

WILKINSON HARDWARE STORES, LIMITED

STRATEGIC REPORT

1 FEBRUARY 2020

Section 172(1) statement

The directors act in good faith, to promote the success of the Company for the benefit of its members as a whole.

The continuing long-term commitment of the family owners of the Group favours long-term strategies. The owners of the Group focus on shareholder value both in terms of long-term investment return (the value of the business) and short-term investment return (dividend stream).

Directors make their decisions within the context of the medium and long-term strategies and shareholder expectations on investment return. The Group has a ten-year strategic plan to create a sustainable future through transition to a product-led business and within that sets its medium-term strategic plan on a rolling three-year basis. The core of the business remains retail stores and the directors have recently approved a major multi-year capital investment to modernise systems in our distribution centres which will deliver improvements for both our in-store and online operations as well as in our logistics operations.

The directors consider the key stakeholders of the Company (in addition to the shareholders) to be: our customers, our team members, our suppliers and landlords, and the communities which we serve.

We recognise that our team members' skills, experience and commitment are key to delivering on our business strategy. Equipping our team members to surmount new challenges in our rapidly changing retail environment is a key priority.

The Board has taken decisions during the year to negotiate changes to working patterns in our distribution centres with the objective of better serving the modern shopping habits of our customers and thus helping to secure the long-term viability of the business. By keeping firmly in focus the long-term health of the business the directors were able to bring the ensuing dispute with the GMB to a satisfactory conclusion.

We regularly discuss people matters generally, and any Board consideration of change includes deliberation on what actions need to be taken to enable team members to successfully implement the proposals. We recognise the importance of positive employee engagement and further details are set out in the Directors' report on page 11.

Following completion of the most recent triennial valuation of the Wilkinson Group Retirement Benefits Scheme the Wilko Retail Limited board reviewed the level of its contributions and reached the decision that it was in the company's long-term interest to increase its contributions as part of a pension deficit recovery plan.

Our purpose, which is to free up hardworking families to be the best they can be, is central to all that we do and our goal is to grow by sorting the needs of families at home. Our values of show we care, respect each other, be better every day, pull together and make it fun are embedded throughout the Group and are key to us achieving our purpose and goals.

We recognise the importance of our customers' views and regularly discuss customer satisfaction levels at our various board and committee meetings. Further details on how we engage with customers are set out in the Directors' report on page 12.

We have engaged with our suppliers at our annual supplier conference and we held our annual Charity Ball with our suppliers in October.

Our CSR survey of customers in summer 2019 revealed that our use of single-use plastics was the most important issue for our customers. In response, we have created a plastic reduction plan and during the second half of the year we successfully challenged ourselves to develop, with the help of our suppliers, plastic free wipes across the wilko wipes range and the resulting range of 22 products was launched in February 2020.

Wilko is the first major retailer to bring out a full range of own label plastic free wipes. Our new plastic free wipes cost exactly the same as our previous wipes, giving hardworking families the products they love at the prices they expect. Whilst it was not possible at that stage to make the packaging plastic free, the packaging for the new range is smaller and thinner, using 25% less plastic than previously. Nevertheless, wilko sells significant volumes of wipes a year, so making our wipes plastic free and reducing the packaging will save over 1,300 tonnes of plastic each year. We are still working hard to find a solution to make our wipes packaging completely plastic free.

Other steps taken include removing microbeads and plastic stems from all wilko brand products, removing plastic netting from wilko brand wild bird products and stopping selling single-use plastic bags. Moving forwards the Group is joining the UK Plastics Pact to continue the progress made in this area.

The Group were one of the original signatories of the Home Office Responsible retailer Scheme in 2016 and remain committed to the principles of selling knives responsibly in both our retail and online businesses. Further details are given in the annual report and financial statements of Wilko Retail Limited.

The directors provide all shareholders with a written quarterly update on performance against strategy and business plan and on strategy development. All shareholders are entitled to attend and vote at the Annual General Meeting.

Signed on behalf of the Board

A Russo
Chief Financial Officer

April 27th 2020