



## **Superdrug Stores plc (the “Company”)**

### **Companies Act 2006 Section 172 (1) Statement**

Under section 172 of the Companies Act 2006, directors of a company are required to act in a way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, having regard to a range of different matters as stated therein.

The duty emphasises that the board of directors must consider the wider impact of its decisions, rather than just the financial and strategic elements. The board should also create a culture whereby the long-term consequences of its actions and the long-term success of the company are given due consideration.

#### *(i) The likely consequences of any decision in the long term*

It is essential that the Board makes decisions which are best for the Company in the long term. These decisions are focussed on long-term success, not short-term gains, which will stand the Company in good stead for the future. This has been a major focus for a number of years, particularly in light of the pressure on the high street as a result of the struggling retail market. The added impact of the Covid-19 pandemic has meant that the long-term sustainability of the Company has been brought closer into the spotlight, especially given that a number of retailers are closing their doors on a permanent basis, and many more downsizing.

The Company works closely with its shareholder and stakeholders to review, update and agree its five-year strategy each year. Consideration is given to the changing retail landscape and investments that may be needed to support future growth as well as financial projections. The strategy is formally signed off by the Board each year, which then forms the basis for the operating plans to deliver against the agreed targets.

The Investment Committee of the Company, chaired by the Chief Executive and supported by the Finance Director, holds regular meetings to ensure all significant spend decisions have a comprehensive review before decisions are taken and contracts are signed. This also ensures to the extent possible, commitments with sufficient flexibility or otherwise only minimum commitments, will be entered into by the Company, so as to allow the Company to remain agile in an ever changing environment at a time where the nature of the high street is changing rapidly across various town centres.

#### *(ii) The interest of the employees of the Company*

The relationship with the employees of the Company is paramount. The Company actively engages with its employees to ensure that their opinions and ideas are always considered, and that employees are kept up to date and informed. The Company holds an annual conference for Store Managers and Assistant Store Managers to provide an update on the current performance and future plans of the Company. Regular conferences are also held for Head Office employees, and equivalent ‘all hands’ meetings also take place at its Distribution Centres.

All employees have access to a social networking platform, which is used for Company communication, as well as sharing less formal messages with each other on store events, like charity fundraising. Access to this collaborative network helps to drive employee engagement. Throughout the Covid-19 pandemic employees have been receiving regular communication and updates from the Chief Executive and Customer & People Director so that they are kept up to date and informed of business action, and of the impact of the situation on business performance.

The Company was recognised in the Financial Times Diversity Leaders awards in 2020, being ranked one of the highest European based retailers. The award recognises the good work that has been delivered through the “Everyone Matters” Company-wide diversity & inclusion strategy, which remains a key priority across the business.

The Company is also a strong supporter of its defined benefit pension scheme, taking seriously its responsibilities to ensure the retirement obligations are funded and secured appropriately for its employees. The Finance Director and the Customer & People Director meet with the Trustees of the scheme on a quarterly basis to this end.

*(iii) The need to foster the business relationships of the Company with suppliers, customers and others*

In all instances the Company aims to create and maintain open and transparent business relationships, which are paramount to ensuring high quality products can be obtained on terms that can meet customer demand. The directors are also mindful of the need to maintain, and enhance, good supplier relationships in the strategy they deliver for the Company. An example of working collaboratively with suppliers was seen approaching the end of the Brexit transition period, when the Company worked actively and closely with its EU-based suppliers to minimise supply chain disruption.

The Company participates in regular independent surveys across its key suppliers, seeking feedback on matters such as clarity of strategy, business practices and payment performance. Both the Commercial Director and Healthcare Director also hold regular “top to top” meetings with major suppliers to ensure that open communication channels and positive business relationships are maintained.

The Company acknowledges the importance of its customers to the continued and long term success of the business, and places great emphasis on customer experience whilst shopping. Through the Company’s loyalty scheme, store level surveys are undertaken on a weekly basis with customers to gain real-time feedback with a view to improving customer service.

*(iv) The impact of the operations of the Company on the community and the environment*

The Company recognises the importance of managing the social impact of the business and minimising any adverse impact of its operations on the environment. The Corporate Social Responsibility (“CSR”) agenda of the Company is led by the Property Director and the Customer & People Director under the banner of “Doing good feels Super” which provides central oversight to all the activities of the Company in this aspect. Additionally, the Chief Executive represents the Company on the global A.S. Watson Group CSR Committee ensuring that the Company benefits from group-wide expertise and resources in this important area.

In 2020 the Company demonstrated its commitment to change by becoming the first health and beauty retailer in the UK to join the New Plastics Economy Global Commitment. The Company also launched its first reusable tote bag made from recycled plastic bottles. Each bag uses the plastic from five recycled bottles. Over 18,000 have been sold so far which has not only reduced the need for customers to use plastic carrier bags but also used recycled materials from 90,000 plastic bottles.

During the height of the pandemic the Company offered the services of its fully trained nurses to support the NHS during the peak bottleneck of the initial wave of Covid-19 in the UK. In December 2020, the Company was also selected to help the UK Government deliver the Covid-19 vaccination programme and continues to support this roll out in the current financial year.

The Company also has a long-standing charity partnership with Marie Curie which supports fundraising across its stores, distribution centres and head office. This partnership also helps the local stores drive community engagement and maintain good community relations. To date this partnership has provided Marie Curie with £6 million of funding.

*(v) The desirability of the Company maintaining a reputation for high standards of business conduct*

The Company expects the highest standard of business conduct from its employees. They receive regular regulatory and compliance updates, and the Company also has in place policies, procedures and processes in respect of modern slavery, anti-bribery and corruption, as well as tax strategy.

All employees sign up to the A.S. Watson Code of Conduct upon joining the Company, which sets out the minimum standards for all employees of the A.S. Watson Group of companies. The Code aims to promote honest and ethical conduct and encourage trust, fair dealing and integrity in all interactions with customers, suppliers, colleagues and stakeholders.

*(vi) The need to act fairly as between members of the Company*

The Company works closely with its shareholder; agreeing the strategic direction, reviewing financial performance and major investment decisions, and maintaining an open communication on matters of importance. Such approach drives benefits for both the Company and its shareholder.

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