

# CORPORATE GOVERNANCE REPORT

## Board of Directors

The Board is committed to ensuring that high standards of corporate governance are maintained by Norcros plc and is accountable to the Company's shareholders for good corporate governance. Its policy is to manage the affairs of the Company in accordance with the principles of the UK Corporate Governance Code referred to in the Listing Rules of the UK Listing Authority. For the year under review, the Company has complied with the UK Corporate Governance Code 2018 (the Code) in all respects save for the following matters concerning David McKeith arising from the illness and tragic death of Gary Kennedy. These were instances of non-compliance with provision 24 and 19 respectively.

- David held the role of Chair of the Audit and Risk Committee whilst also acting as Board Chair. He ceased to chair and be a member of the Audit and Risk Committee when Stefan Allanson became Chair of that Committee at the conclusion of the 2023 AGM; and
- David was appointed as a Director in July 2013. His directorship therefore exceeded nine years. It was intended that he would step down from the Board after the 2022 AGM as soon as a new Chair of the Audit and Risk Committee had been appointed, but David stayed on as a Director for the reasons given above. David did not seek re-election at the 2023 AGM, when Steve Good was appointed as Chair.

A copy of the Code is publicly available from [www.frc.org.uk](http://www.frc.org.uk). The following sections of this statement describe the Board's approach to corporate governance and how the principles of the Code are applied. These sections refer to the year ended 31 March 2024, unless otherwise stated.

## Board balance and independence

The Board comprises the Non-executive Chair, two Non-executive Directors and two Executive Directors. All Directors are equally responsible for the proper stewardship and leadership of the Company. The Directors holding office at the date of this Report and their biographical details are given on pages 128 and 129. It should be noted that David McKeith acted as Board Chair until 26 July 2023, which was a transitional arrangement until Steve Good was appointed as Chair on 1 July 2023. Stefan Allanson was appointed Chair of the Audit and Risk Committee on 1 July 2023.

Since the year end, Rebecca DeNiro was appointed as an additional Non-executive Director, effective from 1 July 2024. This additional appointment will result in the Board having three Non-executive Directors.

Taking into account the provisions of the Code, the Chair and all the Non-executive Directors are considered by the Board to be independent of the Company's Executive Management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The terms and conditions of appointment of the Board Chair and the Non-executive Directors are available for inspection at the

registered office of the Company. The letters of appointment set out the expected time commitment. Other significant commitments of the Chair and Non-executive Directors are disclosed to the Board on a regular basis throughout the year. The Board was satisfied that the Chair's other significant commitments did not prevent him from devoting sufficient time to the Company throughout the year under review.

## Governance structure

Alison Littlely assumed the role of Senior Independent Non-executive Director from 1 July 2023. She is available to shareholders if they have any issues or concerns which contact through the normal channels of Board Chair, Chief Executive Officer or Chief Financial Officer has failed to address or resolve, or for which such contact is inappropriate.

The Board notes that David McKeith was appointed to the Board in July 2013 and that, in accordance with the Code, he ceased to be regarded as independent on the ninth anniversary of his appointment. Notwithstanding this, the Board regarded Mr McKeith as independent in his approach and in the performance of his responsibilities. David McKeith did not seek re-election at the 2023 AGM and in keeping with the Board's succession plan, he stepped down from the Board at the Company's 2023 AGM following the appointment of Steve Good from 1 July 2023.

All Directors are supplied, in a timely manner, with all relevant documentation and financial information to assist them in the discharge of their duties by the making of well-informed decisions that are in the best interests of the Company as a whole. The Board regularly reviews the management and financial performance of the Company, as well as long-term strategic planning and risk assessment. Regular reports are given to the Board on matters such as pensions, health and safety, and litigation.

Any concerns that a Director may have about how the Group is being run or about a course of action being proposed by the Board will, if they cannot be resolved once those concerns have been brought to the attention of the other Directors and the Board Chair, be recorded in the Board minutes. In the event of the resignation of a Non-executive Director, that Director is encouraged to send a written statement setting out the reasons for the resignation to the Chair, who will then circulate it to the other members of the Board and the Company Secretary.

## Board Chair and Chief Executive Officer

The positions of Chair and Chief Executive Officer are held by separate individuals and the Board has clearly defined their responsibilities. The Chair is primarily responsible for the effective working of the Board, ensuring that each Director, particularly the Non-executive Directors, is able to make an effective contribution. The Chief Executive Officer has responsibility for running the Group's businesses and for the implementation of the Board's strategy, policies and decisions.

## Governance structure



### Board, Committee and Director evaluation

The performance of the Board is appraised by the Chair. The Executive and Non-executive Directors are evaluated individually by the Chair. The Board, led by the Senior Independent Non-executive Director, appraises the Chair, and the Board evaluates the performance of its three Committees. Evaluation processes are conducted periodically and they are organised to fit in with Board priorities and succession planning activity.

A formal evaluation took place in respect of the year under review in accordance with the requirements of the Code. This evaluation was conducted by means of detailed questionnaires, the results of which were then considered as appropriate, combined with meetings and discussions. The Chair is responsible for the review of each Director's development and ongoing training requirements to ensure that the performance of each Director continues to be effective. The overall results of the evaluation process were satisfactory, and the outcomes of it indicated the following areas of focus for the Board and its Committees going forward:

- Succession planning
- Continuing development of remuneration policy
- Alignment of policies to values and strategic objectives

### Advice for Directors

Procedures have been adopted for the Directors to obtain access through the Company Secretary to independent professional advice at the Company's expense, where that Director judges it necessary in order to discharge their responsibilities as a Director of the Company.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board policies and procedures are complied with. Both the appointment and removal of the Company Secretary are matters reserved for decision by the Board.

### Board procedures

The Board has a formal schedule of matters specifically reserved to it for decision, which it reviews periodically. This ensures the Board makes all major strategy, policy and investment decisions affecting the Company. In addition, it is responsible for business planning and risk management policies and the development of policies for areas such as safety, health and environmental policies, Directors' and senior managers' remuneration and ethical issues. The Board provides direction to the management of the Company, and it is ultimately accountable for the performance of the Group.

The Board operates in such a way as to ensure that all decisions are made by the most appropriate people in a timely manner that will not unnecessarily delay progress. The Board has formally delegated specific responsibilities to Board Committees, namely the Audit and Risk Committee, Nomination Committee and Remuneration Committee. The Terms of Reference of those Committees are published on the Company's website at [www.norcros.com](http://www.norcros.com).

The report of the Audit and Risk Committee is on pages 140 to 145, the report of the Nomination Committee is on pages 146 to 148, and the report of the Remuneration Committee is on pages 150 to 170.

The Board will also appoint Committees to approve specific processes as deemed necessary, such as aspects of corporate transactions, or to authorise share option administrative actions.

The directors and management teams of each Group brand are responsible for those business entities. They are tasked with the delivery of targets approved by the Board on budgets, strategy and policy.

# CORPORATE GOVERNANCE REPORT

## CONTINUED

### Directors' roles

The Executive Directors work solely for the Group. However, in appropriate circumstances, Executive Directors are encouraged to take on one non-executive directorship in another non-competing company or organisation. The Chief Executive Officer and the Chief Financial Officer currently hold no non-executive directorships.

The terms and conditions of appointment of the Non-executive Directors are available upon written request from the Company. All the Non-executive Directors confirm that they have sufficient time to meet the requirements of their role. They also confirm to disclose to the Company their other commitments and to give an indication of the time involved in each such commitment.

The annual evaluation process includes an assessment of whether the Non-executive Director is spending enough time to fulfil their duties. If a Non-executive Director is offered an appointment elsewhere, the Board Chair is informed before any such offer is accepted and the Chair will subsequently inform the Board.

The Board has suitable procedures in place for ensuring that its powers to authorise conflict situations are operated effectively. Such powers are operated in accordance with the Company's Articles of Association by means of each Director having a responsibility to notify the Board of any conflict situation and for the Board to deal with that situation as appropriate.

The Board ensures that all new Directors (including Non-executive Directors) will receive a full, formal and tailored induction on joining the Company. As part of that induction procedure, the Chair will ensure that major shareholders have the opportunity to meet a new Non-executive Director. The Chair also periodically assesses the training and development needs of all Directors and ensures that any suitable training and updates are provided to Directors. Further information about the induction process can be found in the Nomination Committee Report on pages 146 to 148.

### Retirement by rotation

Each of the Directors is subject to election by shareholders at the first Annual General Meeting after their appointment. Thereafter, in accordance with the Company's Articles of Association, all of the Directors are subject to retirement by rotation such that one third of the Directors retire from the Board each year and each Director must seek re-election at intervals of no more than three years. However, the Board has decided that every Director should, where appropriate, offer themselves for re-election at each Annual General Meeting. Accordingly, each continuing Director will seek re-election at the next Annual General Meeting. Biographical details of all of the Directors are set out on pages 128 and 129 and on the Company's website at [www.norcros.com](http://www.norcros.com).

### Financial reporting

When releasing the annual and interim financial statements the Directors aim to present a fair, balanced and understandable assessment of the Group's results and prospects. The Directors have a collective responsibility for the preparation of the Annual Report and Accounts, which is more fully explained in the Statement of Directors' Responsibilities on page 175.

### Relations with shareholders

The Company recognises the importance of maintaining good communications with shareholders. The Company actively engages with shareholders on specific matters and takes a number of other steps to ensure that the Board and, in particular, the Non-executive Directors, develop an understanding of the views of major shareholders about the Company. Directors have regular meetings with the Company's major shareholders and receive regular feedback on the views of those shareholders through the Company's brokers. Reports of these meetings, and any shareholder communications during the year, are given to the Board. In addition, the Company publishes any significant events affecting the Group and updates on current trading. The Board Chair and the Non-executive Directors are also offered the opportunity to attend meetings with major shareholders and the Non-executive Directors, and, in particular, the Senior Independent Director, would attend such meetings if requested to do so by any major shareholder. Such meetings took place when Steve Good became Board Chair.

The Board regularly receives copies of analysts' and brokers' briefings. The Annual and Interim Reports, together with all announcements issued to the London Stock Exchange, are published on the Company's website at [www.norcros.com](http://www.norcros.com).

The Notice of the Annual General Meeting is sent to shareholders at least 20 working days before the meeting. It is the Company's practice to propose separate resolutions on each substantially separate issue.

For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote. The Company ensures that all valid proxy appointments received for general meetings are properly recorded and counted. For each resolution, the Company ensures that the following information is given at the meeting and made available as soon as reasonably practicable on a website that is maintained by, or on behalf of, the Company:

- The date of the meeting
- The text of the resolution
- The number of votes validly cast
- The proportion of the Company's issued share capital represented by those votes
- The number of votes cast in favour of the resolution
- The number of votes against the resolution
- The number of shares in respect of which the vote was withheld

The Board Chair seeks to arrange for the Chairs of the Audit and Risk, Nomination and Remuneration Committees (or a deputy if any of them is unavoidably absent) to be available at the Annual General Meeting to answer any questions relating to the work of these Committees.

## Accountability and audit

The respective responsibilities of the Directors and auditor in connection with the financial statements are explained in the Statement of Directors' Responsibilities on page 175 and the Auditor's Report on pages 178 to 186. The Directors ensure the independence of the auditor by requesting annual confirmation of independence, which includes the disclosure of all non-audit fees.

## Risk management and internal control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness (covering all material controls, including financial and operational risk management and compliance). This is undertaken via an annual program to review the internal control environment at each brand. Each review is carried out by the Group Head of Internal Audit and Risk Assurance, who is independent of that brand. The results of these reviews are communicated to the Audit and Risk Committee.

The Board has carried out a robust assessment in order to identify and evaluate what it considers to be the principal risks faced by the Group and has also assessed the adequacy of the actions taken to manage these risks. This process has been in place for the period under review and up to the date of the approval of the Annual Report and Accounts. The principal risks are disclosed on pages 106 to 117.

The Group's insurance continues to be managed and co-ordinated centrally with the assistance of insurance brokers. This gives the Group full visibility of both claims history and the insurance industry's perception of the Group's overall risk via the respective insurance premiums. The Company examines the size and trend of these premiums and the extent to which it can mitigate the risk and reduce the overall risk burden in the business by considering the appropriate level of insurance deductible and the potential benefit of self-insurance in some areas.

## Viability

In accordance with the Code, the Board has assessed the prospects of the Company, using a three-year assessment timescale, and concluded that there is a reasonable expectation that the Company will be able to meet its liabilities and continue in operation. The full Viability Statement is contained on page 117.

## Operational structure, review and compliance

In addition to the Chief Financial Officer, the Group has Senior Financial Managers at its Head Office. The current Group Head of Internal Audit and Risk Assurance was appointed in March 2020 and he is responsible for the Internal Audit and Risk Assurance function for the Group. Further information on the work of this function is in the Audit and Risk Committee Report on pages 140 to 145.

The key elements of the controls framework within which the Group operates are:

- an organisational structure with clearly defined lines of responsibility, delegation of authority and reporting requirements;
- an embedded culture of openness of communication between operational management and the Company's Executive Management on matters relating to risk and control;
- defined expenditure authorisation levels; and
- a comprehensive system of financial reporting. An annual budget for each brand is prepared in detail and approved by the Group Executive Management. The Board approves the overall Group's budget and plans. Monthly actual results are reported against budget and the prior year and the forecast for the year is revised where necessary. Any significant changes and adverse variances are reviewed by the Board and remedial action is taken where appropriate. There is weekly cash and treasury reporting to the Chief Financial Officer and periodic reporting to the Board on the Group's tax and treasury position.

The system of internal control is designed to manage, rather than eliminate, the risk of failing to achieve business objectives and can only provide reasonable, not absolute, assurance against material misstatement or loss. It is tested and developed as appropriate by the Group Head of Internal Audit and Risk Assurance working in conjunction with the Audit and Risk Committee.

The control framework as outlined above gives reasonable assurance that the structure of controls in operation is appropriate to the Group's situation and that risk is kept to acceptable levels throughout the Group.

## Takeover directive

Share capital structures are included in the Directors' Report on pages 172 to 174.

Approved by the Board of Directors on 12 June 2024 and signed on its behalf by:

**STEVE GOOD**

Board Chair

12 June 2024