



## Corporate Governance Statement



Our commitment to responsible governance and The Marshalls Way creates strong alignment at Board level and throughout the business.



# A transformational year, diversifying the business while delivering **record performance and ensuring the long-term resilience of the business**

## Dear shareholder

Responsible governance is critical at all times, but is put to test when operating in volatile market conditions. Geo-political instability and macro-economic uncertainty make business planning extremely challenging. Against this backdrop, the Group has emerged from a transformational but challenging year, in a strong and stable position.

During the first half of 2022, the Group completed the transformational acquisition of Marley. Marley is a leading manufacturer and supplier of pitched roofing products and systems in the UK and is a strong addition to the Group, with a highly skilled and experienced management team. Throughout the acquisition process, the Board and senior management team worked closely together in evaluating the opportunity and engaged with relevant stakeholders, at all times respecting our legal obligations and the sensitive nature of the deal. A responsive, cohesive but forthright Board led our assessment and recommendation of the transaction to our shareholders, a significant step in the diversification and strategic progression of the Group. At the time, we received strong shareholder support for the transaction, but, in volatile market conditions, we recognise the importance of keeping an open dialogue with all our stakeholders. To this end, I met with shareholders towards the end of the year and, as a Board, we have reflected on their feedback, which we always welcome, and will revisit this as we progress through the current year.

Political and economic uncertainty characterised the second half of 2022 and presented the Group, and the sector, with significant challenges. Having completed a transformational acquisition, the Board's attention necessarily moved to more pressing short to medium-term strategic challenges, and in particular, managing our manufacturing capacity to reflect current inventory levels and what we anticipate will be a challenging year ahead, based on market indicators.

This ability to respond dynamically to opportunities and threats, requires decisiveness and a determination "to do the right things for the right reasons, the right way". Our commitment to responsible governance and The Marshalls Way creates strong alignment at Board level and throughout the business. Our resilience, and impact of the Marley

acquisition, ultimately resulted in another record year for the Group but we recognise the danger of complacency and the importance of continuous improvement.

During the year, we welcomed Simon Bourne to the Board, with his appointment as Chief Operating Officer deserved recognition for his transformation of our operations since joining the business. Simon and his team are now working closely with the Marley team to help maximise Marley's operational efficiency.

As planned, Tim Pile will retire from the Board at the end of our 2023 AGM. I would like to thank Tim for his incredible contribution to the Marshalls' Board over the last twelve years. He has challenged and supported in equal measure but always with the goal of helping Marshalls achieve its strategic ambitions in a way that balances the interests of all our stakeholders. I am delighted that Diana Houghton has joined the Board as Tim's successor.

We provide further detail on them in our Nomination Committee Report on pages 92 to 95, but these appointments mean the composition of our Board complies with the Listing Rules that require UK listed companies to disclose on a "comply or explain" basis against set diversity targets. Details of the current composition of the Board by gender, ethnic diversity and length of service are on page 77.

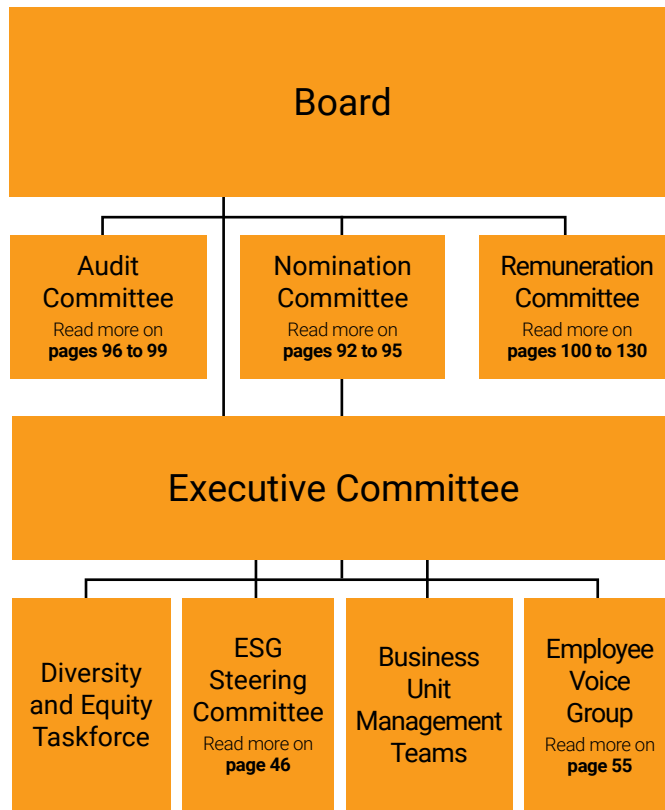
Balanced decision making and open communication, reflective of our culture and purpose, is what "good governance" means to Marshalls. This is central to our application of the UK Corporate Governance Code. Our commitment to The Marshalls Way – "to do the right things, for the right reasons, in the right way" – underpins everything we do.

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

The Board recognises that we are accountable to shareholders for good corporate governance. This report, together with the Reports of the Audit, Nomination and Remuneration Committees on pages 92 to 130, seeks to demonstrate our commitment to high standards of governance that are recognised and understood by all.



## Our governance framework

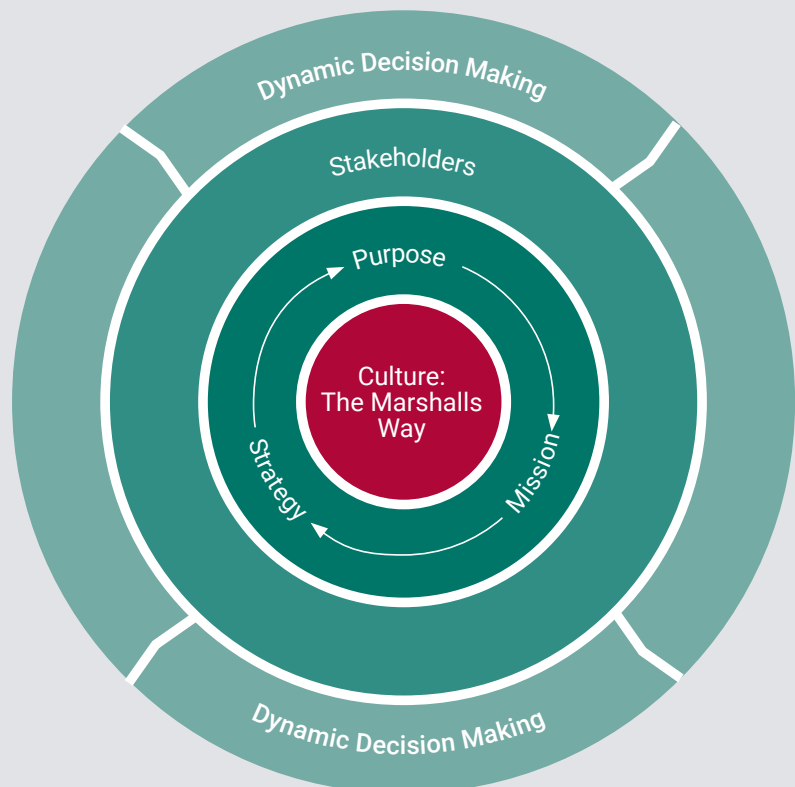


## Programme of activities



## Governance at Marshalls

Our **Culture** is at the heart of everything we do: The Marshalls Way. Our **Purpose** drives our **Mission**, which in turn drives our **Strategy**. These operate as a virtuous circle with regular reflection by the Board and the business. The operation of our business and the decisions we make have regard to the interests of our **Stakeholders**. This approach to governance enables **Dynamic Decision Making** but ensures we never lose sight of the elements within that drive our long-term sustainability.





## Corporate Governance Statement continued

### Achievements in 2022

- We've supported the business in another record year of performance, against a challenging macro-economic and geo-political backdrop with inflation, rising interest rates and the Ukraine crisis challenging us to ensure the business continues to operate from a stable base and as efficiently as possible. The Group's commitment to continuous improvement drives resilience and demonstrates its commitment to embracing change.
- The acquisition of Marley represents a transformational step in the delivery of our long-term strategy. At the outset, and throughout, the Board challenged and supported the senior management team's assessment of the opportunity and the structural aspects of the transaction. This included detailed due diligence and advisory support from a team of experienced professional advisers, culminating in overwhelming support for the deal from our shareholders. The result is a more diversified and resilient Group, well-positioned to achieve its strategic goal of becoming the UK's leading manufacturer of products for the built environment.
- We welcomed Simon Bourne to the Board as Chief Operating Officer, recognising Simon's contribution and performance, over a number of years, in driving so many of our growth pillars, including operational and logistics excellence, sustainable supply and new product innovation. Simon's promotion is richly deserved and has been supported by a comprehensive induction plan arranged by our General Counsel and Company Secretary.
- We've managed the succession of Tim Pile, who retires at this year's AGM, with the appointment of Diana Houghton to the Board as a Non-Executive Director. Tim is our most experienced Board member and has, on two occasions, agreed to extend his term to support the business through the unprecedented challenges of the last three years. We thank Tim for his contribution and commitment to the business. Diana's appointment further strengthens the Board by introducing new skills, experience and diversity, particularly in the development and execution of organisational strategy.
- Following the completion of the acquisition of Marley, we held a Capital Markets Day, setting out our vision for the Group in the short to medium term and, in particular, showcasing the Marley business model and operations and the opportunity these present to the Group.
- At our annual strategy review in November, we reflected on the Group's five-year Strategy with the senior management team, particularly in light of Marley joining the Group. Against challenging macro-economic and geo-political conditions, we also considered the short to medium-term resilience of the Group and the opportunities we have to maximise the efficiency of our operations. We also considered the longer-term sustainability of our business and our brand, reflecting particularly on our purpose, to create better spaces and futures for everyone: socially, environmentally and economically.
- The Board continued to leverage the benefits of technology adopted during the pandemic, to combine in person and virtual engagement with the business and stakeholders. Making the Board accessible to all stakeholders is an important element of meeting our obligations under Section 172 of the Companies Act.
- With the support of Lintstock, we completed an externally facilitated Board evaluation. This included reflection on the objectives we set during our last internal evaluation. The Board's composition, stakeholder and strategic oversight and the support the Board receives, were all rated extremely highly. The Board is collegiate and supportive but provides robust challenge to the senior management team on strategy, performance and governance. (See page 79 for further details.)
- We've built on our ESG commitments, whilst ensuring we're complying with our reporting obligations against the TCFD recommendations. We've listened to our stakeholders and reflected on how the Board oversees our ESG programme. See page 81 for further details. The Board have focused on ensuring our commitments drive competitive advantage and brand loyalty. These will make our business sustainable in the long term. We've refined the key measures we use to monitor our progress and incorporated some of these in our incentive schemes. (See page 102 for further details.)
- The Board and Audit Committee have considered the impact of proposed changes to the UK Corporate Governance Code and the measures being taken to ensure the Group is able to demonstrate compliance with these ahead of their formal adoption. (See page 91 for further details.)
- There has been Board representation at each of the Employee Voice Group ("EVG") meetings, with Angela Bromfield continuing as our designated Director for employee engagement. The EVG has broad representation and continues to evolve, with new representatives from across the business elected to a two-year term earlier this year. (See page 55 for further details.)
- In response to tough trading conditions and a marked softening of demand for Private Housing RMI in both the UK and International markets and destocking in the distribution channel, we approved a reduction in our manufacturing output to manage inventory levels. These actions reduced capacity and costs within our manufacturing network and trading function to ensure alignment with lower levels of demand. This is expected to reduce operating costs by around £10 million per annum from the start of 2023.

### Priorities in 2023

- Supporting the senior management team in navigating the business through the key strategic issues and challenges we face, particularly in the short to medium term, including those driven by challenging macro-economic conditions. Ensuring we communicate our progress effectively.
- Overseeing and measuring progress against the Group's strategic plan following the transformational acquisition of Marley, with an appropriate balance between financial and non-financial KPIs. This will be critical to the long-term sustainability of the Group and will include reviewing progress against the commitments made at our annual strategy review in November 2022.
- Giving additional focus and time to understanding our stakeholders and how we engage with them, particularly customers, suppliers and shareholders. This will underpin their confidence in the Group's management, performance and long-term strategy. Maintaining our customer focus is key to maintaining our strong brand preference, which is a key differentiator for the Group.
- Building a deeper understanding of the Group's culture and how this is monitored and has evolved, including our approach to cultural integration with the Marley.
- Seeking opportunities to learn from the experience of other sectors as regards our cultural, people, technology and transformation journeys.
- Overseeing effective succession planning and talent retention, that are critical to ensuring the long-term success of the business.
- Effectively overseeing our ESG programme, ensuring this supports our commitment to operating the business sustainably and drives commercial and competitive advantage.
- Carefully monitoring the implementation and impact of the fundamental audit and corporate governance reforms proposed by the Government, which will have implications for the operation and expectations of the Board.
- To continue to ensure we do everything in The Marshalls Way: "the right things, for the right reasons, in the right way", and at all times with our stakeholders in mind.



### 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. Being a responsible business is how we've operated for over 130 years and, as we face current global challenges, it's never been so important to be a transparent corporate citizen. Our ESG commitments and credentials demonstrate this clearly.

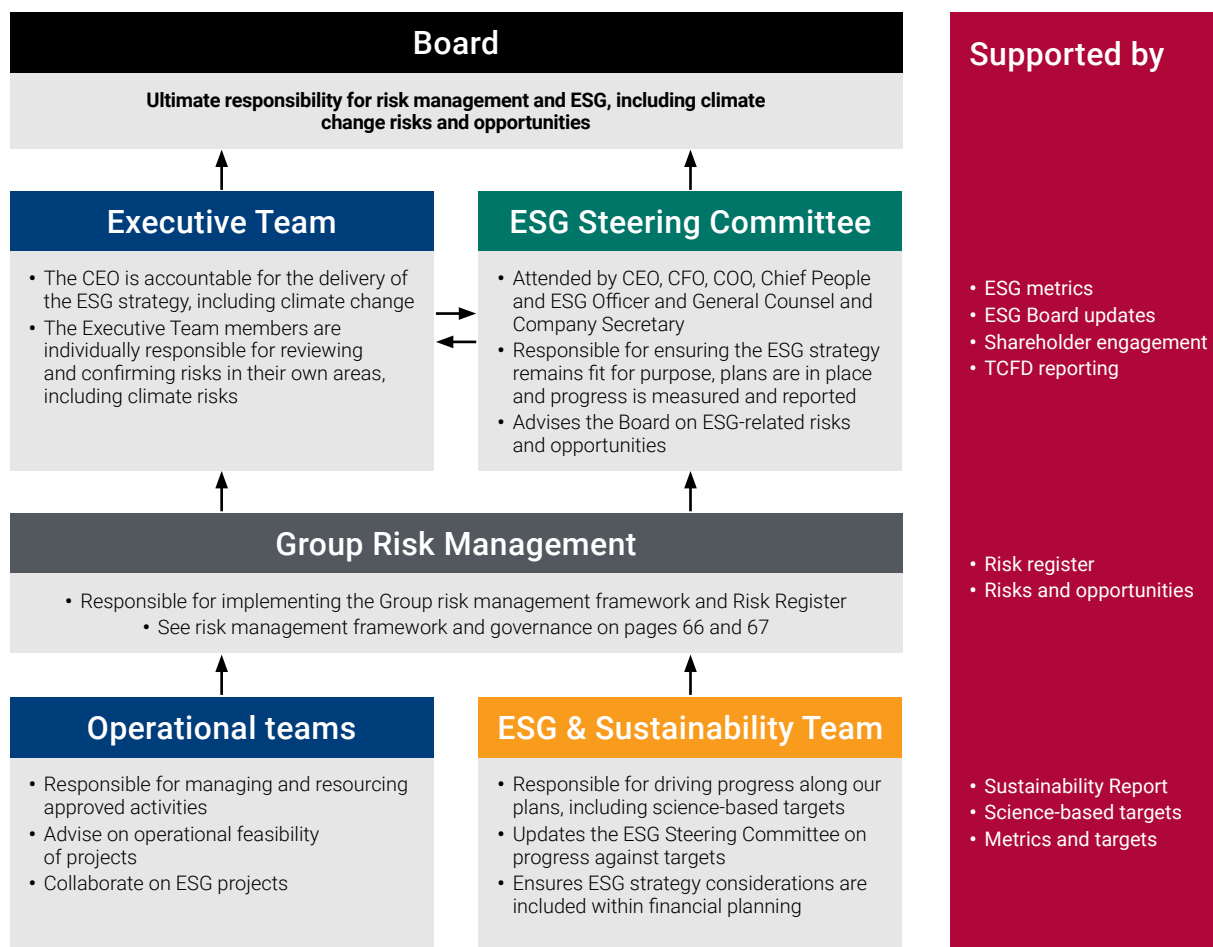
- Environmental — we take our environmental impact seriously. We're recalibrating our commitment to net zero following the acquisition of Marley but this remains our goal.

- Social — we respect and value the dignity, well-being and rights of employees, their families and the wider community, as well as their safety.
- Governance — strong, responsible governance supported by effective leadership helps nurture our healthy corporate culture and our processes and controls enable us to operate ethically and responsibly.



For further details see our ESG report on pages 42 to 59

## ESG oversight





## Corporate Governance Statement continued

### Coming out of COVID-19 restrictions

As Government guidance changed, the Group removed the restrictions we put in place, which were to protect the health and safety of our colleagues and other stakeholders, our number priority at all times.

Colleagues are now able to work from any of our facilities, although we maintain a booking and registration system in most of our office buildings so that we can monitor attendance levels and ensure the facilities can safely support those attending. The scale of our manufacturing and operational sites has meant that we can operate them safely without this additional process.

The COVID-19 pandemic fundamentally changed ways of working and, where feasible, we've retained the flexibility this allows and continue to make use of technology, particularly for large meetings, where attendees are in many different locations. This not only saves on travel costs and reduces our carbon footprint but also makes us more agile when circumstances demand. We see this as a real benefit of how we managed the business during the pandemic. For office-based roles, the ability to work flexibly has become an important element in attracting talent, in a candidate driven market.

Scheduled Board meetings during the year were all "in person", marking a welcome return, given that this generally facilitates more engaged and inclusive discussions of business opportunities and challenges. The Board have also continued to take advantage of technology, with virtual meetings supplementing their engagement with colleagues and shareholders in particular.

We remain vigilant given the emergence of new COVID-19 strains and the re-introduction of entry restrictions from certain countries. We are confident in our ability to respond to any other measures or restrictions re-introduced by the Government in response to any resurgence of the virus.

Dynamic decision making remains central to the way the Board and senior management team manage the business. The Board sets the culture for effective risk management and, together with the senior management team, ensures that we're having regard to our key stakeholders when making decisions.

### Diversity

Improving diversity is an opportunity for the business but remains challenging in our sector, particularly in operational and site-based roles. As a Group, we actively promote diversity, equity, respect and inclusion ("DERI") and have a zero-tolerance approach to discrimination. See page 55 for details of how we promote DERI. We apply our policies to ensure there is equality of opportunity for every role we recruit. Our commitment is supported by our Code of Conduct and central to our People Strategy.

At Board level, we have maintained our gender and ethnic diversity during 2022. In addition to myself, a female Chair, we have 44 per cent female representation on our Board overall and one Director from an ethnic minority background. On Simon Bourne's appointment to the Board as Chief Operating Officer in April 2022, our female representation dropped to 38 per cent, by virtue of the Board's growth. Upon Tim Pile's retirement at this year's AGM, 50 per cent of the Board will be female.

Although we have a diverse Board, and have improved overall gender diversity in the business, our continuous improvement mindset and application of The Marshalls Way, are driving us to improve diversity at management levels and in our operations, to unlock the benefits this will bring.

We acknowledge that, although we've seen some improvement, this will take longer than we originally anticipated, particularly given the challenges in our sector, but we are now working more closely with others in the sector to address what is a structural challenge. Making our business accessible is critical to its long-term sustainability. The Board has approved the Group-wide Diversity and Inclusion Policy and continues to support the senior management team in the execution of the Group's longer-term DERI strategy. Our Diversity and Equity Taskforce, which has broad colleague representation from across the Group, including our General Counsel and Company Secretary, continues to "lead the charge" in this important area.

### Board evaluation

As required by the UK Corporate Governance Code, the Chair and the Company Secretary conducted an externally facilitated evaluation during 2022 with the support of Lintstock. Pages 88 to 90 of this report give more detail on the conclusions of the review. The evaluation covered the Board and its Committees, as well as my performance as Chair. The review also considered the Board's performance against the objectives it set itself during its last internal evaluation in 2021.

In conducting the evaluation, we used Lintstock's evaluation tools, but these were reviewed by myself and the Company Secretary and tailored appropriately to reflect the needs of the Marshalls Board. The evaluation considered all critical aspects of the Board's performance against the principles and provisions of the Code.

### 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 on pages 133 and 134 and 135 to 142 respectively.

**Vanda Murray OBE**

Chair

15 March 2023



## 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 2022. We have complied with the principles and provisions of the UK Code throughout 2022.

Our Governance sections over the following pages explain how the Group has applied the principles throughout the year and up to the date of this Annual Report.

### 1 Board leadership and Company purpose



Read more on pages 85 and 86

- Led by an experienced female Chair who drives strategic focus and inclusive, robust debate
- Diverse, well-balanced Board with strong mix of knowledge and experience and a clear focus on long-term sustainability
- 2022 focus on strategic transformation, resilience and succession
- Our culture, The Marshalls Way, and purpose, "creating better spaces and futures for everyone: socially, environmentally and economically", are at the heart of all decision making

### 2 Division of responsibilities



Read more on pages 86 to 88

- Effective, transparent communication and information drive trust and support dynamic decision making
- Well-established relationship between Board and senior management team supported by regular engagement
- Robust challenge and support provided and well-received by management
- Clear, proportionate decision-making parameters balance Board control and operational flexibility

### 3 Composition, succession and evaluation



Read more on pages 88 to 90

- Diverse Board with breadth of experience, knowledge and skills
- Majority of independent Directors and experienced Committee Chairs
- Well-executed succession plan, with additional growth in the Board rewarding performance
- Externally facilitated review highlighting Board cohesion and effectiveness, achievement of previous objectives and opportunities for development
- Engagement with shareholders ensuring the Board evolves to reflect their priorities

### 4 Audit, risk and internal control



Read more on page 91

- Clear oversight of external and internal audit functions and planning, in a transformational year
- Effective oversight of internal control environment, and the programme of work supporting compliance with prospective governance changes
- Detailed consideration of development in reporting under TCFD
- Ensuring adequacy of the Group's risk management framework and process and participating in risk reviews
- Strengthening processes to ensure we act upon recommendations and monitor outcomes, allowing us to continuously improve
- Oversight of financial reporting, including judgements made in preparing this Annual Report and Accounts

### 5 Remuneration



Read more on page 91

- Overseeing the Remuneration Policy review and engagement with stakeholders, including our EVG
- Early engagement with shareholders on approach to implementation of current Remuneration Policy, which reflected transformational nature of the year
- Reviewing incentives scheme targets. Ensuring they support attraction and retention of talent, drive good behaviours and create alignment with stakeholder interests
- Appropriate and proportionate consideration of performance and reward outcomes





## Corporate Governance Statement continued

### Role of the Board

The Board currently comprises an Independent Non-Executive Chair, five independent Non-Executive Directors and three Executive Directors. Their biographical details are on pages 76 and 77.

Our Schedule of Matters Reserved for the Board (set out below) is reviewed annually and is available on our website. It ensures we retain the right balance between Board oversight and operational flexibility.



### Delegation to Board Committees

Audit Committee Report on pages 96 to 99 provides details of the Board's application of UK Code principles in relation to financial reporting, audit, risk management and internal controls.

Nomination Committee Report on pages 92 to 95 reports how Board and senior management composition (including diversity), succession and development are managed to reflect UK Code principles.

Remuneration Report on pages 100 to 130 sets out our proposed Remuneration Policy to be tabled with shareholders at this year's AGM. It shows how our current policy has been implemented for 2022, including details of Directors' remuneration. The Remuneration Report also provides gender pay and balance information.

Ad hoc Board Committees are established for particular purposes: for example, during 2022, Board Committees were established to finally approve the acquisition of Marley and the preliminary and half year results.

### Delegation to the Executive and management

The day-to-day management of the business and the execution of the Group's strategy are delegated to the Executive Directors. The Group's reporting and governance structure (see page 79) and controls below Board level are designed so that decisions are made by the most appropriate people in an effective and timely manner. In deciding what is "appropriate" for these purposes, we consider the scale and complexity of our business and reflect how this has grown over time. Management teams report to members of the Executive Committee, which is comprised of the senior management team, including the three Executive Directors. The Executive Directors and other Executive Committee members give regular briefings to the Board in relation to strategic progress, specific business issues, developments. Clear and measurable KPIs are in place to enable the Board to monitor progress. This structure, our controls and open and transparent information and communication enable the Board to make informed decisions on key issues. These include our strategy, capital structure, internal control and risk frameworks and our risk appetite whilst having regard to the interests of all of our key stakeholders. The findings of the externally facilitated Board evaluation, supported this view of how our governance model operates in practice.



# 1

## Board leadership and Company purpose

### Leadership and purpose

Our culture and leadership, at Board and senior management team level, drive our approach to governance at Marshalls and underpinned the Group's resilient performance during the year and the successful completion of the transformational acquisition of Marley.

The Board invests time in understanding our business model and how the long-term success and viability of the business is dependent on implementing and evolving our strategy. This understanding comes from working collaboratively with the senior management team, engaging with the business and applying the Board's skills and experience to provide the robust challenge that helps shape that strategic evolution.

The Board has continued to engage regularly with shareholders and employees. Although all COVID-19 restrictions were removed by the Government during the year, the technology we used throughout the pandemic has continued to support and enhance engagement, making the Board even more responsive and agile, and providing additional visibility of our culture and how the business is managed and controlled.

Our Strategic Report on pages 1 to 75 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. Transparency and openness between management and the Board have built trust and confidence in how the business is operated and controlled on a day-to-day basis. This has enabled the Board to steer our strategy and business model towards a sustainable future, as evidenced by the transformational acquisition of Marley and the Group's resilience in delivering record performance in an incredibly challenging macro-economic environment.

The reports of our Board Committees give further detail on how our policies and processes, and the principles of the UK Corporate Governance Code, have been applied during the year in particular areas and how this relates to our culture and strategy.

Dynamic decision making enabled us to take the opportunity to bring Marley into the Group and also respond to the extremely challenging market conditions later in the year by reducing our manufacturing capacity and our cost base. This ability to address not only longer-term strategic priorities but to respond to market conditions and focus on the more immediate short to medium-term issues, demonstrates the Board's flexibility and agility. Responsive governance has ensured that both business transformation and resilience can be prioritised together.

Our well-established sustainability programme is driven by our commitment to operate the business responsibly, having regard to the interests of our stakeholders. We're integrating Marley into our sustainability programme and, although this will take some time, we're confident we can align the businesses' approach in key areas such as minimising our environmental impact, respecting human rights and promoting diversity and inclusivity.

The significant investments we made in our operations, particularly the multi-million-investment in the installation of a dual block plant at our St. Ives site, will begin to deliver commercial benefit and competitive advantage to the business. The configuration of the new plant means we can switch production between ranges quickly providing additional manufacturing agility in our network.

Our strategy review in November addressed some of the strategic challenges we're facing in the short to medium term, in responding to market conditions and ensuring we build greater flexibility into our operating model. We also reflected on the acquisition of Marley, the opportunities it presents and the impetus this gives to our longer-term strategic vision for the Group.

That strategic plan remains well-balanced and considers the interests of all of our key stakeholders. Driving brand preference and customer loyalty, through innovation and responsible operation of the business, are core to all our commercial objectives. The

environmental and social reports on pages 42 to 59 provide further information of our progress and commitments in operating the business responsibly.

The Board receives regular updates from the Executive Directors on the agreed KPIs set out on pages 40 and 41. The Group's CFO has significantly enhanced the quality of financial information the Board receives, making it easier to establish whether the Group's objectives are being met and to provide additional challenge and support where necessary.

2022 saw the introduction of a new HR system that underpins our ability to support and manage our people, who are the key to our long-term success. Our Chief People and ESG Officer has guided the Board and business through significant change projects throughout the year, both planned and unplanned, that have impacted our people. We've continued to implement our Group people strategy albeit the Marley acquisition required us to pause briefly to welcome our new colleagues and to understand how we can integrate Marley into our Group-wide programmes. This, inclusive approach, epitomises our commitment to The Marshalls Way, albeit we acknowledge that this will take some time.

Effective communication with colleagues was critical during 2022 given the significant changes the Group experienced, and the volatility in market conditions.

A real focus was the communication of our acquisition of Marley and ensuring we welcomed our new colleagues into the Group and the communication forums we use. This remains a work-in-progress as we look to harmonise the methods we use for communicating with our people across the business. Towards the end of the year, our focus moved to managing and communicating the impact of the capacity reduction programme across our operations. In difficult circumstances, we felt this was managed sensitively and compassionately.

Our Employee Voice Group, as an effective and representative colleague engagement forum, has continued to mature and we have recently completed elections for new EVG members as two-year terms came to an end. Making the EVG as representative as possible was a key priority, with a particular desire for more colleagues in operations to put themselves forward. During 2022, the EVG covered many topics including performance and talent management, pensions governance, learning and personal growth and our manufacturing capacity reduction project. Discussions are challenging and, on the whole, constructive with members growing in confidence throughout the year and recognising the legitimacy of this forum, particularly given the regular attendance by our designated Director for employee engagement, Angela Bromfield, and other members of the Board and senior management team.

The EVG serves as a useful gauge by which the Board can assess whether that the Group's purpose, values and strategy remain aligned with our culture. Further details of how we engage with employees are set out on pages 28 to 35.

We're continuing our work on culture and diversity, with the implementation of diversity and inclusion strategy remaining a priority. Giving the recruitment challenges in our sector, this is a long-term project. At its core is ensuring we're operating an inclusive business for those currently working for us, and we have this year gathered much better-quality information about representation across the business that highlights the challenge we have. Greater diversity in our manufacturing and production roles remains the most difficult challenge but we're now working with our sector peers to create a construction industry Inclusivity Pledge, as we all face the same issue. Our CEO and Talent Director are representing the Group in this initiative.

We have established a calendar of DERI based events supported by internal communications campaign to drive awareness. Our Diversity and Equity Taskforce is a major step. Greater diversity and becoming representative of the communities in which we operate are important components of our long-term success.





## Corporate Governance Statement continued

# 1

## Board leadership and Company purpose continued

### Leadership and purpose continued

Good governance is supported at Marshalls by robust systems and processes and a good understanding of risk and risk appetite. The Group's control and risk management frameworks are reviewed

annually and have been critically reviewed during the year, with Marley now integrated into these processes. We review our Risk Register at least twice a year and our internal audit plan factors in 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 given careful consideration by the Audit Committee.

Further details of our approach to risk identification and management are set out in the Strategic Report on pages 1 to 75.

The Board remains confident the Group's application of the UK Code principles during 2022 will drive its long-term sustainable success by providing a platform to achieve its strategic goals.



Read more about diversity on [page 55](#)

### Conflicts and concerns

The Board maintains a conflicts register that identifies situations in which conflicts may arise, 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 Audit Committee receives 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.



Read more about sustainability, ethics and climate change on [pages 42 to 59](#)

# 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.

<b>Chair</b>	The Chair leads the Board and is responsible for its overall effectiveness. She was independent on appointment in 2018 and brings her judgement, experience and skills to the role. Our externally facilitated Board evaluation assessed all aspects of Board performance including Board dynamics, strategic and risk oversight, composition and succession and the support the Board receives from the business and the Company Secretary. The evaluation concluded that the Board continues to operate very effectively and cohesively with an appropriate balance of robust challenge and support.
<b>CEO</b>	The Chief Executive has responsibility for all operational matters which include the implementation of strategy and policies approved by the Board.
<b>Senior Independent Director</b>	The Senior Independent Director provides a sounding board for the Chair and also acts as an intermediary for other Directors and shareholders.
<b>NED independence</b>	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 will retire from the Board at the end of the 2023 AGM, we are confident that he will remain independent until he steps down, even though he has more than twelve years' service on the Board. Further details of why we believe this to be the case are set out on page 87.
<b>Evaluating performance</b>	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.
<b>No over-boarding</b>	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. The current commitments of the Chair and other Directors are shown on pages 76 and 77.

**Board meetings and attendance\***

Key =  Present  Absent	Board	Audit Committee	Remuneration Committee	Nomination Committee
Vanda Murray OBE (Non-Executive Chair)		–		
Martyn Coffey		–	–	–
Justin Lockwood		–	–	–
Simon Bourne		–	–	–
Graham Prothero (Non-Executive)				
Tim Pile (Non-Executive)		–		
Angela Bromfield (Non-Executive)				
Avis Darzins (Non-Executive)				
Diana Houghton (Non-Executive)	–	–	–	–

\* The Board held seven scheduled meetings during the year. Additional Board meetings were held to conditionally approve the acquisition of Marley and to approve a reduction in the Group's manufacturing capacity.

The Chief Executive, Chief Financial Officer and Chief Operating Officer are not members of the Audit Committee but normally attend Audit Committee meetings by invitation. The Non-Executive Directors, excluding Tim Pile, also meet the auditor in private.

The Chief Executive attends Remuneration and Nomination Committee meetings by invitation. The Company Secretary attends Board and Committee meetings as Secretary. Board members also participate in the Group's annual strategy review with the senior management team, which during 2022 was held over two days in November. In addition, the Board participates in site visits, training sessions, the Employee Voice Group and other business activities where they have relevant expertise and experience. The Board also attended the Group's annual management conference on 2022.

Simon Bourne was appointed to the Board as Chief Operating Officer on 1 April 2022. Diana Houghton was appointed to the Board on 1 January 2023.

**Tim Pile's independence**

We continue to consider Tim Pile to be independent even though he has served more than twelve years as a Non-Executive Director.

Tim originally intended to step down during 2021 but agreed to continue to support us through the pandemic and then further extended his term to 2023, when his successor, Philip Rogerson, stepped down for health reasons shortly after his appointment. The Board recognised the value of Tim's skills and extensive knowledge and experience of the Group. Further details of these are set out in his biography on page 76.

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 and senior management team to account on behalf of shareholders.

He remains independent in thought and judgement and provides unique insight and challenge given his experience of how the business has evolved. He is a great advocate for the business but constantly challenges us across all areas of our operations with a particular focus on our brand, our customers and how we manage risk and communicate externally.

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. He has no associations with management or otherwise that might compromise his ability to exercise independent judgement or act in the best interests of the Group.

As it committed to, the Nomination Committee planned for Tim's succession during 2022 and Diana Houghton was appointed to the Board at the start of 2023. On confirmation of Diana's appointment, Tim confirmed his intention to retire from the Board at the end of the Company's 2023 AGM.

The Chair conducted an individual performance evaluation of all the Directors, including Tim, and concluded that Tim's contribution remained extremely valuable, particularly given that his independence had been maintained.

**Board meetings**

There is an established format and programme for scheduled Board meetings, which were all held in person last year.

This programme is supported by a forward-looking planner that focuses on Board business for the year ahead and ensures an appropriate balance between the Board's consideration of strategy, operations and governance. The Board's agenda is flexible, enabling dynamic consideration of any urgent matters. The Board remains committed to ensuring it is always available to convene if urgent matters need to be addressed as evidenced by their meeting to conditionally approve the Marley acquisition and the reduction in the Group's manufacturing capacity.

The Chief Executive, the Chief Financial Officer and the Chief Operating Officer report on strategic, financial and operational performance respectively at each Board meeting. The Chief Executive also updates the Board, at each meeting, on wider industry, sector and competitor considerations that are relevant to ensuring that decision making has regard to all stakeholder interests.

The Chief Operating Officer reports to the Board on health and safety, which remains a top priority and is reported on and considered on a standalone basis at every scheduled Board meeting. The safe operation of our sites and our safety culture are constantly monitored to ensure they are aligned with The Marshalls Way, i.e. "we are doing the right things, for the right reasons, in the right way". Marley's health and safety reporting has now been integrated into the updates the Board receives and this will be developed and refined during the next year, reflecting particularly on some of the feedback received in the 2022 Board evaluation.



## Corporate Governance Statement continued

### 2

#### Division of responsibilities continued

##### Board meetings continued

The Board participated fully in the Group's annual strategy review which was held across two days in November 2022. This involved engagement with key members of the senior management team in considering the continuing relevance and appropriateness of the Group's strategy, particularly in light of the acquisition of Marley and some of the short to medium-term issues the Group is facing as a result of current macro-economic conditions.

In addition to the standing items on the Board's agenda, the principal areas of focus considered by the Board in 2022 were:

##### Strategy

- Group strategy
- People and culture, including succession, talent development and DERI
- Acquisition of Marley and Marley strategy
- "Right-sizing" manufacturing capacity
- Commercial: specification, commercial excellence and marketing
- ESG
- 2023 budget
- Capital structure and dividends
- Operations: dual block plant investment review
- IT/Digital: electronic trading, D365, cyber security and IT roadmap
- Market, sector and competitor updates and outlook
- Macro-economic update (HSBC)
- Market (Numis and Peel Hunt) and sector (Rothschild) updates

##### Operations

- Health and safety (including Marley)
- Marley integration
- Supply chain, procurement and logistics
- Technical innovation project updates
- Adoption of new people system, engagement and morale

##### Governance and risk

- Class 1 Marley acquisition: recommendation to shareholders
- Board composition: succession of Tim Pile and appointment of Simon Bourne and Diana Houghton
- Approval of changes to NED remuneration
- Externally facilitated Board and Committee performance evaluation
- Annual shareholder governance meetings
- Employee Voice Group feedback
- Policy review project
- Whistleblowing
- 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 and 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 and inclusion. During 2022, the Board received a detailed update on the Group's wider talent identification and development programmes. The policies and process are commented on further in the Nomination Committee Report on pages 92 to 95.

The Board recognises that organic development of future leaders is key to our people strategy and the long-term sustainability of the Group, and acknowledges that this is an area for further development.

Our Board is increasingly diverse and has a strong combination of skills, experience and knowledge with our Committees being chaired by suitably experienced colleagues with relevant expertise. During the year, Simon Bourne (Chief Operating Officer) and Diana Houghton (Non-Executive Director) were appointed to the Board. Tim Pile will retire from the Board at the end of the Company's 2023 AGM.

These appointments recognise and reward Simon for the operational transformation he has led and, in the case of Diana's appointment, demonstrates the Board's commitment to continuously assess its skills base and supplement these as part of good succession planning. Diana's extensive strategic experience was a key area in our search criteria for the role.

The Board is currently 44 per cent female, with a female Chair and one Director from an ethnic minority background. Board composition is reviewed annually, and we assess whether the current skills, experience and knowledge are aligned with the Group's strategy and expected future leadership needs, and the benefit greater diversity could bring to the Group. Further details of the Board and their skills are set out on pages 76 and 77.

Our succession plan is designed to ensure that Board members' terms expire or they retire over clearly defined periods, normally not exceeding nine years. All Directors stand for election or re-election (as appropriate) at every Annual General Meeting, and all current Directors, except Tim Pile, will stand for re-election or election at the 2023 Annual General Meeting. The Directors' biographical details on pages 76 and 77 show their roles, date of appointment and length of service on the Board.

During 2022, we conducted an externally facilitated Board effectiveness review led by the Chair and the Company Secretary, with the support of Lintstock. See page 90 for further details.

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.



## How Board priorities were addressed during the year

### Executing our strategic plan

- We acquired Marley, taking a major step towards our strategic goal of becoming the UK's leading manufacturer of products for the built environment.
- Given macro-economic conditions, our annual strategic review considered short to medium-term strategic issues, building these into the Board's agenda for 2023.
- We re-assessed our manufacturing capacity, taking action to ensure it reflects anticipated demand in the short to medium term.
- We reflected on feedback from our engagement with shareholders during our annual compliance meetings.

### ESG

- We've restructured and also invested in our ESG team, which is now under the leadership of the Chief People and ESG Officer.
- Although we've decided not to create a separate ESG Board Committee, the Board has oversight on ESG matters, receives regular updates and considers ESG as part of all major strategic decisions. See pages 42 to 59 for further details.
- Details of the Group's progress on our ESG journey are set out on pages 42 to 59.
- We consulted with shareholders on our ESG programme as part of our annual shareholder compliance meetings.

### Customers

- The Board received updates on our commercial strategy, including the implementation of our Commercial Excellence framework and the restructuring of our customer teams, which are the foundation for future activities.
- We've begun a programme of work to digitalise trading and make us easier to deal with.
- Our marketing team has been restructured and we've created a new Group Marketing Director role with the aim of optimising our marketing activities across the Group and driving brand preference and premium.

### Succession planning

- Simon Bourne (Chief Operating Officer) and Diana Houghton (Non-Executive Director) were appointed to the Board. Diana is Tim Pile's successor.
- Executive succession is actively managed by the CEO and Chief People and ESG Officer with the Board's input.
- Recruitment and retention in a candidate led market remain extremely challenging and have highlighted the importance of development and career-progression for our high performing colleagues.
- Although some progress has been made, particularly in improving representation and diversity in some office-based roles, creating opportunity for development remains a key priority in the short term.

## Focus areas and actions to enhance effectiveness in 2023

The 2022 externally facilitated Board evaluation was conducted by the Chair and Company Secretary, with the support of Lintstock. Following engagement with key stakeholders to set the context for the review, Lintstock's evaluation tools and questionnaires were tailored to reflect our business, and the objectives set as part of last year's internal evaluation. As in 2021, we carried out the review immediately after the Board's annual strategy review in November so the Board could reflect this in their feedback.

We also widened participation in the review to those members of the senior management team who regularly attend Committee meetings by invitation to ensure their views were captured.

As set out above, we made good progress against the priorities identified in 2021, in what was a transformational year for the Group. The acquisition of Marley marked a significant step in realising our overall strategic goal of become UK's leading manufacturer of products for the built environment. Our progress was reflected in the scoring in the review. A summary of the review is set out below,

Dynamic decision making remains critical to the effectiveness of our Board. Taking the opportunity to accelerate the achievement of our strategic goal in acquiring Marley is evidence of this. Responding to volatile market conditions later in the year and anticipated market demand for 2023, by responsibly managing our manufacturing capacity, is further evidence of the Board's agility in addressing short to medium-term strategic challenges whilst not losing sight of longer-term ambitions and the benefits of diversifying our business.

Board engagement and support have been critical during the last year and remain key strengths of our Board, which has strong leadership and is focused on responsibly governing to ensure the long-term sustainability of the business.



## Corporate Governance Statement continued

### 3

## Composition, succession and evaluation continued

### 2022 Board evaluation

Marshalls engaged Lintstock to facilitate a review of Board and Committee performance during 2022. Lintstock is an independent advisory firm that specialises in Board reviews and had no pre-existing connections with Marshalls.

The first stage of the exercise involved Lintstock engaging with key stakeholders to set the context for the review, and to tailor the scope to the specific circumstances of Marshalls. All Board and Committee members, and certain members of the senior management team who regularly attend Committee meetings by invitation, then completed a tailored online survey addressing the performance of the Board, its Committees and the Chair.

As well as addressing core aspects of Board and Committee performance, the exercise had a particular focus on the following areas:

- **Marley acquisition:** the Board's oversight of the Marley acquisition, including the business case put forward and the quality of the Board's input during the process;
- **Strategy:** the clarity and achievability of the Company's strategy, the quality of the most recent Board strategy review meeting, and the key strategic issues facing the business in the coming years;
- **Culture:** the key ways in which Marshalls' corporate culture should evolve, in order to better support the execution of the Company's strategic goals;

- **Stakeholder engagement:** the Board's understanding of key stakeholder groups, and how best to evolve the mechanisms through which the Board engages with stakeholders and is informed of their views. There was a particular focus on customers and how we differentiate ourselves from competitors;
- **Technology:** the Board's grasp of technological opportunities and threats, and the effectiveness with which developments in the external environment are monitored; and
- **ESG integration:** the integration of environmental, social and governance factors into the Group's strategy and operations.

Lintstock's report was discussed at the January 2023 Board meeting. The review concluded that the Board and Committees are diverse, with great depth of knowledge, skills and relevant experience and are supported by a strong senior management team.

As a result of the review, the Board reflected on the prioritisation of its time, the quality of strategic discussions, and the mechanisms in place for succession planning, all of which will be considered in building the Board and Committee's forward agenda. There was a recognition that the Board is constantly evolving and therefore regular reflection on the Board's performance will ensure it can address the strategic challenges the Group faces, both in the short to medium and longer term.



## 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 (pages 66 to 75) 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 Audit Committee (on behalf of the Board) reviews the effectiveness of the Group's risk management system and the system of internal control annually. The Risk Register and our risk disclosures in this report were reviewed by the Audit Committee in December 2022 and March 2023 respectively.

The Non-Executive Directors carried out a standalone risk review in December 2022, 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 2022. Our approach underpins our commitment to transparency in managing risk and internal controls and lends additional efficacy to our procedures.

The Audit Committee Report on pages 96 to 99 describes the Group's 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. Addressing the requirements set out in proposed changes to the UK corporate governance regime, as they relate to our internal control environment, is the subject of a major programme of work being overseen by the Committee. We are confident this will support the assurances the Board needs to provide in this regard.

The Board acknowledges that such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives.



Read the Audit Committee Report on **pages 96 to 99**

## 5

### Remuneration

The current Remuneration Policy was last approved by shareholders in 2020 and a revised Policy, which is set out in the Directors' Remuneration Report on pages 100 to 130, will be submitted to shareholders for approval at this year's AGM. The revised Policy addresses the relevant requirements of the UK Code and was prepared in consultation with Company shareholders with a holding carrying at least 2 per cent of the Company's voting rights and external voting agencies.

The Remuneration Committee Report describes how the current Remuneration Policy has been implemented during 2022 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.



Read the Remuneration Committee Report on **pages 100 to 130**

**Vanda Murray OBE**

Chair

15 March 2023