

# CORPORATE GOVERNANCE

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Governance overview

# GOVERNANCE AT A GLANCE

## UK CORPORATE GOVERNANCE CODE

### Compliance statement

The UK Corporate Governance Code 2018 (the Code) applied to the financial year ended 31 March 2023. The Code is publicly available at [www.frc.org.uk](http://www.frc.org.uk)

For full details of all the Code's Principles and how the Company has applied them, see page 98.

**The Company confirms that it applied the Principles and, since the implementation of the new Remuneration Policy from 14 July 2022 which brought Executive Director's pension entitlement in line with the rate of the majority of the wider UK workforce, has complied with the Provisions of the Code during 2022/23.**

## HIGHLIGHTS OF BOARD ENGAGEMENT DURING THE YEAR

### People

c. 110 employees attended four engagement sessions with a Non-Executive Director in London and Corby, UK, Fort Worth, US, and Beauvais, France

### Shareholders

We held three specific engagement programmes with our major shareholders during the year in respect of the adoption of a new Directors' Remuneration Policy and changes to the Chief Executive Officer (CEO) position

### Suppliers

The Board met with representatives from three of our key suppliers at Fort Worth, US, in September

## SKILLS AND EXPERIENCE

Director	Digital	M&A	Climate change and sustainability	Strategy	International operations	Distribution	Emerging markets	Service industry	Finance	Supply chain	Customers
Alex Baldock	●		●	●	●	●		●		●	●
Louisa Burdett	●	●	●		●			●	●		●
Rona Fairhead	●	●		●	●		●	●	●		●
Navneet Kapoor	●				●		●	●			
Bessie Lee	●	●		●	●		●			●	
Simon Pryce	●	●	●	●	●		●	●	●	●	●
David Sleath		●	●	●	●	●		●	●		●
Joan Wainwright	●		●	●	●	●					●

## BOARD COMPOSITION

As at 31 March 2023

### Board tenure



### Gender



### Independence



Simon Pryce was an Independent Non-Executive Director throughout the year and was appointed as CEO with effect from 3 April 2023

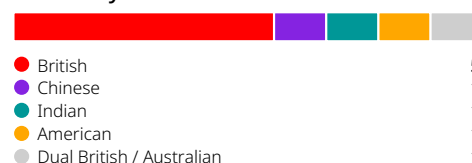
### Age of Directors



### Ethnicity



### Nationality



## KEY HIGHLIGHTS

### Board activities 2022/23

- Took part in a dedicated strategy deep dive digital workshop
- Continued monitoring and review of our purpose-led strategy
- Monitored the progress of streamlining the supply chain and product offering to give end-to-end visibility and better customer experience
- Oversaw the acquisition pipeline, including completion of two strategic acquisitions during the year
- Recruitment of new CEO
- Adoption of enhanced ESG reporting
- Completion of externally-facilitated Board evaluation
- Site visits to Fort Worth, US and Corby, UK to witness the Group's culture first hand
- Adoption of the Board Diversity and Inclusion Policy (Board D&I Policy)
- Strengthened the Group's succession planning and career development for members of the senior management team (SMT)
- Approved the adoption of The RS Way scorecard and the Journey to Greatness Long Term Incentive Plan Award (J2G LTIP Award)
- Launched the RS YAY! Award to promote employee shareholding

### Board priorities for 2023/24

- Recruitment of a Chief Financial Officer (CFO)
- Continue embedding environmental, social and governance (ESG) and further enhancement of ESG reporting
- Receive detailed regional deep dives
- Further development of the customer experience
- Continued focus on D&I strategy
- Continued supply chain focus
- Developing purpose-driven innovation
- Product expansion and supplier strategy
- Continued development of the M&A pipeline

# CHAIR'S LETTER



## Dear Fellow Shareholder,

On behalf of the Board, I am pleased to present our Governance Report for the year ended 31 March 2023.

Good governance is fundamental to the continued success of the Company. By ensuring that the Board has oversight and is supporting our strategy, we are confident in driving long-term sustainable success for all of our stakeholders. We also recognise the value in ongoing engagement with our stakeholders, to help ensure that our priorities mirror those of our wider community.

### Board changes

As announced on 16 December 2022, Lindsley Ruth stepped down as CEO during the year. On behalf of the Board and everyone at RS, I would like to thank him for his many achievements and wish him happiness, health and every future success.

As part of our enhanced succession planning, David Egan, CFO, took on the role of Acting CEO when Lindsley went on a leave of absence at the beginning of November 2022. As a result of Lindsley stepping down, David continued as Acting CEO until Simon Pryce was appointed as CEO on 3 April 2023. As announced on 3 May 2023, David stepped down from the Board with immediate effect. Jane Titchener has been appointed as Interim CFO until a permanent replacement CFO is appointed.

Simon is a highly experienced business leader of customer-focused, global industrial manufacturing and services businesses. The Board is very confident that Simon has the right leadership style, skills and experience to lead RS to continued future success in the next stage of the Group's growth. Full details of the CEO selection process can be found on page 101.

Navneet Kapoor joined the Board with effect from 1 June 2022 and brings with him great international experience, in particular in the transformation and digital fields. I would like to welcome him to the Board.

We have a strong leadership team which is aligned behind a clear strategy, focused on delivering profitable growth and market share gains, and myself and the Board have every confidence in our people.

### Stakeholder engagement

As a result of the announcement of Lindsley's leave of absence, I offered to speak to our top 25 shareholders to discuss and answer any questions they had. I held calls with 22 shareholders, who represented c. 66% of the Company's share register during early November 2022. Following Lindsley's subsequent departure in December 2022, similar invitations for engagement were offered, resulting in further calls with eight shareholders, who represented c. 31% of the Company's share register. These calls provided shareholders with the opportunity to hear about the steps the Board had taken over the previous 18 months to strengthen its succession planning, which enabled us to act swiftly and appoint David as Acting CEO. It also gave shareholders the opportunity to ask questions and provide feedback.

On the announcement of Simon's appointment in March 2023, a further round of calls were held with shareholders. These calls provided shareholders with details of the selection process undertaken to identify Simon as the strongest candidate, and answer any questions shareholders had regarding his appointment.

In addition to the above, there was significant engagement with shareholders earlier in the year in respect of the Directors' Remuneration Policy (Remuneration Policy) which was put to shareholders at the 2022 Annual General Meeting (AGM). Full details of investor engagement relating to remuneration can be found on page 116.

For the first time since before the COVID-19 pandemic, our Board members took part in physical site visits. In September 2022, the Board visited the Fort Worth, US, office and distribution centre (DC), and in March 2023 the Board visited the Corby, UK, DC. During the US visit the Board met the Americas leadership team and the service solutions team.

## Chair's letter continued

In the UK, the Board met the sales team and were given a demonstration of the new RS PRO lab. A deep dive into strategy and performance of both areas was conducted during each visit along with the opportunity to meet our regional leadership teams and employees to discuss regional initiatives. Tours of each of the DCs were also conducted where members of the Board were given first hand demonstrations of the Group's DC operations and processes.

Joan Wainwright, as one of our designated employee engagement directors, held employee forums with colleagues in the UK in June 2022 and March 2023, the US in September 2022 and France in December 2022. Further information about the structure and outcome of these meetings can be found on pages 92 and 95.

The Board also took the opportunity while in Fort Worth, to meet with senior representatives from three of our key suppliers of Americas. Discussions held were focused on what the suppliers felt they needed from distribution partners to succeed and their views on the market outlook for the year ahead. This was an incredibly valuable engagement, giving the Board and suppliers an opportunity to ask probing questions and challenge the thinking around the best ways to grow together and share in future success.

### Strategy and culture

The Board continues to oversee the Group's medium and long-term strategy. This included a dedicated strategy deep dive in January 2023. As part of this, an innovative digital workshop was held where each Director was given the opportunity to experience different customer personas through the use of technology. In addition to this, a review of strategic capabilities, data, technology and digital innovation was undertaken. Further information regarding this can be found on page 99.

Our people are fundamental to the success of our business and achieving our strategy. In addition to site visits, the Board regularly met with members of the SMT and received regular updates from the people team. This included an update on the evolution of our people plan and how it supports our strategy. The Board also approved The RS Way scorecard during the year and received regular updates on progress against targets.

### Embedding ESG into our governance processes

As part of our commitment to ESG, and ensuring strong governance and Board oversight, the ESG Committee was established in 2021. Our ESG Committee meets twice a year to discuss performance against our targets and progress in the core areas of our ESG action plan. This is chaired by Joan Wainwright, as Non-Executive Director, and members include the CFO, President ESG Solutions and the Chief People Officer, Company Secretary & Senior Vice-President, Group Professional Services.

The purpose of the Committee is to lead the development and execution of our 2030 ESG action plan – For a Better World. Full details of ESG-related activity during the year, along with our ESG ambitions and targets, can be found on pages 48 to 78.

### An inclusive and diverse company

We believe that creating a culture where our people feel safe and empowered to bring their true self to work fosters an environment where everyone can thrive. During the year, the Board adopted a new Board D&I Policy which sets out the Board's approach to driving D&I within senior management roles. Full details can be found on page 103.

### Succession planning

Since joining the Company in November 2020, I have worked with the Nomination Committee to enhance our succession planning and the career development of senior management. During the year, this work ensured that when Lindsley went on a leave of absence in November, we had plans in place to ensure strong leadership of the Company continued and the momentum behind driving the strategy was maintained. We are continuing to build a strong pipeline of talent within the organisation, which includes initiatives such as the Future Shapers and Amazing Leaders programmes, to help ensure we identify and support future leaders. Further information on our succession planning and the work of the Nomination Committee can be found on pages 100 to 103.

### Board evaluation

After two years of internal Board evaluations, we conducted an externally facilitated Board evaluation during the year, in line with the Code. After conducting a tender process, Clare Chalmers Limited (Clare Chalmers) was engaged to carry out the evaluation process. This process concluded that the Board continues to function effectively and identified areas of improvement. Full details of the tender process, outcomes of the evaluation and progress against the previous year's actions can be found on pages 96 to 97.

**Rona Fairhead**  
Chair  
23 May 2023








We recognise the value in ongoing engagement with our stakeholders, to help ensure that our priorities mirror those of our wider community.”



## Our Board of Directors

# THE RIGHT BLEND OF SKILLS AND EXPERIENCE

## Members as at 23 May 2023

-  Nominations Committee
-  Audit Committee
-  Remuneration Committee
-  Treasury Committee
-  Committee Chair

## David Sleath Senior Independent Director



Committee membership    Date of appointment Jun 2019

### Skills, experience and contribution


David brings a wealth of experience to the Board, including valuable insight into the dynamics of service-led business models, having been the senior independent director at Bunzl plc. As serving chief executive officer, and previously chief financial officer, of SEGRO plc, David has strong manufacturing and distribution experience. He also brings to the Board in-depth financial, strategic and governance experience, which are essential to his role as Senior Independent Director. David has also previously served as president of the British Property Federation and group finance director of Wagon plc.

### Current external roles

- Chief executive officer of SEGRO plc
- Board member, European Public Real Estate Association

## Rona Fairhead Chair



Committee membership  Date of appointment Nov 2020

### Skills, experience and contribution



Rona brings a tremendous range of commercial and strategic experience to the Company. Rona's strong understanding of UK corporate governance and her extensive experience in digital transformation and international expansion provide the Board with strong and valuable leadership to deliver long-term sustainable value for all our stakeholders. Previous roles have included chair of the BBC Trust, Minister of State in the UK Department for International Trade, non-executive director of HSBC Holdings plc and PepsiCo, Inc. and chair and chief executive officer of Financial Times Group.

### Current external roles

- Non-executive director of Oracle Corporation
- Member of the House of Lords
- Member of the advisory board of Hong Kong Exchanges & Clearing Limited

## Alex Baldock Independent Non-Executive Director



Committee membership   Date of appointment Sep 2021

### Skills, experience and contribution


Alex has extensive experience in digital transformation, accelerating omni-channel growth and embedding customer focus, evidenced through his successful transformation of Currys plc. Alex was previously chief executive officer of Shop Direct, now the Very Group, where he led the business's digital transformation from a catalogue retailer to the UK's second largest e-commerce pureplay and through four consecutive years of record growth in sales, profits, customer satisfaction and colleague engagement.

### Current external roles

- Group chief executive of Currys plc

## Simon Pryce Chief Executive Officer\*



Committee membership  Date of appointment Sep 2016\*

### Skills, experience and contribution

Simon is a highly experienced business leader of customer-focused, global industrial manufacturing and service businesses. He has a strong track record of driving results and delivering excellent stakeholder outcomes through enhanced performance and the effective execution of organic and inorganic growth strategies. Previous roles include chief executive officer of Ultra Electronics Holdings plc, group chief executive at BBA Aviation plc and a range of international finance and management roles at GKN plc, JP Morgan and Lazards.

### Current external roles

- None

## Louisa Burdett Independent Non-Executive Director



Committee membership    Date of appointment Feb 2017

### Skills, experience and contribution


Louisa brings a wealth of financial, commercial, M&A and risk management experience to the role of Non-Executive Director and Chair of the Audit Committee. Louisa is a chartered accountant and has held senior financial positions in industrial, manufacturing, publishing and pharmaceutical companies. Louisa was previously the chief financial officer of Meggitt plc, group finance director at Victrex plc, and chief financial officer at Optos plc and the Financial Times Group.

### Current external roles

- Chief financial officer of Croda International plc

## Our Board of Directors continued

**Bessie Lee**  
**Independent Non-Executive Director**

 Committee membership  Date of appointment Mar 2019



**Skills, experience and contribution**

Bessie has extensive strategic experience in digital marketing technology and media knowledge, principally in China. She has in-depth experience of the world of eCommerce and digital media. She is a frequent media commentator, blogger and international speaker. Bessie has more than 30 years of experience in the media communications industry in Greater China. Her previous roles include chief executive officer at Mindshare, GroupM and WPP in China.

**Current external roles**

- Chief executive officer of Withinlink
- Chief executive officer of JLL Greater China
- Non-executive director of Abcam plc

**Navneet Kapoor**  
**Independent Non-Executive Director**

 Committee membership   Date of appointment Jun 2022




**Skills, experience and contribution**

Navneet brings great international experience, in particular in the transformation and digital fields and change from product to services-driven approaches. In his current role, he is responsible for driving changes across culture and leadership, modernising processes and technology landscapes, and developing digital platforms and ways of working. Prior to this, Navneet held various senior leadership roles at Target India, part of Target Corporation, and was vice president, marketing at General Electric in Asia.

**Current external roles**

- Executive vice president and chief technology and information officer of A.P. Møller-Mærsk A/S

**Joan Wainwright**  
**Independent Non-Executive Director**

 Committee membership    Date of appointment Nov 2019

**Skills, experience and contribution**

Joan has extensive experience in distribution, transforming digital platforms to generate revenue growth and leading customer experience programmes that drive measurable improvements. Her extensive knowledge of customer experience aligns with the Company's vision and provides a strong insight into the customer dynamic in the US. Joan's previous roles include president, Channel & Customer Experience at TE Connectivity Ltd, vice president, public affairs at Merck & Co, and deputy commissioner of communications at the U.S. Social Security Administration.

**Current external roles**

- Director of NJM Insurance Group

**Clare Underwood**  
**Company Secretary**


Date of appointment Mar 2022

**Skills, experience and contribution**






Clare brings a wealth of FTSE 100 governance experience to support the Board in effective governance. The skills and knowledge from her previous roles at John Laing Group plc and Cable and Wireless Communications plc enable her to provide first-class company secretarial advice and support. Clare leads the Group Professional Services team and is responsible for legal, governance, compliance, pensions and information security.

**Other Directors who served during the year**

Lindsley Ruth stepped down from the Board on 16 December 2022.

David Egan stepped down from the Board on 3 May 2023.

**Members as at 23 May 2023**

-  Nominations Committee
-  Audit Committee
-  Remuneration Committee
-  Treasury Committee
-  Committee Chair

\* Joined in September 2016 as Non-Executive Director. Appointed as CEO on 3 April 2023. During the year Simon was also a member of the Audit and Nominations Committees, and was the Chair of the Remuneration Committee. He stepped down from each of these Committees with effect from 14 March 2023. Simon became a member of the Treasury Committee as at 3 April 2023.

## Board leadership and governance framework

# BOARD LEADERSHIP AND GOVERNANCE FRAMEWORK

## PURPOSE, STRATEGY AND CULTURE

To achieve the long-term sustainable value generation of the Group, the Board has continued to work closely with the SMT on the Group's purpose of making amazing happen for a better world.

The Board is responsible for ensuring that the Group's culture is aligned with its purpose, values and strategy.

During the year, activities conducted by the Board to assess and monitor the culture have included:

- Regular updates from the CEO and Acting CEO that provide insight into the business and how it is operating, including the strategic KPIs.
- Updates regarding the people team's approach in supporting the Group's culture and its people were provided during the year, including a presentation regarding the people plan as part of the strategy deep dive in January 2023.
- Joan Wainwright (as one of the designated directors for employee engagement) conducted four employee engagement sessions during the year. In-depth feedback is then provided to the Board following these engagements, with discussions held regarding outcomes. See pages 92 and 95 for further information.

- The Board reviewed the outputs from employee engagement surveys which were conducted during the year.
- The Board visited the Fort Worth, US office and DC in September, and the Corby, UK office and DC in March. Each of these included the opportunity for members of the Board to meet employees of the DCs and have informal discussions with the regional leadership.
- In addition to ongoing strategic updates, the Board participated in a customer experience workshop in January 2023; further details of this can be found on page 99.
- Regular information received on the usage of the Group's whistleblowing facility and how reports have been followed up, allowing it to assess the effectiveness of the facility and actions taken.
- Via the Nomination Committee, monitoring succession and talent pipelines for the Executive Directors and senior management.

## Role of the Board

The Board's principal responsibility is to ensure the long-term sustainable success of the Group as a whole. The Board is accountable to stakeholders for the Group's financial and operational performance and is responsible for taking strategic decisions and providing oversight across the Group, ultimately to ensure stakeholder interests are protected. The Board aims to lead with integrity and in a sustainable commercial manner to ensure value is created for all the Group's stakeholders. The Board also provides leadership to executive and senior management and applies a robust governance framework to ensure that this leadership is delivered effectively.

The Board is responsible for ensuring that the strategic objectives are adequately resourced and supported to help ensure the long-term success of the Group, realisation of its strategy, and to monitor the effective deployment of those resources. The Group's risk management framework supports the strategic aims of the Group, with controls to help mitigate identified risks. The Board regularly reviews the internal controls and overall risk management framework, with support from the Audit Committee. Full details of the risk management framework can be found on pages 40 to 45.

The Board is supported by its Committees, which make decisions and recommendations on matters delegated to them by the Board. This enables the Board to spend time on strategic, long-term matters. Each Committee comprises Non-Executive Directors only and has an experienced Chair. Regular updates are provided to the Board by the Committee Chairs as well as by the Chair of the Board, the CEO and CFO. Further information regarding the governance structure can be found on pages 88 to 90. Each Committee of the Board has provided reports on how they have discharged their responsibilities and details of their activities during the year, which can be found on pages 100 to 132.

The key topics the Board has focused on this year, as well as those it plans to assess for the coming year, are set out on page 83.

## Division of responsibilities

There is a clear division of responsibilities between the leadership of the Board and the executive leadership of the Group. The responsibilities of the Chair, CEO, CFO, Senior Independent Director (SID), Board and Committees are agreed by the Board. See page 90 for the overall governance framework and page 89 for the division of responsibilities.

## Meetings during the year

The Board held a combination of in-person and virtual meetings in 2022/23 and a breakdown of attendance is shown in the table on page 89. In addition to the eight scheduled Board meetings, a further five ad hoc meetings were held.

There may be instances during the year where a Director is unable to attend a meeting. If this is the case, they are provided with all the meeting information and have the opportunity to discuss their feedback with the Chair or Company Secretary to ensure their contributions are raised at the meeting.

During the year, the Chair held a number of meetings with the Non-Executive Directors without the Executive Directors being present. The Non-Executive Directors also met without the Chair to discuss the Chair's performance.

The Chair and the Committee Chairs ensure Board and Committee meetings are structured to facilitate open discussion, debate and challenge. As part of the annual Board evaluation process, the functioning of the Board and each of its Committees are reviewed and considered by the Board as a whole. The findings of the review are used to establish an ongoing programme of actions to improve effectiveness of both the Board and the Committees. Further information on this can be found on pages 96 to 97.

## Matters reserved for the Board

All matters that have a material impact upon the Group are reserved for the Board and are formally set out in a schedule which can be found on our website at [rsgroup.com/investors/corporate-governance](https://www.rsgroup.com/investors/corporate-governance)

## Board leadership and governance framework continued

## Division of responsibilities and attendance at scheduled meetings for the year ended 31 March 2023

Position	Board	Nomination	Audit	Remuneration	Responsibilities
<b>Chair</b>					
<b>Rona Fairhead</b>	8/8 <sup>c</sup>	3/3 <sup>c</sup>	–	–	<ul style="list-style-type: none"> <li>– Leading the Board and ensuring its oversight of strategy, performance, value creation, culture, stakeholders and accountability</li> <li>– Promoting open, trusting, challenging discussions and debate and constructive relations between Executive and Non-Executive Directors</li> <li>– Leading the Board succession planning, and seeking to ensure effective communication with shareholders</li> </ul>
<b>Executive Directors</b>					
<b>CEO Lindsley Ruth<sup>1</sup></b>	4/6	–	–	–	<ul style="list-style-type: none"> <li>– Managing and leading the Group on a day-to-day basis, making decisions on matters affecting the operation and performance of the Group's business</li> <li>– Developing, leading and implementing strategy</li> <li>– Ensuring robust management succession plans are in place</li> <li>– Responsible for ESG, including climate-related matters</li> </ul>
<b>CFO David Egan<sup>2</sup></b>	8/8	–	–	–	<ul style="list-style-type: none"> <li>– Financial management and implementation and monitoring of financial controls</li> <li>– Developing the Group's financial policies and strategies</li> <li>– Ensuring a commercial focus across the business activities and appropriateness of risk management</li> <li>– Together with the CEO, designing, developing and implementing strategic plans and managing day-to-day operation of the Group</li> </ul>
<b>Senior Independent Director</b>					
<b>David Sleath</b>	8/8	3/3	4/4	5/5	<ul style="list-style-type: none"> <li>– Acting as a sounding board to both the Chair and the CEO</li> <li>– Acting as a conduit for the views of other Non-Executive Directors and conducting the Chair's annual performance appraisal</li> <li>– Being available to shareholders to help resolve concerns</li> </ul>
<b>Independent Non-Executive Directors</b>					
<b>Alex Baldock</b>	8/8	–	4/4	5/5	<ul style="list-style-type: none"> <li>– Overseeing and constructively challenging executive management regarding the performance of management against agreed performance objectives, and helping to develop and set the Group's strategy</li> <li>– Satisfying themselves on the integrity of financial information and reviewing the Group's risk exposure and controls</li> <li>– Through the Remuneration Committee, determining the remuneration of Executive Directors</li> </ul>
<b>Louisa Burdett</b>	8/8	3/3	4/4 <sup>c</sup>	5/5	
<b>Navneet Kapoor<sup>3</sup></b>	5/6	2/3	–	–	
<b>Bessie Lee</b>	8/8	3/3	–	–	
<b>Simon Pryce<sup>4</sup></b>	8/8	2/2	4/4	4/4 <sup>c</sup>	
<b>Joan Wainwright<sup>5</sup></b>	8/8	3/3	–	5/5 <sup>c</sup>	
<b>Company Secretary</b>					
<b>Clare Underwood</b>	<ul style="list-style-type: none"> <li>– Supporting and advising the Board on matters relating to governance, ensuring good information flows and providing practical support to the Directors</li> <li>– Organising Directors' induction and training</li> </ul>				

1. Lindsley Ruth stepped down from the Board on 16 December 2022. Lindsley was unable to attend two meetings prior to stepping down due to personal reasons and his leave of absence.
  2. David Egan was appointed as Acting CEO from 3 November 2022 to 2 April 2023 and stepped down from the Board on 3 May 2023.
  3. Navneet Kapoor joined on 1 June 2022. Navneet was unable to attend one Board and Nomination Committee meeting due to prior commitments.
  4. Simon Pryce was Non-Executive Director during 2022/23 and was appointed as CEO from 3 April 2023. Simon stepped down as member of all Committees and as Chair of the Remuneration Committee with effect from 14 March 2023 and therefore did not attend the Committee meeting held in March as a member.
  5. Joan Wainwright became the Chair of the Remuneration Committee with effect from 14 March 2023.
- C Chair of Board / Committee.



OUR GOVERNANCE FRAMEWORK

**The Board**

**Chair:**  
Rona Fairhead

The Board is responsible for establishing the purpose, values and strategy for the Group, ensuring the culture is aligned, and promoting the long-term sustainable success of the Company for the benefit of our members and stakeholders.

The Board discharges some of its responsibilities directly, or has delegated authority to its Committees.

**Treasury Committee**

**Chair:**  
Jane Titchener

- Monitors the Group's Treasury Policy
- Implements policies and processes for foreign exchange and option deals
- Approves proposed Group capital structure changes
- Approves changes to authorised investments, counterparties and borrowings

**Nomination Committee**  
+ See pages 100 to 103 for further details

- Chair:**  
Rona Fairhead
- Reviews the structure, skills, knowledge, experience and diversity of the Board
  - Identifies and nominates, for approval by the Board, candidates to fill Director positions
  - Leads succession planning for Non-Executive and Executive Directors and the SMT

**Audit Committee**  
+ See pages 104 to 111 for further details

- Chair:**  
Louisa Burdett
- Monitors integrity of financial statements and announcements
  - Reviews the Group's internal financial controls and internal control and risk management systems
  - Monitors the internal audit function
  - Manages the external Auditors

**Remuneration Committee**  
+ See pages 112 to 132 for further details

- Chair:**  
Joan Wainwright
- Agrees the Remuneration Policy for Executive Directors and remuneration structure for the SMT
  - Oversees SMT and Group employee remuneration
  - Approves the design and targets for incentive plans
















Board activities during the year

# BOARD ACTIVITIES DURING THE YEAR

The following pages outline some of the key topics reviewed, monitored, considered and discussed by the Board during the year. Before the start of each year, the Board and each of its Committees consider and review a calendar of events and agenda items for the year ahead. The Chair, with assistance from the CEO, CFO and Company Secretary, agrees the agenda for each Board meeting. This process ensures that sufficient time is being set aside for strategic discussions and business critical items, while including regular standing items, such as reports on trading and financial performance and routine reporting or compliance requirements.

Our Strategic Report on pages 1 to 81 demonstrates how the business considers and interacts with the Company's key stakeholders: our people, customers, suppliers, communities and shareholders. This section of the Governance Report sets out the areas of focus for the Board during the year, how these relate to our strategic aims and how our stakeholders have been considered.











The Board delegates the day-to-day operational decision-making of the business to the CEO and CFO with support from the SMT and their teams. The Board recognises, however, that doing so does not absolve it of its accountabilities to the Group's stakeholders and the need to reinforce and support management's decisions by setting the tone from the top. The Board must consider the needs of, and impacts of its decisions on, all stakeholders as well as the consequences of its decisions in the long term. The Board recognises that when making decisions it will sometimes have to consider the competing interests of stakeholders and that it may not always be possible to deliver an outcome that is welcomed by all stakeholders. In these situations, the Board is guided by the need to consider the long-term sustainability of the business.

Activity	Decision and s172 consideration
<b>Strategy</b>	
<p><b>The Board approved The RS Way scorecard metrics which underpin the J2G LTIP and RS YAY! Awards</b></p> <p>Linked to our stakeholders:     </p>	<p>The strategic vision to become the first choice for all our stakeholders is supported by The RS Way scorecard. The scorecard enables the Board to track progress against our key strategic actions. Our key stakeholders are the foundation to this, and with this in mind, the Board is updated on progress on a quarterly basis. Further details on these metrics can be found on page 126.</p>
<p><b>Change of Company name</b></p> <p>The Company changed its name from Electrocomponents to RS Group during the year, with a co-ordinated programme across all regions to re-brand the Group to RS.</p> <p>Linked to our stakeholders:     </p>	<p>To bring the business together under one strong, unified global brand, the Company's name changed during the year. The Board has monitored progress of the rebranding, and in particular any impacts on employee, customer and supplier journeys, ensuring there was a co-ordinated roll out, including an internal and external communications programme and rebranding exercise.</p>
<p><b>Strategy updates</b></p> <p>Linked to our stakeholders:     </p>	<p>The Board receives regular updates on the Company's performance against our strategic actions, and evaluates how external factors such as the macroeconomic environment may impact this, and makes any adjustments to plans it deems necessary.</p>

Key



-  Our people
-  Customers
-  Suppliers
-  Communities
-  Shareholders

Board activities during the year continued

















Activity	Decision and s172 consideration
<b>Acquisitions</b>	
<p>The acquisitions of domnick hunter-RL (Thailand) Co., Ltd. (DH) in Thailand, and Risoul y Cia, S.A. de C.V. (Risoul) in Mexico were completed during the year</p> <p>Linked to our stakeholders:     </p>	<p>As part of any acquisition process, a thorough due diligence exercise is conducted. As part of this, various stakeholders are considered, such as the potential impact on employees, customers and suppliers of the target company and the RS region involved, to help ensure the acquisition will provide long-term benefits to all. Once an acquisition has been agreed, an integration management team leads the process through to completion and then into full integration into the Group. This includes regular meetings with all relevant teams, ensuring that all workstreams are in regular contact, completing their designated actions and raising any concerns or issues. There is also a heavy focus on engagement with employees through activities such as town halls and onsite visits. Rona Fairhead and David Egan visited the Risoul offices in late January 2023 to meet the team, and witness first hand how the integration was progressing.</p>
<p>The Group maintains an acquisition pipeline, which is reviewed by the Board on a regular basis</p> <p>Linked to our stakeholders:     </p>	<p>The Board reviews the acquisition pipeline on a regular basis, considering the current business and its ongoing requirements, along with the predicted benefits of potential acquisitions. Target acquisitions are considered on each of their merits. Detailed due diligence is undertaken to determine if the target is a good strategic fit. For those acquisitions seen as a strong strategic fit, the Board receives regular updates on progress, with key milestones being highlighted for approval as part of the governance process.</p>





Key

 Our people  Customers  Suppliers  Communities  Shareholders

Activity	Decision and s172 consideration
<b>Culture</b>	
<p><b>People and culture updates</b></p> <p>The Board receives regular updates which include different elements of culture such as engagement, employee retention, development, management, succession planning and D&amp;I.</p> <p>Linked to our stakeholders: </p>	<p>Creating a high-performance, purpose-led, customer-focused, diverse global talent base and leadership team is one of our strategic priorities. To help achieve this, the Board considered and supports the ambition to become first choice for all our stakeholders, including our people. This included aspirations regarding development of skills and behaviours, identifying what good leadership looks like, promoting D&amp;I and supporting the strategy. Further information can be found on pages 21, 63 and 64.</p>
<p><b>Employee engagement</b></p> <p>As part of Joan Wainwright's and Bessie Lee's role as designated employee engagement directors, they regularly visit our offices and DCs. In addition to this, Board members also engaged with various employees as part of the site visits and strategy workshops conducted during the year.</p> <p>Linked to our stakeholders: </p>	<p>As a result of Joan's site visits to the US, France and UK during the year, she provided a detailed report for the following Board meeting where key themes were identified, any issues raised and discussed and actions agreed. Bessie Lee was unable to hold any sessions during the year as a result of local travel restrictions.</p>

## Board activities during the year continued





















Activity	Decision and s172 consideration
<b>Financial</b>	
<b>Regular financial reporting cycle</b> The CFO provides regular updates to the Board on financial performance. In addition to overall results, these include performance against scorecard metrics, our key performance indicators (KPIs) and forecasts.	Consideration is given to operating costs and expenditure against performance. Changes to the methodology relating to Net Promoter Score (NPS) were implemented in April 2022 to make responses more representative of the customer base.
Linked to our stakeholders:     	
<b>Investor relations updates</b> Linked to our stakeholders: 	Feedback arising from shareholder discussions and investor roadshows are provided to the Board along with any new investor insights, which the Board considers on an individual basis.
<b>Viability and going concern</b> Linked to our stakeholders:     	As part of the full-year and half-year financial process, the Board, on recommendation of the Audit Committee, assesses the Group's viability and going concern. This process includes considering the possibility of the Company failing.
<b>Payment of final and interim dividends</b> Linked to our stakeholders:    	Multiple stakeholders are considered when deciding whether to approve the dividend, including impact on employees, and their remuneration and working conditions, customer and supplier propositions, acquisitions and our shareholder base.
<b>Audit tender</b> Linked to our stakeholders: 	The Audit Committee oversaw the audit tender process during the year, which resulted in the recommendation that either Deloitte LLP (Deloitte) or PricewaterhouseCoopers LLP (PwC), with a preference for Deloitte, be appointed as the external Auditors of the Company for the year ending 31 March 2025. The Board approved the appointment of Deloitte.

Activity	Decision and s172 consideration
<b>Our people</b>	
<b>J2G LTIP Award and RS YAY! Award</b> The Remuneration Committee and Board reviewed the proposed all employee share scheme and related performance conditions.	The Board supported the launch of the J2G LTIP Award and RS YAY! Award to help drive exceptional performance and provide a unified incentive across the Group. Ahead of the AGM to approve the J2G LTIP Award, an engagement programme was conducted with shareholders to discuss the structure and outcomes of the proposed award.  In addition to consulting with shareholders in April 2022, a follow-up exercise took place in January 2023 to seek further shareholder input on the J2G LTIP Awards and our wider Remuneration Policy. Further details of shareholder engagement in respect of remuneration can be found on page 116.  A programme of employee communications was launched around the RS YAY! Award to highlight the scheme, its benefits and what it means to be a shareholder of the Company (see page 122 for further information).
Linked to our stakeholders:  	
<b>Health and safety</b> The Board receives updates at each Board meeting regarding health and safety performance and related activity during the year, with details of any incidents and causes of them.  Linked to our stakeholders: 	Reports highlighted incidents which have occurred during the year. Action plans were implemented to address areas of concern, increase focus, raise awareness and further embed safety procedures. The Board monitors progress against these action plans.
<b>Pensions updates</b> The Board receives regular updates on the funding position of the UK defined benefit scheme and the triennial valuation.  Linked to our stakeholders: 	To help ensure the pension fund is appropriately funded for our current and former employees, the Board evaluates the funding position on a regular basis. Further details regarding the pension scheme can be found on page 36.

## Key











 Our people
  Customers
  Suppliers
  Communities
  Shareholders

## Board activities during the year continued

Activity	Decision and s172 consideration
<b>ESG</b>	
<b>Enhanced ESG reporting</b> Linked to our stakeholders:     	The Audit Committee approved, and recommended to the Board, the approach to ESG reporting for the year. This included approval of new ESG disclosures around an ESG double materiality assessment, Scope 3 carbon emissions reporting and the results of the quantitative climate-scenario analysis for the Task Force on Climate-related Financial Disclosures (TCFD). The Board approved all of these additional disclosures and the production of a dedicated ESG report to meet our full ESG reporting requirements.
<b>TCFD</b> The Company provides the TCFD report on pages 72 to 78, in line with our commitment to providing transparent and quality climate reporting. Our ESG report can be found at <a href="https://rsgroup.com/esg/reporting-centre">rsgroup.com/esg/reporting-centre</a> Linked to our stakeholders:     	The Audit Committee considered the TCFD report to be included in the Strategic Report. The Board, on recommendation of the Audit Committee, adopted the TCFD report.
<b>Risk management</b>	
<b>Risk management framework</b> Linked to our stakeholders:     	The Board received regular updates from the VP Audit and Risk regarding the Group's risk register. The Board considered the risks and opportunities and reviewed the Group's risk appetite during the year. Further details regarding the Group's risk management framework can be found on pages 40 to 45.
<b>Principal and emerging risks</b> Linked to our stakeholders:     	The Board undertook a robust assessment of the Group's principal and emerging risks during the year. As part of the regular reporting of operational activities, the Board received updates on the principal risks and their mitigation.

## Key

 Our people
  Customers
  Suppliers
  Communities
  Shareholders

Activity	Decision and s172 consideration
<b>Governance</b>	
<b>AGM</b> Linked to our stakeholders: 	Approval of and recommendation to shareholders for the resolutions put to the 2022 AGM.
<b>Compliance with the Code</b> Linked to our stakeholders: 	Evaluation of all aspects of the Code to review compliance for the year ended 31 March 2023.
<b>Whistleblowing</b> Linked to our stakeholders:   	Regular updates to the Board and Audit Committee on instances reported via the whistleblowing hotline. These are considered by the Board and Audit Committee, along with actions identified and any further escalation. See pages 69 and 111 for more details.
<b>Policies and procedures</b> Linked to our stakeholders:     	A number of policies have been considered by both the Audit and Nomination Committees and the Board during the year. Full details of policies can be found on pages 79 to 80.

Board activities during the year continued

**Q** GOVERNANCE IN ACTION:

# EMPLOYEE ENGAGEMENT

**4**

employee engagement sessions held during the year in France, UK and the US

**c. 110**

employees who took part during the year

Joan Wainwright, Non-Executive Director and Chair of the Remuneration Committee, visited our office and DC in Beauvais, France, in early December 2022. This included a tour of the DC and two employee engagement sessions, one being in person and the other a virtual meeting. Each meeting had a good mix of representation from across the business to help ensure a wide range of views were provided. It was Joan's first visit to our French site and she witnessed a real energy and pride in the team. Key issues and concerns were discussed as part of the sessions, with an open and honest dialogue between Joan and the employees. The teams were appreciative of the opportunity to voice their opinions directly to a member of the Board. Overall, Joan found that employees are proud to be part of RS and are engaged fully in improving the performance of the Group. Joan is due to revisit our French site later in 2023.

Key themes and observations from Joan's visits during the year were around strategy, performance and culture, working conditions, ways of working and highlighting areas of potential improvement. These themes were fed back to the Board and the relevant management team in order for actions to be identified.



## Board evaluation

# BOARD EVALUATION

Board evaluations provide invaluable insight and objectivity to the Directors and the Committees, which in turn enables the Board to improve its leadership, effectiveness and focus. Examining each Director's role and their corresponding responsibilities within the overall Board dynamic encourages collaborative decision making and strategic clarity.

An evaluation is undertaken by the Board on an annual basis. During 2022/23, we conducted an external evaluation and appointed Clare Chalmers to carry this out. The scope of the evaluation covered the Board and Board Committees. The process we followed for the evaluation is set out below.

There is no connection between Clare Chalmers and either RS Group or the individual Directors.

## The outcomes from the 2022/23 Board evaluation are as follows:

Key recommendations	Actions agreed
<b>Succession planning and talent management</b>	
<ul style="list-style-type: none"> <li>– Consideration to be given in respect of skills gaps and maintaining the right balance of experience and background for new Board appointments</li> <li>– Continued focus on talent, development and succession of the members of the SMT</li> </ul>	<ul style="list-style-type: none"> <li>– Recruitment to take into consideration aspects such as existing appointments, time commitments and locality</li> <li>– Further agenda items to be included in the forward looking agenda regarding key people topics and succession planning</li> </ul>
<b>Strategy</b>	
<ul style="list-style-type: none"> <li>– Increased information to be provided to the Board regarding exploration of opportunities in global markets, with the continued prioritisation of technology and digital. Information provided on the market and competitors to be further enhanced</li> <li>– Refine how progress is tracked against the strategy, with KPIs underpinned by deep dives and regular focus on critical areas such as technology and new products</li> </ul>	<ul style="list-style-type: none"> <li>– Revised annual forward looking calendar for strategic discussions to be reviewed</li> <li>– Performance reporting and KPIs to be reviewed by management. Deep dives to be aligned</li> </ul>
<b>Board effectiveness and process</b>	
<ul style="list-style-type: none"> <li>– Agendas to have a sharper focus around priority topics and reduce the number of standing reports and updates. Key topics to be presented as deep dives at regular intervals to help further enhance discussion</li> <li>– Continued consideration to be given on how to keep Board and Committee papers short and easily navigable</li> </ul>	<ul style="list-style-type: none"> <li>– A review of agendas and standing reports will be built into the above review of the forward looking calendar</li> <li>– The Board paper template will be updated with clear guidance to users on what information to include and level of detail required</li> </ul>

## OUR SEVEN-STAGE EXTERNALLY FACILITATED BOARD EVALUATION PROCESS

1

### Tender and approval of provider

Tender by four potential providers to carry out the evaluation. They were assessed against criteria agreed by the Chair.

2

### Agree process and timetable

The evaluator met with the Chair of the Board and Company Secretary to discuss objectives and agree the timetable and approach.

3

### Document review

A document review was carried out whereby various relevant materials such as Board and Committee papers, forward agendas, Terms of Reference and the Annual Report were reviewed. The content also helped to inform the interview stage.

4

### Board and Committee observation

Observations of the Board and Audit Committee were conducted. This provided an overview of the practical arrangements and meeting dynamics.

5

### Interviews

Individual interviews with each of the Directors, members of the SMT and the external Auditors were conducted.

6

### Reporting

A focused but descriptive written report was provided to the Chair and Company Secretary, explaining how the Board is working and where certain changes may provide improvements. A specific list of recommendations was provided.

7

### Feedback

A meeting was held with the Chair to discuss the draft report. Once finalised, the report was presented to the whole Board for discussion and actions arising from the recommendations were agreed.

## Board evaluation continued

## Progress against the 2021/22 Board effectiveness evaluation

A summary of the Board's progress against the actions from the 2021/22 evaluation is set out below.

Key outcomes	Actions agreed	Progress against actions
<b>Board effectiveness and process</b>		
<ul style="list-style-type: none"> <li>– While the level and balance of challenge is right, there is still encouragement for the Non-Executive Directors to challenge the Executive Directors more and push harder</li> <li>– Meeting agendas could be shorter with more efficient time allocation. Continued support for condensed meeting papers</li> <li>– In-person meetings encouraged to build Board effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>– Encourage Non-Executive Directors to challenge the Executive Directors more</li> <li>– Reduce length / granularity and improve consistency of Board papers using clear summaries to highlight key issues / areas for discussion</li> <li>– Return to a majority of in-person meetings, with virtual / hybrid meetings only for meetings with appropriate agenda topics</li> <li>– Ensure time is allocated within the agenda to allow increased focus on: <ul style="list-style-type: none"> <li>◦ Monitoring progress and execution of strategy</li> <li>◦ Capitalising on growth opportunities</li> <li>◦ Technology, including the Group's digital capabilities</li> </ul> </li> <li>– Continue to improve agenda to focus on key matters and reduce time spent on papers for information only</li> <li>– Improve internal and external training options list</li> </ul>	<ul style="list-style-type: none"> <li>– The Non-Executive Directors provide constructive feedback to the Executive Directors and SMT. This will be developed further during 2023/24</li> <li>– Good progress has been made in respect of the structure of Board papers and agendas during the year. Further improvements will be made to build in the 2023/24 strategic agenda and implement the recommendations arising from the 2022/23 Board evaluation</li> <li>– All Board and Committee meetings held during the year were in-person meetings with hybrid arrangements to accommodate travel restrictions</li> <li>– External training options are communicated to the Directors on a regular basis</li> </ul>
<b>Strategy</b>		
<ul style="list-style-type: none"> <li>– Continued improvement in the quality of strategy execution and status updates positively received</li> <li>– Monitoring progress and execution of strategy highlighted as an area of focus for the Board</li> <li>– Good advancement of competitor landscape in terms of information, but increased discussion and debate relating to competition encouraged</li> </ul>	<ul style="list-style-type: none"> <li>– Implement a scorecard to enable regular monitoring of progress and execution</li> <li>– Increase time devoted to competitors and our relative position</li> </ul>	<ul style="list-style-type: none"> <li>– Good progress made during the year, with the adoption of a strategic scorecard. Progress against agreed targets is reviewed on a regular basis by the Board</li> <li>– Further work will be conducted during 2023/24 in respect of competitors and our relative position as part of the strategic agenda</li> </ul>
<b>Composition and succession</b>		
<ul style="list-style-type: none"> <li>– Good satisfaction with the balance of the Board but increased focus on diversity required going forward</li> </ul>	<ul style="list-style-type: none"> <li>– Nomination Committee to continue to focus on succession planning and diversity</li> </ul>	<ul style="list-style-type: none"> <li>– Succession planning has been further developed during the year. Focus will continue on succession planning, development and enhancing diversity (see pages 100 to 103).</li> </ul>

## Training and induction

As part of the Board's continuous development, the Directors receive regular updates from the Company Secretary as well as a schedule of briefings and training offered externally. External training includes facilitated events, forum discussions and seminars related to the listed company environment, many of which were offered virtually. In 2022/23 the Board undertook training on ESG reporting via the Audit Committee. This included details of ESG double materiality reporting assessment, Scope 3 carbon emissions accounting and emerging ESG legislation. The Board also received regular updates from senior management on specific topics such as data protection, supply chain and health and safety. Finally, to enhance operational awareness, the Board visited Fort Worth, US in September and Corby, UK in March, which provided an opportunity for Directors to meet with employees, see first hand the DC and operations and to meet key suppliers in Fort Worth, US.

The Company Secretary is available to all Directors whenever needed and ensures that both Directors and Committees have access to independent professional advice (at the Group's expense) if they deem it necessary to carry out their role effectively.

Following the appointment of any new Director, the Chair and Company Secretary ensure that a customised induction to the Company and the role of the Board is made available. The induction programme is tailored to the individual Director, based on their skills, experience and needs. New Directors are provided with a Directors' Manual which sets out the relevant information on the Company's approach to governance, information on key Group policies and day-to-day administrative matters, as well as historical Board packs and Committee papers if applicable.



## Corporate Governance Code compliance

If circumstances allow, a site visit to one of our DCs is also arranged. This ensures that each new Director can experience the day-to-day operations of the distribution facilities and ultimately understand better the culture of the business. Navneet joined the Board during the year, bringing with him a wealth of experience in digital and transformation programmes. As part of his induction, he met with other members of the Board and the SMT. He took the opportunity during the Board visits to Fort Worth, US and Corby, UK to visit the DCs to see first hand the operations and practices in those locations.

### Appointment and time commitments

The Chair, SID and other Non-Executive Directors each have letters of appointment with RS Group plc, and do not serve, or are employed in any capacity by the Group.

Non-Executive Directors are generally appointed for three-year fixed terms; however, in line with what is considered good governance practice, all Directors are proposed for annual re-election (or election if newly appointed) by shareholders at the AGM, where letters of appointment for each Non-Executive Director are available for inspection.

As illustrated on pages 86 and 87, the Board has a diverse and appropriate range of skills and experience and works effectively in its role.

The expectation regarding time commitment for Board members to effectively discharge their duties is set out in the Directors' letters of appointment. The external commitments of our Directors are kept under review to ensure they have the time to effectively contribute to the activities of the Board and its Committees throughout the year. Any additional external appointment taken on by a Director must be approved by the Chair prior to appointment, to ensure that the Director's ability to meet the required time commitments to the Group is maintained.

The Board, following the external evaluation process, also considers whether each Director performs effectively and demonstrates their commitment to the role. The Board recommends that all Directors be re-elected at this year's AGM.

As recommended by the Code, the Executive Directors who held roles during the year did not hold more than one non-executive directorship in a FTSE 100 company or any other significant appointments.

### UK Corporate Governance Code 2018

The Directors' Report is set out in a way that helps shareholders and investors to evaluate how the Company has applied the Principles and complied with the Provisions of the Code during the year. The table below signposts the most relevant parts of the Annual Report, in particular where supporting information is not in the Directors' Report.

#### Principles of the Code

Topic	Page(s)	Topic	Page(s)
<b>1. Board leadership and Company purpose</b>		<b>3. Composition, succession and evaluation</b>	
Chair's introduction	4, 5, 84 and 85	Our Board	86 and 87
Our Board	86 and 87	Board leadership and governance framework	88 to 90
Purpose, values and strategy	6 to 27	Board evaluation	96 and 97
Culture	19, 21, 63 to 67	Nomination Committee Report	100 to 103
Board stakeholder engagement and decision making	91 to 95	<b>4. Audit, risk and internal controls</b>	
Key performance indicators and strategic performance	28 to 31	Audit Committee Report	104 to 111
Risk assessment	40	Statement of Directors' responsibilities	136
Risk management	40 to 45	Risk management	40 to 45
Rewarding our people	65	Principal risks and emerging risks	42 to 45
Whistleblowing	69 and 111	Going concern	47
<b>2. Division of responsibilities</b>		Viability statement	46 and 47
Our Board	86 and 87	<b>5. Remuneration</b>	
Board leadership and governance framework	88 to 90	Directors' Remuneration Report	112 to 132
Board independence and time commitments	83 and 98	Other remuneration disclosures	131 and 132
Committee reports	100 to 132		
Board and Committee meeting attendance	89		

**Q** GOVERNANCE IN ACTION:

# CUSTOMER EXPERIENCE WORKSHOP

**1.1m**

customers

**>750k**

stocked products

In January 2023, the Board took part in an innovative customer experience workshop at the London, UK office. As part of this, each Director was given a customer persona. These were representative of the different customers we have within the design, build, maintain, operate and repair lifecycle, and reflected the different products they are interested in and why and how the products add value to our customers. The Directors carried out an exercise which demonstrated real-life experiences through the eyes of the customer.

As part of our transformation journey to become the first choice for our customers, we have an exciting agenda ahead of us and this really brought it to life. Through these digital experience enhancements, we will know our customers even deeper and serve them with an enriched experience making RS even easier to do business with.



# NOMINATION COMMITTEE REPORT

Rona Fairhead  
Chair



## KEY HIGHLIGHTS

### Membership as at 23 May 2023

Rona Fairhead (Chair)	Louisa Burdett
Navneet Kapoor	Bessie Lee
David Sleath	Joan Wainwright

### Activities for 2022/23

- Enhancement of talent mapping, development and succession planning
- Oversight of CEO selection process
- Adoption of the Board D&I Policy
- Oversight of the Board evaluation process

### Priorities for 2023/24

- Recruitment of a new CFO
- Continued focus on improving the succession planning process
- Work with the SMT to enhance materials and data in respect of succession planning in accordance with the findings of the Board evaluation report

## KEY ACTIVITIES DURING THE YEAR

JUL

Talent mapping and succession planning for both Executive Directors and SMT

DEC

Succession planning for CEO role and SMT  
Review of Committee Terms of Reference

MAR

Recommendation of appointment of Simon Pryce as CEO  
Adoption of the Board D&I Policy

## > Dear fellow shareholder

I am pleased to present the Nomination Committee's (the Committee) report for the year ended 31 March 2023. This section of the Report details how the Committee discharged its duties during the year, along with its key activities.

Lindsay Ruth stepped down as CEO during the year and, therefore, the Committee focused its attention on the recruitment of a successor in the latter part of the year. After a rigorous selection process, Simon Pryce was appointed CEO with effect from 3 April 2023. Simon is an experienced and proven CEO of high-performing international businesses with strong, effective cultures. He has been an enormously valued member of the Board for the last six years and been highly engaged in the development of the Group's strategy. The Committee, along with the rest of the Board, is very confident that Simon has the right leadership style, skills and experience to lead the Group to continued future success in the next stage of the Group's growth. I would like to thank Simon for his commitment and contribution as Non-Executive Director over the last six years. Full details of the CEO selection process can be found in the following pages. Further to the announcement on 3 May 2023 detailing David Egan's resignation, the recruitment process to identify a new CFO has started. Full details will be provided in the 2023/24 Annual Report and Accounts.

Throughout the year, the Committee further enhanced its work to strengthen talent mapping, development and succession planning for both the Executive Directors and senior management. Further details on this can be found on page 102.

The Board places great emphasis on ensuring its membership reflects diversity in its broadest sense. During the year, the Committee recommended an updated Board D&I Policy, which was subsequently adopted by the Board. This sets out the objectives for Board membership in respect of diversity, along with specific targets for the senior management, as reflected in the Group's D&I Policy. Further details on the Board D&I Policy can be found on page 103.

An external Board evaluation was conducted during the year, with the process being overseen by the Committee. The findings from the evaluation were broadly positive, with some areas of improvement being identified. These will form the basis of an action plan which will be implemented during the course of the year, with oversight from the Committee. The Committee also considered the actions identified from the 2021/22 internal evaluation and monitored progress against these. Full details of the Board evaluation process, outcomes and previous actions can be found on pages 96 and 97.

I would like to take this opportunity to welcome Navneet Kapoor as a member of the Committee. His extensive international experience, in particular in the transformation and digital fields and change from product-driven to services-driven approaches will bring valuable insight to the Committee and its decision making in the future.

**Rona Fairhead**  
**Chair of the Nomination Committee**  
23 May 2023

## Nomination Committee report continued

### Committee structure, meetings and responsibilities

The Committee is comprised of independent members. There were two changes to the Committee membership during the year, Navneet Kapoor joined the Board and the Committee on 1 June 2022, and Simon Pryce stepped down from the Committee with effect from 14 March 2023. Details of Navneet's appointment process can be found in the Annual Report and Accounts for the year ended 31 March 2022.

The Committee held three scheduled meetings during the year and held a further four unscheduled meetings to consider the leave of absence of Lindsley Ruth and the CEO selection process. Details of attendance at meetings can be found on page 89.

In addition to the members, the regular attendees at the meetings of the Committee have included the CEO, CFO, Chief People Officer and the Company Secretary.

The Committee Chair attends the Company's AGM and is happy to answer any questions from shareholders on matters falling within the Committee's responsibilities.

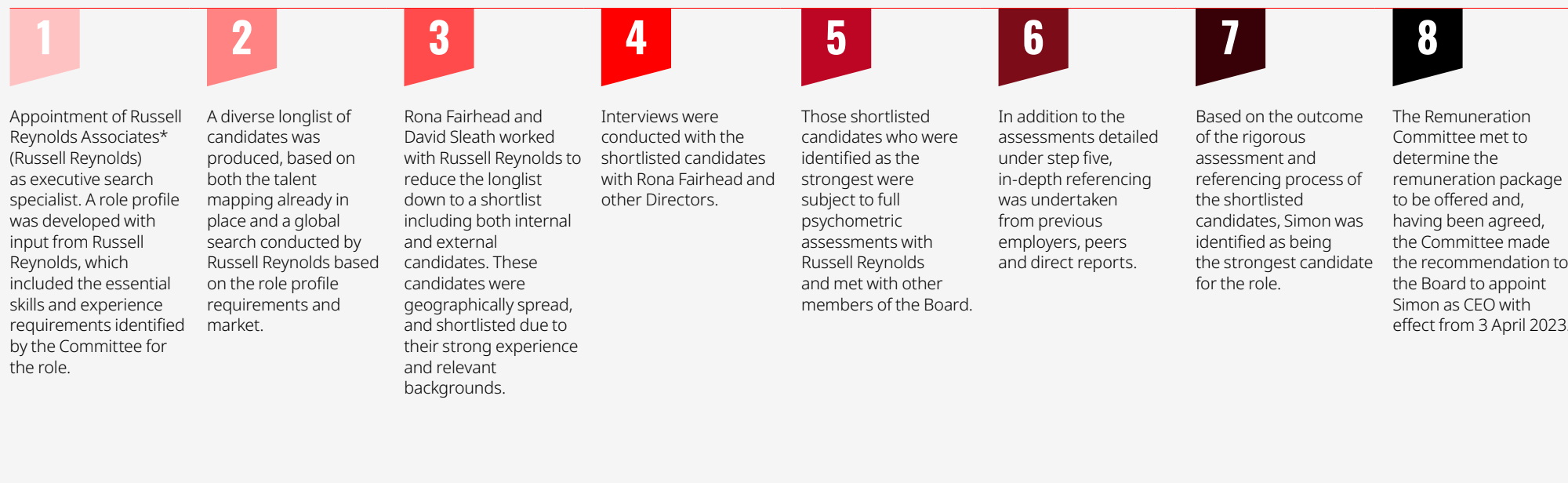
Meetings of the Committee generally take place shortly before Board meetings and activities of the Committee are reported by the Chair to the Board as a separate agenda item.

The Committee's chief responsibilities have not changed during the year. The Committee's Terms of Reference are reviewed formally and approved annually and set out its principal duties in full, including its authority to carry out its duties. These are available at [rsgroup.com](https://www.rsgroup.com).

## CEO SELECTION PROCESS

The CEO selection process is set out below.

As a result of this rigorous process, Simon Pryce was identified as the strongest candidate for the role, being a highly experienced business leader of customer-focused, global industrial manufacturing and service businesses. He has a strong track record of driving results and delivering excellent stakeholder outcomes through enhanced performance and the effective execution of organic and inorganic growth strategies.



\*Russell Reynolds Associates provides no other services to the Group and has no other connections with it or the individual directors.

## Nomination Committee report continued

### Board changes

As announced on 16 December 2022, Lindsley Ruth stepped down as CEO due to personal reasons. As part of the Company's ongoing succession plans, David Egan became the Acting CEO when Lindsley went on a leave of absence from 3 November 2022, and continued in this role until the process to find a permanent CEO concluded. During this time, David was instrumental in driving transformation, excellent performance and growth, and was supported by a strong and highly experienced management team.

As detailed on page 101, a rigorous selection process was conducted for the role of CEO, which led ultimately to the appointment of Simon Pryce effective 3 April 2023. Simon stepped down as a member of the Committee and Audit Committee, and as Chair of the Remuneration Committee with effect from 14 March 2023, and did not take part in any of the discussions regarding the CEO selection process.

As detailed in last year's report, Navneet Kapoor joined the Board with effect from 1 June 2022 as a Non-Executive Director. His full biographical details can be found on page 87.

As announced on 3 May 2023, David Egan stepped down as CFO with immediate effect. The recruitment for a new CFO is underway.

### Succession planning

Nurturing talent is a key enabler to creating a high-performance, purpose-led culture to support our strategy.

As part of the Committee's ongoing responsibilities, it has reviewed succession plans for senior management and strengthened the talent mapping process. Therefore, during the course of the year, the Committee had a good understanding of potential candidates, both internally and externally, for key management positions. This is an ongoing initiative, which is reviewed and adapted to ensure it is continuously fit for purpose and is reflective of the current market.

Overall accountability for senior succession planning is held by the CEO, with each SMT leader accountable for building a strong succession pipeline within the Group. This structure encourages a culture whereby each senior leader takes ownership of their respective plans, while being supported with agreed processes and a framework.

Our succession planning can be split into two tiers: the first for the Executive Director positions, and the second for key SMT roles.

The succession plans are split between short and long-term requirements:

- Short-term requirements: for use in unplanned or emergency situations, whereby interim cover on a short-term basis is implemented.
- Longer-term requirements: for creating a pipeline of talent within the organisation by identifying individuals who have potential to step into the role. Any gaps in experience and knowledge are identified, and a development plan devised and implemented to upskill potential candidates.

### CEO and CFO succession

To help inform the discussion on Executive Director succession, the role specifications for both CEO and CFO roles were refreshed during the year and reflected an increased focus on digital, M&A, change and culture. These have a five-year horizon, defining what the Committee believes the Company needs in that role in the medium to long term. The CEO role specification was refreshed further upon Lindsley's departure.

### SMT succession

Talent and development profiles for each of the SMT will be used for tailored, meaningful and stretching individual development. These will form the basis of a much more focused approach to the identification, succession and development of all members of the SMT, based on the individual's specific aspirations, potential, strengths and development areas. In addition to this, there is a dedicated SMT Development Programme, which includes focused development activities provided by a range of leading industry experts, which will include coaching and mentoring as required.

The following actions have been implemented during the year:

- Regular conversations with every SMT successor regarding their aspirations and gaps, agreeing specific development actions and holding leaders to account for actioning
- Regular reviews of the pipeline and development plans for successors to the SMT, by each SMT leader and the people team
- Success profiles for each role and alignment of SMT core skills and experience
- Experience and skills gap-led leadership and talent development programmes



Nurturing talent is a key enabler to creating a high-performance, purpose-led culture to support our strategy.”

## Nomination Committee report continued

### Diversity and inclusion

During the year, the Committee adopted an updated Board D&I Policy. This provides a high-level overview of the Board's approach to driving D&I in our succession planning, selection, nomination, operation and evaluation of the Board. This policy works in conjunction with our wider Group D&I policy and reflects the overall Group targets for senior management. For further details of performance against targets see page 64.

### Policy statement

We believe that creating a culture where our people feel safe and empowered to bring their true self to work fosters an environment where everyone can thrive. We are proud to support our people to be their best by building an inclusive workplace that supports everyone, irrespective of ethnicity, disability, socio-economic backgrounds, mental health conditions, neurological diversity, age, religion, sexual orientation or gender identity.

The Board places great emphasis on ensuring that its membership reflects diversity in its broadest sense. We believe a key driver in delivering our organisational diversity commitments is through a Board which has a balance of skills, personal and cognitive strengths, experience, diversity (including of gender and of social and ethnic background), independence and knowledge. Consideration is given to the combination of demographics, skills, experience, ethnicity, age, gender and other relevant personal attributes on the Board to provide the range of perspectives, insights and challenge needed to support good decision making.

New appointments are made on merit, taking account of the specific skills and experience, independence and knowledge needed to ensure a diverse and rounded Board and the benefits each candidate can bring to the overall composition of the Board and its Committees.

### Objectives

Objectives for achieving Board diversity are periodically reviewed. The Board aspires to be comprised of:

- at least 40% women
- at least one of the senior Board positions (Chair, CEO, CFO or SID) is a woman
- at least one Director from a minority ethnic background, with a target of 25% by 2030, to reflect the overall Group target for senior roles held by ethnically diverse executives

The Board acknowledges that in periods of Board change, there may be times when this balance is not maintained.

Reflecting these aspirations, the Board will aim to meet any recommendations set out by the FTSE Women Leaders review (formerly Hampton-Alexander Review).

The Board places high emphasis on ensuring the development of diversity in the senior management roles across the Group and supports and oversees the Group's ambition of achieving 40% of senior roles held by female executives and of 25% of senior roles held by ethnically diverse executives by 2030, as detailed in the Group's D&I Policy.

### Responsibilities, monitoring and reporting

The Chair of the Board will lead the Board's diversity agenda and set measurable objectives, with the aim of continuously improving D&I generally, ultimately leading to better debate and decision making.

The Board will be expected to role model inclusive language, behaviours and practice in all undertakings for and on behalf of the Group, setting a clear tone from the top.

The Committee is responsible for ensuring that the Board has the right balance of skills, experience and knowledge and, in accordance with its Terms of Reference, shall:

- regularly review Board composition
- monitor and drive succession planning, talent development and the broader aspects of D&I for both Executive Directors and the SMT
- for any Director appointments, work with executive search firms who reflect and understand the Group's values and approach to diversity, including this Policy, and will honour those values and approach in identifying and proposing suitable candidates for appointment to the Board and its Committees
- identify suitable candidates for appointment to the Board on merit against objective criteria having regard to:
  - the benefits of diversity in promoting the success of the Group for the benefit of its shareholders as a whole
  - the skills, experience, background, independence and expertise of current members of the Board and its Committees
- report annually in the Governance Report of the Annual Report and Accounts on the implementation of the Board D&I Policy and other matters as required by the Code and other regulatory and statutory requirements
- review the Board D&I Policy at least annually and recommend any revisions to the Board

### Board and Committee evaluation

The Committee, led by the Chair of the Board, is responsible for overseeing the Board evaluation process. An externally facilitated evaluation was conducted this year by Clare Chalmers.

The Committee also considered the remaining actions taken in response to feedback from the previous internal review undertaken in 2021/22 and monitored progress against the agreed actions. Full details of both the external evaluation and actions against the previous year's evaluation are provided on pages 96 and 97.

### Committee effectiveness

As part of this process, the Committee examined its own performance and operational effectiveness. The key finding in respect of the functioning of the Committee was a recommendation to improve the materials and data submitted to the Committee to help support the work of the Committee as main forum for senior management succession planning.

The overall findings of the evaluation demonstrated that the Committee operated effectively and continues to discharge its duties in line with its Terms of Reference.

# AUDIT COMMITTEE REPORT

Louisa Burdett  
Chair



## KEY HIGHLIGHTS

### Membership as at 23 May 2023

Louisa Burdett (Chair)   David Sleath  
Alex Baldock   Navneet Kapoor

### Activities for 2022/23

- Oversaw the audit tender process, resulting in the recommendation to the Board of Deloitte or PwC, with a preference for Deloitte to be appointed as the external Auditors of the Company starting in 2024/25
- Reviewed and monitored the Group's approach to risk and its internal control system and risk management process, including evaluation of performance of the internal audit function
- Continued its focus on development of the Group's information security strategy
- Reviewed the Group's initial assessment of the likely impact of the proposals to restore trust in audit and corporate governance by the UK's then Department of Business, Energy & Industrial Strategy (BEIS) corporate reform
- Reviewed the outcomes of the first phase and the progress of the second phase of the Group's review of internal controls over financial reporting (ICFR)
- Reviewed the fair value determination and initial integration of acquisitions completed in the year and the effectiveness of their internal control systems
- Reviewed the Group's ESG reporting approach, including the update on its climate-related risks and opportunities in relation to TCFD

### Priorities for 2023/24

- Continue to monitor the Group's progress in its ongoing review of ICFR
- As the detailed regulations resulting from the UK's corporate reform are published, review the Group's assessment of the impact and actions taken
- Monitor the plans for transition from PwC to Deloitte as external Auditors
- Continue to review risks and opportunities for ongoing ESG reporting, including TCFD
- Review the integration of 2022/23 acquisitions and assess the improvement in the effectiveness of their internal control systems

### > Dear shareholder

As Chair of the Audit Committee (the Committee), I am pleased to present the Committee's Report for the year ended 31 March 2023. The purpose of this Report is to describe the work undertaken by the Committee and explain how it has discharged its responsibilities throughout the year.

The Committee's main role is to monitor and review the integrity of the Company's financial information. This includes recommending to the Board whether the Company's Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and whether the assessment of the Group's going concern assumptions and longer-term viability are reasonable. The Committee is also responsible for providing assurance to the Board that the Group's internal controls and risk management systems are fit for purpose and regularly reviewed, as well as overseeing the effectiveness and independence of the external Auditors, PwC, including recommending to the Board the approval of PwC's fees and appointment on an annual basis.

We continued to see professional, comprehensive and robust work in all areas which has meant that the Committee has been able to discharge its obligations seamlessly throughout the year.

The Committee has continued to focus on the Group's financial reporting, including approving the disclosures in relation to geopolitical uncertainties and climate change, the Group's going concern and viability statements and the Group's use and definitions of alternative performance measures. The Committee has continued to focus on the key accounting matters set out on pages 107 and 108. All of these matters were conducted to the satisfaction of the Committee.

We are pleased with the Group's progress of its ICFR review which we are confident will strengthen and formalise its financial processes and controls framework. This will stand it in good stead for complying with the regulations coming out of the UK's corporate reform.

The Committee has spent some time understanding all emerging ESG legislation and the related disclosures and reviewed the Group's reporting approach to it, including the second year of reporting the climate-related risks and opportunities in relation to the Group's obligations under TCFD (see pages 72 to 78).

As part of its duties, the Committee has continued to review the Group's information security and data protection controls, further details of which can be found on page 109.

On behalf of the Committee, I would like to thank our internal audit and finance teams and PwC for their continued support over the past year.

I will be available as usual at this year's AGM to answer any shareholder questions in relation to audit matters.

**Louisa Burdett**  
**Chair of the Audit Committee**  
**23 May 2023**

## Audit Committee report continued

### Committee structure, meetings and responsibilities

The Committee acts independently of management to ensure the interests of our shareholders are protected properly in relation to financial reporting, risk and internal control. All members of the Committee are independent Non-Executive Directors, with sufficiently wide-ranging business experience, expertise and competence to enable the Committee to fulfil its responsibilities effectively. There was one change to the membership of the Committee during the year as Simon Pryce stepped down from the Committee on 14 March 2023, upon the announcement of his appointment to the role of CEO. Navneet Kapoor has been appointed to the Committee with effect from 15 May 2023. Louisa Burdett is a chartered accountant and, having held senior financial management positions, has extensive knowledge and experience of financial markets, treasury, risk management and financial accounting standards. Biographies for the Committee members are set out on pages 86 and 87.

The Committee held four scheduled meetings during the year, and held one further unscheduled meeting to consider the external audit tender recommendation. Meetings were held in line with the financial and reporting cycles of the Company. Meetings are generally held prior to Board meetings so that optimum collaboration with the Board is maintained. The Committee Chair provides updates to the Board on the proceedings, considerations and findings of each meeting.

The Committee Chair extends invitations to certain other key individuals to attend meetings, including the Chair of the Board, other Non-Executive Directors who are not members of the Committee, the CEO, CFO, the Company Secretary, Group Financial Controller, Vice President Group Operational Audit and Risk (VP Audit and Risk) and the external Auditors, PwC. The Chief Information Security Officer (CISO) also attends to provide regular updates on the Group's Information Security strategy. The Data Protection Officer attends meetings twice a year to give updates on data protection matters.

During the year, the Committee held separate sessions with the VP Audit and Risk and the external Auditors without the presence of management. The VP Audit and Risk and the external Auditors have direct access to the Committee Chair outside of formal Committee meetings.

The Committee's chief responsibilities have not changed during the year. The Committee's Terms of Reference are reviewed formally and approved annually and set out its principal duties in full, including its authority to carry out its duties, and are available in the corporate governance section of our website: [rsgroup.com](https://www.rsgroup.com).

The core functions of the Committee include:

- Supporting the Board in ensuring the integrity of the financial and corporate reporting and auditing processes
- Assisting the Board in assessing the long-term viability of the Group by reviewing and challenging the scenarios considered and severe but plausible stress testing performed on the principal risks
- Advising the Board on whether the half-year and full-year financial reports present a fair, balanced and understandable assessment of the Group's position and prospects
- Ensuring effective internal control and risk management systems are in place
- Measuring the Group's effectiveness in managing risk and reviewing the risk identification process
- Approving the remit of the internal audit function and reviewing its effectiveness and findings
- Ensuring that an appropriate relationship is maintained between the Group and its external Auditors, including the recommendation to the Board to approve their appointment and fees
- Monitoring progress of the Group's information security strategy to mitigate its major risks
- Reviewing the scope and effectiveness of the external audit process
- Reviewing whistleblowing, fraud, anti-bribery and corruption and data protection procedures



We continued to see professional, comprehensive and robust work in all areas which meant that the Committee has been able to discharge its obligations seamlessly throughout the year.”



## KEY ACTIVITIES DURING THE YEAR

MAY

- Reviewed the year-end key accounting judgements and issues (including tax) and approved their accounting treatment; viability and going concern; and fair, balanced and understandable criteria
- Reviewed the TCFD report for its recommendation to the Board
- Recommended to the Board for approval the adoption of the Annual Report and Accounts for the year ended 31 March 2022 and the full-year results announcement
- Reviewed non-audit fees and the Non-Audit Services Policy
- Recommended to the Board for approval the re-appointment of PwC as Auditors
- Received an update on the ICFR programme
- Reviewed updates regarding operational audit reports, information security and quarterly whistleblowing

JUL

- Reviewed Group Operational Audit remit and performance
- Reviewed the key accounting judgements and issues
- Quarterly review of non-audit fees completed
- Approved PwC's audit plan for 2022/23
- Reports from the Data Protection Officer and quarterly whistleblowing report received
- Review of operational audit reports
- Reviewed the external Auditors' performance
- Audit tender commenced
- Received an update on the ICFR programme

NOV

- Received the half-year key accounting judgements and issues (including tax) and approved their accounting treatment; going concern; and fair, balanced and understandable criteria
- Reviewed the draft interim results for recommendation to the Board
- Quarterly review of non-audit fees completed
- Reviewed PwC's audit fees for 2022/23 and recommended their approval to the Board
- Reviewed updates regarding operational audit reports, information security and quarterly whistleblowing
- Audit tender update received

JAN

- Received Group Operational Audit update, reviewed the businesses' risk and control assessment and approved the 2023/24 operational audit plan
- Approved the key accounting judgements and issues
- 2022/23 ESG reporting approach agreed
- ICFR update received
- Quarterly review of non-audit fees completed
- Reviewed the Anti-Bribery & Corruption Policy and Procedures
- Report from the Data Protection Officer received
- Annual whistleblowing arrangements review and received the quarterly whistleblowing report
- Audit tender update received

MAR

- Recommended to the Board PwC and Deloitte, with a preference for Deloitte to be appointed as the external Auditors of the Company for 2024/25

## FAIR, BALANCED AND UNDERSTANDABLE

The Board is required to confirm to the Company's shareholders that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information and key messages to enable shareholders and other stakeholders to assess the Group and the Company's position, performance, business model and strategy. The Committee advises the Board on whether this confirmation can be made and the Committee assesses whether it can make this recommendation to the Board by following its regular, robust approach which is:

- Ensuring regulatory requirements for the Annual Report and Accounts were thoroughly understood.
- Reviewing draft copies of the Annual Report and Accounts early in the reporting process to assess and advise on direction and key messages, with a near final version provided to the Committee and Board prior to sign-off of the Annual Report and Accounts.
- Assessing management's fair, balanced and understandable verification process and reviewing its results. This included a cascaded sign-off across the Group to determine the accuracy, consistency and clarity of the data, information and language.

- Reviewing the use and disclosure of alternative performance measures and confirming its belief that separate disclosure of these measures enables readers of the Annual Report and Accounts to understand better the underlying financial and operating performance of the Group. The alternative performance measures are consistent with prior years except for updating the definition of adjusted profit measures to exclude impairment of intangible assets arising on acquisition of businesses and not just their amortisation. The definitions and reconciliations of alternative performance measures are set out in Note 3 on pages 151 to 154.
- Ensuring that a thorough review of the Annual Report and Accounts was undertaken by all appropriate parties including external advisors.

**The Committee has reviewed the Annual Report and Accounts for the year ended 31 March 2023 and has advised the Board that, in its opinion, the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Group's position and performance, business model and strategy.**

## Audit Committee report continued

### Financial reporting

The primary role of the Committee in relation to financial reporting is to monitor the integrity of the Group's published financial information including reviewing its full-year and half-year financial results. The Committee undertakes this with both management and PwC and concentrates on ensuring compliance with the relevant financial and governance reporting requirements. The Committee considers the principal accounting policies that are used when preparing these results as well as reviewing the significant accounting issues and areas of judgements made as noted below and other key areas of focus as noted on page 108. Also, this includes the fair, balanced and understandable review as described in more detail on page 106. The Committee receives regular reports from the CFO and Group Financial Controller to support this work.

#### Significant accounting issues and areas of judgement

Management is required to exercise judgement in a number of areas when preparing the Group accounts and the Company accounts. The Committee focuses on any significant areas of judgement that may materially impact the Group's and Company's reported results and assesses and challenges, if necessary, whether these judgements are reasonable and appropriate. The Committee also reviews the clarity and transparency of the related disclosures.

The significant accounting issues and areas of judgement considered by the Committee during the year, and how these were addressed, are set out to the right.

#### Significant accounting issues and areas of judgement

##### Retirement benefit obligations

The Group has a material defined benefit pension scheme in the UK and smaller defined benefit schemes in the Republic of Ireland, Germany, France and Italy. At 31 March 2023, the total net deficit in relation to these retirement benefit obligations was £36.4 million (2021/22: £12.4 million), of which the UK was £26.2 million (2021/22: £nil). Key judgements are made in relation to the assumptions used when valuing the retirement benefit obligations. See Note 9 on pages 160 to 165.

##### Inventories valuation

Inventories represent a material proportion of the Group's net assets. At 31 March 2023, the Group had £616.3 million (2021/22: £529.5 million) of inventories on the balance sheet. Judgements are made in estimating the net realisable value of inventories. At 31 March 2023, inventory provisions were £43.7 million (2021/22: £29.7 million). Sensitivity analysis on the assumptions was performed, which indicates that any reasonably likely change in assumptions, including the current global economic uncertainty and longer-term impacts of climate change and environmental regulations, is not expected to have a material impact on the current net realisable value of inventories. See Note 17 on page 172.

From an International Accounting Standard (IAS) 1 'Presentation of Financial Statements' perspective, the judgements involved in estimating the net realisable value of inventories do not have a significant risk of resulting in a material adjustment to the carrying amount of inventories within the next year. However, the Committee believes that inventories and their management are so critical to the Group's operating model that areas of judgement in inventories valuation are significant and require its particular focus.

#### How the Committee addressed these matters and conclusions reached

Small changes to the assumptions used to value the UK retirement benefit obligation, particularly changes in bond yields used to determine the discount rate, can have a significant impact on the financial position and results of the Group.

The assumptions put forward by the actuaries, Head of Group Pensions and Group Financial Controller were reviewed by the Committee. The Committee also reviewed the external Auditors' comparisons of the assumptions with those of other similar schemes. After discussion, the Committee agreed the reasonableness of the assumptions used in valuing the retirement benefit obligations at the half year and year end.

At the half year, the impact of the volatility in the UK markets on the discount rate caused the UK scheme's obligations to decrease by £179.3 million. This was offset by the decrease in the UK scheme's fair value of scheme assets as a result of the scheme's liability hedging strategy. Therefore, the Committee also assessed the adequacy of disclosure of this impact and agreed with the additional disclosure, especially around sensitivities.

At the year end, the Audit Committee agreed with management's decision to update the discount rate sensitivity analysis to show the impact of a 0.5% movement as this is considered to be currently a reasonably possible change.

The Group estimates the net realisable value of inventories in order to determine the value of any provision required. The judgements made in the methodology used to estimate the net realisable value relate to the number of years of sales there are in inventories of each product and the value recoverable from these inventories. These assumptions are based on recent experience and knowledge of the products on hand and are reviewed regularly. The impact of supply constraints during the year, the current global economic uncertainty and the longer-term impacts of climate change and environmental regulations on these assumptions were considered and the assumptions were adjusted where necessary to ensure they remain appropriate. Also, adjustments were made to take account of the slowdown in sales of electronics products and its impact on the net realisable value. The latest review was presented to the Committee and it reviewed and agreed the reasonableness of the assumptions.

In order to reach these conclusions, the Committee also discussed with senior managers the inventory management process and the changes made during the year to monitor and quickly flex the inventory position to ensure the Group remains well positioned to maintain service levels within a supply constrained market while also considering the impact of a potential global recession.

## Audit Committee report continued

### Going concern and viability statements

As part of the Committee's responsibility to provide advice to the Board, the Committee reviewed and challenged the Group's going concern assumptions at the half year and full year and reviewed and challenged the process and assessment of the Group's longer-term viability at the full year.

Management included a going concern statement in the Group's half-year report. The Committee reviewed the process conducted to prepare this statement, including the assumptions used in the reverse stress tests. It recommended to the Board that it was appropriate to continue to adopt the going concern basis in the half-year results. The Committee also reviewed and agreed the wording of the going concern statement and recommended its approval to the Board.

For the viability statement in the Annual Report and Accounts, the Committee reviewed the assessment period and reviewed and challenged the scenarios considered for each principal risk and the determination of severe but plausible stress tests and reverse stress tests. The Committee reviewed the outcomes of these stress tests and, as a result, recommended to the Board that it is able to confirm the Group's viability statement and the going concern statement. Details of these statements can be found on pages 46 and 47 of the Strategic Report.

### Other key areas of focus

The Committee also reviews a number of other key areas that require management to exercise judgement. These judgements have not had a significant effect on the amounts recognised in the accounts in the year ended 31 March 2023 nor are they significant estimates which have a significant risk of resulting in a material adjustment to the carrying amounts of the Group's assets and liabilities within the next year. However, the Committee focuses on these areas to ensure these judgements are also reasonable and appropriate and to ensure they have not become significant.

These other key areas of focus in the year were:

Other key area of focus	How the Committee addressed these matters and conclusions reached
<b>Fair values and goodwill on acquisition of businesses</b>	
<p>The Group completed the acquisition of DH on 30 June 2022 for consideration of £4.1 million. The purchase price allocation resulted in goodwill of £3.4 million and other intangible assets of £1.9 million.</p> <p>The Group completed the acquisition of Risoul on 3 January 2023 for cash consideration of £233.6 million less an accrual refund of £0.2 million. The purchase price allocation resulted in goodwill of £108.4 million and other intangible assets of £105.9 million.</p> <p>Judgements are made in relation to the assumptions and data used in determining the fair values of the intangible assets acquired and the goodwill arising. See Note 28 on pages 182 and 183.</p>	<p>The Group reviewed the net assets acquired, identifying and fair valuing all the assets and liabilities. For larger acquisitions the Group engages external professional advisors for the identification and calculation of fair values of intangible assets while ensuring that the assumptions and forecast cash flows used in the valuation models are reasonable.</p> <p>The Committee reviewed the process, discussed it with management and the external Auditors and assessed the results of the work undertaken. The Committee concluded that it is satisfied with the fair values and goodwill arising on acquisition of businesses.</p>
<b>Impairment of goodwill and other assets</b>	
<p>There is £463.3 million of goodwill on the balance sheet at 31 March 2023 (2021/22: £330.5 million). Judgements are made in relation to the assumptions used in the value-in-use models which are used to assess impairment of goodwill and other assets when there are indicators that they may be impaired.</p>	<p>The value of goodwill is reviewed regularly for impairment using value-in-use models using cash flows and discount rates as set out in Note 13 on pages 169. The Committee reviews these impairment tests every year, including the main assumptions. These assumptions also include consideration of the impact of climate change. The Committee agrees with the tests' confirmation that there remains adequate headroom in place and no impairment provision is required.</p> <p>Other assets are regularly reviewed to ensure there are no indicators that they may be impaired. If any significant impairments are found, the Committee will also review these impairment tests, including the main assumptions, confirming that the valuation is reasonable.</p> <p>The Committee also reviewed and agreed with the trade receivable impairment allowance and disclosure in Note 22 on pages 176 and 177.</p>

## Audit Committee report continued

### Other matters

The Committee also carried out a range of other activities in relation to financial reporting during the year which included:

- Reviewing the impact of amendments to accounting standards adopted during the year
- Reviewing the effective tax rate, judgements made in relation to the levels of tax contingencies for potential challenges by local tax authorities and recoverability of losses, and relevant disclosures
- Reviewing and agreeing the accounting treatment and disclosure of any potential post-balance sheet events at both the half year and full year
- Agreeing with management's assessment that there are no indicators of impairment for the investments the Company holds in its subsidiaries

### Internal control and risk management

The VP Audit and Risk provides quarterly reports to the Committee which cover the performance of the Group's system of internal control and its effectiveness in managing the Group's principal risks and identifying any control failings or weaknesses. These reports highlight matters which might impact the delivery of the Group's key strategic objectives or which indicate improvement is required in any of the Group's processes or controls. The Committee carefully considers these findings and discuss appropriate actions where necessary.

An annual review of the Group's risk management processes is undertaken by the Committee, as required by the Code, the Financial Reporting Council (FRC) Guidance on Audit Committees and the recommendations of the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. These processes include material controls which cover financial, operational and compliance controls and risk management systems. The outcomes of these reviews are shared with the Board. These, in combination with other updates to the Board on the Group's principal risks, allowed the Board to assess the effectiveness of the Group's systems of

internal control and residual risk prior to making its statement in this Annual Report and Accounts. Further information regarding the Group's principal risks can be found on pages 42 to 45 of the Strategic Report.

The internal control system and risk management process have been in place during the year and up to the date of this Report and Accounts. In the event weaknesses are identified in the internal control system, plans for strengthening them are put in place and then regularly monitored. A small number of weaknesses were identified including:

- Those in the businesses more recently acquired, which generally are subject to internal audits following their purchase. All the more significant control weakness observations, where noted, have actions and agreed timelines assigned against them.
- Some internal control improvements required across the Group's indirect procurement activities. These included observations relating to the need for improved consistency of these processes and controls across the Group. Actions have been agreed and progress is being reported to the Committee.

There were no other material control failings or weaknesses identified during the year.

### Internal financial controls

Internal financial controls are the systems that the Group employs to support the Board in discharging its responsibilities for financial matters and the financial reporting process as described on page 136.

The main elements include:

- Assessments by internal audit on the effectiveness of operational controls
- Clear terms of reference setting out the duties of the Board and its Committees, with delegation to management in all locations
- Group Finance and Group Treasury manuals outlining accounting policies, processes and controls
- Weekly, monthly and annual reporting cycles, including targets approved by the Board and regular forecast updates

- Local leadership teams reviewing financial results against forecast and agreed performance metrics and targets with overall performance reviewed at region, business and Group levels
- Specific reporting systems covering treasury operations, major investment projects and legal and insurance activities, which are reviewed by the Board and its Committees on a regular basis
- Whistleblowing procedures allowing individuals to report fraud or financial irregularities and other matters of concern

In 2021/22, in advance of the regulations arising from BEIS's corporate reform, the Group commenced a review of its ICFR. The first phase, completed during 2022/23, was to assess the Group's current financial reporting controls and identify what improvements should be made. The second phase, to action the improvements required, started during the year and will continue during 2023/24. The goal is to improve and build on our existing financial reporting controls focused on key areas. The Committee reviewed the outcomes of the first phase and the progress of the second phase and is pleased with the work to date. It will continue to monitor the Group's progress.

### Internal audit

The work of the internal audit function spans the whole Group including, as and when relevant, acquired businesses and provides independent and objective assurance over the Group's systems of internal controls through a risk-based approach. The Committee reviews and approves the scope and resourcing of the internal audit plan annually with the VP Audit and Risk. The scope of the plan is determined by reference to the Group's operating risks and strategy as well as geographic, functional and external risks. The Committee reviews:

- The level and skills of resources allocated to the internal audit function to conduct this programme of work
- The summary of the results of each audit and the business team's resolution of any control issues identified
- The effectiveness of the internal audit function

The VP Audit and Risk has regular, open access to the Committee Chair. Discussions focus on audit planning and matters noted during internal audit assignments. Other members of the Committee are also available as required. The Committee meets with the VP Audit and Risk without the presence of management at least once a year.

### Other activities

During the year, the Committee continued its focus on enhancing the Group's information security strategy via regular updates from the CISO. These included updates on information security risk assessments relating to our industrial control systems, including improvement actions both underway and planned. Throughout the year, the Committee also received updates on other specific information security risks and improvement actions, including strengthening IT access controls.

The Committee continued with its reviews of the data protection compliance programme through reports from the Data Protection Officer. The Committee continued to provide oversight of the Group's compliance with laws regarding the protection of personal data across its operations, including the General Data Protection Regulation and the UK's Data Protection Act. The Committee received regular reports from the Data Protection Officer highlighting ongoing compliance work such as training and awareness campaigns to embed a culture of privacy by design, as well as assessments of the impact of material changes to the Group's operations on its handling of personal data (such as significant changes to systems).

## Audit Committee report continued

The Committee received updates on current and emerging ESG legislation during the year. It discussed and agreed the ESG reporting requirements for 2022/23 and future years, including the results of the Group's ESG double materiality assessment, Scope 3 emissions and additional disclosures in the Group's second TCFD report included in this Annual Report and Accounts. The Committee was comfortable that the disclosures contain appropriate and accurate data and information and recommended to the Board that it approve the ESG disclosures in this Annual Report and Accounts, including the TCFD report.

The Committee discussed and agreed to recommend to the Board approval of an updated Anti-Bribery and Corruption Policy.

### External Auditors Effectiveness and independence

The Committee is responsible for reviewing the performance and effectiveness of the external Auditors, PwC, as well as their appointment and remuneration.

A review of the external Auditors' performance and effectiveness is undertaken by the Committee each year. The review includes looking at qualification, expertise, resources and reappointment of the external Auditors, as well as ensuring that no issues have arisen which might adversely affect their independence and objectivity.

The review also considers how robust the external audit itself has been, as well as the quality of delivery. It also addresses the FRC's Audit Quality Inspection Report on PwC as well as any feedback received from the Group's senior managers.

How well the external Auditors have exercised professional scepticism and whether they have provided an appropriate degree of constructive challenge to management is assessed by the Committee and, as part of risk evaluation planning, the Committee also considers the risk of PwC withdrawing from the market. The external Auditors demonstrated professional scepticism and challenge on the valuation of inventories, the acquisition fair values of Risoul, the recoverability of receivables and assumptions in the going concern and viability assessments.

## AUDIT TENDER PROCESS

The Committee approved the establishment of a steering group, comprised of the Committee Chair, CFO and Group Financial Controller, to oversee the process with approval sought from the Committee at each key stage. The following steps took place during 2022/23, which ultimately resulted in Deloitte being chosen as the Group's external Auditors for the year ending 31 March 2025, subject to shareholder approval at the 2024 AGM.

1

Seven audit firms were formally approached with a request for information (comprising all of the big four and three mid-tier firms). The mid-tier firms were selected based on their geographical reach. Of these, three audit firms completed the request for information (two of the big four and one mid-tier firm).

2

An evaluation scorecard to assess the information provided by the three audit firms was used to decide which two firms to invite to take part in the full audit tender.

3

Partners from each of the final two audit firms were interviewed by the steering group and other senior finance managers.

4

Formal invitations to tender were issued to the chosen audit partners. A virtual data room was established and management held meetings with each of the firms (with each RS manager asked to provide feedback on the audit firms). Also, each audit firm visited our DC in Nuneaton, UK and were given several opportunities to ask questions of the Group Financial Controller.

5

The tender documents submitted were reviewed by the steering group, the Chair of the Board, other Committee members and senior finance managers.

6

Each audit firm was invited to give a final presentation to the steering group, a Committee member and senior finance managers, with the incoming CEO attending as an observer. Also, the Chair of the Board met each prospective audit partner. Separately, each audit firm showcased their technology and data analytics capabilities to the Chief Technology Officer, Group Financial Controller, VP Audit and Risk and Technology Risk Manager.

7

A final grading of each firm took place by management, with a preference being made to the Committee.

8

The Committee considered management's preference and, after debating the merits of each firm, recommended both firms to the Board with a preference for Deloitte to be appointed as external Auditors for the year ending 31 March 2025. The Board approved this preference in March 2023.

## Audit Committee report continued

During the year, the Senior Statutory Audit Partner, Sandeep Dhillon, or the Audit Director, together with other relevant and appropriate members of the PwC audit team, attended all of the Committee's meetings, with the exception of the March meeting which discussed the audit tender recommendation. PwC provided reports and conclusions on the Group's key accounting judgements, internal control processes, Annual Report and Accounts and half-year report.

Following its review, the Committee concluded that it would recommend to the Board PwC's reappointment as the external Auditors for 2023/24. The Board accepted this recommendation and a resolution will therefore be put to shareholders at the forthcoming AGM to reappoint PwC.

Further details of how the Committee and PwC work together, as well as how PwC's independence is maintained, can be found in the corporate governance section of our website. As in previous years' reports, the Committee can confirm that the Group does not engage PwC to undertake any work that could affect their independence.

The Committee has satisfied itself that the Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014, published by the Competition and Markets Authority on 26 September 2014.

### Tender and rotation

Following an external tender process in 2014, PwC was appointed as the Group's external Auditors with their first audit being the 2014/15 Annual Report and Accounts.

The EU Audit Regulation and Directive, and the Companies Act 2006 (Companies Act), states that there should be a public tender every 10 years and a change of external Auditors at least every 20 years. In accordance with this, the Company conducted a retender process for the audit of the Annual Report and Accounts for the year ending 31 March 2025, in order to make any necessary

changes to providers of other services in a timely and orderly fashion and to appoint auditors before the start of that year as these are in the best interests of our shareholders. This resulted in the recommendation by the Committee to the Board for either PwC or Deloitte with a preference for Deloitte to be appointed as the Group's external Auditors for the year ending 31 March 2025. Full details of the tender process can be found on the previous page. No contractual obligations exist that might restrict the Committee's choice of external Auditors.

### Non-audit assignments undertaken by the Auditors

The Group operates a policy to ensure that the provision of non-audit services does not impair the external Auditors' independence or objectivity and that only permitted services are provided. In determining this policy, the Committee took into account possible threats to the external Auditors' independence and objectivity.

The policy on non-audit services includes:

- In providing a non-audit service, the external Auditors should not:
  - Audit their own work
  - Make management decisions for the Group
  - Create a mutuality of interest
  - Find themselves in the role of advocate for the Group
- The total non-audit fees for any financial year should not exceed 70% of the average of the external audit fee over the last three years. In practice the non-audit fees are normally significantly below this level

The policy also states that the Committee has pre-approved the CFO to have authority to commission the external Auditors to undertake non-audit work (not covered above) where there is a specific project with a cost that is not expected to exceed £50,000.

Full details of our policy in relation to non-audit services can be found on the corporate governance section of our website. This policy was reviewed by the Committee during the year and no changes were required.

During the year under review there were no non-audit fees for PwC compared to audit fees of £2.9 million plus audit-related assurance services of £0.1 million. Further information on fees payable to PwC are included in Note 5 on page 156.

The Committee has satisfied itself that its use of the external Auditors complies with both the Code and the FRC's Ethical and Auditing Standards regarding the scope and level of non-audit work and non-audit fees incurred by the Group.

### Fraud

The Committee is responsible for reviewing the Group's procedures for the prevention and detection of fraud. Suspected cases of fraud must be reported to the Company Secretary or General Counsel within 48 hours and investigated by operational management, Group Compliance or internal audit, as appropriate. The outcome of any investigation is reported to the Company Secretary, General Counsel and the CFO. A register of all suspected fraudulent activity and the outcome of any investigation is maintained and circulated to the Board on a regular basis, with the Committee also receiving regular updates. The Group takes steps in line with good business practice to detect and prevent fraudulent activity. The Committee is pleased to report that there were no frauds of a material nature discovered during the year, although the Group is subject to various attempts at external and low-level credit card and online fraud.

### Whistleblowing

In accordance with the provisions of the Code of Conduct, the Committee is responsible for reviewing the arrangements whereby all of the Group's employees may, in confidence, raise concerns about illegal, unethical or improper behaviour or other matters and for ensuring that these concerns are investigated and escalated as appropriate. Reports may be raised directly to senior management or through an external third-party reporting tool. Whistleblowing is referred to internally as Speak Up and is available to all of the Group's employees. The Committee receives aggregated reports on matters raised through these services and monitors their

resolution. A new European Whistleblowing Directive came into force with effect from December 2021 which required Member States to implement new rules on whistleblowing regimes. To date, the Directive has been incorporated into national law in Denmark, Sweden, Portugal, Republic of Ireland and France. The Group's existing policies and procedures (adopted globally) have been updated to reflect the new legislation. The Group will continue to monitor any national laws that implement additional, relevant requirements and make any required changes to policies and procedures where appropriate. For further information see pages 79 and 80.

### Committee evaluation

This year, the Board underwent an externally facilitated evaluation of its performance and the activities of the Committee were reviewed as part of this process. The results of the evaluation demonstrated that the Committee continued to operate effectively and provided sufficient challenge, and that the composition worked well with a good balance of experience. It was also noted that the Committee was well supported by the management team, who bring succinct and precise papers and verbalise issues well, to enable focused discussion and clear actions and outcomes.

Further details of the evaluation process can be found in the Governance Report on pages 96 and 97.

# REMUNERATION AT A GLANCE

## 2022/23 PERFORMANCE

Like-for-like revenue growth

# 10%

2021/22: 26%

Adjusted profit before tax (PBT)

# £391m

2021/22: £314m

Adjusted earnings per share (EPS)

# 63.6p

2021/22: 51.3p

CO<sub>2</sub>e reduction (scope 1 and 2 emissions)

# 21%

2021/22: 20%

Return on capital employed (ROCE)

# 30.8%

2021/22: 28.7%

## 2022/23 ANNUAL INCENTIVE – OUTCOMES AGAINST PERFORMANCE MEASURES 62.3% OF MAXIMUM

Adjusted PBT

Target: £382m

102.4% of target achieved

Actual: £391m

Like-for-like revenue growth

Target: 11%

90.2% of target achieved

Actual: 10%

Adjusted free cash flow

Target: £187m

141.3% of target achieved

Actual: £264m

Group Net Promoter Score (NPS)

Target: 50.5

99.4% of target achieved

Actual: 50.2

CO<sub>2</sub>e reduction

(Scope 1 and 2 emissions) Target: 8.0%

275% of target achieved

Actual: 21%

2020 LONG TERM INCENTIVE PLAN (LTIP) – OUTCOME AGAINST PERFORMANCE MEASURES: 50%

Adjusted earnings per share (EPS) (cumulative for the three-year period ended 31 March 2023)

# 146.2p

Maximum target: 130.0p  
2019 LTIP: 120.3p

Total shareholder return (TSR)

# 11 of 17

Maximum target: Upper quartile  
2019 LTIP: 5 of 17

## ALIGNMENT WITH BROADER EMPLOYEE REWARDS

# 7,752

eligible employees were granted an RS YAY! Award in July 2022. Those eligible were permanent, fixed-term and apprentice employees employed on the grant date

# 87%

of employees participate in a bonus plan globally

# £1,000

To support with the continued high cost of living being experienced worldwide, all our eligible employees globally (except Executive Directors) received an ad hoc payment of £500 in November 2022. A further £500 was paid to our eligible employees (except senior leaders), employed on 28 February 2023 in April 2023

# £300

All eligible non-management employees in the UK received a £300 lump sum payment in June 2022 as part of the annual pay review

# 5-5.9%

UK managers and non-management employees will receive average pay increases of 5% and 5.9% respectively in June 2023

# REMUNERATION COMMITTEE

Joan Wainwright  
Chair



## KEY HIGHLIGHTS

### Membership (as of 23 May 2023)

Joan Wainwright (Chair) Alex Baldock  
Louisa Burdett David Sleath

### Activities for 2022/23

- Supporting our people worldwide to navigate the cost of living crisis with a number of interventions including one-off payments
- Successful launch and implementation of the RS YAY! all employee share award; granted 7,752 employees 100 performance shares, aligned with the strategy
- Extensive shareholder consultation
- Implementation of the Remuneration Policy (Policy) approved by shareholders at the 2022 AGM to support accelerated delivery of the strategy and exceptional shareholder returns
- Review and alignment of 2022/23 incentive outcomes with Company performance
- Agreement of departure terms for Lindsley Ruth
- Remuneration structure for the CEO, Simon Pryce

### Priorities for 2023/24

- Review our approach to employee share ownership, with the aim of enabling more of our people to become shareholders and to share in the future success of the Company
- Ensuring that both short and long-term incentive outcomes continue to reflect the performance of the Company, the experience of all our stakeholders and support delivery of the strategy
- Maintaining an active and open dialogue with shareholders and ensuring their views and those of their advisors are sought and considered when determining executive remuneration
- Remuneration structure for the new CFO on appointment

### > Dear shareholder

On behalf of the Remuneration Committee (the Committee), I am pleased to present the Directors' Remuneration Report, and my first as Chair of the Committee, for the year ended 31 March 2023.

I would like to take this opportunity to thank Simon Pryce for his four years of leadership as Chair of the Committee and congratulate him on his new role as CEO. Along with the Board, I am confident that Simon has the right leadership style and experience (as described on page 86) to lead the Group to further success. Details of Simon's remuneration and the CEO recruitment and selection process the Committee followed, are set out on page 114 and 101 respectively.

The Committee was pleased to see that the 2022 Remuneration Policy, which it believes is in the best interests of the Company's stakeholders, was approved by shareholders at the 2022 AGM, and subsequently implemented during the year. Consistent with our long-standing commitment to active engagement with our shareholders in this area, the Committee undertook an extensive multiphase consultation process with our major shareholders, representing around 80% of the register, as we formulated the Remuneration Policy proposals in early 2022. While the majority of shareholders we engaged with were supportive, including our largest shareholders, we recognise that some of our shareholders were not able to support the proposals ultimately. We have continued to engage with our shareholders during this year and further details of this process are included on page 116.

Despite the continued challenges of the external environment, this is an exciting time for the Group and its stakeholders. In 2022/23, our business delivered a strong performance. A summary of the financial performance of the Group is set out on pages 32 to 36. We believe our remuneration and incentive outcomes for the year, which are outlined on page 124, are reflective of this performance.

### Consideration of the wider stakeholder experience

We continue to take a responsible approach to ensure remuneration outcomes align with the wider Company performance to drive exceptional outcomes for all our stakeholders.

Our people remained essential to the delivery of the strategy during the year. Our focus on people was recognised externally including being a finalist at the 2022 ProShare Awards and being awarded our first Global Equity (GEO) Award for Best Plan Communication (for a Company with under 10,000 people) for the RS YAY! Award.

The Group recognised that many of our people continue to be impacted by the cost of living crisis. Throughout the year we helped support our people through these challenges with a series of interventions, including:

- A competitive base pay increase in June 2022 (with an average UK increase of 4.8%), plus an additional lump sum payment to our non-management employees in the UK
- An ad hoc payment to our employees in November 2022 (excluding Executive Directors)
- A further ad hoc payment to our employees (excluding senior leaders) employed at 28 February 2023, was approved in March 2023 and paid in April 2023
- We have increased the number of employees participating in a bonus plan globally
- Our proposed base pay increases for our UK employee population for June 2023 will be 5% to 5.9%

The wellbeing of our people remained an ongoing priority, with an increased focus on sustainable benefits, including a benefits open day in Corby, UK, and a series of financial education events including webinars on a range of topics such as managing the cost of housing, saving for retirement and UK capital gains tax.



## Directors' Remuneration report continued

We continue to listen to our people to understand how we can improve our benefit offerings to reflect our diverse workforce at different life stages, including medical support during menopause, fertility treatment and support with neurodiverse conditions.

### Sharing success

Giving our people a chance to share in our collective success remains a priority through the provision of incentive plans and all employee share plans. 87% of our employees globally now participate in a bonus plan and we will continue to build on this number. Our senior leaders participate in LTIP programmes, with many also being part of our J2G LTIP Award.

For the first time our people globally now have the opportunity to become shareholders in the Company, with the grant of 100 performance shares each under the RS YAY! Award. The award is aligned with both the strategy and the J2G LTIP Award for eligible senior leaders. We believe that the RS YAY! Award will enhance our people engagement and ensure our people can share in the future success of the Company. Further detail of the award can be found on page 122.

We will continue to consider other ways to help our people share in our overall success including a review in the year ahead of our approach to employee share ownership globally.

### Executive Director transition

As previously announced, it was agreed that Lindsley Ruth would step down from the Board due to personal reasons in December 2022. Lindsley continues to be available to the Board, if required until the end of his notice period in December 2023. In line with his service contract Lindsley will receive his base salary for the duration of his notice period.

When considering the treatment of Lindsley's incentives, the Committee recognised the longevity of his service and the significant contribution he made to the growth of the business over that period. The Committee exercised its discretion and determined that Lindsley would be treated as a good leaver for the purposes of his unvested LTIP and deferred bonus awards earned from previous years. The pro-rated LTIP awards will vest based on the original performance conditions and remain subject to the relevant holding periods. He will also receive a pro-rata annual bonus for the year 2022/23, excluding any deferred share element. Lindsley's J2G LTIP Award granted in July 2022 has lapsed in full. Full details are set out on page 125.

David Egan led the Group as Acting CEO for a five-month period from 3 November 2022 to 2 April 2023. David received a double hatting cash allowance of £200,000 per annum pro-rated during this period. When determining the value of the allowance, the Committee considered market data and the Group's internal guidelines for such allowances. The Committee decided that this allowance was at the appropriate level and in line with Group practice for the wider workforce while also reflecting David's increased workload and his previous experience of covering the CEO role. The double hatting allowance did not count as salary for the purposes of pension benefits, the annual bonus or LTIP awards. Full details of David's remuneration is detailed on page 123.

As announced on 3 May 2023, David resigned from the CFO role with immediate effect. David continues to be available to the Company while on gardening leave, as required, until 3 November 2023. David will receive his base pay, pension allowance and benefits for the first six months of his notice period. Thereafter he will be paid in lieu of notice for the final six months of his notice period. The pension allowance and benefits will not be provided during the final six months.

When considering the treatment of David's incentives, the Board recognised the significant contribution David made during his long tenure, driving transformation and on two occasions

acting as CEO. For incentives where he had been in active employment throughout the full performance period, the Committee exercised its discretion and determined that David would retain his 2020 LTIP Award and deferred bonus awards from previous years. David was also awarded the cash element of his annual bonus for the year ended 31 March 2023. David's J2G LTIP Award, granted in July 2022, has lapsed in full, together with his 2021 and 2022 LTIP Awards. Full details are set out on page 125.

### Remuneration arrangements for Simon Pryce

Simon stepped down as a member and Chair of the Committee on announcement of his appointment as CEO on 14 March 2023. In line with best practice, Simon excused himself from all discussions related to the CEO appointment and related remuneration.

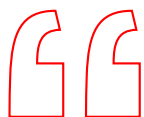
Simon's remuneration package was determined by the Committee in line with our Remuneration Policy, taking into account his experience and background, shareholder guidance and the external environment, and appropriate market data.

Simon will receive an annual base salary, set on appointment, of £750,191. He will not be eligible for an increase during our normal pay review in June 2023. His salary was set 3% above his predecessor's, representing an increase which is below the expected 5% to 5.9% average increase for the wider UK employee population. It also reflects Simon's position as an experienced and proven CEO of high performing international businesses.

Simon will participate in our annual bonus and LTIP programmes and receive a pension allowance, as set out in our 2022 Remuneration Policy (and summarised on pages 118 to 119). Under the 2022 Remuneration Policy the pension allowance is set in line with the rate available to the majority of the UK workforce.

The Committee considered carefully the approach to Simon's participation in the J2G LTIP. The Committee concluded that it was right for Simon to participate in order to ensure ongoing alignment with the SMT and the wider workforce through the RS YAY! Award. The ability to ensure new recruits could be included to ensure such alignment was an important point raised by a number of shareholders we spoke to when developing the plan design initially in 2022. At the same time, we looked to ensure that the calibration of his award, which we will grant as soon as is reasonably practicable, was in line with relevant best practice principles. In this regard, note the following key aspects of Simon's award:

- His maximum award size was pro-rated to reflect the remaining proportion of the performance period (i.e. reducing the maximum award from 750% to 498% of salary).
- To align with both shareholders and existing participants, the number of shares granted will be calculated using the share price used to determine the grants of J2G LTIP Awards made in July 2022 (1,020.50p) and the salary of the previous CEO. This results in a maximum number of shares of 355,427, which translates, using the grant share price and Simon's salary, to an award value of 483% of salary.
- The award is subject to exactly the same highly ambitious performance targets as the original J2G LTIP Award (see page 126) which require exceptional financial and strategic performance to be delivered to trigger even threshold vesting. These targets remain at least as stretching as they did when originally set. Therefore, there is no windfall benefit to Simon from his participation commencing after the start of the performance period.
- An extended post-vesting holding period of three years will apply to Simon's award to ensure that the total vesting and holding period is five years, in line with established guidance.



Simon is a highly experienced business leader of customer focused, global industrial manufacturing and service businesses.”

In line with our Remuneration Policy, Simon will be subject to the 400% of salary shareholding guidelines (which extends into post-employment), notwithstanding that this increased level had been set partly in contemplation of a J2G Award level significantly in excess of what Simon will receive. The Committee notes that, as a result of his existing holdings and an additional purchase made since his appointment as CEO, Simon already holds a shareholding of around 68% of salary.

#### **Incentive outcomes for the year ended 31 March 2023**

The 2022/23 annual bonus measures were adjusted PBT, like-for-like Group revenue growth, adjusted free cash flow, Group NPS and for the first time included an environmental based measure of CO<sub>2</sub>e reduction (Scope 1 and 2 emissions), with targets set for each at the start of the year. Further detail of the specific targets and the performance delivered are set out on page 124.

The 2020 LTIP Award, which was based on performance over the three-years ended 31 March 2023, will vest at 50% of maximum. This is based on the TSR performance being below median of the peer group and the delivery of cumulative EPS growth of 146.2p. Further detail on the specific targets and the performance delivered are set out on page 124.

In line with good practice and the terms of our Remuneration Policy, the Committee considered the formulaic outcomes of both the bonus and 2020 LTIP Award in the context of the broader business performance, the intended purpose of the award and the outcomes for our stakeholders. Due to COVID-19 the grant of the 2020 LTIP Awards was delayed from June 2020 partly to mitigate the risk of unexpected windfall gains following the reduction of the share price at that time and to enable the setting of robust targets. Ultimately, this resulted in the LTIP awards being granted in November 2020 at a higher share price compared to if the awards had been granted at the normal time in June 2020. Therefore, the Committee is satisfied that no further adjustment is required.

No discretion has been applied to the Executive Director incentives and, as a result, the formulaic outcomes of 63.2% of maximum for the bonus and 50% of maximum for the 2020 LTIP will be delivered.

As detailed on page 125, neither Lindsley nor David will be entitled to the deferred element of the annual bonus. Therefore David earned a bonus of 42.1%, and Lindsley earned a bonus of 30.0% time pro-rated to 16 December 2022. Lindsley's 2020 LTIP Award has also been time pro-rated to this date.

#### **Remuneration approach for the year ending 31 March 2024**

As set out in last year's report following the market re-alignment of base salaries in 2022/23, it is the Committee's current expectation that subsequent salary adjustments during this Remuneration Policy period will be in line with the framework we apply for the wider UK workforce.

Simon Pryce's salary for 2023/24 was set on appointment. Other aspects of the package for Executive Directors will reflect the Remuneration Policy. The annual bonus will be based on a balanced set of key financial and strategic targets for the year and the LTIP structure will be consistent with prior years. We will continue to set stretching targets to reward sustainable, long-term growth. Simon will receive a J2G LTIP Award as described above.

The one minor change to the structure of the annual bonus this year is the introduction of a 10% element based on individual strategic targets. This is intended to align with the framework already in place for those SMT members below the Board and support the business in driving and rewarding key aspects of strategic transformation. The Committee will ensure robust target setting and an assessment framework, as well as high quality disclosure of outcomes next year.

75% of the annual bonus will continue to be based on financial targets for the year ending 31 March 2024. Further detail can be found on page 131.

I would like to thank our shareholders for the time taken to engage with us during the year and their continued support at the last AGM, as well as all Committee members for their significant contribution during the year. We remain committed to a responsible approach to executive pay and believe the decisions made by the Committee both reflect and build on constructive shareholder dialogue. The Committee will continue to engage with shareholders and institutional investor bodies in the development of our remuneration policies and structures and will continue to emphasise the links to performance and to consider wider stakeholders in its deliberations. I hope that you will join the Board in supporting the resolution to approve the 2022/23 Remuneration Report to be put to shareholders at the 2023 AGM.

**Joan Wainwright**  
Chair of the Remuneration Committee  
23 May 2023

## Directors' Remuneration report continued

**Remuneration related shareholder consultation for the year ended 31 March 2023**

In line with our continuing commitment to dialogue with our shareholders the Committee and Chair of the Board have offered our major shareholders several opportunities for engagement throughout the year. This included during the development, and approval at the 2022 AGM, of the Remuneration Policy, and as a result of the CEO transition which took place in the second half of the financial year. Full details are provided below.

Topic	Timing and structure	Feedback and impact
<b>2022 Directors' Remuneration Policy</b>	<p>As reported last year we engaged extensively with our top shareholders in respect of the development of the 2022 Remuneration Policy structure, including the J2G LTIP Award. Following initial engagement towards the end of 2021/22, in mid-April 2022, over 20 major shareholders (representing c. 80% of the register) took part in a consultation process. In addition to this, we engaged with shareholder representative bodies and proxy agencies.</p> <p>Subsequent to the 2022 AGM, in January 2023, we engaged further with our top shareholders (again, representing c.80% of the register) to:</p> <ul style="list-style-type: none"> <li>– provide further explanation of our position around the J2G LTIP Award in particular to confirm that Lindsley Ruth's J2G LTIP Award had lapsed in full on his departure from the Company</li> <li>– give shareholders a further opportunity to share any further perspectives on the Remuneration Policy</li> </ul> <p>As a result of the follow up engagement, we also responded to a number of email queries from shareholders.</p>	<p>The initial consultation process provided an opportunity for major shareholders to provide input into the preliminary development of the Remuneration Policy. In this engagement the majority of shareholders we engaged with were supportive of the proposals, including our largest shareholders.</p> <p>They acknowledged the approach the Committee had taken to align our remuneration with our high-performance, purpose-led culture and strategy, recognising that it was distinctive against others in the market. They welcomed the continued focus on the long-term, share-based and performance-linked reward and recognised that the ambitious targets and exceptional performance needed to deliver the top end of the J2G LTIP Award are well aligned with shareholder and other stakeholder interests. Through the consultation process, we received valuable feedback and insights from all those we spoke to, with much of this directly influencing the shape of the final proposals (for example, the J2G LTIP Award performance measures framework).</p> <p>Based on investor feedback, both prior to and since the 2022 AGM, the Committee understands the main reasons why a minority of shareholders were not able to support the Remuneration Policy. These related primarily to the potential maximum quantum under the J2G LTIP Award and actions required to deliver the maximum pay out. We recognise these concerns, set in the context of wider social sensitivities with regards to potential quantum of executive pay. However, the Committee continues to believe, as at the time of the 2022 AGM, that the introduction of the J2G LTIP Award was the right thing to do in order to provide a framework to incentivise senior leadership to deliver truly exceptional performance which would deliver significant value for the Group and all its stakeholders, at this stage of the Group's evolution.</p> <p>We will remain mindful of investor feedback and are committed to ensuring that any payments made under the J2G LTIP Award reflect the underlying performance over the period. We retain the discretion to adjust awards if they are not deemed appropriate in the circumstances.</p>
<b>Simon Pryce's remuneration package for appointment as CEO</b>	<p>On the announcement of Simon Pryce's appointment as CEO in March 2023, major shareholders were offered the opportunity to discuss both his appointment and related remuneration with the Chair of the Board.</p>	<p>This engagement process provided an opportunity to provide shareholders with the background to the appointment and to hear feedback. Details about the CEO selection process is set on page 101.</p> <p>With respect to Simon's remuneration package, we were able to explain the Committee's approach, including how the Committee considered factors such as:</p> <ul style="list-style-type: none"> <li>– his previous CEO experience and remuneration</li> <li>– his knowledge of the Group</li> <li>– the remuneration arrangements of the wider workforce</li> <li>– alignment to the Remuneration Policy</li> <li>– market data</li> <li>– shareholder best practice</li> </ul> <p>A summary of Simon's remuneration package and the underlying rationale for each component, can be found in the Chair's letter, with full details on pages 131 to 132.</p> <p>Some shareholders raised the issue of Simon's participation in the J2G LTIP Award. As described in detail on page 114, the Committee had considered this issue carefully and concluded that it was right for Simon to participate in order to ensure ongoing alignment with both the SMT and the wider workforce through the RS YAY! Award and, therefore, the Group's strategy. The Committee had ensured that the calibration of his award was in line with relevant best practice principles, such as being time pro-rated, calibrated using the same share price as the 2022 awards, subject to the same exceptionally stretching performance targets and with an extended post-vesting holding period.</p>

## Directors' Remuneration report continued

### Committee structure, meetings and responsibilities

The Committee is comprised of independent members. Upon announcement on 14 March 2023, of his appointment as CEO, Simon Pryce stepped down as Chair and a member of the Committee. Joan Wainwright was subsequently appointed as Chair. Joan has been a member of the Committee since July 2021 and therefore meets the requirements of the Code. There have been no further changes to Committee membership during the year. Details of the skills and experience of the Committee members can be found on pages 86 to 87.

The Committee held five scheduled meetings during the year, and held two additional meetings to consider the remuneration for Lindsley's departure from the Company and the remuneration package for our new CEO, Simon Pryce. Simon did not take part in any discussions in respect of the CEO selection and remuneration package. Details of attendance at meetings can be found on page 89.

The Chair of the Board, CEO, CFO, other Board members, Company Secretary and Senior Vice President Group Professional Services, Chief People Officer and Vice President, Group Reward were invited to attend Committee meetings to advise on specific items and on matters relating to the performance and remuneration of senior managers, other than in relation to their own remuneration. The Company Secretary acts as Secretary to the Committee. Meetings of the Committee generally take place shortly before Board meetings, and activities of the Committee are reported by the Chair to the Board as a separate agenda item.

The Committee Chair attends the Company's AGM and is happy to answer any questions from shareholders on matters falling within the Committee's responsibilities.

The role of the Committee is to consider the remuneration packages designed to promote the long-term success of the Company and to ensure that Executive Directors and other senior managers are compensated appropriately for their contributions to the Group's performance, taking into consideration the wider employee group. The Committee also considers the remuneration of the Chair of the Board. The Board determines the remuneration of the Non-Executive Directors. No individual is present while decisions are made regarding their own remuneration.

The Committee's chief responsibilities have not changed during the year. The Committee's Terms of Reference are reviewed formally and approved annually and are available at: [rsgroup.com](http://rsgroup.com).

### Committee evaluation

This year, the Board underwent an externally facilitated evaluation of its performance and the activities of the Committee were reviewed as part of this process. The results of this evaluation demonstrated that the Committee continued to operate effectively and in alignment with its Terms of Reference.

Further details of the evaluation process can be found in the Corporate Governance Report on pages 96 to 97.

### KEY ACTIVITIES DURING THE YEAR

<b>APR</b>	<ul style="list-style-type: none"> <li>– Received feedback from shareholders in respect of the proposed Remuneration Policy and launched a follow up round of shareholder engagement</li> </ul>
<b>MAY</b>	<ul style="list-style-type: none"> <li>– Considered 2021/22 bonus and 2019 LTIP Award outcomes</li> <li>– Reviewed shareholder feedback on 2022 Remuneration Policy</li> <li>– Reviewed performance against objectives for the prior year and set objectives for the coming year</li> <li>– Approved the Remuneration Report and Remuneration Policy to be put to shareholders at the July 2022 AGM</li> <li>– Approved enhanced Deferred Bonus Share Plan (DSBP) and 2022 LTIP rules</li> <li>– Reviewed the proposed 2022 share awards</li> <li>– Approved the structure of the J2G LTIP Award and launch of the RS YAY! Award</li> <li>– Discussed the Gender Pay Gap Report</li> </ul>
<b>JUL</b>	<ul style="list-style-type: none"> <li>– Approved the granting of the 2022 LTIP and J2G LTIP Awards</li> <li>– Reviewed the voting results from the AGM of the Remuneration Policy</li> </ul>
<b>DEC</b>	<ul style="list-style-type: none"> <li>– Approved Lindsley Ruth's remuneration and leaver treatment on stepping down from the role of CEO and departure from the Company</li> <li>– Approved the double hatting allowance for David Egan while covering the CEO role</li> <li>– Reviewed the SMT remuneration</li> <li>– Approved LTIP grants, including the RS YAY! Award, to eligible people who joined the Company in the period July to December 2022</li> <li>– Approved and recommended to the Board the Committee's Terms of Reference</li> <li>– Reviewed the performance of the remuneration advisor</li> </ul>
<b>JAN</b>	<ul style="list-style-type: none"> <li>– Conducted additional follow up shareholder engagement regarding the Remuneration Policy vote received at the 2022 AGM</li> </ul>
<b>MAR</b>	<ul style="list-style-type: none"> <li>– Reviewed shareholder consultation during the year and considered further action</li> <li>– Reviewed the initial view of the 2022/23 outcomes for the annual bonus and 2020 LTIP against the performance targets</li> <li>– Approved remuneration package for the new CEO</li> <li>– Approved pay review for the SMT</li> <li>– Approved fees for the Chair of the Board</li> <li>– Reviewed the 2022/23 Gender Pay Gap report</li> <li>– Reviewed the Committee evaluation outcome</li> </ul>

# DIRECTORS' REMUNERATION POLICY

The 2022 Remuneration Policy was approved by shareholders at the AGM held on 14 July 2022 and became effective from that date. The full Remuneration Policy as approved by shareholders is available in the Corporate Governance section of our website at: [rsgroup.com](https://www.rsgroup.com). We have set out a summary below of those parts of the Remuneration Policy which we believe shareholders will find most useful.

Details of how the Remuneration Policy has been applied during the year can be found throughout the Annual Report on Remuneration on pages 123 to 132.

## Linking our reward and business strategy

The Remuneration Policy adopted at the 2022 AGM is designed to:

- align incentive and stakeholder outcomes in support of a high-performance culture, with the opportunity for significant levels of reward for the delivery of commensurately exceptional levels of performance for our stakeholders
- ensure continued alignment with best practice guidance and to reflect our ongoing commitment to the highest standards of governance

The Remuneration Policy links directly to our KPIs and how we measure our business performance. The very stretching stakeholder outcomes that our strategy has the potential to deliver is set out in detail on pages 28 to 31.

The introduction of the J2G LTIP Award aligns our remuneration with the strategy and is designed to drive continued levels of exceptional profitable growth and strategic delivery.

- To align with best practice governance:
- Executive Director pensions are aligned to the UK wider workforce level
  - The shareholding guideline has been increased from 250% to 400% of salary
  - The post-employment shareholding guidelines under which Executive Directors will be required to retain the level of in-employment guideline for two years post cessation of employment have been enhanced
  - Strengthened malus and clawback provisions have been adopted by expanding the list of events in which the Committee can invoke the provisions to include error in assessment, serious reputational damage and corporate failure

## Summary of the 2022 Remuneration Policy and its operation in 2022/23

Element	Details	Implementation for 2022/23
<b>Salary</b>	<p>Established by considering scope and responsibilities of the role, skills and experience, scale and complexity of the Group, overall total compensation opportunity and competitive environment including consideration of appropriate market data for companies of broadly similar size, sector and international scope to RS Group plc.</p> <p>Salary increases will normally be based on the same framework which applies across the UK employee population.</p>	<p>From 1 June 2022: Lindsley Ruth, CEO – £728,341 base salary David Egan, CFO – £475,782 base salary</p> <p>Increases reflected the sustained increase in the size of the business and recommitment to appropriately market competitive levels of fixed pay, but benchmarked by reference to the FTSE 50-100.</p> <p>From 3 November 2022 to 2 April 2023, David Egan received a double hatting allowance of £200,000 per annum pro-rated, to reflect his additional responsibilities while acting as CEO.</p> <p>See page 123 for further details.</p>
<b>Pension and benefits</b>	<p>Pension allowance aligned with the prevailing rate for the majority of the wider UK employee population (currently 10.5% of base salary).</p> <p>Other benefits include a company car (or cash allowance in lieu) and medical insurance.</p> <p>Executive Directors do not normally receive total taxable benefits exceeding 10% of base salary.</p>	<p>Reflecting prioritisation of long-term performance-based pay in the mix of the package, pension provision for the Executive Directors reduced to the rate available to, and typically chosen by, the majority of the wider UK workforce (of 10.5% of base salary).</p> <p>Benefits received in line with the Remuneration Policy.</p>

## Directors' Remuneration report continued

Element	Details	Implementation for 2022/23
<b>Annual bonus</b>	<p>Maximum opportunity is 150% of base salary.</p> <p>Based on financial and strategic performance measures which the Committee considers to be aligned to the strategy and the creation of shareholder value. Such measures include revenue, profit, cash flow, NPS and ESG-related matters.</p> <p>Before any bonus may pay out, a threshold level of adjusted PBT must be achieved.</p> <p>For threshold performance, the bonus pay out will normally be nil, but in no circumstances will it exceed 10% of the maximum opportunity. For target performance, the bonus pay out will be no higher than 50% of the maximum opportunity.</p> <p>The Committee has discretion to adjust the formulaic bonus outcomes (including down to zero) to ensure alignment of pay with performance and fairness to shareholders and participants.</p> <p>One third of total bonus payment will be deferred as shares, which vest after two years.</p> <p>Dividend equivalents may be payable on shares which vest and will be delivered in the form of shares.</p> <p>Malus and clawback provisions apply.</p>	<p>The bonus for the year ended 31 March 2023 was based on:</p> <ul style="list-style-type: none"> <li>- 35% adjusted PBT</li> <li>- 35% like-for-like Group revenue growth</li> <li>- 10% adjusted free cash flow</li> <li>- 10% Group NPS</li> <li>- 10% environmental based measure of CO<sub>2</sub>e reduction (Scope 1 and 2 emissions), for the first time.</li> </ul> <p>See page 124 for further details of the specific targets, the performance delivered and bonus outcomes for the year.</p>
<b>LTIP award</b>	<p>The maximum LTIP award in respect of a financial year will be 250% of salary.</p> <p>Awards vest after a performance period of three years, subject to the satisfaction of performance measures. The performance measures for awards are determined annually and will include metrics linked to profitability, shareholder value and capital efficiency.</p> <p>A further holding period of two years will apply post vesting.</p> <p>The level of vesting for threshold performance will be no higher than 25% of maximum.</p> <p>Additionally, for the award to vest, the Committee must be satisfied that there has been a sustained improvement in the Company's underlying financial performance. The Committee has discretion to adjust the formulaic LTIP outcomes if it does not reflect appropriately the underlying performance over the period or is not appropriate in the context of circumstances that were unexpected or unforeseen when awards were made.</p> <p>Dividend equivalents may be payable on any shares vesting and will be delivered in the form of shares.</p> <p>Malus and clawback provisions apply.</p>	<p>The performance measures for awards granted in 2022 are as follows:</p> <ul style="list-style-type: none"> <li>- 50% EPS</li> <li>- 50% TSR</li> </ul> <p>A ROCE underpin of 20% applies. If the underpin is not met at the end of the performance period, the Committee retains the discretion to review the formulaic level of vesting and consider whether any reduction should be applied.</p> <p>See page 125 for details of awards granted during the year.</p>

## Directors' Remuneration report continued

Element	Details	Implementation for 2022/23
<b>J2G LTIP Award</b>	<p>The maximum J2G LTIP Award which may be granted over the life of the Policy is 750% of salary for each of the Executive Directors on a one-off basis.</p> <p>The J2G LTIP Award will vest based on the achievement of exceptionally stretching performance targets measured over a performance period of three years to 31 March 2025. A further holding period of two years will apply post vesting.</p> <p>The level of vesting for threshold performance is nil.</p> <p>Additionally, for the award to vest, the Committee must be satisfied that there has been a sustained improvement in the Company's underlying financial performance. The Committee has discretion to adjust the formulaic J2G LTIP Award outcomes if it does not appropriately reflect underlying performance over the period or is not appropriate in the context of circumstances that were unexpected or unforeseen when awards were made.</p> <p>Dividend equivalents may be payable on any shares vesting and will be delivered in the form of shares.</p> <p>Malus and clawback provisions apply.</p> <p>An Executive Director appointed during this Policy period may receive a J2G LTIP Award to align with other members of the SMT. The Committee would set any award level with due regard to the proportion of the J2G LTIP Award performance period which had elapsed at the time of appointment.</p>	<p>The following awards were granted in July 2022:</p> <ul style="list-style-type: none"> <li>– Lindsley Ruth – Award over 535,282 shares (lapsed in full as of 16 December 2022)</li> <li>– David Egan – Award over 349,668 shares (lapsed in full as of 3 May 2023)</li> <li>– Simon Pryce – Award over 355,427 shares to be granted as soon as is reasonably practicable</li> </ul> <p>The performance measures for the award are as follows:</p> <ul style="list-style-type: none"> <li>– 70% adjusted EPS</li> <li>– 30% a scorecard of KPIs directly linked to the strategy</li> </ul> <p>A ROCE underpin of 20% also applies. If the underpin is not met at the end of the performance period, the Committee retains the discretion to review the formulaic level of vesting and consider whether any reduction should be applied.</p> <p>The exceptionally stretching performance targets for the J2G LTIP Award are set out on page 126.</p>
<b>Shareholding guidelines</b>	<p>Executive Directors are expected to build up and retain a personal holding in RS Group plc shares of 400% of salary. There is an expectation that Executive Directors retain at least 50% of any vested share awards until this guideline is met.</p>	
<b>Post-employment shareholding requirement</b>	<p>Executive Directors must retain a personal holding in RS Group plc shares for a two-year period post-cessation of employment. This must be either equal to the 400% in-employment guideline or, if lower, the actual shareholding at the date of cessation of employment.</p> <p>The actual shareholding at cessation includes only shares which have vested (or are in a deferral or holding period, on a net-of-tax basis) from a share award which was granted after the effective date of the 2022 Remuneration Policy.</p>	

**Remuneration for the wider workforce**

The remuneration for the wider workforce is based on principles broadly aligned with the Remuneration Policy. Annual salary reviews across the Group consider business performance, local pay and market conditions, individual performance and salary levels for similar roles in comparable companies.

All Executive Directors and senior managers are eligible to participate in annual bonus schemes. In line with typical market practice, opportunities and performance measures vary by organisational level, geographical region and an individual's role.

Other members of the SMT are eligible to participate in the DSBP, LTIP and the J2G LTIP awards on similar terms, including share ownership requirements. Differences apply where appropriate (e.g. in the grant levels awarded). Awards made under the J2G LTIP Award and LTIP awards are subject to performance conditions and vest after three years subject to continued employment. Outside of the SMT, managers may be invited to participate in the LTIP. All our eligible employees participate in the Company's all employee share plans. This includes an all employee RS YAY! Award as set out on page 122.

It is important that our people have the opportunity to share in the success of the business that they help create. We achieved this in 2022/23 through:

- Providing all permanent, fixed term and apprentice employees the opportunity to become business owners through the award of 100 performance shares each under our RS YAY! Award, which are subject to an adjusted profit before tax compound annual growth rate (CAGR) performance measure and are due to vest in 2025

- Providing the opportunity to 87% of our employees at all levels of the organisation to participate in a bonus programme
- Providing a Save As You Earn (SAYE) plan to further help our UK employees become shareholders
- Providing a phantom SAYE plan in those countries outside the UK where it is legally possible to do so (which is cash settled for participants)

## Directors' Remuneration report continued

### Consideration of employment conditions elsewhere in the Group

The Group seeks to promote and maintain good relations with employee representative bodies – including trade unions and works councils – as part of its broader employee engagement strategy and consultation on matters affecting our people and business performance as required, in each case, by law and regulation in the jurisdictions in which the Group operates. The Committee is mindful of the pay increases, incentive outcomes and share award participation in relevant markets across the rest of the Group when considering the remuneration of the Executive Directors. Our people have the opportunity to discuss various topics including the Policy and framework via various internal forums.

### Chair and Non-Executive Director remuneration

Non-Executive Directors do not have service agreements, but instead have letters of appointment. The Chair's letter of appointment and the Non-Executive Directors' letters have a three-month notice period. All Directors are subject to re-election annually at the AGM. Neither the Chair nor the Non-Executive Directors are eligible to participate in any of the Company's bonus, share schemes or pension plans. Details of the policy on fees paid to the Company's Chair and Non-Executive Directors are set out in the table to the right.

#### Element: Fees

<b>Objective</b>	To attract and retain Non-Executive Directors of the highest calibre with broad commercial experience relevant to the Group.
<b>Operation</b>	<p>The fees paid to Non-Executive Directors are determined by the Board of Directors as a whole and the fee paid to the Chair is determined by the Committee.</p> <p>Non-Executive Directors and the Chair receive a single base fee. Additional fees may be payable for additional Board duties, such as acting as Chair of the Audit, Nomination and Remuneration Committees, and to the Senior Independent Director (SID).</p> <p>Fee levels are normally reviewed annually, with any adjustments made typically effective from 1 April. Fees are reviewed by taking into account best practice and appropriate market data including fee levels at other companies of broadly similar size, sector and international scope to RS Group plc. Time commitment and responsibility are also considered when reviewing fees.</p> <p>The Chair and the Non-Executive Directors may be provided with accommodation and travel expenses to carry out their duties. This may include the settlement by the Company of any associated tax liabilities in relation to these expenses. Other benefits arising from the performance of duties may be provided.</p>
<b>Opportunity</b>	<p>Aggregate ordinary fees for Directors are limited to £1.2 million by the Company's Articles of Association.</p> <p>The fees paid to Non-Executive Directors in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration on page 123.</p>
<b>Performance measures</b>	Not applicable.

### Compliance with Provision 40 and 41 of the UK Corporate Governance Code

The Committee considers that the executive remuneration framework appropriately addresses the following factors under Provision 40 of the Code.

As well as a focus on Executive Director remuneration, the Committee has oversight of the remuneration policies of the Group to ensure alignment with the business strategy and values. We value the contribution our people make to the success of the Group and charge management with the responsibility for ensuring a sustainable approach to the remuneration of our people.

It is important to the Committee that all our people are paid at a fair level reflecting the skills they bring. We use benchmarking information to ensure we pay competitively to attract and retain talent.

We engage regularly with employees on remuneration in general via various forums including the employee engagement survey and round tables with Executive Directors and Non-Executive Directors. Over the past year we have engaged directly with our employees on the introduction of the all employee RS YAY! Award and the transition of the UK defined contribution pension plan to a mastertrust. Also the Company has a regular communication cadence to highlight the range of benefits available, including our medical, wellbeing, employee discounts and fleet offerings. Additionally, the Company hosted a series of events to build financial awareness on topics ranging from an overview of UK capital gains tax to managing the cost of housing in the current high inflation climate.



## Directors' Remuneration report continued

## Factors under Provision 40

## Clarity

We provide open and transparent disclosures of our Executive Directors' remuneration arrangements including undertaking engagement with key shareholders when considering changes to our Remuneration Policy.

## Simplicity

We aim to ensure that remuneration arrangements for our Executive Directors and the wider workforce are as simple as possible to drive understanding and engagement and we take time to engage with participants and shareholders.

## Predictability

The Remuneration Policy contains details of maximum opportunity levels for each component of pay, with actual incentive outcomes varying depending on the level of performance achieved against specific measures.

## Proportionality, risk and alignment to culture

The metrics used to measure performance for annual bonus and LTIP awards drive behaviours that are consistent with the business strategy and values of the Group.

The annual bonus and LTIP award structures do not encourage inappropriate risk taking. They are subject to the achievement of stretching performance targets and the Committee has the ability to apply discretion to the formulaic outcomes.

Malus and clawback provisions also apply for both the annual bonus and LTIP award. Annual bonus deferral, LTIP award holding periods and our shareholding guidelines provide a clear link to the ongoing performance of the business and are therefore aligned with shareholder interests.

With regard to Provision 41, the Remuneration Policy operated as intended in terms of Company performance and quantum.

## REMUNERATION IN ACTION:

# THE RS YAY!

The RS YAY! Award is an all employee share award that gives our people the opportunity to share in the long-term success of the Company through receiving up to 100 performance shares in the Group, if the adjusted profit before tax CAGR performance target is met over a three-year period to March 2025.

This award of shares to all our eligible employees is our way of recognising the value of our people and what they do. In return they will feel a deeper connection to what we all need to achieve to help us become that purpose-led organisation. This is the RS YAY!



For the first time, all of our people have the opportunity to become shareholders in our business.”

# THE RS YAY!



# ANNUAL REPORT ON REMUNERATION

This part of the remuneration report has been prepared in accordance with Part 3 of the revised Schedule 8 set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and Listing Rule 9.8.6R. The Annual Report on Remuneration will be put to an advisory shareholder vote at the forthcoming AGM.

## Implementation of Chair and Non-Executive Directors 2022 Remuneration Policy for the year ended 31 March 2023

### Single figure for total remuneration for Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 March 2023 and the prior year:

	Total fees		Taxable expenses	
	2023	2022	2023	2022
Rona Fairhead	<b>£366,800</b>	£350,000	<b>£5,213</b>	£3,821
Alex Baldock <sup>1</sup>	<b>£64,662</b>	£35,992	<b>£1,756</b>	£111
Louisa Burdett	<b>£79,662</b>	£76,700	<b>£2,089</b>	£14
Navneet Kapoor <sup>2</sup>	<b>£53,885</b>	–	<b>£1,275</b>	–
Bessie Lee	<b>£69,662</b>	£65,867	<b>£5,437</b>	£16,671
Simon Pryce <sup>3</sup>	<b>£78,854</b>	£76,700	<b>£1,822</b>	£27
David Sleath	<b>£79,662</b>	£76,700	<b>£1,550</b>	–
Joan Wainwright <sup>4</sup>	<b>£70,470</b>	£65,867	<b>£13,885</b>	£28,993

- Alex Baldock was appointed to the Board on 1 September 2021.
- Navneet Kapoor was appointed to the Board on 1 June 2022.
- Simon Pryce stepped down as a member and Chair of the Remuneration Committee on 14 March 2023, following confirmation of his appointment to CEO of the Group from 3 April 2023.
- Joan Wainwright was appointed Chair of the Remuneration Committee on 14 March 2023.

The Non-Executive Directors received base fees of £64,662 per annum. Fees were paid on a pro rata basis reflecting length of time in the role. Additional fees of £15,000 per annum are paid in respect of the SID role and to the Chairs of the Audit and Remuneration Committees. The Chair of the Nomination Committee role is conducted by Rona Fairhead, Chair of the Board. Rona does not receive an additional fee for chairing the Nomination Committee. Bessie Lee and Joan Wainwright each received an additional fee of £5,000 per annum for their role as the Board's representatives on employee engagement.

## Implementation of Executive Director 2022 Remuneration Policy for the year ended 31 March 2023

### Single figure for total remuneration for Executive Directors (audited)

The following table provides a single figure for total remuneration of the Executive Directors for the year ended 31 March 2023 and the prior year. The value of the annual bonus includes the element of bonus deferred under the DSBP, where relevant.

	Lindsley Ruth		David Egan	
	2023 <sup>1</sup>	2022	2023	2022
Base salary	<b>£506,864</b>	£663,920	<b>£469,235</b>	£433,699
Double hatting allowance <sup>2</sup>	–	–	<b>£82,051</b>	–
Taxable benefits <sup>3</sup>	<b>£12,611</b>	£17,667	<b>£15,970</b>	£16,161
Pension benefit <sup>4</sup>	<b>£70,678</b>	£119,506	<b>£60,673</b>	£78,066
Total fixed	<b>£590,153</b>	£801,093	<b>£627,929</b>	£527,926
Annual bonus <sup>5</sup>	<b>£327,893</b>	£801,844	<b>£300,694</b>	£523,796
LTIP <sup>6,7</sup>	<b>£895,303</b>	£1,232,662	<b>£646,873</b>	£676,379
SAYE award discount <sup>8</sup>	–	–	–	£7,474
Total variable	<b>£1,223,196</b>	£2,034,506	<b>£947,567</b>	£1,207,649
Total	<b>£1,813,349</b>	£2,835,599	<b>£1,575,496</b>	£1,735,575

- The total remuneration for Lindsley Ruth in 2022/23 details his actual earnings up to 16 December 2022, when he stepped down as CEO and Director of the Board.
- David Egan was paid a double hatting allowance of £200,000 per annum, pro rata for the period 3 November 2022 to 2 April 2023 for acting in the role of CEO. The allowance earned during 2022/23 has been included in the above table.
- Taxable benefits consist of medical insurance, car allowance and personal fuel allowance.
- Each of the Executive Directors received the amounts shown above as a cash supplement in lieu of pension. The pension allowance was reduced from 18% to 10.5% of base salary from 14 July 2022 and the actual amount received included above. The figures above include an overpayment to Lindsley of £2,521 and David of £1,647, which will be recovered in full from their June 2023 payroll. No Executive Director has prospective benefits under a defined benefit pension relating to qualifying service.
- Annual bonus shows the full value of the annual bonus in respect of each year. The bonus is subject to service conditions set out in the Remuneration Policy, which is available in the Corporate Governance section of our website at [rsgroup.com](https://www.rsgroup.com). For 2022/23, the formulaic outcome of the bonus was 63.2% of maximum, no discretion was applied. For 2022/23, Lindsley's bonus payment was time pro-rated to 16 December 2022 to reflect the period worked in the year. Both Lindsley and David's bonuses will be delivered without the share deferral element. For 2021/22 Lindsley and David received this value as one third shares and two thirds cash. Further detail can be found on page 124 for 2022/23 and page 125 for 2021/22.
- The LTIP award value for 2022/23 shows the value of LTIP awards made on 19 November 2020. The plan will vest at 50% of maximum and has been time pro-rated to 16 December 2022 for Lindsley Ruth, to reflect the proportion of the performance period he held the role of CEO. The value on vesting of the LTIP award has been calculated using the share price of 948.83p, being the average Middle Market Quota (MMQ) share price over the three months to 31 March 2023 and will be updated in the 2023/24 Annual Remuneration Report based on the actual share price on the date of vesting. The figure includes a dividend equivalent payment of £56,822 for Lindsley and £41,055 for David in respect of the shares vesting which will be delivered in the form of shares. £169,193 of the total value for Lindsley and £122,245 of the total value for David is in respect of the share price growth and dividends over the period since grant, based on the assumed share price of 948.83p. Based on the increase in the share price from the date of grant to that used in the valuation above, the increase in the share price for each share vesting was 127.16p. The proportion of the value disclosed in the single figure attributable to share price appreciation is £112,371 for Lindsley Ruth and £81,190 for David Egan. The Committee did not exercise any discretion in respect of the share price appreciation. Further detail can be found on page 124.
- The LTIP award value for 2021/22 shows the value of the awards which vested on 18 July 2022. The value of the 2019 LTIP Award has been restated based on the share price on the date of vesting of 939.35p. The figure includes dividend equivalent payments of £66,168 to Lindsley and £36,296 to David in respect of the shares vesting. £493,785 of the total value for Lindsley and £270,940 of the total value for David is in respect of the share price growth and dividends over the period between grant and vesting.
- The SAYE Award discount for 2021/22 is the difference between grant date value per share and the exercise price of 824.00p.

## Directors' Remuneration report continued

**Incentive outcomes for the year ended 31 March 2023 (audited)****Annual bonus in respect of performance for the year ended 31 March 2023**

The performance measures, target ranges and performance against each of the measures for the 2022/23 annual bonus are outlined in the table below. Targeted performance was calibrated to deliver a bonus of 75% of salary for the Executive Directors (50% of the maximum opportunity), with bonus payments worth up to 150% of salary for achieving stretch performance targets.

Based on the Group's performance in 2022/23, a bonus outcome of 63.2% of maximum bonus was achieved. In line with good practice and the terms of our 2022 Remuneration Policy, the Committee considered the formulaic bonus outcome in the context of business performance for the year in its broadest sense. This review considered the resilience of delivery given the impact of ongoing external challenges, as well as the overall experience of all the Group's stakeholders and the intended purpose of the award. No discretion has been applied to the Executive Director bonuses. The Committee considered this to be appropriate. Further background on financial performance for the year ended 31 March 2023 is provided in the Strategic Report.

Full details of the target ranges and performance against each of the measures, are as follows:

Measure and weighting	Performance level	Payout (% of max bonus)	Target	Actual performance	Earned bonus (% of max)
Adjusted PBT (35% weighting)	Threshold	0.0%	£361.6m	£390.7m	28.2%
	Target	17.5%	£381.6m		
	Maximum	35.0%	£396.6m		
Like-for-like Group revenue growth (35% weighting)	Threshold	0.0%	8.2%	10.1%	11.0%
	Target	17.5%	11.2%		
	Maximum	35.0%	13.2%		
Adjusted free cash flow (10% weighting)	Threshold	0.0%	£166.6m	£263.6m	10.0%
	Target	5.0%	£186.6m		
	Maximum	10.0%	£196.6m		
Group NPS (10% weighting)	Threshold	0.0%	49.0	50.2	4.0%
	Target	5.0%	50.5		
	Maximum	10.0%	52.0		
CO <sub>2</sub> e reduction (Scope 1 and 2 emissions) (10% weighting)	Threshold	0.0%	6.0%	21.0%	10.0%
	Target	5.0%	8.0%		
	Maximum	10.0%	16.0%		
<b>Total</b>					<b>63.2%</b>

The final bonus outcome of 63.2% of maximum will result in a payment for Lindsley Ruth of £327,893, reflecting that his bonus was time pro-rated to 16 December 2022 and will be paid without the share deferral element. For David Egan a payment of £300,694 will be paid without the share deferral element.

**2020 LTIP Awards vesting**

A grant of shares was made under the LTIP rules in November 2020 to Lindsley Ruth over 195,486 shares, the maximum number of shares capable of vesting is 176,740 as a result of being time pro-rated to 16 December 2022. David Egan was granted an award over 127,699 shares. Due to COVID-19 the grant of the 2020 LTIP Award was delayed from June 2020 to November 2020 to mitigate the risk of unexpected windfall gains following the decline of the share price at that time. Ultimately, this resulted in the LTIP awards being granted in November 2020 at a higher share price compared to if the awards had been granted in June 2020. The performance measures, target ranges and performance against each of the measures over the three years ended 31 March 2023 are summarised in the table below:

Measure	Weight	Threshold (25% of max)	Maximum (100% of max)	Performance achieved	Vesting (% of maximum)
Adjusted EPS (cumulative 2020/21, 2021/22, 2022/23) <sup>1</sup>	50%	105.0p	130.0p	146.2p	50.0%
TSR (vs industrial / electronic peer group) <sup>1,2</sup>	50%	Median	Upper quartile	11 of 17	0%
ROCE (average over 2020/21, 2021/22, 2022/23)	Underpin 20%			26.3%	
<b>Total 2020 LTIP Award vesting</b>					<b>50.0%</b>

1. Straight-line vesting between measurement points. Vested awards will be subject to a two-year holding period post vesting.
2. TSR peer group comprises ABB, Arrow Electronics, Avnet, Bunzl, Datwyler, Essentra, Fastenal, Ferguson, MSC Industrial Direct, Rexel, Rockwell, Schneider, Siemens, TE Connectivity, WESCO International and WW Grainger.

Following the end of the performance period, the Committee considered the level of vesting in the context of the value creation for shareholders, the underlying financial performance of the Company over the performance period, the intended purpose of the award and considered whether any discretion should be applied. The Committee considered the level of vesting to be appropriate and no discretion was applied.

**Payments to past Directors (audited)**

There were no payments to past Directors during the year.

## Directors' Remuneration report continued

## Payments for loss of office (audited)

Lindsley Ruth	Outcome
<b>Base salary</b>	In line with his service contract, Lindsley will receive his base salary for the duration of his 12-months' notice period, which commenced on 16 December 2022. Full details on the payment in the year ending 31 March 2023 are set out on page 123.
<b>2020, 2021 and 2022 LTIP Awards</b>	Consistent with best practice, the LTIP awards will vest subject to the satisfaction of the performance conditions assessed over the normal three-year performance period and will be time pro-rated to 16 December 2022. These awards remain subject to a two-year post vesting holding period and recovery provisions (malus and clawback) after he leaves the Company.
<b>J2G LTIP Award</b>	The J2G LTIP Award granted in July 2022 has lapsed in full.
<b>2021 and 2022 DSBP</b>	The shares granted were taxed as of 16 December 2022 to comply with the short-term deferral exemption from section 409A of the US Internal Revenue Service. Shares were sold to settle tax liabilities, with the balance of shares being retained in a nominee account until the normal vesting date.
<b>2023 Annual bonus</b>	An annual bonus in respect of 2022/23, time pro-rated to 16 December 2022, will be paid, subject to the achievement of performance targets. The deferred element of the award will not be granted. No further bonuses will be paid to Lindsley.
<b>Other payments</b>	<ul style="list-style-type: none"> <li>– £30,000 was made in support of his relocation from the UK to the US</li> <li>– Up to £50,000 for the option of outplacement support</li> <li>– Up to £10,000 tax advice contribution (in connection with termination of employment) and up to £10,000 per annum for each year in which there is trailing employment income</li> <li>– Up to £10,000 for legal fees</li> <li>– Benefits which include UK and US medical cover, pension allowance and car and fuel allowances will continue until 15 December 2023</li> </ul>
David Egan	Outcome
<b>Base salary</b>	David will be on gardening leave for the first six months of his notice period. Thereafter he will be paid in lieu of notice for the final six months of his notice period ending on 2 May 2024. During both periods he will receive his base salary on a monthly basis. Full details on the payment in the year ending 31 March 2023 are set out on page 123.
<b>2020 LTIP Award</b>	Consistent with best practice, the LTIP awards will vest subject to the satisfaction of the performance conditions assessed over the normal three-year performance period. These awards remain subject to a two-year post vesting holding period and recovery provisions (malus and clawback) after he leaves the Company.
<b>2021 and 2022 LTIP Awards</b>	The 2021 and 2022 LTIP Awards granted June 2021 and July 2022 have lapsed in full.
<b>J2G LTIP Award</b>	The J2G LTIP Award granted in July 2022 has lapsed in full.
<b>2021 and 2022 DSBP</b>	The DSBP awards due to vest in June 2023 and 2024 will vest in full. The shares from the 2022 award will be taxed at David's termination date, 3 November 2023, but the after-tax shares will not be released until the normal vesting date. The shares from the 2021 award will vest and be taxed at the normal vesting date. All DSBP shares are subject to clawback, which remains in force after he leaves the Company.
<b>2023 Annual bonus</b>	An annual bonus in respect of 2022/23 will be paid, subject to the achievement of performance targets. The deferred element of the award will not be granted. No further bonuses will be paid to David.
<b>Other payments</b>	<ul style="list-style-type: none"> <li>– Up to £50,000 for optional outplacement support and other professional support</li> <li>– Up to £10,000 for legal fees in connection with the termination of his employment</li> <li>– Benefits which include medical cover, pension allowance and car and fuel allowances will continue until 3 November 2023.</li> </ul>

## Scheme interests awarded during the year ended 31 March 2023 (audited)

## DSBP

During the year under review the following DSBP awards were granted to Executive Directors, relating to annual bonus earned for performance over the year ended 31 March 2022. The shares have a two-year vesting period and are subject to two years' continuous employment.

	Lindsley Ruth	David Egan
Basis of award	One third of earned bonus	One third of earned bonus
Number of deferred shares awarded	27,721	18,108
Award date face value (964.17p per share) <sup>1</sup>	£267,278	£174,592
Performance conditions	None	None

- The awards were made using the average of the share prices for the three dealing days immediately preceding 21 July 2022, the date the deferred shares were awarded. The shares will be delivered in the form of restricted shares to be held for a period of two years.

The treatment of both Lindsley and David's 2021 and 2022 deferred bonus awards are summarised to the left.

## 2022 LTIP Award

During the year under review the following LTIP Awards were granted to the Executive Directors:

	Lindsley Ruth	David Egan
Basis of award (% of base salary)	250%	250%
Number of performance shares awarded <sup>1</sup>	188,851	123,365
Award date face value (964.17p per share) <sup>2</sup>	£1,820,845	£1,189,448
Performance period	1 April 2022 – 31 March 2025	
Threshold vesting outcome	25%	
Post-vesting holding period	Two years	

- Lindsley Ruth's unvested 2022 LTIP Award was time pro-rated to 16 December 2022 and, therefore, the maximum number of shares capable of vesting is 44,800. David Egan's 2022 LTIP Award lapsed in full on 3 May 2023.
- The awards were made using the average of the share prices for the three dealing days immediately preceding 21 July 2022, the date performance shares were awarded. The shares were awarded as performance shares, the performance conditions are detailed below.

The performance conditions are as follows:

Measure	LTIP targets		
	Weight	Threshold (25% of max)	Maximum (100% of max)
Adjusted EPS CAGR (three-year CAGR of the 2024/25 adjusted EPS compared with the 2021/22 adjusted EPS)	50%	7%	15%
TSR (vs industrial / electronic peer group) <sup>1,2</sup>	50%	Median	Upper quartile
ROCE (average of 2022/23, 2023/24, 2024/25)	Underpin at 20% If the underpin is not met, the Committee will review the formulaic level of vesting and consider whether it would be appropriate to use its discretion to reduce the level of vesting.		

- Straight-line vesting between measurement points.
- TSR peer group is detailed on page 124.

## Directors' Remuneration report continued

### J2G LTIP Award

During the year under review the following one-off J2G LTIP Awards were granted to both Executive Directors:

	Lindsley Ruth	David Egan
Basis of award (% of base salary)	750%	750%
Number of performance shares awarded	535,282	349,668
Award date face value (1,020.50p per share) <sup>1</sup>	£5,462,553	£3,568,362
Performance period	1 April 2022 – 31 March 2025	
Threshold vesting outcome	0%	
Post-vesting holding period	Two years	

1. The awards were made using the average of the MMQ share prices for the dealing in the period 9 to 29 March 2022 (1,020.50p). The shares were awarded as performance shares, the performance conditions are detailed below.

Both Lindsley's and David's awards lapsed in full on 16 December 2022 and 3 May 2023 respectively.

As set out in last year's Annual Report on Remuneration, the performance targets were set at exceptional levels of stretch. The EPS target range is set such that the threshold level of vesting (at which nil vests) requires growth in excess of the top end of the base 2022 LTIP Award range. Maximum vesting of the EPS target would equate broadly to a 2024/25 adjusted EPS of above 90p, and assuming no change to multiples, would translate into shareholder value creation of around £3 billion, of which the total J2G LTIP Award cost would be c. 1%. The quantum of the awards reflects the potential value creation that could be delivered to the business and all its stakeholders.

The performance conditions are as follows:

Measure	Weight	Threshold (0% of max)	Maximum (100% of max)
Adjusted EPS CAGR (three-year CAGR of the 2024/25 adjusted EPS compared with the 2021/22 adjusted EPS)	70%	15%	21%
Key long term performance indicators (KPIs) scorecard (see to the right)	30%		
ROCE (average of 2022/23, 2023/24, 2024/25)		Underpin at 20%	
		If the underpin is not met, the Committee will review the formulaic level of vesting and consider whether it would be appropriate to use its discretion to reduce the level of vesting.	

The scorecard comprises the specific KPIs which will reflect execution of the strategy in each area best, with specific focus on cultural transformation, operational and growth acceleration (with financials already reflected in the EPS component). The scorecard measures each have a stretching target range, which have been calibrated robustly to represent upper quartile levels of performance for threshold and upper decile for maximum payment. The scorecard measures and weighting are:

	Weighting	Measure	Threshold	Maximum
<b>Cultural transformation</b>	7.5%	<b>Employee engagement score</b> To be measured based on the 2024/25 Group employee engagement survey outcome.	Upper quartile	Upper decile
<b>Operational efficiency</b>	7.5%	<b>On Time To Promise (OTTP)</b> Available product delivered when expected in a cost effective and efficient manner. Performance to be measured over the three-month period ending 31 March 2025.	95%	98%
<b>Growth accelerators</b>	5.0%	<b>Web revenue</b> Increased web traffic, increasing average order value and increasing average order frequency. Performance to be measured on web revenue CAGR over the three-year period ending 31 March 2025.	12.0%	14.5%
	5.0%	<b>Service solutions revenue</b> To be more solutions led, solve customers' challenges, drive value to stakeholders and drive greater customer loyalty and pull through products. Performance to be measured on service solutions revenue CAGR over the three-year period ending 31 March 2025.	12.5%	15.5%
	5.0%	<b>New product introduction (NPI) revenue</b> A wider product range, driven by data insights to ensure it is relevant, increases customer loyalty and helps the Group become their first choice. It also represents deeper supplier relationships. A product is included as an NPI for 12 months from its introduction into the Group's product range. Once it has been in the Group's product range for a year its future revenue is not included in NPI revenue. Performance to be measured on NPI revenue CAGR over the three-year period ending 31 March 2025.	14.5%	26.0%

## Directors' Remuneration report continued

**SAYE**

During the year under review, no SAYE Awards were granted to Executive Directors.

**Total pension entitlements (audited)**

The pension rate for Executive Directors is 10.5%, which aligns with the prevailing rate for the majority of the wider UK employee population, having been reduced from 18% with effect from 14 July 2022. Executive Directors have no prospective entitlement to a defined benefit pension by reason of qualifying service.

**External appointments**

Lindsley Ruth was appointed non-executive director of Ashtead Group plc on 1 May 2019.

**Percentage change in remuneration of the Directors and employees as 31 March 2023**

The table below shows the percentage change in the annual cash remuneration of the Directors (comprising base salary / fees, the value of taxable benefits and earned annual bonus), as disclosed in the single figure for total remuneration (tables on page 123) from the prior year compared with the average percentage change for all UK employees of the Group. This group consists of UK based SMT and employees. If the Directors did not serve a full year their base salary / fee is annualised. This table will be built up over time to show the required five year history.

The upward change in bonus reflects the strong performance of 2022/23 bonus plans across the Group and increased employee participation levels. Benefits provided for broader employees include medical insurance and for some employees vehicle or vehicle allowance. The increase in benefits for broader employees is explained by high levels of medical inflation impacting the cost of our plans, an increase to vehicle allowances, and people changing vehicle selection and medical coverage levels or opting into of the medical plan. Additionally, the RS Safety Solutions employees benefit options increased in the year to align with options for other UK employees.

	Base salary / fees			Taxable benefits			Annual bonus		
	Change 2022/23	Change 2021/22	Change 2020/21	Change 2022/23	Change 2021/22	Change 2020/21	Change 2022/23	Change 2021/22	Change 2020/21
Lindsley Ruth <sup>1</sup>	<b>8.2%</b>	3.2%	0%	<b>0.6%</b>	0.1%	0%	<b>(42.6)%</b>	3.0%	272.9%
David Egan <sup>2</sup>	<b>8.2%</b>	3.2%	0%	<b>(1.2)%</b>	0.1%	0%	<b>(42.6)%</b>	3.0%	272.9%
Rona Fairhead <sup>3</sup>	<b>4.8%</b>	223.1%	N/A	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A
Alex Baldock <sup>4</sup>	<b>4.8%</b>	N/A	N/A	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A
Louisa Burdett	<b>3.9%</b>	9.6%	0%	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A
Bessie Lee <sup>5</sup>	<b>5.8%</b>	9.8%	0%	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A
Navneet Kapoor <sup>6</sup>	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A
Simon Pryce <sup>7</sup>	<b>2.8%</b>	9.6%	0%	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A
David Sleath <sup>8</sup>	<b>3.9%</b>	(2.1)%	0%	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A
Joan Wainwright <sup>9</sup>	<b>7.0%</b>	9.8%	0%	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A
UK based SMT and employee population	<b>8.1%</b>	1.92%	1.3%	<b>5.6%</b>	(6.41)%	(1.5)%	<b>20.3%</b>	17.7%	114.5%

1. Lindsley Ruth stepped down from the Board on 16 December 2022. Lindsley's bonus will be delivered without the share deferral element. Further detail can be found on page 125. The change between 2021/22 and 2022/23 has been calculated on an annualised basis.

2. David Egan was paid a double hatting allowance of £200,000 pro-rated for the period 3 November 2022 to 2 April 2023 as compensation for covering the CEO role, which is excluded from the above table. David's bonus will be delivered without the share deferral element. Further detail can be found on page 125.

3. Rona Fairhead was appointed to the Board on 1 November 2020 as Non-Executive Director and received the Non-Executive Director base fee until she became Chair of the Board and Nomination Committee on 1 February 2021, at which point her fee was increased to the Chair's fee at that time of £350,000.

4. Alex Baldock was appointed to the Board on 1 September 2021.

5. Bessie Lee was appointed as Board employee engagement representative on 1 June 2021.

6. Navneet Kapoor was appointed to the Board on 1 June 2022.

7. Simon Pryce stepped down as Chair of the Remuneration Committee on 14 March 2023, following confirmation of his appointment as CEO of the Group effective 3 April 2023.

8. David Sleath stepped down as Chair of the Nomination Committee on 31 January 2021.

9. Joan Wainwright was appointed as Board employee engagement representative on 1 June 2021 and Chair of the Remuneration Committee on 14 March 2023.

## Directors' Remuneration report continued

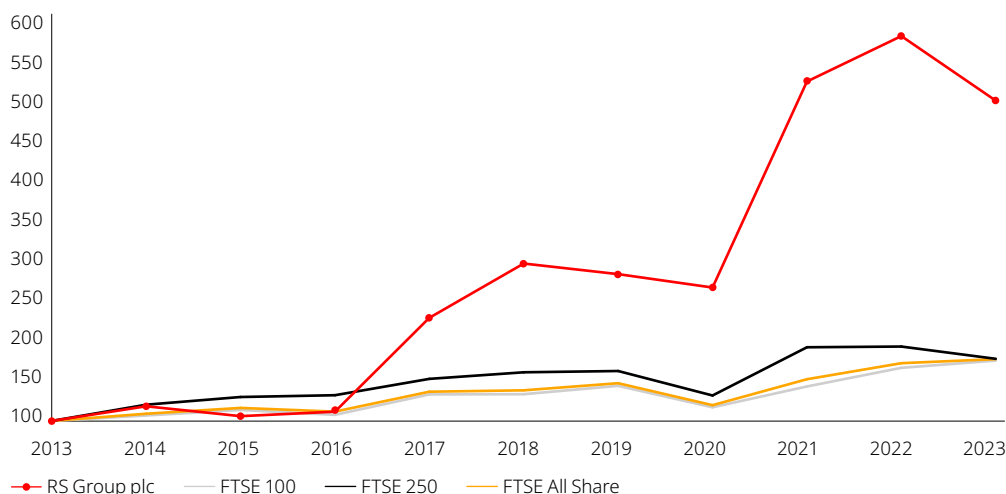
## Performance graph and table

The following graph shows the 10-year TSR performance of the Company relative to the FTSE 250, FTSE 100 and All Share Indices. The FTSE All Share, FTSE 100 and FTSE 250 are broad equity market indices of which RS Group plc has been a member in this period.

The table below details the CEO's single figure of remuneration for the same period.

## Total shareholder return

(value of £100 invested on 31 March 2013).



Source: Datastream

	Year ended 31 March 2014	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2018	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2021	Year ended 31 March 2022	Year ended 31 March 2023	
	Jan Mason	Jan Mason	Lindsay Ruth	Lindsay Ruth	Lindsay Ruth	Lindsay Ruth	Lindsay Ruth	Lindsay Ruth	Lindsay Ruth	Lindsay Ruth <sup>2</sup>	David Egan <sup>3</sup>
CEO total remuneration	1,287	891	2,072	1,401	4,410	4,421	2,551	2,578	2,976	1,813	487
Annual bonus award (as a % of maximum opportunity)	89.1%	16.9%	23.8%	82.5%	90.1%	68.0%	21.7%	80.8%	80.0%	63.2%	63.2%
LTIP award vesting (as a % of maximum opportunity)	0%	0%	N/A <sup>1</sup>	N/A <sup>1</sup>	100%	100%	91.3%	74.7%	46.0%	50.0%	50.0%

1. Lindsay Ruth joined the Company in 2015 and therefore did not receive any vested LTIP Awards in 2016 and 2017.

2. Lindsay Ruth's remuneration for the year ended 31 March 2023 is pro-rated to reflect that he stepped down from the role of CEO on 16 December 2022.

3. David Egan's remuneration for the year ended 31 March 2023 has been adjusted to reflect the period he acted as CEO (17 December 2022 to 31 March 2023).

## CEO Pay Ratio reporting

Year	Method	25th percentile pay ratio			Median pay ratio			75th percentile pay ratio		
		Salary	Total pay & benefits	Ratio	Salary	Total pay & benefits	Ratio	Salary	Total pay & benefits	Ratio
2023 <sup>1</sup>	A	£22,442	£25,349	104:1	£27,422	£32,845	80:1	£44,000	£55,134	48:1
2022	A	£21,048	£22,552	115:1	£25,000	£27,770	93:1	£40,137	£46,333	56:1
2021	A	£20,277	£25,813	99:1	£24,000	£31,404	88:1	£37,664	£51,858	49:1
2020	A	£18,050	£20,427	207:1	£22,000	£25,424	166:1	£33,721	£40,300	105:1

1. UK-based employee data was taken from 31 March 2023. CEO data was taken as at 31 March 2023; annual incentive and LTIP reflect the figures detailed for 2022 in the single figure for total remuneration table on page 123.

The Company adopted Method A in the regulations to calculate the pay ratios because this is considered to be the most statistically robust methodology. Under Method A the total pay and benefits has been calculated on a full-time equivalent basis to identify the 25th percentile, median and 75th percentile people. No elements of pay have been omitted from the calculation and there has been no deviation from the single figure methodology.

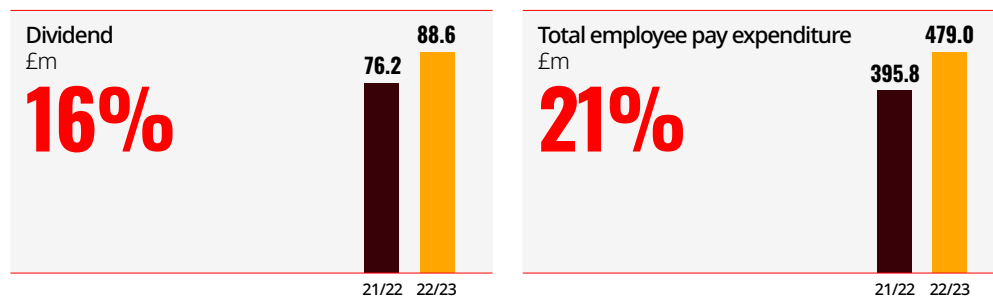
As a result of Lindsay Ruth stepping down from the role of CEO on 16 December 2022, the CEO pay ratio was calculated using his earnings to this date, and those of David Egan while acting as CEO for the balance of the year, including his double hatting allowance. This has resulted in a reduction to the ratios as result of David's remuneration being substantially below that of Lindsay's. Had Lindsay held the CEO position for the full year we would have expected the ratios to have been consistent with 2022.

In line with the Company's reward practices, the median pay ratio employee receives a base salary at market rates for their role and is eligible for the full range of benefits available to their peers of the same level within the organisation.

## Directors' Remuneration report continued

### Relative importance of spend on pay

The graphs below show total dividend paid by the Company to shareholders and expenditure on total employee pay for the year and the prior year, and the percentage change year on year.



The total employee pay expenditure figures above include labour exit costs set out in Note 7 on page 157.

### Director shareholdings (audited)

The interests of the Directors and their connected persons in the Company's ordinary shares are shown below, together with total share awards and share options and information on whether the Executive Directors had met their shareholding requirements on 31 March 2023. For 2022/23, Executive Directors were expected to build up a personal holding of 400% of salary in RS Group plc shares.

	Owned outright <sup>1</sup>	Shareholding guideline % base salary	Current holding % salary <sup>1</sup>	Guideline met?	Share awards held		Options held
					LTIP unvested, subject to performance (A) <sup>2</sup>	DSBP unvested, not subject to performance (B) <sup>3</sup>	SAYE unvested but not subject to performance (C)
Lindsley Ruth	1,062,828	400%	1,385%	Yes	316,171	–	5,235
David Egan	418,282	400%	834%	Yes	709,134	34,565	3,640
Alex Baldock	2,239						
Louisa Burdett	–						
Rona Fairhead	49,976						
Navneet Kapoor	–						
Bessie Lee	–						
Simon Pryce	54,000						
David Sleath	10,590						
Joan Wainwright	–						

- The number of shares and current holding percentage of salary is shown as at 16 December 2022 for Lindsley Ruth and 31 March 2023 for David Egan.
- Including J2G LTIP Award, where applicable. As set out on page 125, on stepping down from the Board Lindsley Ruth's unvested LTIP awards were time pro-rated to 16 December 2022 and his J2G LTIP Award lapsed in full and the number shown is the time pro-rated maximum number of share awards capable of vesting.
- In light of Lindsley Ruth stepping down as CEO, his 2021 and 2022 DSBP shares vested on 16 December 2022. Shares were sold to settle tax liabilities and the balance of shares are to be retained until the normal vesting date.

The value of the shares used to calculate whether the shareholding guideline is met is 948.83p, being the average MMQ share price over the three months ended 31 March 2023. Between the year end and the date of this Annual Report and Accounts, there has been no movement in current Directors' shareholdings. Details of the scheme interests contained in columns A–C are provided in the table to the left.

### Post-employment shareholdings

For Lindsley, the two-year holding period continues to apply to the 2018 LTIP Award which vested in June 2021 and the 2019 LTIP Award which vested in July 2022. In addition to the LTIP holding periods and the DSBP deferral periods set out on the page 125, the 2022 DSBP shares retained cannot be sold until 15 December 2025.

For David, the two-year holding period continues to apply to the 2018 LTIP Award which vested in June 2021 and the 2019 LTIP Award which vested in July 2022. In addition the LTIP holding periods and DSBP deferral periods set out on page 125 continue to apply.

### Advisors

Deloitte was appointed by the Committee following a tender process and has provided independent advice to it since 2015. Deloitte is a founding member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consultancy in the UK (details of which can be found at [www.remunerationconsultantsgroup.com](http://www.remunerationconsultantsgroup.com)). There is no connection between Deloitte, the Company or its Directors.

During the year Deloitte provided advice in several areas, including:

- Independent advice to support the Committee in setting performance targets
- Support in drafting the Directors' Remuneration Reports for the years ended 31 March 2022 and 2023
- Updates to the Committee on regulatory changes and the investor environment

Deloitte provides advice to the Company regarding globally mobile employees but the Committee does not consider that this jeopardises the independence of Deloitte, which operates in line with the Code of Conduct described above. Deloitte's fees for the provision of executive remuneration consultancy services to the Committee during the year, charged on a time and materials basis, totalled £63,700.

### Executive Directors' service contracts

Lindsley Ruth entered a service contract with the Company on 1 April 2015; as explained on page 114, he stepped down from his role as CEO on 16 December 2022 and his contract will terminate on 15 December 2023. Lindsley will remain on gardening leave for the remaining duration of his contract.

David Egan entered a service contract with the Company on 1 March 2016; as explained on page 114, he resigned from his role as CFO on 3 May 2023 and his contract will terminate on 3 November 2023. David will remain on gardening leave for the remaining duration of his contract.

Simon Pryce entered a service contract with the Company on 13 March 2023, with an effective date of 3 April 2023. This contract has no fixed term and will continue until terminated by either party providing 12 months' notice.



## Directors' Remuneration report continued

## Director's share scheme interests (audited)

## Share awards

	Scheme	Notes	Date of award	Shares awarded on 1 April 2022	Awarded during the year	Vested during the year	Lapsed during the year	Shares awarded on 31 March 2023	Normal Vesting date	
Lindsley Ruth	LTIP	1, 3	18 Jul 19	269,959	7,044	131,225	145,778	-	18 Jul 22	
			19 Nov 20	195,486	-	-	18,746	176,740	4 Jun 23	
			24 Jun 21	165,945	-	-	71,314	94,631	24 Jun 24	
			21 Jul 22	-	188,851	-	144,051	44,800	21 Jul 25	
	J2G LTIP	1,2	21 Jul 22	-	535,282	-	535,282	-	21 Jul 25	
	DSBP	3	8 Jun 20	30,216	979	31,195	-	-	8 Jun 22	
			9 Jun 21	25,193	650	25,843	-	-	9 Jun 23	
			21 Jul 22	-	28,437	28,437	-	-	21 Jul 24	
<b>Total</b>			<b>686,799</b>	<b>761,243</b>	<b>216,700</b>	<b>915,171</b>	<b>316,171</b>			
David Egan	LTIP	1, 3	18 Jul 19	148,133	3,864	72,005	79,992	-	18 Jul 22	
			19 Nov 20	127,699	-	-	-	127,699	4 Jun 23	
			24 Jun 21	108,402	-	-	-	108,402	24 Jun 24	
			21 Jul 22	-	123,365	-	-	123,365	21 Jul 25	
	J2G LTIP	1,2	21 Jul 22	-	349,668	-	-	349,668	21 Jul 25	
	DSBP	3	8 Jun 20	19,738	640	20,378	-	-	8 Jun 22	
			2	9 Jun 21	16,457	-	-	-	16,457	9 Jun 23
			2	21 Jul 22	-	18,108	-	-	18,108	21 Jul 24
<b>Total</b>			<b>420,429</b>	<b>495,645</b>	<b>92,383</b>	<b>79,992</b>	<b>743,699</b>			

1. All awards made to the Executive Directors under the LTIP and J2G LTIP awards are subject to performance conditions set out on pages 125 and 126 respectively. The normal vesting date for the LTIP award is the third anniversary of grant, the 2019 LTIP Award vested on 18 July 2022.

2. Lindsley Ruth's J2G LTIP Award lapsed in full on 16 December 2022 when he stepped down from his role as CEO. The lapse in full of David Egan's J2G Award, 2021 LTIP and 2022 LTIP Awards on 3 May 2023 will be reported in next year's report.

3. Shares in lieu of dividends were awarded upon vesting of the 2019 LTIP Award, the 2020 DSBP and Lindsley Ruth's 2021 and 2022 DSBP.

## Share options

	Scheme	Date of grant	Vesting date	Expiration date	Exercise price	Shares under option 1 April 22	Granted during the year	Exercised during the year	Lapsed during the year	Shares under option 31 March 23
Lindsley Ruth	SAYE	7 Sep 20	1 Nov 25	30 Apr 26	573.00p	5,235	-	-	-	5,235
<b>Total</b>						<b>5,235</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,235</b>
David Egan	SAYE	10 Sep 21	1 Nov 26	30 Apr 27	824.00p	3,640	-	-	-	3,640
<b>Total</b>						<b>3,640</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,640</b>

## Directors' Remuneration report continued

### Summary of shareholder voting

Summarised below are the results at the 2022 AGM vote on the Remuneration Policy, the 2022 AGM vote on the Directors' Remuneration Report (excluding the part summarising the policy) and the 2022 AGM vote on the LTIP:

2022 vote on Directors' Remuneration Policy	Total number of votes	% of votes cast
For (including discretionary)	230,629,838	60.77%
Against	148,894,394	39.23%
Total votes cast (excluding withheld votes)	379,524,232	
Votes withheld	25,152,385	
<b>Total votes (including withheld votes)</b>	<b>404,676,617</b>	

2022 vote on Directors' Remuneration Report (excluding the part summarising the policy)	Total number of votes	% of votes cast
For (including discretionary)	391,422,951	98.42%
Against	6,292,878	1.58%
Total votes cast (excluding withheld votes)	397,715,829	
Votes withheld	6,960,788	
<b>Total votes (including withheld votes)</b>	<b>404,676,617</b>	

2022 vote on Long Term Incentive Plan Rules	Total number of votes	% of votes cast
For (including discretionary)	379,646,371	93.82%
Against	25,007,498	6.18%
Total votes cast (excluding withheld votes)	404,653,869	
Votes withheld	22,748	
<b>Total votes (including withheld votes)</b>	<b>404,676,617</b>	

Further detail on the 2022 Remuneration Policy engagement is set out on page 116.

### Remuneration Policy implementation for the Chair and Non-Executive Directors for the year ending 31 March 2024

Following a review, the fees for the Chair and Non-Executive Directors will be increased by 3%. The pay increases for UK employees are expected to be 5% for managers and 5.9% for non-management employees. With effect from 1 April 2023, the Chair's fees increased from £366,800 to £377,804 and the Non-Executive Directors' fees were increased from £64,662 to £66,601. The additional fees for the Audit and Remuneration Committee Chairs and SID (£15,000) and roles in respect of employee engagement (£5,000) remain unchanged.

### Remuneration Policy implementation of Executive Directors for the year ending 31 March 2024

#### Base salary

Base salary for the Executive Director effective from 1 June 2023 (with the prior year comparator and the change) are shown below:

	Base salary effective 1 June 2023	Base salary effective 1 June 2022	Change
Simon Pryce <sup>1</sup>	£750,191	-	-

1. Simon Pryce was appointed to the role of CEO on 3 April 2023 with a base salary of £750,191 which is a modest increase of 3% from his predecessor's. Simon's base salary will not be increased in 2023/24.

#### Benefits

Benefits will be provided in accordance with the Remuneration Policy. There are no changes in benefits compared to the prior year.

#### Pension

The pension rate for Executive Directors is 10.5%, which aligns with the prevailing rate for the majority of the wider UK employee population.

#### Performance-related annual bonus

The maximum annual bonus opportunity for Executive Directors will remain unchanged at 150% of base salary. Simon Pryce's annual bonus will be pro-rated from the date of his appointment.

The annual bonus will be based on a balanced set of key financial and strategic targets for the year, as set out below:

Performance measure	Weighting
Adjusted PBT	30%
Like-for-like Group revenue growth	30%
Adjusted free cash flow	15%
CO <sub>2</sub> e reduction (scope 1 and 2 emissions)	15%
Individual strategic targets	10%

The specific targets are considered commercially sensitive as they may reveal information that damages our competitive advantage. Accordingly, they will not be disclosed in advance but, to the extent the Directors consider them to be no longer sensitive, will be disclosed retrospectively in the annual report on remuneration for the relevant year.

The Committee retains the discretion within our Remuneration Policy to adjust the overall bonus outcome to ensure alignment of pay with performance and fairness to shareholders and participants.

Before any bonus may be paid, a threshold level of adjusted PBT must be achieved. One-third of any bonus earned by Executive Directors will be deferred into shares for a further two years under the DSBP.

## Directors' Remuneration report continued

### 2023 LTIP Award

Simon Pryce will be granted a 2023 LTIP Award of 250% of salary in accordance with the Remuneration Policy.

The performance measures of adjusted EPS and TSR are consistent with the prior year. The bespoke TSR peer group of 16 of the Group's global peers (as set out on page 124) will remain unchanged.

Vesting of these awards will be determined in accordance with the following performance targets measured over the three years ending 31 March 2026.

Measure	Weight	Threshold (25% of max)	Maximum (100% of max)
Adjusted EPS CAGR (three-year CAGR of the 2025/26 adjusted EPS, compared with the 2022/23 adjusted EPS)	50%	5%	10%
TSR (vs industrial / electronic peer group) <sup>1,2</sup>	50%	Median	Upper quartile
ROCE (average of 2023/24, 2024/25, 2025/26)		Underpin 20%	
		If the underpin is not met, the Committee will review the formulaic level of vesting and consider whether it would be appropriate to use its discretion to reduce the level of vesting.	

1. Straight line vesting between measurement points.

2. TSR peer group is detailed on page 124.

Taking account of internal forecasts of performance over the performance period, the challenging markets conditions in which the Group operates, our long-term growth ambitions and the expectations of the investment community of the Group's future potential performance, the adjusted EPS targets are considered to be appropriately stretching. Maximum pay-out requires the delivery of an ambitious upper target, which represent significant out-performance. The strong performance delivered in the 2023 financial year, which is the base year for the 2023 LTIP grant, also adds to the stretch.

The award will be subject to a post-vesting holding period of two years.

### J2G LTIP Award

As noted in the Chair's letter, Simon Pryce will be granted a pro-rated J2G LTIP Award of 498% of basic salary of the Group's former CEO. The share price used to determine the number shares to be awarded will be the share price used to determine the grants of J2G LTIP Award in July 2022. The number of shares to be granted will be no higher than 355,427 (being the time pro-rated number of shares subject to the J2G LTIP Award granted to the former CEO of the Group which has now lapsed). Subject to the achievement of the exceptionally stretching performance conditions as set out on page 126, awards are due to vest in July 2025, and in line with best practice and shareholder expectations, an additional holding period will be applied to Simon's award such that the total vesting and holding period is five years.

As set out in last year's report, the J2G LTIP Award is a one-off incentive plan and as such no further grants will be made to Executive Directors after the above award has been made to Simon.

### All employee share plans

Executive Directors can participate in any all employee share schemes offered to all employees on identical terms, with the exception that they are not able to participate in the all employee RS YAY! Award set out on page 122.

## Directors' report

# DIRECTORS' REPORT

This section (together with the information on pages 82 to 132 and other information cross-referenced by this section which is incorporated by reference) constitutes the Directors' report for the purposes of the Companies Act 2006 and fulfils the requirements of the corporate governance statement for the purposes of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR).

## Information incorporated by reference

The following information required to be disclosed in this Directors' Report (in accordance with Listing Rule (LR) 9.8.4R and otherwise) is set out on the page numbers below:

Content	Page
Likely future developments	5, 14 to 17
Diversity and Inclusion Policy (including disability <sup>1</sup> )	79
Employee engagement	63, 67, 85, 88, 92, 95 and 121
Other stakeholder engagement	7 to 9, 91 to 94 and 116
Greenhouse gas emissions <sup>1</sup>	53
Names of Directors who served during the year	86 and 87
Details of employee share schemes	114, 120, 122, 132 and Note 8
Risk management (including hedging) and financial instruments	173 and 174, 176 to 180
Activity on Company culture	18, 21, 63 and 64
Interest capitalised by the Group	170
Long-term incentive schemes	119 and 120, 124 to 126 and Note 8

1. Information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and included in the Strategic Report.

## Principal activities

RS Group is a global omni-channel provider of product and service solutions for designers, builders and maintainers of industrial equipment and operations. RS Group plc is a public company incorporated in England and Wales with company number 647788.

A list of the Company's investments and subsidiaries at 31 March 2023 can be found in Note 29 to the Group accounts on pages 183 to 186 of this Annual Report.

The principal activity of the Company is to act as the holding company of the Group.

The Directors are not aware, at the date of this report, of any major changes in the Group's activities in the coming year.

## Results and dividends

The Group's results for the year ended 31 March 2023 are set out in the Group income statement on page 144.

The Board proposes, subject to approval of shareholders at the AGM to be held on 13 July 2023, that a final dividend of 13.7p per ordinary share be paid on 21 July 2023 to shareholders whose names are on the register of members at the close of business on 16 June 2023. The Directors have declared dividends as follows.

Dividends in 2022/23	Dividends in 2021/22
Interim dividend of 7.2p per ordinary share (paid on 6 January 2023)	6.4p per ordinary share
Proposed final dividend of 13.7p per ordinary share (to be paid on 21 July 2023)	11.6p per ordinary share
Total ordinary dividend of 20.9p per ordinary share for the year ended 31 March 2023	18.0p per ordinary share

During the year under review Computershare Trustees (Jersey) Limited, trustee of the RS Group Employee Trust (previously known as the Electrocomponents Employee Trust) has waived its right to receive dividends over its total holding of 336,084 shares as at 31 March 2023.

## Appointment and retirement of Directors

The appointment and retirement of Directors is governed by the Company's Articles, the Code and the Companies Act. The Company's Articles may only be amended by a special resolution of the shareholders in a general meeting.

In the interest of good governance and in accordance with the provisions of the Code, all Directors will retire and will seek re-election at the forthcoming AGM.

Biographies of the current Directors can be found on pages 86 and 87. Details of the Directors seeking re-election at the AGM are set out in the Notice of AGM.

## Directors' report continued

### Board composition changes

Changes to the composition of the Board since 1 April 2022 up to the date of this Report are shown in the table below. In addition to these, Simon Pryce, having been a Non-Executive Director since 2016, was appointed as CEO with effect from 3 April 2023.

	Joined the Board	Left the Board
Navneet Kapoor	1 June 2022	
Lindsay Ruth		16 December 2022
David Egan		3 May 2023

### Directors' interests

The Directors' interests in, and options over, ordinary shares in the Company are shown in the Directors' Remuneration Report. Since the year end, there have been no changes to such interests.

In line with the requirements of the Companies Act, Directors have a statutory duty to avoid situations in which they have, or may have, interests that conflict with those of the Company unless that conflict is first authorised by the Board.

The Board has in place a formal conflicts of interest management procedure. The Board is responsible for considering whether authorisation is required, and if it can be given, in relation to new situations as they arise. The Board reviews annually any conflict authorisations it has given and any limitations that have been applied. The Company's Articles contain provisions to allow the Directors to authorise potential conflicts of interest, so that if approved, Directors will not be in breach of their duty under company law.

### Powers of the Directors

Subject to the Articles, the Companies Act and any directions given by special resolution, the business of the Company will be managed by the Board, who may exercise all the powers of the Company. The Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertaking, property and uncalled capital and to issue debentures or other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

### Directors' indemnities

In accordance with the relevant provisions of the Companies Act and the Company's Articles of Association (Articles), the Company entered into a new deed in 2023 to indemnify the Directors and officers (from time to time) of the Company to the extent permitted by the law. The deed for existing Directors is available for inspection at the registered office of the Company.

The Company purchased and maintained Directors' and Officers' liability insurance throughout 2022/23, which was renewed for 2023/24. Neither the indemnity nor insurance provides cover in the event that a Director or Officer is proved to have acted fraudulently.

### Substantial shareholders

The processes by which the Company seeks to understand the views of its major shareholders are described on page 8.

Information provided to the Company by substantial shareholders pursuant to the DTR is published via a Regulatory Information Service.

As at 31 March 2023 and 23 May 2023, being the last practicable date, the Company had been notified by its substantial shareholders under Rule 5 of the DTR of the following interests in the Company's shares:

Shareholder	Number of shares as at 31 March 2023	Percentage of issued share capital as at 31 March 2023	Number of shares as at 23 May 2023	Percentage of issued share capital as at 23 May 2023
Ameriprise Financial, Inc. <sup>1</sup>	61,286,939	12.965%	56,725,180	11.998%
BlackRock, Inc.	37,698,147	7.98%	37,698,147	7.98%
Mawer Investment Management	24,103,707	5.10%	24,103,707	5.10%
Jupiter Fund Management PLC	22,996,528	4.87%	22,996,528	4.87%

1. Ameriprise Financial, Inc. includes Threadneedle Asset Management Holdings Ltd.

## Directors' report continued

### Share capital

As at 31 March 2023, the Company's issued share capital comprised a single class of 472,784,409 ordinary shares of 10p each, totalling £47,278,441.

Full details of share options, awards and shares issued under the terms of the Company's share incentive plans can be found in Note 8 on pages 157 to 160.

The Company was authorised by shareholders at the AGM held on 14 July 2022 to purchase up to 5% of its ordinary share capital in the market. The Company did not make use of this authority during the year, and in line with market practice, will be seeking to renew such authority at this year's AGM.

### Restrictions on voting rights

A member is not entitled to vote (in person or by proxy) at any general meeting or class meeting if either: (i) any call or other sum then payable by that member in respect of that share remains unpaid; or (ii) that member has been served with a notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act. Voting rights may be exercised in person, by proxy or, in relation to corporate members, by a corporate representative. Proxy forms must be submitted not less than 48 hours before the time of the meeting or adjourned meeting.

### Restrictions on transfer of shares

The Directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully paid shares) provided that such discretion may not be exercised in such a way as to prevent dealings in the shares

of that class from taking place on an open and proper basis. The Directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly, in which case notice of the refusal must be sent to the allottee or transferee within two months after the date on which the letter of allotment or transfer was lodged with the Company. A shareholder does not need to obtain the approval of the Company, or of other shareholders in the Company, for a transfer of shares to take place.

### Political donations

In the year ended 31 March 2023, the Group made no political donations or contributions. It remains the Company's policy not to make political donations. However, the application of the relevant provisions of the Companies Act is potentially very broad in nature and, as it did last year, the Board will be seeking shareholder authority to make political donations up to a defined limit to ensure that the Group does not inadvertently breach these provisions as a result of the breadth of its business activities, although the Board has no intention of using this authority.

### AGM

The Notice of AGM is set out in a separate circular. The AGM will be held at 12.00pm on Thursday 13 July 2023 at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD. This year we will be offering shareholders the ability to attend in person. Shareholders can submit questions relating to the business of the meeting in advance to [CompanySecretary@rsgroup.com](mailto:CompanySecretary@rsgroup.com). Further information is set out in the Notice of AGM.

### Independent Auditors and audit information

Each Director who held office at the date of approval of this Directors' Report confirms that:

- So far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware
- That each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act.

### Post balance sheet events

Post balance sheet events are detailed in Note 30 to the Group accounts.

### Significant agreements: change of control

The Company has a number of contractual arrangements which it considers essential to the business of the Company. Specifically, these are committed loan facilities from a number of banks and arrangements with third-party providers of administrative services. A change of control of the Company may cause some agreements to which the Company is a party to alter or terminate. These include bank facility agreements and employee share plans, which would normally vest and become exercisable on a change of control subject to the satisfaction of any performance conditions at that time. The Group has committed facilities totalling £560.4 million as at 31 March 2023 which contain clauses which require lender consent for any change of control. Should consent not be given, a change of control would trigger mandatory repayment of the said facilities.

### Articles of Association

Any amendments to the Articles of the Company may be made in accordance with the provisions of the Companies Act by way of a special resolution of the Company's shareholders in a general meeting. The Articles were last approved by shareholders at the AGM in 2021/22.

### Governance arrangements

Information regarding the Company's governance arrangements is set out in the Governance Report on pages 82 to 132. These pages are incorporated by reference into the Directors' Report.

On behalf of the Board:

**Clare Underwood**  
**Company Secretary**  
 23 May 2023

## Statement of Directors' responsibilities

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## Responsibility of Directors for annual report and accounts

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulation.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have prepared the Group accounts in accordance with UK-adopted international accounting standards (UK IAS) and Company accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), and applicable law).

Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the accounts, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable UK IAS have been followed for the Group accounts and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the Company accounts, subject to any material departures disclosed and explained in the accounts;

- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the accounts and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 86 and 87 confirm that, to the best of their knowledge:

- The Group accounts, which have been prepared in accordance with UK IAS, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- The Company accounts, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 102, give a true and fair view of the assets, liabilities and financial position of the Company; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's Auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's Auditors are aware of that information.

By order of the Board:

**Simon Pryce**  
Chief Executive Officer