

WILKINSON HARDWARE STORES, LIMITED

DIRECTORS' REPORT

1 FEBRUARY 2020

Corporate governance report

The Company is the Parent Company of the Group which comprises the wilko family of businesses. No corporate governance code has been applied in the financial year for the reason that the Group already has a formal documented governance framework which applies to the Company.

The wilko business, started by JK and Mary Wilkinson in 1930, and now grown into the wilko family of businesses, remains family owned to this day. Majority ownership is structured via a corporate entity, Amalgamated Holdings Wilkinson Limited (AHWL), which is operated separately from the Group. The Group has a clearly defined purpose which is to free up hardworking families to be the best they can be and our goal is to grow by sorting the needs of wilko families at home. Our values of show we care, respect each other, be better every day, pull together and make it fun enable us to achieve our purpose and deliver our goal.

Our corporate governance framework sets out the role, responsibilities and extent of authority of each of the operating subsidiaries and steering groups identified below. Each board and steering group has written terms of reference which are reviewed and updated at least annually. Each board has a schedule of matters reserved for its decision and there is a scheme of delegation in place. There are also a limited number of clearly identified matters which require the prior approval of AHWL as the Company's majority shareholder or that of a Family Director.

The Board of the Company, as the holding company for the Group, is responsible for setting the strategic aims and objectives for the Group, monitoring and reporting to shareholders on performance against strategy, approving policies, monitoring risk and corporate governance, and oversight of the performance of the subsidiary companies. It also provides business support services to all the subsidiaries. There is a formal cycle for the development of annual business plans and of the medium and long-term strategy for the Group as a whole and for the operating subsidiaries.

Each operating subsidiary in the Group is accountable for delivering its own strategic and business objectives for the benefit of the Group as a whole:

- wilko retail limited - our wilko stores and distribution centres
- wilko digital limited – our online trading platform
- wilko worldwide limited (registered in Hong Kong) - finds the right manufacturing capability for our product
- kin brands limited – designs and develops products

The Board of the Company meets formally every period during the year. Meetings have a formal agenda and papers are issued in advance. The Board is supported by the company secretariat team.

One or more members of, or persons nominated by, the Wilkinson family may sit as a Family Director on the board of any company in the Group. All directors are responsible collectively for the success of the Company.

The Board of the Company operates with the assistance of the following four committees/steering groups, covering activity relevant for the whole Group:

- Audit and Risk Committee (ARC) meeting at least 4 times a year, assists the Board in fulfilling its oversight responsibilities for statutory financial reporting and the external audit process, and the system of risk management and internal control across the Group. It also provides assurance to the Board in reviewing the adequacy of the arrangements across the Group for the management of risk and the risk framework. ARC is currently chaired by CN Martin, independent non-executive director and is managed by our Internal Audit and Risk Manager. Prior to 25 September 2019 ARC was chaired by JE Jackson, independent non-executive director.
- People, Pay and Reward (PPR) meeting at least 4 times a year, focuses on organisation design and people operating model matters, including considering and setting on behalf of the Board the appointment and remuneration of the executive directors and senior managers. No director is involved in deciding his/her own pay. As at the year end, PPR was currently chaired by LJ Wilkinson, Family Director and managed by our HR Director. Prior to 25 September 2019, PPR was chaired by JE Jackson, independent non-executive director. Since 15 April 2020, PPR is chaired by TDD Philips, independent non-executive director.
- Shape our Future 2030 meeting fortnightly, defines and implements our strategic change plan, ensuring that target business outcomes are achieved and through the optimal allocation of resource. During the year it was chaired by the Company's Transformation Director.
- Brand Steering meeting at least once per period, acts as the custodian of all the brands in the Group, including the corporate and product brand. It is chaired by a Family Director and is managed by our Brand Manager.

At the year end the Board comprised five directors, two being independent non-executive directors (CN Martin and TDD Philips), one being a Family director (LJ Wilkinson) and two being executive directors (AJ Moore, Chief Commercial Officer, and A Russo, Chief Financial Officer). CN Martin was appointed during the year following the retirement of JE Jackson. The Board is currently chaired by the Family Director but was previously chaired by JE Jackson independent non-executive director until 1 July 2019 when he relinquished that role prior to stepping down as a director on 25 September 2019. On 3 February 2020 J Saint Marc was appointed to the Board as Chief Executive Officer.

The Company holds a shareholders' meeting annually (AGM). This year's AGM was held in September. At the AGM our shareholders are provided with an update on business performance against our strategy and we take the opportunity to obtain a clear understanding of all our shareholders' views. Also, at the AGM the shareholders are asked to re-appoint directors retiring by rotation, re-appoint the Company's auditors and receive the statutory financial statements. In addition to the AGM, quarterly written updates are provided to all shareholders.

Signed on behalf of the Board

A Russo
Chief Financial Officer
April 27th 2020.