

A solid platform for future growth with our culture, purpose and stakeholders at the fore



Dear shareholder

The last year, more than any other in recent times, has brought into sharp focus the importance of strong and decisive leadership with our shared purpose and culture as its driving forces. This shines through in all of the decisions we have taken this year and I am proud of what the business has achieved through this challenging period.

Our commitment to The Marshalls Way – to do the right things, for the right reasons, in the right way – underpinned the Board's ability to act decisively but in a measured and thoughtful way, taking into account the interests of all stakeholders. This is at the heart of what "good governance" means to Marshalls albeit we acknowledge that we have taken some tough decisions to ensure the long-term sustainability of the Group.

The case study details how we engaged with, and had regard to, the interests of our key stakeholders in the decisions taken as part of our response to the COVID-19 pandemic.

This Corporate Governance Statement explains how Marshalls' governance framework supports the principles of integrity, strong ethical values and professionalism integral to our business.

The Board recognises that we are accountable to shareholders for good corporate governance, and this report, together with the Reports of the Audit, Nomination and Remuneration Committees, seeks to demonstrate our commitment to high standards of governance that are recognised and understood by all.

Achievements in 2020

- We have guided and supported the business through the challenges of the pandemic providing a solid platform for the delivery of our 5 year Strategy, announced last year.
- We have been agile, meeting frequently and evolving our approach in the face of a continually evolving pandemic. Decisions have been taken within the framework of the matters reserved for the Board's judgement ensuring appropriate operational flexibility for the business to respond to the day-to-day challenges it faced.
- We have maintained, albeit virtually, frequent and open engagement between the Board and the business on specific business areas and developments where the Board's experience and knowledge could make a positive and constructive contribution.
- We have evolved our Employee Voice Group, through which we engage with employees, to ensure broader representation from across the Group and a more focused agenda.
- Having regard to stakeholder interests remained implicit within all of our decision making with the COVID-19 crisis putting this to the test.
- We continued to invest in our people and products to drive the evolution of our environmental, social and governance agendas. Our strong commitment to ethical and sustainable business through The Marshalls Way and our Code of Conduct has been reinforced through a Group-wide training programme.

Priorities in 2021

- The Board will continue to support the business through the challenges the pandemic presents whilst ensuring we have appropriate momentum to, and investment in, the achievement of our longer-term strategic priorities.
- To give additional focus to our customers, through product and service innovation that drives brand loyalty and profitable growth, and to factor in the potential for market disruption.
- To support and enable clearer and wider communication of our environmental, social and governance ("ESG") commitments, which underpin our purpose to all of our stakeholders, and particularly our customers.
- To continue to invest in our people and our culture focusing on health and safety, succession, diversity and talent identification and development, these being critical to the long-term success of the Group.
- To establish further measurable goals to reduce our emissions and improve the sustainability of our products and operations.
- To develop our engagement with suppliers that support our commitment to doing business responsibly.
- To continue to ensure we do everything in The Marshalls Way: the right things, for the right reasons, in the right way.

Environmental, social and governance ("ESG") priorities

The Board views our approach to ESG as central to the achievement of our strategic objectives and the long-term sustainability of the business. The Marshalls Way guides everything we do and our ESG commitments and credentials demonstrate this clearly.

- Environmental – we take our environmental impact seriously and, in 2020, we had our carbon emissions targets approved by the Science Based Targets initiative.
- Social – we respect and value the dignity, wellbeing and rights of employees, their families and the wider community, as well as their safety.
- Governance – strong governance supported by effective leadership helps nurture our healthy corporate culture and our processes and controls enable us to operate ethically and responsibly.

Diversity

The Board recognises the opportunity greater diversity throughout the business represents and the challenge this presents in our sector. Ensuring we promote equality and diversity and prevent discrimination through the application of our policies is key as well as ensuring there is equality of opportunity for every role we recruit. Our commitment is supported by our Code of Conduct and central to our Group HR strategy.

At Board level, we have achieved greater gender balance but recognise the opportunity greater ethnic diversity presents. As members of the UN Global Compact, we have, during the last year, agreed to participate in Target Gender Equality, which is a gender equality accelerator programme that involves setting and reaching ambitious corporate targets for women's representation and leadership, starting with the Board and Executive Management levels. Challenging ourselves in this way is at the heart of The Marshalls Way.

Board evaluation

The Chair, with the support of the Company Secretary, conducted an internal evaluation of the Board and its Committees using a tailored online questionnaire that considered both performance during the year and future priorities for the Board. The Board also reflected on the findings of the externally facilitated review in 2019, taking into account the challenges presented by the pandemic.

Responsibility statement

In the opinion of the Directors these Annual Financial Statements present a fair, balanced and understandable assessment of the Group's position and prospects and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The respective responsibilities of the Directors and the auditor in connection with the Financial Statements are explained in the Statement of Directors' Responsibilities and the Auditor's Report.

Vanda Murray OBE

Chair

11 March 2021

Corporate Governance Statement continued

Our response to COVID-19

The Group implemented an agile, operational plan to manage all parts of the business safely, whilst continuing to support customers. The Board provided oversight, support and challenge in ensuring the interests of all stakeholders were considered with appropriate prioritisation.

The impact of the COVID-19 pandemic on the business continues to be assessed on an ongoing basis. The Board sets the culture for effective risk management and has been actively engaged in the process throughout, providing regular and frequent oversight and assessing the adequacy of our systems and controls, particularly in light of some of the dramatic changes in the way we work that have been driven by the pandemic. Dynamic plans have been established, with specific risk assessments and carefully designed new operating procedures, all of which have the health and safety of our employees as the top priority. Our key stakeholders have been considered throughout and the Board has assessed mitigating controls and scenario planning that have been introduced by management. Consideration of our people, performance, capital structure and controls has been central to the Board's decision making throughout the pandemic.

Despite the disruption to normal working practices, we have maintained a strong focus on control and governance throughout the year. A specific internal audit project undertaken in 2020 confirmed that control integrity had been maintained. The business as a whole and the Board have acted with agility, and decisively, to bring stability to the Group.

Key challenges and decisions and how we responded

Key challenges	How we considered stakeholders
Health and safety <ul style="list-style-type: none"> • Safety and welfare of employees • Safety of customers and suppliers • Working from home challenges – wellbeing of employees and mental health 	<ul style="list-style-type: none"> • Regular communication with employees, unions and employee representatives, customers and suppliers • Increased briefing and training for managers to ensure consistent and frequent messaging • Regular shareholder communication • Virtual meetings with shareholders, analysts and investors
Business continuity <ul style="list-style-type: none"> • IT systems and cyber security • Operation of plants and fleet • Managing customer relationships • Working from home • Additional sales channels • Maintaining control environment 	<ul style="list-style-type: none"> • Regular detailed dialogue with employees, customers and suppliers • Additional training and awareness • Regular shareholder communication • Virtual meetings with shareholders and analysts • Virtual customer relationship management established
Liquidity and scenario planning <ul style="list-style-type: none"> • Ensuring adequate liquidity • Scenario planning and financial modelling • Risk of bank covenant breach 	<ul style="list-style-type: none"> • Early and frequent dialogue with banking partners (RBS, Lloyds and HSBC) • Regular shareholder communication • Virtual meetings with shareholders and analysts – including discussions about the suspension of dividends and participation in Government furlough and tax deferral schemes
Operational issues <ul style="list-style-type: none"> • Significant drop in sales in March, April and May • Employees on furlough during this period • Managing “return to work” • Balancing inventory, supply and demand during second half of year sales growth 	<ul style="list-style-type: none"> • Detailed dialogue with employees, unions, customers and suppliers • Regular shareholder communication • Virtual meetings with shareholders and analysts

Outcomes	Role governance played	Role of the Board
<ul style="list-style-type: none"> • New risk assessments • Additional standards and procedures introduced (going beyond Government guidelines) • Regular, and significantly increased communication and messaging using a variety of channels • Identified all vulnerable employees • Dedicated, independent helpline service • Establishing new frameworks for customer relationship management 	<ul style="list-style-type: none"> • Controlled by dedicated specialist health and safety employees • Approval of new policies and procedures • Approved training protocols • Formal risk reviews reflecting evolving risk environment 	<ul style="list-style-type: none"> • Attending several additional Board meetings • More frequent dialogue with senior management • Reviewed all policies and procedures • NEDs attended Risk Committee meetings during this period • Janet Ashdown leads Employee Voice Group – frequent meetings, feedback and communications, including consideration of the Group's response to COVID-19
<ul style="list-style-type: none"> • Plants operating safely • Fleet delivering to customers throughout • Rapid provision of additional IT to enable home working • Additional/enhanced financial controls introduced • Receiving and fulfilling orders • Maximising sales and leveraging fleet 	<ul style="list-style-type: none"> • Central system introduced to identify "business critical" employees • Process adopted to identify and address issues relating to home working • Appropriate facilities introduced for "virtual meetings" for all employees • Additional cyber controls and training for home workers • Additional financial controls established 	<ul style="list-style-type: none"> • Attending several additional Board meetings • More frequent dialogue with senior management • Reviewed the Group's approach and challenged key decisions • NEDs attended Risk Committee meetings during this period • Review and approval of shareholder communications
<ul style="list-style-type: none"> • Voluntary Board and senior management pay reductions • Range of financial models for different scenarios • Range of measures introduced to reduce/defer cost and cash spend • New bank facilities arranged (£90 million) • Variations to bank covenants agreed • CCFF facility established (issuer limit of £200 million) 	<ul style="list-style-type: none"> • Detailed review of financial models and assumptions (including review by third party professional advisers) • Use of professional advisers where appropriate • Virtual meetings with major shareholders 	<ul style="list-style-type: none"> • Attending several additional Board meetings • More frequent dialogue with senior management • Critical review of financial model assumptions • Meetings with external professional advisers • Review and approval of all shareholder communication
<ul style="list-style-type: none"> • Restructuring implemented to control costs and maintain efficiency • Certain site closures and changes to shift patterns • Focus on mitigating redundancies while satisfying customer needs • Inventory management – detailed production planning 	<ul style="list-style-type: none"> • Central control system used to monitor and track furlough • Full consultation process led by Group HR • Tracking of daily sales • Ongoing "Executive Management" review of detailed production planning process and systems 	<ul style="list-style-type: none"> • Attending several additional Board meetings • More frequent dialogue with senior management • Reviewed all policies and procedures • NEDs attended Risk Committee meetings during this period • Board focus on customer centricity

Compliance statement

This Corporate Governance Statement has been prepared in accordance with the principles of the UK Corporate Governance Code dated July 2018 (the "UK Code") which applies to the financial year 2020. We have complied with the principles and provisions of the UK Code throughout 2020. Our Governance sections over the following pages explain how the Group has applied the principles throughout the year and throughout the year and up to the date of this Annual Report.

1

Board leadership and Company purpose

- Led by strong and experienced Chair
- Entrepreneurial, diverse and decisive Board with clear strategic focus
- 2020 focus on sustainability in the face of the COVID-19 pandemic
- The Marshalls Way at the core of all decision making

2

Division of responsibilities

- Clear communication and information supporting effective decision making
- Constructive relationship between Board and senior management
- Challenge and support provided and well received by management
- Renewed emphasis on processes and resources driving efficiency

3

Composition, succession and evaluation

- Majority of independent Directors
- Diverse Board with relevant experience, knowledge and skills
- Exceptional term extension providing stability, supported by shareholders
- Annual effectiveness review

4

Audit, risk and internal control

- Structured oversight of external and internal audit functions and planning
- Oversight and participation in Risk Register reviews and determination of risk appetite
- Detailed consideration of pandemic's impact on Group's control environment
- Actions and outcomes monitored to ensure benefits realisation

5

Remuneration

- Revised, UK Code compliant, Policy supported by shareholders
- Alignment of outcomes with interests of all stakeholders
- Non-financial ESG measures embedded in incentive schemes
- Committee discretion to override formulaic outcomes

Role of the Board

The Board currently comprises an Independent Non-Executive Chair, 4 Non-Executive Directors and 2 Executive Directors. Our Schedule of Matters Reserved for the Board, reviewed annually and available on our website, includes:



Delegation to Board Committees

The Board delegates specific responsibilities to the Audit, Remuneration and Nomination Committees. The Audit Committee Report provides details of the Board's application of UK Code principles in relation to financial reporting, audit, risk management and internal controls. The Nomination Committee Report reports how Board and senior management composition, succession and development are managed to reflect UK Code principles. The Remuneration Report explains how the Group's Remuneration Policy has been implemented, and shows Directors' remuneration for 2020. The Remuneration Report also provides gender pay and balance information. Ad hoc Board Committees are established for particular purposes: for example, during 2020 Board Committees were established to approve preliminary and half year results.

Delegation to the Executive and management

Day-to-day management and the implementation of strategies agreed by the Board are delegated to the Executive Directors. The Group's reporting structure and controls below Board level are designed so that decisions are made by the most appropriate people in an effective and timely manner. Management teams report to members of the Executive Committee (comprised of senior managers, including the 2 Executive Directors). The Executive Directors and other Executive Committee members give regular briefings to the Board in relation to business issues and developments. Clear and measurable KPIs are in place to enable the Board to monitor progress. This structure, our controls and our transparency enable the Board to make informed decisions on key issues including strategy, capital structure and our risk appetite taking into account the interests of all of our key stakeholders.

1

Board leadership and Company purpose

Leadership and purpose

Effective leadership and a healthy corporate culture are key enablers for good governance, supported by robust systems and processes and a good understanding of risk and risk appetite. Our Strategic Report explains how we seek to fulfil our purpose, how this is supported by our policies and procedures and how we identify and manage our key risks.

The reports of our Board Committees give further detail on how our policies and processes have been applied and developed during the year in particular areas and how this relates to our values and strategy.

Being agile and resilient and ensuring we have a safe and stable platform for the execution of our long-term strategy have been core to the Board's leadership during the last year. Our culture and purpose have ensured there was a collective will to take difficult decisions to support the long-term sustainability of the business and ensure we are able to capitalise on opportunities that we are confident the execution of our strategic plan will bring.

In spite of the challenges the pandemic has presented, the results of our annual employee engagement survey, various smaller "pulse" surveys conducted during the year and, importantly, the Board's direct engagement with employees throughout the year give the Board confidence that the Group's purpose, values and strategy remain aligned with our culture.

The Group's dynamic management of the crisis is testament to its culture and to the credit of all employees across the Group who have been led by a strong senior leadership team. We are not complacent and recognise that there is more work to do to build on this, particularly having completed a comprehensive restructuring exercise as part of our management of the impact of the pandemic.

The Board is confident the Group's application of the UK Code principles during 2020 will drive its long-term sustainable success by providing a platform to execute the strategic plan the Board approved in 2019. That strategic plan remains well balanced and considers the interests of all of our key stakeholders. Our environmental and social reports demonstrate that the execution of our strategy addresses our impact on these areas and some of the benefits we hope to bring to them.

The Group HR Director, supported by the HR and senior management teams, has supplemented the work on our culture and the Code of Conduct with a comprehensive training programme through which our leaders engage directly with their teams to help them understand the role each employee plays in maintaining and building on our culture.

The Board receives regular updates from the Executive Directors on the agreed KPIs that enable it to determine whether the Group's objectives are being met and provide additional challenge and support where necessary.

The Group's control and risk management frameworks are reviewed annually and have, during the year, been critically reviewed in light of the additional challenges presented by the pandemic. The Group's Risk Register is reviewed at least twice a year and our internal audit plan takes into account the results of these reviews. The Board and the Audit Committee receive periodic reports from the internal auditor on a range of topics each year that are approved by the Audit Committee.

Further details of our approach to risk identification and management are set out in the Strategic Report.

The Board has continued to regularly engage with shareholders and employees not allowing the practical challenges to be an obstacle. The use of technology has enhanced the Board's ability to schedule meetings with shareholders in particular and is likely to be combined with in-person meetings in the future.

Our Employee Voice Group has evolved and gained momentum developing into a more representative and active format which understands the benefits of regular engagement with our Board, through our designated Non-Executive Director for employee engagement, Janet Ashdown, who participated in a number of the EVG meetings in 2020.

The implementation of our HR strategy and the development of our HR team are central to the delivery of our Group strategy. Our Group HR Director engages with the Board on our progress with improving recruitment, retention, development and progression supported by an aligned reward strategy that is fair and with diversity and inclusion being the central themes guiding us in these areas.

Central to progress this year has been an incredibly effective communication programme that has supported our management of the impact of the pandemic and ensured all employees, including those operational employees not connected through technology, have the information they need to work safely and in line with Government guidelines. Additionally, we have implemented a substantial number of additional processes and procedures to support our management of the pandemic, all of which reflect our values.

Conflicts and concerns

The Board maintains a conflicts register that identifies situations in which conflicts may arise, and which is reviewed regularly. In situations where an actual conflict is identified, the affected Director may be excluded from participating in relevant Board meetings or voting on decisions. There is no shareholder with a holding of sufficient significance to exercise undue influence over the Board or compromise independent judgement.

Concerns about the running of the Company or proposed action would be recorded in the Board minutes. On resignation, if a Non-Executive Director did have any such concerns, the Chair would invite the Non-Executive Director to provide a written statement for circulation to the Board.

Whistleblowing

The Group's Serious Concerns Policy sets out the principles under which employees can raise concerns in confidence. This is supported by an independent whistleblowing telephone and online reporting service, through which concerns may be reported anonymously if preferred. The Board and the Audit Committee receive reports on matters raised under this policy and the outcome of investigations. Any concerns raised are investigated appropriately by individuals whose judgement is independent and who are not directly involved with the matters raised.

2

Division of responsibilities

Roles and division of responsibilities

There is a clear division between Executive leadership and leadership of the Board expressed in the written Terms of Reference of the Chair and Chief Executive.



The Chair leads the Board and sets the tone and is responsible for its overall effectiveness. She was independent on appointment in 2018 and brings her objective judgement to the role. The internal Board evaluation, among other issues, focused on the quality, constructiveness and robustness of Board debates, the relevance and clarity of Board information and how the Board works as a unit (including relationships within the Board). No issues were identified in these areas.



The Chief Executive has responsibility for all operational matters which include the implementation of strategy and policies approved by the Board.



The Senior Independent Director provides a sounding board for the Chair and also acts as an intermediary for other Directors and shareholders.



The Board has determined each of the Non-Executive Directors to be independent in accordance with Section 2, Provision 10 of the UK Code. Although Tim Pile's term of office has been extended for a further year. This has not affected his independence and further details of how we made this judgement are set out on the following page.

































At least once a year the Chair meets the Non-Executive Directors without the Executive Directors being present. The Senior Independent Director meets the other Non-Executive Directors annually without the Chair to appraise the Chair's performance.



On appointment, the expected time commitment for Board members is made clear. The Chair and other Non-Executive Directors disclosed their other commitments prior to appointment and agreed to allocate sufficient time to the Company to discharge their duties effectively and ensure that these other commitments do not affect their contribution.

Board meetings and attendance*

Key =  Present  Absent	Board	COVID-19 Board meetings	Audit Committee	Remuneration Committee	Nomination Committee
Vanda Murray OBE (Non-Executive Chair)			–		
Martyn Coffey			–	–	–
Jack Clarke			–	–	–
Janet Ashdown (Non-Executive)					
Graham Prothero (Non-Executive)					
Tim Pile (Non-Executive)					
Angela Bromfield (Non-Executive)					

* The Board held 18 meetings during the year. The normal Board calendar includes eight meetings per year; however, ten additional meetings were held during the year, in connection with the Group's management of the impact of the COVID-19 pandemic. These meetings considered health and safety, employees, adequacy of funding arrangements, financial and operational performance, shareholder communication, customers, suppliers, key risks and controls and facilitated all key Board decisions in connection with the management of the pandemic.

The Chief Executive and the Group Finance Director are not members of the Audit Committee but normally attend Audit Committee meetings by invitation. The Non-Executive Directors also meet the auditor in private. The Chief Executive attends Remuneration Committee meetings by invitation. The Company Secretary attends Board and Committee meetings as Secretary. Board members also participate in site visits, training sessions and events such as the Group's annual management conference.

Tim Pile's independence

We consider Tim Pile to be independent even though he has served more than 10 years as a Non-Executive Director. We are mindful that the UK Code directs that this length of service is likely to impair, or could appear to impair, his judgement but we strongly believe this not to be the case given Tim's track record with the business.

Tim continues to bring invaluable support and experience to the business whilst, together with the Chair and the other Non-Executive Directors, effectively holding the Executive Directors to account on behalf of shareholders. He remains independent in thought and judgement and the extension of his term will enable us to apply the necessary rigour to the appointment of his successor whilst continuing to benefit from the constructive challenge and objective judgement he provides. Aside from his length of service, there are no other relevant factors (as set out in UK Code Provision 10) that would affect his independence. The Chair has conducted an individual performance evaluation of all the Directors, including Tim, and has concluded that Tim's contribution remains extremely valuable, particularly given his knowledge and experience of the Group and that his independence has been maintained.

Board meetings

There is an established format and programme for Board meetings, which, for the most part, were held virtually during the last year. This has been supplemented by a forward-looking planner that gives focus to Board business for the year ahead and ensures an appropriate balance between the Board's consideration of strategy, operations and governance. This planner is flexible and regularly updated to ensure any urgent matters can be escalated to the Board at the earliest opportunity.

The Chief Executive and the Group Finance Director report on operational and financial performance respectively at each Board meeting. Health and safety is also considered by the Board, and reported against, on a standalone basis at every scheduled Board meeting given its central importance to safely operating a manufacturing business.

The Board also attended the Group's strategy day in November 2020, which was held virtually and involved engagement with key members of the senior management team and other senior leaders in the business in considering the Group's eight strategic priorities.

In addition to the standing items on the Board's agenda, the principal areas of focus discussed by the Board in 2020 were:

Strategy

- Group strategy including culture and purpose
- COVID-19 response
- Sustainability and climate change
- 2021 budget
- Capital adequacy, structure and dividends
- HR strategy
- Operations strategy (including supply chain, manufacturing and logistics)
- Digital strategy
- New product development
- Emerging businesses
- Marketing strategy
- Market, sector and competitor updates

Operations

- COVID-safe operating processes and procedures
- Management of major customer projects
- Customer specification
- Brexit planning
- Group restructuring
- Employee engagement, morale and succession planning

Governance and risk

- COVID-19 crisis response
- Culture and Code of Conduct
- Board composition, succession and diversity
- Investor feedback
- Employee Voice Group feedback
- Whistleblowing
- Ethical sourcing and modern slavery
- Cyber security and data protection
- Stakeholder engagement
- AGM voting and guidance

3

Composition, succession and evaluation

There is a transparent and formal process for appointments led by the Nomination Committee supported by external specialist recruiters. Board succession planning is reviewed at least annually by the Nomination Committee, while succession planning at Executive level is reviewed by the Board. The Board also reviews succession planning for senior management and is able to consider and challenge, as appropriate, the Group's recruitment policies and how they promote diversity. The policies and process are commented on further in the Nomination Committee Report.

We believe our Board is diverse and has a good combination of skills, experience and knowledge. The Board reviews its own composition each year and assesses whether the current skills, experience and knowledge are aligned with the Group's strategy and expected future leadership needs.

How Board priorities were addressed during the year

Culture

- Group-wide rollout of our new Code of Conduct, setting our purpose and defining The Marshalls Way. Supported by comprehensive trainee programme.
- Board engaged extensively with the business, in spite of the challenges presented by the pandemic, in areas such as: risk identification and management with the senior management team and other senior leaders; marketing and digital strategy; and new product development.
- Reviewing the scores and written feedback from the employee engagement survey and agreeing objectives for both participation and overall engagement.

Stakeholder engagement

- Board has received presentations on our customer and product initiatives and engagement.
- Our Employee Voice Group has evolved with Janet Ashdown, in her capacity as designated Director for employee engagement, participating in a number of sessions with the Group and providing feedback to the Board throughout the year.
- Business engagement and regular dialogue with suppliers have been critical to our management of the impact of the pandemic and Brexit with further emphasis to be placed on this in 2021.
- Board engagement with shareholders has been maintained with regular formal announcements during the year combined with customary post half year and full year investor roadshows. In addition, the Chair and the Senior Independent Director have engaged with shareholders on governance and their areas of focus.

Succession planning

- Implemented senior management team changes following the restructuring exercise implemented during the year.
- New Group Director for Emerging Businesses and General Counsel and Company Secretary recruited and appointed to the senior management team.
- Board conducted a detailed review of performance and succession for the senior management team including consideration of the Group's talent pipeline, diversity and opportunities for development and progression.

The Board acknowledges the benefit of refreshment and has a clear succession plan designed to ensure that Board members' terms expire or they retire over clearly defined periods, normally not exceeding nine years. There is an annual effectiveness review which, for 2020, was conducted internally by the Chair and the Company Secretary (as referenced in the Chair's introduction).

All Directors stand for election or re-election (as appropriate) at every Annual General Meeting, and all current Directors will stand for re-election or election at the 2021 Annual General Meeting.

Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are complied with and, through the Chair, advises the Board on governance matters. The appointment or removal of the Company Secretary are matters for the whole Board.

Focus areas and actions to enhance effectiveness in 2021 (from 2020 review)

The 2020 Board evaluation was conducted internally by the Chair and Company Secretary using a comprehensive tailored questionnaire that evaluated Board behaviour and processes as well as providing the Board an opportunity to reflect openly on the Board and Group's strengths, weaknesses and opportunities, threats and strategic priorities. The evaluation concluded that the Board, throughout the year, has been focused, agile, collaborative and decisive. Our strong culture has helped us weather the COVID-19 storm, but we must be mindful of maintaining this given the challenges and extra pressure all of our employees have faced during the last year.

Board engagement and visibility, both at meetings and with the wider business, remain strong even though limited to virtual sessions for most of the year. Areas identified for further development were:

Board and Executive succession planning

- The pandemic has, to a degree, frustrated this but it remains the highest priority item with an improvement in diversity being a key recruitment objective.

ESG

- A clear articulation of what ESG means at Marshalls and its position in the context of our strategic priorities, and as a foundation of our long-term sustainability, is important to all of our stakeholders. Investors, customers, suppliers and employees alike want to understand our credentials and, most importantly, our objectives and how we measure our performance against these.
- Ensuring our ESG credentials drive competitive advantage and provide returns not only to society but to shareholders by driving business performance and supporting our ability to attract and retain the best talent.

Capitalising on strategic opportunities

- Ensuring our strategic priorities continue to enable us to capitalise on the strong markets in which we operate and are mindful of market disruption, which remains a key threat.
- Whilst an operational restructuring exercise was completed during the year, there remains more to do, particularly by leveraging technology to drive efficiency in our manufacturing and logistics. Selective acquisitions in complementary areas may provide an opportunity to capitalise on a strong market but more focus needs to be given to the integration of new businesses.

4

Audit, risk and internal control

The Board has established written policies and procedures for external and internal audit functions designed to ensure that they remain independent and effective and these are regularly reviewed. Annual questionnaire based evaluations are conducted of both our internal and external audit partners with the Board and members of the senior management team participating. The Board scrutinises financial and narrative statements in accordance with best practice supported by the advice of the auditor.

The Board has a well-established procedure to identify, monitor and manage risk, and has carried out reviews of the Group's risk management and internal control systems and the effectiveness of: all material controls, including financial, operational and compliance controls; and the mitigation of material risks.

The Strategic Report comments in detail on the principal risks facing the Group, in particular those that would threaten our business model, future performance, solvency or liquidity, and the controls in place to mitigate them. The Board conducts a rigorous assessment of these risks, particularly operational risks that might affect the Group's viability in the short term and emerging risks that might impact the medium to longer term.

The Board's risk and viability review incorporates stress testing, by envisaging scenarios that might arise during the financial year and/or the planning cycle, and considering, with financial impact modelling where appropriate, the likely effect on the business and its prospects. Additionally, the outcomes of our risk reviews drive our internal audit planning ensuring our resources are being directed at the most appropriate areas.

The Board reviewed the Group's risk management system and the system of internal control at risk review meetings in July and November 2020. The Risk Register was reviewed by the Audit Committee in December 2020 and the Non-Executive Directors carried out a standalone risk review in December 2020, the outcome of which has been incorporated into the Risk Register. In addition, our internal and external auditors participated in our most recent risk review meeting in November 2020. Our approach underpins our commitment to transparency in managing risk and internal controls and lends additional efficacy to our procedures.

In addition to our scheduled reviews, our risks and controls have all been carefully assessed to take into account the continuing impact of the COVID-19 pandemic. Internal audits carried out during the year have also specifically challenged whether we have made appropriate adjustments to the controls in the areas being reviewed to address the pandemic's impact.

The Audit Committee Report describes the internal control system, how the Board assures itself of the independence and effectiveness of internal and external audit functions and how they are managed and monitored.

The Board acknowledges that such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

5

Remuneration

The current Remuneration Policy was approved by shareholders in 2020 and is set out in the Directors' Remuneration Report. It addresses the relevant requirements of the UK Code and was prepared in consultation with the Company's top 20 shareholders and external voting agencies.

The Remuneration Committee Report describes how the Remuneration Policy has been implemented during 2020 and the outcomes achieved. It also describes how the Remuneration Committee has carried out its responsibilities during the year.

The Remuneration Committee continues to effectively discharge the duties delegated to it by the Board under the leadership of the Committee Chair, ensuring outcomes reflect performance and taking a holistic view of remuneration across the Group, having consulted employees appropriately, the importance of which is recognised by the Board.

Vanda Murray OBE

Chair

11 March 2021