 and 115.

### Application of Chair and Non-Executive Director Remuneration Policy for the year ending 31 March 2023

Following a review, the fees for the Chair and Non-Executive Directors will be increased by 4.8% in line with the increase awarded to strong performing UK-based employees. With effect from 1 April 2022, the Chair's fees increased from £350,000 to £366,800 and the Non-Executive Directors' fees were increased from £61,700 to £64,662. The additional fees for the Committee Chairs and Senior Independent Director (SID) (£15,000) and roles in respect of employee engagement (£5,000) remained unchanged.

## Implementation of Chair and Non-Executive Director 2019 Remuneration Policy for the year ended 31 March 2022

### Single figure for total remuneration for Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 March 2022 and the prior year:

| | Total fees | | Taxable Expenses | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Rona Fairhead[1] | **£350,000** | £73,333 | **£3,821** | – |
| Alex Baldock[2] | **£35,992** | – | **£111** | N/A |
| Bertrand Bodson[3] | **£10,283** | £60,000 | **–** | – |
| Louisa Burdett | **£76,700** | £70,000 | **£14** | – |
| Bessie Lee[4] | **£65,867** | £60,000 | **£16,671** | – |
| Simon Pryce | **£76,700** | £70,000 | **£27** | – |
| David Sleath | **£76,700** | £78,333 | **–** | – |
| Joan Wainwright[5] | **£65,867** | £60,000 | **£28,993** | – |

1. Rona Fairhead was appointed to the Board on 1 November 2020 as Non-Executive Director and received the Non-Executive Director base fee until she became Chair of the Board and Nomination Committee on 1 February 2021, at which point her fee was increased to the Chair's fee of £350,000.
2. Alex Baldock was appointed to the Board on 1 September 2021.
3. Bertrand Bodson stepped down from the Board on 31 May 2021.
4. Bessie Lee was appointed as Board employee engagement representative on 1 June 2021.
5. Joan Wainwright was appointed as Board employee engagement representative on 1 June 2021.

The Non-Executive Directors received base fees of £61,700 per annum. Fees were paid on a pro rata basis reflecting length of time in the role. David Sleath received an additional fee of £15,000 per annum for his role as SID. Louisa Burdett received an additional fee of £15,000 as Chair of the Audit Committee and Simon Pryce received an additional fee of £15,000 as Chair of the Remuneration Committee. Bessie Lee and Joan Wainwright each received an additional fee of £5,000 per annum for their role as the Board's representatives on employee engagement.

## Implementation of Executive Director 2019 Remuneration Policy for the year ended 31 March 2022

### Single figure for total remuneration for Executive Directors (audited)

The following table provides a single figure for total remuneration of the Executive Directors for the year ended 31 March 2022 and the prior year. The value of the annual bonus includes the element of bonus deferred under the DSBP, where relevant.

| | Lindsley Ruth | | David Egan | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Base salary | **£663,920** | £642,503 | **£433,699** | £419,709 |
| Taxable benefits[1] | **£17,667** | £17,649 | **£16,161** | £16,139 |
| Pension benefit[2] | **£119,506** | £115,650 | **£78,066** | £75,542 |
| Total fixed | **£801,093** | £775,802 | **£527,926** | £511,390 |
| Annual bonus[3] | **£801,844** | £778,714 | **£523,796** | £508,687 |
| LTIP[4,5] | **£1,374,050** | £1,059,187 | **£753,974** | £576,581 |
| SAYE award discount[6,7] | **–** | £7,460 | **£7,474** | – |
| Total variable | **£2,175,894** | £1,845,361 | **£1,285,244** | £1,085,268 |
| Total | **£2,976,987** | £2,621,163 | **£1,813,170** | £1,596,658 |

1. Taxable benefits consist of medical insurance, company car (or allowance) and personal fuel allowance.
2. Each of the Executive Directors received the amounts shown above as a cash supplement in lieu of pension (18% of base salary during the year and the actual amount received is provided). No Executive Director has prospective benefits under a defined benefit pension relating to qualifying service.
3. Annual bonus shows the full value of the annual bonus in respect of each year. The bonus is subject to service conditions set out on page 117. For 2021/22, the formulaic outcome of the bonus was 80% of maximum, no discretion was applied. For both years, this value will be delivered as one third shares and two thirds cash. Further detail can be found on page 123 for 2021/22 and page 124 for 2020/21.
4. The LTIP value for 2021/22 shows the value of LTIP awards made on 18 July 2019. The plan will vest at 46% of maximum, subject to continuous employment. The value on vesting of the LTIP performance award has been calculated using the share price of 1,057.19p, being the average share price over the three months to 31 March 2022 and will be updated in the 2022/23 Annual Remuneration Report based on the actual share price on the date of vesting. The figure includes a dividend equivalent payment of £61,221 for Lindsley Ruth and £33,594 for David Egan in respect of the shares vesting which will be delivered in the form of shares. £635,173 of the total value for Lindsley Ruth and £348,535 of the total value for David Egan is in respect of the share price growth and dividends over the period since grant, based on the assumed share price of 1,057.19p. Based on the increase in the share price from the date of grant to that used in the valuation above, the increase in the share price for each share vesting was 462.19p. The proportion of the value disclosed in the single figure attributable to share price appreciation is £573,952 for Lindsley Ruth and £314,941 for David Egan. The Committee did not exercise any discretion in respect of the share price appreciation. Further detail can be found on page 123.
5. The LTIP value for 2020/21 shows the value of the LTIP awards made on 7 June 2018, which vested on 15 June 2021. The value of the LTIP award has been restated based on the share price on the date of vesting of 1,041.99p. The figure includes dividend equivalent payments of £43,195 to Lindsley Ruth and £23,514 to David Egan in respect of the shares vesting. £359,559 of the total value for Lindsley Ruth and £195,730 of the total value for David Egan is in respect of the share price growth and dividends over the period between grant and vesting.
6. The SAYE award discount for 2020/21 is the difference between grant date value per share and the exercise price of 573.00p.
7. The SAYE award discount for 2021/22 is the difference between grant date value per share and the exercise price of 824.00p.

## Incentive outcomes for the year ended 31 March 2022 (audited)

### Annual bonus in respect of performance for the year ended 31 March 2022

As set out in last year's Report, for 2021/22 we returned to a normal annual bonus plan based on performance measured over the full financial year (having used half-year targets in 2020/21). The performance measures attached to the 2021/22 annual bonus plan were like-for-like Group revenue growth, adjusted PBT, adjusted free cash flow and Group NPS. Targeted performance was calibrated to deliver a bonus of 75% of salary for the Executive Directors, with bonus payments worth up to 150% of salary for achieving stretch performance targets.

Based on the Group's performance in 2021/22, a bonus outcome of 80% of maximum bonus was achieved. The NPS target threshold was not met. In line with good practice and the terms of our current Remuneration Policy, the Committee considered the formulaic bonus outcome in the context of business performance for the year in its broadest sense. This review took into account the resilience of delivery given the impact of ongoing external challenges, as well as the overall experience of all of the Group's stakeholders – our people, customers, suppliers, communities and shareholders. The Committee concluded that the formulaic outcome did not fairly reflect the exceptional overall performance of the business for the year and chose to exercise positive discretion to increase the bonus outcome for participants below Executive Director level. However, no positive discretion has been applied to the Executive Director bonuses and the overall formulaic outcome of 80% of maximum has been applied to the Executive Director bonuses. The Committee considered this to be appropriate. Further background is provided in the Strategic Report.

Full details of the target ranges and performance against each of the measures, are as follows:

| Measure and Weighting | Performance level | Payout (% of max bonus) | Target | Actual performance | Earned bonus (% of max) |
|---|---|---|---|---|---|
| Adjusted PBT (40% weighting) | Threshold | 0% | £220.6m | £313.8m | 40.0% |
| | Target | 20% | £245.6m | | |
| | Maximum | 40% | £258.1m | | |
| Like-for-like Group revenue growth (30% weighting) | Threshold | 0% | 6.5% | 26% | 30.0% |
| | Target | 15% | 10.5% | | |
| | Maximum | 30% | 12.5% | | |
| Adjusted free cash flow (10% weighting) | Threshold | 0% | £94.6m | £162.9m | 10.0% |
| | Target | 5% | £114.6m | | |
| | Maximum | 10% | £124.6m | | |
| Group NPS (20% weighting) | Threshold | 0% | 54.7 | 50.6 | 0% |
| | Target | 10% | 55.7 | | |
| | Maximum | 20% | 56.7 | | |
| Total bonus | | | | | **80.0%** |

The final bonus outcome was 80% resulting in payments for Lindsley Ruth of £801,844 and £523,796 for David Egan. The amounts will be paid as one-third deferred shares and two-thirds cash. The shares will be deferred for a period of two years in accordance with the 2019 Remuneration Policy and are not subject to any non-performance conditions. Dividend equivalents will be deferred in the form of shares. These shares have not been awarded at the date of this Annual Report on Remuneration. The number of deferred shares awarded, the date of award and the share price used will be disclosed in the Annual Report and the Accounts for the year ending 31 March 2023.

### 2019 LTIP awards vesting

An award of shares was made under the LTIP in July 2019 to Lindsley Ruth over 269,959 shares and to David Egan over 148,133 shares. These awards are subject to vesting based 50% on cumulative adjusted EPS and 50% on the Company's relative TSR versus the industrial / electronics peer group with a ROCE underpin over the three years ended 31 March 2022.

Performance targets, and actual performance against these, is summarised in the table below:

| | | Base LTIP targets | | | |
|---|---|---|---|---|---|
| Measure | Weight | Threshold (25% of max) | Maximum (100% of max) | Performance achieved | Vesting (% of maximum) |
| Adjusted EPS (cumulative 2019/20, 2020/21, 2021/22)[1] | 50% | 124p | 150p | 120.3p | 0% |
| TSR (vs industrial / electronic peer group)[1,2] | 50% | Median | Upper quartile | 5 of 17 | 46.0% |
| ROCE (average over 2019/20, 2020/21, 2021/22) | Underpin 20% | | | 24.0% | |
| **Total LTIP vesting** | | | | | **46.0%** |

1. Straight-line vesting between measurement points. Vested awards will be subject to a two-year holding period.
2. TSR peer group is detailed on page 124.

Following the end of the performance period, the Committee considered the level of vesting in the context of the value creation for shareholders, the underlying financial performance of the Company over the performance period and considered whether any discretion should be applied. The Committee considered the level of vesting to be appropriate.

## Scheme interests awarded during the year ended 31 March 2022 (audited)

### DSBP

During the year under review the following DSBP awards were made to Executive Directors, relating to annual bonus earned for performance over the year ended 31 March 2021. The shares have a two-year vesting period and are subject to two-years continuous employment.

| | Lindsley Ruth | David Egan |
|---|---|---|
| Basis of award | One-third of earned bonus | One-third of earned bonus |
| Number of deferred shares awarded | 25,193 | 16,457 |
| Award date face value (1,030.33p per share)[1] | £259,571 | £169,561 |
| Performance conditions | None | None |

1. The awards were made using the average of the share prices for the three dealing days immediately preceding 9 June 2021, the date the deferred shares were awarded. The shares will be delivered in the form of restricted shares to be held for a period of two years.

### LTIP

During the year under review the following LTIP awards were made to the Executive Directors:

| | Lindsley Ruth | David Egan |
|---|---|---|
| Basis of award (% of base salary) | 250% | 250% |
| Number of performance shares awarded | 165,945 | 108,402 |
| Award date face value (1,006.66p per share)[1] | £1,670,502 | £1,091,240 |
| Performance period | 1 April 2021 – 31 March 2024 | |
| Threshold vesting outcome | 25% | |
| Post-vesting holding period | Two years | |

1. The awards were made using the average of the share prices for the three dealing days immediately preceding 24 June 2021, the date performance shares were awarded. The shares were awarded as performance shares, the detail of the conditions are detailed below.

The performance conditions were as follows:

| | | LTIP targets | |
|---|---|---|---|
| Measure | Weight | Threshold (25% of max) | Maximum (100% of max) |
| Adjusted EPS (cumulative 2021/22, 2022/23, 2023/24)[1] | 50% | 133p | 158p |
| TSR (vs industrial / electronic peer group)[1,2] | 50% | Median | Upper quartile |
| ROCE (average over 2021/22, 2022/23, 2023/24) | Underpin at 20%. If the underpin is not met, the Committee will review the formulaic level of vesting and consider whether it would be appropriate to use its discretion to reduce the level of vesting. | | |

1. Straight-line vesting between measurement points.
2. Comprises ABB, Arrow Electronics, Avnet, Bunzl, Datwyler, Essentra, Fastenal, Ferguson, MSC Industrial Direct, Rexel, Rockwell, Schneider, Siemens, TE Connectivity, WESCO International and WW Grainger.

### Save As You Earn (SAYE)

During the year under review, a SAYE award was granted to David Egan.

| Basis of award | Savings related option |
|---|---|
| Number of options granted | 3,640 |
| Grant date | 10 September 2021 |
| Grant date face value (1,029.33p) per share | £37,468 |
| Exercise price | 824.00p (20% discount to grant price) |
| Normal vesting date | 1 November 2026 |
| Normal expiration date | 30 April 2027 |
| Performance conditions | None |
| Threshold vesting income | N/A |

## Total pension entitlements (audited)

Lindsley Ruth and David Egan are able to participate in the defined contribution section of the pension scheme. Under contractual agreements, both Lindsley and David have chosen to take a cash allowance instead. Under their contracts, they were both entitled to a cash allowance of 18% of base salary, following their agreement to a reduction from 20% (effective 1 April 2020). As explained on page 113, the Committee has agreed that the pension rate for incumbent Executive Directors will be aligned with the prevailing rate for the majority of the wider UK workforce (currently 10.5% of salary) from 14 July 2022, in line with shareholder guidance. Executive Directors have no prospective entitlement to a defined benefit pension by reason of qualifying service.

## Payments to past Directors (audited)

There were no payments to past Directors during the year.

## Payments for loss of office

There were no payments for loss of office during the year.

## External appointments

Lindsley Ruth was appointed non-executive director of Ashtead Group plc on 1 May 2019. His fees for this role in 2021/22 were £65,000.

## Percentage change in remuneration of the Directors and employees

The table below shows the percentage change in the annual cash remuneration of the Directors (comprising base salary / fees, the value of taxable benefits and earned annual bonus), as disclosed in the single figure for total remuneration (tables on page 122) from the prior year compared with the average percentage change for all UK employees of the RS Group. If the Directors did not serve a full year their base salary / fee is annualised. This group consists of UK-based SMT and employees. This table will be built up over time to show the required five year history.

The upward change in bonus reflects the strong performance of 2021/22 bonus plans across the Group and the increased participation. Benefits provided for broader employees include medical insurance and for some employees vehicle or vehicle allowance. The reduction in benefits for broader employees is explained by people changing vehicle selection, medical coverage levels or opting out of the medical plan.

| | Base salary / fees | | Taxable benefits | | Annual bonus | |
|---|---|---|---|---|---|---|
| | **Change 2021/22** | Change 2020/21 | **Change 2021/22** | Change 2020/21 | **Change 2021/22** | Change 2020/21 |
| Lindsley Ruth | **3.2%** | 0% | **0.1%** | 0% | **3.0%** | 272.9% |
| David Egan | **3.2%** | 0% | **0.1%** | 0% | **3.0%** | 272.9% |
| Rona Fairhead[1] | **223.1%** | N/A | **N/A** | N/A | **N/A** | N/A |
| Alex Baldock[2] | **N/A** | N/A | **N/A** | N/A | **N/A** | N/A |
| Bertrand Bodson[3] | **2.8%** | 0% | **N/A** | N/A | **N/A** | N/A |
| Louisa Burdett | **9.6%** | 0% | **N/A** | N/A | **N/A** | N/A |
| Bessie Lee[4] | **9.8%** | 0% | **N/A** | N/A | **N/A** | N/A |
| Simon Pryce | **9.6%** | 0% | **N/A** | N/A | **N/A** | N/A |
| David Sleath[5] | **(2.1)%** | 0% | **N/A** | N/A | **N/A** | N/A |
| Joan Wainwright[6] | **9.8%** | 0% | **N/A** | N/A | **N/A** | N/A |
| Karen Guerra[7] | **N/A** | 0% | **N/A** | N/A | **N/A** | N/A |
| UK-based SMT and employee population | **1.92%** | 1.3% | **(6.41)%** | (1.5)% | **17.7%** | 114.5% |

1. Rona Fairhead was appointed to the Board on 1 November 2020 as Non-Executive Director and received the Non-Executive Director base fee until she became Chair of the Board and Nomination Committee on 1 February 2021, at which point her fee was increased to the Chair's fee of £350,000.
2 Alex Baldock was appointed to the Board on 1 September 2021.
3. Bertrand Bodson stepped down from the Board on 31 May 2021.
4. Bessie Lee was appointed as Board employee engagement representative on 1 June 2021.
5. David Sleath stepped down as Chair of the Nomination Committee on 31 January 2021.
6. Joan Wainwright was appointed as Board employee engagement representative on 1 June 2021.
7. Karen Guerra stepped down from the Board on 31 December 2020.

## CEO Pay Ratio reporting

| | | 25th percentile pay ratio | | Median pay ratio | | 75th percentile pay ratio | |
|---|---|---|---|---|---|---|---|
| Year | Method | Total pay & benefits | Ratio | Total pay & benefits | Ratio | Total pay & benefits | Ratio |
| 2022[1] | A | £22,552 | 115:1 | £27,770 | 93:1 | £46,333 | 56:1 |
| 2021 | A | £25,813 | 99:1 | £31,404 | 88:1 | £51,858 | 49:1 |
| 2020 | A | £20,427 | 207:1 | £25,424 | 166:1 | £40,300 | 105:1 |

1. UK-based employee data was taken from 31 March 2022. CEO data was taken as at 31 March 2022; annual incentive and LTIP reflect the figures detailed in the 2020/21 single figure for total remuneration table.

The Company adopted Option A in the regulations to calculate the pay ratios because this is considered to be the most statistically robust methodology. Under Option A the total pay and benefits has been calculated on a full-time equivalent basis to identify the 25th percentile, median and 75th percentile people. No elements of pay have been omitted from the calculation and there has been no deviation from the single figure methodology.

CEO pay was consistent in the 2022 pay ratio reporting with the prior year. Following the acquisition of Needlers Holdings Limited and John Liscombe Limited and their subsidiaries in the year ended 31 March 2021, their people were included for the first time in the 2022 pay ratio calculation, the majority of whom are employed in entry level roles. This combined with a substantial increase in the bonus performance of 80.8% of maximum paid in June 2021 and the lower LTIP vesting value, has resulted in little variance year over year compared to the 2021 pay ratio reporting. It should be noted that a significant portion of CEO pay is delivered via the LTIP, the value of which is variable and linked to long-term performance targets and to the Company's share price movements over the longer term. In the 2022 pay ratio reporting, 40% of the CEO's remuneration was based on the LTIP as it vested at 74.7% of the maximum opportunity.

In line with the Company's reward practices, the median pay ratio employee receives a base salary at market rates for their role and is eligible for the full range of benefits available to employees of the same level within the organisation.

It is important that our people also have the opportunity to share in the success of the business that they help create. We achieved this in the 2021/22 year through:

- Providing a SAYE plan to help our UK employees become business owners.
- Providing a phantom share save plan in those countries outside the UK where it is legally possible to do so (which is cash settled for participants).
- Providing the opportunity to 85% of our employees at all levels of the organisation to participate in an annual bonus programme.

### Relative importance of spend on pay

The graphs below show total dividend paid by the Company to shareholders and expenditure on total employee pay for the year and the prior year, and the percentage change year on year.

## Dividend (£m)

7%


## Total employee pay expenditure (£m)

21%


The total employee pay expenditure figures above include labour exit costs set out in Note 8 on page 152.



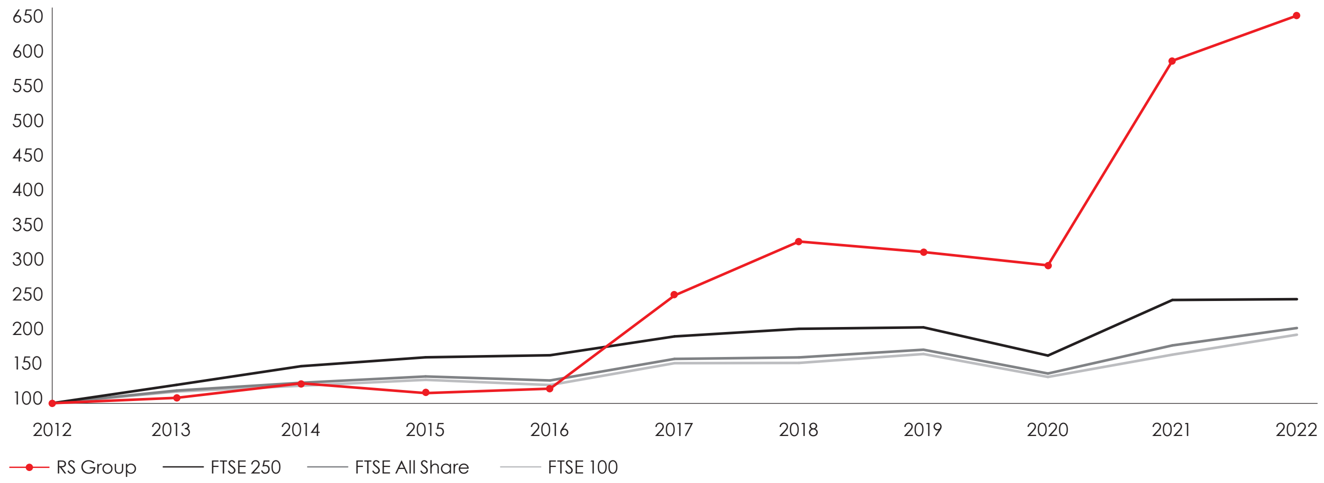


## Performance graph and table

The following graph shows the 10-year TSR performance of the Company relative to the FTSE 250, FTSE 100 and All Share Indices. The FTSE All Share, FTSE 100 and FTSE 250 are broad equity market indices of which RS Group plc has been a member in this period. The table below details the CEO's single figure of remuneration for the same period.

### Total shareholder return

(Value of £100 invested on 31 March 2012)




Source: Datastream

| CEO single figure of remuneration (£000) | Year ended 31 March 2013 | Year ended 31 March 2014 | Year ended 31 March 2015 | Year ended 31 March 2016 | Year ended 31 March 2017 | Year ended 31 March 2018 | Year ended 31 March 2019 | Year ended 31 March 2020 | Year ended 31 March 2021 | Year ended 31 March 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Ian Mason | Ian Mason | Ian Mason | Lindsley Ruth | Lindsley Ruth | Lindsley Ruth | Lindsley Ruth | Lindsley Ruth | Lindsley Ruth | Lindsley Ruth |
| CEO total remuneration | 1,223 | 1,287 | 891 | 2,072 | 1,401 | 4,410 | 4,421 | 2,551 | 2,578 | **2,976** |
| Annual bonus award (as a % of maximum opportunity) | 3.7% | 89.1% | 16.9% | 23.8% | 82.5% | 90.1% | 68.0% | 21.7% | 80.8% | **80.0%** |
| LTIP vesting (as a % of maximum opportunity) | 55.5% | 0% | 0% | N/A[1] | N/A[1] | 100% | 100% | 91.3% | 74.7% | **46.0%** |

1. Lindsley Ruth joined the Company in 2015 and therefore did not receive any vested LTIP awards in 2016 and 2017.

## Director shareholdings (audited)

The interests of the Directors and their connected persons in the Company's ordinary shares are shown below, together with total share awards and share options and information on whether the Executive Directors had met their shareholding requirements at 31 March 2022. For 2021/22, Executive Directors were expected to build up a personal holding of 250% of salary in RS Group plc shares. Under the 2022 Remuneration Policy, this will be increased to 400% of salary in RS Group plc shares.

| | | | | | Share awards held | | Options held |
|---|---|---|---|---|---|---|---|
| | Owned outright[1] | Shareholding guideline % base salary | Current holding % salary | Guideline met? | LTIP unvested, subject to performance (A) | DSBP unvested, not subject to performance (B) | SAYE unvested, but not subject to performance (C) |
| Lindsley Ruth | 972,520 | 250% | 1,539% | Yes | 631,390 | 55,409 | 5,235 |
| David Egan | 370,681 | 250% | 898% | Yes | 384,234 | 36,195 | 3,640 |
| Alex Baldock | – | | | | | | |
| Bertrand Bodson | 20,000 | | | | | | |
| Louisa Burdett | – | | | | | | |
| Rona Fairhead | 49,976 | | | | | | |
| Bessie Lee | – | | | | | | |
| Simon Pryce | 28,000 | | | | | | |
| David Sleath | 10,590 | | | | | | |
| Joan Wainwright | – | | | | | | |

1. The number of shares is shown as at 31 March 2022, or where relevant the date of cessation.

The value of the shares used to calculate whether the shareholding guideline is met is 1,057.19p, being the average share price over the three months ended 31 March 2022. Between the year end and the date of this Annual Report and Accounts, there has been no movement in Directors' shareholdings. Details of the scheme interests contained in columns A–C are provided in the tables on the next page.

## Director's share scheme interests (audited)

### Share awards

| | Scheme | Notes | Date of award | Shares awarded at 1 April 2021 | Awarded during the year | Vested during the year | Lapsed during the year | Shares awarded at 31 March 2022 | Normal vesting date |
|---|---|---|---|---|---|---|---|---|---|
| Lindsley Ruth | LTIP | 1 | 7 Jun 18 | 195,795 | – | 97,505 | 98,290 | – | 7 Jun 21 |
| | | | 18 Jul 19 | 269,959 | – | – | – | 269,959 | 18 Jul 22 |
| | | | 19 Nov 20 | 195,486 | – | – | – | 195,486 | 4 Jun 23 |
| | | | 24 Jun 21 | – | 165,945 | – | – | 165,945 | 24 Jun 24 |
| | DSBP | 2 | 3 Jun 19 | 34,852 | – | 34,852 | – | – | 3 Jun 21 |
| | | | 8 Jun 20 | 30,216 | – | – | – | 30,216 | 8 Jun 22 |
| | | | 9 Jun 21 | – | 25,193 | – | – | 25,193 | 9 Jun 23 |
| **Total** | | | | **726,308** | **191,138** | **132,357** | **98,290** | **686,799** | |
| David Egan | LTIP | 1 | 7 Jun 18 | 106,584 | – | 53,078 | 53,506 | – | 7 Jun 21 |
| | | | 18 Jul 19 | 148,133 | – | – | – | 148,133 | 18 Jul 22 |
| | | | 19 Nov 20 | 127,699 | – | – | – | 127,699 | 4 Jun 23 |
| | | | 24 Jun 21 | – | 108,402 | – | – | 108,402 | 24 Jun 24 |
| | DSBP | 2 | 3 Jun 19 | 22,767 | – | 22,767 | – | – | 3 Jun 21 |
| | | | 8 Jun 20 | 19,738 | – | – | – | 19,738 | 8 Jun 22 |
| | | | 9 Jun 21 | – | 16,457 | – | – | 16,457 | 9 Jun 23 |
| **Total** | | | | **424,921** | **124,859** | **75,845** | **53,506** | **420,429** | |

1. All awards made to the Executive Directors under the LTIP are subject to performance conditions set out on page 114. The normal vesting date for the LTIP is the third anniversary of grant, the 2018 LTIP vested on 15 June 2021.
2. DSBP awards are subject to the terms set out on pages 113 and 114.

### Share Options

| | Scheme | Date of grant | Vesting date | Expiration date | Exercise price | Shares under option 1 April 2021 | Granted during the year | Exercised during the year | Lapsed during the year | Shares under option 31 March 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| Lindsley Ruth | SAYE | 7 Sep 20 | 1 Nov 25 | 30 Apr 26 | 573.00p | 5,235 | – | – | – | **5,235** |
| **Total** | | | | | | 5,235 | – | – | – | **5,235** |
| David Egan | SAYE[1] | 22 Jun 16 | 1 Sep 21 | 28 Feb 22 | 229.00p | 13,100 | – | 13,100 | – | – |
| | SAYE[2] | 10 Sep 21 | 1 Nov 26 | 30 Apr 27 | 824.00p | – | 3,640 | – | | 3,640 |
| **Total** | | | | | | 13,100 | 3,640 | 13,100 | – | **3,640** |

1. David Egan exercised his SAYE options and retained the shares, the share price on the date of exercise was 1,090.00p.
2. The exercise price for the award granted during the year was calculated using the average share price on 13, 16 and 17 August 2021 and includes the 20% discount to the average share price.

## Remuneration Committee

The task of the Committee is to consider the remuneration packages designed to promote the long-term success of the Company and to ensure that Executive Directors and other senior employees are compensated appropriately for their contributions to the Group's performance. The Committee also considers the remuneration of the Company Chair. The Board as a whole considers and determines the remuneration of the Non-Executive Directors. No individual was present while decisions were made regarding their own remuneration. During the year under review, there were two changes to the Committee as Joan Wainwright was appointed to the Committee in July 2021 and Alex Baldock was appointed to the Committee in September 2021.

Details of the skills and experience of the Committee members are given in their biographies on pages 88 and 89. In addition, the Company Chair, CEO, CFO, other Board members, Company Secretary and SVP Professional Services and Chief People and Culture Officer were invited to attend Committee meetings to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers, other than in relation to their own remuneration. The Company Secretary acts as Secretary to the Committee.

Further details of matters discussed at Committee meetings which took place during the year are available in the corporate governance section of our corporate website, and attendance by individual Committee members at meetings is detailed on page 87.

## Advisors

Deloitte LLP was appointed by the Committee following a tender process and has provided independent advice to it since 2015. Deloitte is a founding member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consultancy in the UK (details of which can be found at www.remunerationconsultantsgroup.com).

During the year Deloitte provided advice in a number of areas, including:
- Independent advice to support the Committee in setting performance targets and to develop the 2022 Remuneration Policy
- Support in drafting the Directors' Remuneration Reports for the years ended 31 March 2022 and 2021
- Updates to the Committee on regulatory changes and the investor environment

Deloitte provides advice to the Company regarding globally mobile employees but the Committee does not consider that this jeopardises the independence of Deloitte, which operates in line with the Code of Conduct described above. Deloitte's fees for the provision of executive remuneration consultancy services to the Committee during the year, charged on a time and materials basis, totalled £82,150.

## Executive Directors' service contracts

Lindsley Ruth and David Egan entered into service contracts with the Company on 1 April 2015 and 1 March 2016 respectively. These contracts have no fixed term and will continue until terminated by either party providing 12 months' notice.

## Non-Executive Directors' letters of engagement

Non-Executive Directors have letters of engagement which set out their duties and time commitment expected. Details of length of service are set out below:

| | | Length of service as at 31 March 2022 | |
|---|---|---|---|
| Name | Date of appointment | Years | Months |
| Alex Baldock | 1 Sep 21 | **0** | **6** |
| Louisa Burdett | 1 Feb 17 | **5** | **2** |
| Rona Fairhead | 1 Nov 20 | **1** | **5** |
| Bessie Lee | 1 Mar 19 | **3** | **1** |
| Simon Pryce | 26 Sep 16 | **5** | **6** |
| David Sleath | 1 Jun 19 | **2** | **10** |
| Joan Wainwright | 1 Nov 19 | **2** | **5** |

## Summary of shareholder voting

Summarised below are the results at the 2019 AGM vote on the Directors' Remuneration Policy and the 2021 AGM vote on the Directors' Remuneration Report (excluding the part summarising the policy):

| 2019 vote on Directors' Remuneration Policy | Total number of votes | % of votes cast |
|---|---|---|
| For (including discretionary) | 323,872,303 | 85.17 |
| Against | 56,405,880 | 14.83 |
| Total votes cast (excluding withheld votes) | 380,278,183 | |
| Votes withheld | 286,904 | |
| **Total votes (including withheld votes)** | **380,565,087** | |

| 2021 vote on Directors' Remuneration Report (excluding the part summarising the policy) | Total number of votes | % of votes cast |
|---|---|---|
| For (including discretionary) | 398,679,384 | 98.14 |
| Against | 7,575,272 | 1.86 |
| Total votes cast (excluding withheld votes) | 406,254,656 | |
| Votes withheld | 149,414 | |
| **Total votes (including withheld votes)** | **406,404,070** | |

The Committee welcomes the support received from shareholders at the AGM for remuneration at RS Group plc.

## Terms of Reference

The Remuneration Committee responsibilities are set out in its Terms of Reference, which can be found in the corporate governance section of the Company's website: **rsgroup.com.**

# Additional disclosures

## The Directors present their report and the audited financial statements of RS Group plc (formerly Electrocomponents plc) (Company) together with its subsidiary undertakings (Group) for the year ended 31 March 2022.

This section (together with the information on pages 84 to 129 and other information cross-referenced by this section which is incorporated by reference) constitutes the Directors' Report for the purposes of the Companies Act 2006 (Companies Act).

The Directors' Report together with the Strategic Report on pages 1 to 83 form the management report for the purposes of Rule 4.1.8R of the Disclosure Guidance and Transparency Rules. The Company has chosen, in accordance with the Companies Act section 414C(11), to include the disclosure of likely future developments in the Strategic Report.

### A summary of general disclosures (incorporated in this Directors' Report)

The following information required to be disclosed in this Directors' Report (in accordance with Listing Rule (LR) 9.8.4R and otherwise) is set out on the page numbers below:

| | Page numbers |
|---|---|
| Likely future developments | 7, 18 to 25 |
| Policy on disability[1] | 72 |
| Employee engagement[1] | 8, 34, 35, 39, 59, 69 to 71, 92 to 95 |
| Other stakeholder engagement | 34, 35, 39, 58 to 68 and 92 to 94 |
| Greenhouse gas emissions[1] | 62 |
| Names of Directors who served during the year | 88 and 89 |
| Details of employee share schemes | 115, 152 to 155 |
| Subsidiary and associated undertakings and branches | 176 to 179 |
| Risk management (including hedging) and financial instruments | 167 to 168 |
| Activity on Company culture | 6, 22, 23, 90 |
| Interest capitalised by the Group | 163 |
| Long-term incentive schemes | 114, 152 to 155 |

1. Information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and included in the Strategic Report.

### Results and dividends

Results for the year are set out in the Group income statement on page 140. The Directors have declared dividends as follows:

| Ordinary shares | |
|---|---|
| Paid interim dividend of 6.4p per share (paid on 7 January 2022) | 2020/21: 6.1p per share |
| Proposed final dividend of 11.6p per share (to be paid on 22 July 2022) | 2020/21: 9.8p per share |
| Total ordinary dividend of 18.0p per share for year ended 31 March 2022 | 2020/21: 15.9p per share |

The trustees of the Electrocomponents plc Employee Benefit Trust have waived their right to receive dividends over their total holding of 315,768 ordinary shares as at 31 March 2022.

### Share capital

As at 31 March 2022, the Company's issued share capital comprised a single class of 471,022,022 ordinary shares of 10p each, totalling £47,102,202.

Full details of share options, awards and shares issued under the terms of the Company's share incentive plans can be found in Note 9 on pages 152 to 155.

The Company was authorised by shareholders at the Annual General Meeting (AGM) held on 15 July 2021 to purchase up to 5% of its ordinary share capital in the market. The Company did not make use of this authority during the year. This authority will expire at the end of the 2022 AGM and the Company is proposing a resolution to renew it for another year.

### Engagement with people, customers, suppliers and others

A summary of the methods we use to engage with our people, customers, suppliers and our other key stakeholders, are provided on pages 34 and 35, while details of Board engagement is provided throughout the Corporate Governance Report, primarily on page 94 and 95. The section 172(1) statement can be found on page 83 and details of principal decisions taken by the Board during 2021/22 can be found on pages 92 to 94.

### Directors' indemnities

In accordance with the relevant provisions of the Companies Act and the Company's Articles of Association (Articles), the Company entered into a deed in 2007 to indemnify the Directors and officers (from time to time) of the Company to the extent permitted by law. A copy of this indemnity (which remains in force as of the date on which this Directors' Report was approved) is available at the registered office of the Company.

The Company purchased and maintained Directors' and Officers' liability insurance throughout 2021/22, which was renewed for 2022/23. Neither the indemnity nor insurance provides cover in the event that a Director or Officer is proved to have acted fraudulently.

### Political contributions

In the year ended 31 March 2022, the Group made no political donations or contributions.

### AGM

The Notice of AGM is set out in a separate circular. The AGM will be held at 12.00pm on Thursday, 14 July 2022 at Allen & Overy LLP, One Bishops Square, London E1 6AD. This year we are offering shareholders a choice to attend in person or remotely via a virtual platform. The safety of our people, shareholders and other stakeholders is of paramount importance to us and, although we are much better placed to deal with COVID-19, we will continue to take measures to reduce the risks associated with COVID-19. The virtual platform will enable shareholders to watch and listen to the proceedings, ask questions during the meeting and vote for the resolutions. Shareholders can also submit their votes in advance by appointing the Chair of the AGM as proxy, with voting instructions. Voting at the AGM will be on a poll. Shareholders can submit questions relating to the business of the meeting in advance to RCompanySecretarial@rsgroup.com. Further information is set out in the Notice of AGM.

### Disclosure of information to Auditor

The Directors who held office at the date of approval of this Directors' Report each confirm that, so far as they are aware, there is no relevant audit information of which the Auditor is unaware and that each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

### Conflicts of interest

The Company's Articles give the Board power to authorise situations that might give rise to Directors' conflicts of interest. The Board has in place a formal conflicts of interest management procedure. The Board is responsible for considering whether authorisation is required, and if it can be given, in relation to new situations as they arise. The Board reviews annually any conflict authorisations it has given and any limitations that have been applied.

### Important events since 31 March 2022

In the period between 1 April 2022 to 24 May 2022, no important events have taken place that materially impact the Group.

### Substantial shareholders

The Company had been advised under the Financial Conduct Authority's Listing Rules and Disclosure Guidelines and Transparency Rules, or had ascertained from its own analysis, the following shareholders held interests in the voting rights of the Company's issued share capital as at 31 March 2022 and up to the date of this Report:

| Shareholder | Number of shares | Percentage held |
|---|---|---|
| Ameriprise Financial, Inc.[1] | 74,208,207 | 15.75% |
| BlackRock, Inc. | 39,520,484 | 8.39% |
| Mawer Investment Management | 21,214,251 | 4.50% |
| The Vanguard Group, Inc | 18,860,825 | 4.00% |
| Jupiter Investment Management Holdings | 17,792,473 | 3.78% |
| Abrdn plc | 16,902,684 | 3.59% |

1. Ameriprise Financial, Inc. includes Threadneedle Asset Management Holdings Ltd.

A full breakdown of our major shareholders ascertained by our own analysis is available on our corporate website.

### Restrictions on voting rights

A member is not entitled to vote (in person or by proxy) at any general meeting or class meeting if either: (i) any call or other sum then payable by that member in respect of that share remains unpaid; or (ii) that member has been served with a notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act. Voting rights may be exercised in person, by proxy or, in relation to corporate members, by a corporate representative. Proxy forms must be submitted not less than 48 hours before the time of the meeting or adjourned meeting.

### Restrictions on transfer of shares

The Directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully paid shares) provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The Directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly, in which case notice of the refusal must be sent to the allottee or transferee within two months after the date on which the letter of allotment or transfer was lodged with the Company. A shareholder does not need to obtain the approval of the Company, or of other shareholders in the Company, for a transfer of shares to take place.

### Appointment and replacement of Directors

Directors shall be no less than three and no more than 15 in number. The Company may by ordinary resolution increase or reduce the maximum or minimum number of Directors. The rules about the appointment and replacement of Directors are contained in the Company's Articles. The Articles provide that: (i) each Director shall retire at the AGM held in the third calendar year following the year in which they were elected or last re-elected, or at such earlier AGM as the Directors may resolve; and (ii) each Director (other than the Chair and any Director holding an executive office) shall retire at each AGM following the ninth anniversary of the date on which they were elected. A retiring Director is eligible for re-election. The Articles further provide that the Board may appoint any person to be a Director (so long as the total number of Directors does not exceed the limit prescribed in the Articles). Any such Director shall hold office only until the next AGM and shall then be eligible for re-election. The Board has agreed that all Directors will retire and seek election or re-election at each AGM, in accordance with the UK Corporate Governance Code.

### Powers of the Directors

Subject to the Articles, the Companies Act and any directions given by special resolution, the business of the Company will be managed by the Board, who may exercise all the powers of the Company. The Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertaking, property and uncalled capital and to issue debentures other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

### Significant agreements: change of control

The Company has a number of contractual arrangements which it considers essential to the business of the Company. Specifically, these are committed loan facilities from a number of banks and arrangements with third-party providers of administrative services. A change of control of the Company may cause some agreements to which the Company is a party to alter or terminate. These include bank facility agreements and employee share plans, which would normally vest and become exercisable on a change of control subject to the satisfaction of any performance conditions at that time. The Group had committed facilities totalling £451.7 million as at 31 March 2022 which contain clauses which require lender consent for any change of control. Should consent not be given, a change of control would trigger mandatory repayment of the said facilities.

### Amendment of Articles of Association

Any amendments to the Articles of the Company may be made in accordance with the provisions of the Companies Act by way of a special resolution. Updated Articles were approved by shareholders at the AGM in 2021/22.

The Directors' Report was approved by the Board on 24 May 2022 and signed on its behalf by:

**Clare Underwood**
Company Secretary

# Directors' responsibility statement

## Responsibility of Directors for annual report and accounts

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulation.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have prepared the Group accounts in accordance with international accounting standards in conformity with the Companies Act 2006 and prepared in accordance with UK-adopted international accounting standards (UK IAS) and Company accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the accounts, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable UK IAS have been followed for the Group accounts and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the Company accounts, subject to any material departures disclosed and explained in the accounts;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the accounts and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 88 and 89 confirm that, to the best of their knowledge:

- The Company accounts, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- The Group accounts, which have been prepared in accordance with UK IAS, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's Auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's Auditors are aware of that information.

By order of the Board:

**Lindsley Ruth**
Chief Executive Officer

**David Egan**
Chief Financial Officer





# Independent Auditors' report to the members of RS Group plc (formerly Electrocomponents plc)

## Report on the audit of the accounts

### Opinion

In our opinion:

- RS Group plc (formerly Electrocomponents plc)'s Group accounts and Company accounts (the accounts) give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2022 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group accounts have been properly prepared in accordance with UK-adopted international accounting standards;
- the Company accounts have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and applicable law); and
- the accounts have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the accounts, included within the Annual Report and Accounts (the Annual Report), which comprise: the Group and the Company balance sheets as at 31 March 2022; the Group income statement and the Group statement of comprehensive income, the Group cash flow statement, the Group and Company statements of changes in equity for the year then ended; and the notes to the accounts, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 6 to the Group accounts, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

## Our audit approach

### Overview

Audit scope

- We identified 8 reporting units and used component teams in 6 countries which, in our view, required a full scope audit based on their size.
- In addition, we used component teams to perform audit procedures on specific accounts line items of 4 components, with the Group engagement team performing audit procedures on specific accounts line items of 3 components.
- The Group consolidation, accounts disclosures and a number of other items (including taxation, Group bonus accrual, goodwill, treasury, share-based payments and UK retirement benefit obligations) prepared by the head office finance function, were audited by the Group engagement team.
- The components that are part of our audit scope as set out above account for 77% of Group revenue and 84% of Group profit before tax, substantial reorganisation costs, substantial asset write-downs and acquisition-related items.
- This year we have also specifically set out our consideration of the impact of climate change on the audit which is further explained below. The Group explains the impact of climate change on its business within the TCFD section of the Strategic Report. In planning and executing our audit we have considered the Group's climate risk assessment process and this, together with discussions with our own climate change experts, provided us with a good understanding of the potential impact of climate change on the accounts. Management has assessed that the most likely impacted accounts line items and estimates are those associated with future cash flows since the impact of climate change is expected to become more notable in the medium to long term. While auditing these forecast cash flows, we have challenged management on reflecting the impact of climate change and any climate change related commitments in the forecasts. We have not identified any matters as part of this work which are inconsistent the disclosures in the Annual Report or lead to any material adjustments to the accounts.

Key audit matters

- Inventory obsolescence provision (Group)
- Defined benefit pension scheme liabilities (Group)
- Tax provisioning (Group)
- Carrying value of investments (Company)

Materiality

- Overall Group materiality: £15.00 million (2020/21: £9.70 million) based on approximately 5% of Group profit before tax, substantial reorganisation costs, substantial asset write-downs and acquisition-related items.
- Overall Company materiality: £4.49 million (2020/21: £4.50 million) based on approximately 0.5% of net assets.
- Performance materiality: £11.25 million (2020/21: £7.28 million) (Group) and £3.36 million (2020/21: £3.38 million) (Company).

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accounts.

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the accounts of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

'Carrying value of investments' is a new key audit matter this year. 'Fair value of acquired intangibles' and 'Impact of COVID-19 pandemic', which were key audit matters last year, are no longer included because there have been no new acquisitions during the year and the impact of the COVID-19 pandemic is now better understood and managed. Otherwise, the key audit matters below are consistent with last year.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Inventory obsolescence provision (Group)**<br>Refer to page 102 (Audit Committee Report), page 144 (Note 1 Basis of preparation) and page 165 (Note 18 Inventories). | |
| The balance of gross inventories at 31 March 2022 was £559.2 million (2020/21: £460.4 million), against which a provision of £29.7 million (2020/21: £40.6 million) was held.<br><br>The Group's business model is based on having the broadest range in the industry and delivering products on time, often the next day.<br><br>This results in large quantities of inventory comprising many different types of product, being held for long periods of time which raises the risk of inventory obsolescence.<br><br>The inventory provision is calculated on an inventory cover basis with the underlying calculation based on appropriate product categorisation and assumptions over historic sales trends, provision rates and recoverable amounts.<br><br>The inventory provision is calculated within the Group's accounting systems using an automated process. Where necessary, manual overlays are applied to this provision to account for unusual circumstances that may have arisen during the year or where there is a right of return in place. | For the year-end inventory provision, we assessed the completeness of the data used by the Group's accounting system to calculate the provision by agreeing the sub-ledger to the general ledger. We recalculated the provision to ensure mathematical accuracy and consistency of application with the methodology. We noted no material exceptions.<br><br>We assessed the reasonableness of management's estimates regarding the future annual sales and the obsolescence percentage applied by comparing these assumptions to historical sales and historical write-offs. We found the assumptions to be reasonable.<br><br>We tested manual overlays to the automated calculation by validating the circumstances relating to the adjustments or whether there was a right of return under the contractual arrangements. We noted no material exceptions.<br><br>In assessing management's consideration of the estimation uncertainty within the inventory obsolescence provisioning, we reviewed management's sensitivity assessment which considered an increase in inventory cover days and provisioning rates.<br><br>Based on our review, we did not disagree with management's conclusions that based on the information available at the time of the Board's approval of the accounts, such sensitivities would not result in a material change to the inventory provision. |
| **Defined benefit pension scheme liabilities (Group)**<br>Refer to page 102 (Audit Committee Report), page 144 (Note 1 Basis of preparation) and pages 155 to 159 (Note 10 Retirement benefit obligations). | |
| The Group has net retirement benefit obligations of £12.4 million at 31 March 2022 (2020/21: £55.7 million), which are significant in the context of the overall balance sheet.<br><br>The net retirement benefit obligations in respect of the UK scheme is £nil (2020/21: £41.2 million). This is after the application of asset ceiling to the scheme surplus of £24.9 million due to the Group not having an unconditional right to the surplus that may arise on the scheme.<br><br>The £12.4 million is made up of immaterial amounts in respect of European defined benefit pension and retirement indemnity schemes.<br><br>The valuation of pension plan liabilities requires estimation in determining appropriate assumptions such as salary increases, mortality rates, discount rates and inflation levels. Movement in these assumptions can have a material impact on the determination of the liabilities. Management uses external actuaries to assist in determining these assumptions. | We used our actuarial experts to assess whether the assumptions used in calculating the defined benefit liabilities for the UK scheme were reasonable. We assessed whether salary increases and mortality rates assumptions were consistent with the specifics of each plan and, where applicable, with relevant national benchmarks.<br><br>We also assessed whether the discount rate and inflation rates were consistent with our internally developed benchmarks and in line with other companies' recent external reporting. We evaluated the calculations prepared by the external actuaries to assess the consistency of the assumptions and methodologies applied.<br><br>Based on our procedures, we noted that the assumptions in respect of future improvements in mortality, discount rate and commutation assumptions are at the optimistic end of an acceptable range. Overall, we consider valuation of the UK defined benefit scheme liabilities to be reasonable.<br><br>We reviewed the related disclosures in Note 10 of the Group accounts which also included the sensitivity analyses in respect of changes in significant assumptions and consider these disclosures to be appropriate. |
| **Tax Provisioning (Group)**<br>Refer to page 103 (Audit Committee Report), page 144 (Note 1 Basis of preparation) and pages 159 and 160 (Note 11 Taxation). | |
| Due to the Group operating across a number of different tax jurisdictions it is subjected to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. These challenges include transaction related tax matters and financing and transfer pricing arrangements arising from centralised functions that drive value across a number of different countries.<br><br>The Group continues to provide for uncertain tax positions in respect of transfer pricing and other matters. The provision is based on the estimates of the potential outcome of audits by tax authorities in jurisdictions in which the Group operates and totals £8.3 million (2020/21 restated: £7.8 million). | In relation to the uncertain tax positions for territories within the Group's transfer pricing policy, we reviewed management's calculation of the tax provision, which considers the risk from the overseas countries' perspective.<br><br>We have reassessed this for developments in the year and noted that it remains consistent with the conclusions reached by our own transfer pricing specialists. We have also considered the position on transfer pricing with respect to entities outside the Group's transfer pricing policy.<br><br>We assessed key country technical tax issues and risks related to the business and legislative developments using, where applicable, our local and international tax specialists. We also considered any new developments in the application of these laws based on our knowledge of tax legislation and the current position adopted by tax authorities on similar matters. We further performed analysis on the provisions to assess the risk that challenge on transfer pricing could arise from opposing territories.<br><br>Where individual countries' tax authorities have either started enquiries or concluded on the Group's tax position in key jurisdictions, we have reviewed the associated correspondence and utilised our own specialists to assess the accuracy of management's estimates.<br><br>We considered the progress of audits during the year to assess the accuracy of management's estimates of potential tax exposures. We found management's judgements on likely exposure and overall position to be supportable.<br><br>We also evaluated whether the liabilities and potential exposures were appropriately disclosed in the Group accounts and found the relevant disclosures to be appropriate. |
| **Carrying value of investments (Company)**<br>Refer to page 183 (Note 8 Investments in subsidiaries in the Company accounts). | |
| The Company holds investments in subsidiaries amounting to £343.0 million at 31 March 2022 (2020/21: £330.0 million).<br><br>Investments in subsidiaries are accounted for at cost less provision for impairment in the Company balance sheet. Investments are tested for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of investments in subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognised in the profit and loss account.<br><br>The impairment assessment was identified as a key audit matter given the size of the underlying investment carrying values in the Company accounts at 31 March 2022. The assessment requires the application of management judgement, particularly in determining whether any impairment indicators have arisen that trigger the need for an impairment assessment and in assessing whether the carrying value of each investment can be supported by its recoverable amount. | We evaluated management's assessment of whether any indicators of impairment existed by comparing the carrying values of investments in subsidiaries to the net assets of the underlying subsidiaries at 31 March 2022 and noted that the carrying values of the investments were recoverable based on the net assets of the subsidiaries.<br><br>Based on the procedures performed, we concur with management that there are no indicators of impairment in respect of investment in subsidiaries. |

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the accounts as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group's accounting process is structured around a local finance function in most of the Group's country reporting units. These functions maintain their own accounting records and controls (although transactional processing and certain controls for many reporting units are performed at the Group's EMEA, Americas and Asia Pacific centres of expertise) and report to the head office finance team through an integrated consolidation system.

In establishing the overall approach to the Group audit, we determined that we needed to conduct audit work over the complete financial information of RS UK, RS Germany, RS France, RS Italy, RS Shanghai, Allied Electronics, Inc., Allied Electronics (Canada), Inc., and RS Group plc (formerly known as Electrocomponents plc). In each country we used PwC component auditors to audit and report on the aggregated financial information of that component. This work is supplemented by audit procedures over specific balances performed on IESA Limited, Needlers Limited, Bodenfeld Immobilien GmbH, Synovos, Inc., Synovos Singapore Pte. Ltd., RS Australia and RS Hong Kong and procedures performed centrally on the Group consolidation, accounts disclosures, taxation, Group bonus accrual, goodwill, treasury, share-based payments, UK retirement benefit obligations, acquisition accounting and certain component balances not covered by local country component teams.

Where the work was performed by component auditors, under our instruction, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group accounts as a whole. We maintained regular communication with the local teams, before, during and after their audit. We directed the work of component teams, reviewed their approach and findings, and participated in the closing meetings of the significant and material components.

The components that are part of our audit scope as set out above account for 77% of Group revenue and 84% of Group profit before tax, substantial reorganisation costs, substantial asset write-downs and acquisition-related items.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual accounts line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the accounts as a whole.

Based on our professional judgement, we determined materiality for the accounts as a whole as follows:

| | Accounts – Group | Accounts – Company |
|---|---|---|
| **Overall materiality** | £15.00 million (2020/21: £9.70 million) | £4.49 million (2020/21: £4.50 million) |
| **How we determined it** | Approximately 5% of Group profit before tax, substantial reorganisation costs, substantial asset write-downs and acquisition-related items | Approximately 0.5% of net assets |
| **Rationale for benchmark applied** | We believe that profit before tax adjusted for one-off items is the key measure used by the shareholders as a body in assessing the Group's performance. We consider that excluding the substantial reorganisation costs, substantial asset write-downs and acquisition-related items is appropriate as this provides us with a consistent year-on-year basis for determining materiality by eliminating the non-recurring impact of these items. | We believe that net assets is the primary measure used by the shareholders in assessing the performance and position of the entity as it reflects the Company's principal activity as a holding company and is a generally accepted auditing benchmark. |

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1.0 million and £5.4 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020/21: 75%) of overall materiality, amounting to £11.25 million (2020/21: £7.28 million) for the Group accounts and £3.36 million (2020/21: £3.38 million) for the Company accounts.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.75 million (Group audit) (2020/21: £0.485 million) and £0.224 million (Company audit) (2020/21: £0.225 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.





### Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- understanding of the mechanics and key inputs into the going concern model and holding discussions with Group management and regional finance to obtain an understanding of the trading performance and future outlook for their respective markets;
- agreeing management's cash flow projections to the latest Board approved forecasts, assessing how the forecasts have been compiled and assessing the accuracy of management's forecasts;
- evaluating the key assumptions within the forecasts;
- reviewing the terms of the existing debt and facilities;
- considering the potential downside sensitivities that management had applied and their likelihood and whether more severe scenarios could apply and the associated impact on available liquidity;
- assessing management's stress testing and whether this appropriately considered the principal risks facing the business and the likelihood of events arising that could erode liquidity within the forecast period;
- assessing the performance of the Group since year end and comparing it with the Board approved cash flow forecasts; and
- reviewing the disclosures within the Annual Report and validating that it accurately described management's going concern considerations.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the accounts are authorised for issue.

In auditing the accounts, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the accounts is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the accounts about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the accounts and our auditors' report thereon. The Directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2022 is consistent with the accounts and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### Corporate governance statement
The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate Governance Report, is materially consistent with the accounts and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:
- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the accounts about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the accounts;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the accounts and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the accounts and our knowledge obtained during the audit:
- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the UK Corporate Governance Code does not properly disclose a departure from a relevant provision of the UK Corporate Governance Code specified under the Listing Rules for review by the auditors.

### Responsibilities for the accounts and the audit
#### Responsibilities of the Directors for the accounts
As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the accounts
Our objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Listing Rules of the Financial Conduct Authority (FCA), pensions legislations, UK and other relevant tax legislation, and we considered the extent to which non-compliance might have a material effect on the accounts. We also considered those laws and regulations that have a direct impact on the accounts such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the accounts (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:
- discussions with management, legal counsel and the internal audit function, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- assessment of matters reported on the Group's whistleblowing helpline and results of management's investigation of such matters;
- challenging assumptions made by management in its significant and other key accounting estimates in particular in relation to defined benefit pension scheme liabilities, inventory obsolescence provisions and uncertain tax positions; and
- identifying and testing higher risk journal entries, in particular any journal entries posted with unusual account combinations, journals posted by senior management, or unauthorised users or super-user access and consolidation journals.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

#### Use of this report
This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting
### Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company accounts and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Appointment
Following the recommendation of the Audit Committee, we were appointed by the members on 11 August 2014 to audit the accounts for the year ended 31 March 2015 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 March 2015 to 31 March 2022.

## Other matter
As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these accounts form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

**Sandeep Dhillon (Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 May 2022

# Group income statement

## For the year ended 31 March 2022

| | Notes | 2022 £m | 2021 £m |
|---|---|---|---|
| **Revenue** | 2,3,5 | **2,553.7** | 2,002.7 |
| Cost of sales | 6 | **(1,425.8)** | (1,146.7) |
| **Gross profit** | | **1,127.9** | 856.0 |
| Distribution and marketing expenses | | **(755.6)** | (630.1) |
| Administrative expenses | | **(63.5)** | (58.7) |
| **Operating profit** | 2,3,6 | **308.8** | 167.2 |
| Finance income | 7 | **1.0** | 1.8 |
| Finance costs | 7 | **(8.1)** | (8.6) |
| Share of profit of joint venture | 17 | **0.5** | 0.2 |
| **Profit before tax** | | **302.2** | 160.6 |
| Income tax expense | 11 | **(72.2)** | (35.1) |
| **Profit for the year attributable to owners of the Company** | | **230.0** | 125.5 |
| | | | |
| **Earnings per share** | | | |
| Basic | 12 | **48.9p** | 27.7p |
| Diluted | 12 | **48.6p** | 27.5p |

# Group statement of comprehensive income

## For the year ended 31 March 2022

| | Notes | 2022 £m | 2021 £m |
|---|---|---|---|
| **Profit for the year** | | **230.0** | 125.5 |
| | | | |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified subsequently to the income statement** | | | |
| Remeasurement of retirement benefit obligations | 10 | **21.8** | (22.5) |
| Income tax on items that will not be reclassified to the income statement | 11 | **(0.9)** | 4.3 |
| | | **20.9** | (18.2) |
| | | | |
| **Items that may be reclassified subsequently to the income statement** | | | |
| Foreign exchange translation differences of joint venture | | **0.1** | (0.1) |
| Foreign exchange translation differences | | **21.8** | (42.4) |
| Movement in cash flow hedges | | **1.4** | (4.5) |
| Income tax on items that may be reclassified to the income statement | 11 | **(0.3)** | 1.0 |
| | | **23.0** | (46.0) |
| **Other comprehensive income / (expense) for the year** | | **43.9** | (64.2) |
| **Total comprehensive income for the year attributable to owners of the Company** | | **273.9** | 61.3 |

The Notes on pages 144 to 179 form part of these Group accounts.





# Group balance sheet

## As at 31 March 2022

Company number: 647788

| | Notes | 2022 £m | 2021 restated[1] £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 14 | **473.3** | 466.4 |
| Property, plant and equipment | 15 | **177.3** | 170.2 |
| Right-of-use assets | 16 | **45.8** | 58.6 |
| Investment in joint venture | 17 | **1.5** | 1.1 |
| Other receivables | 19 | **3.0** | 2.9 |
| Interest rate swaps | 22 | **–** | 1.1 |
| Retirement benefit net assets | 10 | **0.3** | 0.8 |
| Deferred tax assets | 11 | **4.9** | 9.9 |
| **Total non-current assets** | | **706.1** | 711.0 |
| **Current assets** | | | |
| Inventories | 18 | **529.5** | 419.8 |
| Trade and other receivables | 19 | **594.3** | 493.6 |
| Cash and cash equivalents – cash and short-term deposits | 22 | **257.9** | 197.9 |
| Interest rate swaps | 22 | **0.1** | – |
| Other derivative assets | 21 | **1.4** | 2.2 |
| Current income tax receivables | | **11.9** | 21.3 |
| **Total current assets** | | **1,395.1** | 1,134.8 |
| **Total assets** | | **2,101.2** | 1,845.8 |
| **Current liabilities** | | | |
| Trade and other payables | 20 | **(584.1)** | (475.3) |
| Cash and cash equivalents – bank overdrafts | 22 | **(99.5)** | (111.5) |
| Other borrowings | 22 | **–** | (0.7) |
| Lease liabilities | 16,22 | **(16.7)** | (17.4) |
| Interest rate swaps | 22 | **(0.2)** | – |
| Other derivative liabilities | 21 | **(3.2)** | (2.0) |
| Provisions | 24 | **(2.6)** | (4.9) |
| Current income tax liabilities | | **(19.9)** | (20.0) |
| **Total current liabilities** | | **(726.2)** | (631.8) |
| **Non-current liabilities** | | | |
| Other payables | 20 | **(6.9)** | (6.8) |
| Retirement benefit obligations | 10 | **(12.7)** | (56.5) |
| Borrowings | 22 | **(151.7)** | (147.3) |
| Lease liabilities | 16,22 | **(32.0)** | (44.1) |
| Provisions | 24 | **(2.8)** | (2.0) |
| Deferred tax liabilities | 11 | **(60.4)** | (57.9) |
| **Total non-current liabilities** | | **(266.5)** | (314.6) |
| **Total liabilities** | | **(992.7)** | (946.4) |
| **Net assets** | | **1,108.5** | 899.4 |
| **Equity** | | | |
| Share capital | 25 | **47.1** | 47.0 |
| Share premium account | 25 | **231.4** | 228.5 |
| Hedging reserve | | **(0.7)** | (1.4) |
| Own shares held by Employee Benefit Trust (EBT) | 25 | **(3.0)** | (1.5) |
| Cumulative translation reserve | | **60.9** | 39.0 |
| Retained earnings | | **772.8** | 587.8 |
| **Equity attributable to owners of the Company** | | **1,108.5** | 899.4 |

1. Restated for measurement period adjustments for prior year acquisitions (Note 28).

The Notes on pages 144 to 179 form part of these Group accounts.

These Group accounts were approved by the Board of Directors on 24 May 2022 and signed on its behalf by:

**David Egan**
Chief Financial Officer

# Group cash flow statement

## For the year ended 31 March 2022

| | Notes | 2022 £m | 2021 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | **302.2** | 160.6 |
| Depreciation and amortisation | 2 | **63.7** | 56.5 |
| Loss on disposal of non-current assets | | **2.4** | 0.3 |
| Equity-settled share-based payments | 8,9 | **9.9** | 7.0 |
| Net finance costs | | **7.1** | 6.8 |
| Share of profit of and dividends received from joint venture | 17 | **(0.3)** | (0.2) |
| Increase in inventories | | **(102.1)** | (4.4) |
| Increase in trade and other receivables | | **(96.5)** | (32.6) |
| Increase in trade and other payables and retirement benefit obligations | | **82.4** | 35.5 |
| (Decrease) / increase in provisions | | **(1.7)** | 1.6 |
| **Cash generated from operations** | | **267.1** | 231.1 |
| Interest received | | **1.0** | 1.8 |
| Interest paid | | **(8.0)** | (10.1) |
| Income tax paid | | **(57.1)** | (35.2) |
| **Net cash from operating activities** | | **203.0** | 187.6 |
| | | | |
| **Cash flows from investing activities** | | | |
| Acquisition of businesses | 28 | **2.2** | (157.5) |
| Cash and cash equivalents acquired with businesses | | **–** | 22.0 |
| Aggregate of cash paid to acquire and cash and cash equivalents acquired with businesses | | **2.2** | (135.5) |
| Purchase of intangible assets, property, plant and equipment | | **(42.5)** | (54.7) |
| **Net cash used in investing activities** | | **(40.3)** | (190.2) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from the issue of share capital | | **3.0** | 179.5 |
| Purchase of own shares by EBT | | **(2.9)** | (1.6) |
| Loans repaid | | **(0.7)** | (24.3) |
| Payment of lease liabilities | | **(17.8)** | (16.4) |
| Dividends paid | 13 | **(76.2)** | (71.2) |
| **Net cash (used in) / generated from financing activities** | | **(94.6)** | 66.0 |
| | | | |
| **Net increase in cash and cash equivalents** | | **68.1** | 63.4 |
| Cash and cash equivalents at the beginning of the year | | **86.4** | 34.8 |
| Effect of exchange rate changes | | **3.9** | (11.8) |
| **Cash and cash equivalents at the end of the year** | 22 | **158.4** | 86.4 |

The Notes on pages 144 to 179 form part of these Group accounts.

# Group statement of changes in equity

## For the year ended 31 March 2022

| | Share capital £m | Share premium account £m | Hedging reserve £m | Own shares held by EBT £m | Cumulative translation reserve £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|---|---|
| **At 1 April 2020** | 44.6 | 51.4 | – | (0.7) | 81.5 | 543.1 | 719.9 |
| Profit for the year | – | – | – | – | – | 125.5 | 125.5 |
| Remeasurement of retirement benefit obligations | – | – | – | – | – | (22.5) | (22.5) |
| Foreign exchange translation differences | – | – | – | – | (44.7) | – | (44.7) |
| Fair value gain on net investment hedges | – | – | – | – | 2.2 | – | 2.2 |
| Cash flow hedging losses taken to equity | – | – | (3.2) | – | – | – | (3.2) |
| Cash flow hedging gains transferred to income statement | – | – | (1.4) | – | – | – | (1.4) |
| Cash flow hedging losses transferred to administrative expenses as hedged future cash flows no longer expected to occur | – | – | 0.1 | – | – | – | 0.1 |
| Tax on other comprehensive income (Note 11) | – | – | 1.0 | – | – | 4.3 | 5.3 |
| **Total comprehensive (expense) / income** | – | – | (3.5) | – | (42.5) | 107.3 | 61.3 |
| Cash flow hedging losses transferred to inventories | – | – | 2.7 | – | – | – | 2.7 |
| Tax on cash flow hedging losses transferred to inventories | – | – | (0.6) | – | – | – | (0.6) |
| Dividends (Note 13) | – | – | – | – | – | (71.2) | (71.2) |
| Equity-settled share-based payments (Notes 8 and 9) | – | – | – | – | – | 7.0 | 7.0 |
| Share placing, net of transaction costs (Note 25) | 2.2 | 173.9 | – | – | – | – | 176.1 |
| Settlement of share awards (Note 25) | 0.2 | 3.2 | – | 0.8 | – | (0.8) | 3.4 |
| Purchase of own shares by EBT | – | – | – | (1.6) | – | – | (1.6) |
| Tax on equity-settled share-based payments | – | – | – | – | – | 2.4 | 2.4 |
| **At 31 March 2021** | 47.0 | 228.5 | (1.4) | (1.5) | 39.0 | 587.8 | 899.4 |
| Profit for the year | – | – | – | – | – | 230.0 | 230.0 |
| Remeasurement of retirement benefit obligations | – | – | – | – | – | 21.8 | 21.8 |
| Foreign exchange translation differences | – | – | – | – | 22.0 | – | 22.0 |
| Fair value loss on net investment hedges | – | – | – | – | (0.1) | – | (0.1) |
| Cash flow hedging losses taken to equity | – | – | (1.2) | – | – | – | (1.2) |
| Cash flow hedging losses transferred to income statement | – | – | 2.6 | – | – | – | 2.6 |
| Tax on other comprehensive income (Note 11) | – | – | (0.3) | – | – | (0.9) | (1.2) |
| **Total comprehensive income** | – | – | 1.1 | – | 21.9 | 250.9 | 273.9 |
| Cash flow hedging gains transferred to inventories | – | – | (0.5) | – | – | – | (0.5) |
| Tax on cash flow hedging gains transferred to inventories | – | – | 0.1 | – | – | – | 0.1 |
| Dividends (Note 13) | – | – | – | – | – | (76.2) | (76.2) |
| Equity-settled share-based payments (Notes 8 and 9) | – | – | – | – | – | 9.9 | 9.9 |
| Settlement of share awards (Note 25) | 0.1 | 2.9 | – | 1.4 | – | (1.4) | 3.0 |
| Purchase of own shares by EBT | – | – | – | (2.9) | – | – | (2.9) |
| Tax on equity-settled share-based payments | – | – | – | – | – | 1.8 | 1.8 |
| **At 31 March 2022** | **47.1** | **231.4** | **(0.7)** | **(3.0)** | **60.9** | **772.8** | **1,108.5** |

The Notes on pages 144 to 179 form part of these Group accounts.

# Notes to the Group accounts

## 1 Basis of preparation

RS Group plc (formerly Electrocomponents plc) (the Company) is a public limited company registered in England and Wales and listed on the London Stock Exchange.

For financial years beginning on or after 1 January 2021, UK-registered listed companies are required to use UK-adopted international accounting standards (UK IAS) when preparing their consolidated accounts. UK IAS comprise the European Union-adopted international accounting standards at 31 December 2020 and subsequent changes approved by the UK Endorsement Board. International accounting standards are the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related interpretations issued by the International Accounting Standards Board (IASB).

The Company transitioned to UK IAS in its Group accounts on 1 April 2021. This change constitutes a change in accounting framework and had no impact on the Group's accounting policies, reported results or financial position.

The Group accounts for the year ended 31 March 2022 are presented in sterling and rounded to £0.1 million. They are prepared in accordance with UK IAS and the requirements of the Companies Act 2006.

The Group accounts have been prepared on a going concern basis (see the going concern statement on page 57) under the historical cost convention, modified by the revaluation of retirement benefit obligations and certain financial assets and liabilities (including derivative financial instruments) as explained in the relevant notes. The principal accounting policies have been applied consistently unless otherwise stated.

### Basis of consolidation

The Group accounts comprise the results, assets and liabilities of the Company and all its subsidiaries (together referred to as the Group) and include the Employee Benefit Trust (EBT) and the Group's interest in a joint venture. Subsidiaries are entities controlled by the Company. The joint venture is accounted for using the equity method of accounting.

The results of businesses acquired in the year are consolidated from the effective date of acquisition. The net assets of businesses acquired are incorporated in the Group accounts at their fair values at the date of acquisition.

Intra-group transactions and balances are eliminated in preparing the Group accounts and no profit or loss is recognised on intra-group transactions. Unrealised gains or losses arising from transactions with the joint venture are eliminated to the extent of the Group's interest in the entity.

### Estimates and judgements

The preparation of accounts in accordance with UK IAS requires the Group to make judgements and estimates that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Except for judgements involved in estimations, no judgements have been made in the process of applying the Group's accounting policies that have had a significant effect on the amounts recognised in the accounts. The judgements involved in estimations take account of the likely impact of climate change, geopolitical uncertainties and the Group's latest assumptions of any likely further impact of the COVID-19 pandemic and its variants.

Significant estimates are those that have a significant risk of resulting in a material adjustment to the carrying amounts of the Group's assets and liabilities within the next year. The significant estimates made in preparing the accounts were in relation to retirement benefit obligations and further details on the application of these estimates can be found in Note 10. While not significant estimates, the Group also focuses on estimates made in relation to inventories (Note 18), uncertain tax positions (Note 11) and the review of intangibles and other assets for impairment (Notes 14 and 23). Further details are provided in the relevant notes.

Actual results in the longer term may differ from these estimates.

### Foreign currency

#### Foreign currency transactions

Transactions in foreign currencies are recorded using the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rate ruling at that date and the gains and losses on translation are recognised in operating profit. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the rate ruling at the date the fair value was determined.

#### Translation of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at exchange rates ruling at the balance sheet date. The income statement and cash flows of foreign operations are translated at the average rate for the period.

### Standards and interpretations adopted in the year

No accounting standards, amendments or revisions to existing standards or interpretations have become effective which have a material impact on the reported results or financial position of the Group.

In April 2021, the IASB ratified a decision made by the IFRS Interpretations Committee that IFRS provide an adequate basis for deciding how to account for configuration or customisation costs in a cloud computing arrangement. The decision includes steps companies should follow when deciding the relevant accounting treatment, which the Group followed during the year. There was no material impact on the reported results or financial position of the Group.



## 1 Basis of preparation continued

### Standards or interpretations issued but not yet applied

The Group does not consider that any standards or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the accounts.

## 2 Segmental reporting

The Group's operating segments comprise three regions: EMEA, Americas and Asia Pacific. Their principal activities are described on pages 40 to 43. The operating segments' performance is assessed on revenue and adjusted operating profit on a monthly basis by the chief operating decision maker, who is the Chief Executive Officer. Inter-segment pricing is determined on an arm's length basis, comprising sales of product at cost and a handling charge included within distribution and marketing expenses.

### Year ended 31 March 2022

| | EMEA £m | Americas £m | Asia Pacific £m | Group £m |
|---|---|---|---|---|
| **Revenue from external customers** | **1,579.5** | **718.7** | **255.5** | **2,553.7** |
| **Segmental operating profit** | **243.7** | **99.3** | **29.3** | **372.3** |
| Central costs | | | | **(51.9)** |
| Adjusted operating profit | | | | **320.4** |
| Amortisation of acquired intangibles | | | | **(11.6)** |
| Operating profit | | | | **308.8** |
| Net finance costs | | | | **(7.1)** |
| Share of profit of joint venture | | | | **0.5** |
| Profit before tax | | | | **302.2** |
| **Segmental capital expenditure** | **36.6** | **8.8** | **0.1** | **45.5** |
| Central costs | | | | **–** |
| **Capital expenditure** | | | | **45.5** |
| **Segmental depreciation and amortisation** | **38.0** | **9.6** | **3.0** | **50.6** |
| Central costs | | | | **1.5** |
| Amortisation of acquired intangibles | | | | **11.6** |
| **Depreciation and amortisation** | | | | **63.7** |

### Year ended 31 March 2021

| | EMEA £m | Americas £m | Asia Pacific £m | Group £m |
|---|---|---|---|---|
| **Revenue from external customers** | 1,277.4 | 517.0 | 208.3 | 2,002.7 |
| **Segmental operating profit** | 172.6 | 51.9 | 1.4 | 225.9 |
| Central costs | | | | (37.6) |
| Adjusted operating profit | | | | 188.3 |
| Amortisation of acquired intangibles | | | | (7.0) |
| Acquisition-related items (Note 3) | | | | (2.9) |
| Substantial reorganisation costs (Note 4) | | | | (11.2) |
| Operating profit | | | | 167.2 |
| Net finance costs | | | | (6.8) |
| Share of profit of joint venture | | | | 0.2 |
| Profit before tax | | | | 160.6 |
| **Segmental capital expenditure** | 43.8 | 11.6 | 0.8 | 56.2 |
| Central costs | | | | – |
| **Capital expenditure** | | | | 56.2 |
| **Segmental depreciation and amortisation** | 35.7 | 8.8 | 3.5 | 48.0 |
| Central costs | | | | 1.5 |
| Amortisation of acquired intangibles | | | | 7.0 |
| **Depreciation and amortisation** | | | | 56.5 |

# Notes to the Group accounts
continued

## 2 Segmental reporting continued

### Disaggregation of revenue

In the table below, revenue is disaggregated by own-brand products or other products and service solutions, and also by sales channels. The digital sales channel is now further disaggregated into web (sales completed on our websites), and eProcurement and other digital, as web revenue is a truer representation of the Group's digital demand. The Group's largest own-brand is RS PRO. £2,483.9 million of revenue is recognised at a point in time (2020/21: £1,973.8 million) and £69.8 million over time (2020/21: £28.9 million).

| | EMEA £m | Americas £m | Asia Pacific £m | Group £m |
|---|---|---|---|---|
| **Year ended 31 March 2022** | | | | |
| **Own-brand products / other products and service solutions** | | | | |
| Own-brand products | **300.2** | **4.8** | **34.0** | **339.0** |
| Other product and service solutions | **1,279.3** | **713.9** | **221.5** | **2,214.7** |
| Group | **1,579.5** | **718.7** | **255.5** | **2,553.7** |
| **Sales channel** | | | | |
| Web | **781.7** | **241.8** | **121.8** | **1,145.3** |
| eProcurement and other digital | **344.6** | **69.8** | **33.9** | **448.3** |
| Digital | **1,126.3** | **311.6** | **155.7** | **1,593.6** |
| Offline | **453.2** | **407.1** | **99.8** | **960.1** |
| Group | **1,579.5** | **718.7** | **255.5** | **2,553.7** |
| **Year ended 31 March 2021** | | | | |
| **Own-brand products / other products and service solutions** | | | | |
| Own-brand products | 248.5 | 3.6 | 27.7 | 279.8 |
| Other product and service solutions | 1,028.9 | 513.4 | 180.6 | 1,722.9 |
| Group | 1,277.4 | 517.0 | 208.3 | 2,002.7 |
| **Sales channel** | | | | |
| Web | 636.6 | 142.8 | 92.5 | 871.9 |
| eProcurement and other digital | 295.7 | 60.4 | 26.1 | 382.2 |
| Digital | 932.3 | 203.2 | 118.6 | 1,254.1 |
| Offline | 345.1 | 313.8 | 89.7 | 748.6 |
| Group | 1,277.4 | 517.0 | 208.3 | 2,002.7 |

### Revenue and non-current assets by geographical location

In the table below, revenue is based on the location of the Group operation where the sales originated and non-current assets are based on the location of the assets. Non-current assets exclude interest rate swaps, other financial instruments, retirement benefit net assets and deferred tax assets.

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | **2022 £m** | 2021 £m | **2022 £m** | 2021 restated[1] £m |
| UK (country of domicile) | **646.7** | 513.6 | **232.9** | 248.8 |
| USA | **672.7** | 489.2 | **378.5** | 365.9 |
| France | **285.5** | 251.3 | **9.1** | 9.6 |
| Germany | **190.5** | 148.3 | **59.5** | 53.5 |
| Italy | **116.9** | 96.1 | **5.0** | 6.0 |
| Rest of world | **641.4** | 504.2 | **14.8** | 14.3 |
| Group | **2,553.7** | 2,002.7 | **699.8** | 698.1 |

1. Restated for measurement period adjustments for prior year acquisitions (Note 28).

## 3 Alternative Performance Measures (APMs)

The Group uses a number of APMs in addition to those measures reported in accordance with UK IAS. Such APMs are not defined terms under UK IAS and are not intended to be a substitute for any UK IAS measure. The Directors believe that the APMs are important when assessing the underlying financial and operating performance of the Group. The APMs are used internally for performance analysis and in employee incentive arrangements, as well as in discussions with the investment analyst community.

The APMs improve the comparability of information between reporting periods by adjusting for factors such as fluctuations in foreign exchange rates, number of trading days and items, such as reorganisation costs, that are substantial in scope and impact and do not form part of operational or management activities that the Directors would consider part of underlying performance. The Directors also believe that excluding recent acquisitions and acquisition-related items aid comparison of the underlying performance between reporting periods and between businesses with similar assets that were internally generated.

### Adjusted profit measures

These are the equivalent UK IAS measures adjusted to exclude amortisation of intangible assets arising on acquisition of businesses, acquisition-related items, substantial reorganisation costs, substantial asset write-downs, one-off pension credits or costs, significant tax rate changes and, where relevant, associated tax effects. Adjusted profit before tax is a performance measure for the annual bonus and adjusted earnings per share is a performance measure for the Long Term Incentive Plan (LTIP). Adjusted operating profit conversion, adjusted operating profit margin and adjusted earnings per share are financial key performance indicators (KPIs) which are used to measure the Group's progress in delivering the successful implementation of its strategy and monitor and drive its performance.

| | Operating costs[1] £m | Operating profit £m | Operating profit margin[2] % | Operating profit conversion[3] % | Profit before tax £m | Profit for the year £m | Basic earnings per share p | Diluted earnings per share p |
|---|---|---|---|---|---|---|---|---|
| **Year ended 31 March 2022** | | | | | | | | |
| Reported | **(819.1)** | **308.8** | **12.1%** | **27.4%** | **302.2** | **230.0** | **48.9p** | **48.6p** |
| Amortisation of acquired intangibles | **11.6** | **11.6** | | | **11.6** | **11.5** | **2.4p** | **2.4p** |
| **Adjusted** | **(807.5)** | **320.4** | **12.5%** | **28.4%** | **313.8** | **241.5** | **51.3p** | **51.0p** |
| **Year ended 31 March 2021** | | | | | | | | |
| Reported | (688.8) | 167.2 | 8.3% | 19.5% | 160.6 | 125.5 | 27.7p | 27.5p |
| Amortisation of acquired intangibles | 7.0 | 7.0 | | | 7.0 | 5.6 | 1.2p | 1.2p |
| Acquisition-related items | 2.9 | 2.9 | | | 2.9 | 2.5 | 0.5p | 0.5p |
| Substantial reorganisation costs (Note 4) | 11.2 | 11.2 | | | 11.2 | 8.5 | 1.9p | 1.9p |
| **Adjusted** | (667.7) | 188.3 | 9.4% | 22.0% | 181.7 | 142.1 | 31.3p | 31.1p |

1. Operating costs are distribution and marketing expenses plus administrative expenses.
2. Operating profit margin is operating profit expressed as a percentage of revenue.
3. Operating profit conversion is operating profit expressed as a percentage of gross profit.

Acquisition-related items comprise transaction costs directly attributable to the acquisition of businesses and deferred consideration payments relating to the retention of former owners of businesses acquired.

### Like-for-like revenue and profit measures

Like-for-like revenue and profit measures are adjusted to exclude the effects of changes in exchange rates on translation of overseas profits. They exclude acquisitions in the relevant years until they have been owned for a year, at which point they start to be included in both the current and comparative years for the same number of months. The Group's acquisitions were purchased during 2020/21. These measures enable management and investors to track more easily, and consistently, the underlying performance of the business.

The principal exchange rates applied in preparing the Group accounts and in calculating the following like-for-like measures are:

| | 2022 Average | 2022 Closing | 2021 Average | 2021 Closing |
|---|---|---|---|---|
| US dollar | **1.366** | **1.313** | 1.308 | 1.377 |
| Euro | **1.176** | **1.183** | 1.121 | 1.174 |

# Notes to the Group accounts

continued

## 3 Alternative Performance Measures (APMs) continued

### Like-for-like revenue change

Like-for-like revenue change is also adjusted to eliminate the impact of trading days year on year. It is calculated by comparing the revenue of the base business for the current year with the prior year converted at the current year's average exchange rates and pro-rated for the same number of trading days as the current year. It is a performance measure for the annual bonus and a financial KPI.

| | £m |
|---|---|
| Revenue for 2021 | 2,002.7 |
| Effect of exchange rates | (62.7) |
| Effect of trading days | 10.5 |
| **Revenue for 2021 at 2022 rates and trading days** | 1,950.5 |

| | 2022 Group £m | Less: acquisitions owned <1 year £m | 2022 base business £m | 2021 £m | 2021 at 2022 rates and trading days £m | Like-for-like change % |
|---|---|---|---|---|---|---|
| EMEA | 1,579.5 | 52.3 | 1,527.2 | 1,277.4 | 1,250.7 | 22% |
| Americas | 718.7 | 42.5 | 676.2 | 517.0 | 499.0 | 36% |
| Asia Pacific | 255.5 | – | 255.5 | 208.3 | 200.8 | 27% |
| **Revenue** | 2,553.7 | 94.8 | 2,458.9 | 2,002.7 | 1,950.5 | 26% |

### Gross margin and like-for-like gross margin change

Gross margin is gross profit divided by revenue. Like-for-like change in gross margin is calculated by taking the difference between gross margin for the base business for the current year and gross margin for the prior year with revenue and gross profit converted at the current year's average exchange rates.

| | 2022 Group £m | Less: acquisitions owned <1 year £m | 2022 base business £m | 2021 £m | 2021 at 2022 rates £m | Like-for-like change pts |
|---|---|---|---|---|---|---|
| Revenue | 2,553.7 | 94.8 | 2,458.9 | 2,002.7 | 1,940.0 | |
| Gross profit | 1,127.9 | 33.1 | 1,094.8 | 856.0 | 829.6 | |
| **Gross margin** | 44.2% | 34.9% | 44.5% | 42.7% | 42.8% | 1.7 pts |

### Like-for-like profit change

Like-for-like change in profit is calculated by comparing the base business for the current year with the prior year converted at the current year's average exchange rates.

| | 2022 Group £m | Less: acquisitions owned <1 year £m | 2022 base business £m | 2021 £m | 2021 at 2022 rates £m | Like-for-like change % |
|---|---|---|---|---|---|---|
| Segmental operating profit | | | | | | |
| EMEA | 243.7 | 4.2 | 239.5 | 172.6 | 164.4 | 46% |
| Americas | 99.3 | 1.1 | 98.2 | 51.9 | 49.7 | 98% |
| Asia Pacific | 29.3 | – | 29.3 | 1.4 | 0.3 | >200% |
| Segmental operating profit | 372.3 | 5.3 | 367.0 | 225.9 | 214.4 | 71% |
| Central costs | (51.9) | – | (51.9) | (37.6) | (37.6) | 38% |
| **Adjusted operating profit** | 320.4 | 5.3 | 315.1 | 188.3 | 176.8 | 78% |
| **Adjusted profit before tax** | 313.8 | 5.1 | 308.7 | 181.7 | 170.3 | 81% |
| **Adjusted earnings per share** | 51.3p | 0.8p | 50.5p | 31.3p | 29.3p | 72% |
| Adjusted diluted earnings per share | 51.0p | 0.8p | 50.2p | 31.1p | | |

## 3 Alternative Performance Measures (APMs) continued

### Free cash flow, adjusted free cash flow and adjusted operating cash flow conversion

Free cash flow is the net movement in cash and cash equivalents before net cash used in financing activities, acquisition of businesses and cash and cash equivalents acquired with businesses. Free cash flow is also net cash from operating activities less purchase of intangible assets, property, plant and equipment plus any proceeds on sale of intangible assets, property, plant and equipment. Adjusted free cash flow is free cash flow adjusted for the impact of substantial reorganisation and acquisition-related items cash flows and is a performance measure for the annual bonus. Adjusted operating cash flow conversion is adjusted free cash flow before income tax and net interest paid, expressed as a percentage of adjusted operating profit and is a financial KPI.

| | 2022 £m | 2021 £m |
|---|---|---|
| Net cash from operating activities | 203.0 | 187.6 |
| Purchase of intangible assets, property, plant and equipment | (42.5) | (54.7) |
| **Free cash flow** | 160.5 | 132.9 |
| Add back: impact of substantial reorganisation cash flows | 2.4 | 9.6 |
| Add back: impact of acquisition-related items cash flows | – | 2.9 |
| **Adjusted free cash flow** | 162.9 | 145.4 |
| Add back: income tax paid | 57.1 | 35.2 |
| Add back: net interest paid | 7.0 | 8.3 |
| Adjusted free cash flow before income tax and net interest paid | 227.0 | 188.9 |
| Adjusted operating profit | 320.4 | 188.3 |
| **Adjusted operating cash flow conversion** | 70.8% | 100.3% |

### Earnings before interest, tax, depreciation and amortisation (EBITDA) and net debt to adjusted EBITDA

EBITDA is operating profit excluding depreciation and amortisation. Net debt to adjusted EBITDA (one of the Group's debt covenants) is the ratio of net debt to EBITDA excluding acquisition-related items, substantial reorganisation costs, substantial asset write-downs and one-off pension credits or costs.

| | 2022 £m | 2021 £m |
|---|---|---|
| Operating profit | 308.8 | 167.2 |
| Add back: depreciation and amortisation | 63.7 | 56.5 |
| **EBITDA** | 372.5 | 223.7 |
| Add back: acquisition-related items | – | 2.9 |
| Add back: substantial reorganisation costs | – | 11.2 |
| **Adjusted EBITDA** | 372.5 | 237.8 |
| Net debt (Note 22) | 42.1 | 122.0 |
| **Net debt to adjusted EBITDA** | 0.1x | 0.5x |

### Earnings before interest, tax and amortisation (EBITA) and EBITA to interest

EBITA is adjusted EBITDA after depreciation. EBITA to interest (one of the Group's debt covenants) is the ratio of EBITA to finance costs including capitalised interest less finance income.

| | 2022 £m | 2021 £m |
|---|---|---|
| Adjusted EBITDA | 372.5 | 237.8 |
| Less: depreciation | (33.5) | (32.5) |
| **EBITA** | 339.0 | 205.3 |
| Finance costs | 8.1 | 8.6 |
| Less: finance income | (1.0) | (1.8) |
| Add back: capitalised interest | 0.5 | 0.9 |
| Interest (per debt covenants) | 7.6 | 7.7 |
| **EBITA to interest** | 44.6x | 26.7x |

# Notes to the Group accounts

continued

## 3 Alternative Performance Measures (APMs) continued

### Return on capital employed (ROCE)

ROCE is adjusted operating profit expressed as a percentage of monthly average net assets excluding net debt and retirement benefit obligations and is an underpin for the LTIP and a financial KPI.

| | 2022 £m | 2021 £m |
|---|---|---|
| Average net assets | 982.8 | 791.0 |
| Add back: average net debt | 82.7 | 127.2 |
| Add back: average retirement benefit net (assets) / obligations | 49.3 | 53.8 |
| Average capital employed | 1,114.8 | 972.0 |
| Adjusted operating profit | 320.4 | 188.3 |
| **ROCE** | **28.7%** | 19.4% |

### Working capital as a percentage of revenue

Working capital is inventories, current trade and other receivables and current trade and other payables.

| | 2022 £m | 2021 restated[1] £m |
|---|---|---|
| Inventories | 529.5 | 419.8 |
| Current trade and other receivables | 594.3 | 493.6 |
| Current trade and other payables | (584.1) | (475.3) |
| Working capital | 539.7 | 438.1 |
| Revenue | 2,553.7 | 2,002.7 |
| **Working capital as a percentage of revenue** | **21.1%** | 21.9% |

1. Restated for measurement period adjustments for prior year acquisitions (Note 28).

### Inventory turn

Inventory turn is cost of sales divided by inventories.

| | 2022 £m | 2021 £m |
|---|---|---|
| Cost of sales | 1,425.8 | 1,146.7 |
| Inventories | 529.5 | 419.8 |
| **Inventory turn** | **2.7** | 2.7 |

### Ratio of capital expenditure to depreciation

Ratio of capital expenditure to depreciation is capital expenditure divided by depreciation and amortisation excluding amortisation of acquired intangibles and depreciation of right-of-use assets.

| | 2022 £m | 2021 £m |
|---|---|---|
| Depreciation and amortisation | 63.7 | 56.5 |
| Less: amortisation of acquired intangibles | (11.6) | (7.0) |
| Less: depreciation of right-of-use assets | (17.7) | (17.1) |
| Adjusted depreciation and amortisation | 34.4 | 32.4 |
| Capital expenditure | 45.5 | 56.2 |
| **Ratio of capital expenditure to depreciation** | **1.3 times** | 1.7 times |

## 4 Substantial reorganisation costs

In September 2020 the Group launched RISE to enable it to move faster to accelerate the delivery of its strategy. It is a two-year evolutionary programme to simplify the Group's operating model, accelerate growth and reduce the cost to serve. In the year ended 31 March 2021, redundancy and associated costs of £11.2 million were incurred. No further costs were incurred in the year ended 31 March 2022. These costs have been excluded from adjusted performance measures.

## 5 Revenue recognition

Revenue from the sale of goods is recognised in the income statement when control of the goods has transferred, which in most countries is contractually on delivery to the customer but in a few countries is contractually on collection from the Group's distribution centre by the delivery company. When the Group arranges the delivery of goods where control has transferred on collection, the customer is invoiced an amount to cover the cost of freight and this is included in revenue over time as the goods are shipped. Customers are invoiced on dispatch of the goods. Revenue is measured with reference to the amount invoiced to the customer, net of any immediate discounts applicable to the order. Obligations for retrospective customer volume discounts are calculated by estimating the expected discount percentage that will be achieved for the contractual period using historical data adjusted for current experience and applying that percentage to actual qualifying sales. When a customer has a right to return goods purchased, the Group estimates the obligation for the expected value of the refunds using recent experience. Obligations for both retrospective customer volume discounts and the expected value of refunds for returns are deducted from the revenue recognised when the goods are sold and included in other payables on the balance sheet and at 31 March 2022 were £15.0 million (2020/21: £9.6 million).

Revenue from the fees charged to customers for the provision of outsourced services is recognised either over time based on time elapsed for monthly management charges or when the related products are delivered for other management charges. Invoices are raised monthly for monthly management charges or when the invoices for the related products are invoiced for other management charges, normally on a weekly or monthly basis. The Group acts as an agent in relation to the products sourced for its customers under these outsourcing arrangements and so does not recognise the value of these products in revenue or cost of sales. Revenue is measured with reference to the amount invoiced to the customer for management charges. Income earned from suppliers for access to the Group's online procurement portals is recognised either over time based on time elapsed for subscription fees or as their products are delivered to the Group's customers for licence fees. Invoices are raised monthly, quarterly or annually in advance for subscription fees depending on contractual terms. Credit notes for licence fee income are received from suppliers depending on contractual terms with the least frequent being annual.

Revenue from the sale of calibration services is recognised when control of the services has transferred, which is upon delivery to the customer of the items which have been calibrated. Customers are invoiced on dispatch of the calibrated items. Revenue is measured with reference to the amount invoiced to the customer.

All revenue is recognised net of sales taxes and all payment terms are based on commercially reasonable terms for the respective markets and no element of financing is deemed present.

Remaining performance obligations (unsatisfied or partially unsatisfied) at the year end all relate to customer contracts that have an original expected duration of not more than one year or are invoiced based on time incurred. Therefore, as permitted under IFRS 15 'Revenue from Contracts with Customers', the transaction price allocated to these remaining performance obligations is not disclosed.

## 6 Cost of sales and operating profit

Cost of sales comprises the cost of goods delivered to customers and the write-down of inventories to net realisable value.

When a customer has a right to return goods, the Group estimates the expected value of the goods that are likely to be returned based on historical experience and the expected gross margin. It recognises an asset in other receivables for the right to recover these goods and deducts this from cost of sales when the goods are sold.

The Group receives rebates from certain suppliers relating mainly to the volume of purchases made in a specified time period. These rebates are recognised as a reduction in cost of sales to the extent that the inventories purchased from the supplier and eligible for rebates have been sold in the year. Rebates on purchases that remain in inventories are deducted from the cost of inventories, thus reducing cost of sales in the income statement in the period in which the inventories are expensed. The Group recognises the rebate only where there is evidence of a binding arrangement with the supplier, the amount can be estimated reliably and receipt is probable. The Group estimates whether the supplier rebates relate to products already sold or remaining in inventories, based on inventory turns. When estimating the value of supplier rebates earned but not yet received, the Group makes assumptions about the likely volume of eligible purchases to be made over the remaining rebate period. As at 31 March 2022, the Group has £4.5 million (2020/21: £4.7 million) of supplier rebates recognised within trade and other receivables.

### Operating profit is stated after charging / (crediting):

| | 2022 £m | 2021 £m |
|---|---|---|
| Fees payable to the Company's auditors for the audit of the Company and Group accounts | 0.7 | 0.5 |
| Fees payable to the Company's auditors and their associates for other services: | | |
| Audit of the Company's subsidiaries | 1.3 | 1.4 |
| Audit-related assurance services | 0.1 | 0.1 |
| Total fees payable to the Company's auditors and their associates | 2.1 | 2.0 |
| | | |
| Depreciation of property, plant and equipment | 15.8 | 15.4 |
| Amortisation of intangible assets included in distribution and marketing expenses | 18.6 | 17.0 |
| Amortisation of intangible assets included in administrative expenses | 11.6 | 7.0 |
| Amortisation of government grants | (0.1) | (0.4) |
| Loss on foreign exchange | 5.9 | 1.7 |
| Net (gains) / losses on forward foreign exchange contracts classified as fair value through profit or loss | (1.0) | 0.5 |
| Loss on disposal of intangible assets | 2.1 | 0.1 |
| Loss on disposal of property, plant and equipment | 0.3 | 0.2 |

# Notes to the Group accounts

continued

## 7 Finance income and costs

Finance costs that are directly attributable to the construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Other finance costs and finance income are calculated using the effective interest method and recognised in the income statement as incurred.

| | 2022 £m | 2021 £m |
|---|---|---|
| **Finance income** | | |
| Interest income on financial assets measured at amortised cost | 0.4 | 1.2 |
| Interest income on interest rate swaps | 0.6 | 0.6 |
| **Finance income** | 1.0 | 1.8 |
| **Finance costs** | | |
| Interest expense on financial liabilities measured at amortised cost | (6.6) | (6.7) |
| Interest expense on lease liabilities | (0.9) | (1.0) |
| Interest expense on interest rate swaps | – | (0.4) |
| Interest on uncertain income tax positions | (0.2) | (0.3) |
| Invoice finance charges | (0.4) | (0.2) |
| **Finance costs** | (8.1) | (8.6) |

Invoice finance charges relate to costs incurred when the Group makes use of its customers' supplier invoice financing options where this is commercially and administratively attractive. These options are used for some outsourced services customers where they give the Group access to the customers' invoice portals to simplify the invoice query reconciliation process and so speed up the receipt of payments.

## 8 Employees

| Average number of employees | 2022 | 2021 |
|---|---|---|
| Management and administration | 1,430 | 1,234 |
| Distribution and marketing | 5,953 | 5,572 |
| | 7,383 | 6,806 |

| Employment costs | 2022 £m | 2021 £m |
|---|---|---|
| Wages and salaries | 317.3 | 248.6 |
| Social security costs | 40.3 | 33.9 |
| Share-based payments – equity-settled (Note 9) | 9.9 | 7.0 |
| Share-based payments – cash-settled (Note 9) | 3.7 | 6.2 |
| Defined contribution retirement benefit costs (Note 10) | 17.1 | 15.8 |
| Defined benefit retirement benefit costs (Note 10) | 4.3 | 4.6 |
| | 392.6 | 316.1 |
| Termination benefits | 3.2 | 10.9 |
| **Total** | 395.8 | 327.0 |

Information on the Directors' remuneration is given in the Directors' Remuneration Report on pages 108 to 129.

## 9 Share-based payments

The Group operates share-based payment schemes which are the Long Term Incentive Plan, the Deferred Share Bonus Plan and the Savings-Related Share Option Scheme.

Equity-settled share-based payments are measured at fair value at the grant date, calculated using an appropriate option pricing model. The fair value is expensed in the income statement with a corresponding increase in equity on a straight-line basis over the period that employees become unconditionally entitled to the awards. The income statement charge is adjusted to reflect expected and actual levels of vesting associated with non-market performance related criteria.

Cash-settled share-based payments are measured at fair value at the balance sheet date, taking into account the estimated number of awards that will actually vest and the relative completion of the vesting period. This fair value is included in liabilities and changes in the value of these liabilities are recognised in the income statement.

The EBT established to administer the schemes owns shares in the Company which are shown in equity.

## 9 Share-based payments continued

### Long Term Incentive Plan (LTIP) – equity settled and cash settled

As at 31 March 2022, outstanding LTIP awards are those made under the 2019 LTIP. Awards under the 2019 LTIP are subject to a service condition and normally a market performance condition based on total shareholder return (TSR) of the Group versus a defined comparator group (see the Directors' Remuneration Report for details) and a non-market performance condition based on cumulative growth in adjusted earnings per share (EPS) over the vesting period with a ROCE underpin. At the vesting date, the award will either vest, in full or in part, or expire depending on the outcome of the performance conditions.

In June 2021, the final awards under the 2016 LTIP granted in 2019 vested. These awards were subject to a service condition, a market performance condition based on TSR of the Group versus a defined comparator group (see the Directors' Remuneration Report for details) and non-market performance conditions based on cumulative growth in adjusted EPS over the vesting period and Group ROCE. Awards under the 2016 LTIP may have included a further award (a multiplier) that vested if the Group achieved exceptional adjusted EPS performance over the vesting period.

Some of the awards are equity settled and some are cash settled. All awards have £nil exercise price and receive accrued dividends on settlement.

The fair value of equity-settled LTIP awards subject to market conditions was calculated at the grant date using a Monte Carlo model, with the assumptions below.

| | 2022 | | 2021 | | |
|---|---|---|---|---|---|
| **Grant date** | December 2021 | June 2021 | December 2020 | November 2020 | July 2020 |
| **Market performance conditions** | | | | | |
| Awards granted | 35,159 | 568,179 | 32,218 | 610,515 | – |
| Fair value at grant date | 608p | 586p | 400p | 402p | – |
| Assumptions used: | | | | | |
| Share price | 1,168p | 1,017p | 873p | 822p | – |
| Expected volatility | 30.4% | 31.5% | 32.1% | 32.1% | – |
| Expected life | 2 years 5 months | 3 years | 2 years 5 months | 2 years 6 months | – |
| Risk-free interest rate | 0.51% | 0.19% | (0.07)% | (0.03)% | – |
| **Other conditions** | | | | | |
| Awards granted | 54,117 | 568,179 | 41,410 | 610,515 | 37,936 |
| Fair value at grant date | 1,168p | 1,017p | 873p | 822p | 670p |

Expected volatility was estimated based on the historical volatility of the Company's shares over the most recent period commensurate to the expected life of the award. The risk-free interest rate represents the yield, at the grant date, of UK government bonds with duration commensurate to the expected life of the award.

The fair values of cash-settled LTIP awards at 31 March 2022 were:

| | Awards granted | Fair value |
|---|---|---|
| July 2019 – Other conditions | 14,626 | 1,084p |
| July 2019 – Market performance conditions | 14,626 | 997p |
| December 2019 – Other conditions | 3,055 | 1,084p |
| December 2019 – Market performance conditions | 3,055 | 997p |
| November 2020 – Other conditions | 1,147 | 1,084p |
| November 2020 – Market performance conditions | 1,147 | 629p |
| June 2021 – Other conditions | 4,393 | 1,084p |
| June 2021 – Market performance conditions | 4,393 | –p |

The movements in the LTIP awards (equity and cash settled) were:

| | 2022 Number of awards | 2021 Number of awards |
|---|---|---|
| Outstanding at 1 April | 3,888,385 | 4,039,605 |
| Forfeited during the year | (116,794) | (257,279) |
| Expired during the year | (463,084) | (87,743) |
| Exercised during the year | (602,250) | (1,141,086) |
| Granted during the year | 1,234,420 | 1,334,888 |
| **Outstanding at 31 March** | 3,940,677 | 3,888,385 |

# Notes to the Group accounts

continued

## 9 Share-based payments continued

### Deferred Share Bonus Plan (DSBP) – equity settled

Under the DSBP, at least one-third of the total bonus earned by plan participants is awarded as shares and deferred for two years, normally subject to the continued employment of the participant within the Group. There are no other performance conditions. The participants receive accrued dividends on vesting. Deferred share awards relating to the bonus for the year ended 31 March 2022 will be awarded in June 2022.
The fair value of the shares awarded during the year was 1,011p (2020/21: 677p) per share award which was the share price at the date of award.

The movements in the DSBP awards were:

| | 2022 Number of awards | 2021 Number of awards |
|---|---|---|
| Outstanding at 1 April | 247,103 | 199,169 |
| Exercised during the year | (110,595) | (88,574) |
| Granted during the year | 123,062 | 136,508 |
| **Outstanding at 31 March** | 259,570 | 247,103 |

### Savings-Related Share Option Scheme (SAYE) – equity settled and cash settled

The SAYE scheme is available to the majority of employees of the Group employed at the time that the invitation period commences. The UK element is equity settled and the overseas element is cash settled. The option price is based on the average market price of the Company's shares over the three days prior to the offer, discounted by 20%. The option exercise conditions are the employee's continued employment for a three-year period and the maintenance of employee's regular monthly savings. Failure of either of these conditions is normally deemed a forfeiture of the option. Employees may subscribe to the three-year or five-year scheme. Under the UK element, at the end of the savings period, the employee has six months to either exercise their options to purchase the shares at the agreed price or withdraw their savings with accrued interest. Under the overseas element, at the end of the savings period, the employee has six months to either exercise their options to receive cash equal to the difference between the market price and the option price or withdraw their savings with accrued interest. There are no market conditions attached to the vesting of the options.

The fair value of equity-settled SAYE options was calculated at the grant date using a Black-Scholes model, with the assumptions below.

| | 2022 | | 2021 | |
|---|---|---|---|---|
| **Grant date** | 3 year September 2021 | 5 year September 2021 | 3 year September 2020 | 5 year September 2020 |
| Options granted | 544,216 | 83,697 | 753,125 | 185,372 |
| Fair value at grant date | 349p | 372p | 155p | 179p |
| Assumptions used: | | | | |
| Share price | 1,108p | 1,108p | 662p | 662p |
| Exercise price | 824p | 824p | 573p | 573p |
| Expected volatility | 31.5% | 30.3% | 32.0% | 33.0% |
| Expected option life | 3 years | 5 years | 3 years | 5 years |
| Expected dividend yield | 1.44% | 1.44% | 2.10% | 2.10% |
| Risk-free interest rate | 0.30% | 0.42% | (0.10)% | (0.06)% |

Expected volatility was estimated based on the historical volatility of the Company's shares over the most recent three-year or five-year period as appropriate. Expected dividend yield was the annual dividend yield as at the grant date. The risk-free interest rate was the yield, at the grant date, of three-year or five-year (as applicable) UK government bonds.

The fair value of cash-settled SAYE options is calculated at year end using a Black-Scholes model, with the assumptions below for 31 March 2022.

| | Options granted | Fair value | Share price | Exercise price | Expected volatility | Expected remaining option life | Expected dividend yield | Risk-free interest rate |
|---|---|---|---|---|---|---|---|---|
| 5 year June 2017 | 25,073 | 608p | 1,084p | 472p | 31.4% | 0.5 year | 1.48% | 1.26% |
| 5 year June 2018 | 35,052 | 510p | 1,084p | 563p | 25.5% | 1.5 years | 1.48% | 1.36% |
| 3 year September 2019 | 590,962 | 639p | 1,084p | 439p | 31.4% | 0.5 year | 1.48% | 1.26% |
| 5 year September 2019 | 99,256 | 625p | 1,084p | 439p | 32.1% | 2.5 years | 1.48% | 1.35% |
| 3 year September 2020 | 389,066 | 500p | 1,084p | 573p | 25.5% | 1.5 years | 1.48% | 1.36% |
| 5 year September 2020 | 19,798 | 516p | 1,084p | 573p | 31.5% | 3.5 years | 1.48% | 1.46% |
| 3 year September 2021 | 222,284 | 335p | 1,084p | 824p | 32.1% | 2.5 years | 1.48% | 1.35% |
| 5 year September 2021 | 11,939 | 363p | 1,084p | 824p | 30.0% | 4.5 years | 1.48% | 1.40% |

Expected volatility is estimated based on the historical volatility of the Company's shares over the most recent period commensurate to the expected remaining life of the option. Expected dividend yield is the annual dividend yield as at the year end. The risk-free interest rate is the yield, at the year end, of UK government bonds with duration commensurate to the expected remaining life of the option.



## 9 Share-based payments continued

The movements in and weighted average exercise price of the SAYE options (equity and cash settled) were:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options |
| Outstanding at 1 April | 496p | 4,255,490 | 439p | 4,606,449 |
| Forfeited during the year | 513p | (254,408) | 488p | (236,121) |
| Expired during the year | 538p | (272,929) | 449p | (295,624) |
| Exercised during the year | 497p | (739,677) | 375p | (1,166,575) |
| Granted during the year | 824p | 862,136 | 573p | 1,347,361 |
| **Outstanding at 31 March** | 564p | 3,850,612 | 496p | 4,255,490 |
| Exercisable at 31 March | 497p | 6,669 | 472p | 8,202 |

SAYE options outstanding at the year end were:

| | 2022 | 2021 |
|---|---|---|
| Option prices: | | |
| £2.00-£2.99 | 1,310 | 141,163 |
| £4.00-£4.99 | 1,817,577 | 2,081,193 |
| £5.00-£5.99 | 1,203,013 | 2,033,134 |
| £8.00-£8.99 | 828,712 | – |
| | 3,850,612 | 4,255,490 |
| Weighted average remaining contractual life (in years) | 1.63 | 0.52 |
| Weighted average share price during period of exercise | 1,097p | 724p |

## 10 Retirement benefit obligations

For defined benefit schemes, the surplus or deficit recognised in the balance sheet is the difference between the fair value of the scheme assets and the present value of the obligations at the balance sheet date. The present value of the obligations is measured using the projected unit credit method and a discount rate reflecting yields on high-quality corporate bonds. The operating profit charge comprises the current service cost, net interest cost, past service costs, administrative expenses, curtailment gains and losses and settlement gains and losses.
The net interest cost is based on the discount rate at the beginning of the year, contributions paid in and the surplus or deficit during the year. Past service costs and curtailment gains and losses are recognised at the earlier of when the scheme amendment or curtailment occurs and when any related reorganisation costs or termination benefits are recognised. Settlement gains and losses are recognised when the settlement occurs. Remeasurements, representing returns on scheme assets excluding amounts included in interest and actuarial gains and losses arising from changes in demographic and financial assumptions and experience adjustments, are recognised in other comprehensive income.

The Group's largest defined benefit pension scheme is in the UK, providing benefits based on final pensionable pay for eligible employees who joined on or before 1 April 2003. The scheme is administered by a corporate trustee and the funds are independent of the Group's finances. The Group also has defined benefit pension schemes in Germany and the Republic of Ireland, which are closed to both new members and accruals for future service, and defined benefit retirement indemnity schemes in France and Italy.

For defined contribution schemes, the costs are charged to operating profit as they fall due. The Group has defined contribution schemes in the UK, Australia, North America, Germany and the Republic of Ireland. The Group contributes to government schemes in France, Italy, Scandinavia and Asia and these are defined contribution schemes. The Group also makes payments to employees' personal pensions in the UK when their employing company does not provide defined benefit or defined contribution schemes.

### Regulatory framework and governance

The UK scheme, the Electrocomponents Group Pension Scheme, is a registered scheme established under trust law and, as such, is subject to UK pension, tax and trust legislation. It is managed by a corporate trustee, Electrocomponents Pension Trustees Limited (the Trustee).
The Trustee includes representatives appointed by both the Company and employees. Although the Company bears the financial cost of the scheme, the Trustee directors are responsible for the overall management of the scheme including compliance with applicable regulations and legislation. The Trustee directors are required by law to act in the interest of all relevant beneficiaries and to set certain policies, to manage the day-to-day administration of the benefits and to set the scheme investment strategy in consultation with the Company.

UK pensions are regulated by the Pensions Regulator whose statutory objectives and regulatory powers are described on its website: www.thepensionsregulator.gov.uk.

# Notes to the Group accounts

continued

## 10 Retirement benefit obligations continued

### Deficit position and funding

The rules of the Electrocomponents Group Pension Scheme give the Trustee powers to wind up the scheme, which it may exercise if the Trustee is aware that the assets of the scheme are insufficient to meet its liabilities. Although the scheme was in deficit on a statutory funding basis at 31 March 2019, the Trustee and the Company agreed a plan to eliminate the deficit over time and the Trustee has confirmed that it has no current intention to exercise its power to wind up the scheme.

The funding of the UK scheme is assessed using assumptions in accordance with the advice of independent actuaries. These assumptions may be different to those used for the accounting valuation. The last triennial funding valuation was carried out as at 31 March 2019 and showed a deficit of £44.7 million on a statutory technical provisions basis. Under the associated recovery plan, the Group agreed to make deficit contributions with the aim that the scheme will be fully funded on a statutory technical provisions basis by March 2022. These deficit contributions consisted of an annual contribution of at least £10.0 million, increased each 1 April by the increase in the Retail Prices Index (RPI) for the year to the preceding December, and an additional contribution of £25.0 million. This contribution could be paid in instalments and paid as and when the Group deemed appropriate, provided the total additional contribution was paid no later than 31 March 2022. During 2021/22, the remaining £12.5 million (2020/21: the first £12.5 million) of this additional contribution was paid.

Based on the UK scheme's rules, the Group does not have an unconditional right to any surplus that may arise on the scheme and so IFRIC 14 applies. At 31 March 2022, the defined benefit net asset has been restricted to £nil.

Based on the funding position as at 31 March 2022, in the year ending 31 March 2023 the Group expects to pay £12.8 million of contributions to the UK scheme, including £10.8 million of deficit contribution payments, and £0.4 million to the other defined benefit schemes. The UK deficit contribution payments may change when the triennial funding valuation as at 31 March 2022 is completed during 2022/23 and a revised funding plan agreed between the Trustee and the Company.

### Investment strategy and risk exposure

The defined benefit schemes expose the Group to actuarial risks such as longevity, interest rate, inflation and investment risks. The approach for managing the UK scheme's risks is set out below.

#### Interest rate risk

The Trustee has set a benchmark for total investment in bonds (government and corporate), interest rate swaps, inflation swaps, gilt repurchase agreements and cash as part of its matching asset portfolio (comprising the qualifying investor alternative investment fund (QIAIF), a bespoke pooled structure in which the scheme is the sole investor). Under this strategy, if gilt yields fall, the value of the investments within the matching asset portfolio will rise to help match the increase in the valuation of the liabilities arising from a fall in the discount rate, which is derived from gilt yields. Similarly, if gilt yields rise, the value of the matching asset portfolio will fall, as will the valuation of the liabilities because of an increase in the discount rate.

#### Inflation risk

The scheme holds index-linked gilts, inflation swaps and repurchase agreements to manage against inflation risk associated with pension liability increases.

#### Longevity risk

Prudent mortality assumptions are used that appropriately allow for future improvements in life expectancy. These assumptions are reviewed on a regular basis to ensure they remain appropriate. The Trustee uses the Club Vita Service to provide a better estimate of the mortality rates of the scheme's membership than the standard tables. With effect from 1 June 2008, the scheme introduced a mortality risk sharing mechanism whereby members' benefits for pensionable service after that date will be reduced if the life expectancy of the scheme's members increases more quickly than a pre-determined rate.

### Assumptions

#### Financial assumptions

The principal assumptions used to determine the defined benefit obligations were:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | UK | Other | UK | Other |
| Discount rate | **2.80%** | **1.79%** | 2.10% | 0.90% |
| Rate of increase in pensionable salaries | **Nil** | **3.10%** | Nil | 2.50% |
| Rate of RPI inflation | **3.80%** | **2.03%** | 3.30% | 1.66% |
| Rate of CPI inflation | **3.20%** | **2.03%** | 2.60% | 1.66% |
| Rate of pension increases | | | | |
| RPI inflation capped at 5.0% p.a. | **3.35%** | **n/a** | 3.15% | n/a |
| RPI inflation capped at 2.5% p.a. | **2.15%** | **n/a** | 2.10% | n/a |

## 10 Retirement benefit obligations continued

#### Life expectancy assumptions

Based upon the demographics of scheme members, the weighted average life expectancy assumptions used to determine the UK defined benefit obligations were:

| | 2022 Years | 2021 Years |
|---|---|---|
| Member aged 65 (current life expectancy) – male | **22.4** | 22.3 |
| Member aged 65 (current life expectancy) – female | **23.8** | 23.7 |
| Member aged 45 (life expectancy at aged 65) – male | **22.9** | 22.8 |
| Member aged 45 (life expectancy at aged 65) – female | **25.1** | 25.1 |

At 31 March 2022, the weighted average duration of the UK defined benefit obligation was 18 years (2020/21: 19 years).

#### Sensitivity analysis of the impact of changes in key assumptions

The calculations of the defined benefit obligations are sensitive to the assumptions used. The sensitivity analysis below is based on a change in the assumption on the UK scheme while holding all other assumptions constant; in practice changes in some of the assumptions may be correlated.

A change would have the following increase / (decrease) on the UK defined benefit obligations as at 31 March 2022:

| | Increase in assumption £m | Decrease in assumption £m |
|---|---|---|
| Effect on obligation of a 0.1% change to the assumed discount rate | **(10.1)** | **10.3** |
| Effect on obligation of a 0.1% change in the assumed inflation rate | **5.6** | **(5.5)** |
| Effect on obligation of a change of one year in assumed life expectancy | **18.5** | **(18.5)** |

### Income statement

The net charge / (credit) recognised in operating profit for retirement benefit obligations was:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | UK £m | Other £m | Total £m | UK £m | Other £m | Total £m |
| Current service cost | **2.5** | **0.3** | **2.8** | 2.5 | 0.3 | 2.8 |
| Past service cost | **–** | **(0.1)** | **(0.1)** | 0.2 | (0.2) | – |
| Interest expense on obligation | **12.7** | **0.2** | **12.9** | 12.6 | 0.3 | 12.9 |
| Interest income on scheme assets | **(12.0)** | **(0.1)** | **(12.1)** | (12.8) | (0.1) | (12.9) |
| Interest expense on asset ceiling / onerous liability | **–** | **–** | **–** | 1.0 | – | 1.0 |
| Administrative expenses | **0.8** | **–** | **0.8** | 0.8 | – | 0.8 |
| **Total charge for defined benefit schemes** | **4.0** | **0.3** | **4.3** | 4.3 | 0.3 | 4.6 |
| **Total charge for defined contribution schemes and personal pensions** | **8.4** | **8.7** | **17.1** | 8.0 | 7.8 | 15.8 |

### Balance sheet

The amounts included in the balance sheet arising from the Group's assets / (obligations) in respect of its defined benefit schemes was:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | UK £m | Other £m | Total £m | UK £m | Other £m | Total £m |
| Fair value of scheme assets | **585.7** | **7.6** | **593.3** | 572.8 | 8.1 | 580.9 |
| Present value of defined benefit obligations | **(560.8)** | **(20.0)** | **(580.8)** | (614.0) | (22.6) | (636.6) |
| Effect of asset ceiling / onerous liability | **(24.9)** | **–** | **(24.9)** | – | – | – |
| **Retirement benefit obligations** | **–** | **(12.4)** | **(12.4)** | (41.2) | (14.5) | (55.7) |
| Amount recognised on the balance sheet–liability | **–** | **(12.7)** | **(12.7)** | (41.2) | (15.3) | (56.5) |
| Amount recognised on the balance sheet–asset | **–** | **0.3** | **0.3** | – | 0.8 | 0.8 |

# Notes to the Group accounts

continued

## 10 Retirement benefit obligations continued

The other defined benefit schemes were:

| | 2022 Fair value of scheme assets £m | 2022 Present value of defined benefit obligations £m | 2022 Retirement benefit obligations £m | 2021 Fair value of scheme assets £m | 2021 Present value of defined benefit obligations £m | 2021 Retirement benefit obligations £m |
|---|---|---|---|---|---|---|
| Germany's defined benefit pension scheme | – | (8.5) | (8.5) | – | (10.5) | (10.5) |
| Republic of Ireland's defined benefit pension scheme | 7.6 | (7.3) | 0.3 | 8.1 | (7.3) | 0.8 |
| France's defined benefit retirement indemnity scheme | – | (3.2) | (3.2) | – | (3.7) | (3.7) |
| Italy's defined benefit retirement indemnity scheme | – | (1.0) | (1.0) | – | (1.1) | (1.1) |
| **Other** | **7.6** | **(20.0)** | **(12.4)** | 8.1 | (22.6) | (14.5) |

Movements in the present value of the defined benefit obligations in the year were:

| | 2022 UK £m | 2022 Other £m | 2022 Total £m | 2021 UK £m | 2021 Other £m | 2021 Total £m |
|---|---|---|---|---|---|---|
| At 1 April | 614.0 | 22.6 | 636.6 | 536.5 | 20.5 | 557.0 |
| Current service cost | 2.5 | 0.3 | 2.8 | 2.5 | 0.3 | 2.8 |
| Past service cost | – | (0.1) | (0.1) | 0.2 | (0.2) | – |
| Interest expense | 12.7 | 0.2 | 12.9 | 12.6 | 0.3 | 12.9 |
| Insurance premiums for risk benefits | (0.1) | – | (0.1) | (0.1) | – | (0.1) |
| Effect of changes in financial assumptions | (54.0) | (1.7) | (55.7) | 82.2 | 3.6 | 85.8 |
| Effect of experience adjustments | 3.1 | (0.6) | 2.5 | – | (0.1) | (0.1) |
| Benefits paid | (17.4) | (0.5) | (17.9) | (19.9) | (1.0) | (20.9) |
| Exchange differences | – | (0.2) | (0.2) | – | (0.8) | (0.8) |
| **At 31 March** | **560.8** | **20.0** | **580.8** | 614.0 | 22.6 | 636.6 |

Of the UK scheme's present value of the defined benefit obligations, £66.0 million relates to active members, £240.0 million to vested deferred members and £254.8 million to retirees.

Movements in the fair value of the schemes' assets in the year were:

| | 2022 UK £m | 2022 Other £m | 2022 Total £m | 2021 UK £m | 2021 Other £m | 2021 Total £m |
|---|---|---|---|---|---|---|
| At 1 April | 572.8 | 8.1 | 580.9 | 534.4 | 8.0 | 542.4 |
| Interest income | 12.0 | 0.1 | 12.1 | 12.8 | 0.1 | 12.9 |
| Return on scheme assets (excluding interest income) | (6.1) | (0.4) | (6.5) | 20.4 | 0.6 | 21.0 |
| Contributions by company | 25.3 | 0.4 | 25.7 | 26.0 | 0.7 | 26.7 |
| Benefits paid | (17.4) | (0.5) | (17.9) | (19.9) | (1.0) | (20.9) |
| Administrative expenses | (0.8) | – | (0.8) | (0.8) | – | (0.8) |
| Insurance premiums for risk benefits | (0.1) | – | (0.1) | (0.1) | – | (0.1) |
| Exchange differences | – | (0.1) | (0.1) | – | (0.3) | (0.3) |
| **At 31 March** | **585.7** | **7.6** | **593.3** | 572.8 | 8.1 | 580.9 |

The fair values of the schemes' assets were:

| | 2022 UK £m | 2022 Other £m | 2022 Total £m | 2021 UK £m | 2021 Other £m | 2021 Total £m |
|---|---|---|---|---|---|---|
| QIAIF (liability driven investment and credit portfolio of quoted assets) | 400.0 | – | 400.0 | 434.4 | – | 434.4 |
| Quoted equities | – | 2.5 | 2.5 | – | 2.3 | 2.3 |
| Quoted debt instruments | 94.0 | 5.1 | 99.1 | 56.0 | 5.8 | 61.8 |
| Unquoted debt instruments | 91.5 | – | 91.5 | 82.0 | – | 82.0 |
| Cash | 0.2 | – | 0.2 | 0.4 | – | 0.4 |
| **Total market value of scheme assets** | **585.7** | **7.6** | **593.3** | 572.8 | 8.1 | 580.9 |

The defined benefit schemes do not invest in the Company and no property or other assets owned by the schemes are used by the Group.

The fair values of the unquoted debt instruments are determined by the fund managers using quoted prices for similar assets or other valuation techniques where all the inputs are directly observable or indirectly observable from market data.



## 10 Retirement benefit obligations continued

Movements in the effect of asset ceiling / onerous liability were:

| | 2022 UK £m | 2022 Other £m | 2022 Total £m | 2021 UK £m | 2021 Other £m | 2021 Total £m |
|---|---|---|---|---|---|---|
| At 1 April | – | – | – | 41.2 | – | 41.2 |
| Interest expense | – | – | – | 1.0 | – | 1.0 |
| Change in asset ceiling / onerous liability (excluding interest income) | 24.9 | – | 24.9 | (42.2) | – | (42.2) |
| **At 31 March** | **24.9** | **–** | **24.9** | – | – | – |

## 11 Taxation

Current and deferred tax are recognised in the income statement, except when they relate to items recognised directly in equity when the related tax is also recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The Group recognises deferred tax assets and liabilities based on estimates of future taxable income and recoverability. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is calculated using tax rates enacted or substantively enacted at the balance sheet date that are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which these temporary differences can be utilised.

No deferred tax liabilities are recognised on the initial recognition of goodwill. However, when goodwill arises in a jurisdiction where it is deductible in determining taxable profit, the amortisation for tax purposes of goodwill creates a taxable temporary difference and this resulting deferred tax liability is recognised.

The Group recognises a current tax provision when the Group has a present obligation as a result of a past event, and it is considered probable that there will be a future outflow of funds. As an international business, the Group is exposed to the income tax laws of the large number of jurisdictions in which it operates. These laws are complex and subject to different interpretations by taxpayers and tax authorities. The assessment of uncertain tax positions is subjective. It is based on the Group's interpretation of country-specific tax law and its application and interaction, on previous experience and on management's professional judgement supported by external advisors where necessary.

The Group estimates a provision for uncertain tax positions by making judgements about the position likely to be taken by each tax authority. Where it is considered probable that the tax authority will accept the tax treatment used, or expected to be used, in the income tax return, the accounts reflect the treatment in the return. Where it is not considered probable that the tax authority will accept the tax treatment, the tax amounts in the accounts reflect that uncertainty using either the most likely amount or the expected value amount depending on which method is expected to better reflect the resolution of that uncertainty.

Provisions for uncertain tax positions are included within current tax liabilities. The Group's uncertain tax positions principally relate to cross-border transfer pricing. As at 31 March 2022, the total value of these tax provisions was £8.3 million (2020/21 restated: £7.8 million). It is possible that the amounts paid will be different from the amounts provided but this is not expected to be material.

### Tax expense / (income) recognised in the income statement

| | 2022 £m | 2021 £m |
|---|---|---|
| **Current tax** | | |
| Current tax on profits for the year | 72.4 | 29.3 |
| Adjustments for prior years | (0.6) | (0.2) |
| Total current tax | 71.8 | 29.1 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | (4.5) | 7.3 |
| Changes in tax rates and laws | 4.9 | – |
| Adjustments for prior years | – | (1.3) |
| Total deferred tax | 0.4 | 6.0 |
| **Income tax expense** | **72.2** | 35.1 |

# Notes to the Group accounts

continued

## 11 Taxation continued

The income tax expense for the year can be reconciled to the profit per the income statement as follows:

| | 2022 £m | 2021 £m |
|---|---|---|
| Profit before tax | 302.2 | 160.6 |
| Expected tax charge at UK corporation tax rate of 19% (2021: 19%) | 57.4 | 30.5 |
| **Recurring items** | | |
| Differences in overseas corporation tax rates | 8.7 | 5.6 |
| Impact of tax losses | (0.6) | (1.7) |
| Items not taxable for tax purposes | (0.8) | (0.5) |
| Items not deductible for tax purposes | 1.9 | 1.3 |
| Other local taxes suffered overseas | 0.9 | 1.4 |
| **Non-recurring items** | | |
| Changes in tax rates and laws | 4.9 | – |
| Movement in uncertain tax provisions in current year | 1.6 | 1.4 |
| Movement in uncertain tax provisions for prior years | (1.2) | (1.4) |
| Prior year adjustments | (0.6) | (1.5) |
| | 72.2 | 35.1 |

The Group's effective tax rate reflects the impact of higher tax rates in overseas jurisdictions where the Group earns profit. Based on current business plans, the mix of profits is not expected to change significantly in the future.

In May 2021, the UK government enacted a change in the UK corporation tax rate from 19% to 25% effective from 1 April 2023 and so the UK deferred tax balances have been calculated at the new rate.

### Tax expense / (income) recognised directly in other comprehensive income

| | 2022 £m | 2021 £m |
|---|---|---|
| Relating to remeasurement of retirement benefit obligations | 0.9 | (4.3) |
| Relating to movement in cash flow hedges | 0.3 | (1.0) |
| | 1.2 | (5.3) |

### Movement in deferred tax assets and liabilities

| | Intangible assets (excluding goodwill), leases and property, plant and equipment £m | Goodwill £m | Retirement benefit obligations £m | Employee benefits £m | Tax losses £m | Other £m | Net tax (liabilities) / assets £m |
|---|---|---|---|---|---|---|---|
| At 1 April 2020 | (10.2) | (50.6) | 10.6 | 3.5 | 2.6 | 1.9 | (42.2) |
| Acquisitions (restated[1]) | (12.0) | – | – | 0.1 | 0.4 | – | (11.5) |
| (Charge) / credit to income | (3.5) | (0.2) | (4.1) | 0.8 | 0.7 | 0.3 | (6.0) |
| Recognised directly in equity | – | – | 4.3 | 1.8 | – | 0.4 | 6.5 |
| Translation differences | 0.7 | 5.0 | (0.1) | (0.2) | – | (0.2) | 5.2 |
| At 31 March 2021 (restated[1]) | (25.0) | (45.8) | 10.7 | 6.0 | 3.7 | 2.4 | (48.0) |
| Credit / (charge) to income | 0.7 | (0.1) | (3.3) | 2.9 | (0.7) | 0.1 | (0.4) |
| Recognised directly in equity | – | – | (5.2) | 0.8 | – | (0.2) | (4.6) |
| Translation differences | (0.6) | (2.3) | – | 0.2 | – | 0.2 | (2.5) |
| **At 31 March 2022** | **(24.9)** | **(48.2)** | **2.2** | **9.9** | **3.0** | **2.5** | **(55.5)** |

Analysed in the balance sheet as:

| | 2022 £m | 2021 restated[1] £m |
|---|---|---|
| Deferred tax assets | 4.9 | 9.9 |
| Deferred tax liabilities | (60.4) | (57.9) |
| | (55.5) | (48.0) |

1. Restated for measurement period adjustments for prior year acquisitions (Note 28).

A deferred tax asset has been recognised for tax losses where current projections show that sufficient taxable profits will arise in the near future against which these losses may be offset. A deferred tax asset has not been recognised in respect of carry-forward tax losses where recoverability is uncertain totalling £1.6 million (2020/21: £2.0 million) which carries no expiry date.

## 12 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of shares in issue during the year excluding shares held by the EBT.

Diluted earnings per share is calculated by adjusting the weighted average number of shares to assume the conversion of all potentially dilutive ordinary shares. The share-based payment schemes which result in the issue of shares at a value below the market price of the shares are potentially dilutive.

| | 2022 Number | 2021 Number |
|---|---|---|
| Weighted average number of shares | 470,552,792 | 453,851,022 |
| Dilutive effect of share-based payments | 2,669,271 | 2,069,427 |
| Diluted weighted average number of shares | 473,222,063 | 455,920,449 |
| | | |
| Basic earnings per share | 48.9p | 27.7p |
| Diluted earnings per share | 48.6p | 27.5p |

## 13 Dividends

| | 2022 £m | 2021 £m |
|---|---|---|
| Final dividend for the year ended 31 March 2021 – 9.8p (2020: nil p) | 46.1 | – |
| Additional interim dividend for the year ended 31 March 2020 to replace deferred final dividend – 9.5p | – | 42.6 |
| Interim dividend for the year ended 31 March 2022 – 6.4p (2021: 6.1p) | 30.1 | 28.6 |
| | 76.2 | 71.2 |

The trustees of the EBT have waived their right to receive dividends and this rounds to £nil (2020/21: £nil).

A proposed final dividend for the year ended 31 March 2022 of 11.6p is subject to approval by shareholders at the Annual General Meeting on 14 July 2022 and the estimated amount to be paid of £54.6 million has not been included as a liability in these accounts.

# Notes to the Group accounts

continued

## 14 Intangible assets

Goodwill represents the excess of the fair value of the consideration of an acquisition over the fair value attributed to the net assets acquired (including contingent liabilities). Goodwill is not amortised but is reviewed annually for impairment. Acquisition-related costs are charged to the income statement as incurred.

Intangible assets excluding goodwill are stated at cost, or fair value at the date of acquisition, less accumulated amortisation and any provisions for impairment. Residual value is reassessed annually. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred. Amortisation is calculated to write off the cost on a straight-line basis at the following annual rates from the date the assets are first available for use: software 9% – 50%; development expenditure 33%; brand 10%; customer contracts and relationships 10% – 14%; and acquired research 33%.

| | Goodwill £m | Software £m | Development expenditure £m | Brand £m | Customer contracts and relationships £m | Acquired research £m | Total £m |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 April 2020 | 241.1 | 289.7 | – | – | 41.8 | 1.1 | 573.7 |
| Acquisitions (restated[1]) | 97.6 | 6.0 | – | 4.0 | 43.6 | – | 151.2 |
| Additions – internally generated | – | 14.8 | 1.8 | – | – | – | 16.6 |
| Additions – other | – | 13.6 | – | – | – | – | 13.6 |
| Disposals | – | (0.1) | – | – | – | – | (0.1) |
| Reclassifications | – | 1.4 | – | – | – | – | 1.4 |
| Translation differences | (21.1) | (3.4) | – | – | (0.3) | – | (24.8) |
| At 31 March 2021 (restated[1]) | 317.6 | 322.0 | 1.8 | 4.0 | 85.1 | 1.1 | 731.6 |
| Additions – internally generated | – | 7.0 | – | – | – | – | 7.0 |
| Additions – other | – | 17.7 | – | – | – | – | 17.7 |
| Disposals | – | (22.2) | – | – | – | – | (22.2) |
| Translation differences | 12.9 | 1.7 | – | – | 1.2 | – | 15.8 |
| **At 31 March 2022** | **330.5** | **326.2** | **1.8** | **4.0** | **86.3** | **1.1** | **749.9** |
| **Amortisation** | | | | | | | |
| At 1 April 2020 | – | 235.9 | – | – | 8.2 | – | 244.1 |
| Charge for the year | – | 17.8 | 0.1 | 0.1 | 5.9 | 0.1 | 24.0 |
| Translation differences | – | (2.9) | – | – | – | – | (2.9) |
| At 31 March 2021 | – | 250.8 | 0.1 | 0.1 | 14.1 | 0.1 | 265.2 |
| Charge for the year | – | 18.8 | 0.6 | 0.4 | 10.0 | 0.4 | 30.2 |
| Disposals | – | (20.1) | – | – | – | – | (20.1) |
| Translation differences | – | 1.2 | – | – | 0.1 | – | 1.3 |
| **At 31 March 2022** | **–** | **250.7** | **0.7** | **0.5** | **24.2** | **0.5** | **276.6** |
| **Net book value** | | | | | | | |
| **At 31 March 2022** | **330.5** | **75.5** | **1.1** | **3.5** | **62.1** | **0.6** | **473.3** |
| At 31 March 2021 (restated[1]) | 317.6 | 71.2 | 1.7 | 3.9 | 71.0 | 1.0 | 466.4 |

1. Restated for measurement period adjustments for prior year acquisitions (Note 28).

As at 31 March 2022, the cost and accumulated amortisation of internally generated intangible assets included in software were £33.9 million and £17.8 million (2020/21: £28.3 million and £13.5 million) respectively. All development expenditure is internally generated.

At 31 March 2022, there were no material individual software assets (2020/21: the RS SAP system with a net book value of £12.6 million). Material individual customer contracts and relationships are from the acquisitions of IESA, Needlers and Synovos with net book values of £24.2 million, £14.7 million and £21.2 million respectively (2020/21 restated[1]: £28.6 million, £16.5 million and £23.6 million) and remaining useful lives of 3 to 6 years, 8 years and 6 years respectively.

Goodwill is allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from the synergies arising as a result of the acquisition, with £280.7 million (2020/21 restated[1]: £267.8 million) relating to the Americas CGU and £49.8 million (2020/21: £49.8 million) relating to the EMEA CGU.

The Group reviews its intangible assets regularly to assess if there are any indications the assets may be impaired. In addition, goodwill and any other intangible assets that are not yet being amortised are subject to annual impairment reviews.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. The recoverable amount is calculated as the higher of fair value less costs of disposal and value in use. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which the asset belongs.

## 14 Intangible assets continued

For the goodwill impairment reviews, the recoverable amount of the CGUs is based on value-in-use calculations, which use cash flow projections based on the Group's annual targets and strategic plan which cover the next five years. Judgements made are for the main assumptions used in determining the revenue and gross margin growth rates. These are determined using internal forecasts based upon historical growth rates and future medium-term plans together with relevant macroeconomic indicators. These cash flow projections are then extrapolated using the relevant long-term growth rate for the CGU and discounted at the Group's pre-tax weighted average cost of capital (including lease liabilities) adjusted for the estimated tax cash flows and risk applicable for the CGU. The cash flow projections are adjusted to take account of the likely future costs of meeting our climate change commitments consistent with the Group's climate scenario analysis of physical and transition risk impacts conducted for the Task Force on Climate-related Financial Disclosures (TCFD).

For the Americas CGU, the long-term growth rate is 1.7% (2020/21: 1.9%) which is consistent with the market estimate of long-term average growth rates for the product and service solutions providers industries and does not exceed expected long-term GDP growth for Americas. The pre-tax discount rate is 6.4% (2020/21: 7.5%).

For the EMEA CGU, the long-term growth rate is 1.5% (2020/21: 1.8%) which is consistent with the market estimate of long-term average growth rates for the product and service solutions providers industries and does not exceed expected long-term GDP growth for EMEA. The pre-tax discount rate is 8.3% (2020/21: 8.5%).

There is significant headroom between the carrying amount and the value in use of the CGUs (over 100%), therefore the Directors believe that currently all reasonably likely changes in the key assumptions referred to above would not give rise to an impairment charge.

## 15 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provisions for impairment after taking account of any impact of the Group's strategy related to climate change. The cost of self-constructed assets includes the cost of materials, direct labour and certain direct overheads.

No depreciation has been charged on freehold land. Other assets are depreciated to residual value, which is reassessed annually, on a straight-line basis at the following annual rates: freehold buildings and improvements to leasehold buildings 2% (or the lease term if shorter); plant and machinery 5% – 20%; and computer equipment 20% – 33%. This reassessment includes consideration of the Group's climate scenario analysis of physical and transition risk impacts conducted for the TCFD.

| | Land and buildings £m | Plant and machinery £m | Computer equipment £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2020 | 153.9 | 193.6 | 82.8 | 430.3 |
| Acquisitions | 0.9 | 0.8 | 0.1 | 1.8 |
| Additions | 0.3 | 14.2 | 11.5 | 26.0 |
| Disposals | (0.3) | (0.9) | (0.9) | (2.1) |
| Reclassifications | 1.5 | 6.5 | (9.4) | (1.4) |
| Translation differences | (5.6) | (5.4) | (2.1) | (13.1) |
| At 31 March 2021 | 150.7 | 208.8 | 82.0 | 441.5 |
| Additions | 3.7 | 16.1 | 1.0 | 20.8 |
| Disposals | (0.5) | (0.5) | (21.2) | (22.2) |
| Translation differences | 1.7 | 1.7 | 0.6 | 4.0 |
| **At 31 March 2022** | **155.6** | **226.1** | **62.4** | **444.1** |
| **Depreciation** | | | | |
| At 1 April 2020 | 51.6 | 140.7 | 70.5 | 262.8 |
| Charge for the year | 2.7 | 7.5 | 5.2 | 15.4 |
| Disposals | (0.3) | (0.7) | (0.9) | (1.9) |
| Reclassifications | 0.4 | (0.5) | 0.1 | – |
| Translation differences | (1.4) | (2.5) | (1.1) | (5.0) |
| At 31 March 2021 | 53.0 | 144.5 | 73.8 | 271.3 |
| Charge for the year | 3.2 | 8.2 | 4.4 | 15.8 |
| Disposals | (0.5) | (0.5) | (20.9) | (21.9) |
| Translation differences | 0.3 | 0.7 | 0.6 | 1.6 |
| **At 31 March 2022** | **56.0** | **152.9** | **57.9** | **266.8** |
| **Net book value** | | | | |
| **At 31 March 2022** | **99.6** | **73.2** | **4.5** | **177.3** |
| At 31 March 2021 | 97.7 | 64.3 | 8.2 | 170.2 |

Included above are £8.8 million of property, plant and equipment under construction at 31 March 2022 (2020/21: £34.1 million).

Finance costs capitalised were £0.5 million (2020/21: £0.9 million) calculated using a capitalisation rate of 2.2% (2020/21: 2.2%).

# Notes to the Group accounts

continued

## 16 Leases

The Group assesses at the inception of a contract whether the contract is, or contains, a lease. Where it conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is deemed to be, or to include, a lease. The Group leases various properties, plant and machinery, computer equipment and vehicles typically for periods between 2 and 10 years. Where a contract includes a vehicle lease, the Group has elected to account for the non-lease components as part of the lease. Extension and termination options are included in some leases. Where the Group determines, at the commencement date of each lease, that it is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease, the additional period is included within the lease term.

Leases are recognised on the balance sheet at their commencement date as a liability representing the present value of the future lease payments not yet paid and a right-of-use asset reflecting the future benefit to the Group generated by using the underlying asset. The discount on the lease liability is calculated using the Group's incremental borrowing rate, as rates implicit in the Group's leases cannot be readily determined, and is charged to finance costs in the income statement as it unwinds. The Group's incremental borrowing rate is adjusted to take account of the country risk, lease term and start date for each lease. Fixed payments less any lease incentives receivable, in-substance fixed payments and variable payments based on an index or rate form part of the lease liability. Variable payments which are not based on an index or rate are expensed when the event that triggers the payment occurs.

The right-of-use asset is stated at cost less accumulated depreciation and any provisions for impairment. Initially the cost of the right-of-use asset comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement of the lease less any lease incentives received, plus any direct costs incurred and an estimate of the cost to restore the underlying asset. The right-of-use asset is depreciated on a straight-line basis over the lease term (or useful life of the asset, if shorter), which is reassessed as the underlying facts and circumstances of the lease change.

The Group has elected to not recognise the lease liability and right-of-use asset in respect of short-term leases and leases of low-value assets on the balance sheet. Short-term leases and leases of low-value assets are expensed in the income statement on a straight-line basis over the lease term.

The lease liability is remeasured when there is a change in the future lease payments or if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying value of the right-of-use asset. If the carrying value of the right-of-use asset is reduced to zero, any further reductions are recognised in the income statement.

The amounts recognised relating to leases were:

| | 2022 £m | 2021 £m |
|---|---|---|
| **Right-of-use assets** | | |
| Buildings | **33.8** | 39.6 |
| Plant and machinery | **0.3** | 0.7 |
| Computer equipment | **6.4** | 12.2 |
| Vehicles | **5.3** | 6.1 |
| **Right-of-use assets** | **45.8** | 58.6 |
| **Lease liabilities** | | |
| Current | **16.7** | 17.4 |
| Non-current | **32.0** | 44.1 |
| **Lease liabilities** | **48.7** | 61.5 |
| **Depreciation charge for right-of-use assets** | | |
| Buildings | **9.2** | 9.4 |
| Plant and machinery | **0.4** | 0.5 |
| Computer equipment | **5.4** | 4.3 |
| Vehicles | **2.7** | 2.9 |
| **Depreciation charge for right-of-use assets** | **17.7** | 17.1 |
| Right-of-use assets acquired with businesses | **–** | 6.6 |
| Other additions to right-of-use assets | **2.8** | 11.9 |
| **Additions to right-of-use assets** | **2.8** | 18.5 |

## 16 Leases continued

The total cash outflow for leases was:

| | 2022 £m | 2021 £m |
|---|---|---|
| Included in cash flows from operating activities: | | |
| Interest expense | **0.9** | 1.0 |
| Expense relating to short-term leases | **0.8** | 0.5 |
| Expense relating to leases of low-value assets, excluding short-term leases of low-value assets | **0.5** | 0.5 |
| Expense relating to variable lease payments not included in measurement of lease liabilities | **0.6** | 1.0 |
| Included in cash flows from financing activities: | | |
| Payment of lease liabilities | **17.8** | 16.4 |
| **Total cash outflow for leases** | **20.6** | 19.4 |

The contractual maturity analysis of lease liabilities is included in liquidity risk in Note 23.

## 17 Investment in joint venture

The Group's share of the post-tax profit of its joint venture is included in profit before tax. The investment in the joint venture is carried in the Group balance sheet at historical cost plus post-acquisition changes in the Group's share of the joint venture's net assets. The Group owns 50% of the share capital of RS Components & Controls (India) Limited, its joint venture.

| | 2022 £m | 2021 £m |
|---|---|---|
| At 1 April | **1.1** | 1.0 |
| Group's share of profit for the year | **0.5** | 0.2 |
| Group's share of other comprehensive expense | **0.1** | (0.1) |
| Group's share of total comprehensive income | **0.6** | 0.1 |
| Dividends | **(0.2)** | – |
| **At 31 March** | **1.5** | 1.1 |

## 18 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is calculated on a weighted average basis and for finished goods and goods for resale includes attributable overheads.

The Group estimates the net realisable value of inventories in order to determine the value of any provision required. In this estimation judgements, including any impact of obsolescence including that related to regulatory changes due to amongst other things climate change, are made in relation to the number of years of sales there are in inventories of each product and the value recoverable from those inventories. The Group bases its estimates on recent historical experience and knowledge of the products on hand.

| | 2022 £m | 2021 £m |
|---|---|---|
| Raw materials and consumables | **66.4** | 69.1 |
| Finished goods and goods for resale | **492.8** | 391.3 |
| Gross inventories | **559.2** | 460.4 |
| Inventory provisions | **(29.7)** | (40.6) |
| **Net inventories** | **529.5** | 419.8 |

£7.7 million was recognised as an expense relating to the write-down of inventories to net realisable value (2020/21: £21.1 million including £12.7 million related to personal protective equipment (PPE) products bought at the start of the COVID-19 pandemic as a result of their significant decline in selling price).

If the numbers of each product sold in a year decreased leading to an increase of one year in the number of years of sales there are in inventory, inventory provisions would increase by £1.5 million (2020/21: £2.0 million). A reduction in the value recoverable leading to an increase in provision rates of 10 percentage points per product, up to a maximum of 100% provision per product, would increase the inventory provisions by £1.2 million (2020/21: £1.5 million). Therefore, currently the Group does not expect any reasonably likely changes, including regulatory changes and any further impacts of the COVID-19 pandemic and any future variants, to have a material impact on the net realisable value of inventories.

# Notes to the Group accounts

continued

## 19 Trade and other receivables

| | 2022 £m | 2021 restated[1] £m |
|---|---|---|
| **Current** | | |
| Gross trade receivables | **535.8** | 435.2 |
| Impairment allowance (Note 23) | **(9.1)** | (7.4) |
| Net trade receivables | **526.7** | 427.8 |
| Amounts owed by joint venture | **2.1** | 1.8 |
| Prepayments | **27.3** | 24.9 |
| Other taxation and social security | **1.8** | – |
| Contract assets | **2.9** | 4.4 |
| Other receivables | **33.5** | 34.7 |
| **Current trade and other receivables** | **594.3** | 493.6 |
| **Non-current** | | |
| Prepayments | **0.7** | 0.7 |
| Other taxation and social security | **1.2** | 1.1 |
| Other receivables | **1.1** | 1.1 |
| **Non-current other receivables** | **3.0** | 2.9 |

1. Restated for measurement period adjustments for prior year acquisitions (Note 28).

Trade receivables include £nil (2020/21: £0.7 million) which was subject to a factoring arrangement operated by one of the Group's recent acquisitions which was fully unwound during the year. Under this arrangement, the relevant receivables were transferred to the factor in exchange for cash and the Group was prevented from selling or pledging the receivables. However, the Group retained late payment and credit risk. The Group therefore continued to recognise the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement was presented as a secured loan (Note 22). The Group considered that the held to collect business model was appropriate for these receivables, and so measured them at amortised cost.

Contract assets relate mainly to licence fee income and are where the Group has performed its part of the contract but is yet to receive the credit note for licence fee income from suppliers or raise the invoice for other contracts with customers.

Other receivables include £19.8 million (2020/21: £23.0 million) for amounts yet to be invoiced to customers related to product sales where the Group acts as an agent (Note 5).

## 20 Trade and other payables

| | 2022 £m | 2021 £m |
|---|---|---|
| **Current** | | |
| Trade payables | **377.3** | 319.4 |
| Other taxation and social security | **19.7** | 19.4 |
| Government grants | **0.1** | 0.1 |
| Cash-settled share-based payment liability | **3.2** | 3.0 |
| Accruals | **150.4** | 111.0 |
| Contract liabilities | **8.2** | 0.6 |
| Other payables (including estimated obligations for customer volume discounts and refunds – Note 5) | **25.2** | 21.8 |
| **Current trade and other payables** | **584.1** | 475.3 |
| **Non-current** | | |
| Government grants | **2.5** | 2.6 |
| Cash-settled share-based payment liability | **2.6** | 2.6 |
| Other employee benefits | **1.8** | 1.6 |
| **Non-current other payables** | **6.9** | 6.8 |

Contract liabilities are where the Group has received payment but is yet to perform its part of the contract. The increase in the year is mainly related to higher advance orders and the related payments in advance as customers anticipated long lead times and potential price increases.

Government grants related to expenditure on property, plant and equipment are credited to the income statement at the same rate as the depreciation on the asset to which the grant relates.

The Group offers a supply chain finance facility to its suppliers. It is primarily provided to enable working capital improvement through the extension of supplier payment terms and gives the suppliers the option to protect their own working capital position from the impact of this extension. The substance of the contractual terms with the bank providing the financing does not differ to the terms under the supplier contracts and there are no changes to the invoice terms and therefore the amount owed to the bank of £10.7 million (2020/21: £5.3 million) is included in trade payables. Related cash flows are included in cash generated from operations.

## 21 Financial instruments

The Group uses derivative financial instruments to cover its exposure to foreign exchange and interest rate risks arising from operational and financing activities. It principally employs forward foreign exchange contracts, and occasionally currency swaps, to hedge against changes in exchange rates over fixed terms of between three and seven months for the majority of its operating companies. In addition, there are some interest rate swaps which swap US dollar fixed rate private placement loan notes into floating US dollars.

In accordance with its treasury policies, the Group designates the majority of its derivative financial instruments as cash flow hedges, fair value hedges or net investment hedges. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are recognised at fair value. Derivative financial instruments that do not qualify for cash flow hedge or net investment hedge accounting are classified as measured at fair value through profit or loss and changes in their fair values are recognised in the income statement as they arise.

### Cash flow hedge accounting

The Group uses derivative financial instruments, namely forward foreign exchange contracts, to hedge variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction. The effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income, while any ineffective part is recognised immediately in the income statement. When the hedged item subsequently results in the recognition of a non-financial asset or liability (e.g. inventories) the associated cumulative gain or loss recognised in the hedging reserve is transferred to the initial carrying amount of the asset or liability. When the hedged item subsequently results in the recognition of a financial asset or liability, the associated cumulative gain or loss that was recognised in other comprehensive income is reclassified from equity to the income statement in the same period that the hedged item affects the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship as it no longer meets the Group's risk management objective but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is reclassified from equity when the transaction occurs in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is reclassified to the income statement.

The fair value of forward foreign exchange contracts is the difference between their discounted contractual forward price and their current forward price.

### Fair value hedge accounting

The Group uses derivative financial instruments, namely interest rate swaps, to hedge exposure to interest rate risks arising from financing activities. The fair value of the swaps is the market value of the swap at the balance sheet date, taking into account current interest rates. Changes in fair values of derivatives designated as fair value hedges and changes in fair value of the related hedged items are recognised directly in the income statement.

### Net investment hedge accounting

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in other comprehensive income. The ineffective portion is recognised immediately in the income statement. Amounts taken to other comprehensive income are reclassified from equity to the income statement when the foreign operations are sold or liquidated.

### Other financial instruments

All other financial instruments are initially recognised at fair value plus transaction costs. Initial fair value is generally the transaction price. Subsequent measurement is as follows:

- Borrowings are measured at amortised cost unless they are designated as being fair value hedged, in which case they are remeasured for the fair value changes in respect of the hedged risk with these changes recognised in the income statement.
- All other financial assets, including current receivables, are measured at amortised cost less any impairment allowances.
- All other financial liabilities, including current payables, are measured at amortised cost.

### Other derivatives

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Current assets £m | Current liabilities £m | Current assets £m | Current liabilities £m |
| Forward foreign exchange contracts designated as cash flow hedges (principal amount £148.9 million (2020/21: £130.4 million)) | **1.2** | **(1.9)** | 1.8 | (0.8) |
| Forward foreign exchange contracts classified as fair value through profit or loss | **0.2** | **(1.3)** | 0.4 | (1.2) |
| **Other derivatives** | **1.4** | **(3.2)** | 2.2 | (2.0) |

# Notes to the Group accounts
continued

## 21 Financial instruments continued

### Fair values

Under IFRS 7 'Financial Instruments: Disclosures', fair values are measured using a hierarchy where the inputs are:
- Level 1 – quoted prices in active markets for identical assets or liabilities
- Level 2 – not Level 1 but are observable for that asset or liability either directly or indirectly
- Level 3 – not based on observable market data (unobservable)

The other derivatives listed above, the interest rate swaps and the fair value of the private placement loan notes they are hedging are measured at fair value using Level 2 inputs. These are estimated by discounting the future contractual cash flows using appropriate market-sourced data at the balance sheet date.

For all financial assets and liabilities, fair value approximates the carrying amounts in the balance sheet except for the following:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Carrying amounts £m | Fair value £m | Carrying amounts £m | Fair value £m |
| Non-current private placement loan notes | **(151.7)** | **(144.8)** | (147.3) | (146.1) |

The fair values are calculated using Level 2 inputs by discounting future cash flows to net present values using prevailing interest rate curves and the Group's credit margin.

### Netting arrangements for financial instruments

The Group operates a number of cash pooling arrangements to provide the benefits of settling interest on a net basis. The balances on these accounts do not meet the criteria for offsetting and so are not presented on a net basis in the balance sheet. Where a legal right of offset exists, these are shown in the table below along with any financial instruments which can be netted under master netting arrangements.

| | Gross and net amounts in balance sheet £m | Financial instruments not offset £m | Net amounts £m |
|---|---|---|---|
| **At 31 March 2022** | | | |
| Interest rate swaps assets | **0.1** | **(0.1)** | **–** |
| Cash and cash equivalents – cash and short-term deposits | **257.9** | **(95.5)** | **162.4** |
| Other derivative assets | **1.4** | **(1.4)** | **–** |
| Interest rate swaps liabilities | **(0.2)** | **–** | **(0.2)** |
| Cash and cash equivalents – bank overdrafts | **(99.5)** | **95.5** | **(4.0)** |
| Other derivative liabilities | **(3.2)** | **1.5** | **(1.7)** |
| **At 31 March 2021** | | | |
| Interest rate swaps | 1.1 | (0.4) | 0.7 |
| Cash and cash equivalents – cash and short-term deposits | 197.9 | (107.0) | 90.9 |
| Other derivative assets | 2.2 | (0.9) | 1.3 |
| Cash and cash equivalents – bank overdrafts | (111.5) | 107.0 | (4.5) |
| Other derivative liabilities | (2.0) | 1.3 | (0.7) |

## 22 Net debt

Net debt comprises cash and cash equivalents, borrowings, interest rate swaps and lease liabilities. Cash and cash equivalents comprise cash in hand and in current accounts, overnight deposits and short-term deposits net of overdrafts with qualifying financial institutions. Borrowings represent loans from qualifying financial institutions.

| | 2022 £m | 2021 £m |
|---|---|---|
| Cash and short-term deposits | **257.9** | 197.9 |
| Bank overdrafts | **(99.5)** | (111.5) |
| **Cash and cash equivalents** | **158.4** | 86.4 |

| | 2022 £m | 2021 £m |
|---|---|---|
| **Non-current borrowings** | | |
| Unsecured private placement loan notes repayable after more than five years | **(75.5)** | (147.3) |
| Unsecured private placement loan notes repayable from four to five years | **(76.2)** | – |
| **Non-current borrowings** | **(151.7)** | (147.3) |
| **Current other borrowings** | | |
| Secured bank loans | **–** | (0.7) |
| **Current other borrowings** | **–** | (0.7) |
| **Total borrowings** | **(151.7)** | (148.0) |
| Non-current interest rate swaps designated as fair value hedges | **–** | 1.1 |
| Current interest rate swaps designated as fair value hedges – assets | **0.1** | – |
| Current interest rate swaps designated as fair value hedges – liabilities | **(0.2)** | – |
| Cash and cash equivalents | **158.4** | 86.4 |
| Non-current lease liabilities | **(32.0)** | (44.1) |
| Current lease liabilities | **(16.7)** | (17.4) |
| **Net debt** | **(42.1)** | (122.0) |

The secured bank loans at 31 March 2021 related to transferred receivables (Note 19).

The interest rate swaps are designated as fair value hedges and swap US\$50 million of private placement loan notes from fixed rate US dollars at 3.37% into floating rate US dollars at US\$ LIBOR plus 191 basis points maturing December 2022 and swap US\$35 million of private placement loan notes from fixed rate US dollars at 3.58% into floating rate US dollars at US\$ LIBOR plus 277 basis points maturing March 2023. As US\$ LIBOR rates will continue to be published until June 2023, these swap contracts do not need amending. Further details of these swaps and the hedged items are:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Interest rate swaps £m | Private placement loan notes hedged £m | Interest rate swaps £m | Private placement loan notes hedged £m |
| Carrying amount of (liability) / asset | **(0.1)** | **(64.6)** | 1.1 | (62.8) |
| Accumulated fair value adjustments (loss) / gain | **(0.1)** | **0.1** | 1.1 | (1.1) |
| (Loss) / gain in fair value in year | **(1.2)** | **1.2** | 0.1 | (0.1) |

# Notes to the Group accounts

continued

## 22 Net debt continued

Movements in net debt were:

| | Borrowings £m | Lease liabilities £m | Total liabilities from financing activities £m | Interest rates swaps £m | Cash and cash equivalents £m | Net debt £m |
|---|---|---|---|---|---|---|
| Net debt at 1 April 2020 | (169.3) | (56.3) | (225.6) | 1.0 | 34.8 | (189.8) |
| Cash flows | 24.3 | 16.4 | 40.7 | – | 63.4 | 104.1 |
| Acquired with businesses | (16.9) | (6.9) | (23.8) | – | – | (23.8) |
| New leases | – | (11.9) | (11.9) | – | – | (11.9) |
| Lease modifications | – | (3.7) | (3.7) | – | – | (3.7) |
| Disposal of leases | – | 0.4 | 0.4 | – | – | 0.4 |
| (Loss) / gain in fair value in year | (0.1) | – | (0.1) | 0.1 | – | – |
| Translation differences | 14.0 | 0.5 | 14.5 | – | (11.8) | 2.7 |
| Net debt at 31 March 2021 | (148.0) | (61.5) | (209.5) | 1.1 | 86.4 | (122.0) |
| Cash flows | 0.7 | 17.8 | 18.5 | – | 68.1 | 86.6 |
| New leases | – | (2.8) | (2.8) | – | – | (2.8) |
| Lease modifications | – | (2.1) | (2.1) | – | – | (2.1) |
| Disposal of leases | – | 0.2 | 0.2 | – | – | 0.2 |
| Gain / (loss) in fair value in year | 1.2 | – | 1.2 | (1.2) | – | – |
| Translation differences | (5.6) | (0.3) | (5.9) | – | 3.9 | (2.0) |
| **Net debt at 31 March 2022** | **(151.7)** | **(48.7)** | **(200.4)** | **(0.1)** | **158.4** | **(42.1)** |

## 23 Financial risk management

The principal financial risks to which the Group is exposed are those of credit, liquidity and market. Market risk includes interest rate risk and foreign currency transaction risk. Each of these is managed in accordance with Board-approved policies.

### Credit risk

The Group is exposed to credit risk on financial assets such as cash deposits, derivative instruments and trade and other receivables.

The amounts in the balance sheet represent the maximum credit risk exposure at the balance sheet date. There were no significant concentrations of credit risk at the balance sheet date, as exposure is spread over a large number of counterparties, customers and geographic locations. The Group has reviewed its credit risk again carefully this year due to the continued COVID-19 pandemic and its variants and the Group does not believe it has materially altered during the year.

For cash deposits and derivative instruments, the Group identifies counterparties of suitable creditworthiness based on ratings assigned by international credit-rating agencies and has procedures to ensure that only these parties are used, that exposure limits are set based on the external credit ratings and that these limits are not exceeded. The impairment losses on these are immaterial.

For trade and other receivables, all operating companies have credit policies and monitor their credit exposure on an ongoing basis. Each operating company performs credit evaluations on all customers seeking credit over a certain amount. For countries with no local operating company presence, export credit limits are set and monitored on a country basis monthly by the Treasury Committee. The impairment losses on contract assets and other receivables are immaterial.

The impairment allowance for trade receivables is measured at an amount equal to lifetime expected credit losses. Trade receivables have been grouped based on shared credit risk characteristics and the number of days from date of invoice. The expected loss rates are based on the payment profile of sales over a 36-month period from 1 April 2018 and the corresponding historical credit losses experienced within this period calculated as the trade receivables from this period that have not been paid by the year end. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the impairment allowance for trade receivables was determined as follows:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Expected loss rate %** | **Gross carrying amount £m** | **Loss allowance £m** | Expected loss rate % | Gross carrying amount £m | Loss allowance £m |
| 0-30 days from date of invoice | **0.6%** | **358.3** | **2.2** | 0.8% | 289.1 | 2.2 |
| 31-60 days from date of invoice | **0.9%** | **117.4** | **1.1** | 1.2% | 97.3 | 1.2 |
| 61-90 days from date of invoice | **2.1%** | **28.6** | **0.6** | 2.0% | 24.9 | 0.5 |
| 91-120 days from date of invoice | **3.3%** | **12.0** | **0.4** | 6.1% | 8.2 | 0.5 |
| Over 120 days from date of invoice | **24.6%** | **19.5** | **4.8** | 19.1% | 15.7 | 3.0 |
| **Total** | | **535.8** | **9.1** | | 435.2 | 7.4 |

## 23 Financial risk management continued

The ageing of net trade receivables at the reporting date was:

| | **2022 £m** | 2021 £m |
|---|---|---|
| Not past due | **437.9** | 355.4 |
| Past due 0-30 days | **59.9** | 49.6 |
| Past due 31-60 days | **10.1** | 9.5 |
| Past due 61-120 days | **8.2** | 5.1 |
| Past due over 120 days | **10.6** | 8.2 |
| **Total** | **526.7** | 427.8 |

The movement in the impairment allowance for trade receivables was as follows:

| | **2022 £m** | 2021 £m |
|---|---|---|
| At 1 April | **(7.4)** | (6.9) |
| Acquisitions | **–** | (0.7) |
| Net remeasurement of impairment allowance | **(1.7)** | 0.2 |
| **At 31 March** | **(9.1)** | (7.4) |

Trade receivables are written off when there is no reasonable expectation of recovery, for example when a customer enters liquidation or the Group agrees with the customer to write off an outstanding invoice. The Group continues to limit its exposure by maintaining tight credit policies, including short payment terms and low credit limits for new customers and seeking payment commitments for overdue balances before releasing new orders to existing customers. Historically, the Group has generally experienced very low levels of trade receivables not being recovered, including those significantly past due, and this was also the case during 2021/22. However, with the continued uncertainty about the global economy, the Group remains cautious about its exposure and so has carefully reviewed, and maintained at a higher level, its expected loss rates for those markets and industries that are most affected.

At 31 March 2022, the largest trade receivable balance was £8.7 million (2020/21: £7.0 million), of which £6.4 million has been received since the year end. The maximum exposure with a single bank for deposits was £51.3 million (2020/21: £19.4 million) and the largest mark to market exposure for derivative financial instruments to a single bank was £0.1 million (2020/21: £0.6 million). The Group also occasionally uses money market funds to invest surplus cash thereby diversifying credit risk and at 31 March 2022 its exposure to these funds was £nil (2020/21: £nil).

### Liquidity risk

The Group's key priority is to ensure that it can meet its liabilities as they fall due. The Group ensures this by having sufficient committed debt facilities in place to meet its anticipated funding requirements. The Group's forecast funding requirements and its committed debt facilities are reported to and monitored by the Treasury Committee monthly.

During the year, the Group moved its £300.0 million revolving credit facility to a sustainability-linked loan, replaced LIBOR with risk free rates and extended its maturity for a year. Therefore, as at 31 March 2022, the Group had the following committed debt finance in place:

- Private placement loan notes of €18 million with a maturity of October 2026, US$80 million with a maturity of December 2026, €13 million with a maturity of October 2029, US$35 million with a maturity of March 2030 and US$50 million with a maturity of October 2031.
- A £300.0 million sustainability-linked loan, with a lender option accordion of up to a further £100.0 million, which has a maturity of November 2024 with an option for the Group to extend for up to one further one-year term subject to individual lender approval. This is an undrawn revolving credit facility.

As at 31 March 2022, the Group had £300.0 million (2020/21: £300.0 million) of available undrawn committed debt facilities in respect of which all conditions precedent had been met.

The Group also uses bank overdrafts, uncommitted short-term money market loans, cash and short-term investments. The main purpose of these financial instruments is to manage the Group's day-to-day funding and liquidity requirements.

# Notes to the Group accounts
continued

## 23 Financial risk management continued
The contractual maturities of financial liabilities, including contractual future interest payments were:

| | Carrying amounts £m | Contractual cash flows £m | Within 1 year £m | 1-2 years £m | 2-3 years £m | 3-4 years £m | After 4 years £m |
|---|---|---|---|---|---|---|---|
| **Derivative financial liabilities** | | | | | | | |
| Inflows for forward foreign exchange contracts | **133.9** | **133.6** | **133.6** | **–** | **–** | **–** | **–** |
| Outflows for forward foreign exchange contracts | **(137.1)** | **(137.1)** | **(137.1)** | **–** | **–** | **–** | **–** |
| Forward foreign exchange contracts | **(3.2)** | **(3.5)** | **(3.5)** | **–** | **–** | **–** | **–** |
| **Non-derivative financial liabilities** | | | | | | | |
| Private placement loan notes | **(151.7)** | **(185.6)** | **(4.7)** | **(4.7)** | **(4.7)** | **(4.7)** | **(166.8)** |
| Lease liabilities | **(48.7)** | **(50.7)** | **(17.7)** | **(11.4)** | **(7.3)** | **(5.7)** | **(8.6)** |
| Bank overdrafts | **(99.5)** | **(99.5)** | **(99.5)** | **–** | **–** | **–** | **–** |
| Trade payables, other payables and accruals | **(500.2)** | **(500.2)** | **(500.2)** | **–** | **–** | **–** | **–** |
| **At 31 March 2022** | **(803.3)** | **(839.5)** | **(625.6)** | **(16.1)** | **(12.0)** | **(10.4)** | **(175.4)** |

| | Carrying amounts £m | Contractual cash flows £m | Within 1 year £m | 1-2 years £m | 2-3 years £m | 3-4 years £m | After 4 years £m |
|---|---|---|---|---|---|---|---|
| **Derivative financial liabilities** | | | | | | | |
| Inflows for forward foreign exchange contracts | 67.0 | 66.9 | 66.9 | – | – | – | – |
| Outflows for forward foreign exchange contracts | (69.0) | (69.0) | (69.0) | – | – | – | – |
| Forward foreign exchange contracts | (2.0) | (2.1) | (2.1) | – | – | – | – |
| **Non-derivative financial liabilities** | | | | | | | |
| Secured bank loans | (0.7) | (0.7) | (0.7) | – | – | – | – |
| Private placement loan notes | (147.3) | (183.1) | (4.5) | (4.5) | (4.5) | (4.5) | (165.1) |
| Lease liabilities | (61.5) | (63.9) | (18.3) | (15.9) | (10.6) | (6.5) | (12.6) |
| Bank overdrafts | (111.5) | (111.5) | (111.5) | – | – | – | – |
| Trade payables, other payables and accruals | (412.8) | (412.8) | (412.8) | – | – | – | – |
| **At 31 March 2021** | (735.8) | (774.1) | (549.9) | (20.4) | (15.1) | (11.0) | (177.7) |

### Market risk – interest rate risk
The Group has relatively high interest cover and therefore the Group adopts a policy of paying and receiving most of its interest on a variable interest rate basis, as in the opinion of the Group this minimises interest cost over time. This policy is subject to regular monitoring of the effect of potential changes in interest rates on its interest cost with a view to taking suitable actions should exposure reach certain levels. The Group does not believe its interest rate risk has materially altered during the year.

As at 31 March 2022 (and 31 March 2021), the Group had US$165 million and €31 million of private placement loan notes at fixed interest rates, of which it had swapped US$85 million into floating interest rates. All other borrowings were at variable rates. At 31 March 2022, 35% (2020/21: 33%) of the Group's gross borrowings excluding lease liabilities (total borrowings plus bank overdrafts) was at fixed rates, with surplus cash deposited at variable rates.

The Group has completed its transition to alternative benchmark rates arising as a result of the global financial regulators' interest rate benchmark reform and so, as at 31 March 2022, has no remaining risks due to this transition. This transition has resulted in no changes to the Group's risk management strategy.

## 23 Financial risk management continued
### Market risk – foreign currency transaction risk
The Group is exposed to foreign currency transaction risk as it has operating companies with payables and receivables in currencies other than their functional currency. The Group also has foreign currency translation risk resulting from investment in foreign subsidiaries and foreign currency debt which is mainly in US dollars with some euros.

Hedging of currency exposures during periods when operating companies cannot easily change their selling prices is implemented in order to shelter the forecast gross profit during those periods. In this way the impacts of currency fluctuations can be smoothed until selling prices can be changed in the light of movements in exchange rates. The hedges are enacted through forward foreign exchange contracts in appropriate currencies entered into by Group Treasury based on trading projections provided by the operating companies. The Group's largest exposures relate to euros and US dollars.

In addition, specific cash flows relating to material transactions in currencies other than the functional currency of the local business are hedged when the commitment is made.

The Group classifies forward foreign exchange contracts as hedging instruments against forecast receivables / payables and designates the forward element of these contracts as cash flow hedges for accounting purposes on a 1:1 basis which means the fair value movement in the hedged item is equal and opposite to the fair value movement in the hedging instrument. The forecast cash flows are expected to occur evenly throughout the forecast period from the year end, which is between three and seven months, and will affect the income statement in the period in which they occur or the inventories are sold. The average forward prices of the outstanding forward foreign exchange contracts are €1.20:£1 and US$1.34:£1.

Foreign currency transaction exposures, and the hedges in place to mitigate them, are monitored monthly by the Treasury Committee. The Group does not believe its foreign currency transaction risk has altered materially during the year. Ineffectiveness may arise if actual foreign currency transactions are lower than the trading projections.

The Group has designated US$3.6 million (2020/21: US$3.6 million) of the private placement loan notes maturing in December 2026, with a carrying amount of £2.8 million (2020/21: £2.6 million), as hedges of US$3.6 million (2020/21: US$3.6 million) of net investments in its US subsidiaries. These hedges are expected to remain highly effective as the change in the value of the net assets of the US subsidiaries hedged is always exactly offset by the related change in the fair value of the private placement loan notes. No other foreign currency translation exposures are explicitly hedged although local currency debt is used where economically and fiscally efficient in the financing of subsidiaries and this provides a degree of natural hedging. Guidelines are in place to manage the currency mix of the Group's net debt. The Group does not believe its foreign currency translation risk has altered materially during the year. The balance in the cumulative translation reserve relating to the US$3.6 million net investment hedge is £nil with a further loss of £38.4 million relating to previous net investment hedging relationships.

Borrowings are analysed by currency as:

| | Unsecured bank overdrafts £m | Secured bank loans £m | Unsecured private placement loan notes £m | Total £m |
|---|---|---|---|---|
| **At 31 March 2022** | | | | |
| Sterling | **(78.8)** | **–** | **–** | **(78.8)** |
| US dollar | **(3.0)** | **–** | **(125.5)** | **(128.5)** |
| Euro | **(8.4)** | **–** | **(26.2)** | **(34.6)** |
| Canadian dollar | **(8.3)** | **–** | **–** | **(8.3)** |
| Other | **(1.0)** | **–** | **–** | **(1.0)** |
| Total borrowings | **(99.5)** | **–** | **(151.7)** | **(251.2)** |
| **At 31 March 2021** | | | | |
| Sterling | (96.5) | (0.7) | – | (97.2) |
| US dollar | (4.4) | – | (120.9) | (125.3) |
| Euro | (5.0) | – | (26.4) | (31.4) |
| Other | (5.6) | – | – | (5.6) |
| Total borrowings | (111.5) | (0.7) | (147.3) | (259.5) |

# Notes to the Group accounts

continued

## 23 Financial risk management continued

### Sensitivity analysis of exposure to interest rates and foreign exchange rates

The sensitivity analysis is based on the following:

- Change of one percentage point in market interest rates affecting all variable rate elements of financial instruments.
- Change of 5% in euro and US dollar exchange rates affecting the fair value of derivative financial instruments designated as hedging instruments and other financial assets and liabilities. The transactional foreign exchange effect in equity due to net investment hedges included below would be offset in full by the translation of the US and European subsidiaries.

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Impact on income statement gain / (loss) £m | Impact on equity gain / (loss) £m | Impact on income statement gain / (loss) £m | Impact on equity gain / (loss) £m |
| One percentage point increase in interest rates | 0.7 | – | 0.2 | – |
| 5% weakening of the euro | 2.3 | 0.6 | 1.0 | – |
| 5% weakening of the US dollar | (0.1) | (2.3) | 1.4 | (2.7) |

A corresponding decrease in interest rates or strengthening of exchange rates would result in an equal and opposite effect to the amounts above.

### Capital management

The Board's policy is to always maintain a strong capital base, with an appropriate debt to equity mix, to ensure investor, creditor and market confidence and to support the future development of the business. The Board monitors the return on capital employed (ROCE), which the Group defines as adjusted operating profit as a percentage of monthly average net assets excluding net debt and retirement benefit obligations, and the level of dividends to ordinary shareholders.

The Group seeks to raise debt from a variety of sources and with a variety of maturities. As at 31 March 2022, the Group had a £300 million sustainability-linked loan, with an accordion of up to a further £100 million, which has a maturity of November 2024 with an option for the Group to extend for up to one further one-year term subject to individual lender approval; and private placement loan notes of €18 million with a maturity of October 2026, US$80 million with a maturity of December 2026, €13 million with a maturity of October 2029, US$35 million with a maturity of March 2030 and US$50 million with a maturity of October 2031.

The Group's debt covenants are EBITA to interest to be greater than 3 times and net debt to adjusted EBITDA to be less than 3.25 times. At the year end the Group comfortably met these covenants with net debt to adjusted EBITDA of 0.1x (2020/21: 0.5x) and EBITA to interest of 44.6x (2020/21: 26.7x).

There were no significant changes in the Group's approach to capital management during the year.

## 24 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event and a reasonable estimate can be made of a probable adverse outcome. Otherwise, material contingent liabilities are disclosed unless the transfer of economic benefits is remote.

| | Reorganisation provision £m | Penalties and interest on uncertain income tax provision £m | Onerous contract provision £m | Dilapidation provision £m | Total £m |
|---|---|---|---|---|---|
| At 1 April 2021 (restated[1]) | 4.8 | 1.4 | 0.3 | 0.4 | 6.9 |
| Additions | 1.6 | 0.2 | – | – | 1.8 |
| Utilised | (3.0) | – | (0.3) | – | (3.3) |
| **At 31 March 2022** | **3.4** | **1.6** | **–** | **0.4** | **5.4** |

Analysed in the balance sheet as:

| | 2022 £m | 2021 restated[1] £m |
|---|---|---|
| Current | 2.6 | 4.9 |
| Non-current | 2.8 | 2.0 |
| | 5.4 | 6.9 |

1. Restated for measurement period adjustments for prior year acquisitions (Note 28).

The reorganisation provision is expected to be fully spent by March 2027 and the dilapidation provision is expected to be fully utilised by March 2028.

At 31 March 2022, there were no material contingent liabilities (2020/21: none).





## 25 Share capital and share premium account

| | Number of shares | Share capital £m | Share premium £m |
|---|---|---|---|
| Issued and fully paid ordinary shares of 10p each: | | | |
| At 1 April 2020 | 446,308,426 | 44.6 | 51.4 |
| Issues to settle employee share awards | 1,816,755 | 0.2 | 3.2 |
| Share placing | 21,818,181 | 2.2 | 177.8 |
| Transaction costs on share placing | – | – | (3.9) |
| At 31 March 2021 | 469,943,362 | 47.0 | 228.5 |
| Issues to settle employee share awards | 1,078,660 | 0.1 | 2.9 |
| **At 31 March 2022** | **471,022,022** | **47.1** | **231.4** |

The share placing in 2020/21 was primarily to fund acquisitions.

The EBT buys shares on the open market and holds them in trust for employees participating in the Group's share-based payment schemes. At 31 March 2022, the EBT held 315,768 shares (2020/21: 168,214 shares) which had not yet vested unconditionally with employees.

## 26 Capital commitments

As at 31 March 2022, the Group is contractually committed to, but has not provided for, future capital expenditure of £1.1 million (2020/21: £4.9 million) for property, plant and equipment and £5.5 million (2020/21: £nil) for intangible assets.

## 27 Related parties

The Group's joint venture (Note 17) is a related party and during the year, the Group made sales of £3.3 million (2020/21: £1.9 million) to the joint venture, and a balance of £2.1 million (2020/21: £1.8 million) was outstanding at the year end.

The Group's pension schemes are related parties and the Group's transactions with them are disclosed in Note 10.

The key management personnel of the Group are the Directors and the Senior Management Team, whose compensation was:

| | 2022 £m | 2021 £m |
|---|---|---|
| Short-term employee benefits | 12.0 | 9.0 |
| Post-employment benefits | 0.2 | 0.2 |
| Termination benefits | 0.2 | 0.2 |
| Share-based payments | 5.9 | 4.0 |
| | 18.3 | 13.4 |

Transactions and balances between the Company and its subsidiaries have been eliminated on consolidation.

## 28 Prior year acquisitions

As accrued for at 31 March 2021, an additional £0.3 million of consideration was paid for John Liscombe Limited and £2.5 million refunded for Synovos, Inc. (Synovos).

Two measurement period adjustments were made to the fair values of Synovos's net assets acquired on 12 January 2021. The first adjustment related to the measurement of uncertain tax provisions for transfer pricing and resulted in the recognition of an additional current income tax liability of £0.8 million, penalties and interest on uncertain income tax provision of £0.4 million and an indemnification asset of £1.2 million. The second adjustment arose as a result of new information received which changed the assumptions used to fair value the customer contracts and relationships intangible assets. This resulted in the customer contracts and relationships intangible assets decreasing by £10.1 million, goodwill increasing by £7.6 million and deferred tax liabilities decreasing by £2.5 million. The balance sheet as at 31 March 2021 has been restated accordingly and there was no change to the income statement for the year ended 31 March 2021.

# Notes to the Group accounts

continued

## 29 Related undertakings

A full list of related undertakings (comprising subsidiaries and a joint venture) is set out below. All subsidiaries are wholly owned and operate within their countries of incorporation. Those companies marked with an asterisk (*) are indirectly held by the Company.

| Name and registered address of undertaking | Country of incorporation | Class of share held |
|---|---|---|
| **Provider of product and service solutions for designers, builders and maintainers of industrial equipment and operations** | | |
| RS Components Pty Limited*<br>25, Pavesi Street, Smithfield, Sydney NSW 2164, Australia | Australia | Ordinary |
| RS Components Handelsgesellschaft m.b.H*<br>Albrechtser Straße 11, 3950, Gmünd, Austria | Austria | Share of equity |
| IESA Belgium B.V.*<br>Louizalaan 65/11, 1050 Elsene | Belgium | Ordinary |
| Allied Electronics (Canada), Inc.*<br>199 Bay Street, Suite 5300, Toronto ON M5L 1B9, Canada | Canada | Common |
| Synovos Canada Corp.*<br>600-1741 Lower Waters Street, Halifax NS NS B3J 0J2, Canada | Canada | Common |
| RS Componentes Electronicos Limitada*<br>Av. Eduardo Frei Montalva, 6001-71 Conchali, Santiago, Chile | Chile | Ordinary |
| RS Components Limited*<br>Suite 1601, Level 16, Tower 1, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong | China | Ordinary |
| RS Components (Shanghai) Company Limited*<br>Unit 501, Floor 5, Building C, The New Bund World Trade Center Phase II, No.3, Lane 227, Dong Yu Road, Pudong Shanghai, China | China | Common and preference |
| RS Components A/S*<br>Nattergalevej 6, 2400, København NV, Denmark | Denmark | Ordinary |
| IESA SAS*<br>Rue Norman King, 60000, Beauvais, France | France | Ordinary |
| RS Components SAS*<br>Rue Norman King, 60000, Beauvais, France | France | Ordinary |
| Integrated Engineering Stores Associates Deutschland GmbH*<br>Bleibtreustr. 21, 10623, Berlin, Germany | Germany | Ordinary |
| RS Components GmbH*<br>Mainzer Landstraße 180, 60327, Frankfurt, Germany | Germany | Ordinary |
| IESA Hungary Korlátolt Felelősségű Társaság*<br>1062, 1-3. Tower A, 6th floor, Budapest | Hungary | Ordinary |
| RS Components & Controls (India) Limited*†<br>222 Okhla Industrial Estate, New Delhi, India | India | Ordinary |
| RS Components S.r.l.*<br>Sesto san Giovanni, Viale Thomas Alva Edison, 110, 20099, MI, Italy | Italy | Ordinary |
| IESA Italy S.r.l*<br>Sesto san Giovanni, Viale Thomas Alva Edison, 110, 20099, MI, Italy | Italy | Ordinary |
| RS Components KK*<br>West Tower 12F, Yokohama Business Park, 134 Godocho, Hodogaya, Yokohama, Kanagawa, 240-0005, Japan | Japan | Ordinary |
| RS Components Sdn Bhd*<br>Suite 9D, Level 9, Menara Ansar, 65 Jalan Trus, Johor Bahru, 80000, Johor, Malaysia | Malaysia | Ordinary |
| Allied Electronics & Automation S. de R.L. de C.V.*<br>Avenida Circunvalación Agustin Yalez N° 2613 Int. 1A 105, Colonia Arcos Vallarta Sur, Guadalajara Jalisco, 44500 Mexico | Mexico | Ordinary |
| Storeroom Solutions Mexico, S. de R.L. de C.V.*<br>Florencia 57 P, 3 Juarez Distritio Federal, 06600, Mexico | Mexico | Ordinary |
| IESA Netherlands B.V.*<br>Bingerweg 19, 2031 AZ Haarlem, Netherlands | Netherlands | Ordinary |
| Liscombe B.V.*<br>Jarmuiden 56 a, 1046 AE, Amsterdam, Netherlands | Netherlands | Ordinary |
| RS Components B.V.*<br>Bingerweg 19, 2031 AZ Haarlem, Netherlands | Netherlands | Ordinary |
| RS Components Limited*<br>KPMG, 18 Viaduct Harbour Avenue, Auckland, 1010, New Zealand | New Zealand | Ordinary |

## 29 Related undertakings continued

| Name and registered address of undertaking | Country of incorporation | Class of share held |
|---|---|---|
| RS Components AS*<br>10. etg., Fredrik Selmers vei 6, Oslo, 0663, Norway | Norway | Ordinary |
| RS Components Corporation*<br>21st Floor Multinational Bancorporation Centre, 6805 Ayala Avenue, Makati City, Philippines | Philippines | Common and preference |
| RS Components sp. z.o.o.*<br>Ul. Domaniewska 48, 02-672, Warszawa, Poland | Poland | Ordinary |
| IESA Poland sp. z.o.o.<br>Ul. Postępu 21 Warszawa, mazowieckie, 02-676 Poland | Poland | Ordinary |
| IESA Ireland Limited*<br>13-18 City Quay, Dublin 2, Ireland | Republic of Ireland | Ordinary |
| Radionics Limited*<br>Glenview Industrial Estate, Herberton Road, Rialto, Dublin 12, Ireland | Republic of Ireland | Ordinary |
| Synovos Ireland Limited*<br>70 Sir John Rogerson's Quay, Dublin 2, Ireland | Republic of Ireland | Ordinary |
| IESA S.E. Asia Pte. Ltd.*<br>10 Ubi Crescent, #06-18 Ubi Techpark, 408564, Singapore | Singapore | Ordinary |
| RS Components Pte Ltd*<br>112 Robinson Road, #05-01, 068902, Singapore | Singapore | Ordinary |
| Synovos Singapore Pte. Ltd.*<br>1 Marina Boulevard, #28-00, One Marina Boulevard, 018989, Singapore | Singapore | Ordinary |
| IESA s.r.o.*<br>Lazaretská 8, Bratislava- mestská časť Staré Mesto, 811 08, Slovakia | Slovakia | Ordinary |
| Amidata S.A.U.*<br>Avenida de Bruselas 6, Alcobendas, 28108, Madrid, Spain | Spain | Ordinary |
| IESA AB*<br>Drottninggatan 96, 113 60, Stockholm, Sweden | Sweden | Ordinary |
| RS Components AB*<br>Fabriksgatan 7, 3v, 412 50 Gotborg, Sweden | Sweden | Ordinary |
| RS Components Co., Ltd*<br>GMM Grammy Place, Room No. 1901-1904, Floor 19, No. 50, Sukhumvit 21 (Asoke), Klongtoey Nua, Wattana, Bangkok, 10110, Thailand | Thailand | Ordinary |
| IESA A & D Limited*<br>IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK | UK | Ordinary |
| IESA Limited*<br>IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK | UK | Ordinary |
| John Liscombe Limited*<br>Fifth Floor, Two Pancras Square, London N1C 4AG, UK | UK | Ordinary and preference |
| Needlers Limited*<br>Fifth Floor, Two Pancras Square, London N1C 4AG, UK | UK | Ordinary and preference |
| OKdo Technology Limited*<br>Fifth Floor, Two Pancras Square, London N1C 4AG, UK | UK | Ordinary |
| RS Components Limited<br>Birchington Road, Weldon, Corby, Northamptonshire, NN17 9RS, UK | UK | Ordinary |
| Allied Electronics, Inc*<br>7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States | United States of America | Common |
| New DEAM, LLC*<br>Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States | United States of America | Common |
| MRO Distribution, Inc.*<br>Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States | United States of America | Common |
| Synovos, Inc.*<br>Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States | United States of America | Common |
| Synovos Puerto Rico, LLC*<br>Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States | United States of America | Common |

# Notes to the Group accounts

continued

## 29 Related undertakings continued

| Name and registered address of undertaking | Country of incorporation | Class of share held |
|---|---|---|
| **Holding, Financing and Management Companies** | | |
| Electrocomponents Limited | China | Ordinary |
| Suite 1601, Level 16, Tower 1, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong | | |
| RS Components Business Services (Foshan) Limited* | China | Ordinary |
| 22nd Floor, Glory International Financial Center, No.25, Ronghe Road, Guicheng, Nanhai District, Foshan, Guangdong, 528200, China | | |
| Electrocomponents France SARL* | France | Ordinary |
| Rue Norman King, 60000, Beauvais, France | | |
| Bodenfeld Immobilien GmbH* | Germany | Ordinary |
| Mainzer Landstraße 180, 60327, Frankfurt, Germany | | |
| Electrocomponents Jersey Finance Unlimited* | Jersey | Common |
| 44 Esplanade, St Helier, JE4 9WG Jersey | | |
| Synovos Netherlands C.V.* | Netherlands | Partnership |
| Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States | | |
| Electrocomponents Newco (Thailand) Limited* | Thailand | Ordinary |
| GMM Grammy Place, Room No. 1901-1904, Floor 19, No. 50, Sukhumvit 21 (Asoke), Klongtoey Nua, Wattana, Bangkok, 10110, Thailand | | |
| Electrocomponents Holdings (Thailand) Limited* | Thailand | Ordinary |
| GMM Grammy Place, Room No. 1901-1904, Floor 19, No. 50, Sukhumvit 21 (Asoke), Klongtoey Nua, Wattana, Bangkok, 10110, Thailand | | |
| Electrocomponents (Thailand) Limited* | Thailand | Ordinary |
| GMM Grammy Place, Room No. 1901-1904, Floor 19, No. 50, Sukhumvit 21 (Asoke), Klongtoey Nua, Wattana, Bangkok, 10110, Thailand | | |
| Electrocomponents Finance Limited | UK | Ordinary |
| Fifth Floor, Two Pancras Square, London N1C 4AG, UK | | |
| Electrocomponents Overseas Limited | UK | Ordinary |
| Fifth Floor, Two Pancras Square, London N1C 4AG, UK | | |
| Electrocomponents Pension Trustees Limited | UK | Ordinary |
| Fifth Floor, Two Pancras Square, London N1C 4AG, UK | | |
| Electrocomponents U.K. Limited | UK | Ordinary |
| Fifth Floor, Two Pancras Square, London N1C 4AG, UK | | |
| Electrocomponents US Finance Limited* | UK | Ordinary |
| Fifth Floor, Two Pancras Square, London N1C 4AG, UK | | |
| IESA A & D Holdings Limited* | UK | Ordinary |
| IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK | | |
| IESA Holdings Limited* | UK | Ordinary |
| IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK | | |
| Needlers Holdings Limited* | UK | Ordinary and preference |
| Fifth Floor, Two Pancras Square, London N1C 4AG, UK | | |
| RS Components Holdings Limited* | UK | Ordinary |
| Fifth Floor, Two Pancras Square, London N1C 4AG, UK | | |
| Electrocomponents North America LLC* | United States of America | Common |
| 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States | | |
| Electrocomponents (US), Inc.* | United States of America | Common |
| 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States | | |
| Electrocomponents, Inc* | United States of America | Common and preference |
| 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States | | |
| Electrocomponents North America, Inc.* | United States of America | Common |
| 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States | | |
| Electrocomponents US LLC* | United States of America | Common |
| 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States | | |
| Synovos International, Inc.* | United States of America | Common |
| Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States | | |

## 29 Related undertakings continued

| Name and registered address of undertaking | Country of incorporation | Class of share held |
|---|---|---|
| **Not currently trading** | | |
| RS Components (Proprietary) Limited* | South Africa | Ordinary |
| 20 Indianapolis Street, Kyalami Business Park, Kyalami Midrand, Gauteng, 1684, South Africa | | |
| B & W (Hygiene Services) Company Limited* | UK | Ordinary |
| Fifth Floor, Two Pancras Square, London N1C 4AG, UK | | |
| Electro Lighting Group Limited | UK | Ordinary |
| Fifth Floor, Two Pancras Square, London N1C 4AG, UK | | |
| Electro-Leasing Limited | UK | Ordinary |
| Fifth Floor, Two Pancras Square, London N1C 4AG, UK | | |
| Electromail Limited | UK | Ordinary |
| Fifth Floor, Two Pancras Square, London N1C 4AG, UK | | |
| Monition Limited* | UK | Ordinary |
| Fifth Floor, Two Pancras Square, London N1C 4AG, UK | | |
| Radiospares Limited | UK | Ordinary |
| Fifth Floor, Two Pancras Square, London N1C 4AG, UK | | |
| Reading Windings Limited | UK | Ordinary |
| Fifth Floor, Two Pancras Square, London N1C 4AG, UK | | |
| RS Components International Limited | UK | Ordinary |
| Fifth Floor, Two Pancras Square, London N1C 4AG, UK | | |
| Electrocomponents Limited | UK | Ordinary |
| Fifth Floor, Two Pancras Square, London N1C 4AG, UK | | |
| RS Limited | UK | Ordinary |
| Fifth Floor, Two Pancras Square, London N1C 4AG, UK | | |
| RS Supplies Limited | UK | Ordinary |
| Fifth Floor, Two Pancras Square, London N1C 4AG, UK | | |

† Note 17 provides details about the Company's interest in the joint venture.

RS Components Limited (UK), Electrocomponents Limited (Hong Kong), RS Components B.V. (Netherlands) and RS Components GmbH (Germany) export to most countries where the Group does not have a trading company and operate branch offices in South Africa, Belgium, Switzerland, the Philippines and China (Taiwan).

# Company balance sheet

## As at 31 March 2022

| | Notes | 2022 £m | 2021 £m |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 7 | **16.4** | 17.0 |
| Investments in subsidiaries | 8 | **343.0** | 330.0 |
| **Total fixed assets** | | **359.4** | 347.0 |
| **Current assets** | | | |
| Debtors: amounts falling due after more than one year | 10 | **1.8** | 2.2 |
| Debtors: amounts falling due within one year | 10 | **837.2** | 917.2 |
| Cash at bank and in hand | | **170.8** | 104.6 |
| **Total current assets** | | **1,009.8** | 1,024.0 |
| Creditors: amounts falling due within one year | 11 | **(308.6)** | (308.1) |
| **Net current assets** | | **701.2** | 715.9 |
| **Total assets less current liabilities** | | **1,060.6** | 1,062.9 |
| Creditors: amounts falling due after more than one year | 12 | **(153.0)** | (148.6) |
| Provisions for liabilities and charges | 13 | **–** | (0.1) |
| **Net assets** | | **907.6** | 914.2 |
| **Capital and reserves** | | | |
| Share capital | 17 | **47.1** | 47.0 |
| Share premium account | 17 | **231.4** | 228.5 |
| Own shares held by Employee Benefit Trust (EBT) | 17 | **(3.0)** | (1.5) |
| Profit and loss account (including profit for the year of £59.2 million (2020/21: £102.3 million)) | 17 | **632.1** | 640.2 |
| **Total equity** | | **907.6** | 914.2 |

The Company accounts on pages 180 to 185 were approved by the Board of Directors on 24 May 2022 and were signed on its behalf by:

**David Egan**
Chief Financial Officer

RS Group plc (formerly Electrocomponents plc)
Company number: 647788





# Company statement of changes in equity

## For the year ended 31 March 2022

| | Share capital £m | Share premium account £m | Own shares held by EBT £m | Profit and loss account £m | Total £m |
|---|---|---|---|---|---|
| **At 1 April 2020** | 44.6 | 51.4 | (0.7) | 602.5 | 697.8 |
| Profit and total comprehensive income for the year | – | – | – | 102.3 | 102.3 |
| Dividends (Note 17) | – | – | – | (71.2) | (71.2) |
| Equity-settled share-based payments (Note 5) | – | – | – | 7.0 | 7.0 |
| Share placing, net of transaction costs (Note 17) | 2.2 | 173.9 | – | – | 176.1 |
| Settlement of share awards (Note 17) | 0.2 | 3.2 | 0.8 | (0.8) | 3.4 |
| Purchase of own shares by EBT (Note 17) | – | – | (1.6) | – | (1.6) |
| Tax on equity-settled share-based payments | – | – | – | 0.4 | 0.4 |
| **At 31 March 2021** | 47.0 | 228.5 | (1.5) | 640.2 | 914.2 |
| Profit and total comprehensive income for the year | – | – | – | 59.2 | 59.2 |
| Dividends (Note 17) | – | – | – | (76.2) | (76.2) |
| Equity-settled share-based payments (Note 5) | – | – | – | 9.9 | 9.9 |
| Settlement of share awards (Note 17) | 0.1 | 2.9 | 1.4 | (1.4) | 3.0 |
| Purchase of own shares by EBT (Note 17) | – | – | (2.9) | – | (2.9) |
| Tax on equity-settled share-based payments | – | – | – | 0.4 | 0.4 |
| **At 31 March 2022** | **47.1** | **231.4** | **(3.0)** | **632.1** | **907.6** |

# Notes to the Company accounts

## For the year ended 31 March 2022

### 1 General information
RS Group plc (formerly Electrocomponents plc) (the Company) is the parent company of the RS Group and is included in the consolidated accounts of RS Group plc (the Group accounts). The Company is a public limited company and is incorporated, registered and domiciled in England and Wales. The address of its registered office is Fifth Floor, Two Pancras Square, London N1C 4AG, UK.

### 2 Statement of compliance
The individual accounts of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), and the Companies Act 2006.

### 3 Basis of preparation
These are the Company's separate accounts and have been prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value through profit and loss. They are presented in sterling and rounded to the nearest £0.1 million. The principal accounting policies have been applied consistently unless otherwise stated.

The preparation of accounts under FRS 102 requires the Company to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant that are included in these accounts.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

The Company has taken advantage of the following disclosure exemptions available under FRS 102:
i. preparation of a cash flow statement
ii. financial instrument disclosures
iii. share-based payment disclosures
iv. key management personnel compensation disclosure

Transactions in foreign currencies are recorded using the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rate ruling at that date and the gains and losses on translation are recognised in profit or loss.

### 4 Employees

| Average number of employees | 2022 | 2021 |
|---|---|---|
| Management and administration | 57 | 51 |

| Aggregate employment costs | 2022 £m | 2021 £m |
|---|---|---|
| Wages and salaries | 8.2 | 6.6 |
| Social security costs | 0.9 | 1.0 |
| Share-based payments – equity-settled (Note 5) | 2.8 | 2.3 |
| Share-based payments – cash-settled | 0.7 | 0.4 |
| Defined contribution retirement benefit costs (Note 6) | 0.3 | 0.3 |
| **Total** | **12.9** | 10.6 |

Information on the Directors' remuneration is given in the Directors' Remuneration Report on pages 108 to 129.

The numbers and costs above are for employees who work for the Company. There are a number of Group employees whose contracts of employment are with the Company but who actually work in its subsidiaries and perform no services directly for the Company. These employees are not included above.

### 5 Share-based payments
The Company operates a number of share-based payment schemes for employees of the Group, details of which are in Note 9 of the Group accounts. Certain of the Company's employees participate in the DSBP, equity-settled LTIP and equity-settled SAYE which grant rights to the Company's own equity instruments and hence are accounted for as equity-settled share-based payments.

### 6 Post-employment benefits
Employees of the Company may be members of the Group's UK pension schemes.

#### Defined benefit scheme
There is no agreement or stated policy for charging the net defined benefit cost for the scheme to the individual Group entities. Both the Company and RS Components Limited, the main UK trading subsidiary of the Company, are the sponsoring employers. The majority of the scheme members work for RS Components Limited and so it accounts for the UK scheme as a defined benefit scheme in its accounts. The Company recognises a cost equal to its contributions.

The UK defined benefit scheme is described in Note 10 of the Group accounts.

#### Defined contribution scheme
Contributions to the defined contribution scheme are expensed as they fall due.

### 7 Tangible assets
Tangible assets are stated at cost (or deemed cost for the freehold warehouse facility which is occupied by a wholly-owned subsidiary) less accumulated depreciation and any provisions for impairment. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use and any dismantling and restoration costs.

No depreciation has been charged on land. Other assets are depreciated to residual value, on a straight-line basis at the following annual rates: investment property (freehold warehouse facility occupied by a wholly-owned subsidiary) 2%; leasehold improvements 10%; plant and machinery 10%; and computer equipment 20%.

| | Investment property £m | Leasehold improvements £m | Plant and machinery £m | Computer equipment £m | Total £m |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **At 1 April 2021 and 31 March 2022** | **18.2** | **1.2** | **9.2** | **0.8** | **29.4** |
| **Depreciation** | | | | | |
| At 1 April 2021 | 2.0 | 0.4 | 9.2 | 0.8 | 12.4 |
| Charged in the year | 0.5 | 0.1 | – | – | 0.6 |
| **At 31 March 2022** | **2.5** | **0.5** | **9.2** | **0.8** | **13.0** |
| **Net book value** | | | | | |
| **At 31 March 2022** | **15.7** | **0.7** | **–** | **–** | **16.4** |
| At 31 March 2021 | 16.2 | 0.8 | – | – | 17.0 |

### 8 Investments in subsidiaries
Investments in subsidiaries including long-term loans are carried at the lower of cost and expected recoverable amount. Impairments are recognised in the profit and loss account.

The expense relating to share-based payments that grant rights to the Company's equity instruments to employees of other Group companies is treated as an increase in investments with the corresponding credit taken directly to reserves. In the year ended 31 March 2022, this amounted to £7.2 million (2020/21: £4.7 million).

| | Shares £m | Loans £m | Total £m |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2021 | 210.3 | 135.5 | 345.8 |
| Additions | 7.2 | – | 7.2 |
| Translation differences | – | 5.8 | 5.8 |
| **At 31 March 2022** | **217.5** | **141.3** | **358.8** |
| **Impairments** | | | |
| **At 1 April 2021 and 31 March 2022** | **0.4** | **15.4** | **15.8** |
| **Net book value** | | | |
| **At 31 March 2022** | **217.1** | **125.9** | **343.0** |
| At 31 March 2021 | 209.9 | 120.1 | 330.0 |

A list of the Company's related undertakings is disclosed in Note 29 to the Group accounts.

# Notes to the Company accounts

continued

## 9 Financial instruments

### Basic financial instruments

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price and then subsequently at amortised cost less any provision for impairment.

Basic financial liabilities, including trade and other creditors, bank loans and loans from subsidiaries, are initially recognised at transaction price and then subsequently at amortised cost.

### Derivative financial instruments and hedging activities

The Company has elected to adopt the recognition and measurement provisions of IAS 39 (as adopted in the UK) and the disclosure provisions of FRS 102 in respect of financial instruments.

The Company uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from operational and financing activities. It principally employs forward foreign exchange contracts to hedge against changes in exchange rates on behalf of its operating subsidiaries and these subsidiaries apply cash flow hedging. In addition, there are some interest rate swaps which swap US dollar fixed rate private placement loan notes into floating US dollars. In accordance with its treasury policies, the Company does not hold or issue derivative financial instruments for trading purposes.

All the Company's derivatives are measured at fair value with changes in the fair values recognised in profit or loss.

In line with the Company's risk management policies, the interest rate swaps are designated as fair value hedges. The fair value of the swaps is the market value of the swaps at the balance sheet date, taking into account current interest rates. Changes in the fair values of the swaps and changes in fair value of the related hedged items are recognised directly in profit or loss.

### Interest rate benchmark reform

The Company has completed its transition to alternative benchmark rates arising as a result of the global financial regulators' interest rate benchmark reform and so, as at 31 March 2022, has no remaining risks due to this transition. This transition has resulted in no changes to the Company's risk management strategy.

## 10 Debtors

| | 2022 £m | 2021 £m |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Amounts owed by subsidiary undertakings | **829.7** | 910.4 |
| Interest rate swaps (Note 9) | **0.1** | – |
| Other derivative assets | **4.7** | 4.0 |
| Prepayments | **2.7** | 2.8 |
| **Debtors: amounts falling due within one year** | **837.2** | 917.2 |
| **Amounts falling due after more than one year:** | | |
| Interest rate swaps (Note 9) | **–** | 1.1 |
| Deferred tax asset (Note 14) | **1.8** | 1.1 |
| **Debtors: amounts falling due after more than one year** | **1.8** | 2.2 |

Amounts owed by subsidiary undertakings are unsecured, bear interest at market rates and are repayable on demand or at specified dates within the next 12 months.

## 11 Creditors: amounts falling due within one year

| | 2022 £m | 2021 £m |
|---|---|---|
| Amounts owed to subsidiary undertakings | **209.0** | 192.3 |
| Bank overdrafts | **85.9** | 105.8 |
| Interest rate swaps (Note 9) | **0.2** | – |
| Other derivative liabilities | **4.7** | 4.0 |
| Accruals | **8.2** | 5.4 |
| Other creditors | **0.2** | 0.2 |
| Cash-settled share-based payment liability | **0.4** | 0.4 |
| | **308.6** | 308.1 |

Amounts owed to subsidiary undertakings are unsecured, bear interest at market rates and are repayable on demand or at specified dates within the next 12 months.

## 12 Creditors: amounts falling due after more than one year

| | 2022 £m | 2021 £m |
|---|---|---|
| Unsecured private placement loan notes repayable after more than five years | **75.5** | 147.3 |
| Unsecured private placement loan notes repayable from four to five years | **76.2** | – |
| Other creditors | **0.9** | 1.0 |
| Cash-settled share-based payment liability | **0.4** | 0.3 |
| | **153.0** | 148.6 |

Details of the US dollar private placement loan notes are provided in Notes 21 to 23 of the Group accounts.

## 13 Provisions for liabilities and charges

Provisions for liabilities and charges are recognised when the Company has a present obligation as a result of a past event and a reasonable estimate can be made of a probable adverse outcome.

| | Onerous contract provision £m |
|---|---|
| At 1 April 2021 | 0.1 |
| Utilised | (0.1) |
| **At 31 March 2022** | **–** |

## 14 Deferred tax

The charge or credit for taxation is based on the taxable profit or loss for the year and takes into account taxation deferred because of timing differences. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax assets are attributable to the following:

| | 2022 £m | 2021 £m |
|---|---|---|
| Equity-settled share-based payments | **1.7** | 1.0 |
| Other | **0.1** | 0.1 |
| **Deferred tax asset (Note 10)** | **1.8** | 1.1 |

There are no unused tax losses or unused tax credits.

## 15 Operating lease commitments

Future minimum amounts payable under non-cancellable operating leases are:

| | 2022 £m | 2021 £m |
|---|---|---|
| Within one year | **1.2** | 1.2 |
| From one to five years | **4.9** | 4.9 |
| After five years | **0.3** | 1.5 |
| | **6.4** | 7.6 |

## 16 Contingent liabilities

The Company enters into financial guarantee contracts to guarantee the indebtedness of certain other companies within the Group. The Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contracts as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Guarantees exist in respect of bank facilities available to certain subsidiaries, up to a maximum of £77.5 million (2020/21: £71.3 million), of which £9.5 million (2020/21: £2.1 million) had been drawn down at the end of the year.

## 17 Capital and reserves and dividends

Details of the Company's share capital, share premium account, EBT and dividends paid to shareholders are in Notes 13 and 25 of the Group accounts.

The Company has sufficient distributable reserves to pay dividends for a number of years and is also able to increase its distributable reserves further by receiving distributions from its subsidiaries.

# Five year record

## Year ended 31 March

| | 2022 £m | 2021 restated[3] £m | 2020 £m | 2019 £m | 2018 £m |
|---|---|---|---|---|---|
| **Revenue** | **2,553.7** | 2,002.7 | 1,953.8 | 1,884.4 | 1,705.3 |
| Operating profit | **308.8** | 167.2 | 205.3 | 201.0 | 172.6 |
| Add back: amortisation of acquired intangibles | **11.6** | 7.0 | 5.4 | 4.4 | – |
| Add back: acquisition-related items | **–** | 2.9 | – | – | – |
| Add back: substantial reorganisation costs, substantial asset write-downs and one-off pension cost | **–** | 11.2 | 10.0 | 14.9 | 4.5 |
| **Adjusted operating profit** | **320.4** | 188.3 | 220.7 | 220.3 | 177.1 |
| Net finance costs | **(7.1)** | (6.8) | (5.9) | (6.1) | (4.0) |
| Share of profit of joint venture | **0.5** | 0.2 | 0.2 | 0.3 | – |
| **Adjusted profit before tax** | **313.8** | 181.7 | 215.0 | 214.5 | 173.1 |
| Amortisation of acquired intangibles | **(11.6)** | (7.0) | (5.4) | (4.4) | – |
| Acquisition-related items | **–** | (2.9) | – | – | – |
| Substantial reorganisation costs, substantial asset write-downs and one-off pension cost | **–** | (11.2) | (10.0) | (14.9) | (4.5) |
| Profit before tax | **302.2** | 160.6 | 199.6 | 195.2 | 168.6 |
| Income tax expense | **(72.2)** | (35.1) | (44.9) | (47.1) | (19.0) |
| Profit for the year attributable to owners of the Company | **230.0** | 125.5 | 154.7 | 148.1 | 149.6 |
| **Earnings per share** | **48.9p** | 27.7p | 34.7p | 33.4p | 33.9p |
| **Adjusted earnings per share** | **51.3p** | 31.3p | 37.7p | 37.0p | 28.4p |
| **Dividend per share**[1] | **18.0p** | 15.9p | 15.4p | 14.8p | 13.25p |
| Non-current assets | **706.1** | 711.0 | 573.4 | 463.4 | 357.6 |
| Current assets | **1,395.1** | 1,134.8 | 1,044.3 | 935.9 | 749.8 |
| Current liabilities | **(726.2)** | (631.8) | (570.4) | (487.5) | (391.0) |
| Non-current liabilities | **(266.5)** | (314.6) | (327.4) | (322.5) | (233.9) |
| **Net assets** | **1,108.5** | 899.4 | 719.9 | 589.3 | 482.5 |
| Add back: net debt | **42.1** | 122.0 | 189.8 | 122.4 | 65.0 |
| Add back: retirement benefit net assets / obligations | **12.4** | 55.7 | 55.8 | 83.6 | 72.4 |
| **Capital employed** | **1,163.0** | 1,077.1 | 965.5 | 795.3 | 619.9 |
| **Return on capital employed (ROCE)**[2] | **28.7%** | 19.4% | 24.0% | 29.5% | 28.7% |
| **Free cash flow** | **160.5** | 132.9 | 72.4 | 76.5 | 102.7 |
| **Adjusted free cash flow** | **162.9** | 145.4 | 80.9 | 84.5 | 105.1 |
| **Average number of employees** | **7,383** | 6,806 | 7,044 | 6,603 | 5,868 |
| **Share price at 31 March** | **1,084.0p** | 993.0p | 516.2p | 561.8p | 600.2p |

1. An additional interim dividend for the year ended 31 March 2020 of 9.5p, to replace the deferred final dividend, was paid on 18 December 2020. This is included in the 2019/20 dividend per share amount.
2. ROCE for the years ended 31 March 2020 and before were updated in 2020/21 to be based on monthly average capital employed.
3. Restated for measurement period adjustments for prior year acquisitions (Note 28).




Shareholder information

# Registered office, financial calendar and advisors

### Registered office

RS Group plc
Fifth Floor
Two Pancras Square
London N1C 4AG
United Kingdom
Tel: +44 (0)20 7239 8400
rsgroup.com
Registered number: 647788
Registered in England and Wales

### Shareholder services

#### Registrar

If you have any questions about your shareholding in the Company, please contact our Registrar:
Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol BS99 6ZZ
Tel: 0370 703 0199
www.investorcentre.co.uk/contactus

#### Investor Centre

To access online information about your shareholding visit www.investorcentre.co.uk. Through the Investor Centre you can:

- Update member details and address changes
- Update dividend bank mandate instructions and review dividend payment history
- Register to receive Company communications electronically

Your shareholder reference number (SRN) is required to access your shareholding. This can be can be found at the top of your welcome letter or share certificate. Alternatively, you can obtain your SRN by contacting Computershare on the number given above.

#### Dividend reinvestment plan (DRIP)

Should you wish to reinvest your dividends in the Company, you can take advantage of our DRIP. It will allow you to use your cash dividend to buy more RS Group shares in the market. You will need to complete a DRIP application form and return it to Computershare. This can be found, together with plan terms and conditions, at www.investorcentre.co.uk or in the Shareholder Information section of our website under FAQs. Alternatively, please contact Computershare on the number given above, and details and a form will be sent to you.

#### Share price information

The latest information on RS Group plc share price is available on our corporate website: **rsgroup.com**

### Be scam smart

Investment scams are designed to look like genuine investments.

#### Spot the warning signs

Have you been:

- contacted out of the blue?
- promised tempting returns and told the investment is safe?
- called repeatedly?
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

#### Avoid investment fraud

##### Reject cold calls

If you have received unsolicited contact about an investment opportunity, the chances are it is a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

##### Check the FCA Warning List

The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

##### Get impartial advice

Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

#### Report a scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at **www.fca.org.uk/consumers/report-scam-us**. You can also call the FCA Consumer Helpline on **0800 111 6768**.

If you have lost money to investment fraud, you should report it to Action Fraud on **0300 123 2040** or online at www.actionfraud.police.uk

Find out more at **www.fca.org.uk/scamsmart**

**Remember:** if it sounds too good to be true, it probably is!

## Financial calendar

### Announcement of results

The results of the Group are normally published at the following times:

- Half-year results for the six months ending 30 September in early to mid-November
- Preliminary announcement for the year ending 31 March in late May
- Annual Report and Accounts for the year ending 31 March in mid-June

### Dividend payments

Our current policy is to normally make dividend payments at the following times:

- Interim dividend in January
- Final dividend in July

## Contacts

### Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

### Financial public relation advisors

Tulchan Communications Group
85 Fleet Street
London EC4Y 1AE

### Financial advisors

Citigroup
Citigroup Centre
33 Canada Square
London E14 5LB

Rothschild & Co
New Court
St Swithin's Lane
London EC4N 8AL

### Registrar and transfer office

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

### Solicitors

Allen & Overy LLP
One Bishops Square
London E1 6AD

### Stockbrokers

UBS
5 Broadgate
London EC2M 2QS

Numis Securities Limited
The London Stock Exchange
10 Paternoster Square
London EC4M 7LT





# Locations

## Get more online

### Latest shareholder information

- Share price
- Corporate governance
- Analyst consensus estimates
- Updates via email

### Archive information

- Financial results
- Annual Reports
- Company news
- Video library

For more information and the latest news visit: **rsgroup.com**

## Principal locations

### EMEA

**Austria**
at.rs-online.com

**Belgium**
benl.rs-online.com

**Czech Republic**
cz.rs-online.com

**Denmark**
dk.rs-online.com

**France**
fr.rs-online.com

**Germany**
de.rs-online.com

**Hungary**
hu.rs-online.com

**Ireland**
ie.rs-online.com

**Italy**
it.rs-online.com

**Netherlands**
nl.rs-online.com

**Norway**
no.rs-online.com

**Poland**
pl.rs-online.com

**Portugal**
pt.rs-online.com

**South Africa**
za.rs-online.com

**Spain**
es.rs-online.com

**Sweden**
se.rs-online.com

**Switzerland**
ch.rs-online.com

**United Kingdom**
uk.rs-online.com
iesa.co.uk
needlers.co.uk

### Americas

**Canada**
ca-en.alliedelec.com

**Chile**
en-cl.alliedelec.com

**Mexico**
mx-en.alliedelec.com

**US**
alliedelec.com
synovos.com

### Asia Pacific

**Australia**
au.rs-online.com

**China**
rsonline.cn
twen.rs-online.com

**India**
in.rsdelivers.com

**Japan**
jp.rs-online.com

**Malaysia**
my.rs-online.com

**New Zealand**
nz.rs-online.com

**Philippines**
ph.rs-online.com

**Singapore**
sg.rs-online.com

**South Korea**
kr.rs-online.com

**Thailand**
th.rs-online.com

Group

**RS Group plc**
**(formerly Electrocomponents plc)**
Fifth Floor
Two Pancras Square
London N1C 4AG
United Kingdom
Tel: +44 (0)20 7239 8400
rsgroup.com

FSC®
www.fsc.org
RECYCLED
Paper made from recycled material
FSC® C001785

Printed by Park Communications on FSC® certified paper. This document is printed on paper containing 100% recycled fibres. This publication has been manufactured using 100% offshore wind electricity sourced from UK wind and 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy. It is both recyclable and biodegradable. The FSC® label on this product ensures responsible use of the world's forest resources.

Designed and produced by

CONRAN DESIGN GROUP